FOREIGN FIRMS - in SA. - USA.

1987

JANUARY — MAY.

Disinvestment only impoverishes SA, says Shell boss

2/11/87

By Colleen Ryan,
Political Reporter

The executive chairman of Shell South Africa, Mr John Wilson, has hit out at American disinvestment, saying it impoverished South African society.

Commenting on the withdrawal by the world's largest oil compay, Exxon Corporation, Mr Wilson said "the tragedy of transnational withdrawals was that no positive changes would occur on the domestic political scene as a result of the action".

Multi-nationals could not be replaced by merely "buying out their assets".

CONTRIBUTION

"Their contribution is not only capital but the most modern technology, business systems and world-class management and management philosophies," he said.

Mr Wilson quoted a statment made by Mr L C van Wachem, the president of the Royal Dutch Petroleum Company, which is the controlling shareholder of the Shell group, that withdrawal, which had no positive and probably some negative effect on the community, "would not be a demonstration of moral rectitude, but of moral weakness".

Mr Van Wachem said: "Our critics sometimes give the impression that business, and foreign-owned business in particular, can determine the future of South Africa. Would that it were so, because then apartheid would be dead and buried. In reality, whilst business can exercise some influence with the South African Government, it cannot on its own produce the major political shift by Pretoria which is required."

● A Mobil company spokesman said in Washington that Exxon's pullout would not influence Mobil to do the same.

4/1/87 · CITYPRESS 62

Exxon on the off ramp

EXXON, the world's largest oil company, announced this week that it has pulled out of South Africa by selling the shares of its former South African affiliates to a trust established to continue their operations.

The company, the second largest in the United States, did not disclose what was received for the operations or their revenues.

Exxon said in a statement it had relinquished all ownership and management control of its former South African activities.

About 65 firms, nearly all from the United States, have pulled out of South Africa this year citing falling busines and dissatisfaction with the pace of change in the country's racial policies.

Exxon said a decision was made to use a trust arrangement after it was unable to reach agreement for the sale of its South African operations to local interests.

Exxon said the trust included provisions for employee profit-sharing, continued support of South African social responsibility programs and, after payment for the value of the operations to Exxon, profit distribution to social beneficiaries in South Africa.

Exxon president Lawrence Rawl said: "The deterioration of the South African economic and business climate caused by the continuing internal and external constraints has affected our business and its potential for growth."

Exxon said it had two small companies in South Africa, one selling petroleum products and the other chemicals. Neither had refining or chemical manufacturing plants and the total employee workforce for both companies was about 200 people.

The American Chamber of Commerce in Johannesburg has said it expected between 22 and 30 more US companies to withdraw by the middle of 1987.

Commenting on the Exxon withdrawal from South Africa, John Wilson, executive chairman of Shell SA, said US boycott action and the escalating number of withdrawals from South Africa by US business impoverished South African society.

He said trans-nationals could not be replaced by merely buying out their assets. Their contribution was not only capital but the most modern technology, business systems and world-class management and management philosophies.

California launches huge SA disinvestment campaign

The Star Bureau

WASHINGTON — California has launched the biggest disinvestment wave in America so far, but United States businesses have shown little interest in helping the billion-dollar stock-shedding process.

The state has embarked on a divestment schedule involving about $9,2 billion (about R21 billion) in terms of law passed last year ordering a severing of links between state institutions and firms operating in South Africa.

Two huge Californian pension funds have had scant response from US businesses to written demands for certain pledges involving South Africa.

According to the new law, the disinvestment process formally started last Thursday. This year, state pension funds cannot make any new investments in companies doing business in South Africa unless a firm supplies a board resolution not to expand its commitments or make any new ones.

The funds, the Public Employees' Retirement System and the State Teachers' Retirement System, have been pursuing these promises by letter.

The employees' fund, with assets of about R95 billion dispatched 243 letters to companies with South African links. Four resolutions were received, with few other replies.

"They appear to be ignoring us," said Mr Basil Schwan, assistant executive officer of the fund.

The teachers' fund has struck snags as well. It sent out 7 000 letters, receiving about 1 200 replies. Most were from firms with no South African connections.

There were few replies from America's top Fortune 500 companies, a fund spokesman said.

The University of California has said companies promising to comply with federal law are good enough for now. Sanctions legislation passed by Congress on October 2 forbids any new US investment in South Africa.

This could in part explain the silence of businesses to the pledge demands — they may consider resolutions redundant since new investment is illegal anyway.

Only 10 of the 200 companies the university reached have not so far replied. But a university spokesman said the outstanding responses were expected shortly.

California bars two funds to 200 US firms

JOHN EMSHWILLER

LOS ANGELES — For the lack of a letter, the stocks of more than 200 of America's biggest companies can no longer be bought by two major California State pension funds.

The state's plan to divest itself of investments in companies doing business in SA formally took effect on New Year's Day. Covering about US$9 000m in assets, the divestment plan is the biggest of dozens of similar efforts undertaken by state, local governments and other US institutions.

The divestment plan already has caused the two most-affected funds to search for alternative investment opportunities, ranging from investments overseas to supplying venture capital.

Resolution

The law, enacted last year after a long and sometimes rancorous debate, requires California's pension and investment funds to divest themselves by the end of 1990 of securities in companies doing business with SA.

Actual sale of securities isn't required to begin until next year. During 1987, the funds can't make any new investments in a concern with South African ties unless the company provides a resolution from its board — made under penalty of perjury — not to expand existing commitments or make any new ones.

California's two biggest pension funds — the Public Employees' Retirement System and the State Teachers' Retirement System — have been seeking such promises in recent months from companies around the country, and have been having almost no success. The public employees' fund, America's biggest public pension fund with assets of about US$40 000m, sent out 243 letters to companies it identified as doing business in SA.

The fund got back four of the requested resolutions, and in most cases received no response at all, even after a follow-up letter. "They appear to be ignoring us," says Basil Schwan, assistant executive officer for the public employees' fund. "I guess they really don't care who owns their stock."

The teachers' fund was more ambitious, sending out 7 000 letters. It received about 1 200 responses, mostly from small companies with no ties to SA and thus involving no sworn statement.

Companies may be essentially complying with the California plan, even if they won't say so under oath. A recently-passed US Federal law bars companies from making new investments in SA and restricts expansion of current holdings.

The University of California has decided that a company promising to comply with the Federal law is good enough for now. Though the university adopted for its US$10 000m investment fund a divestment plan, of the nearly 200 companies contacted, all but 10 have sent assurances that they are complying with Federal law.— AP-DJ.

Hold-up in sending rules to SA

New regulations will force more US firms to quit

BUSDAY 6/1/87

HAMISH McINDOE

REGULATIONS issued by the US Treasury Department to activate the ban on new investment will force more US companies to leave SA and have far-reaching financial implications for those who elect to stay.

The American Chamber of Commerce (Amcham) in Johannesburg predicts the growth rate of US companies in SA will reach a plateau — and then fall sharply.

Amcham president Frank Lubke said yesterday: "It will lead to a shrinkage of a lot of US companies doing business here."

Released

The Treasury's regulations have still not been made available in SA, although they were released in the US a week ago.

No reason has been given for the delay, which is adding heavily to the frustrations of companies trying to stay — or planning to quit — SA.

But US trade officials reject suggestions that Washington has adopted a deliberate go-slow on clarifying the ban, which came into effect in November.

Economic affairs consul Leo Cecchini said he had "badgered Washington" yesterday for the regulations.

He also gave the strongest official indication that some of the Treasury's regulations may be unworkable.

"There are a still a couple of areas that are hard to understand," Cecchini said.

Specifically, these cover how US companies may continue to operate in SA, and the handling of stock ownership after disinvestment.

Cecchini made clear, however, that Washington "does not want to make mistakes. Legal questions are invloved which may have to hold up in court."

Many of the methods US companies have used to pull out of SA while allowing their former subsidiaries to remain in business may now be illegal.

Only three of the 65 companies that disinvested last year cut all ties with SA.

But expectations last month that General Motors' agreement to pay off GMSA's debt could run foul of the regulations have not materialised.

Materialised

And Exxon, which traded in SA under the name Esso until it disinvested last week, has also completed the sale of its assets for an undisclosed amount.

Said Esso MD Peter Delvalle: "To the best of our knowledge the sale of the company to the trust was in accordance with the sanctions Bill."

The new name of the company still has to be disclosed.

PE, SA better off without GM, says White

By DENISE BOUTALL

PORT ELIZABETH and South Africa were better off without the presence of General Motors Corporation, the last managing director of General Motors South African, Mr Bob White, said yesterday.

"GM was seen by the South African public as too political and in the last six months there has been a strong anti-American bias here. As a result our products were suffering," he said.

Sanctions and the mood this reflected in the US also meant that American companies had become ineffective as forces that might persuade the South African Government to reform.

Political uncertainty would, however, continue to hold the South African economy back for a while.

"It would certainly help if the Government were more specific about which direction it's going. The whole country needs renewed confidence."

In an exclusive interview with the Evening Post, Mr White, who handed over GMSA's assets to its new owners on January 1, explained the history of GM's decision to sell the South African company and spoke of the prospects for the South African motor industry.

Since his arrival in SA 18 months ago, Mr White has been intimately involved in plans for some form of disinvestment.



The last managing director of General Motors South African, Mr BOB WHITE, and his wife, GEORGIA, leave Port Elizabeth on Friday.

Hopes of partnership with a South African investor and later plans for a joint venture with BMW, both of which would have seen GM keeping management control of the operation, came to nothing.

In August he started work on the only other option, a management buyout which allowed GM to keep its products on the South African market and to keep jobs going in PE.

The reasons for the pullout were the fact that the economy had been stagnant for five years and that political pressures both inside and outside the country were mounting.

"While one might weather a recession, all foreign companies have had to look at the impact remaining in SA would have on their activities elsewhere," he said.

Ultimately the sanctions legislation in the US made it impossible for American companies to make new investments in SA and as a wholly owned foreign company GM had always been prohibited from raising money in SA.

GM's slide in the South African car market, he explained, dated back to the early 1970s when the international perception of SA became more negative. This put the company in the US and in SA on the defensive.

"As a result we didn't do certain things that we probably should have and we suffered in the very competitive car market here."

On the future of the South African motor industry, he said although the long-term future would depend on the political situation, SA would remain an important market.

On the prospects for 1987, he predicted that the car market would grow by 5% to 6% at most.

White tells PE to jack up image

62 Eve Post 7/1/87

By DENISE BOUTALL

MR BOB WHITE, outgoing managing director of General Motors South African, has called on the people of Port Elizabeth to start fighting back against the city's negative image.

In a wide-ranging interview Mr White, who leaves PE on Friday after handing over GMSA to its new owners last week, also said he believed it was still possible for all South Africans to agree on a political dispensation that would be acceptable to all.

He called on the PE City Council to play a more active role in seeking solutions to the region's political problems.

Mr White, who made international headlines when he promised that the company would pay the legal costs of any GM employee fined or prosecuted for swimming at beaches of their choice, also called for a clear decision on issues such as beach apartheid and the Group Areas Act.

"The rest of South Africa has a very negative image of PE," he said. "What really worries me is that the people here don't seem to be fighting back.

"If I have any criticism of PE it is that there are a lot of well-meaning people who are concerned about the city, but there has been no catalyst to draw them all together to discuss their common problems and seek common solutions."

Businessmen could only act as bridges in a negotiating process.

"Unless the elected representatives of the community are in the forefront, any efforts to improve relations will fall down."

The Government appeared to be letting issues like beach apartheid and the Group Areas Act "go by default". Clear decisions and strong leadership were needed.

It was vital that the

● Turn to Page 6

Hunter held for shooting at a Boeing

RALEIGH, North Carolina — A hunter has been arrested and charged with shooting at an airliner as it was landing last week, the FBI said yesterday.

A passenger was injured in the incident.

The hunter, Mr Robert Proulx, was charged with destruction of an aircraft. He allegedly shot the United Airlines Boeing 737 jetliner with a .30 rifle on December 31.

Clamp on horse flu

— Page 9

PE told to jack up its negative image

62 Eve Post 7/1/87

● From Page 1

region go ahead with plans for its own "indaba".

Mr White warned that the Mossel Bay off-shore gas project should not be seen as the solution to the region's economic problems.

PE had a lot of assets, and tourism and the convention business were obvious ways of widening its economic base.

"A lot of cities have faced similar problems. Everybody should come together and address the issue as a community," he said.

Mr White has no regrets about his public stand against beach apartheid.

"It cost us a few sales, but it might have helped to create an interest in the issue."

On the social problems facing PE, he said that housing and education were the major issues.

"I hope someone will tackle the housing problem on a massive scale, not only to provide houses, but also to create employment opportunities."

Mr White said he believed it was still possible for South Africans to agree on a political dispensation.

"The problem is how such an agreement would be viewed by the rest of the world. The longer the turmoil goes on, the more the external world will harden its attitude in favour of black power as the solution."

"We've lived in six countries and the South Africans are the friendliest people in the world."

● Mr White's new job will be executive in charge of international export sales and president of GM's overseas distribution corporation.

today. ... also chose to remain ... lent and not answer ... questions.

Mrs Saunders, 33, ... Heugh Road, Walmer, ... alleged to have murder... her husband on Octob... 10 last year by hitting h... with a pick axe handle ... similar object.

The case was po... poned to F...

Scholl-Plough quits quietly

US COSMETICS manufacturer Scholl-Plough quietly left SA this week and followed Eastman Kodak's example of severing all links with the country.

Operations will not be allowed to continue under local management, and Scholl-Plough's 104 overseas offices have been ordered not to supply SA.

According to the Investor Responsibility Research Centre, New Jersey-based Schering-Plough Corp, Scholl's parent, has two SA subsidiaries, Scherag Pty and Scholi-Plough Pty.

Total SA sales in 1984, the latest figure available, were below $18.7m and represent less than 1% of the group's world total.

The pull-out is thought to be politically motivated and not prompted by SA's poor economic and business climate, ostensibly the major divestment consideration of many US companies last year.

HAMISH McINDOE

It is believed, however, that local management is urging head office to allow it to continue handling some Scholl-Plough products here.

Scholl-Plough, which has no manufacturing facilities in SA, retrenched 45 staff at its Isando office on Wednesday.

Financial director Nick Wallace said yesterday:

"Our New Jersey head office intends to meet all its SA liabilities and all employees have received generous severance packages."

Scholl-Plough distributed Coppertone suntan lotion, Scholl footware products and Rimmel and Maybellin cosmetics in SA.

itch R850m of JSE shares

HAROLD FRIDJHON

said yesterday that in the first four months of 1985, offshore investors were heavy buyers of these shares and it was only later in the year that they turned sellers to the tune of R650m.

A study done by brokers Davis Borkum in 1985 showed that US investors then held about R16,9bn worth of SA mining and mining financial equities. Adjusting this figure for the sharp increase in share prices and making allowance for net sales over the past 18 months, it is reasonable to assume that the current value of the US holding of SA equities is about R30bn.

A GLANCE

REUTERS

T MOVEMENTS — JANUARY 7 to JANUARY 8

Previous			Latest		Johannesburg Stock Exchange		
$/R Comm	$/R Fin	DM/$	£/R	3 months B A	All Gold BD Index	BD Indust Index	JSE Ov'all Index

Shell is next AAM target

The Star Bureau

LONDON — British motorists will be urged to boycott Shell petrol stations as the Anti-apartheid Movement (AAM) steps up its campaign to get all British companies out of South Africa.

The movement decided on Shell as its next target at its annual meeting in London on Sunday. The decision comes just two months after banking giant Barclays bowed to pressure and sold its South African interests.

An AAM official, the Reverend David Haslam, said: "1986 was the year of Barclays. 1987 will be the year of Shell."

Shell say they have no intention of pulling out at this stage.

Barclays met ANC

The Star Bureau

LONDON — Barclays Bank has confirmed that it had talks with the African National Congress, as reported by a British newspaper at the weekend, but denied the claim that the meetings were tied to its recent withdrawal from South Africa or its desire to protect its R2 450-million loan exposure to the country.

The last meeting was in July, a bank spokesman said.

It also said Barclays' loans to South Africa were subject to the same 18-month repayment moratorium as loans by other banks.

A meeting took place with the ANC in Lusaka in 1985 and other contacts were made in London with ANC leader Mr Oliver Tambo, the bank said.

Ban on ANC ad cancels IFF counter

The Government's ban on "pro-African National Congress" advertisements has forced the International Freedom Foundation to cancel a counter advertisement which was to have been published at the weekend.

In a statement to The Star on Friday, the Johannesburg branch of the IFF said it had intended placing its own advertisement in local newspapers to counter the ANC's "disinformation campaign".

The IFF said it regretted the Government's overhasty action in banning the ANC advertisement placed in several newspapers last week by the United Democratic Front, the SA Council of Churches and several other organisations.

"This will naturally have the negative effect of curtailing discussion about the true facts regarding ANC terror," the IFF's Johannesburg executive chairman Mr Russel Crystal said.

He added that it had been the intention of the IFF to place its own advertisement in The Sunday Star, The *Sunday Tribune*, *Rapport* and *The Sunday Times* in order to reveal the facts of the "continued disinformation campaign of the UDF and other organisations concerning the ANC."

Buy-out of IBM nears conclusion

BUSDAY 13/1/87

DAVID FURLONGER
Industrial Editor

FINAL agreement on the local management buy-out of IBM in SA is expected within two weeks.

MD of IBM (SA) and head of the buy-out team Jack Clarke is likely to sign the deal when he visits IBM headquarters in Armonk, New York, in the week starting January 26.

When IBM announced in October it was pulling out of SA, it set March 1 this year as deadline for an agreement. A local company spokesman said yesterday the deal was "pretty much on schedule".

"We're near the end of negotiations. Agreement has been reached on the main principles. What we are looking at now is equity participation and how we are going to communicate the deal to our staff."

In terms of the deal, the existing IBM (SA) board will remain on the board of the new company. The company's 1 550 employees will keep their jobs and participate in a profit-sharing scheme.

The company will retain exclusive access to IBM products and technology but will also be able to market other products.

The spokesman said a name for the company would probably be announced on February 27.

IBM officials have declined to put a value on the sale, which is likely to be financed through profits generated by the new company.

IBM buy-out accord soon

Own Correspondent

JOHANNESBURG. — Final agreement on the local management buy-out of IBM in SA is expected within two weeks.

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19/1/87 BUSDAY 62 280

Petrol stations to be picketed

Shell next in line for AAM 'quit' pressure

JOHN BATTERSBY

LONDON — Pickets of Shell petrol stations throughout Britain are being planned by the Anti-Apartheid Movement (AAM) starting on March 1.

The pickets will be the main thrust of a major campaign to force Shell to quit SA.

Shell, which is clearly concerned about the campaign, insisted yesterday it could do more to achieve end apartheid by remaining in SA than by quitting.

"But we have no quarrel with the objectives of the AAM in wanting to dismantle apartheid and would be prepared to meet them to discuss the situation," a spokeswoman said.

The AAM is set to launch a major campaign to seek a boycott of all Shell products in a campaign similar to that which forced Barclays Bank to quit SA.

Motorists will be urged by pickets to boycott Shell filling stations and products.

The AAM has long contended that Shell petrol "fuels the apartheid regime" and that Shell is more closely identified with the Nationalist government than other major oil companies.

The AAM contends Shell has been a key factor in contravening the UN oil embargo and that follows unacceptable labour practices in its coal mines at Rietspruit.

An AAM spokesman said yesterday if Shell decided to cut its links with SA "the boycott would end tomorrow".

AAM secretary Mike Terry said Shell had been singled out for special attention because it was the worst offender.

"1986 was the year of Barclays. 1987 will be the year of Shell. Within a year they will have to reconsider their decision to keep dealing with apartheid," Terry said.

AAM sources claim that several British local authorities have already agreed to stop bulk-buying from Shell.

"THE

BUSDAY 62 289 15/1/87

Sullivan firms to spend less to fight apartheid

SULLIVAN Code signatories spent at least R76m to fight apartheid in their last reporting year, but spending in the current term is set to fall sharply as US corporations continue to leave SA.

The efforts of the code's 184 signatories to lobby or buy social change in SA received scant praise in the overview of the 10th annual Sullivan report.

It merely says corporate America "continued to increase efforts" in the four rating areas of Education for Non-Employees, Training and Advancement, Community Development, and Social Justice.

HAMISH McINDOE

Thirty-four companies achieved the highest rating — "making good pogress" — including Coca-Cola, IBM, Exxon, General Motors, Honeywell, Xerox and Fluor — all of whom have left SA since the end of the reporting year to June 1986.

No companies failed to make the grade, but Goodyear, Hoover and advertising agency Ogilvy & Mather, Rightford, which is less than 50% US-owned, are among the 18 companies that "need to become more active". Most signatories were simply "making progress".

Corporate action varied from a company blacklisting two SA hotel chains for their whites-only admission policy to the lobbying against the detentions without trial of employees and trade unionists.

Spending on education more than doubled to R25m, and the funding of community development projects rose by 23% to R31m.

About R20m was ploughed into anti-apartheid activities in what the report bills as "the most dramatic expansion of the programme to date".

This focused on legal assistance for detained employees, anti-apartheid advertising and lobbying Pretoria at various levels of government.

Sullivan signatories employed 62 376 people last year; representing about 1% of SA's economically active labour force.

All signatories paid wages of at least 30% above the minimum living level (MLL), a yardstick established by Unisa. The MLL averaged R350 in the reporting period, the report says.

Appeal by Sasol 'deferred'

Five firms taken off US boycott list

BUSDAY 15/1/87

FIVE South African companies have been removed from the list of 166 parastatals whose products are to be boycotted under the US Anti-Apartheid Act.

A top US source said last night that of the seven companies which had appealed to the Parastatals Appeals Panel, only one, Putco, was kept on the list while Sasol's case had been deferred "because of its complicated nature".

The companies whose appeals were upheld are Klein Karoo Landboukooperasie, Siemens, Computechnology, Tecne-

MAX DU PREEZ and ALAN SENDZUL

were "preferred government suppliers" of terminals. Andromeda Electronic Systems has not been removed from the list.

Chairman and CE of Mercedes Datakor group Nic Frangos said the ban as it stood had posed no threat to his firm since it did no exporting to the US.

Executives at Siemens preferred not to comment on their removal from the list, saying they would wait for official confirmation.

Francois Geldenhuys, MD of Tecnetics, a data communication and network

JSE hits new high

LIZ ROUSE

THE soaring gold price set off another mining buying spree on the JSE yesterday and even London turned a buyer.

Major market indices hit new highs. The market closed in a buoyant mood as the gold price neared $420 in after-hour dealing in Europe.

According to analysts, the metal, having broken through two barriers in a short time, should now stage a fast advance, if the charts are to be trusted.

The man in the street climbed into lower-priced gold shares, but the strength of gold leaders such as Vaal Reefs, Southvaal and Randfontein reflected professional buying.

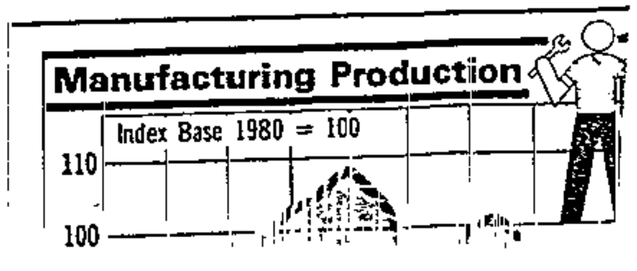
Analysts are now looking for an all-gold index of 2 200. The index firmed 54 points to a new high of 2 154 yesterday with 12 gold shares at new peaks.

Mining holdings

The mining holdings index rose 13 points to a new high of 1 412, with eight shares at new peaks. The mining house index gained 49 points to 2 819, nearing its previous peak of 2 840. The diamond index bounced up 207 points, back at its Monday peak of 7 253.

UPS AND DOWNS

- New York midday precious metal futures — platinum Jan $537,10 up $6,4(
- Gold comex Jan $417,50 up $6,60.
- Dow Jones industrial stock average 1 pm EST was up 21,65 at 2 034,59.
- In London, gold closed at $417,50/$41 (Afternoon fix $415,10) The krugerrar ended at $418,00/50.
- The dollar was quoted late in the d at 1,8365-75 DM, down from 1,8740- late Tuesday, and 152,80-90 yen, do from 155,70-77 yen.
- Sterling closed at $1,4995/5005 and DM2,7630/7715.



US withdrawals kill off welfare projects

AMERICA'S corporate run from SA is having a terminal effect on many social programmes aimed at improving the lot of the black community. It is also likely to persuade more blacks that big business is, at best, a faint-hearted ally in the battle for political reform.

The touted remedy that sanctions would pressure Pretoria into reforms has not worked any more than the "sweat equity" of Sullivan Code signatories has hastened the dismantling of apartheid.

Instead, many divested companies have left a trail of unfinished community and welfare projects but continue to allow their products to be sold in SA; an action that has infuriated many blacks.

Extra $40m

Washington itself has not shirked its financial commitment to help under-privileged black South Africans — witness the extra $40m allocated for this purpose by the Anti-Apartheid Act last year. But the Reagan administration will clearly not fund the welfare programmes of departed US companies.

General Motors and IBM will honour their social projects. But Coca-Cola — which ploughed $10m in 1985 into a five-year education, housing and business programme — is apparently still undecided whether to continue its support.

Says Soweto Chamber of Commerce executive director David Mailoane: "We're not happy to see US companies go. But we're even less happy about the manner in which most of them have chosen to leave."

The Sullivan Signatory Association (SSA) fears that more US companies will fall into "white hands" and further entrench economic apartheid. Management of former Sullivan companies, for one, are no longer bound by the terms of the code to pay their workers 30% more than the minimum living level. So far, there is no evidence that black wages have been eroded.

Black business opinion is not only hostile to the jettisoning of social programmes, but openly sceptical that corporate America has the leverage to bring about the smallest political reform in SA — if it ever had.

Mailoane believes blacks have been misled by hopes of a US corporate "Messiah" bringing about political change in SA. "The efforts of SA companies far outweigh the

HAMISH McINDOE

contribution of foreign companies anyway," he says.

One prominent black businessman, who asked not to be named, resignedly asked: "Why should foreign companies fight on our behalf?"

Not surprisingly, the Urban Foundation does not hold such jaundiced views. Executive chairman Jan Steyn describes the saddest aspect of US divestment as the loss of "well-directed programmes aimed not only at social and economic upliftment but at securing fundamental change.

Pressures

"We found leadership in the US business community; strong and sensible allies in our efforts, for instance, to secure full property rights for blacks and to lobby for a positive urbanisation strategy," says Steyn.

SSA executive director Lionel Grewan is sympathetic to the pressures facing US companies. "They are clearly not political organisations, but they've been drawn into SA's political battles here and abroad."

The *Wall Street Journal* recently noted that US companies must please too many masters: shareholders, anti-apartheid lobby and the black community.

Black opinion on disinvestment has shifted since GM and IBM announced they were leaving and triggered a spate of smaller corporate pullouts.

Doyen of South African social scientists, Professor Lawrence Schlemmer, believes the current disinvestment row will polarise black opinion. The latest surveyed trends on these issues, he says, are already eight months out of date.

"Threat of higher unemployment will make some blacks more intensely opposed to disinvestment. The better educated and opinion-formers will support disinvestment and sanctions as publicity mounts.

"But there's no doubt that most blacks want effective external pressure on Pretoria to end apartheid," Schlemmer says.

The chances, however, of US companies heeding the Leon Sullivan's call to quit SA by May 31 unless statutory apartheid is scrapped are rated as nil.

Sullivan has said he will use $100bn worth of stocks and investments pledged to his cause to force out all remaining US companies from SA. "Frankly," says Grewan, "we don't expect a lot of companies will pull out of SA because Sullivan asks them to. But the call obviously makes it more difficult for many to continue operating here."

Critics say the code's hitherto "spray and pray" approach to welfare and community projects now needs to be targeted at long-term programmes to help bring about social change. In short, a united corporate effort.

Resistance

"It's a valid criticism," admits Grewan. "The code's monitoring system grades companies individually and there is not much recognition for collaborative efforts. We have been trying to change this."

Sadly, US parent companies will resist such moves. Shareholder meetings, explains Grewan, "tend to ask what contribution *you* have made and encourage the individualised effort."

Says Afrikaanse Handelsinstituut director Fritz Stockenström: "It's impossible to see how the US hopes to achieve any positive changes in what they are doing now."

18/11/87 SUN TIMES (#B) (62)

Black & Decker ponders pull-out

By Jim Srodes: Washington

PREMIER tool-maker Black & Decker is considering pulling out of South Africa, but a company spokesman denies that any firm decision has been made.

The Maryland-based company is under pressure from shareholders to end its South African presence, even though it is a small by most US corporate standards. Black & Decker has no manufacturing plant in SA and employes only 44 people for marketing and distribution.

Nevertheless, at the company's annual meeting this month the SA business will be raised when shareholders vote on a motion offered by an anti-apartheid group to force the company to pull out.

Similar proposals have been introduced in the past year by shareholders of most major US corporations with SA ties. The proxy proposals are usually voted down, but they are sometimes successful in that they bring the SA question to management's attention.

A Black & Decker spokesman says political pressure is being taken into consideration, but the deciding factor in whether the company remains in SA will be economic.

"Whether we stay depends on the economic situation in South Africa," says Black & Decker vice-president Barbara Lucas.

"Our operation there is extremely small and does not contribute much to our overall sales. It has been only marginally profitable for the past few years."

Miss Lucas says the company is aware of its obligations to its 44 SA employees, many of whom had been with it for more than 20 years.

18/1/87
Sun Times

62

SUN

US parent will pay for GMSA loco loss

By Don Robertson

GENERAL Motors America will recompense its former South African subsidiary for the losses it will suffer by delivering the last 15 diesel locomotives of a contract with SA Transport Services.

Bob White, former managing director of General Motors South African (GMSA), told Business Times last week before leaving to take up a new post with General Motors in Detroit that the cost of manufacturing the locomotives at the Electro Motors plant at Aloes near Port Elizabeth had risen substantially since the contract was signed two or three years ago.

$100m debt

The losses would be covered by General Motors of America. Mr White would not estimate the size of the lossses.

It is believed that the American company will also pay GMSA's debts, estimated at $100-million, leaving it with the "best balance sheet in 15 years".

GMSA has supplied 679 locomotives to Sats — 584 were built at the Aloes factory.

Mr White said GMSA would act as "caretaker" for the American parent until the last locomotive was delivered.

"General Motors made a bad decision when it signed the original contracts. It did not take into account escalation of costs."

GMSA was taken over in a management buy-out which became effective on January 1 after the parent's decision to withdraw from SA.

Details of the deal and who financed it have not been disclosed.

It is expected that two new non-executive directors will be appointed soon, but that "will not give a clue as to who has financed the deal", said Mr White.

The appointment of the two directors in about two weeeks, however, will do so.

Mr White said the reason for the decline in GMSA's sales was linked directly to its failure to respond to changes in the market.

"We were two years behind in introducing the notch-back in the form of the Monza and we also lost sales as a result of continual suggestions that we would pull out.

"We might also have lost about 1 000 sales as a result of our stance on the Port Elizabeth beach issue. We hoped it would be merely a local issue."

GMSA offered to pay the costs of any black empoloyee who was convicted for swimming at a whites only beach in Port Elizabeth.

Mr White said the Monza was vital for the new company's future.

He expected continued rationalisation of the motor industry, sales of which were not expected to increase much above the 1986 figure.

"There are too many dealers, too many models, too much spare capacity and too many manufacturers."

Mr White expects the activities of pressure groups against General Motors in America to continue because of the continued sale of its products in SA.

1987 CMC Trials 20/1/87 62

B & D latest US firm to pull out of SA

JOHANNESBURG. — American tool manufacturer Black & Decker is the latest US company to decide to pull out of SA for political reasons. But the corporation is expected to sell out to its local management, and its SA marketing, sales and service operations are likely to continue without a hiccup.

"I think anyone working for a US company has been wondering about the future for some time," said SA GM Roger Lee yesterday at his Johannesburg headquarters.

He said once the corporation finalized its decision — which appeared to be a formality — at a board meeting later this month, he expected to enter into negotiations with them for a local management takeover of the SA operation.

Lee said it was "too early" to talk about the future of the company's 44 staff in SA, but he envisaged operations carrying on as before.

Other SA holdings

The decision had come to him in a message from the corporation's head office in Powson, Maryland, in the form of a "declaration of intent" by the chairman and president, Nolan D Archibald, who said in the statement he would recommend to the board of directors at its January meeting that the corporation seek a buyer for its SA subsidiary.

● Gallaher, a London holding company, said commercial reasons were responsible for recent decisions to sell kitchenware firm Prestige Group SA and engineering group G North.

Gallaher, a wholly owned subsidiary of US-based American Brands, had no plans to sell its two other SA holdings, Mono Pumps and FIP Africa, a spokesman said in London yesterday.

Maritzburg-based Prestige said yesterday negotiations had been under way since early last year to sell the firm.

Prestige Group in London, which is controlled by Gallaher and owns 100% of Prestige in SA, has been negotiating with possible purchasers in SA and Europe, although no plans have been finalized. — Own Correspondent and Sapa

Makro, Black and Decker to stay in SA

By Chris Moerdyk

Wholesale chain Makro and power tool suppliers Black and Decker will continue operations in South Africa in spite of announcements that their foreign shareholders are to withdraw.

Mr Doug Catto, managing director of Makro SA, told The Star: "the only thing that will change is our shareholding".

The Dutch-based multinational, SHV, and its German partners hold 66,6 percent of Makro SA. The balance is held by the Safmarine and Rennies Trading (Safren). The latter is expected to take over the SHV interests.

Local general manager of Black and Decker in South Africa, Mr Roger Lee, said once the US corporation had ratified its decision, he expected to enter into negotiations for a local management takeover.

In The Hague, SHV, which owns a 40 percent interest in the five Makro department stores in South Africa, announced that "distressed and forced by terrorist action, (SHV) will take steps toward a complete withdrawal of its investments in South Africa".

Mr Catto said: "We have a 100 percent commitment from the Safren organisation."

He added that the SHV chairman, Mr Paul van Vlissingen, had told him that SHV "was not going to enter into any form of auction sale" with regard to its shares in Makro SA.

● See Page 13.

C (45c + 5c tax)
For other prices, see Back Page

Natal, Western Province, Eastern Province 80c (71c + 9c tax)

BUSDAY 20/11/87 STAFF 62 65 250

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Makro and Black & Decker confirm pull-out

TWO foreign companies yesterday confirmed they were about to leave SA and a third said it would spin off two of its subsidiaries.

SHV, the Dutch trading multinational which, together with its West German partner, holds 67% of the Makro cash-and-carry chain, and US-based Black & Decker (B&D) blamed political pressure.

Gallaher, a London holding company, said commercial reasons were responsible for recent decisions to sell kitchenware firm Prestige Group SA and engineering group G North.

Business Day Reporters

All three firms said activities would continue as before, but under new management.

SHV has has been plagued by a series of anti-apartheid arson attacks in the Netherlands.

A buyer for SHV's stake in Makro — widely thought to be Safren — is to be announced in a few weeks. Safren holds 33% of the chain. Its chairman and CE Alistair MacMillan confirmed the group would hold talks with SHV.

Local management could also be included in the deal, although Makro MD Doug Catto said no approach had yet been made.

Gallaher, a wholly owned subsidiary of US-based American Brands, had no plans to sell its two other SA holdings, Mono Pumps and FIP Africa, a spokesman said in London yesterday.

Maritzburg-based Prestige said yesterday negotiations had been under way since early last year to sell the firm.

Prestige Group in London, which is controlled by Gallaher and owns 100% of Prestige in SA, has been negotiating with possible purchasers in SA and Europe, although no plans have been finalised.

Prestige SA MD J A Snowden said yesterday a management buy-out was a possibility.

G North has been losing money for some time. Prestige and G North each employ about 250 people in SA.

B & D's US chairman and president Nolan Archibald issued a confidential in-

● To Page 2

Makro, Black & Decker announce pull-out

● From Page 1

house memo on Friday announcing he would recommend to the board of directors that buyers be sought for the SA marketing and distribution operation of the tool-making firm.

The memo said the SA firm would "prosper better under local management" and "given the size of the operation, it is not in our best interests to continue to own and manage it".

He recommended negotiations be conducted with local management. B & D has 44 employees in SA.

Makro MD Catto said business would continue as usual at Makro's five stores. Plans to open a sixth in Cape Town in September would not be affected. He did not expect lay-offs among the chain's 1 400 employees.

B & D MD Roger Lee said US supplies had been assured, but refused to comment on the SA operation's performance, representing only 0,31% of worldwide sales.

SA Breweries a strong contender as...

20/1/87
BUS DAY

Sell-off of Coke's stake in ABI nears completion

NEGOTIATIONS for the sale of Coca-Cola's 30% shareholding in Amalgamated Beverage Industries (ABI) are at an advanced stage but have not yet been concluded.

Coca-Cola's SA spokesman Hennie Viljoen said yesterday that pre-emptive rights with present shareholders were still being negotiated, but a number of both individual and group black investors were also involved.

Viljoen would not comment further but speculation is rife that SA Breweries, which has a 55% shareholding in ABI, is a strong contender for a large part of the shareholding.

Viljoen said raw materials used in manufacturing the original product would have both a local and imported content, and steps would be taken to ensure a continued supply of these.

Coca-Cola has reduced its stake in ABI from 85% 10 years ago to 30%.

Negotiations with potential black investors are in line with Coca-Cola's intention to disinvest in such a way as to create significant multiracial equity participation in SA's soft drink industry.

DIANNA GAMES

Black Equity Participation (BEP), a new group formed by black businessmen and aimed at buying out comapnies and shares in companies pulling out of SA, would not reveal if it was among the bidders.

Chairman Richard Maponya, first president of the National African Federation of Chambers of Commerce and former president of Soweto's Chamber of Commerce, said BEP was involved in negotiations with several companies planning to disinvest.

He said negotiations were very delicate, and he would not comment besides saying several of the responses had been fairly positive and he was optimistic about BEP's success.

BEP was aimed at pulling black businessmen into an area long denied them, Maponya claimed.

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NEWS

Black group tries to buy out disinvestors

Weekend Argus Correspondent

JOHANNESBURG. — Secrecy surrounds multi-million-rand negotiations by a group of black businessmen who are attempting to buy out American companies disinvesting in South Africa.

Mr Richard Maponya, chairman of Black Equity Participation (Pty) Ltd, (BEP), confirmed that negotiations were taking place with various organisations planning to pull out of South Africa.

But he did not want to divulge too much for fear of jeopardising the project.

"We don't want publicity at the moment," he said. "Negotiations are at a delicate stage but I am reluctant to say too much too soon.

"Even if we are unable to buy 100-percent control of a company we do want some sort of participation. We want to encourage black entrepreneurship."

Mr Maponya is a former member of the Urban Bantu Council. Other partners in BEP, which was formed last August, include Sowetan civic leader Dr Nthatho Motlana; Mr Gibson Thula, a former Inkatha executive member; and Dr Jackie Mphafudi of Soweto.

The venture has met with criticism from the South African Congress of Trade Unions (Cosatu).

In a statement Cosatu said: "The whole venture is being backed by individuals who are acting in their own interests.

"They are attempting to make money from a venture that was originally intended to get rid of apartheid.

"We are against such individuals attempting to make money on the sweat of the exploited majority while the economy of the country is in a mess.

"A plan to buy out overseas interests does nothing to solve the many problems confronting South Africa at the moment."

Mr Maponya countered by saying: "It's a business venture. Nothing has been finalised."

Top industrialist tightens SA links

26/1/87

By Frank Jeans

West German industrialist Mr Wilfred Dauphin, coming out strongly against anti-South African pressures, is strengthening his ties in the local office furniture market.

Head of one of Europe's leading office seating groups, Dauphin, he says: "No one has a right to prejudge South Africa and its problems.

"I have no doubt the majority of business leaders in my country also think as I do, particularly those who know South Africa."

Mr Dauphin is in South Africa to sign up a further R750 000 injection into the seating market through his franchise holder, Johannesburg group Grant Andrews Office Furniture.

This figure is expected to rise by a further R1,5 million over the next few years.

In addition, Nuremberg-based Dauphin, which has an estimated R100 million business spread covering Britain, Australia and Spain, apart from its franchise agreements, is also committed to the reinvestment of its royalties in the South Africa operation.

"Under the new agreement with Dauphin, we are aiming at a much bigger share of the local office chair market," says GA chairman Mr Grant Andrews.

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Benrose exporter is a star performer

Star 62

26/1/87

By Frank Jeans

The importance of South Africa as a source of growth and profit for foreign groups is reflected in the fact that in the mining tools area the local operation of multinational Reed Mining Tools of Texas is the star performer in its 41-country network.

Emphasising that Reed will stay in South Africa, "regardless of disinvestment moves by other major companies", Mr Bill Price, president of the American parent in Fort Worth, says: "I think this performance puts our position in perspective.

"Last year, this country was the top international earning centre for our company."

PROBLEMS

Mr Price has no doubt that South Africa, once its political problems are overcome, will become one of the "economic power houses of the world", providing a high standard of living for all its population groups.

Reed's international operation has resulted in the development of many of its products specifically for the South African market.

The group is currently spending 30 percent of research funds for South African-oriented products.

The buoyant gold price has also stimulated activities related to the mining tool business.

There are further benefits on the way, arising from the proposed merger of two of the world's giants in tooling — Baker International and Hughes Tool Company, both of Houston, Texas. Reed is 100 percent owned by Baker.

At Reed's plant in Benrose, Johannesburg, manufactured products valued at a total of R4 million have been exported to mines around the world.

Colgate to open factory in Botswana

The Star's Africa News Service

GABORONE — Colgate Palmolive is to open a factory in Botswana to make detergents and toilet preparations, some of which will be exported.

Colgate Palmolive South Africa ZMD Mr Gerald Nocker says staff will be trained in South Africa and the operation will initially get substantial help from the South African company.

Colgate Palmolive Botswana will be a direct subsidiary of the US parent company, he says.

The company has been registered in Botswana to make, sell and export detergents, cosmetics, perfumes and toilet preparations but not soap as a local company making soap is protected from competition.

Mr Nocker said nothing to suggest the move was in preparation for a withdrawal by Colgate Palmolive from SA.

He said the R2-million Gaborone plant would be of medium-size, about as large as the one in Zambia, and would employ about 100 Batswana.

Positive aspect to divestment seen

By DENISE BOUTALL

THE sale of the three Port Elizabeth-based companies owned by the American multinational Emhart Corporation was an opportunity rather than a threat, Mr B D Botha, the managing director of one of the companies, BU Engineering, said today.

It was announced yesterday that Emhart was negotiating to sell its three South African companies, Bostik, British United Shoe Machinery and BU Engineering.

"Basically it is a case of an American company wishing to sell its South African assets because of pressure for divestiture which was beginning to affect its business elsewhere," Mr Botha said.

The three companies employ about 1 000 people in Port Elizabeth.

On the retention of jobs Mr Botha said the companies' operations were as "secure as anything in a changing world" but added: "There is no doubt that all three companies are viable."

The managing director of Bostik, Mr Dennis MacDonald, was not available for comment today.

nd US State Department had taken
phrase in the letter that said the
egal opposition were being "thrust by
the regime into a posi-

Bostik owners will quit SA

By Chris Moerdyk

Adhesive manufacturer, Bostik, and two other local subsidiaries of the American Emhart Corporation will be sold to SA interests as a result of US disinvestment pressure and economic uncertainty.

In a statement issued in Farmington, Connecticut, yesterday, Mr Peter Scott, chairman and chief executive of Emhart, said the decision to divest was based on economic uncertainty in a volatile country.

He added that pressures to divest were beginning to affect the company's ability to conduct business outside South Africa, especially in the United States.

Mr Scott said Emhart had been approached by a management group and by outside interests to talk about the South African assets but no decision had been made.

According to Sapa, Emhart's three Port Elizabeth-based subsidiaries, Bostik Ltd, BU Engineering Ltd and British United Shoe Machinery Ltd, employ 900 people and have a combined annual revenue of R64 million.

The company has set no timetable for divestment but expects it to be completed by the end of the year.

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AKGUS 28/1/87

Three major firms in PE for sale

62

From KEN VERNON
The Argus Bureau

PORT ELIZABETH.— Another multinational corporation is negotiating to sell three major companies in Port Elizabeth which employ more than 1 000 people.

The giant Emhart Corporation announced that it was negotiating with local management to divest itself of Bostik, British United Shoe Machinery and Bu Engineering.

The corporation cites pressure from the anti-apartheid movement as the reason for its decision to pull out of South Africa. According to local managers, all three companies are economically healthy.

The managing director of Bostik, Mr Dennis MacDonald, yesterday told the staff that he could not guarantee that all workers would retain their jobs, but added that it was "possible" that no jobs would be lost.

"They (Emhart) are not running away; they are talking to us and a management buy-out will be positive in that the companies will then remain in Port Elizabeth," he said.

British United Shoe Machinery provides equipment to the footwear industry, Bostik manufactures adhesives and Bu Engineering supplies sub-assemblies to the motor industry.

Tampon-maker decides to leave

HAMISH McINDOE

US tampon-maker Tambrands is leaving SA.

But its business will remain in local hands with Tambrands (SA) management expecting to complete takeover talks with its US parent within a fortnight.

A Tambrands (SA) spokesman said yesterday it would continue to make tampons under the Tampax name. Divestment would not cause job losses among the 50 workers at its Brakpan plant.

Tambrands' (SA) turnover is about R30m a year on 8-million tampon sales. Tampax is rated SA's most popular tampon after Lillets.

(80) (62) (80) 2/2/87

DAILY DI

Sasol taken off sanctions list

JOHANNESBURG — South Africa's petrol-from-coal company Sasol "is delighted" at being removed from the list of South African parastatal organisations subject to sanctions by the United States.

The US Department of Foreign Affairs has accepted representation that the degree of involvement by Sasol in the Industrial Development Corporation of South African was not to such an extent that it fell within the policy guidelined for parastatal companies.

Sasol's public relations officer in Johannesburg, Mr Jan Krynauw, said that Sasol had been a private company and listed on the Johannesburg Stock Exchange since 1979.

The company is still awaiting details from the US. — Sapa

America plans to pump massive aid into Africa

(12) 4/2/87 W/m

Simon Barber

WASHINGTON—The Reagan Administration is about to unveil an ambitious five-year $500 million (R1 100 million) aid plan largely designed to help uncouple front-line states' economies from South Africa's.

The proposal, drawn up in collaboration with other donor nations and the World Bank, is titled An Initiative for Economic Progress in Southern Africa.

It presupposes that 'the economic situation in the region will worsen as the economy of South Africa retrenches', according to a briefing paper presented to Congress on Monday.

The director of the United States agency for international development, Mr Peter Macpherson, will formally launch the programme at the Southern Africa Development Co-ordination Conference meeting in Gaborone today.

Well over a third of the money — $185 million — is to be used as part of a larger international effort to minimise the region's dependence on South African trade routes.

A total of $166 million is earmarked to help bolster regional trade and investment, the 'chief impediments' to which are said to include 'the dominance of South Africa's economy ... and its competitive advantage in managing such aspects of trade as export credits and cargo handling'.

The remaining $149 million will help facilitate structural and policy reform.

The presentation to Congress, in whose hands the initiative's fate now rests, represents South Africa as one of the principal causes of the region's economic woes.

'Economic stability and growth are threatened from two directions — by the spillover effects of [illegible]nal political conflict in South Africa and by the related and costly dependence by states in the region on South Africa's economy and infrastructure,' it says.

The paper also notes that sanctions are 'compounding the tensions in the area' and 'must be countered by constructive, positive measures.'

One of the initiative's most glaring problems is that the United States Administration is effectively circumscribed either by existing law, political considerations or its own policy from providing economic assistance to four of the SADCC's most important members: Tanzania, Zimbabwe, Mozambique and Angola.

The Administration has requested no new aid for Zimbabwe this year.

Tanzania is ruled out under the so-called Brook Amendment which blocks economic assistance to nations more than a year in arrears on their debt repayments.

Aid to Mozambique is hotly opposed by President Reagan's own Republican Party.

Angola is ruled out as a matter of policy and law.

Constraints

This imposes constraints on the U S ability to give direct backing to most of the region's key alternative transport routes — the Nacala and Beira corridors in Mozambique, the Benguela line through Angola and the Tazara railroad to Dar-es-Salaam.

As a result, this year's $30 million (R66 million) instalment of transport assistance is sought for locomotives and rolling stock with no specific destination.

However, the Administration clearly hopes that by 1988, many of the restrictions will have been lifted.

Between then and 1991 it wants to contribute between $12 million (R22,4 million) and $30 million a year to port and railways improvement and construction.

50 killed

LAGOS

US firm to break curbs in Q'town?

Dispatch Reporter

QUEENSTOWN — An American publishing company is considering setting up a business in Queendustria, the industrial centre here, in spite of sanctions imposed by that country.

The text of a letter from the company released yesterday by Mr Peter McEwen, the managing director of Jalc Finance, the town's industrial consultants, who is also chairman of the chamber of commerce, reads:

"We would be a positive economic and moral influence on any community, and on South Africa as a nation, in explicitly and vigorously demonstrating the hypocrisy of the sanctions being hung on South Africa by the United States, the United Kingdom and other nations.

"Moreover, an American company now fearlessly moving to South Africa would be quite significant — a demonstration of a rational, objective truth over irrational attacks."

Mr McEwen said he preferred not to name the company concerned until negotiations were nearer completion.

In other international business developments, an East London businessman, Mr Chris van Rensburg, chairman of Jalc Holdings, parent company of Jalc Finance, has just returned from Europe whre he has been negotiating with industrialists in Italy and Austria to establish businesses here.

Businessmen from the Republic of China are expected to arrive here later this month to look into business prospects as a result of a series of seminars held in the Republic of China late last year by Mr McEwen.

Meanwhile Mr McEwen said industrialists had invested some R50 million in Queendustria over the past six years.

More than 1 000 jobs have been provided in the area, generating wages and salaries of about R400 000 a month.

There are about 20 businesses in the area.

$125-million SA aid plan

WASHINGTON — The Reagan administration has unveiled a five-year, $125-million Agency for International Development (AID) strategy to promote the peaceful transfer of power to a democratic, capitalist, well-educated black elite in South Africa — but is uncertain of its chances of success.

The plan, outlined in a report delivered to Congress last week, builds on scholarship and other AID programmes that the administration has instituted over the past six years to assist black development in the face of apartheid.

The nine-page report, prepared by the State Department's Agency for International Development, is titled "Assistance strategy for disadvantaged South Africans, fiscal year 1987-1991".

Noting that AID is trying nothing similar anywhere else in the world, the report states candidly: "In today's difficult environment in South Africa there is no certainty that our program can succeed and the possibility for error or failure is high.

"It is the administration's view that the strategy, while high risk, is an important way to demonstrate our sincere support for South Africans struggling for non-violent change." — Sapa-AP

U S firm to quit S Africa

JOHANNESBURG—Heavyweight Dow Chemicals says it is 'reluctantly' selling — to Premier Milling — its R140-million-a-year South African pharmaceutical operation 'because of poor S A business conditions and U S pressure from anti-apartheid lobbyists', according to the company's American chairman, Mr Paul Oreffice.

The switch in control to Premier puts Dow into the already massive American/JCI/S A Breweries/Edgars/OK Bazaara/Amalgamated Retail stable.

Mr Oreffice says Dow regrets the need to sell the plant, which registered $60 million in sales last year and wishes it could have remained part of the process for change in 'the white-led nation'.

He says: 'This does not reflect a sudden change in attitude. Our reason for wanting to do business in South Africa remains the same.

Concern

'We would have preferred to maintain our business there but business and economic conditions, as well as a growing public concern in the U S, made it impractical to continue."

Dow employs about 200 people in South Africa, about 125 of whom worked for Mer-National.

About 75 employees, most of whom work in sales, will remain on Dow's payroll, says the S A company.

Until now, Dow has been among the companies resisting the pressure to pull out of South Africa, contending majority rule could better be brought about by its presence as a force for change. — (Sapa)

New platinum finds in U S

NM (62) 14/2/87

Mercury Correspondent

WASHINGTON—Important discoveries of platinum in the American north-west, encouraged by soaring prices for the metal, are causing considerable local excitement but will not lessen U S dependence on South Africa.

Stillwater Mining, which is developing the country's first major platinum mine in Montana's Beartooth mountains, this week doubled its original production estimates to 1 000 tons of ore a day even though it has yet to ship its first concentrates.

Hughes Mining is claiming a substantial new find in the nearby Tobacco Root mountains including one site described by former Montana State geologist, Mr Sid Groff, as 'really hot'.

Mere drop

However, it will be some years before the Hughes find can be fully exploited, and Stillwater's production, even after expansion, will be a mere drop in the bucket of U S consumption.

Stillwater, a joint venture involving Chevron, Manville Corp and LAC Minerals, now expects to be able to produce about 50 000 ounces of platinum annually when it goes into commercial production at the end of the year.

In 1985, according to a report sent to Congress by the State Department last week, the U S imported 1 029 000 ounces of the metal from South Africa, not counting indirect imports via Britain.

Imports

This represented 69% of total U S platinum imports.

The U S currently depends on imports for 90% of its platinum supplies. The remaining 10% is obtained through recycling.

With a view to broadening the sanctions now in place, Congress has ordered the Reagan administration to look for ways to reduce U S reliance on S A minerals.

Stillwater's mining manager, Mr Joe Dewey, denies this is a factor in the company's decision to expand production.

'There are always international implications when your dealing with platinum,' he told the Montana Standard this week, 'but we're not trying to capitalise on any social or political unrest.'

He added: 'certainly, we're expecting growth.'

Dow Chemicals to sell to Premier

DOW CHEMICALS is to sell its R140m-a-year SA pharmaceutical operation — Mer-National — to Premier Milling's Twins Pharmaceutical Holdings.

Poor SA business conditions and pressure from US anti-apartheid lobbyists prompted the country's largest producer of analgesics to quit.

The company's American chairman, Paul Oreffice, said Dow regretted the need to sell the plant, which registered $60m in sales last year.

● To Page 2

Dow 'wanted to stay to promote change'

The switch in control to Premier puts Dow into the already massive Anglo American/JCI/SAB/Edgars/OK Bazaars/Amalgamated Retail stable.

Mer-National has an annual turnover of between R22m and R25m. Its biggest product is the locally developed Syndol, an analgesic which recorded R11m in sales last year.

Orrefice said he wished Dow could have remained as part of the process for change in a "white-led nation".

● From Page 1

Dow employs about 200 people in SA, about 125 of whom worked for Mer-National.

About 75 employees, most of whom work in sales, would remain on Dow's payroll, said the SA company. A Sunday newspaper reported that there were to be no retrenchments for a year without a payout under an agreed severance package.

Dow Chemicals 'selling reluctantly'

JOHANNESBURG — Dow Chemicals says it is "reluctantly" selling its R140-million-a-year South African pharmaceutical operation "because of poor SA business conditions and US pressure from anti-apartheid lobbyists".

Reacting to the announcement from the Dow Chemicals American chairman, Mr Paul Oreffice, the managing director of the Port Elizabeth-based pharmaceutical manufacturer, Lennon Ltd, Mr Clive Stanton, said many similar disinvestments in the industry were expected this year.

"The Dow Chemicals disinvestment doesn't affect us," Mr Stanton said today.

"We're going to see a lot of disinvestment in our industry and I believe the competition will remain, as it has in the past — and we'll continue to meet this competition," he added.

The switch in control of Dow Chemicals' SA subsidiary to Premier Milling will put Dow into the already massive Anglo American/JCI/SA Breweries/Edgars/OK Bazaars/Amalgamated Retail stable. — Sapa-AP

(62) Cpost 16/2/87

Kentucky Fried Chicken to leave

LOUISVILLE — Kentucky Fried Chicken Corporation announced yesterday it plans to withdraw company assets and operations in South Africa over a period of time.

"The company has been constantly reviewing its position in the light of our own progress in South Africa and the prevailing US point of view about doing business in that country," the company said in a statement.

"We've concluded it's time to withdraw assets and company operations in a manner that will minimise economic disruption in the lives of our employees and franchises," it said.

There are approximately 180 Kentucky Fried Chicken outlets in South Africa, of which a third are company-owned and two-thirds are franchised. A quarter of the franchised restaurants are owned by blacks.

Staff composition is 85% black in SA as are 66% of management personnel.

No timetable has been set because plans have not been finalised.

Kentucky Fried Chicken is the world's second largest restaurant chain with 6 500 outlets. Its $3,5 billion (about R7,4 billion) in sales ranks third behind McDonald's Corporation and Burger King. — Sapa-AP

Kentucky Fried plans SA pull-out

LOUISVILLE—The Kentucky Fried Chicken Corporation announced here yesterday it plans to withdraw company assets and operations in South Africa over a period of time.

'Kentucky Fried Chicken has been constantly reviewing its position in light of our own progress in South Africa and the prevailing U S point of view about doing business in that country,' the company said. 'We've concluded that it's time to withdraw assets and company operations in a manner that will minimise economic disruption in the lives of our employees and franchises.'

There are approximately 180 Kentucky Fried Chicken outlets in South Africa, of which one-third are company-owned and two-thirds are franchised. One-fourth of the franchised restaurants are owned by non-whites, the company said.

Eighty-five percent of the company's employees in South Africa are non-white, as are 65 percent of the management personnel.

No withdrawal timetable has been set because plans have not been finalised. — (Sapa-AP)

Chicken quits SA

29
28/2/87

KENTUCKY Fried Chicken is pulling out of South Africa.

A statement from the organisation in Johannesburg said franchise operators and employees were told today of plans to withdraw company assets and operations.

The decision was taken at a national convention in Sun City, according to the statement.



Information from the corporation's headquarters in Louisville, Kentucky, confirmed the decision.

There are about 180 Kentucky Fried Chicken outlets in South Africa, a third company-owned and two-thirds franchised.

About a quarter of the franchise operators are black.

Kentucky has 16 outlets in the Peninsula, most of them company-owned.

Managers at shops in Rosebank, Mitchell's Plain, Sea Point and Gardens said today they had been told not to speak to the Press.

The Johannesburg statement said 85 percent of employees in South Africa and 66 percent of management personnel were black.

Kentucky had been an active supporter of and participant in the Sullivan Code since its inception, the statement added.

The corporation had been constantly reviewing its position in the light of progress in South Africa and the prevailing American point of view about doing business here.

The corporation had come to the conclusion that it was time to withdraw assets and company operations in a manner which would minimise the economic disruption of the lives of employees and those holding franchises, the statement said.

Discuss

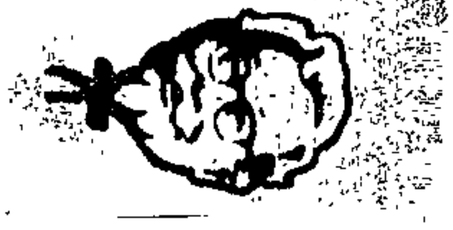
Mr Peter Swartz, who has a shop in Mitchell's Plain, said he had not been told of the company's plans.

Contacted today in Sun City where he is attending the company convention, he said: "This is the first I have heard of this. I am certain we will discuss it at the convention this morning."

Staff at the company's headquarters in Johannesberg refused to comment on the withdrawal or disclose the telephone number of the parent company in Louisville.

A spokesman in the Western Cape said: "We don't know much ourselves. You know more than we do. You will have to wait a few days for comment." — Staff Reporter and Sapa.

Chicken to leave SA



US fast-food group to pull out of SA

18/2/87

DD

62

JOHANNESBURG — America's Kentucky Fried Chicken Corporation (KFC) is pulling out of South Africa but the move is neither "total nor immediate", a company spokesman said at a franchisers and management meeting in Pilanesberg yesterday.

The franchisers, which comprise two-thirds of KFC's 180 outlets in SA, will be unaffected by the move.

About 60 company-owned outlets will be sold into the existing franchising system to complete KFC's divestment of its South African assets.

KFC's Johannesburg head office called the managers of these outlets to an emergency meeting.

They were told that any franchiser could buy into company-owned outlets.

None of these outlets were aware of KFC's pullout before the meeting. Said the manager of one restaurant: "We were just told to be there. They didn't say what it was all about".

The company will still trade under the KFC trademark in SA and will probably maintain its presence here under licensing agreement.

The franchisers and management are meeting until tomorrow to discuss KFC's future in South Africa.

KFC has imposed a news blackout on developments until after the conference.

In a statement quoted by Sapa-AP the corporation said it has been "constantly reviewing its position in light of our own progress in South Africa and the prevailing US point of view about doing business in that country.

"We've concluded that it's time to withdraw assets and company operations in a manner that will minimize economic disruption in the lives of our employees and franchisers".

There are some 180 Kentucky Fried Chicken restaurants in South Africa. One third are company owned and two thirds are franchised. Of those, one quarter are owned by blacks, coloureds and Indians.

Employees are 85 per cent black, coloured and Indian as are 66 per cent of management personnel, the statement said.

KFC has been an active supportive participant in the Sullivan Code since its inception, the statement added.

The company is ranked as the world's second biggest restaurant chain and its $3,5 billion sales lie third after McDonalds and Burger King. — DDC

HAMISH McINDOE

Kentucky Fried move not 'total or immediate'

AMERICA'S Kentucky Fried Chicken Corporation (KFC) is pulling out of SA but the move is neither "total nor immediate", a company spokesman said at a franchisers and management meeting in Sun City yesterday.

The franchisers, which comprise two-third's of KFC's 180 outlets in SA, will be unaffected by the move.

About 60 company-owned restaurants will be sold into the existing franchising system to complete KFC's divestment of its SA assets.

KFC's Johannesburg head office called the managers of these outlets to an emergency meeting yesterday afternoon.

They were told that any franchiser could buy into company-owned outlets.

The company will still trade under the KFC trademark in SA and will probably maintain its presence here under licensing agreements.

The franchisers and management are in Sun City until Thursday to discuss KFC's future in SA.

The company is ranked as the world's second biggest restaurant chain on $3,5bn sales, after McDonalds and Burger King.

☐LINDA ENSOR reports that, in a development affecting another company, negotiations are under way for a management buy-out of the local operations of Canadian business forms manufacturer Moore Corporation, which announced its withdrawal from SA two weeks ago.

CAPE Times 18/2/87 (62)

Chicken chain 'not closing'

Staff Reporter

THE Kentucky Fried Chicken (KFC) chain is "definitely not closing" despite an announcement to employees and franchises yesterday that the corporation was withdrawing its assets and operations from South Africa.

A company spokesman, Miss Daphne Schwab, said yesterday at a gathering of KFC officials at a Sun City convention, that they were told of the US company's plans at midnight on Monday night, "but there are still a lot of issues to be sorted out".

A spokesman for the corporation's headquarters in Louisville, Kentucky, Mr Greg Reynolds, said no precise date of withdrawal existed, but it would be "gradual" and conducted in a manner that would "minimize economic disruption".

'Options considered'

"Our people in South Africa are now discussing ways that will most benefit employees and franchisees."

He said the selling of the company's outlets "would be an option", but it was premature to speculate.

When asked whether outlets would still be able to operate under the Kentucky Fried Chicken name, Mr Reynolds said "it was one of the options being considered".

He said US public opinion had played a major role in the decision.

There are about 180 Kentucky Fried Chicken outlets in South Africa, of which a third are company-owned and two-thirds franchised. Of those, a quarter are black-owned.

Black employees make up 85 percent of staff and 66 percent of management personnel.

US point of view

In a statement from Johannesburg, the corporation announced that it had been "constantly reviewing its position in the light of its progress in South Africa and the prevailing United States point of view about doing business in this country".

Managers at several Kentucky Fried Chicken outlets declined to comment on the move, saying they had been told not to speak to the press.

□ Our Correspondent reports from Johannesburg that about 60 company-owned restaurants will be sold into the existing franchising system to complete KFC's divestment of its South African assets.

KFC's Johannesburg head office called the managers of these outlets to an emergency meeting yesterday afternoon. They were told any franchisee could buy into company-owned outlets. None of these outlets contacted before the meeting were aware of KFC's pull-out.

officer.

Dow Chemicals to disinvest

By PHILLIP VAN NIEKERK

DOW Chemicals — the American giant which acquired notoriety during the Sixties for manufacturing napalm used in the Vietnam war — is set to disinvest from South Africa.

A representative of the company this week refused to comment on the pending pull-out, but reliable sources said one unit of the local operation would be transferred to local management and one unit would be sold to outside buyers.

Dow is one of the largest chemical companies in the world, but its local operation — which manufactures agricultural and industrial chemicals as well as pharmaceuticals — is relatively small.

In 1983 the company employed 200 workers and had investment in South Africa valued at $32-million (about R60-million at current exchange rates).

Dow is the fourth American company to disinvestment from South Africa since the beginning of the year. The news of its pending departure is the third report in the past week of a foreign multinational leaving the country, following the announced withdrawals of Canadian companies Moore, which manufactures business forms, and Falconbridge, 49 percent owner of Western Platinum.

Ken Mason, director of the American Chamber of Commerce in South Africa, said yesterday that investment in South Africa by US companies had declined from $2,8-billion (about R5,4-billion) in 1983 to $1,3-billion (about R2,5-billion) in 1987.



Trimark in deal over Kodak's labs, staff

KAY TURVEY

TELTRON associate, Trimark Agencies, is to buy Kodak laboratories in a deal scheduled to be concluded early next week, industry sources say.

The deal, which has been agreed to in principle, comes after Eastman Kodak's decision last year to pull out of South Africa. The US photographic giant hopes to have fully withdrawn by the end of June.

Kodak is believed to have lost heavily on the sale of its operations because of the hastiness of its pullout and the piecemeal basis on which the company's operations are being sold.

Trimark will take over Kodak's nine colour laboratories in major centres countrywide.

It is understood there are to be no retrenchments, with the buyer agreeing to take over the existing staff of 160 to 170.

Teltron, part of the Premier stable, recently acquired a 60%-holding in Trimark Agencies.

Kodak was the first company to tie its withdrawal to a total ban on the sale of its products in SA.

Shipments of Kodak products are to end by April.

This will not affect laboratory operations.

Specialist laboratory equipment is to be sold with spares already in stock. Staff members are to be trained in equipment maintenance.

Xerox sold for R85m

ALTRON group's Fintec is to buy out Rank Xerox SA's equity for about R85m in a straight purchase deal to be confirmed at the weekend.

It is understood from industry sources abroad that Xerox will meet long-term commitments for customer services and spares. There will be no change in product name and no retrenchments are envisaged.

Speculation on Rank Xerox's disinvestment has been rife for weeks, but the official announcement will be made on Saturday after approval is received from the JSE and Reserve Bank.

It is believed Fintec, with its strong commitment to minority advancement, was seen as an attractive local buyer by Xerox, which has ongoing social responsibility programmes in SA.

Rank Xerox SA is a wholly owned subsidiary of Britain's Rank Xerox which, in turn, is 51%-owned by the US-based Xerox Corporation. Rank Xerox SA reported taxed profit of R8m last year after foreign exchange losses in 1984 and 1985.

A source says: "After dramatic profit turnaround, it would be unwise for Fintec to now retrench staff."

The pullout of the R130m-turnover Rank Xerox, seen as one of the largest disinvestment moves yet in the computer and electronics sector, follows increasing pressure from disinvestment lobbies in the US.

KAY TURVEY

In Febuary this year, Rank Xerox SA MD David English was reported as saying the office automation group would meet its commitment in SA for the next five years, but would not give an unconditional guarantee it would be here forever.

However, in the light of the pending deal, sources say Xerox has a long-term commitment to support its customer base through Fintec. The source says: "There is no way the Altron group, through its subsidiary Fintec, would be prepared to jeopardise its annual turnover of R1,4bn through lack of backup."

MD Jacques Moolman of Nashua, Xerox's major competitor, has criticised Xerox for its tardiness in making a decision to either remain in SA or quit.

Rank Xerox SA MD David English was unavailable for comment yesterday. Fintec executive chairman Bill Venter said any comment would be premature.

ARGUS 19/3/82 (62)

INDUSTRY

Rank Xerox pullout looms

From GARETH COSTA

JOHANNESBURG. — Rank Xerox appears set to join the growing number of US companies being pressurised to sell their South African interests, with Fintech, the investment arm of electronic group Altech, poised to buy the photo-copier and facsimile machine manufacturer.

Speculation that the deal was on has been around for a number of weeks, and the London Financial Times confirmed this in a story this week.

Sources report that the deal has not yet been finalised, but it is expected that negotiations should come to a head in favour of Altech before next week.

It is believed that Fintech will pay about R75-million for Rank Xerox. The Financial Times values the deal at around R80-million.

Rank Xerox managing director Mr David English was reported in February as saying that the company would meet its commitments here for "at least the next five years", but he could not guarantee that "Team Xerox will be here forever".

He was not available today for comment.

The acquisition of the multi-million rand company will result in a meaningful injection of profits into Fintech and should more than vindicate the meteoric rise in the company's share price from around R12 at the beginning of the year to the current R22.

At the current level, Fintech is one of the most highly rated shares on the Johannesburg Stock Exchange, since it was earmarked as the base from which the group would diverrsify into the computer industry.

On the product side, Altech has recently developed its own facsimile machine, but is strongly diversifying into all aspects of high technology electronic equipment and computers.

Rank Xerox is regarded as one of leading "affirmative action groups" in the US and it should fit in well with the rest of the Altech stable which has a strong social responsibility programme, such as the Bill Venter Black Management Foundation which trains black managers.

As a company with a strong moral conscience, it was natural that Rank Xerox should seek a liaison with Bill Venter, executive chairman and majority shareholder of Altech

Mr Venter has committed R2-million for the training of black workers and personally funded the building of a school for the dispossessed Bushmen of Angola.

APPOINTMENTS

Cape Times 19/3/87 (62) The Cap

SAD 'buys Kodak stock'

Own Correspondent

JOHANNESBURG. — SA Druggists (SAD) announced yesterday it had bought the entire stock of Kodak SA and had established overseas links ensuring the continued supply of Eastman Kodak products.

Kodak SA, however, denied the deal. Senior executive Rob Courtney said: "We haven't settled the details yet. We are still dealing with other organizations."

SAD said it had bought the entire stock of Kodak SA for an undisclosed amount. The group's wholesale division announced it had also established overseas links to ensure the continued supply of all Kodak photographic products.

Sources close to the deal said the sum involved was "many millions of rands".

Industry sources said the SAD announcement could jeopardize another deal currently being negotiated with Teltron subsidiary Trimark Agencies for the purchase of nine Kodak laboratories.

At the time of the announcement of Eastman Kodak's disinvestment, the company was adamant that none of its products would be sold in SA.

But a spokesman for SAD — a member of the Federale Volksbeleggings group — said his company's agreement had become effective from March 16 and wholesalers had already been notified.

SAD director Sid Hurwitz said: "Eastman Kodak in Rochester will not supply us from anywhere in the world. But we are completely confident that with our world-wide connections we will continue to obtain all the Kodak products SA needs, as well as the latest technological developments."

The SAD announcement said it would supply consumer and professional film, printing papers and chemicals to all the mini-labs currently processing film.

"It will be very much business as usual," Hurwitz added.

"The only film that cannot be processed in this country is Kodachrome, a market which is rapidly being overtaken by Kodak's Ektachrome, which can be processed here."

EVENING POST, WEDNESDAY, MARCH 18, 1987

It's 'business as usual' for Kodak items

Post Reporter

THE full range of products and services supplied by Eastman Kodak before the company divested its South African interests recently, will continue to be available in South Africa, SA Druggists announced today.

Mr Sid Hurwitz, head of the Wholesale Division of SAD, said his company had bought the entire stock of Kodak consumer and professional films, printing papers and chemicals and had set up a new photographic department to handle Kodak business in future.

"In spite of the American company's decision to withdraw totally from the South African market, all these products will continue to be freely available in South Africa," Mr Hurwitz said.

"Although Eastman Kodak in the United States will not supply South Africa, we are completely confident that with our world-wide connections we will continue to obtain all the Kodak products South Africa needs, as well as the latest technological developments."

SA Druggists would also be able to supply Kodak materials to all the mini-labs currently processing film, Mr Hurwitz said. "In fact, it will be very much business as usual".

The only film that cannot be processed in South Africa is Kodachrome, a market which is rapidly being overtaken by Kodak's Ektachrome, which can be processed here, he pointed out.

A Kodak team of 12 has joined the SA Druggists photographic department, which will be managed by former senior Kodak executive Mr Oscar Abramovitz.

He will be assisted by marketing manager Mr Tim Sanders, formerly Kodak's national sales manager.

"We fully expect that Kodak will gain an even bigger market share in this country, since the SA Druggists wholesale division's national infrastructure has 10 outlets as opposed to Kodak's two.

"This obviously will enable us to give a much faster and a broader countrywide service to customers," Mr Hurwitz said.

The continuing availability of Kodak solved a potential supply problem for SA.

"We were having to face the problem of pressure from the Japanese manufacturers on the supply of film to this country and without Kodak, there could have been on-going shortages."

SA Druggists is a member of the Federale Volksbeleggings group.

Boycott dilemma for TWC

HAMISH McINDOE

VEREENIGING-based Thames Wire and Cable (TWC) faced a boycott from US companies operating in SA unless it was taken off Washington's "parastatal" blacklist of companies barred from exporting to the US.

"These companies said they shouldn't be dealing with us because we were on the US sanctions list," said a TWC spokesman.

He would not disclose which US companies had threatened to boycott TWC, which makes copper wire and cabling.

TWC is 49,99% owned by Iscor subsidiary Union Steel Corporation and scraped off the list by a 0,01% margin — companies 50% owned by SA government agencies were deemed parastatals under the Comprehensive Anti-Apartheid Act.

It was among five successful appellants taken off the list late last week, leaving 156 embargoed companies from an original 166.

TWC's turnover is about R20m/year.

Business Day 17/3/87

Kodak exchange: 'Patience' appeal

Cape Times 18/3/87 62

Staff Reporter

KODAK South Africa yesterday appealed to customers who have registered to exchange their instant cameras for other Kodak products to be "patient" if they had not yet received their exhange goods.

Kodak stopped selling its instant cameras in January last year after the United States parent company lost a 10-year legal battle with Polaroid, and owners of instamatic cameras were given the oportunity of exchanging their cameras for pocket cameras worth R120, value vouchers or other Kodak products.

Two Kodak customers informed the Cape Times they had not yet received their exchange cameras, after registering before the deadline in December.

A director of the company, Mr Richard Ferris, said that with "tens of thousands of people registering there were bound to be some hiccups".

A co-director, Mr Bob Courtney, appealed to customers to be patient.

Winding down

He said anybody who had not yet received their exchange items by mid-April should write to the company head office in Johannesburg.

Kodak is in the process of winding down operations after the announcement in November that the company was pulling out of South Africa.

New shipments from factories abroad will cease on April 30 and branch operations will close at the end of this month, Mr Courtney confirmed.

Kodak has sold its Cape Town building and is in the process of selling its other buildings and head office in Wynberg, Johannesburg.

Mr Courtney said that after June 30 there would be "no Kodak presence in South Africa".

Rank Xerox set to pull out

SMM 18/3/87

By Gareth Costa

Rank Xerox, under pressure from disinvestment lobbies in the United States, looks poised to be the 16th US company to sell its South African interests this year, and the 87th since the exodus started in January 1985.

An announcement is expected within the next few days.

The asking price is believed to be about R75 million.

Fintech, part of the Altech electronic empire, is rumoured to be negotiating the take-over, to supplement the group's aggressive advances into the high technology arena.

Rumours of the pull-out have been circulating for several weeks.

● See Page 18.

Fintech poised to buy Rank Xerox

By Gareth Costa

Rank Xerox appears set to join the growing number of US companies being pressurised to sell their South African interests, with Fintech, the investment arm of electronic group Altech, poised to buy the photo-copier and facsimile machine manufacturer.

Speculation that the deal was on has been around for a number of weeks, and the London*Financial Times* confirmed this in a story this week.

Sources report that the deal has not yet been finalised, but it is expected that negotiations should come to a head in favour of Altech before next week.

It is believed that Fintech will pay about R75 million for Rank Xerox. The *Financial Times* values the deal at around R80 million.

Rank Xerox MD, Mr David English was reported in February as saying that the company would meet its commitments here for "at least the next five years", but he could not guarantee that "Team Xerox will be here forever."

He was not available this morning for comment.

Share price rise

The acquisition of the multi-million rand company will result in a meaningful injection of profits into Fintech and should more than vindicate the meteoric rise in the company's share price from around R12 at the beginning of the year to the current R22.



Bill Venter . . . a strong social conscience

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On the product side, Altech has recently developed its own facsimile machine, but is strongly diversifying into all aspects of high technology electronic equipment and computers.

Rank Xerox is regarded as one of leading "affirmative action groups" in the US and it should fit in well with the rest of the Altech stable which has a strong social responsibility programme, such as the Bill Venter Black Management Foundation which trains black managers.

As a company with a strong moral conscience, it was natural that Rank Xerox should seek a liaison with Bill Venter, executive chairman and majority shareholder of Altech who has committed R2 million for the training of black workers and personally funded the building of a school for the dispossessed Bushmen of Angola.

ARGUS 17/3/87

62

Sponsor in row over 'white' beach

The Argus Bureau

PORT ELIZABETH. — Coca Cola has entered the fray over the desegregation of Port Elizabeth's whites-only beach by refusing to continue to sponsor an annual volleyball tournament on the city's main beach unless it is zoned non-racial.

The organisers of the tournament, Eastern Province Volleyball Association, have approached the city council to allow the "multiracial" event to take place on the popular Kings Beach.

Deputy town clerk Mr I Terblanche said that while Kings Beach was zoned for the use of whites only, the council did have the power to open the beach to all races for any single event.

However, the mayor of Port Elizabeth, Mr Ben Olivier, said he had recommended to the organisers that the event be held at nearby Jooste Park, an "open" beach.

Coca Cola has also refused to sponsor the event if it is held on the grass verge in front of Kings Beach, an area that is also classified as "open" to all races.

Argus 13/3/87 (6)

INVESTMENT

Boost for W Cape as US firm expands operations

By MAGGIE ROWLEY

A TOP US-based computer company is to step up its operations in the Western Cape with a R2-million investment over the next 18 months.

Mr Clive Hay-Smith, manager (computer systems) of Control Data South Africa, said the company would invest the money in additional resources and staff in order to grab a larger slice of the computer market in the Western Cape.

One of the top 10 computer companies in the United States, Control Data has an annual turnover of R14-billion of which about R60-million stems from its operations in South Africa, he said.

Mr Hay-Smith said there was no question of Control Data, which has been operating in South Africa since 1964, disinvesting from South Africa.

"Our policy is quite clear: we are here and we are staying and are aiming for an even larger slice of the market.

"We are confident that we can provide a number of Cape-based industries and institutions with innovative computer solutions in the spheres of computer-integrated manufacturing, training and educational services, mainframe systems and technical support services."

The company, he said, had indentified the oil, wine, tobcco and manufacturing industries, as well as universities, technikons and schools as potential users of its products.

COMPANIES

Publishing giant Thomsons to sell in SA

The Argus Correspondent

JOHANNESBURG. — Publishing giant International Thomson is to sell its South African subsidiary as a result of increased pressure against the group in the United States.

The chief executive of Thomson Publications SA, Mr Joe Brady, said a decision in principle had been reached between the South African company and its parent for a buy-out by local management.

"We still have to work out the details but at least our staff, customers and suppliers have the assurance that it will be business as usual. In practical terms nothing will change but the shareholding."

Thomsons Publications employs 150 people and produces nine trade and technical journals in South Africa and electronic information services.

"We have been in South Africa for many years and are completely self-sufficient.

"I was told that the decision to disinvest was taken most reluctantly by our parent company, but consumer pressure in the US had reached a point where it did not make business sense to retain the South African company."

Thomson Publications SA is a subsidiary of the Thomson UK group. International headquarters are in New York.

Five more SA companies succeed in appeals against banning in US

Sanctions hit-list

Five more SA companies succeed in appeals against banning in US

Sanctions hit-list

Five more South-African companies have succeeded in getting themselves removed from the United States sanctions "hit-list" — that of parastatal corporations whose exports to America are totally banned.

The successful applicants are KWV, the South African Sugar Association, Andromeda Electronic Systems, Transvaal Copper Rod Company, and Thames Wire and Cable.

But five other corporations had their appeals against listing turned down. They were the South West Africa Broadcasting Corporation, Wool Board, Bophuthatswana National Development Corporation, CSIR and Rand Water Board.

This means that there are now 155 South Africa corporations still on the hit-list from the original 166. Six earlier appeals have already succeeded.

Removal from the list does not mean the successful applicants can automatically start exporting to the US again. Some of them, such as the Sugar Association, are covered by other clauses in last year's congressional sanctions Bill, which called for the list.

South Africa lost its American sugar quota in the sanctions Bill, and a ban on all South African agricultural products remains in effect — which means the Sugar Association has survived only one of the three knock-out blows aimed by Congress at its exports to the US.

Advantages

But sources in Washington say there are advantages in getting off the list. One is that other countries may use the US hit-list if they decide to impose similar sanctions on South Africa.

According to the sources, the KWV should not have been on the list in the first place, and was included only because of a gamble by the South African Department of Agriculture.

When the sanctions Bill was first drafted, there was an indication that parastatal companies exporting agricultural products to the US would get a 12-month exemption.

So the Department of Agriculture submitted a list of parastatals, in the hopes they would get the exemption. The KWV was on it.

The Wool Board's appeal was rejected because the South African Government has veto power over its decisions.

US officials say that the Bophuthatswana Development Corporation's appeal was futile because the US does not recognise homelands governments, and views the corporation as being under the control of the South African Government.

The CSIR applied for removal on the grounds that it was moving toward privatisation. But US officials noted that CSIR representatives are accredited to South African diplomatic missions abroad as science attaches.

Tell-tale SA company's accusations are ignored

By Neil Lurssen, The Star Bureau
Washington

The Star Bureau

WASHINGTON — A South African company, angered by its inability to get off the United States sanctions "hit list", has told the US Government that several other South African companies should be on the list as well.

The list consists of 155 South African companies or corporations who are either controlled by, or more than 50 percent owned by, the South African Government.

Their exports to the US are banned totally under the economic sanctions Bill imposed on Pretoria by Congress last year.

Sixteen of the companies have appealed to the US Government against their listing — and 11 have succeeded in getting their names removed.

One that failed was so fed up that it sent the US information about other companies it felt should be listed too.

Sources in the Reagan Administration decline to name the company but said the effect of its message to Washington was: "If we cannot get off your list, then the hell with you. But you should know that companies X, Y and Z are in the same position as us."

The sources said that US officials paid little attention to it because they considered the information unscientific.

One company has made three unsuccessful applications to get off the list. An official said the applications were based on the same arguments each time but the language in the appeals became "sterner" with each rejection.

It is understood that, in future, appeals will probably not be considered more than once.

In many cases, appeals by listed companies appear to be attempts to distance themselves from the South African Government for internal political reasons.

Cape Times 6/3/87

Steyn praises Mobil for not disinvesting

62

ECONOMIC Affairs and Technology Minister Danie Steyn last night lauded Mobil's resolution not to disinvest from South Africa.

Steyn said at the opening of Mobil Court in Cape Town that Mobil's policy of equal opportunities for employees had provided "fine careers for thousands of South Africans".

He said that at a time of disinvestment and sanctions, the philosophy of Mobil Southern Africa's chairman Georges Racine of not disinvesting was "worth a lot".

Steyn congratulated Bob Angel who has been appointed to succeed Racine on his retirement in 10 days' time.

Steyn said that Mobil's 90 years in SA made it the oldest oil company in SA. — Sapa

R10m Coke shares available to blacks

PATRICK BULGER

IN an unprecedented share deal in SA, black retailers will be given an opportunity to buy R10m worth of shares in Coca Cola bottlers Amalgamated Beverage Industries (ABI).

Final details of the deal have yet to be agreed to but up to 8 000 small retailers on the Reef, Pretoria and Durban stand to gain from the deal announced by ABI chairman Peter Lloyd yesterday.

At the same time, SA Breweries is exercising its pre-emptive rights in acquiring another 15% of ABI equity bringing its total to 70%, while minority shareholder Cadbury Schweppes will acquire another 4% taking its total to 19%.

Another R1m worth of shares will be sold to ABI's 3 500 employees.

The deal completes Coca Cola's pullout of SA announced late last year when a new company, National Beverage Services, was formed to accommodate a management buyout.

Lloyd said the offer to retailers would allow "many small businessmen who may never have had the chance to obtain shares in a company, to own a part of the company whose products they sell actively.

"Nothing on this scale has been tried in this country before."

Fred Meyer, the former head of Coke's SA operations, said this was "in line with our company's stated intention, as far as possible, to use its former investments in SA to create multiracial participation in the SA soft drink industry".

Code in new hands

(62)

cPress 8/3/87

WHEN Reverand Leon Sullivan cuts his ties with SA later this year, the Sullivan Principles will be taken over and administered by the American Chamber of Commerce, the magazine *Inside South Africa* has reported.

This means that Sullivan's code, which established standards for improving the working lives of black employees, will be run mainly by South Africans.

Although Amcham's executive director, Ken Mason, was reluctant to discuss the matter at this stage, *Inside South Africa* said it has received reliable information that Amcham would take over when Sullivan quits.

Sullivan has set the end of May as a deadline to withdraw his code if apartheid is not "totally eliminated" by then.

The signatory association that monitors the principles for Sullivan will probably continue to do so for Amcham.

Mason said: "We will determine how the signatory association will fit together. We are trying to resuscitate it and it might take on a new form," he said. – Sapa.

SIT 8/307 62

Coke is it for those who sell it

By Don Robertson

IN A deal reminiscent of Loius Luyt's wooing of farmers by allowing them to buy a stake in his fertiliser company, Amalgamated Beverage Industries (ABI) will offer thousands of cafe owners a share of its Coca-Cola bottling operation

The deal became possible after the acquisition by National Beverage Services (NBS) of the 30% interest of America's Coca-Cola Export Corporation in ABI for R30-million Coca-Cola has quit South Africa

The deal puts an effective value on ABI of R100-million.

Turnover

Of this 30%, South African Breweries will acquire an additional 15% to take its stake in ABI to 70% and Cadbury-Schweppes SA will add 4% to its interest, giving it 19%.

Of the 11% balance worth R11-million, shares costing R10-million will be offered to 8 000 cafe owners and wholesalers. A total of R1-million will be offered to the 3 500 staff members of ABI.

ABI has an annual turnover of R440-million in a R1-billion soft-drink market It operates on the Reef where it has five bottling plants and in Durban where it has one and a second under construction

ABI managing director Alex Reid says the issue of shares to traders and wholesalers will "present a communications challenge"

"Potential shareholders will include traders who have a turnover ranging from R15 000 to R50 000 a month, some of whom have small shops with only one till

"Of the R10-million worth of shares, between 55% and 60% will be offered to non-whites who operate in the poorer areas and who probably have little knowledge of investments of this sort."

About 80% of Cokes sold in ABI's operating area are consumed by this sector.

Mr Reid says the possibility of an ABI listing on the Johannesburg Stock Exchange is being considered, but will not take place this year

Widespread

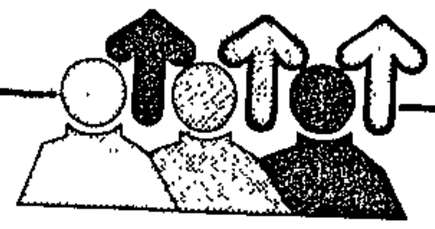
It is expected that the communication programme will take about six months to complete, at which stage a prospectus will be issued. However, ABI will arrange a buy-back deal for those who wish to sell their shares before the listing

Mr Reid indicates that the issue price will be kept as low as possible to enable a wide spread of shareholders.

Mobil Oil has tackled its management development programme as scientifically as if it were planning a new oil refinery. Companies planning equal job opportunity programmes would do well to emulate Mobil's approach. In the final part of her series, SHERYL RAINE reports

ARGUS 10/3/87

Developing SA norms and equal opportunity



Building for Tomorrow — Part 5

MOBIL Oil, which has about 3 000 employees of all races, has a highly structured and holistic approach to equal opportunity and its programmes are as scientific as possible.

"In 1972 the company was restructured so that theoretically a black labourer could become chairman," explains Mr Mel Palmer, a civil engineer who speaks Xhosa and who is an assistant to the chairman in charge of management development.

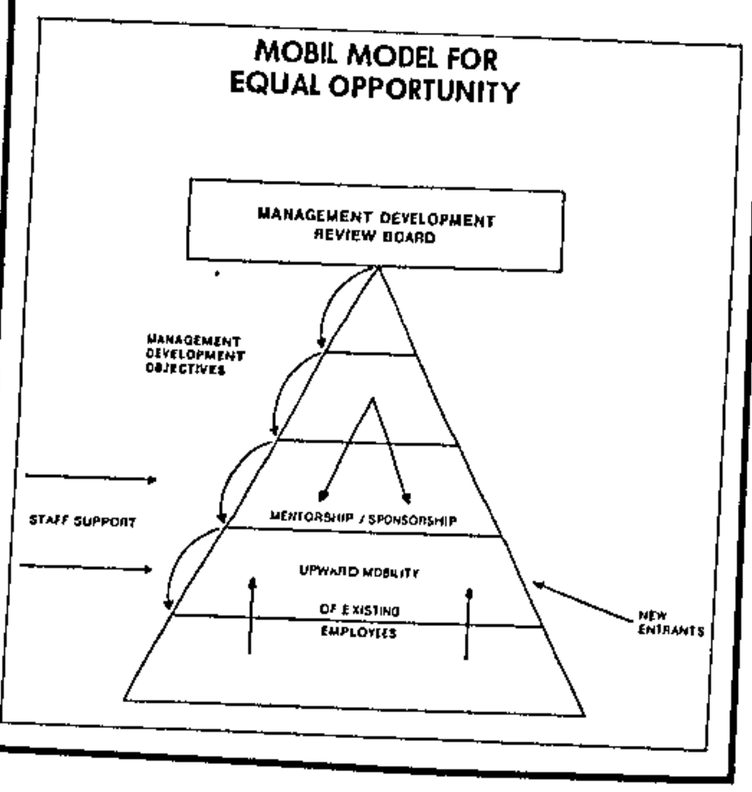
"In retrospect, the biggest difference between our policy then and that adapted now, is that we treated everyone equally then and now we ensure that everyone has equal opportunity. There is a fundamental difference between the two When you treat people equally you make no differentiation between them and take no cognisance of their different backgrounds."

Today Mobil believes in equal opportunity with unequal effort on the part of the company. Today the company does not hire skills. It hires people with specific attributes to suit the jobs it has clearly defined and then trains them in the skills needed.

"People from disadvantaged backgrounds, white or black, need additional effort on the part of the company to ensure that they have truly equal opportunity," says Mr Palmer.

"Our prime objective is to get people of all races into senior management and to do this we have a comprehensive management development programme. While the emphasis may be on getting black people into the company there is no neglect of other groups

"We examined Mobil and found that 91 percent of our upper-middle management structure was white, three percent Asian, two percent black and four percent coloured. We were unhappy about that and decided to change it. Crucial areas that needed addressing were identified, including:



☐ Company policy and environment.

"One has to ensure that there is no overt discrimination One can accept that because company policy is based on Western norms it automatically descriminates against those who do not subscribe to those norms It will take many years for these policies to become totally South African to accommodate all people."

Conflict between cultural values and Western norms

☐ Poor understanding of the free enterprise system which impacts deeply on black employees coming into the company.

☐ Effects of education and socialisation on cognitive development.

"People are innately identical but their educational, social, cultural experiences make them what they are."

☐ Conflict between cultural values and the Western business value system:

"There is a powerful example of what I'm talking about. Mobil was involved in building a refinery in Saudi Arabia. Safety is very important in such operations and the company erected safety signs. The next thing we knew we had a strike on our hands.

"Workers said safety was Allah's business and had nothing to do with Mobil Oil. What we had was a severe clash of values This example points to a lot of other areas where values clash

"We need to identify where these clashes take place and adapt the organisation to allow people to develop what will become South African norms.

"If businesses don't do that and if they prescribe just Western norms, they cannot survive. These norms have to evolve with all cultures contributing."

☐ Socialisation of employees within the company.

"Mobil has its own culture and to advance, employees must be assimilated into the corporation. It is a high-tech business which strives for excellence. Standards are high and discipline a priority. Neither standards nor discpline can be diluted due to the potentially dangerous products Mobil handles.

"Training and mangement standards are important and there is enormous investment in training.

"There is no quick fix. Our objective is to ensure that there is an adequate supply of suitable competent candidates and representives of all South African population groups to meet the needs of the company," says Mr Palmer.

"We have set realistic targets in conjunction with the managers who must meet them in the various departments."

The most advanced learning methods to develop abilities

Mobil believes that the keys to success include line management acceptance and implementation of the management development programme and constant monitoring by the company's review board which is made up of the chairman, two deputy chairmen and Mr Palmer.

Employees develop in line positions and there is no diminishing of jobs to accommodate trainees.

Training is scientific, structured and a full training-needs analysis is done for every individual. Theory is taught in such a way that it is integrated into performance on the job.

"This is time consuming but it works," says Palmer.

The company devotes considerable time, effort and application of the most advanced learning methods to develop an employee's ability to think.

"Through detailed assessments and interviews we can identify cognitive deficiences, get the employee to recognise them and improve."

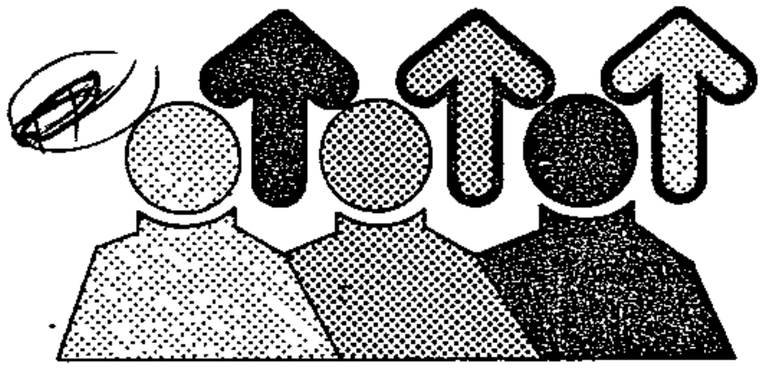
Strict objectives are set by and for trainees who continue learning on the job. There is considerable emphasis on formal mentorship, feedback and rewarding the success of trainees as well as mentors

Another vital element in Mobil's total approach is a data bank of more than 420 identified potential achievers within the organisation Their details are recorded on computer, possible career paths plotted and training strategies mapped with consultation.

"Roughly one third of these achievers are not white There is no appointment made in Mobil today that does not come through this system and it ensures that no one is overlooked"

Scientific programme helps Mobil ensure a fair deal for all

Building for Tomorrow



Mobil Oil has tackled its management development programme as scientifically as if it were planning a new oil refinery. Companies about to embark on equal job opportunity programmes would do well to emulate this approach. SHERYL RAINE looks at the Mobil story in the final article in the "Building for Tomorrow" series.

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- Company policy and environment.

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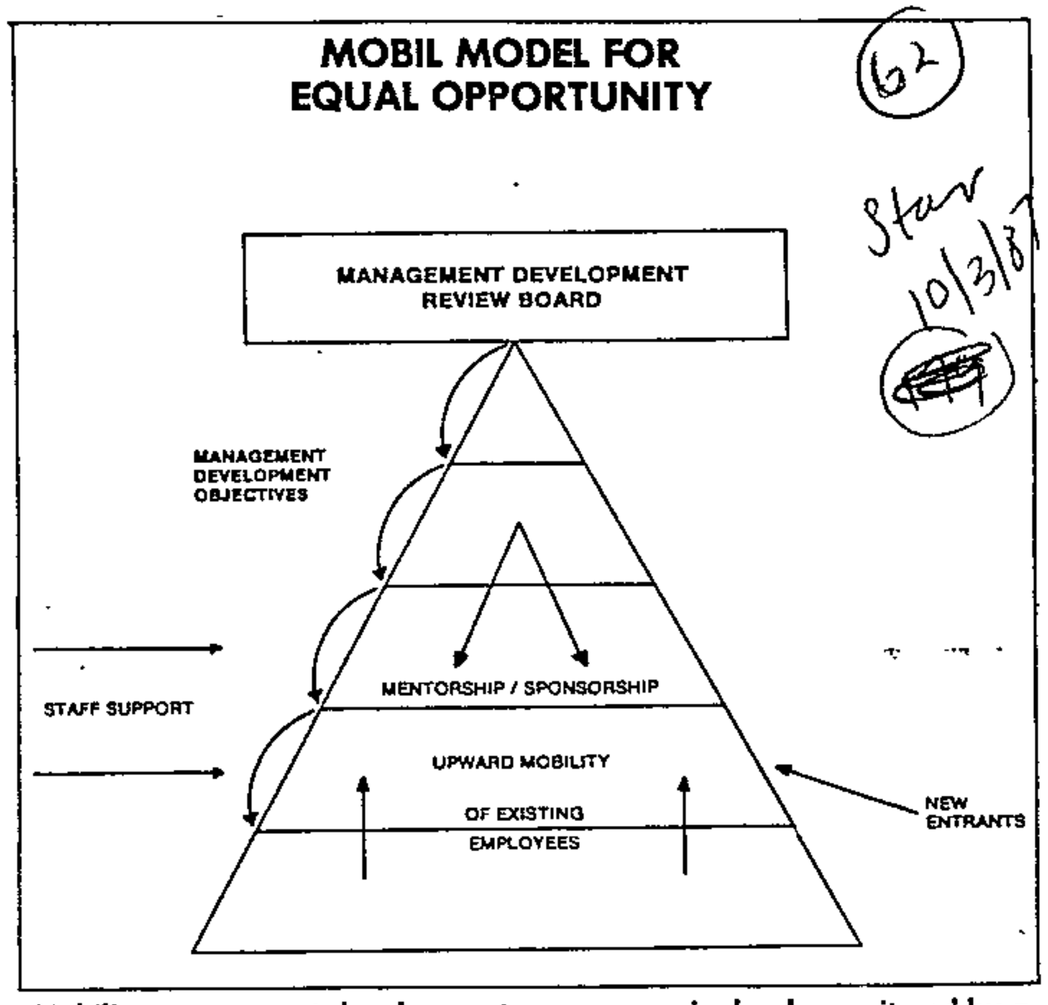

Mobil's management development programme is closely monitored by a review board headed by the company's chairman. Mentorship and sponsorship are key components of the programme which aims to promote upward mobility for existing staff and new entrants to the company. Mobil ensures that line management is responsible for the programme with staff support.

US oil company gives pay rise

THE Chemical Workers Industrial Union has notched a 28 percent pay rise for its members employed by American company Mobil Oil.

By LEN MASEKO

The union has hailed the wage agreement as a positive step towards the achievement of "a living wage" demanded by all unions affiliated to the Congress of South African Trade Unions.

In terms of the agreement wages are to be increased by R155 a month, bringing the minimum wage at the multinational's depots to R710 a month.

In addition, shift allowances are to be increased 100 percent; leave will be four weeks; and a three-day "compassionate leave" and a three-day paternity leave will be granted.

Mobil has also agreed to recognise May 1 and June 16 as paid holidays.

• The wage dispute between the Commercial Catering and Allied Workers' Union of SA (Ccawusa) and Soweto's Maponya Bazaar has been referred to mediation, a union spokesman said yesterday.

The mediation proceedings, set for March 21, will focus on Ccawusa's R120 wage demand and management's R45-a-month final offer.

• Dozens of members of the National Union of Wine, Spirits and Allied Workers (Nuwsaw) have been on strike at Stellenbosch Farmers' Wineries and Distillers Corporation's Wadeville plants since a fortnight ago.

Reasons

The union's general secretary, Miss F Mandy, said she could not divulge reasons for the stoppage "at this stage".

• The National Union of Steel and Allied Workers (Nusaw) is seeking legal advice following the attack on scores of its members outside an Iscor-owned compound in Pretoria last week.

Nusaw official Mr Ndomane Dibane said his union intended to take legal action against "whoever is responsible for the attack" on Nusaw members, all employed by Iscor Pretoria Works.

The Nusaw official said these workers were "buying food from vendors" outside the compound, where they live, when the incident occurred. Some of the workers were seriously injured during the attack, he said.

Nusaw members at the Iscor plant are involved in a canteen boycott in protest against "bad food" served there, Mr Dibane said.

Meanwhile, Nusaw is to take Pretoria's Meyer Steel to the Industrial Court over "the unfair dismissal" of four union members at the plant, Mr Dibane said.

The union is seeking unconditional reinstatement of these workers, claiming management was guilty of unfair labour practices.

Duracell stays

Dear Sir,

I REFER to your editorial which commenced "The land of sunny skies is now deprived of Marlboro cigarettes and Duracell batteries" (*Business Day*, March 6).

Duracell batteries are and will continue to be available to the consumer. One of our subsidiaries, Manel Distributors (Pty) Ltd, was recently appointed as licensed distributor of Duracell products in SA and surrounding territories.

The retail trade has been informed of this appointment, and hopefully those who have refused to restock and sell Duracell batteries will now rectify this situation and afford the public the opportunity to choose the long-lasting battery.

A new Duracell television campaign has been launched, which I trust will assist in preventing any further rumours or misconceptions about the continued availability of Duracell to the South African public.

KEITH F McCULLOUGH
Business Development Manager

COMPUTERS

HP shareholders vote to stay in South Africa

HEWLETT-PACKARD shareholders have overwhelmingly rejected a shareholder proposal calling on the company to withdraw from SA.

Of the votes cast at the annual meeting in Cupertino, California, late last month, 81,1% were against the proposal, 9,6% were in favour and 9,3% abstained.

HP president and CEO John Young said after the meeting that its business in SA was stable and profitable, and that HP intended to remain involved in continuing efforts to advance fundamental change in the country.

HP SA MD Marius Fürst, who attended the meeting, said: "It is vital that the government moves forwards with the reform process, and we continue to believe HP's presence helps to provide the impetus for accelerating such change."

Fürst, who was introduced to the shareholders present, said he was surprised that only one person came up to him after the meeting to discuss the SA situation.

He stated his belief that HP was a positive influence and that SA would make progress on reform. That, he said, appeared to satisfy the questioner.

He also spoke to the representative of the the Teachers Insurance & Annuity Association, which made the quit-SA proposal on behalf of the College Retirement Equities Fund, co-sponsored by the New York State Retirement Fund and the Diocese of Newark, New Jersey.

During a converstion, which Fürst described as cordial, he stated his belief that the proposal was misguided.

The shareholders had good news to consider from the company's annual report, which shows an improvement for the year ended October 31, 1986 over the previous year.

Net earnings increased 5% over the previous year, compared with a decrease of 10% and an increase of 20% in 1985 and 1984 respectively. Net revenue increased to $7,1bn — 9% up on the previous year.

HP's order growth improved by an average of 13% over the 1985 level, but international orders increased by 23%, due partly to the strengthening of most currencies against the dollar.

The report says that, recognising the growing importance of international markets, HP took steps to increase its participation in the countries where it does business.

New products played a key role in the overall growth, with generally more than half of HP's annual orders being for products introduced in the preceding three years.

Spending on research and development rose to $824m (12% of net revenue) in 1986, an increase of 20% over the previous year.

93 US firms have left SA

5/Day 62 5/3/87

ALAN SENDZUL

NINETY-THREE US companies have withdrawn from SA because of disinvestment pressure since the anti-apartheid lobby gained momentum in 1985.

According to the Washington-based Investor Responsibility Research Centre (IRRC), 40 US corporations withdrew in 1985, 48 in 1986 and five this year.

Larger US corporates that have signalled their intention to quit, but have not finalised buyouts, include Black & Decker, Dun & Bradstreet, IBM, McGraw Hill, Revlon, Tam Brands, Pepsico, Emhart and Bundy Corp.

Despite the number of US withdrawals, American Chamber of Commerce (Amcham) president Frank Lubke says there has been a net drop in Amcham membership of only one company.

He says 37 companies (18 with US parents) terminated membership last year, while 36 new companies joined. Amcham's books reflect 190 US companies out of total membership of 310.

The IRRC says it is not able to put a figure to the value of disinvestment since 1985. It is also difficult to quantify jobs lost from shut down US operations.

However, with the exception of Eastman Kodak, US companies that pulled out entirely have scarcely had an effect on employment. The biggest US employer in SA was GM, with a staff of 3 056 at the time of its withdrawal.

Inside South Africa magazine says Amcham is likely to run and administer the Sullivan principles if Rev Leon Sullivan cuts ties with SA later this year.

Sullivan has set May as a deadline to withdraw his code — established to improve blacks employees' working lives — if apartheid is not eliminated.

Amcham executive director Ken Mason was yesterday reluctant to discuss the matter but *Inside South Africa* says it has reliable information that Amcham will take over the running of the code.

SA businessmen buy US chemicals firm

The R100 million-a-year Dow Chemicals business in South Africa is to be sold to a group of local businessmen.

This follows a decision two weeks ago by the Dow board to sell the company's pharmaceutical subsidiary, Mer-National, to the Premier Group.

According to a statement issued by Dow in Johannesburg yesterday, the new company will represent Dow's full range of chemical and plastic products in South Africa.

Norton sells SA subsidiary for R15m

US ABRASIVES giant Norton yesterday sold off its SA subsidiary for R14,9m to Global Mining & Industrial Corporation (Glomine).

The deal, which now makes Glomine the holding company of Norton Abrasives, was financed locally, with no buy-back arrangement for the parent.

Norton's US chairman Donald Melville said: "Societal pressure in the US and the unsettled situation here occupied a disproportionate amount of management's time."

ALAN SENDZUL

Norton Abrasives in SA generates only 2% of worldwide revenue.

Glomine CE Neville Parry said the acquisition would significantly increase earnings a share, possibly to above 20c, compared with 9c for the year to last September.

Its share in the SA abrasives market will now be more than 50%.

In terms of the agreement the foreign parent will continue to provide technical support to the SA operation, which employs 500 staff.

By virtue of a distribution licensing agreement, Norton SA will retain its name. Products will be marketed under the Norton trademark.

Parry said all staff at Norton would keep their jobs. Agreements with the Metal & Allied Workers' Union would be honoured, as well as an adherence to the basic Sullivan Code principles.

Norton MD Colin Williams will move to the main board of Glomine.

93 US firms withdrawn

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CAT TIMES 3/3/87

Clark to remain on ISM board

62

Own Correspondent

JOHANNESBURG. — International Services Management (ISM) — formerly IBM — MD Jack Clark will remain "indefinitely" on the board of the new company.

Clark said last night he had given an undertaking to IBM in the US that he would stay with IMS for at least three years, and a similar undertaking to the new board to remain "for a bit longer".

"I'm staying around indefinitely," he said in reply to comments that he was ready to leave the company following conclusion of the deal that saw IBM in the United States sell its SA operation to a management-controlled employee trust.

Sell computer software

ISM expects to repay IBM within 10 years from profits earned by the new company. Clark refused to rule out the possibility that ISM might go public, but "only if it is in the employees' interests, and we satisfy IBM that it would in no way endanger paying off the debt".

Clark also announced last night that ISM would sell computer software to banking and financial services for British-based Hogan Systems UK.

The announcement — one day after the company officially changed its name from IBM — follows an earlier statement by Clark that under the terms of IBM's disinvestment, the local company would no longer exclusively supply IBM products. However, it will remain IBM's sole representative in SA.

Argus 24/2/87

US firm's pull-out welcomed

62

The Argus Correspondent

JOHANNESBURG. — The decision by New York publisher McGraw-Hill Inc to sell its South African subsidiary will boost the company here, says the local managing director, Mr John Savage.

More than half the products of the McGraw-Hill Book Co SA (Pty) Ltd were already produced locally and "the decision by our parent will almost certainly provide more opportunities for local products by our South African authors".

The president of McGraw-Hill, Mr Joseph Dionne, announced in New York yesterday that his company had decided to withdraw from South Africa and would sell its subsidiary to local management.

He added that the divestment would "hurt" the corporation's first quarter earnings.

Mr Savage said that McGraw-Hill's South African operation was one of the most successful of the group's operations worldwide.

"Unlike many other countries in the world, there is still a considerable demand in South Africa for tertiary education and reference books of the type we publish," he said.

McGraw Hill employed a staff of 51 in South Africa and last year had sales of R5,2-million. Mr Savage said that the disinvestment move would not involve the laying off of any staff in South Africa.

Pullout may help SA writers

By Chris Moerdyk

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UNREST

"In light of the increased political and social unrest in South Africa and the continued refusal of the South African Government to address the evolution of the apartheid system, McGraw-Hill can no longer remain there and meet its varied commitments to the people of South Africa, our employees and our shareholders."

Mr Savage told The Star today that McGraw-Hill's South African operation was one of the most successful of the group's operations worldwide.

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News in Brief

McGraw books still 'on'

ACADEMIC books from American publishing company McGraw-Hill Incorporated will still reach SA in spite of an announcement last week that the company would disinvest. A spokesman for the SA subsidiary, McGraw-Hill Book Company (SA) Ltd, said a buyout by local management was in progress and it was expected to be finalized by April 1. The SA company has an agent to get books from America.

Fourth try at company pull-out fails

CUPERTINO (California) — For the fourth time in six years, an overwhelming majority of Hewlett-Packard shareholders have turned down demands that the computer company pull out of South Africa.

By a margin of more than 8-1, the stockholders made their feelings known at the corporation's annual meeting earlier this week.

The company's South Africa sales operation employs 260 people and generates $37 million in revenues.

Two institutional shareholders from the US East Coast argued that H-P should not support South Africa's government and its policy of apartheid, and should shut down its offices there.

"If H-P continues to stay in South Africa, it will continue to pay a 50 per cent tax on profits and will continue to support the apartheid system," said Mr Charles Fender, the investment committee chairman for the Board of National Ministries of the American Baptist Church, which owns 40 000 shares of H-P.

He called on H-P to "no longer be a part of this madness".

In a proxy statement opposing withdrawal from South Africa, the management said it had petitioned the South African Government to dismantle apartheid and free political prisoners and protested against the forced removal of blacks. — Sapa-AP

US is now uneasily aware of complexities of sanctions

CAPE TIMES 27/2/87

The departure of American companies will continue this year as the South African government pushes reform aside and attempts to reunify white voters for the forthcoming elections. Liberal-minded Americans are, however, becoming uneasily aware of the complexities of South Africa's problems. JOHN CHETTLE, the South Africa Foundation's director in Washington, looks at relations between the two countries.

ONE would have thought it hard for the confusion in Washington about relations between the United States and South Africa to become worse, but the current crisis gripping the White House has succeeded in making prediction even more difficult.

The controversy surrounding the provision of arms to Iran, and the diversion of funds from those arms sales to the forces fighting the Sandinista regime in Nicaragua, now pre-occupies the foreign policy apparatus of the United States to the exclusion of almost everything else.

This is not an exaggeration: one authority has observed that, because of the extent to which final decisions have to be made by the same small group of people, it is hard for the United States to deal with more than one crisis at a time. It may well be that the crisis is even more profound than is generally realized abroad.

The difference between this crisis and Watergate, with which it is often loosely compared, is that Watergate was a domestic crisis with some national security implications.

THIS crisis, while it has important domestic repercussions, profoundly influences the way that the United States is able to act in the world, and will influence how its resolution and its ability to make decisions are appraised.

It is impossible to determine how long this investigation wil go on, and what it will mean by the time it has run its course, but it weakens the White House and the Republican Party at the very time that the resurgent Democrats have taken control of the Congress and are looking to end the so-called "lock on the presidency" which has caused the Republicans to win five of the last six presidential elections.

But the results, in terms of policy towards South Africa, are also difficult to determine. Superficially, by weakening the administration still further, it may appear to assist the Democratic Party and make further sanctions against South Africa even more likely.

This may, of course, be the case. The House Africa Subcommittee will almost certainly come up with a new list of sanctions during the forthcoming session of Congress. If such measures actually come to the floor, they will be passed.

Similarly the Senate, now under Democratic control, could well initiate legislation of its own. But the difference between 1987 and 1986 may well be that there is no obligation on the Republican Senate leadership to formulate its own proposals. It can put the onus on the Democratic Party to come up with proposals, in the full knowledge that, if they go wrong, the Democrats must take the blame.

There may be less inclination on the part of the Senate Republicans to go along with such a programme, and a greater willingness to support a presidential veto of legislation that appears to go too far. The great paradox may be, therefore, that a Democratically controlled Senate will be less inclined to override a presidential veto. What makes this hypothesis more credible is the growing and almost palpable unease in informed circles about the consequences of the sanctions policy.

This was articulated most cogently by former ambassador Herman Nickel in an article in the second leader page of the New York Times. He noted that "there can no longer be any doubt that the anti-apartheid act of 1986 has made it even more difficult than it was before for the United States to influence the course of events in South Africa. Predictably, the South African government has not become more amenable to American pressures and persuasion. On the contrary, it is now more oblivious and truculent".

After noting a number of issues on which the South African government had been obliged to take account of American sensitivities in the past, he contrasted President Botha's recent "vitriolic reaction" to a congressionally mandated investigation of hunger in the homelands, the arrest in Venda of the Lutheran leader Dean Farisani, and Pretoria's refusal to heed American protests against the relocation of a black township near the city of Brits. The signs, he noted, could not be clearer.

He pointed to a further phenomenon, not yet widely remarked on in the American press.

THE forthcoming election on May 6 will no longer be fought on reform issues but rather on the theme of re-unifying white voters to stand against a meddlesome world. Already, he commented, the need to work together to beat sanctions has turned the previously adversarial relationship between the government and the reformist business community into a co-operative one.

The exodus of leading American companies has further eroded American influence. "Now, however, one hears less rejoicing by disinvestment advocates like Archbishop Desmond Tutu and the Reverend Allan Boesak and more concern about the future from among the black workers of General Motors and other companies." Finally, Ambassador Nickel refers to the relationship between South Africa and its neighbours, and the danger that a loss of American influence may set in train a destructive cycle of reciprocal measures by South Africa and its neighbours.

This warning by Ambassador Nickel could be taken, perhaps, as the utterance of an official committed to supposedly discredited policies, if it were not for the fact that the evidence coming out of South Africa, and from other sources, so strongly corroborates his observations. The imposition of sanctions, for example, was supposed to cause an already frantic South African business community to put even more pressure on the Nat government, noted William Claiborne, in the Washington Post, but instead has resulted in a shift in emphasis from reform towards business survival.

INTERESTINGLY enough, the apprehensions about the actual effect of sanctions have been most cogently expressed by black Americans.

Bishop John Walker, the Bishop of Washington, called for American corporations to stay and contribute to change in South Africa, an apparent departure from his previous position, and a sharp break from that of the black national leadership.

William Raspberry, the black nationally syndicated columnist of the Washington Post, also expressed his unease about the effect of sanctions. He asked whether they were intended to persuade pragmatic whites to adjust to new realities, or merely to punish them, whether the sanctions would actually ease the process of change in South Africa, or make whites resolute to fight them every step of the way, and whether the South Africa that blacks would find, when they ever enter upon their inheritance, would be a desert.

There is no doubt whatever that, whatever happens in the Iran controversy, 1987 is going to be a difficult year for South Africa.

There will be further departures of American corporations, and action taken in more state and city governments to make the continued presence of other US corporations impossible. This will be in addition to whatever manifests itself in Congress.

But it is abundantly clear that the full complexities of the subject are becoming more apparent, and that liberal minded Americans are becoming uneasily aware that they may not have all the answers.

● *With acknowledgements to the South Africa Foundation.*

FOR SUBSCRIPTION INQUIRIES — TELEPHONE EAST LONDON 261

US customs probe alleged crayfish sanctions busting

Dispatch Bureau

WASHINGTON — The United States customs service is investigating an alleged sanctions-busting conspiracy to import 150 tons of highly-prized crayfish from Cape Town in defiance of the congressional ban on South African foodstuffs.

Tipped off by an unidentified South African informant, agents have recently examined two shipments of frozen crayfish tails marked "product of the Cayman Islands", according to customs spokesman, Mrs Liz Orgeron.

The informant claimed that a Cayman's-registered vessel, the Southern Freedom, took on the already frozen and packed crayfish in Cape Town several weeks after the October 3 food embargo. He charged that the cargo was relabelled and transferred to two US-bound ships, the Frost Olympus and the Icelandic, in Montevideo, Uruguay, in mid-December.

Frost Olympus unloaded at Gloucester, Massachussets, on January 2, and the Icelandic in New York in early February. Both consignments were checked by customs but their origin could not be verified, Mrs Orgeron said.

If the crayfish were caught by the Southern Freedom, the shipments would be legal. Under the treasury department's rules implementing the sanctions law, what matters is not the waters in which the fish were caught, but the nationality of the vessel that caught them.

As one state department official explained "what else can we do? ask the animals if they speak Afrikaans?"

Because the sea crayfish season does not open until November 1, the informant argued, Southern Freedom could not possibly have caught 150 tons and made it to Montevideo by mid-December: its cargo must, therefore, have been the previous season's catch obtained from a Cape Town packinghouse.

The attention focussed on the crayfish by the investigation is bad news for a pair of South African businessmen who have set up an entirely legal pipeline around the embargo.

Mr Eric Kiwi, a South African-born vice-president of the New York-based Specialty Seafoods Inc., confirmed yesterday that his company obtains crayfish from SA waters through the Caymans-based South Atlantic Fishing Company (Safco).

Specialty Seafoods occupies the same premises as the now defunct SA Rock Lobster Services, which for 40 years was the sole agent for South African crayfish.

Before sanctions went into effect, the managing director of Cape Town's Atlantic Fishing Enterprises Pty Ltd, Mr Peter Kuttle, sold eight of his ships to Safco and now acts as the Caymans-registered fleet's South African agent.

The Pretoria government has reportedly cooperated by granting SAFCO the necessary permits and quotas to lift crayfish from its territorial waters — a privilege not normally available to foreign fleets.

One problem with this arrangement was that Mr Kiwi had to market the catch as a product of the Caymans, whose crayfish are not nearly so highly sought after as the SA variety. "We are not selling South African crayfish any more."

Another problem is likely to be the newly-alerted US congress. Congressman William Gray, who has assumed the role of watchdog to ensure that sanctions are fully implemented, has asked his staff to check into the continuing crayfish trade. "If there is a loophole in the law, we can make specific changes."

US will veto call for SA sanctions

NEW YORK — The US ambassador to the United Nations, Mr Vernon Walters yesterday confirmed the United States was set to veto a resolution, expected to be introduced shortly in the security council, calling for mandatory sanctions against South Africa.

"As of now, it looks as if we will vote against obligatory sanctions," the American envoy said at a news conference.

Mr Walters' reply confirmed expectations that the United States would use its veto to block mandatory measures against the Pretoria government during a council debate that began on Tuesday.

He said if sanctions were imposed and the situation in South Africa later improved, a single big power could veto the lifting of those sanctions.

"In other words, you are tying your hands for the future, and I think that is part of our trouble with it," he said.

Mr Walters said the United States itself had already imposed a range of sanctions against South Africa and had been the first to bar the sale of arms and police equipment to that country. — Sapa-RNS

Cutt. Times 26/2/87

Row over GM switch to 'Delta'

Own Correspondent

JOHANNESBURG. — The recently-formed Delta Motor Corporation, formerly General Motors, has found itself at the centre of a row over its new name — currently the subject of a massive TV campaign.

A company listed on the Johannesburg Stock Exchange (JSE) informed our correspondent yesterday it is taking legal advice on the use of the name Delta by the motor firm. The JSE company is Delta Electrical Industries Limited.

Contacted late yesterday the MD of Delta Electrical, Mr Graham Slater, said his company was taking urgent legal advice.

A spokesman for the Delta Motor Corporation in Port Elizabeth said the name General Motors had ceased to exist.

"We submitted the name and it was accepted by the Registrar of Companies.

"Our response to this allegation is that we have registered the name and are quite entitled to use it."

(62) Sowetan 26/2/87

NCR GIVES R2-M TO URBAN FOUNDATION

A MAJOR American company operating in South Africa yesterday donated R2-million to the Urban Foundation for use in various projects aimed at uplifting the standard of living of blacks.

The managing director of National Cash Registers (NCR), Mr Jim Houston, handed the cheque to the executive chairman of the Foundation, Mr Jan Steyn, in a ceremony in Johannesburg.

Half the money will be used by the Private Sector Council which is developing proposals for a new urbanisation strategy. The council is charged with removing key obstacles towards the establishment of a non-discriminatory society in South Africa.

The other R1-million will be placed in a trust for the eradication of the two apartheid Land Acts of 1913 and 1936.

Among the Urban Foundation projects earmarked to benefit from the fund are:

- The Self-Help Housing Scheme will be given R300 000 for servicing residential sites and providing housing services to families who want to build their own houses;
- The centre for adult education in Soweto — Funda Centre — will gain R300 000 from the donation. Funda Centre develops leadership skills for the social reconstruction of SA. It is a beehive of activity with daily events such as seminars, workshops, exhibitions and discussions.;
- The Urban Black Entrepreneurial Development Programme, an organisation that aims to promote the development of black business in informal and formal sectors, will be given R185 000. Courses will be held for budding businessmen over a six-month period;
- The Association of Black Accountants of South Africa will be awarded R100 000 to establish a centre for accounting studies to deal with the training and supply of black accountants.



JAN STEYN . . . Urban Foundation director.

Kentucky chicken steals Jackson's thunder

WASHINGTON — The Kentucky fried chicken corporation (KFC) inadvertently stole the Reverend Jesse Jackson's thunder in announcing its withdrawal from South Africa and the Chicago preacher is furious.

Mr Jackson had scheduled a press conference in Louisville, Kentucky, where KFC is based, to denounce the firm's continued presence in South Africa and to threaten a possible boycott, but found himself pre-empted by the announcement.

Even more annoying for him, KFC would not even let the former presidential candidate take credit for the move, flatly denying his insinuations that he was responsible.

"Our decision and his showing up on our doorstep were completely coincidental," a company official said.



MR JACKSON

Mr Jackson now appears to be taking his revenge by blasting the fast-food giant for not closing down its South African restaurants entirely, even though a quarter of them are black-owned.

There are currently 180 KFC outlets in South Africa — 120 owned and operated by franchisees, the remainder directly owned by the company. The latter are to be sold to local buyers. All franchise agreements will be honoured, and the company will continue to receive royalties.

Though KFC will no longer have assets in South Africa, a spokesman, Mr Greg Reynolds said South Africans will still be able to eat chicken sold under its brand name and cooked according to its recipe.

This is not good enough for Mr Jackson, who told KFC executives: "Every day you sell chicken in South Africa, you pay taxes to South Africa. South Africa is using these taxes to oppress and kill people and persecute the church." — Sapa-AP

ARGUS 26/2/87

Ford UK 'to break trade link with SA'

The Argus Foreign Service

LONDON. — Ford UK is to cease trading with South Africa.

Present trade links of some R140-million a year — mostly exports to South Africa of spares and components for the Sierra range — are to be phased out.

Legally binding contractual arrangements will run their course, but will not be renewed.

This will leave Samcor — Ford SA until 1985 — without its British supplies of body panels, components and service parts for the Ford Sierra.

However, Samcor managing director Mr Spencer Sterling said today he had no knowledge of any planned interruption in supplies."

The move follows intensifying anti-apartheid pressure from trade unions and activists, but Ford UK says the decision to phase out its supplies to Samcor is based largely on commercial considerations.

It says the same applies to the cancellation last year of imports from South Africa of P100 pick-up vans.

A spokesman for Ford UK said yesterday: "It should be noted that our business with Samcor has been diminishing steadily for commercial reasons.

"Our decision, also, to cease importing the P100 pick-up vans from South Africa was because there had been a marked reduction in demand and sales diminished sharply."

However, conflict between Ford UK and the Transport and General Workers Union, whose members operate Ford plants, appears to have been decisive in speeding the company's decision.

Asked how the move might affect Samcor, the spokesman said: "It is undoubtedly possible they will be able to get alternative supplies.

Delta takes over from GM

By TOM HOOD, Business Editor

GENERAL Motors in South Africa has changed its name to Delta Motor Corporation.

It will manufacture Opel and Isuzu vehicles and import Isuzu and Suzuki units from Japan.

Sir Michael Edwardes, one of the biggest names in the international motor industry, has joined the board as a non-executive director.

Mr Bob Price, the former managing director of General Motors South Africa who left General Motors Corporation to join the new venture, is to head the local management team.

Key factors

He outlined several key factors for the success of the new company's plans. These included:

- Revitalisation of management;
- Overhaul of the company's operations and financial structure;
- Reduction of manufacturing costs;
- Continuity of product supply and technical support;
- Emphasis on marketing effort.

"Our takeover team has formulated a business plan which, even taking into consideration the parlous state of the motor industry in South Africa, offers a blueprint for success," said Mr Price.

The company today announced that its headquarters would remain in Port Elizabeth although a large part of the marketing arm would be based in Johannesburg.

Sir Michael will be joined on the board by leading financier Mr Len Abrahamse, who is chairman of Syfrets and a director of Nedbank, Old Mutual and several other companies.

Guidelines

Sir Michael, born in Port Elizabeth and former chairman of the giant UK motor manufacturer British Leyland, is present chairman of the Chloride Group PLC.

The local management group announced today it would no longer subscribe to the Sullivan Principles, voluntary guidelines for American companies doing business in South Africa.

Also named as directors are Mr Noel Brian Webb, an attorney and partner in the Johannesburg firm of Bowman, Gilfillan, Hayman & Godfrey and Port Elizabeth attorney and consultant Mr Anthony Dold.

Sir Michael, Mr Webb and Mr Dold were introduced to the dealer organisation in Port Elizabeth last night, when it was announced that they had joined the board. They bring to the new company an impressive list of achievements in the world of big business.

Sir Michael made a name for himself in Britain, where he played a major role in bringing about the recovery of British Leyland.

He is non-executive chairman and acting chief executive of the Chloride Group PLC and has also served as chairman of the British computer giant ICL, executive chairman of Dunlop Holdings in Britain and non-executive chairman of the Hill Samuel Group of merchant bankers in South Africa.

Mr Price told dealers that the revitalisation of the management team was the first step. The nucleus of the takeover group consisted of a few youthful South African executives who between them had plenty of motor industry experience.

The group was made up as follows: Mr Price, chairman; Mr Keith Butler-Wheelhouse, managing director; Mr Russ Oliveto, manufacturing and assembly; Mr George Stegmann, personnel and public affairs, Mr "Van" van der Linde, materials management and parts; and Mr André van Rooyen, product development and planning.

Mr Stegmann said today that the company would "continue to have a very definite social conscience," despite ending attempts to adhere to the Sullivan principles.

Formulated by black American clergyman the Rev Leon Sullivan, the principles call for complete elimination of race discrimination in the workplace, training programmes and advancement for blacks, and projects to improve housing, transportation, schooling, recreation and health facilities for black employees.

"Like many other South African companies, we will continue to apply progressive and non-discriminatory employment practices and exercise social responsibility in the community we serve," said Mr Stegmann.

Sullivan takes hard line as SA visa is turned down

The Star Bureau

WASHINGTON — The South African Government's refusal to allow the author of the Sullivan Code into the country will heap more pressure on US companies to leave the country.

The remaining 170 or so American companies adhering to the Sullivan principles of fair and equal labour practices for employees in South Africa will now face a powerful call from the author of the code, the Rev Leon Sullivan.

Mr Sullivan has said he will, at the end of this month, tell all US firms operating in South Africa to get out. His move will probably constitute the largest single blow to those US companies in the country still fighting to stay on in the belief that they are doing some good.

Mr Sullivan was told on Friday he would not be given a visa for his final visit to South Africa, days before he was to stage a news conference here to make an announcement on his deadline, which he issued last year.

He had said he would call for total disinvestment if, by the end of this month, statutory apartheid had not been scrapped.

While Mr Sullivan was not available for comment last week, sources close to him indicated it was not certain that he would press automatically for a departure by American companies.

The code, endorsed and enshrined in law and a proclamation by the White House, State Department and US Congress, has lent Mr Sullivan legitimacy and immense political stature among Americans.

Sullivan to call for total US withdrawal

VIRGINIA — The author of the anti-apartheid Sullivan Principles said at the weekend that he would call for the total withdrawal of American companies from South Africa at the end of the month.

The Reverend Leon Howard Sullivan of the Zion Baptist Church in Philadelphia, who asked companies to change business policies in South Africa to help provide opportunities for blacks, said he had wanted to make the announcement in South Africa but had been denied permission to enter the country on Friday.

His plans to call for the boycott were instead announced during graduation ceremonies at West Virginia State College, the once all-black school that is his alma mater.

"If by May 31 there is no change, I will call for all American companies to leave South Africa and for a total embargo of that country," he said.

Mr Sullivan said he doubted that President Ronald Reagan or Congress would back his call but expressed the hope that citizens and corporations would step up pressure on the South African Government.

He had set the end-of-May deadline last year.

Many companies, including Coca-Cola, General Motors, International Business Machines and Eastman-Kodak, have already left South Africa or announced intentions to do so.

The Sullivan Principles were drafted in 1977 to set standards regarding pay, medical care, housing, non-discriminatory hiring, social justice and other issues for American companies doing business in South Africa.

● The Minister of Home Affairs, Mr Stoffle Botha, told Mr Sullivan the "time is not ripe" for him to visit South Africa.

Mr Botha yesterday denied allegations by the American civil rights leader that he had been refused a visa. — Sapa

US giant to stay in SA

AT the annual general meeting of the shareholders of the Colgate-Palmolive Company, held in New York on April 30, a motion to disinvest from SA was defeated by a 90 percent majority.

An overwhelming percentage of shareholders believe that by remaining in South Africa, the company can play a major role in bringing about peaceful change.

Colgate – a top Sullivan category rated company since the inception of the Sullivan Principles in 1977, has a broad social responsibility program embracing education, health, business development, recreation and the pursuit of social justice fo all South Africans.

The company will continue to support community programs and to be proactive in the pursuit of a fair and free society for all South Africans.

We'll do it our way

U.S. firms will carry on despite Sullivan

AMERICAN companies in South Africa have decided to go it alone with their code of fair employment practices, even if the code's author tells them to pull out of the country.

The pledge comes a fortnight before the proposed visit of the Rev Leon Sullivan, who originally drew up the code of conduct for Americans doing business in South Africa.

By CAS St LEGER

Mr Sullivan, who will be in South Africa next weekend, has given a May 31 deadline to American companies: if apartheid is not ended by the then the companies should quit South Africa.

Mr Roger Crawford, South African chairman of the Sullivan Code Signatory Association, said this week that the code had made an important contribution to South Africa and, irrespective of Mr Sullivan's decision, would continue to be implemented.

Mr Crawford's response also follows remarks made this week by Mrs Phyllis Oakley, a spokesman for the State Department in Washington, and reported by SABC's "Radio Today", that there was concern that US companies taken over by South Africans were not carrying out the principles of the Sullivan Code.

"Clearly we have done some soul-searching, both here and in the United States, because we have been aware for more than a year of Mr Sullivan's May 31 deadline," Mr Crawford said.

"The unanimous view is that the code of employment practice as enunciated by Mr Sullivan has made a significant contribution to South Africa and that, irrespective of the decision Mr Sullivan takes, there is a view in corporate leadership in the United States that the effort will continue," he said.

Bizarre

"It would be bizarre if any company which has been practising equal opportunity in its workplace rescinded that. I would be very surprised if any company would be that shortsighted.

"Many companies have stated in the past that their adherence to the Sullivan Code is really an adherence to a basic management philosophy which in their judgment has always been a very good set of management principles.

"In these buy-outs, we are going to see a desire by the new managers, who are, after all, South Africans, to reflect a stronger bond with South Africa.

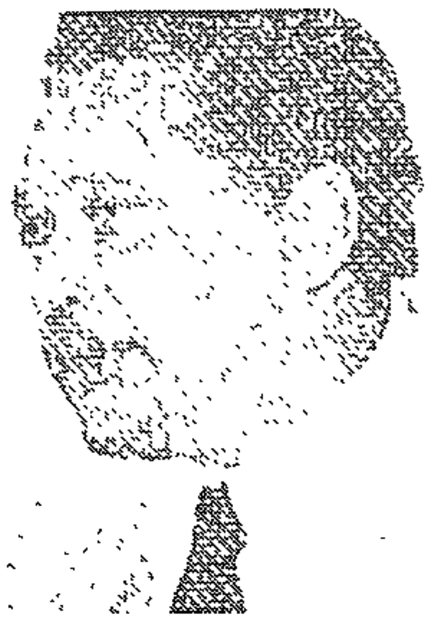
"If they say they are not going to adhere to the Sullivan principles, I would suggest they are probably reflecting a view to their customers and employees that theirs is a South African company.

"I would be very surprised and disappointed if they threw the principles out," Mr Crawford said.

Mr Sullivan will make a low-profile exploratory visit to South Africa from May 24 to May 29 before making an announcement on June 3 whether American companies in South Africa should stay or leave.

Mr Crawford said: "I notified our membership of a signal I received from Mr Sullivan that he was planning to come to South Africa. We have been given certain requirements from him and we are beginning to put his programme together.

"But I must emphasise there is no certainty he is coming. My letter clearly stated 'the *proposed* visit of Mr Sullivan'."



LEON SULLIVAN
Significant contribution

have the potential to become the biggest shaping our future."

CAPE TIMES 16/5/87

Ford will retain Samcor interest

DETROIT. — Ford Motor Company planned to retain its minority interest in the South African car firm Samcor despite of pressure to quit the country in protest against apartheid, chairman Donald Petersen said on Thursday.

Petersen told shareholders at the company's annual meeting that the South African Motor Corp (Samcor), in which Ford owned a 42% stake, had recently become marginally profitable after several years of losses.

His remarks came during debate on shareholder proposals to force Ford to withdraw from South Africa unless the white-led government moved quickly to end its system of racial separation.

Petersen said a Ford withdrawal would almost certainly cause Samcor to fail and thereby cost 4 500 South African workers their jobs.

He said the ripple effect would cause the loss of another 11 000 jobs by South Africans.

Since Samcor was emerging as a viable company it would be "difficult to cut the life support for a company on which so many people depend in a country where there is so little help for the unemployed".

Petersen said Ford, its directors and management abhorred apartheid, considered it an inhumane system and constantly discussed the question of what to do in South Africa.

"There are good reasons for withdrawing (but) equally compelling reasons for remaining," he said.

The company's decision about its future in South Africa would be determined by considerations other than profitability, he said.

Ford, the second largest US car maker, merged its loss-making Ford South Africa Ltd subsidiary with Anglo-American Corp's Sigma Motor in 1985 to form Samcor, which manufactures and markets Ford vehicles as part of its product line. — Sapa-Reuter

Shell rejects SA repression

From MIKE ROBERTSON

LONDON. — Shell totally rejected the SA government's strategy of using repression to maintain order without dealing with the root causes of the conflict, Chairman Peter Holmes said here yesterday at the Shell Transport AGM.

A press release of a statement by Shell SA chairman John Wilson on the recent attack on Cosatu, was handed out to shareholders.

The document contained a circular sent by Wilson to all Shell employees in SA expressing his horror at "the harassment and intimidation of Cosatu".

"We are aware that many of our employees are members of Cosatu affiliates such as CWIU, MAWU and NUM. We express our solidarity and sympathy with these and other unions who have been subjected to such harsh, repressive action."

Bargain prices

He said supporters of apartheid in SA were beginning to welcome withdrawal.

"It expands local white ownership of attractive businesses at bargain prices and silences local critics of apartheid."

Holmes said the number of strong opponents of apartheid opposing disinvestment was growing.

Activists within SA had changed their minds about disinvestment and this message would begin to get out of the country within the next six to nine months, he predicted.

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Smithsonian Institute cuts SA investment

WASHINGTON — The Smithsonian Institute, curator of the US's most important museum system, has decided to sell its holdings in all US firms with ties to SA, regardless of whether they have signed the Sullivan Code.

The decision, which effects $27m worth of investments in 41 companies, is highly symbolic. The institute's 17-member board of regents includes Vice-President George Bush and conservative Supreme Court justice William Rehnquist, and epitomises the American cultural and political establishment.

SIMON BARBER

The board has been hesitant about divesting completely, partly to avoid offending the Reagan administration, but its hand was forced by six regents who are members of Congress.

One of them, Norman Mineta, a California Democrat, said he was outraged to discover that the institution had increased its holdings in SA-related companies after promising to study a divestment plan last year.

Smithsonian CE Robert Adams said the decision was not unanimous but declined to give a detailed breakdown of the voting.

Several of the companies whose stocks are to be sold, including Schering Plough, have announced plans to leave SA.

Ford keeps SA interest

DETROIT — Ford Motor Company planned to retain its minority interest in the South African car firm, Samcor, despite pressure to quit the country in protest against apartheid, chairman Donald Petersen told shareholders at the company's annual meeting.

He said a Ford withdrawal would almost certainly cause Samcor, which had recently become marginally profitable, to fail and thereby cost 4 500 South African workers their jobs. The ripple effect would cause the loss of another 11 000 jobs. — Sapa-Reuter

(62) DD 15/5/87.

Motor firm to stay in SA

DETROIT — The Ford Motor Company plans to retain its minority interest in the South African Motor Corporation (Samcor) — despite pressure to quit the country in protest against apartheid.

The company's chairman, Mr Donald Petersen, told shareholders at the company's annual general meeting yesterday that Samcor, of which Ford owns a 42 per cent stake, had recently become marginally profitable.

His remarks came during a debate on shareholder proposals to force Ford to withdraw from South Africa unless apartheid was quickly removed.

Mr Petersen said a Ford withdrawal would almost certainly cause Samcor to fail — and thereby cost 4 500 South African workers their jobs. The ripple effect would cause the loss of another 11 000 jobs.

Since Samcor was emerging as a viable company it would be "difficult to cut the life support on which so many people depend in a country where there is so little help for the unemployed," he said. — Sapa-RNS

13 die, 46 hurt in Iraq bombing

BAHRAIN — Iraq claims Iranian heavy artillery shelled its southern port city of Basra yesterday, killing 13 civilians and wounding 46. — Sapa-RNS

More fears of cash outflow

GOVERNMENT'S threat to prosecute companies breaking the Group Areas Act (GAA) is set to trigger a renewed outflow of American capital, as US companies realise they are powerless to influence change.

Business Day has learnt that at Cabinet level there is a growing impatience with US companies which have been deliberately flouting the law by settling black employees in white areas, and that it will not hesitate to take action against them.

With just over two weeks before the deadline set by the Rev Leon Sullivan for the dismantling of apartheid, there is a growing fear that government's hardline attitude will finally convince US companies there is no prospect of contributing to change.

Undecided investors would be more inclined to leave should government's hardline attitude towards implementation ofthe GAA continue, said Meg Voorhes, assistant director of the influential Washington-based Investor Responsibility Research Centre (IRRC). The IRRC advises US financial investors of investment conditions in SA.

PATRICK BULGER

Two years ago, Sullivan said that if by the end of this month "grand apartheid" was not eliminated, he would call for a total US boycott of SA. He particularly

● To Page 2

More fears of cash outflow

singled out the scrapping of the GAA at the time.

Until now, Sullivan companies have conducted a low-key programme of civil disobedience that includes settling black employees in white areas. Business Day has been told that such companies could not expect to be exempt from prosecution in terms of the GAA.

Voorhes warned that the GAA was a particularly emotional issue with the American public. She said: "People here see the GAA as one of the most visible signs of apartheid. When you see the State prosecuting people breaking the Act, I think it would make people think twice about continued investment."

Premier's Tony Bloom said yesterday that foreign companies breaking the GAA "must go on and keep going on doing so".

● From Page 1

SAPA reports that the United Municipalities of SA (Umsa) has expressed disappointment at government's recent threat to sell properties occupied by people contravening the GAA.

Umsa said yesterday: "If this is reform, then it is unacceptable."

□ Business Day incorrectly reported yesterday that J Fourie was deputy director-general of the Constitutional Development and Planning Department. He is in fact a director responsible for the GAA.

● See Page 8

Who owns the company ?

AR645 13/5/87 62 1467 1622 685

By DICK USHER,
Labour Reporter

TRADE unions are concerned about the lengthy delay in announcing the new owners of Robertsons.

The sale, which was "quite precipitate" according to a management spokesman, has also left the company in a difficult position because it is under pressure from two unions for information it either does not have or cannot divulge until the new owners are disclosed.

The company was South African-owned until bought by the US multinational Corn Products Corporation (CPC) in 1964.

Its sale to unnamed South African buyers, acting through Rand Merchant Bank, was announced from the US on April 1.

Robertsons has two plants, one in Alrode, Transvaal, organised by the Chemical Workers' Industrial Union (CWIU) and the other in Durban is organised by the Food and Allied Workers' Union (Fawu).

Workers at Alrode stopped work the day after the announcement. They went back the following day when management agreed to a joint meeting with the unions, to give a written undertaking that pension monies were safe, to give each worker a statement of monies being held on their behalf plus interest, and to report back as soon as possible on if and how pension monies could be withdrawn.

These were followed by a further list of demands relating to the sale, including one that CPC pay all workers a bonus of one months' pay for every completed year of service.

At a joint meeting company responses to the demands were tabled. The unions found these unacceptable.

A press release from the Congress of South African Trade Unions, to which CWIU and Fawu are affiliated, said: "From the meeting it was clear that company representatives either did not know who the new owners are or were for some reason refusing to divulge this information.

"We can only speculate that there is a conspiracy involved ...

"We get the impression the sell out was a case of 'take the money and run'."

Mr Charles Henzi, human resources manager for Robertsons, said they were not able to divulge most of the information requested by the unions because this was the prerogative of the buyers.

"All we know is that a group of buyers acting through Rand Merchant Bank has bought 100 percent of CPC's South African holdings," he said.

"But the basic position is that the legal persona of Robertsons has not been changed by the sale, therefore nothing else has changed and all agreements and contracts entered into by Robertsons are still valid and binding.

"This covers all aspects of our operation from pensions to union recognition.

"Nothing will be changed without negotiation with the unions."

CAG 7(4) 13/5/87 (62

More disinvestment

WASHINGTON. — The Smithsonian Institution, which operates some of the United States's most important museums, has decided to sell all its stocks in companies that have operations in South Africa. Spokesmen announced on Monday that the institution had $27 million (about R56,7 million) invested in stocks of 42 companies with operations in South Africa.

Outflow of US capital foreseen

Cape Times 13/5/87 (62)

Own Correspondent

JOHANNESBURG. — The government's threat to prosecute companies deliberately breaking the Group Areas Act will trigger a renewed outflow of American capital from South Africa as US companies realize they are powerless to influence change.

The Cape Times correspondent has learnt that at cabinet level there is a growing impatience with US companies that have been deliberately flouting the law by settling black employees in white areas, and that the government will not hesitate to take action against these companies.

With just over two weeks before the deadline set by the the Rev Leon Sullivan for the dismantling of apartheid, there is a growing fear that the government's hardline attitude will finally convince US companies there is no prospect of contributing towards dismantling apartheid.

Undecided investors would be more inclined to leave should the government's attitude towards implementing the Act continue, according to Ms Meg Voorhes, assistant director of the influential Washington-based Investor Responsibility Research Centre. The IRRC advises US financial investors of investment conditions in South Africa.

Two years ago Mr Sullivan said that if by the end of this month "grand apartheid" had not been eliminated, he would call for a total US boycott of SA. He particularly singled out the scrapping of the Group Areas Act at the time.

Argus 13/5/87 p2

Former US firms 'discarding Code'

From NEIL LURSSEN, The Argus Foreign Service

WASHINGTON. — The new managers of companies formerly owned by American corporations in South Africa often discard Sullivan Code social programmes, the Reagan Administration has claimed.

A spokesman for the US State Department said this was one of the reasons why the Administration opposed disinvestment and the withdrawal of American businesses from South Africa.

When the Sullivan Code was introduced in South Africa about a decade ago it related to job training, equal staff treatment, equal opportunities for advancement and other ways of achieving in-house fair employment.

But as the anti-apartheid pressure grew in the US so did the Rev Leon Sullivan's demands.

Currently, US companies in South Africa are obliged to go way beyond the work-place affirmative action programes outlined in the original code and must take an active role in fighting apartheid anywhere.

Many of them have tried to comply with the code's requirements but there has also been resentment at being required to implement programmes that no other US companies anywhere else, including the US itself, have to enforce.

The Reagan Administration has warned constantly that disinvestment would contribute to the decline of US influence in South Africa.

Yesterday's statement was in response to a decision by the Smithsonian Institute to sell its R54-million in investments in companies that do business in South Africa.

The State Department said US businesses remained a force for constructive and positive change in South Africa and deserved the support of the American public.

● Sapa-Reuter reports from Frankfurt that a South African official told European bankers yesterday that disinvestment from South Africa by foreign companies has begun to wane.

Mr Gerhard Croeser, head of policy and planning in the Department of Finance, said that fewer firms would pull out because the economy was beginning to show signs of recovery.

Confrontation now looms with govt

US corporations step up civil disobedience

12/5/87

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B/Day

US corporations, signatories to the Sullivan code, have stepped up their campaign of civil disobedience in SA, putting themselves in direct confrontation with government over the Group Areas Act.

A Rand Afrikaans University paper on the latest Sullivan report cites examples of the action against racially discriminatory practices taken by the corporations, nearly half of which reported that they have blacks, Asians and coloured employees living in white areas.

They include:

☐ A company which bought and furnished a large house in a white suburb of Cape Town for use as a multiracial residence for 10 university students. It has agreed to pay any legal costs incurred by the students for living illegally in a white area;

☐ A company which moved most of its bursary support away from black-only universities to fully multiracial schools which had specifically rejected the government subsidy requiring them to abide by racial quotas;

☐ A company which threatened to withdraw its "considerable financial support" from the University of Port Elizabeth and PE Technikon unless they increased the number of non-white students;

☐ A company which has accommodated 27 employees in white areas in Johannesburg and Kempton Park and is negotiating for another five employees;

☐ Eight US computer companies which are involved in a project to develop a non-racial community north of Johannesburg for company employees and any others wishing to live in such an environment;

● A company which has helped with the establishment of three black businesses in the white area of Sandton.

DIANNA GAMES

The paper spoke of the dilemma of signatories with a minority shareholding position in SA companies which were non-signatories where the majority partner refused to co-operate with providing necessary information for the Sullivan report.

This left the signatory with a choice to not fully report, withdraw as a signatory or dispose of its minority interest.

As of last December, there were 179 US signatories and five non-US signatories. Those that withdrew included 29 that ceased operations in SA.

THE Congress of SA

CAPE Times 28/4/87

62

US sanctions New shares move

By JANE ARBOUS

CONSOLIDATED MURCHISON LTD intends to create a new class of shares to avoid inadvertant purchase by US investors subject to sanctions legislation.

The new class of shares will be known as "S" ordinary shares. About 4,8m will be converted from unissued ordinary shares of 10c each, previously placed under the control of the director.

A shareholders meeting will be held on May 15 in Johannesburg to pass the special resolution.

One of the effects of US sanctions legislation is that no national may acquire capital in a SA company where such capital was issued after October 2, 1986.

Rights offer

A notice to shareholders stated: "While there is at this time limited interest only in the company's shares by US nationals, both in the form of direct investment and through American Depository Receipts, it is important to assure such investors that their continued interest in the company will not cause them to infringe the law of the US in this respect.

"After careful consideration, it has been determined that the only satisfactory way of identifying capital issued subsequent to October 2, 1986 and therefore avoid its inadvertent purchase, would be to constitute such capital as a distinctive and separate class of share which at the same time carries essentially the same rights and privileges as the existing equity capital, of which it is properly part."

At present the only issue of shares contemplated is the rights offer announced on March 23 and amounting to R13 m.

Exxon Chemicals renamed Aktol

A NEW company has been formed to take over the interests and operations of Exxon Chemicals. This follows the disinvestment decision by the US's largest oil company, Exxon, which announced its withdrawal from SA at the end of last year.

Aktol Chemicals came into being on Friday and will be run as a completely separate organisation from Zenex Oil, formerly Esso SA.

A spokesman said last week: "Our operations are independent. We supply a variety of industries and are

MICK COLLINS

now in a position to continue and improve on our past services."

Aktol MD Mike Hayes said Exxon had sold its SA interests to an offshore trust, and the terms of agreement also made provision for the continuation of local operations, assurance of imported supplies and continuing access to technology.

"Under our new name, Aktol Chemicals, we will continue to be a leader in the supply of oil-derived specialised chemicals. We will now be in a position to better source our products in the most beneficial manner for our customers.

"Once Exxon has been paid for our company — which will happen within the next few years — future profits will be returned to SA and devoted to projects of communal benefit to the country," Hayes said.

The profits would be used to fund educational and social programmes for the less privileged.

Lilly to stay in SA

Own Correspondent

JOHANNESBURG. — US shareholders of pharmaceutical giant Eli Lilly have defeated a proposal calling on the company to disinvest from SA.

In a statement issued in Johannesburg yesterday the company said a motion calling for the disinvestment was overwhelmingly defeated by a majority of 93,5%.

Lilly's US chairman Richard Wood said Lilly had a moral problem with the notion that they should cut off supplies of pharmaceutical products to any human being.

"In addition Lilly also feels a deep sense of responsibility to its employees in SA."

A New York State government pension fund which owns stock in the company proposed that Lilly divest from SA. Lilly's primary business in SA is prescription pharmaceuticals.

CAPE TIMES 5/5/87

Housing pressure mounts

62

Own Correspondent

JOHANNESBURG. — Foreign shareholders and unions are putting pressure on companies to ignore the Group Areas Act and support employees in a move to white areas.

Urban Foundation housing land policy manager Mike Morkel said the main trend was to house black staff in existing black areas but pressure was being applied.

Parts of Cape Town and Durban were opening up to all races, but racial areas were tightly controlled in the Free State, he said.

Sullivan Signatories spokesman Denise Buckall said 42% of member companies have reported having black, coloured and Indian workers living in white areas.

Most of them were in middle or upper management and had asked for help with housing in white areas. Methods of obtaining housing were not disclosed, she said.

Member companies helped 774 workers get 99-year leases in black areas for the year to June 1986, compared with 914 (year to June 1985).

A US Embassy spokesman said the embassy had so far helped about 50 staff in SA with housing and the areas chosen did not matter as long as lending institutions approved the loans.

Institute of Estate Agents of SA vice-president Dave Miller reported a flood of inquiries from blacks regarding housing in white areas after government last year reportedly eased its stance on Group Areas.

A MAJOR US corporation, American Brands, has announced that it is to sell-off the last of its assets in SA. A statement issued yesterday said it's UK-based sudsidiary Gallaher Ltd is to sell Mono Pumps — one of the largest pump manufacturers in SA with 360 employees. The decision means that the US consumer packaging giant, which had over 900 employees in SA in 1986, will no longer have any interests in SA. The company sold its interest in agriculture machinery suppliers G North & Son in 1986.

□ □ □

IN London, equities stood mostly lower in late trading after a firmer start but the higher opening on Wall Street was lending some support to leading shares, dealers said. The market opened firmer on hopes that another half-point cut in base rates was imminent, but action by the Bank of England in the money market yesterday dampened expectations of an immediate cut and prices drifted lower.

□ □ □

J L Kuiper has been appointed a broking member of the Johannesburg Stock Exchange and becomes a director of Ivor Jones Roy & Co Inc with effect from today. C Vounnou has been appointed a broking member of the JSE and becomes a director of Martindale Stacey Trollip Inc. M J Fisher has changed his status from that of a non-broking member to that of a broking member and became a director of Menell Jack Hyman Rosenberg and Co Inc with effect from May 1.

□ □ □

BARLOW RAND PROPERTIES (Barprop), on a turnover of R17,6m in the six months to March, returned an after tax income of R3,6m against R3,9m for the same period last year. An interim dividend of 4,09c was declared, compared with 3,75c for the year ago period.

□ □ □

ZIMCO HOLDINGS, the newly formed group consisting of the merged operations of Zimro & Cookson (SA) has bought the controlling 51% stake in Zimco Macdem Holdings from the Macdem group. Now it plans to expand its manufacturing plant to take advantage of export opportunities.

□ □ □

THE Lithosaver Systems public offer has received massive investor support and was over-subscribed 191,7 times. "The result of the offer is fantastic," said executive chairman of the group John Pepper.

□ □ □

SA's internal copper price for electrolytic wirebars was fixed lower at R2 963,43 a ton for May against R3 019,43 for April.

□ □ □

FRENCORP'S pre-taxed profit increased to R2,7m for the year ended February from R1,4m for the same period last year. Writing in the annual report, the directors say earnings per share before non-trading items increased from 38c to 96c. A final dividend of 10c (1986: 3 cents) was paid.

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RECENTLY listed road transport operator Longdistance Ltd has acquired 80% of Cape Town-based D J Breytenbach Transport (Pty) Ltd. The acquisition was by way of a cash and shares consideration and is expected add R650 000 to group after-tax profit, now projected at R2 450 000 for the year to February 29, 1988.

the investing public".

Another US firm to sell off SA assets

MICK COLLINS

A MAJOR US corporation, American Brands, has announced it is to sell off the last of its assets in SA.

A statement issued yesterday said its UK-based subsidiary, Gallaher, would sell Mono Pumps — one of the largest pump manufacturers in SA, with 360 employees.

The decision means the US consumer packaging giant, which had over 900 employees in SA in 1986, will no longer have any interests in SA. The company sold its interest in agriculture machinery suppliers G North & Son in 1986.

Asked if the local company would be the subject of a management buy-out, Mono Pumps MD Herbert Peake said no firm decision had as yet been taken.

"Consequently all options will be thoroughly investigated. However, it is apparent the over-riding responsibility of the Mono management and its shareholder is to secure the long-term future of this company and of its employees."

Peake said more than 90% of the pumps sold by the company in SA were manufactured locally and any change of ownership would have no effect on the company's ability to meet demand.

Caterpillar to stay on in SA

SAN FRANCISCO — Caterpillar Inc stockholders defeated a proposal aimed at forcing the company to withdraw from South Africa to protest against apartheid.

The New York state controller, Mr Edward Regan, made the proposal in hopes the Illinois-based company would join other corporations that have pulled out to protest against apartheid.

More than 98 800 000 shares of common stock were voted on the issue during Caterpillar's annual meeting, held in San Francisco. But Caterpillar officials said they did not know the margin by which the disinvestment proposal failed.

Since January 1984, more than 50 US corporations have pulled out of South Africa to protest against apartheid. Caterpillar has resisted such a move, arguing it can help achieve racial equality by staying.

Mr Regan, trustee for 586 000 shares of Caterpillar stock held by New York's retirement system for state workers, said in a statement to shareholders that disinvestment "can result in real pressure for change".

"The civil and human rights of the black population in South Africa continue to be denied under apartheid," said Mr Regan's February 11 proxy statement.

Mr Regan proposed that Caterpillar cut off relations with the South African Government "unless by the end of May 1987 the system of apartheid is ... dismantled". — Sapa-AP

Top US institute sells shares

WASHINGTON — The Smithsonian Institute, which operates some of the America's most important museums, has decided to sell all its stocks in companies that have operations in South Africa.

The Smithsonian is an independent trust set up by Congress 140 years ago. Spokesmen announced yesterday that the institution had $27 million (about R54 million) invested in stocks of 42 companies with operations in South Africa.

"The Smithsonian does not have and never had any direct investment in South Africa," an announcement said. At the end of April, the Smithsonian's total investment portfolio was worth $214 million (about R428 million).

The institute receives most of its operating budget from Congress. With those funds, the institution does research and operates 14 museums and galleries and the National Zoo. — Sapa-AP.

Many in US keen to fund SA relief work

By Janine Simon

Corporate, government and quasi-government sources in the United States have expressed great interest in funding community work in South Africa, said Mr David Cuthbert, marketing director of the southern African arm of World Vision.

He recently returned from a three-week tour to the US where he marketed WVSA work to top funding organisations including the Ford, Rockefeller and Carnegie foundations.

WVSA runs more than 240 field projects. More than 80 percent of its R8,2 million budget comes from international sources.

Mr Cuthbert said the response to the specially designed marketing package had been "very postive all-round".

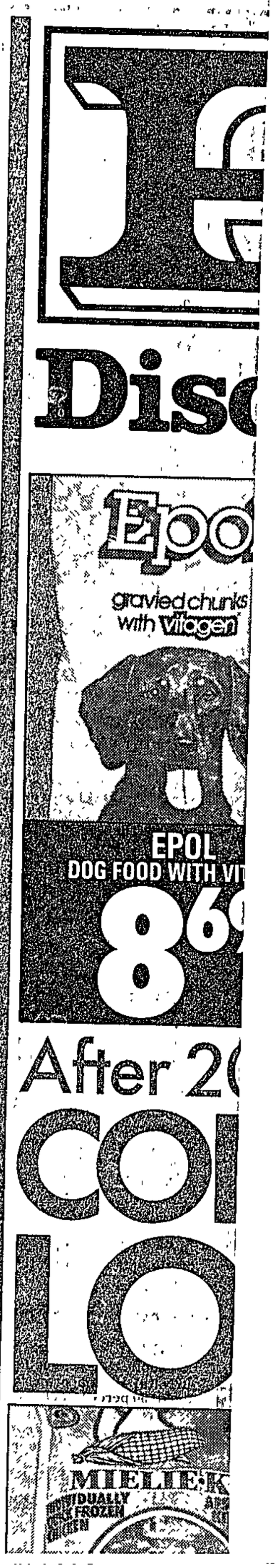
One reason was the swing by international government and corporate sources from giving money direct to governments — which they found difficult to hold accountable for how the money was spent — to giving it to private, independent agencies.

This type of donation was acceptable as long as it could be justified to shareholders and foreign policy, Mr Cuthbert said.

It also brought agencies sponsorships in amounts only dreamt of in the past — for example WV's $10 million project in Ghana.

The swing was perfectly timed for fund-raisers, which had been struggling to raise money from a charitable public hit by the worldwide syndrome dubbed "donor fatigue".

Main factors in "donor fatigue" were Bob Geldorf's "Band Aid" concert and other huge fund-raising efforts for relief work in Africa, Mr Cuthbert said.



Govt acts against grey areas

Cape Times 12/5/87

Own Correspondent

JOHANNESBURG. — The government has initiated action against companies that have settled black employees in white group areas.

It is also set to force individual white property owners into evicting illegal black tenants in a renewed attempt to implement the letter of the Group Areas Act (GAA), and reverse the tide of emerging "grey areas".

The deputy director-general of the Department of Constitutional Development, Mr J Fourie, last night confirmed that a number of companies had been warned to evict black tenants.

Asked about Sullivan Code companies that have actively tried to circumvent the act, Mr Fourie said no exceptions could be made.

"There are no exemptions for companies. If they have bought properties and they make them available to black employees that is illegal," he said.

Already 100 individual property owners have been given three months' notice in which to evict black tenants. A further 50 would receive notices shortly, said Mr Fourie.

The new thrust will effectively remove the security previously offered to black tenants by circumventing the Govender judgment handed down in the Transvaal Supreme Court in 1983.

Lose properties

In terms of the judgment the State could obtain a prosecution against GAA offenders, but it could not automatically evict them. Factors like the availability of alternative housing and the attitude of neighbours would have to be taken into account.

By using Section 41 of the act, authorities will force property owners themselves to evict illegal residents or lose their properties.

Mr Fourie yesterday denied a new hardline policy had been adopted.

"Certain investigations have been taking place for quite a while. We are now at the stage where we can act," Mr Fourie said.

"We are notifying the owner that the property can be sold by the State. One hundred notices have been issued. This is an opportunity for people to get rid of illegal occupants. I don't think the minister will sell the property if the owner no longer has illegal residents."

The new move is taking place in spite of a severe black housing shortage and a white housing surplus. According to 1985 CSIR figures, there are 44 000 too few houses for Indians, 52 000 for coloured people and 538 000 for blacks outside the national states. For whites there is a housing surplus of 37 000 units.

Legal sources said yesterday that the use of Section 41 would remove the protection afforded by Govender.

"Govender has put a halt on things for some time," said Mr Mike Morkel of the Urban Foundation.

Group Areas Act expert Mr Johann Fick of Rand Afrikaans University said that if the intention was to implement the Act, Section 41 "is a more effective way to act".

But in spite of government's hard line, he added, it would be impossible to rid flatland areas like Hillbrow of illegal residents.

□ The Afrikaans morning newspaper Beeld said in an editorial yesterday that if mixed couples were forced to move to the group area of the coloured partner it would "make a mockery of all the nice words" used by government leaders during the election campaign.

Cape Times, Tuesday, May 12, 1987 3

Firms step up Group Areas disobedience

Own Correspondent

JOHANNESBURG. — United States corporations which are signatories to the Sullivan Code have stepped up their campaign of civil disobedience, putting themselves in direct confrontation with the government over the Group Areas Act.

A paper issued by Rand Afrikaans University on the latest Sullivan report cites examples of the action taken by the corporations, nearly half of which reported that they have black, Asian and coloured employees living in white areas.

The examples include:

☐ A company that bought and furnished a large house in a white suburb of Cape Town for use as a multiracial residence for 10 university students. It has agreed to pay any legal costs incurred by the students for living illegally in a white area;

☐ A company that moved most of its bursary support away from black-only universities to fully multiracial schools which had specifically rejected the government subsidy requiring them to abide by racial quotas;

☐ A company that threatened to withdraw its "considerable financial support" from the University of Port Elizabeth and PE Technikon unless they increased the number of non-white students;

☐ Eight US computer companies which are involved in a project to develop a non-racial community north of Johannesburg for company employees and any others wishing to live in a non-segregated environment;

☐ A company which has helped with the establishment of three black businesses in the white area of Sandton.

In December, there were 179 US signatories and five non-US signatories. Those that withdrew as signatories included 29 companies which had ceased operations in SA.

Own Correspondent

PORT ELIZABETH. — Englishman Mr Richard Coates and his coloured wife Joan, forced under the Group Areas Act to sell their Uitenhage home within three months or have it confiscated, have decided to move to a coloured township.

They are the town's first mixed-marriage couple and they are victims of a current wave of evictions under the Act at present being ordered in Natal and the Cape, with more expected in Cape Town.

All his life savings went into buying the house, where Mr Coates has lived for 13 years.

The couple, who have appeared in court nine times on charges of contravening the Group Areas Act, are having to ask a rock-bottom price on their Fairbridge Heights home to sell it within three months.

To the State

They have already dropped it from R60 000 to R40 000, and Mr Coates said yesterday he had now decided to go even lower and "take what I can get".

Should the house not be sold within the three months, the property will be put up for public auction and the proceeds retained by the State.

But Group Areas or not, Mr Coates is prepared to stick it out and stand by his wife and family in South Africa. They have a two-year-old daughter, Elana.

Mrs Coates has a son of seven by a previous marriage.

Mr Coates said he had no intention of going back to England.

"My whole family — my parents-in-law, my children — are living here, and I want to stay," he said.

It is because of his commitment to remaining in the country that Mr Coates decided to buy a house in a coloured area — if he can find one.

"While there are many empty houses in the white areas of Uitenhage, housing is at a premium in the coloured areas," he said.

This would mean the couple would probably have to find temporary accommodation in a coloured area, before buying something on the "outskirts".

Asked how he felt about the eviction notice, he said: "The possibility of something like this has always been at the back of our minds.

"But we never expected anything as extreme as having to sell our property within three months.

Gentle warning to Japan on SA

CAPE TIMES 26/4/82

From
SIMON BARBER

WASHINGTON. — The Reagan administration is not directly pushing Japan to stop taking commercial advantage of US corporate withdrawals from SA, officials insisted here yesterday, but as one put it "there is some writing on the wall".

Japanese sources allege that the decision by two Japanese firms, Fuji and Konishoroku, to curtail their exports to SA was the result of US pressure on Tokyo in the course of the current trade dispute between the US and Japan.

US companies still in SA have been angered by their Japanese counterparts' readiness to exploit anti-American feelings generated by divestment and sanctions to increase market share.

The threat of retaliation does exist, but it has yet to be used.

Under the comprehensive Anti-Apartheid Act, the president is entitled — but not required — to penalize countries whose companies take advantage of US sanctions and export-licensing requirements.

US officials say that while they have not directly threatened Japan and other nations reaping the benfits of sanction and divestment, they have made it clear they would prefer these nations to adopt similar export restrictions and licensing requirements.

UCC sets up SA fund

Own Correspondent

JOHANNESBURG. — Union Carbide Corporation (UCC) is to set up a trust fund for the social advancement of blacks with dividends from its remaining SA investments.

No details of the amounts involved were disclosed by the corporation which has kept a low-profile in SA.

UCC sold its chrome and vanadium interests to Gencor in 1986 but still has interests in SA which comprise mining operations and mineral rights to chrome and vanadium deposits.

In a statement released simultaneously in SA and the US late last week, UCC chairman Robert Kennedy said the fund would be administered by a special board of trustees.

The decision, he said, "is the result of thoughtful consideration and an extensive study by a special committee of UCC's board of directors".

"The board, which we intend to be predominately composed of black South Africans representing a spectrum of constructive social and political interests, will determine how the money can best be utilized to meet special needs in SA."

21/4/87

Trust fund set up for blacks in SA

62

DD

JOHANNESBURG — The Union Carbide Corporation (UCC) is to set up a trust fund for the social advancement of blacks with dividends from its remaining South African investments.

No details of the amounts involved were disclosed.

In a statement released simultaneously in South Africa and the United States, The chairman of UCC, Mr Robert Kennedy, said the fund would be administered by a special board of trustees.

"The decision to retain our remaining South African investments at this time, and to dedicate dividends from them to causes such as black education and social justice, is the result of thoughtful consideration and an extensive study by a special committee of UCC's board of directors.

"The board, which we intend to be predominately composed of black South Africans representing a spectrum of constructive social and political interests, will determine how the money can best be utilised." — Sapa

US banks say no to further divestment

Cape Times 14/4/87 pg 12

Washington Letter
by SIMON BARBER

SEVERAL of America's largest banks have told the US Treasury Department in no uncertain terms that they want to continue doing business with the South African private sector.

This is not because they like South Africa especially. They are simply tired of being pushed around. Government, they infer, has ordered them about quite enough in the name of foreign policy and is making it increasingly difficult for them to compete on a global basis, much less to collect their debts.

In particular, they have informed the Treasury that they utterly reject any move to bar private South African companies or citizens from holding accounts in their domestic or overseas branches. Congress is seriously contemplating such a ban if President Reagan is unable next September to report substantial progress towards the elimination of apartheid.

The threat is real because Reagan is unlikely to have the basis for a positive finding — imprisoning people for their prayers and bumper stickers is not progress — and the legislators are running out of other options besides a total trade and investment embargo. The banking prohibition is one of the few further measures prescribed in the comprehensive Anti-Apartheid Act that the curiously formulated law has not already imposed.

The ban appeals to the sanctioneers' febrile imagination because it does not appear, on the face of it, to inconvenience blacks. The latter would probably be exempted anyway, obliging the banks to commit a form of reverse apartheid in deciding whose money to accept. Whites, on the other hand, would be denied a "bolt hole" for their assets and so be forced to lie in the bed they have made for themselves. Or so, at any rate, was the theory when the ban was first advanced last year.

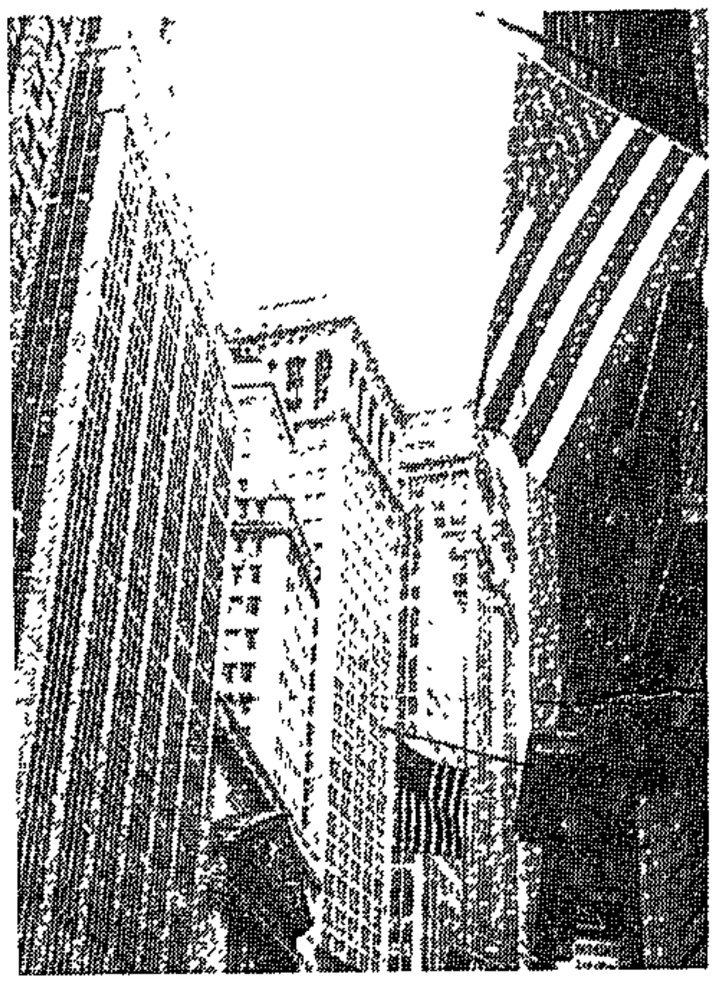
Since then the argument has become a trifle more sophisticated. John Lind of the California/Nevada Interfaith Committee on Corporate Responsibility told Treasury officials last month that the ban would serve as a "convenient moral statement" whose chief effect would be to reduce trade credits for South Africa.

According to minutes of the meeting, Lind argued that most banks which extend trade credits to South African customers require security in the form of deposits. Ergo, ban the deposits and South Africans would have to seek credits elsewhere, increasing their cost of business. Since "only a few US banks still open letters of credit for South African customers" the moral statement "could be made with little cost" to US institutions.

THE Treasury was not impressed and formally reported to Congress last Thursday that extending the existing ban on sa government and parastatal deposits was "not feasible" (words that have never stood between Congress and its whims).

The report, mandated under the CAAA, was based on a survey of seven banks: Chase Manhattan, Citicorp, Bank of America, Morgan Guaranty, Manufacturers Hanover, Irving Trust and the Bank of Boston. Copies of their submissions obtained from the Treasury show unanimous opposition to further constraints on their business with South Africa.

For the record, the Treasury determined that as of December 31, 1986, banks located in the US held liabilities worth $283 million to entities and individuals whose residence was listed as being in South Africa. This represented 0,2% of all foreign residents' deposit accounts. South African deposits in foreign branches of US banks totalled a further [illegible] million.



Major American banks have drawn the line on further curbs to their involvement with South Africa.

The banks' concerns ranged from the costs of setting up a screening system (possibly greater than their entire South African liability), to the "chilling effect" on other non-South African foreign depositors, to fears that South Africa might renege on the $3 billion still owed to US commercial institutions, to potential conflict with foreign banking laws, to the sheer impossibility of closing every loophole.

Only Bank of America took an openly hostile line towards South Africa (it is based in San Francisco where to do otherwise is perilous), vowing that "all our banking and financial relationships ... will ultimately be eliminated". Yet it was equally hostile to the idea of more government-imposed sanctions.

"The cost of a truly effective and enforceable system (to identify South African depositors) industry wide could run into the hundreds of millions of dollars," warned George Coombe, the bank's general counsel.

He continued: "Such an action would be a public announcement that the US government views prohibitory action against the property of foreign nationals as a legitimate action to achieve its foreign policy objectives. We note that such an extreme action was not attempted even during the Iranian hostage crisis, when the US government froze the assets of the Iranian government.

"Not only would this legitimize similar action on the part of other, presumably less stable, countries; but it would also signal that foreign investment in the US entails as much, if not more, political transfer risk as may be encountered in the rest of the world."

CHASE, which some have blamed for triggering the South African debt standstill, was also uncompromising. Chief financial officer Michael Esposito wrote:

"The prohibition on South African accounts would undermine the competitiveness of Chase in at least two very important ways. First, and most obvious, Chase would lose the business of all its South African clients. Since Chase would no longer be able to act as a full-service bank to its South African clients, those clients would undoubtedly sever their business relationships with Chase and its affiliates and instead use non-US banks to handle all of their transactions.

"Second, and more importantly, the prohibition would send an unfortunate message to all of Chase's clients worldwide that the US is willing to utilize US banks as a tool for penalizing private foreign citizens for the political positions adopted by their governments. Customers would no longer feel safe in banking with US institutions if they perceive that their private assets might be adversely affected as a result of political difficulties between their respective countries and governments."

Then there was the matter of the outstanding debt. The banks do not appear overly bothered by the fact that they are not getting their money on schedule, but they would like it back one day, and they know that more bloody-mindedness will merely succeed in reducing their leverage over the debtor.

Only Bank of America was unconcerned about the rescheduling problem, citing its "already limited relationship with South Africa". More typical was Irving Trust, whose managing counsel, Michael Scher, wrote that the ban would "negatively affect recovery of South African debt by removing from US banks deposits which might collateralize loans or which might be set off against loans. It is conceivable that such a prohibition could contribute to a political consensus in South Africa to repudiate debts owed to US banks."

Chase's Esposito agreed: "One cannot underestimate the possibility that such a prohibition could cause the further deterioration of relations between South Africa and the US and might result in a chain of retaliatory actions by South Africa".

Citicorp associate general counsel Nancy Jacklin phrased it more positively: "Cooperation by South Africa ... should be fostered. Sanctions ... will do little to foster cooperation, and can adversely impact US banks to the direct benefit of South Africa's non-US bank creditors."

Morgan advanced the interesting objection that the prohibition would defeat the sanctioneers' own purpose. "To the extent that the proposed new prohibitions would make more difficult the flow of dollars out of South Africa," opined vice president Lauretta Bruno, "they could also hinder the divestment of American assets by American investors."

Seeing the irony of their position has never been one of the sanctioneers' talents, and it is seriously to be doubted whether the pleas of the banks or the Treasury will divert demands for yet another futile sanction. What is encouraging, though, is that the banks, who for the past few years have gone out of the way to appear on the side of the soi-disant angels, are finally saying "enough".

How to assess the poverty or otherwise of respondents to Document 2

Material poverty arises from a scarcity of income resources in relation to consumption needs within a household. Document 2 enables us to assign points to both resources and needs if we use the schedule below - Total A refers to all income sources and is found by giving the following scores:

For each adult male regular permanently resident or weekly commuting worker	16
- if he has a job better than unskilled/semi-skilled	20
- if he is a farmworker	12
For each adult female regular permanently resident or weekly commuting worker	12
- if she has a job better than unskilled/semi-skilled	16
- if she is a farmworker/domestic worker	9
For each juvenile (younger than 18) regular permanent resident or weekly commuting worker	8
For regular remittances from each monthly commuter or migrant	
- male	5
- female	4
For irregular remittances from each monthly commuter or migrant	2
For each casual worker	4
For each pensioner	6
For each UIF recipient	6
For each maintenance grant	4
For each disability grant	4
If the household engages in informal sector activities	4
If the household receives gifts	3
If the household grows food in a garden plot	2
If the household grows field crops (in this case don't count garden production)	5
If the household keeps fowls and perhaps a goat	2
If the household keeps more substantial stock (in this case don't count the fowls)	5
For any other income generating actitity reported - discretionary but not more than	5

Add up all the points. This is total A.

Total B refers to consumption needs and is found by giving the following scores:

For each resident/weekly commuting household member of 15 years and over	6
For each resident retired person over 60 (instead of the above)	4
For each resident child (0-14)	3
For each non resident adult dependent (not remitters or self-supporters)	3
For each non resident child dependent (not remitters of self-supporters	2

Add up all the points this is total B.

Code firms under tax scrutiny

DAVID COHEN

THE RECEIVER of Revenue has recently begun querying Sullivan Code signatory companies that are deducting the costs of affirmative-action programmes for tax purposes, tax experts say.

These US companies are being asked to justify the link between social-responsibility expenditure and the production of income. The Income Tax Act says that in order for spending to be tax-deductible, companies must prove it is incurred for the purpose of earning income.

Commissioner for Inland Revenue Clive Kingon says these companies would have to justify the deductibility of affirmative-action expenses in terms of the general principles (section 11A and 23G) of the Income Tax Act.

However, he denies that Sullivan Code signatories are subject to special attention in this regard.

"No instructions have been issued specifically to query Sullivan Code expenditure. All queries are in terms of normal Revenue procedure," Kingon says.

The Signatory Association says that of about 200 US companies still operating in SA, 160 (80%) are Sullivan subscribers.

Affirmative-action expenditure is incurred typically in the form of donations to community-upliftment schemes. These include black education, housing

● To Page 2

Taxman queries Code deductions

● From Page 1

and health as well as small business development.

The problem experienced by Sullivan subscribers is that only some donations are specifically deductible in terms of section 18A of the Income Tax Act, namely donations to any university, technical college, approved educational fund or the Bible Society of SA.

With all other donations, the onus is on the taxpayer to prove such costs are incurred in the production of income and are of a revenue nature.

Eric Louw, a partner at Coopers & Lybrand, says it could prove difficult for companies to establish a causal link between Sullivan-type donations and the production of income.

"Ironically, it is easier to prove a causal link when the intention lacks altruism. Donations that exact advertising mileage in the form of sports sponsorship are allowable," Louw says.

Companies would therefore have to argue that a social-responsibility profile is as necessary to business success as advertising is.

The other obvious argument, Louw says, is that the expenditure is necessary to ensure the continued survival of the company.

Fisher Hoffman Stride partner Anthony Chait says: "Affirmative-action expenditure is an inevitable cost for US companies in SA today."

Louw feels Inland Revenue is causing the Sullivan signatories unnecessary inconvenience.

"The idea is for employers to contribute towards the establishment of a non-racial SA. In my opinion, US-owned companies should, either individually or through the American Chamber of Commerce, approach Revenue with a view to obtaining suitable relief.

"The disinvestment of US companies will result in unemployment in SA, which the government can ill afford. The government must also take into account that the companies are financing social reform, costs that the government should be incurring," Louw adds.

Number of detainees reaches 5-year high

By Jo-Anne Collins

The number of people now detained under the permanent security laws of South Africa and its independent homelands is higher than it has been in the past five years, according to the latest report of the Detainees' Parents Support Committee.

The DPSC estimates that 429 people were in detention under standing security laws at the end of March — in addition to thousands held under the emergency regulations.

The homelands of Transkei and Ciskei account for almost 50 percent of the 429, the DPSC says.

It notes intensive use of section 29 of the Internal Security Act — the interrogation clause — in Natal during the first three months of this year. According to DPSC figures 83 people were held under this section in Natal from January to March — and most are still in solitary confinement.

The total number of new section 29 detentions for the first three months of 1987 stands at 100, by the DPSC count.

Section 29 detainees held before the new year bring the current total for this class of detainees to 206, the organisation says.

The Transkei has by far the highest number of detainees of any homeland — 146 by the DPSC's latest count — with the Ciskei next in line with 63 detainees known to the DPSC.

Securing chrome markets a priority

Phatudi in bid to attract foreign capital

By Jo-Anne Collinge

A group of black United States businessmen is expected to visit the homeland of Lebowa within a month with a view to investing in the homeland.

This was announced yesterday at a Johannesburg Press conference addressed by the Chief Minister of Lebowa, Dr Cedric Phatudi, on his return from a six-nation tour.

It was coupled with claims that Dr Phatudi had scored particular success in West Germany where he had sought new business contracts to exploit the mineral wealth of Lebowa.

Dr Phatudi met members of government, mining house representatives and other industrialists during a tour geared to counter the sanctions campaign against South Africa.

"I gave them my view that sanctions were hurting us," Dr Phatudi said, stressing that he had presented himself as a black spokesman and leader.

Countries visited by Dr Phatudi and Lebowa National Development Corporation chairman Mr J Pretorius, included Taiwan, Japan, the United States, Britain and West Germany.

A major aim was to secure markets for Lebowa's chrome output — which accounts for almost 37 percent of South Africa's chrome output and seven percent of world production of the metal.

Mr Pretorius said they had scored a "great breakthrough" in the United States where black businessmen had agreed to visit Lebowa to see how they could assist in the area.

Dr Phatudi said they had done "very sound business" in Taiwan and Japan and had experienced little resistance from industrialists.

Asked if he had been accepted abroad as a political leader, he responded: "More than that; I am recognised as a statesman."

He said he had argued that the political future of South Africa lay in a federal union, based on geographic consolidation rather than on scattered ethnic units.

Pearce holiday job: Moss wants probe

By Shirley Woodgate, Municipal Reporter

Mr Sam Moss, leader of the Progressive Federal Party in the Johannesburg City Council, is to request an urgent judicial inquiry into the "moonlighting" parking activities of Johannesburg traffic chief Mr John Pearce at the Rand Show.

This move follows publication in The Star yesterday of a letter from Mr Pearce to the Witwatersrand Agricultural Society.

Mr Moss said: "It appears Mr Pearce has abused normal permission granted to council officials for after-hours activities. He seems to have set up some

March car sales are upwards pointer

March car sales, the best in 15 months, have confirmed that recent signs of tentative recovery by the motor industry have strengthened into a clear upturn.

The figure of 16 879 passenger cars was an

Exxon sells out to trust to aid public, staff

New oil firm's profits will go to charities

62 SPME 9/4/87

By Chris Moerdyk

America's largest oil company, Exxon, has converted its local subsidiary Esso into a new company, Zenex, which could become one of the country's biggest charitable organisations.

Up to R20 million a year in profits is to be used to finance educational and social programmes for South Africa's underprivileged once the new company has paid Exxon an undisclosed purchase price.

Two Esso service stations have already been given the new Zenex name, and others will change over the next three months.

The moves follow the disinvestment decision by Exxon, which announced its withdrawal from South Africa in December last year.

The announcement was made today by Zenex Oil (Pty) Ltd chairman and managing director Mr John Truscott, who said his company had taken over the interests of Esso SA, including 160 retail service stations and bulk fuel distribution networks.

"Exxon sold the South African companies to a trust which provides for the continuation and expansion of local operations and employment," said Mr Truscott. "Once Exxon has been paid, all profits will be 'invested' in projects of an educational or social nature for the communal benefit of our country.

"Based on past performance, these are likely to amount to R10 million to R20 million each year. All our employees will immediately participate in a profit-sharing scheme as well," he said.

World sales

Last year Exxon achieved worldwide sales of $69,9 billion (about R139 billion) and is currently the second-largest publicly traded US company, behind General Motors.

Announcing the decison to withdraw last year, Exxon chief executive Mr Lawrence Rawl said: "The deterioration of the South African economic and business climate caused by the continuing internal and external constraints has affected our business and our potential for growth."

The new company was not a signatory to the Sullivan Code but, Mr Truscott said, Zenex had no intention of abandoning Esso's current social responsibility programmes.

"Our programmes will be retained and some will be expanded. We will continue to pay and promote on merit, regardless of sex, race or religion."

(62) DDD 3/4/87

Company sells its S African subsidiary

ENGLEWOOD CLIFFS (New Jersey) — Food products company CPC International Incorporated announced yesterday that it has sold its subsidiary in South Africa, ending its operations in the country.

The company said it sold Robertsons (Pty) Ltd. to a consortium of European and South African investors for an undisclosed price above market value.

"In recent months, operating a business in South Africa has become increasingly difficult both for companies headquartered in the United States and their subsidiaries in South Africa," said the president of CPC, Mr James R. Eiszner.

He did not mention South Africa's policy of apartheid as a reason for the sale.

He said Robertsons is a racially integrated business and that about 70 per cent of its employees are black, including 68 per cent of the supervisors. — Sapa

BY MOIRA LEVY

BLACK executives at American-owned companies in the Western Cape have urged the Rev Leon Sullivan not to carry out his threat to call for disinvestment.

But their support for a US presence in South African industry has been slammed by the Western Cape Traders Association who see South Africa's continued isolation as a "peaceful method of dismantling apartheid".

Sullivan formulated the Sullivan Code for labour practices in signatory companies in South Africa. Two years ago he threatened to call for full American sanctions if apartheid were not ended by May 31.

A group of managers calling themselves the Black Caucus has circulated a petition appealing to Sullivan "to continue to lead the Sullivan programme in South Africa, which has so meaningfully impacted on the social, economic and political order."

The petition says: "We are sure that Sullivan's possible withdrawal will dampen an important contribution to the great liberation/moral struggle in South Africa."

A member of the Black Caucus, Mr Solly Keraan, a customer services manager of a Western Cape subsidiary, said it was too soon to count the signatures collected for the campaign, begun four weeks ago.

Blind eye

He said community organisations approached for their support decided to "turn a blind eye". They neither supported nor rejected the campaign.

Mr Keraan refused to disclose which organisations were approached, except to say that contact was made with leaders in Old Crossroads and Site C, Khayelitsha.

"The ramifications could tear up the pitch," he said. "People may say we are opposed to sanctions because we have vested interests. And they may be right because we work for American companies.

"It is a very sensitive thing. We have to distinguish ourselves from the South African Government which is also opposed to sanctions.

"There is the risk that we may be termed sellouts."

Sanctions

Cape Town businessmen interviewed by SOUTH said they had not heard of the Black Caucus.

Mr A L Gafoor, a local butcher, said: "Progressive organisations and trade unions have called for sanctions. They are the people who are going to be affected by divestment.

"I don't see why these black managers should run counter to the cause of the people."

"The president-elect of the Western Cape Traders Association, Mr K Allie, reiterated his organisation's support for international sanctions as a non-violent method of pressuring the South African government.

Workers pop the lid on Coke

THE fizz has gone out of Coca Cola's plans to disinvest.

Its employees are now demanding details of how it intends to leave, and intend approaching the international beverage workers' organisation for support.

Go-slow strikes — involving more than 2 500 Coke workers — were staged at five production and distribution plants in Pretoria and on the Reef a week ago in protest against the way Coke is disinvesting.

Management considers the dispute resolved. Company representative Gert Robertse said the strike ended on Tuesday, when the company agreed to give all workers a 13th cheque to celebrate its 100th anniversary.

However, Food and Allied Workers' Union (Fawu) representative George Nene said the matter was far from being resolved.

"There is a lot to be investigated as far as Coca Cola's pull-out is concerned," he said.

These Coke shares is it

BLACK soft drink retailers in South Africa are to be given an opportunity to buy R10-million worth of shares in Coca-Cola Bottlers Amalgamated Beverage Industries.

About 8 000 small retailers on the Witwatersrand, Pretoria and Durban are expected to gain from the deal.

The offer is being described as unprecendeted in SA, where few blacks own shares.

And the first steps in turning black businessmen into shareholders began last week when ABI salesmen called on street corner soft drink salesmen to tell them about the opportunity being offered.

ABI also plans to sell R1-m worth of its shares to its 3 800 employees.

Peter Lloyd, chairman of ABI, said that the offer "would allow many small businessmen who may never have had the chance to obtain shares in a company, to own a part of a company whose products they sell. Nothing on this scale has been tried in this country before".

The former head of Coke's SA operation, Fred Meyer, said that the arrangement was "in line with our company's stated intention to use its former investments in SA as far as possible to create multi-racial participation in the country's soft drink industry".

Lloyd said that the majority of ABI's customers comprised black traders.



Mike Ambler, projects manager of IBM's Projects Fund, congratulates Lydia Rammutla on taking ownership of her new home, built by Orlando Mhlangu.

City Press

PROSPECTS

Supplement to City Press March 29, 1987

IBM gives a big boost to small builders

(62) CPress 29/3/87

DESPITE the decision of the United States conglomerate, IBM, to pull out of South Africa, its Projects Fund – which is involved in numerous social betterment and upliftment schemes – will continue to operate locally.

The IBM South Africa Projects Fund announced last week that it would expand its small builders' bridging loan scheme to include small builders affiliated to black builders' associations throughout the PWV area.

In addition, the loan facility will be increased by a further R1 042 000. Barclays Bank will assist in the administration of the scheme.

The announcement is an extension of a pilot project which started a year ago with the Soweto Building Contractors' Association. The IBM South Africa Projects Fund made available R300 000 to use as bridging finance for SBCA members to start and develop their own construction businesses.

Addressing representatives of the various black building associations in the PWV area at the launch of the project in the Indaba Conference Centre, the branch manager, IBM South Africa Projects Fund, Neville Davies, said: "Such has been the success of the SBCA scheme that we were encouraged to extend it to the entire PWV area and increase the loan facility by a further R1 042 000.

"The pilot scheme has succeeded in enabling association members to develop an identity, form a platform and improve the business opportunities of its members.

"A large construction company has offered courses in building management skills such as site management and lay-out, estimating, contracts, specification documents and tendering, which were a cornerstone in the success of the pilot project.

"With the assistance of the IBM Projects Fund, other construction companies have now come forward to offer professional training in the vital skills needed by the members of the other eight newly formed associations. These associations will follow the road to success as demonstrated in the pilot project," he said.

The IBM Projects Fund's revolving loan scheme, which will be administered by African Bank and Barclays Bank, enables black enterpreneurs in the home building industry to borrow up to R16 000 over three months at an interest rate of prime plus 2 percent a month.

At the end of the three-month period, construction will have advanced sufficiently for the builders to qualify for normal building society progess payments, from which they will be able to repay their loans.

The administration of the bridging loan program by both the African Bank and Barclays Bank will ensure that the scheme will reach all the builders' associations in the PWV area.

Victor Sandamela, general manager of the African Bank, said that 47 loans, totalling R844 000, have been made available. From this, 22 housing projects have been started, of which 12 have been completed. Some builders are using their second, third and fourth loans. A further 25 extensions to existing houses are in progress, 16 of which are complete, clearly underlining the success of the pilot project.

The financial and educational problems facing the black builder today were common cause, he said. Financial institutions required satisfactory collateral before they lend money, and all too often the small builders were not in a position to furnish suitable security. Practical building management education was also not readily available, he said.

Speaking at the launch, Elias Nkabinda, president of the East Rand Builders' Association, said that the black builder needed a support system that would carve a place for the enterpreneur within the South African construction industry. "The IBM South Africa Projects Fund is a step in the right direction," he added, "and it will – for the first time in Southern Africa – provide such a support system."

A further eight associations, on the East Rand, in the Vaal Triangle, Pretoria and Bophuthatswana have been formed with the help of IBM South Africa Projects Fund. The memberships range from 150 members on the East Rand to 20 members in Alexandra, totalling more than 400 builders.

The vice-president of the IBM South Africa Projects Fund, Betty McCormick, of Armonk, New York, congratulated the builders on their achievements to date and wished them continued success in the future.

She said that even though IBM had to reach a painful decision to sell its South African subsidiary, it remained committed to supporting efforts to break down the barriers of apartheid.

She said "We remain committed to effecting basic improvements in this society and we still hope to plant the seeds that will encourage peaceful and positive change."

DERRYCK SPENCE

Oiling the wheels

After a brief foray into accountancy and a spell as the first South African purser on the Union Castle mailships, Derryck Spence found the niche that has led him, at 44, to the managing directorship of Castrol SA. That niche was a position as a sales representative with Castrol's industrial division in June 1967 — "there was definitely more to life than looking at figures." He soon developed the taste for marketing, which has been a feature of his Castrol career.

In 1971, Spence was responsible for the launch of Deusol CRF, SA's first all-purpose (engine, gearbox and differential) lubricating oil, and he went on to handle many other new product developments, including market leader GTX.

In a company which had traditionally concentrated on sales, Spence developed a specific marketing department which has been the spearhead of the company's progress in SA. Castrol currently holds a 30% share of its traditional motor market, as well as 10% of the industrial market.

Typical of the Castrol individual approach was its recent spectacular marketing coup in launching a special multigrade motor oil for the rapidly expanding Black Taxi Association (which has now changed its name to the SA Bus and Taxi Association — SABTA) in the association's own blue, gold, black and white colours.

From his position as marketing director, Spence took over the company in February after the sudden death of Gordon Bond. It proved to be a smooth transition and he expects no management shakeup.

"Gordon Bond encouraged the development of a Castrol team with a strong executive base — the result of Castrol's line of succession policy," says Spence. But what of the future?

Castrol, he says, has made it clear that it has no intention of pulling out of SA and that it is "also totally committed to the reform process." He feels strongly that there is a major role to be played by the multinationals in helping SA along the road of change. He also sees Castrol playing a role in the development of black management skills, as well as working to promote education and home ownership for staff.

Castrol is the country's biggest sponsor of motorsport, and Spence says it will continue to play its part. "Our flagship is the Castrol International Rally. Although we have obvious problems with attracting overseas entrants these days, we intend to keep plugging away for a breakthrough. When sportsmen visit the country and we go on tours, it widens contact and discussion. Besides, the sponsorship of motor sport is an important part of our marketing mix."



Spence ... more to life than figures

On the current hardships in the motor industry, he says the fortunes of the lubricating oil industry have held up — "even though in the last 15 years the need for an oil change has been reduced from once a month to as little as twice a year." While SA's car pool has remained fairly static, people are tending to keep their cars longer — "and older cars use more oil than new cars."

Technological developments in the lubricating oil industry have been considerable; Castrol SA, which has always been R & D orientated, is expanding its research abilities in both the motor and industrial sectors — and it's the main centre for mining research in the Castrol Group.

Under Spence's guidance and with its obvious confidence in the future, Castrol can be expected to continue to make its mark on the South African scene. ■

GERALD HAUMANT

Life skills

When a company's share price plunges 30% on the news of the CE's resignation, his successor must be stepping into big shoes.

Albert Koopman, former MD of the cash-and-carry building materials company Cashbuild, was a flamboyant, high-profile manager with a strong flair for people management. He started the chain in 1978, and was responsible for the development of Cashbuild's unique management structure. This provides for "Venturecoms" at each branch — committees through which four representatives, elected by employees, participate with the manager in running the business.

It was this adventurous approach, coupled with a strong profit growth record, that helped Cashbuild's share price roar up from 160c to over R4 in under a year, with the first real setback resulting from news of Koopman's resignation.

But new Cashbuild CE Gerald Haumant (40) seems more than capable of reviving confidence in the company. He describes himself as a "survivalist" with an abundance of self-confidence and stamina, derived from the days when he travelled Africa, plying his skills as a plastics technologist in such countries as Senegal, Zaire, French Somalia and Zimbabwe. He says he gained mental and physical strength from his experiences, surviving such tests as days without food and a week in a Congo jail.

"Although I have a technical background, I think my travels exposed me to certain life skills — I learnt that the strongest form of intelligence is the ability to adapt," he says.

Haumant's travels began in 1968, the year he qualified as a plastics technologist in Paris. He arrived in SA in 1973 and decided

create new wealth to overcome pover- as a whole."

Judgment today in Delta wrangle

Own Correspondent

JOHANNESBURG. — An order granted against Delta Motor Corporation (DMC) to prevent its use of the name Delta would cost the company more than R1m, counsel for DMC, told the Pretoria Supreme Court yesterday.

B Southwood asked Justice Curlewis to dismiss with costs an urgent application by Delta SA (Pty) and Delta Electrical Industries Ltd for an interdict to prevent DMC from using the name Delta in the promotion of the company.

'With eyes open'

DMC — formerly General Motors SA — has invested up to R1m in a publicity campaign to make the public aware of its new name.

However, counsel for the applicants, D A Bregman, argued that DMC had embarked on this programme "with their eyes open" and must bear the consequences. They were not entitled to spend this money in the first place.

Bregman submitted that DMC should use its full name, but not merely the word Delta, in its campaign to promote its corporate identity.

The applicants had no objection to the full name Delta Motor Corporation or its abbreviation (DMC) being used.

But DMC's use of the word Delta without further clarification would lead to an erosion of the applicants' identity.

It had already created confusion among the business community as it suggested some kind of connection between the applicants and DMC, Bregman said.

Southwood saidf the applicants had established a limited reputation in a specialized area of the business community. He denied that such people would be confused by DMC's use of the name Delta.

"It is clear that the applicants and DMC operate in entirely different fields and their potential clients must therefore be completely different," he said.

'Different person'

It was therefore not possible for the applicants to be harmed by DMC's use of the word Delta.

He explained that the applicants were holding companies operating through 13 subsidiaries. As neither of the applicants traded in the conventional sense the only people interested in them were shareholders, he said.

The investor in shares on the Johannesburg Stock Exchange would be a very different person from a purchaser of DMC's motor vehicles, he added.

Judgment will be given today.

John Deere votes to stay on in SA

27/3/87 Dey (62)

SHAREHOLDERS of US tractor manufacturer John Deere have defeated a move by anti-apartheid activists to get the company to quit SA.

A board-room battle at Deere's headquarters in Moline, Illinois, has resulted in the company reaffirming its commitment to stay in SA.

In a statement released in Johannesburg yesterday, the company said shareholders voted overwhelmingly to continue operations in Nigel.

"The stay-in-SA vote was taken at the company's annual meeting. Of votes cast, 69% voted against the resolution and 17% in favour, while 14% abstained."

MICK COLLINS

The company restated its commitment to advancing fundamental change in SA.

"We are an important force for change in Nigel, where we are located, and in Duduza, the township where most of our black employees live. Our leadership and financial support have been instrumental in bringing blacks into the economic life of the area."

John Deere SA MD Bill Hubbard said he was satisified with the result of the vote.

"It's reassuring to see shareholders backing management's long-term commitment in SA. It is particularly gratifying in the light of the disinvestment by so many companies."

"Although a representative of the state commended the company on its SA social responsibility activities, he nevertheless called for its withdrawal.

"In its resolution, the state submitted it did not believe that selling its shares as a statement of abhorrence of apartheid would have any effect other than to harm present and future pensioners. Therefore, New York would not sell its shareholding in Deere."

US INSURER BUY-OUT

LESLEY LAMBERT

AMERICAN International has sold its SA subsidiary, American International Insurance, a medium-sized short-term insurer.

The buyer, Johannesburg Insurance Holdings, which is owned by a consortium led by Rand Merchant Bank, plans to change the name of its newly acquired subsidiary to AI Insurance.

While the value of the transaction could not be determined last night, Rodney Schneeberger, CE of the SA Insurance Association, said it looked like a good deal from the buyer's point of view.

Schneeberger said that AI Insurance had operated in SA for many years under the control of its US parent and was financially sound.

"The transaction follows the general pattern of US companies transferring their holdings in South Africa to SA companies," he said.

Venter's Fintec gets Xerox in a R40m coup

By David Carte

FINTEC, a subsidiary of Bill Venter's top company, Allied Electronics Corp (Altron), has bought Rank Xerox SA for the bargain price of R40-million.

Xerox Corporation of America sold its high-growth SA subsidiary "in response to world-wide pressure from "governments, shareholders and interested groups", US chairman David Kearns told Business Times

Xerox Corp of the US has 50% of Rank Xerox of the UK, which is selling its 100% SA subsidiary.

Mr Kearns said "Our objective has been to demonstrate our concern for the social and political situation in South Africa and yet protect our shareholders, employees and customers."

Dinner

Deputy chairman Neill Davies headed Altron's negotiating team.

Mr Venter said this was the most difficult deal his group had ever clinched. "It began last September I have not had dinner at home for five weeks"

Fintec grabbed Xerox ahead of several other contenders. It is believed they included Barlows electronics company Reunert, Winkie Ringo's Mathieson & Ashley, and Ronnie Price's Eureka

Reunert fell out of the bidding early because of its association with Rank Xerox's major competitor, Nashua

Mr Venter said Xerox US had been less concerned with the price it obtained than the continuation of its progressive business practices.

It did the deal only after auditing Altron's social responsibility programmes and finding that in many respects they exceeded Sullivan standards.

Integrated

Asked why he had chosen Altron from among the suitors, Mr Kearns said "First, Altron was interested. Second, they appear to be both very good business people and socially progressive in their business practices as well

"They are integrated. They have black managers They are interested in keeping some of our social programmes They are interested in our people and in our customers and we are interested in joining with them in supporting one of their social programmes, the Black Management Foundation They have a good record of absorbing acquisitions and this is the best protection for our employees and our customers."

Rank Xerox SA will continue with basically the same management headed by David English. Mr English and team took the reins at Rank Xerox in 1984 after it suffered large foreign-



David English . . . continues to head Rank Xerox team

currency losses. They have turned it around spectacularly.

Rank Xerox SA has been assured of continuing product supply by Xerox US It will also sell non-Xerox equipment. It is not certain yet whether the Rank Xerox name will stay

Management will be given a stake in Fintec, which is to become Altron's computer, office automation and data-processing arm. Only two years ago Fintec was a cash shell with no asset besides R6-million cash. Now, apart from Rank Xerox, it has Roneo Alcatel, 50% of South Continental Devices and 21% of Punchline.

Cash shell

Fintec earned 21c a share in the year to February 1986 even though Rank Xerox was not on board. In the year to February 1987, it is expected to earn at least 40c Fintec's earnings will rise by 360% and net assets by 345% Non-Rank Xerox sales are about R20-million a year, so the total in 1988 will be about R170-million.

Rank Xerox SA is the biggest office equipment supplier of its kind in SA with sales of R150-million a year and a taxed profit of R8-million to R10-million This means Altron, through Fintec, has paid between four and five times earnings for the company

The market had wind of the deal before it was clinched and marked Fintec's share price up to R31 a share.

Mr Venter estimated that with Rank Xerox on board and after issuing a million new shares in a rights issue, Fintec would earn 168c on a fully diluted basis in the year to February 1988. The present share price is thus nearly 18,4 times next year's earnings, highlighting how cheaply Fintec acquired Rank Xerox.

Mr Venter said. "It was a fair price,



Bill Venter . . . no home dinners for five weeks

a good deal both ways. They were prepared to sacrifice a bit of cash for the Altron connection SA accounted for only 1% of their world sales. Rank Xerox's debt equity was well within our limit of 150%, but we took on some debt and a lot of stock."

Mr English said his company was the biggest contender in the large photocopier market, was prominent in laser printers, electronic typewriters, communications and networking systems. Copiers made up two-thirds of its business.

"We are not big in small desktop copiers with only about 25% of the market in unit terms, but I estimate, we produce 50% of the copies made in this country."

Mr English and Mr Venter said Rank Xerox's outlets would help to move many Altron goods, from PABX telephone exchanges to telefax machines, mail-handling equipment, telex compositors, peripherals, intercom systems and software.

Freedom

Mr English said severance of the US connection would give Rank Xerox greater freedom in trading

Mr Venter said "The first big order they will get will be from the Altron group."

The transaction will lift Altron's earnings by 12% and its sales to more than R1,6-billion, making it one of the top 100 electronics companies, excluding multinationals, outside the US.

Driven largely by a 35% annual compound growth in Altech, Altron has performed spectacularly since its listing 10 years ago The group's total market capitalisation of R2,5-billion is 1% of the Johannesburg Stock Exchange total.

Luyt still ponders petition to Chief Justice

By Ruth Golembo

FORMER fertiliser magnate Louis Luyt may still petition the Chief Justice in Bloemfontein over the sale of Triomf's Richards Bay (TRB) plant.

Although the deal has gone through and the TRB shares have been transferred to Indian Ocean Fertiliser Holdings (IOFH), Mr Luyt's attorney says he has 21 days in which to petition the Chief Justice.

The attorney says the possibility of instituting a claim for damages arising out of the transfer of the shares of Triomf Kunsmis (TKB) for R1 as part of the plant's sale to IOFH.

The sale went through after Mr Luyt's application for a temporary interdict to block the deal and his appeal on the finding was dismissed with costs The Rand Supreme Court found the shares had no value.

A telephonist at the Richard Bay plant replies to calls in the name of Indian Ocean Fertiliser company.

Nedbank

Mr Luyt, who owns 13% of TKB, claimed in court that the sale was a scheme for the benefit of Nedbank.

He argued that the assets being sold were not worth the purchase price of R79,5-million but R25-million The difference of about R50-million represented the value of the shares in the company and should go to shareholders and not creditors.

The liquidators accepted IOFH's offer for the business and some of its assets as a going concern for R79,5-million after the court ruling.

They will be paid another R20-million for stock and R35-million for debtors.

The offer was conditional on the transfer of all the company's shares for R1

TKB owned the issued ordinary share capital in TRB and Nedbank owned the issued preference share capital.

The liquidators say the assets will be handed to IOFH on receipt of the guarantees provided in the offer.

served judgment.

Cape Times 20/3/87

Kodak confirms sale

Own Correspondent

JOHANNESBURG — Eastman Kodak in the US has confirmed the sale of part of its inventory to SA Druggists (SAD) but insisted no Kodak product would be shipped to SA after April 30.

However, SAD executive director Sid Hurwitz was equally insistent that Kodak products would be on sale and "it will be business as usual".

In a statement late last night from the Eastman Kodak headquarters in Rochester, the company said MD of Kodak SA Clayt Liljequist was its official spokesman and authorised him to make the announcement.

"Consistent with its policy of total withdrawal from SA, Kodak has sold part of its inventory to SAD — consumer, professional and photo finisher products are involved.

"Similar transactions are under way with other businesses to reduce or eliminate inventory in other product areas. These inventory transactions are part of the process of winding down Kodak's business in an orderly manner.

"As previously stated Kodak will ship no product to SA after April 30, 1987, and the company will totally withdraw as of June 30, 1987.

"The company has not made nor will it make any arrangement to supply or facilitate the supply of products to SAD or any other entity in SA after April 30."

In a Sapa report released earlier yesterday Kodak SA denied reports of a row with SA Druggists (SAD). In its denial it said the two companies had reached agreement worth "many millions" for the purchase by SAD of Kodak's entire stock of consumer, professional and other stocks.

The Sapa report quoted Liljequist as saying any impression given that Kodak spokesmen had denied the deal with SAD was incorrect.

Liljequist was quoted as saying: "Of course this is not so. SAD already holds a large portion of our assets in the form of stock, but the assets represented by the laboratories is going to the Premier group's Trimark Agencies."

SAD's Hurwitz said the companies' relationship had grown to the stage where "in effect, we are simply replacing Kodak with Kodak".

RANK XEROX

Suitors sniffing

In one of the largest disinvestment moves yet seen in the computer and electronics sector, the R120m-turnover Rank Xerox may soon announce a deal with a local buyer. Sources say that within a few days the Altron group's Fintec will announce that it has bought all — or almost all — of the British-owned group.

Fintec is one of a number of local firms which have been cited as suitors to Rank Xerox. Others that have been mentioned include Mathieson and Ashley, the Eureka group's Computermatic, and Barlow Rand's Reunert. Reunert MD Richard Savage states categorically "we are not looking at them at all," and the *FM* understands that, though C-Matic is interested, it was a late starter. Mathieson and Ashley MD Lionel Jossel says he knows nothing about Rank Xerox.

The option of a direct sale to a South African company was probably chosen after other alternatives were considered and rejected. Rank Xerox SA is a wholly-owned subsidiary of the British Rank Xerox, which is 51%-owned by the US-based Xerox Corporation. MD of Rank Xerox SA, David English, confirms that, in response to US pressure, the company has looked at a range of options to enable effective disinvestment by its British parent.

"The Kodak option has been categorically dismissed and a management buy-out has been discarded," he says. "We don't believe that such arrangements would enable us to protect our social responsibility programmes, as it is very difficult for management intent upon making a profit to make a large commitment to social responsibility as well."



Fintec's Venter . . . will he strike a deal?

A break-up of the company has also been rejected. According to English, "we did think about this, but we consider that the group is a more attractive operation as one company. We are in the business of managing documents and each division forms part of this."

Fintec, however, meets the three criteria that Xerox has established. These relate to: its obligations to its employees; that Xerox should fit strategically into the operation and not be added to totally unrelated existing operations; and, thirdly, that the two groups should be culturally compatible, including attitudes to social responsibility.

English emphasises that "we are a very professional, ethical company with a high regard for staff, taking into account every aspect of the employee's life. Rank Xerox has always been a pioneer and a leader in social responsibility programmes and these programmes must be maintained. This is the single most important criterion."

The Altron group has long been involved in social programmes, has an integrated workforce and is a supporter of black management advancement. With Fintec designated as Altron's vehicle in high technology, particularly computers and data communications, and with some investments already made in mail handling and computers, this should be a logical fit.

Rank Xerox will cost, industry sources guess, about R100m. Here, too, Altron seems to have an edge, with considerable borrowing powers available and R100m cash in the group balance sheets at end-September.

What would Fintec be getting? Rank Xerox's turnover is about R120m and taxed profits were about R8m. Its markets cover copiers, laser printing, micro-computers, typewriters, facsimiles, desk-top publishing, and network communications products. The largest seller is copiers, which accounts for about two-thirds of turnover. Assets are estimated at about R70m at book value.

Fintec's price has soared from 450c to 2 400c in less than a year, but investors' faith must now be vindicated. Roneo Alcatel has been bought, plus a 50% interest in South Continental Devices and the Punchline investment has increased four-fold, making a book profit of around R12m.

Present market capitalisation of Fintec is R98m, so this deal more than doubles its size. Based on the estimated R8m profit, EPS for Fintec, excluding profits from recent acquisitions, will rise from 23c to 213c. This doesn't take financing costs into account, but these could be offset by earnings from other investments. At the current price Fintec would be on a dividend yield of 9% — extremely high for a hi-tech stock. So there is still steam in Fintec if this deal comes through — as it probably will.

Pat Kenney

SAFREN

Full steam

After uncertain beginnings since the 1984 merger of Rennies and Safmarine, Safren is firing on all cylinders. The group has followed the 88% surge in its attributable income for the 1986 financial year with a 60% advance in the six months to end-December.

Although the growth rate has slowed, Safren looks structurally stronger than was the case when the accounts were published last October. Among the main factors behind the rise in attributable income are: better margins and efficiencies were achieved in all of the operating divisions, both Renfreight and the diversified interests showed good growth after their profits had fallen in the 1986 year, and net interest payable was slashed by 57,6%.

Reflecting the widening margins, group operating profit grew by 18% on an increase of only 6% in turnover (excluding associated companies.)

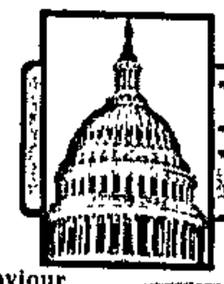


Safren's Macmillan . . . expansion going ahead

The most consistent growth since the merger has come from 78%-held Kersaf, which has again provided about 40% of total operating profits after lifting its own contribution by 23%. Shipping group Safmarine

CNC Times 21/5/87 (62)

'Sanctions' Sullivan gets egg on his face from defiant Pretoria



Washington Letter by SIMON BARBER

WHEN is a sanction not a sanction? When the target derives benefit and pleasure from being sanctioned

On numerous levels, this is precisely what is happening as the West tries to pressure South Africa towards its own standards of civilized behaviour

Far from knuckling under, Pretoria is saying — with good reason — "Oh please, do it again only this time harder".

Unfortunately, at least for anyone who genuinely cares about a decent outcome, the point is lost not only on those like Transafrica's Randall Robinson most anxious to crack the whip, but even on some who have thus far doubted the utility of trying to inflict pain on the recalcitrant boer. In particular, the Reverend Leon Sullivan

Evolving over more than a decade the Sullivan Code has successfully turned US corporations into a sort of siege engine burrowing into the walls of apartheid. To be sure, the walls have not yet fallen, given the relative smallness of US investment, but the effort has necessarily been on the margins.

It must also be conceded that many signatories have used the code more to protect their own hides than to advance the cause of change. Yet for all that, the principles have been a unique and not inconsiderable achievement.

By failing to usher in the Marxist millenium as fast as his critics would have wished, they have also left their author at the end of his intellectual and emotional tether He told the graduating class at West Virgina State College (his alma mater) last week that he was abandoning the cause.



The Rev Leon Sullivan ... Lacks courage to admit a mistake.

Final straw

Last year, in a puerile attempt at blackmail and to his subsequent regret, Sullivan threatened to call for total divestment and sanctions if the walls had not fallen by May 31 Surprise, surprise, they haven't, and unlike a number of other erstwhile sanctioneers who have rethought in the light of post-comprehensive Anti-Apartheid Act reality (influential black columnist William Raspberry for example), he lacks either the courage or the acuity to admit a mistake

On the surface, Pretoria's decision to deny him a visa to take a last look at what he was leaving might be considered the final straw. Yet, ironically, the reasons behind the denial ought to have been the strongest single argument to date for staying The very people whose will Sullivan wishes to break were saying yes, get out and take your subversive companies with you, nothing would suit us better

From here, at any rate, the assault on US corporations sounded by RAU's Karl Noffke and his ideological cohorts appears neither graveyard bravado nor a Machiavellian attempt to staunch the exit of investment. There are solid reasons, economic, political and psychological, why these men are sincere

In 1986, according to the annual Arthur D Little audit, Sullivan signatories pumped R25 million into the education of non-white non-employees, R31,5 million into non-white housing and community development and R20 million into various "anti-apartheid activities", including legal assistance.

In addition, they purchased R22 million worth of goods and services from non-white businesses Marginal sums, maybe, in an $80 billion economy, but sums nonetheless, and every cent went towards the singular, if unspoken, purpose of undermining the artificial superiority of whites.

Interference? Damn right, and interference utterly inimical to that great rump of white society who owe their livelihoods and position not to skill or effort or enterprise but to the vast state apparatus of apartheid.

If the continued presence of US companies is a threat to the white ochlocracy, the departure is becoming a boon for white entrepreneurs who are not only picking up significant assets on the cheap, but are also dispensing with the expensive paraphernalia of the Sullivan siege engine

As the State Department, whose own educational and human rights programmes are also under fire from Pretoria, noted "with distress" last week "To our knowledge, not one of the South African companies that has left has continued the fair labour standards and social programmes of the Sullivan code"

That monkey is off white South Africa's back Wonderful, except that black South Africa is left even more friendless.

In his speech last week Sullivan urged "citizens" and companies to put "more pressure" on South Africa, a logically absurd suggestion displaying either profound ignorance of what it is he has been doing all these years, or, more likely, sheer intellectual rot

By calling for complete divestment and a full-scale embargo he is helping ensure that neither citizen nor company can have even the faintest fulcrum for leverage. He is making that part of the outside world most interested in promoting honest change altogether irrelevant Again, what more could Pretoria ask?

Jaded diplomat

Well, it could ask that the US and its allies pour millions of dollars of aid into infrastructure projects for the frontline states, whose public distaste for South African products is pure vapour.

Is the South African Development Co-ordination Conference going to waste its precious resources shipping in its needs across thousands of miles of ocean especially when it is rather inadquate in the harbour department? Of course not. If Southern Africa's great leap forward is to be much more than a mirage (doubtful), it will be built in large measure on South African imports and expertise

Economic aid to the frontline is currently all the rage. Those sanctioneers with consciences (few) see it as a palliative for what they are wreaking with sanctions

The rest proclaim it part of their total strategy of isolating South Africa on the theory that the Benguela, Beira and other lines will soon be humming with commerce that would otherwise have had to pass through and enrich the Republic

Unfortunately we will not be privileged to see the hugeness of this joke, because the aid, at least the American part of it, is turning out to be a phantom The Senate last week decided to kill this year's helping on the grounds there was too little money to waste and better places to waste it.

Also, by way of a paradigm, consider that more South African crayfish are being eaten in the US than ever before. As for the victims ... Well done, Sullivan

Xerox vote will delay SA pull-out

ATLANTA (Georgia) — Xerox Corporation stockholders yesterday rejected a resolution to strengthen the company's plans to withdraw completely from South Africa.

Xerox, based in Stamford, Connecticut, announced in March that its European affiliate, Rank Xerox Ltd, would sell its South African subsidiary to Fintech, owned by a South African electronics and electrical products company.

Counsel for an institutional fund said yesterday that Xerox equipment is still being used to support apartheid.

But chairman Mr David Kearns said Xerox had responsibilities to customers and employees in South Africa that would prevent it from completely banning products there.

Xerox is the 32nd-largest US industrial company, with 1986 sales of $9,38 billion. — Sapa-AP.

LEON SULLIVAN

More sabre-rattling

Renewed pressure on the 170 American companies still operating in SA was always expected, given the Reverend Leon Sullivan's unrealistic May 31 ultimatum for the scrapping of statutory apartheid.

When he gave the ultimatum last year, Sullivan temporarily excluded US companies remaining in SA from his hit list. But during graduation ceremonies at West Virginia State College recently, Sullivan announced that he would indeed call for a total withdrawal of all American companies from SA at the end of the month.

Sullivan had hoped to make the announcement in SA but was denied a visa because, said Home Affairs Minister Stoffel Botha, his visit would be "inopportune." The move comes at a time when the sanctions campaign appears to have run out of steam.

The Sullivan Code, which a decade ago set out principles of "fair employment" for US companies in SA to follow, gained a new dimension when another "principle" was added in December 1984. This required signatories to the code to press the South African government to end the laws and regulations that constitute apartheid. To some this amounted to shifting the goal posts, but Sullivan saw it as consistent with his aim of getting rid of discrimination.

According to a report released by the Rand Afrikaans University's Institute for American Studies, the new principle encourages corporate civil disobedience. The report claims that from July 1985 to June 1986 over R20m and 12 471 employee days were devoted to anti-apartheid activities.



Sullivan . . . preparing a new sanctions assault

At any rate, Sullivan's true influence will be tested after May 31. Sullivan signatories have indicated they will pursue the original code whether or not he withdraws. American Chamber of Commerce (Amcham) president Ian Leach says Amcham has opposed, and will continue to oppose, disinvestment as it believes that investment creates job opportunities and the upliftment of society in general.

But US companies may eventually have to bow to pressure and pull out if staying in SA no longer remains profitable or becomes too hassle-ridden.

Few affected

However, a sudden walkout is not expected. "Those who saw the writing on the wall have already left," observes Richard Thomson, a lecturer in human resources at Wits University. And Assocom's Vincent Brett points out that the Sullivan Code affects a very limited number of companies. Brett says disinvestment has proved to have had no serious impact on the economy, although foreign input remains vital.

The Sullivan Code Signatory Association declined to comment before studying Sullivan's West Virginia speech. ■

Middle-man Sullivan still hasn't decided

By PIPPA GREEN, New York

THE Reverend Leon Sullivan describes himself "as not much of a popularity person" and indications are that he is right. He wants to confront apartheid laws, and has advocated US "corporate disobedience" in South Africa, but he also wants the companies to be a force for change — leaving him unpopular with the South African government as well as anti-apartheid lobbyists in his country.

The author of the guidelines for United States corporations to invest constructively in South Africa now faces the prospect of calling for disinvestment in 10 days time.

Last weekend he reiterated his warning that if apartheid were not abolished by May 31 he would call for total corporate disinvestment from South Africa.

However, the Baptist minister from Philadelphia and General Motors board member told *Weekly Mail* this week he was "still assessing the situation" in South Africa and had not yet made up his mind about whether to call for total disinvestment.

Sullivan hoped to make his announcement in South Africa after a visit to "assess the situation". But the government refused him a visa. "Perhaps the South African government thinks I want to come to be confrontationist. And it is true that I would like to confront apartheid laws," he said.

Instead he will announce his stand early next month in Washington DC. If he sticks by his original threat, there is little doubt he will call for disinvestment.

But, he cautioned, "I am no politician, and not much of a popularity person. Right now I'm trying to get the maximum influence of companies on the situation."

He is certainly no "popularity person" with the anti-apartheid movement in the United States, which, after succeeding in securing some sanctions on South Africa through the Anti-Apartheid Act, is now campaigning for more effective and widespread sancions.

The Sullivan Code, anti-apartheid activists have argued, was used as a cover by American companies who wished to retain investments in South Africa.

He dismisses the disinvestment lobby's criticisms of the code: "I called on companies to leave South Africa as far back as 1971. But then I decided to attempt using the companies as a force for change."

Drafted in 1977, the code set standards regarding equal pay, integrated facilities, the encouragement of black managers and supervisors and corporate involvement in raising black workers' living standards outside the workplace.

In 1984, Sullivan added a new principle to his code, advocating that companies engage in "corporate disobedience". US companies were encouraged to challenge the apartheid system by providing housing for black employees in white group areas, or by supporting workers who fell foul of petty apartheid laws.

Sullivan suspects that it is his advocacy of "corporate disobedience", particularly his suggestion that companies ignore the Group Areas Act, that led to his visa denial.

(6) STAR 19/3/87

IBM's loan scheme to be extended

By Rich Mkhondo

International Business Machines (IBM) this week announced it would expand its Small Builders' Bridging Loan Scheme to Reef townships. The facility will be increased from R300 000 to more than R1,3 million.

Although IBM South Africa has been sold to a trust and is now called Information Services Management (ISM), the loan scheme is being financed out of the American-based IBM South Africa projects fund.

This week's announcement was an extension of a project last year with the Soweto Building Contractors' Association.

The loan scheme will be administered by the African Bank and Barclays Bank.

Kodak confirms sale

EASTMAN KODAK in the US has confirmed the sale of part of its inventory to SA Druggists (SAD), but insists no Kodak product will be shipped to SA after April 30.

However, SAD executive director Sid Hurwitz was equally insistent that Kodak products would be on sale and "it will be business as usual".

In a statement late last night from the Eastman Kodak headquarters in Rochester, the company said Kodak SA MD Clayt Liljequist was its official spokesman and authorised him to make the announcement to *Business Day*.

"There appears to be some misunderstanding of the recent transaction between Kodak and SAD and we want to offer clarification.

"Consistent with its policy of total withdrawal from SA, Kodak has sold

MICK COLLINS

part of its inventory to SAD — consumer, professional and photo-finisher products are involved.

"Similar transactions are under way with other businesses to reduce or eliminate inventory in other product areas. These inventory transactions are part of the process of winding down Kodak's business in an orderly manner.

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● To Page 2

Kodak to halt all sales to SA

or any other entity in SA after April 30."

In a SAPA report released earlier yesterday, Kodak SA denied reports of a row with SA Druggists (SAD). In its denial, it said the two companies had reached agreement worth "many millions" for the purchase by SAD of Kodak's entire stock of consumer, professional and other stocks.

However, senior executive Rob Courtney told *Business Day* the previous day the deal had not been finalised. The SAPA report quoted Liljequist as saying any impression given that Kodak spokesmen had denied the deal with SAD was incorrect.

● From Page 1

Liljequist was quoted as saying: "Of course this is not so. SAD already holds a large portion of our assets in the form of stock, but the assets represented by the laboratories is going to the Premier group's Trimark Agencies."

In a telephone interview yesterday, Courtney said the deal with Trimark had not been finalised.

SAD's Hurwitz said the companies' relationship had grown to the stage where "in effect, we are simply replacing Kodak with Kodak".

Rank Xerox and Nashua in row

KAY TURVEY

A SLANGING match developed yesterday between Rank Xerox SA and its former main competitor, Nashua.

"It's absolutely none of his business," an irate senior director of Rank Xerox SA told SAPA, countering Nashua MD Jacques Moolman's criticism of Xerox's delay in deciding whether or not to remain in SA.

Moolman retaliated: "It is our business, as it reflects on the office automation industry, of which we are a part.

"Obviously we watch what our competitors are doing, although we would not tell them how to conduct their business."

He said it was Nashua's concern as to who its opposition was and "now we know it will be Bill Venter's Fintec for whom we have the highest regard".

Moolman said of the R85m deal in which Xerox SA would sell its equity to Altron's Fintec: "The deal was obviously not struck over lunch, but for months they (Xerox) have left end-users in the dark."

Users had been "dissatisfied and uncomfortable with the uncertainty". That had won Nashua market share, Moolman was reported as saying in *Business Day* yesterday.

Rumours had been rife for months in the industry that the R134m office automation company would pull out of SA, yet only last month Xerox SA MD David English was reported as saying the group would meet its commitments here for the next five years. He did not, however, give an unconditional guarantee it would remain in SA forever.

No Rank Xerox executives were available for comment yesterday.

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BDay 20/5/87

Call for total US sanctions, disinv



SULLIVAN . . . expected to quit

IN ELEVEN days time, the Rev Leon Sullivan will tell corporate America to get out of SA and make a powerful call for total sanctions.

Exactly how Sullivan intends to manoeuvre this will not be known until June 3, when he is scheduled to address Sullivan Code signatories in Washington.

But it is widely expected he will quit as leader of the Sullivan Code movement, in keeping with his threat to Pretoria to scrap apartheid laws by May 31 or face the call for full sanctions and disinvestment.

As matters stand, it is an open question who will monitor how US

HAMISH McINDOE

companies treat their black SA workforce if Sullivan bows out.

But the Johannesburg-based American Chamber of Commerce (Amcham) is widely tipped to take over the code's administration.

Chamber president Ian Leach says Amcham's Sullivan signatories must now decide whether to "keep the present name without the individual".

New labour yardstick

Otherwise, he is non-commital on the code's future.

The Reagan administration is also punted as a serious contender, with observers saying Washington's Fair Labour Standards Code — mandated in last year's Comprehensive Anti-Apartheid Act — could become the new labour yardstick.

Sal Marzullo, chairman of the Industry Support Unit of Sullivan Companies, says: "Despite many problems, the Sullivan principles are still evolving . . . and they will continue to evolve with or without the Rev Sullivan.

"Our only leverage to exercise change in SA is in our presence. Withdrawal is a tragic error."

Sullivan himself, however, recently said the principles of the movement he founded 10 years ago would outlive his leadership.

Nobody seriously expects Sullivan's reform-or-sanctions deadline will trigger a corporate run from SA. At worst, notes a US source, Sullivan's total sanctions call will "add significant pressure on companies to leave".

But the pace of disinvestments is equally likely to be quickened because of the outcome of the May 6 election and government's Group Areas crackdown.

Nearly 80 US companies have pulled out of SA recently, including IBM, General Motors and Xerox.

A Business Day poll of US companies operating in SA found little agreement on the effects of Sullivan's promised action. All pointed, however, to the positive aspects of

estment looms

their presence as an agent for political change.

The view at earth-moving equipment manufacturer Caterpillar is that no "pro-active" measures can now be taken to defuse the situation.

Disinvestment call

One US company official says the "snowballing" support of US shareholders to stay in SA will overrun Sullivan's call for disinvestment and sanctions. The official asked not to be named.

Reacting to Press reports on Sullivan's speech, Hewlett-Packard MD Marius Furst says Sullivan's disinvestment call comes as no surprise.

Furst adds that only 9,6% of shareholders at Hewlett-Packard's February annual general meeting in California did not support management policy that "the struggle against apartheid can best be fought by an on-the-ground presence".

Goodyear spokesman Mike London says Sullivan's deadline for dismantling apartheid laws is unrealistic. "But US companies are committed to the code's principles and acknowledge all the good Sullivan has achieved."

Pretoria last week refused Sullivan permission to visit SA.

Firestone sells off last SA interest

AKRON (Ohio) — Firestone Tire and Rubber has sold its last 25 percent interest in Firestone SA to the holding company that acquired a 75 percent interest in the company in 1981.

Federale Volksbeleggings signed a management agreement with Firestone when Federale became the controlling shareholder in 1981.

When the management agreement expired in March, Firestone said, it asked Federale to consider buying its minority interest.

Under the 1981 agreement, Firestone was prohibited from selling its 25 percent interest to a third party without Federale's approval.

IMMATERIAL

Federale responded with an offer and Firestone agreed to buy. The terms were not released.

Firestone said the transaction's impact on earnings would be immaterial.

Akron-based Firestone said it would continue to honour trademark and other long-term agreements with Federale until their expiry dates.

Firestone said its board of directors would still meet a commitment made in 1985 to spend the equivalent of about R1 million a year for three years.

The money was to support education and training programmes for blacks in South Africa. — Sapa-AP.

(62) SPME 2015/87

More US firms may fight bar on SA goods

Court lifts ban on steel imports

By Alan Dunn, The Star Bureau

WASHINGTON — The United States Court of International Trade has rejected part of the Reagan Administration's enforcement of economic sanctions against South Africa, overturning a ban on the import of steel products.

The ruling effectively allows an American importer to re-start shipping in steel cable used to reinforce concrete which was stopped in November when the United States Treasury issued a list of definitions stipulating what items the steel ban prohibited.

The Treasury guidelines, given to United States customs officers, were the Reagan Administration's interpretation of what the Comprehensive Anti-Apartheid Act of 1986 meant by halting steel imports.

But Mr Justice James Watson found in a New York case: "The court holds that the ban on steel covers basic forms of steel and not advanced steel products."

The judgment was welcomed by the economics envoy at the South African Embassy here, Mr Arnold Mentz: "It is a major break for South Africa. I commend the US importer for taking the bull by the horns, showing the Administration it went too far in looking after its own interests in keeping out foreign imports."

It is understood makers of American wire, wire products, pipes and tubing lobbied intensively at the time American government officials were implementing the sanctions, to have items competing with theirs included in the list of banned commodities.

This sparked some dismay among South African officials at the time and was the subject of behind-the-scenes discussions and representations to US officials.

Sources close to the American import community said yesterday other importers would consider following the judgment with their own court actions challenging other aspects of the Administration's enforcement of the steel ban.

Mr Justice Watson found in favour of Springfield Industries Corporation which sells mainly South African pre-stressed concrete strand (PC strand) for building construction.

The defendant was the United States government. It is not yet known whether the US Justice Department will appeal against the judgment.

On the definition of the term "steel", the judge said: "To hold that Congress intended the word 'steel' to mean all steel products would be rife with inconsistencies."

Congress would have specified steel products if it had wanted to do so, he added.

Sanctions call to have 'effect'

HAMISH McINDOE and THEO RAWANA

REVEREND Leon Sullivan's expected call for total sanctions would have a "pretty powerful effect" on US companies operating in SA, a US source said.

And the monitoring of corporate America's treatment of its black SA workforce may switch to the Reagan Administration if Sullivan cuts his ties with this country on May 31 — the deadline to scrap apartheid.

However, Southern Transvaal African Chamber of Commerce president Willie McBain-Charles said previous pullouts by US companies had resulted only in name and ownership changes with the same managements.

The pullouts served only to entrench monopoly-capitalism as no black company took over from US multi-nationals.

Calling the code a "toothless bulldog", he said Sullivan's threat to call for a total pull-out by US companies was futile as the companies were not the force they professed to be in dismantling apartheid.

Sullivan's intentions are not expected to be known until June 3, when he is scheduled to address a meeting of code signatories.

The number of code signatory companies has fallen to about 150 from 184 listed five month's ago in the code's 10th annual report.

A snap poll of US companies operating in SA found little agreement on the effects of Sullivan's promised action.

Sullivan yet to make up mind

SIMON BARBER

WASHINGTON — Rev Leon Sullivan yesterday insisted he had made "no decision" to call for total US disinvestment and sanctions against SA if his May 31 deadline for the dismantling of apartheid was not met.

He said, however, there would have to be "substantive developments" — which he declined to specify — to dissuade him from such a call.

Sullivan said: "I can't tell you what substantive changes I am looking for. All factors will be part of my decision and all prospects of what is possible with company initiatives."

He said he was concerned by signs that Pretoria intended to make it difficult for companies to implement the Sullivan Code fully, and said he would be looking for reassurances in President P W Botha's statement to Parliament.

Also worrying was the fact the SA companies who took over from departing US firms were scrapping programmes and intitiatives required by the code.

Sullivan emphasised he would not make up his mind until after May 31.

Pretoria: the West's whipping boy who likes being whipped

'To our knowledge, not one of the South African companies left has continued the fair labour standards and social programmes of the Sullivan Code'

STATE DEPARTMENT

SIMON BARBER in Washington

WHEN IS a sanction not a sanction? When the target derives benefit and pleasure from being sanctioned. On numerous levels, this is precisely what is happening as the West tries to pressure South Africa towards its own standards of civilised behaviour.

Far from knuckling under, Pretoria is saying, with good reason: Oh, please, do it again — only this time harder. Here is a whipping boy who likes being whipped.

Unfortunately, at least for anyone who genuinely cares about a decent outcome, the point is lost not only on those most anxious to crack the whip — such as TransAfrica's Randall Robinson — but even on some who have thus far doubted the utility of trying to inflict pain on the recalcitrant Boer. In particular, the Reverend Leon Sullivan.

Evolving over more than a decade, the Sullivan Code has successfully turned American corporations into a sort of siege engine burrowing into the walls of apartheid.

To be sure, the walls have not yet fallen. Given the relative smallness of US investment, the effort has necessarily been on the margins. It must also be conceded that many signatories have used the code more to protect their own hides than to advance the cause of change.

Yet for all that, the principles have been a unique and not inconsiderable achievement.

By failing to usher in the Marxist millenium as fast as his critics would have wished, they have also left their author at the end of his intellectual and emotional tether.

Sullivan told the graduating class at West Virginia State College (his *alma mater*) last Saturday that he was abandoning the cause. Last year, in a puerile attempt at blackmail and to his subsequent regret, he threatened to call for total disinvestment and



☐ **SULLIVAN . . . at the end of his intellectual and emotional tether**

sanctions if the walls had not fallen by May 31.

Surprise, surprise, they haven't, and unlike a number of other erstwhile sanctioneers who have rethought in the light of post-Comprehensive Anti-Apartheid Act reality (influential black columnist William Raspberry, for example), he lacks either the courage or the acuity to admit a mistake.

On the surface, Pretoria's decision to deny him a visa to take a last look at what he was leaving might be considered the final straw. Yet, ironically, the reasons behind the denial ought to have been the strongest single argument to date for staying.

The very people whose will Sullivan wishes to break were saying: yes, get out and take your subversive companies with you; nothing would suit us better.

From here, at any rate, the assault on US corporations sounded by RAU's Karl Noffke (famous in Washington as the only member of the South African Embassy to have voted no on the new constitution) and his ideological cohorts appears neither graveyard bravado nor a Machiavellian attempt to staunch the exit of investment.

There are solid reasons — economic, political and psychological — why these men are sincere.

In 1986, according to the annual Arthur D Little audit, Sullivan signatories pumped R25m into the education of non-white non-employees, R31,5m into non-white housing and community development and R20m into various "anti-apartheid activities," including legal assistance.

In addition, they purchased R22m worth of goods and services from non-white businesses.

Marginal sums, maybe, in a US$80bn economy, but sums nonetheless, and every cent went towards the singular, if unspoken, purpose of undermining the artificial superiority of whites, however unproductive, economically ill-equipped and uncompetitive they might be.

Interference? Damn right, and interference utterly inimical to that great rump of white society who owe their livelihoods and position not to skill or effort or enterprise but to the vast state apparatus of apartheid.

These are Noffke's people, and no wonder they resent the new Sullivanised Hoggenheimers.

If the continued presence of US companies is a threat to the white ochlocracy, the departure is becoming a boon for white entrepreneurs, who are not only picking up significant assets on the cheap but are also dispensing with the expensive paraphernalia of the Sullivan siege engine.

As the State Department, whose own educational and human rights programmes are also under fire from Pretoria, noted "with distress" last week:

"To our knowledge, not one of the South African companies left has continued the fair labour standards and social programmes of the Sullivan Code."

And why should they? They are free at last from the shackles of American do-gooders.

The self-important moralising of state and local legislators refusing to purchase the products or the stock of US parent companies is no longer a problem. The sons and daughters of the American middle-class can demonstrate and decorate college lawns with oh-so-meaningful shanties to their hearts content.

That monkey is off white SA's back. Wonderful, except that black SA is left even more friendless.

In his speech on Saturday, Sullivan urged "citizens" and companies to put "more pressure" on SA, a logically absurd suggestion displaying either profound ignorance of what it is he has been doing all these years or, more likely, sheer intellectual rout.

By calling for complete divestment and a full-scale embargo he is helping ensure that neither citizen nor company can have even the faintest fulcrum for leverage.

He is making that part of the outside world most interested in promoting honest change altogether irrelevant. Again, what more could Pretoria ask?

Well, it could ask that the US and its allies pour millions of dollars of aid into infrastructure projects for the Frontline States, whose public distaste for South African products is pure vapour.

Is SADCC going to waste its precious resources shipping in its needs across thousands of miles of ocean, especially when it is rather inadequate in the harbour department? Of course not.

If Southern Africa's great leap forward is to be much more than a mirage (doubtful), it will be built in large measure on South African imports and expertise.

Or as one jaded diplomat remarked, perhaps a little too facetiously: "We'll pay the South Africans to build it, then they'll bomb it, then we'll pay them to build it again."

Economic aid to the Frontline is currently all the rage. Those sanctioneers with consciences (few) see it as a palliative for what they are wreaking with sanctions.

The rest proclaim it part of their total strategy of isolating SA on the theory that the Benguela, Beira and other lines will soon be humming with commerce that would otherwise have had to pass through and enrich SA.

Unfortunately, we will not be privileged to see the hugeness of this joke, because the aid — at least the American part of it — is turning out to be a phantom.

The Senate last week decided to kill this year's helping, on the grounds there was too little money to waste and better places to waste it.

So Pretoria will be disappointed in that regard. Otherwise, everything is going its way.

The meddlers are being forced out and relaced by unmeddlesome locals and conveniently unquerulous foreigners like the Taiwanese and Japanese. Sanctions and divestment have concentrated minds on finding fresh markets and seem to have stimulated the buccaneering entrepreneurial spirit.

By way of a paradigm, consider that more South African crayfish are being eaten in the US than ever before. As for the victims . . . well done, Sullivan.

ARTS AND LEISURE

Firestone pulls out of SA

Cape Times 7/5/87

JOHANNESBURG. — Firestone Tire and Rubber Company has become the latest US company to disinvest from South Africa.

It has sold its remaining 25% holding of Firestone SA (Pty) to the South African conglomerate Federale Volksbeleggings, which had already acquired 75%.

But the tyres advertised as "dem stones" will still be available here. Federale says it will continue to sell Firestone tyres in South Africa and that technical and licencing agreements will remain in force.

But the company's name will change.

Firestone joins more than 70 other US companies to withdraw from South Africa since the start of 1986. — Financial Staff and Reuter

Pressure on firms to quit grows after Sullivan denied visa

By ALAN DUNN
The Argus Foreign Service
Dateline: WASHINGTON

THE South African government's refusal to allow the author of the so-called Sullivan Code into the country will heap more pressure on US companies to leave the Republic.

The remaining 170 or so American companies adhering to the Sullivan principles of fair and equal labour practices for employees in South Africa will now face a powerful call from Rev Leon Sullivan, author of the code.

Mr Sullivan has said he will, at the end of this month, tell all US firms operating in South Africa to get out. His move will probably, constitute the largest single blow to those US companies in the country still fighting to stay in South Africa in the belief they are doing some good.

Total disinvestment if apartheid stays

Mr Sullivan, of Philadelphia, was told on Friday he would not be given a visa for his final visit to South Africa days before he was to stage a news conference here to make an announcement on his deadline, which he issued last year.



Rev Leon Sullivan

He had said he would call for total disinvestment if, by the end of this month, statutory apartheid had not been scrapped.

While Mr Sullivan was not available for comment last week, sources close to him indicated it was not certain he would press automatically for a departure by American companies. They said it seemed he had not made a final decision.

The code, endorsed and enshrined in law and a proclamation by the White House, State Department and US Congress, has lent Mr Sullivan legitimacy and immense political stature among Americans on the South Africa issue — his intention to call for a total pull-out following the visa refusal will carry a lot of weight in Washington.

Visa refusal second blow to campaign

The visa refusal is sure to be seen by Sullivan signatories as a second blow to their campaign in a week. There was widespread dismay last week at reports of a South African government clampdown in terms of the Group Areas Act.

There was even alarm at reports of an imminent clash between the government and the US companies, 77 of which have reportedly housed black workers in white residential areas.

One prominent member of the Sullivan group felt that the Group Areas crackdown would make their first line of defence — that they are positive forces for change in South Africa — ring hollow with their opponents.

It pulled the rug out from under the Sullivan code companies, he said.

Sullivan set to get tough

Business Day 18/5/87 62

RENEWED pressure for a US corporate pullout from SA is looming amid indications that the Rev Leon Sullivan intends calling for a total boycott of SA.

Government at the weekend shut the door on the Philadelphia preacher and author of the Sullivan Code, which is intended both to protect US investment here and promote social responsibility programmes.

Home Affairs Minister Stoffel Botha confirmed that Sullivan had applied for a visa to arrive in SA on Friday, but he told Business Day it was "inopportune for him to visit now".

Sullivan was reported as telling a New York audience at the weekend he would call for a total withdrawal of US companies from SA.

He repeated the ultimatum made two years ago: "If by May 31 there is no change in SA I will call for all American companies to leave SA and for a total embargo of that country".

The Sullivan code is a set of principles which US companies must adhere to to justify their continued existence in SA. Annual reports on the performance of each of its signatories are compiled and they are assigned ratings.

This is intended to defuse pressure on them, and the withdrawal of Sullivan from the programme will make them a

LINDA ENSOR

target for the disinvestment lobby.

Sullivan has often stated that if apartheid continues to exist on the statute books on June 1 this year, he will withdraw from the Sullivan programme he launched about 10 years ago.

His participation in the disinvestment campaign would add to the pressure on US companies, said Ian Leach, president of the American Chamber of Commerce (Amcham), who added that this would be resisted by Amcham.

"We believe that continued trade with and investment in SA is the best way for American companies to participate in the change process in SA. It is through economic growth that SA will be better placed to overcome the difficulties it faces rather than through economic stagnation."

US signatories to the Sullivan Code indicated they would continue to apply and uphold its principles — regardless of what Sullivan himself did.

Firestone SA's operations will not be affected by buyout - MD

Eastpost 19/4/87 62

By MICHEL DESMIDT

THE acquisition by Federale Volksbeleggings of the remaining 25% interest in Firestone SA for an undisclosed sum will have no effect on operations, according to Firestone's managing director, Mr Bill Taylor.

Federale Volksbeleggings announced yesterday that with effect from April 1 it had boosted its 75% shareholding in Firestone by acquiring the remaining 25% stake previously held by the American Firestone Tire and Rubber Company.

Firestone (SA) is now a wholly-owned subsidiary of Federale and intends changing its trading name.

Mr Taylor said although the management agreement with Firestone in the United States had expired in March, long-term technical and trademark agreements would remain in force "into the next century".

This meant that the South African company would continue to manufacture and sell Firestone tyres, tubes and related products using Firestone technology.

Signs and the company's advertising campaign would continue under the Firestone banner.

No decision had yet been made on the company's new trading name and a separate listing on the Johannesburg Stock Exchange of the wholly South African-owned company was not being contemplated, he said.

Mr Taylor, who succeeded Mr Peter Morum as chief executive in November last year, said there would be no change to production and staff levels.

I could still change my mind — Sullivan

By Neil Lurssen,
The Star Bureau

WASHINGTON — The Rev Leon Sullivan says he can still change his mind about calling for total American business withdrawal from South Africa.

But the veteran black preacher and anti-apartheid activist made it clear in an interview here his change of mind would require a dramatic announcement of reform by the South African Government, one that would start the process of ending statutory apartheid.

While Mr Sullivan was clarifying his attitude toward disinvestment — wrongly reported at the weekend, he alleged — the United States government was strongly urging American businesses not to leave South Africa but to stay and help break down apartheid.

He denied weekend reports that he had already decided to call for total disinvestment from South Africa in a speech he is to make here early in June.

In fact, he said, the decision had not yet been made. What he had said at the weekend was that if the decisions were to be made today he would call for disinvestment.

Mr Sullivan said he regretted the Government's decision not to let him visit the country.

While Mr Sullivan was clarifying his position, the US government released a statement strongly urging American companies to stay in South Africa.

Leon Sullivan denied visa

Cape Times 18/5/87

From SIMON BARBER

WASHINGTON. — The Rev Leon Sullivan has been denied permission to visit South Africa.

At the weekend he said it was all but certain he would call for total disinvestment and full sanctions.

Mr Sullivan said he had hoped to make the announcement in SA, but had been informed on Friday his visa application had been denied.

The Minister for Home Affairs, Mr Stoffel Botha, yesterday confirmed that Mr Sullivan's application had been rejected because of its "inopportune" timing, but might be granted at a later date.

Mr Sullivan said: "If by May 31 there is no change, I will call for all US companies to leave SA and for a total embargo of that country."

Mr Sullivan said that while he did not expect the US President, Mr Ronald Reagan, or Congress to heed his call, he hoped corporations and private citizens would take the initiative in stepping up pressure on Pretoria.

Reagan administration officials said yesterday they had been informed before the May 6 elections the Baptist preacher would be denied a visa.

The officials, who were also informed of the decision on Friday, said the SA government was reacting to pressure from the Conservative Party.

"The right is already screaming about our companies' activities. The government believes that having Mr Sullivan in the country as Parliament opens would make things even worse."

Pull-out partisan achieving nothin

K H HAMMONDS

Americans who think the continuing disinvestment lobby there is having any practical effect on the way business is done in SA are fooling themselves: US business here remains alive and well.

True, 55 US companies have abandoned their SA operations in the last year and a half, and more are on the way out. Eighteen companies have disinvested so far this year, and bankers here say the pace will continue.

But little really has changed. Of the 18 US companies that have disinvested in 1986, 12 have retained substantial business connections through distribution, licensing and technology contracts. Only two have actually shut down their local operations, and both of these were small. For the most part, employment and management has remained intact under new ownership; in fact, six of the companies were purchased by local management.

Here is what has happened to the 18 local companies sold by American corporations so far this year, according to executives at the affected companies and the Investor Responsibility Research Centre in Washington:

Applied Power sold its local distribution subsidiary to Jenda Holdings, the Lichtenstein-based holding company for Bosal Africa. The local company has retained all its 33 employees as well as exclusive distribution contracts for collision repair and hydraulic equipment from the American parent. These contracts account for all the SA company's turnover.

Ashland Oil sold its Valvoline Oil, Mikropul and two other units to an SA company.

Bell & Howell sold its MGX and TL Electronics subsidiaries to the Ronnie Price Group, for R2 plus the assumption of ongoing liabilities. Management remains intact, and the companies' 170 employees have been kept on. Distribution contracts with B & H will account for R3m of the companies' R25m turnover this year.

CBS's interest in Gramophone Records was purchased by Gallo, an SA company that already controlled the remaining 51%. There has been no change in operations or employment, and Gramophone produces recordings under licence from its former parent.

Cooper Industries sold 85% of its Gardner Denver unit to five senior executives, headed by its American MD Terry Spratt, and the rest to Barclays Merchant Bank in a cash transaction. Employment at the new company has grown to 170, from 140 at the time of the buy-out. Distribution contracts with Cooper account for 20% of sales.

Eaton sold its Cutler-Hammer and Eaton Truck Component units to Northern Engineering for an undisclosed price. Northern, which also holds franchises from Mack Trucks, International Harvester and Cummins Engine — all US companies — now distributes and services car tranmissions and axles under an agreement with Eaton.

General Electric's local subsidiary was purchased by nine senior executives, who changed the unit's name to Genwest Industries. Of the 700 employees working before the sale, 200 have been retrenched because of poor business conditions. Distribution contracts with GE account for 95% of turnover.

GTE's Unistrut division was sold to Unistrut management in the US. The sale has had no effe... byl Ltd, which makes the product under licence. In Dorbyl purchased Gene... tric's locomotive divi... Genwest, and now ... under licence from GE.

Kidder Peabody, the in... bank, closed its repr... office, retrenching fewer employees.

MacMillan's local book ing subsidiary was sold ... company.

Manpower's local Pa... unit was sold to British ... ment of the Parker writi... ment division as part of an tional disinvestment. Emp... of 100 has not been affec...

Marriott sold its airline ... vices operation in May to which now runs the busin... the name Air Chefs Inter... Proceeds from the sale ha... kept in the country for use ... riott's business at Jan S... port, which operates und... tract to SAA. When that ...

FOREIGN FIRMS IN S.A. — U.S.A.

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Sullivan to unveil new plan of attack

SIMON BARBER

WASHINGTON — The Rev Leon Sullivan is hinting he may not call for total US disinvestment now that his two-year deadline for the abolition of apartheid has expired.

But the alternative he claims to be considering may well have the same effect, corporate officials say.

In a weekend interview with United Press International, Sullivan said he was debating whether to call for increased "commercial, civil disobedience" by signatories to his employment code.

"We have to determine now what would be the best way to wield corporate force in the face of government recalcitrance," he said.

He is to announce his decision in Washington tomorrow. Business representatives will be briefed in a closed session and a Press conference will follow.

Sullivan said he had not ruled out remaining true to his initial threat and that if he did, he would rally his supporters for a mass divinvestment drive.

His supporters controlled $80bn in SA-related companies, he said.

Several executives have warned that increased corporate disobedience, including the deliberate violation of the Group Areas Act for housing blacks workers, will trigger an intolerable backlash from Pretoria.

"It is simply not realistic to say you can only stay on if you violate the law. Pretoria will do the disinvestment lobby's job for it," says one.

Sullivan could not be reached yesterday for further comment.

Sullivan speaks his mind today

HAMISH McINDOE

CORPORATE America will know today whether civil rights leader Rev Leon Sullivan will call for sanctions and total disinvestment from SA.

Sullivan is scheduled to address about 150 Sullivan Code signatory companies in Washington today.

President of the American Chamber of Commerce in Johannesburg Ian Leach said yesterday Sullivan had made it clear only "himself, his wife and God" knew what would be said at the meeting.

Last month, however, Sulivan warned he would call for sanctions unless Pretoria scrapped apartheid laws by May 31.

Sullivan has also vowed to renounce the leadership of the movement he started 10 years ago if Pretoria misses this deadline.

Sullivan calls for total disvestment

Dispatch Correspondent
WASHINGTON — True to his threat two years ago, the Reverend Leon Sullivan yesterday abandoned his ten-year-old employment code and called for total US divestment from South Africa and a complete trade embargo.

In response, the US corporate council on South Africa expressed "profound regret" but vowed that Sullivan signatories would continue to comply with the code "as long as they remain in South Africa".

The council, comprising 104 chief executives of US companies involved with South Africa, also called on signatories to "renew and increase their efforts to end the apartheid system and to support the efforts of dedicated individuals and organisations in South Africa to bring about a non-racial and democratic society".

Mr Sullivan, who could not predict the short term consequences for black employees, issued an eight-point set of guidelines for the withdrawal, which he said should be completed in nine months.

These included a demand that companies "end all business relationships with buyers, including logo, trademarks, components, materials, consulting services and other supporting services, excluding certain special consideration for support of undeniably black owned and initiated businesses".

US firms "should sell their businesses only to buyers who agree to promote equal rights for blacks, to black labour representation and to company ownership plans making possible broad black participation."

Mr Sullivan said he had commitments from investors controlling more than $80 billion worth of stock in US companies to use their stock to pressure "non-co-operating" firms, and called upon them to do so.

He urged Congress to enact a watertight trade embargo, including strategic minerals, gold and diamonds, and to penalise foreign countries that sought to fill the US vacuum.

Of these he singled out Japan, already a popular congressional target, as the worst offender.

The respected Investor Responsibility Research Centre noted that the Baptist minister's call "will add to the considerable pressures US companies already feel to withdraw".

The group's senior SA analyst, Mr David Hauck, also predicted several positive developments, including increased emphasis on preparing black executives for management buyouts of departing firms.

The American Chamber of Commerce (Amcham) was disappointed by the move but its executive director, Mr Adrian Botha, made it clear the Sullivan principles had been a positive force for improving the lot of South Africa's black workforce.

Sullivan could shake big shareholders

By PIPPA GREEN
In New York

THE call by the Rev Leon Sullivan this week for US corporations to withdraw from South Africa could be the last straw for companies faced with mounting pressures to pull out.

Sullivan's demand that American companies leave within nine months could lead to a shift in the policy of cities, states and institutions which have made investments conditional on observance of the Sullivan Principles.

Sullivan has asked industrial and institutional shareholders in companies with South African investments to support his call for withdrawal, and urged government, state and municipal bodies to follow suit.

More than 100 American subsidiaries in South Africa have been sold in the past 18 months, as business confidence in the region drops and political and moral pressures in the US increase. And according to Jennifer Davis of the American Committee on Africa, 21 states have already voted to withdraw all funds from corporations doing business in South Africa.

US corporations, faced with such weapons as selective purchasing policies by cities and states and possible consumer boycotts at home, may well respond to Sullivan's announcement by "heading for the exit," according to Timothy Smith, director of the influential Interfaith Center on Corporate Responsibility.

Smith said US corporations had used the Sullivan Principles as a "basic defence". But the announcement had now "pulled the moral rug from under the feet of US business".

Sullivan, a member of the board of General Motors, made his announcement in Washington this week 10 years after the principles were drafted, setting ethical standards for US companies operating in South Africa. Several months ago, he called on companies to engage in "corporate disobedience" in defiance of, *inter alia*, the Group Areas Act.

In this week's announcement, he said US corporations should sell their businesses to buyers who will promote equal rights and encourage black participation, and relocate in neighbouring countries, like Botswana, Mozambique, Lesotho and Zimbabwe in an effort to strengthen the region economically.

Critics of the principles have pointed out that less than one percent of the South African black workforce is employed by American companies subscribing to the Sullivan principles. However, Sullivan signatories have indicated they will continue to enforce the principles — for equal pay, increased benefits and some measure of affirmative action — even though Sullivan has abandoned them.

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Sullivan abandons his code

WASHINGTON — True to his threat two years ago, Leon Sullivan yesterday abandoned his 10-year-old employment code and called for total US disinvestment from SA and a complete trade embargo.

In response, the US Corporate Council on SA expressed "profound regret" but vowed that Sullivan signatories would continue to comply with the code "as long as they remain in SA".

The council, comprising 104 chief executives of US companies involved with SA, also called on signatories to "renew and increase their efforts to end the apartheid system and to support the efforts of dedicated individuals and organisations in SA to bring about a non-racial and democratic society".

Sullivan, who could not predict the short-term consequences for black employees, issued an eight-point set of guidelines for the withdrawal which he said should be completed in nine months.

These included a demand that companies "end all business relationships with buyers, including logo, trademarks, components, materials, consulting services and other supporting services, excluding certain special considerations for support of undeniably black-owned and initiated businesses".

US firms "should sell their businesses only to buyers who agree to promote equal rights for blacks, to black labour representation, making possible broad

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SIMON BARBER

Sullivan abandons his code

● From Page 1

black participation".

Sullivan said he had commitments from investors controlling more than $80bn worth of stock in US companies to use their stock to pressure "non-co-operating" firms, and called upon them to do so.

He urged Congress to enact a watertight trade embargo, including strategic minerals, gold and diamonds, and to penalise foreign countries that sought to fill the US vacuum.

Of these he singled out Japan, already a popular congressional target, as the worst offender. "The Japanese are very active in SA, taking up markets and conducting trade in almost every area where American companies leave."

Sullivan said he did not expect signatories to heed his call immediately and recognised that efforts would be made to abide by his code after his departure. "They kept the Ten Commandments after Moses, didn't they?"

The Investor Responsibility Research Centre said Sullivan's call "will add to the considerable pressures US companies already feel to withdraw".

The centre's senior SA analyst, David Hauck, also predicted several positive developments, including increased emphasis on preparing black executives for management buy-outs of departing firms.

He said: "You're going to see more people looking seriously at black ownership. Consultants will be going over there who know about management buy-outs."

Ernest Mcunu, a senior black SA executive present at the announcement, agreed that US firms would now focus more heavily on building a black management cadre capable of running major companies with or without American patronage.

What most concerned Mcunu and several other back businessmen, who heard Sullivan speak, was that the US exodus might be too rapid for this to happen.

New firms call for US pullout

From ALAN DUNN
The Argus Foreign Service

WASHINGTON. — American corporations in South Africa are reassessing their operations following a new ultimatum to them from the Rev Leon Sullivan to withdraw from the country within nine months.

Mr Sullivan yesterday abandoned his Sullivan Principles, a code of fair treatment he created for black workers of American companies in South Africa.

He warned that investors holding shares worth more than R160-billion in US companies doing business there would sell those stocks to support him.

He also called for a complete end to trade between the countries, and surprised many by sending a telegram to President Reagan urging him to halt all diplomatic relations with South Africa "until the atrocities against black people end and apartheid is dismantled".

Impetus

Industrial analysts said US companies were reviewing their positions in the light of Mr Sullivan's hardline announcement, which added considerable impetus to the pressures already on them to get out of the country.

But most of the 125 Sullivan signatories seem set to resist and defy his call.

The main US business organisation in South Africa, the American Chamber of Commerce of South Africa, said its members would carry on with the fair-employment code.

The chamber, which represents most of the Sullivan Code signatories, said: "We regret the Rev Sullivan's call for total disinvestment as we believe that the principles have been a positive force for improving the quality of life of black employees and the broader community."

"We will always be a strong proponent of continued investment in South Africa.

"The presence of US companies, the enlightened employment practices of these companies and the programmes initiated and supported by them have had a positive effect."

"We are justifiably proud of their achievements in the areas of education, community development, training and advancement, housing, health care and business development and of their commitment to a free, just, and peaceful society in South Africa."

Mr Allen Murray, chief executive of the Mobil Corporation and co-chairman of the US Corporate Council on South Africa, said: "We will now have to carry out the Sullivan Principles without Sullivan."

The Corporate Council, consisting of 104 American company heads operating in South Africa, expressed "profound regret" at Mr Sullivan's call for total withdrawal.

Dedicated

It said that members would continue to comply with the principles as long they stayed in South Africa.

"The council's executive is asking the signatory companies to renew and increase their efforts to end the apartheid system and to support the efforts of dedicated individuals and organisations in South Africa to bring about a non-racial and democratic society."

Mr Murray, head of the largest US employer in South Africa, said steps would be taken to strengthen incentives to improve the quality and quantity of programmes supporting black people.

The Reagan administration has also rejected Mr Sullivan's move.

"We firmly believe that it is now more important than ever for US firms to stay and work for an end to apartheid in South Africa," The US State Department said.



Mr Sullivan

Sullivan leans to the 'narrow left'



☐ SULLIVAN ... "I'm leaving"

SIMON BARBER in Washington

AFTER 10 years as a lonely and increasingly agonised defender of US investment in SA, the Reverend Leon Sullivan this week finally returned to the position he adopted at a General Motors annual meeting in 1971: everybody out.

In so doing he remained faithful to a threat he made two years ago, and proved once again that threatening Pretoria is a head against brickwall proposition.

Before going in front of the cameras at the Dupont Plaza Hotel, he privately said farewell to his assembled signatories. "I'm leaving," he told them. "You've done a good job; don't be angry with me."

To the Press, he said almost apologetically: "Before, I've been with the broad middle. Now I guess you could say I'm leaning towards the narrow left."

The question now is whether the left, with its calls for total sanctions and divestment, will become broader and more potent for his presence.

Sullivan's eight-point guidelines for departure, plus his call for a wholesale trade embargo, ironically go further than anything even the most vitriolic member of the Congressional black caucus has yet suggested.

Even Congressman Ron Dellums, representing what is jokingly known as the "People's Republic of Berkeley" in California, has thus far exempted strategic minerals from his menu of sanctions.

Does Sullivan fully believe in what he is now preaching? Perhaps, but he is less than certain that US companies will heed his call within the nine months he has set them.

He knows that many, though not all, will soldier on without him, abiding by and even expanding his principles as they go. As he said: "They kept the 10 Commandments without Moses."

The 125 remaining Sullivan signatories have long come to terms with the fact that the Baptist preacher would no longer be their shield once his May 31 deadline for the abolition of apartheid had passed.

And while the US Corporate Council on SA, representing the CEOs of 104 US firms with SA interests, publicly expressed "profound regret" at his departure, many executives were privately relieved that it was over.

Among the companies most committed to staying in SA there is a feeling that the loss of the Sullivan shield will winnow out a number of firms whose relative lack of commitment to social progress undercut the efforts and reputations of all.

Furthermore, as signatory leaders like Mobil's Sal Marzullo start to come to terms with the post-Sullivan era, they are having to focus more sharply than ever on why the system was not as good in practice as it was in theory.

The most important lesson that is being learnt by those who intend to stay is that black management can no longer be a matter of window dressing, and that blacks in SA — rather than the pastor of the Zion Baptist Church in Philadelphia — must be the arbiters of what principles should be adopted and how they should be implemented.

It is for this reason that the black South African businessmen present at Sullivan's announcement were considerably less depressed than many of their white colleagues. They saw brave new opportunities for the supposed beneficiaries of the Sullivan Code at last to have a real and commanding say.

White-led "corporate disobedience" and other Sullivan-mandated policies were all very well, these businessmen said, but the real issue was blacks getting into a position to show that they can run major enterprises and manage serious capital.

For this to happen, however, US and other Western firms would have to stay, because even though their record had been spotty and paternalist thus far, they still remained the last best source of the opportunities the businessmen hope for.

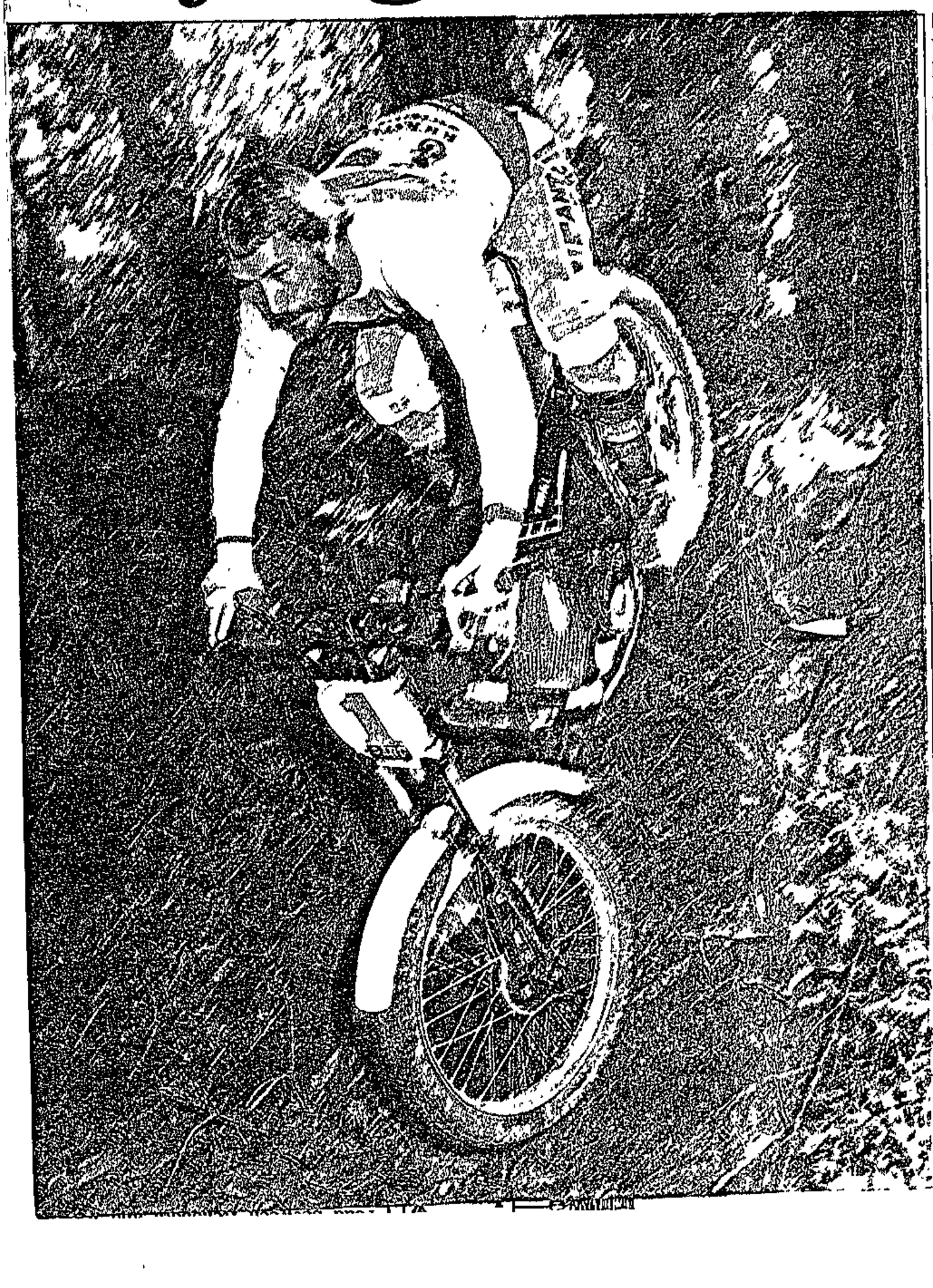
Without them, the dream of companies becoming apartheid-free worlds, in which whites can discover that the boss's skin colour is completely irrelevant, will remain a dream.

If Sullivan's leaving focuses the companies' attention on listening to their own black managers and employees, rather than worrying about a good score from the Arthur B Little auditors, it could well be a real blessing.

The trouble is, Sullivan's call for massive disinvestment by US stockholders, stepped up state and local boycotts of non-departing companies' products and full-scale Congressional sanctions could well ensure that the light will have been seen too late.

Sullivan signatories staying in South Africa

ARGUS 8/6/87 62



From ALAN DUNN, The Argus Foreign Service

WASHINGTON. — The Sullivan signatories have warned that isolating South Africa, if anything, will prolong confrontation in the country and reduce the effectiveness of any future American reform initiative.

"We do not believe that isolating South Africa will hasten the end of apartheid," said Mr Sal Marzullo, a spokesman for 125 US companies which follow a fair labour code known as the Sullivan Principles for black workers in South Africa.

Mr Marzullo was reacting to a call last week by the code's author, the Rev Leon Sullivan of Philadelphia, for all American firms to leave South Africa, starting immediately. Mr Sullivan's move has sparked widespread debate in the United States.

Writing in the New York Times yesterday, Mr Marzullo said: "We remain committed to making our presence an effective force for peaceful change. We cannot, as companies or a nation, influence the course of events in South Africa if we are not present as active participants in that process."

The group of signatories, however, has emphasised that each company must decide itself whether or not to divest.

Considering disinvestment

In eight years, Sullivan signatories have spent more than R460-million on black education, housing, legal assistance, black business development and training programmes.

Mr Marzullo said the Sullivan Principles, whatever their limitations, had helped to make genuine changes in laws and labour policies in South Africa.

The US Catholic Conference has announced its intention to sell off R10,6-million of shares in US firms still operating in South Africa.

A report by the bishops said the outcome of the recent election and clampdown by the Government since "indicate the grave abuse of human rights continues and that the situation is likely to deteriorate even further".

The body also recommended that 185 local dioceses and Catholic institutions in America consider disinvesting any stock they had in South Africa-linked companies.

The Bishop's Conference started what it called "prudent and fiscally-responsible" disinvestment of shares worth R36-million last September, but stated it would end this if it saw "significant" progress in ending apartheid.

Goodyear should stay, says chief

THE Goodyear company in South Africa "certainly must be encouraged to remain in South Africa" and fulfil its moral commitments to its employees.

This was said today by the managing director of Goodyear in Port Elizabeth, Mr Wally Life, in response to the Rev Leon Sullivan's call for a total US corporate withdrawal from South Africa.

Mr Life said his employees had urged the company to "please stay in South Africa".

Goodyear, with an investment of about $100 million (R200 million) and 2 500 workers at a tyre, tube and industrial products plant in Uitenhage, has the fourth-largest South African presence of any US-based company.

"While Goodyear has supported the Rev Sullivan and his principles for operating in South Africa since their inception we cannot support his call for complete withdrawal from that country," the company said in a statement from Akron, Ohio.

"We do not believe withdrawal would be in the best interests of black people and our own employees there have urged us not to leave."

Mr Life said: "We are in close touch with our head office about the matter.

"Our feeling is that we must remain committed to our employees and their general welfare.

"This is our position in other countries where Goodyear operates as well.

"We are in frequent touch with our South African employees at shop-floor level and they have told us: 'Please carry on in South Africa'."

Standard Oil Co, which holds a 42,5% share of Richards Bay Minerals in South Africa, echoed Goodyear's Ohio statement.

"Standard Oil continues to believe it can accomplish more by continuing to stay in South Africa than by leaving," said Mr Nigel Muir, a spokesman

The Sullivan Principles call for integration of corporate facilities, establishment of equal and fair employment practices and an increase in the number of black managers. — Sapa-AP

Nothing exceeds like excess



☐ KENNEDY . . . making US unemployment worse

SIMON BARBER in Washington

THE Reverend Leon Sullivan, for 10 years a lone voice of anguished sanity in a sea of glandular unreason, last week became excessive and, in the process, irrelevant.

His baroque call for total sanctions and disinvestment against SA has put him in a place — the "narrow left" as he himself described it — where neither the companies he shepherded nor his countrymen as a whole will follow him.

His announcement, long predicted and discounted, caused scarcely a ripple on Capitol Hill.

The only panic was in the State Department's Africa Bureau, an office so universally besieged and gun-shy that the faintest boo sends it into paroxysms of nail-biting. No one else had any illusion that Congress would take the preacher at his word.

To be sure, there was a rumour (or, as the Washington Post would put it, "widespread reports") that the usual suspects were busily concocting a formula to put Sullivan's guidelines for corporate departure into law.

But this was hard to take seriously. Mandating that companies leave a country is one thing; specifying to whom they should sell their assets is quite another and pushes well beyond the envelope of constitutional legality.

Besides, whatever Senators Alan Cranston and Edward Kennedy, the Congressional black caucus and Congressman Howard Wolpe of the House Africa sub-committee might want you to believe, there is no longer much of an appetite for this kind of thing. The reason, extraordinary as it may sound, is reason.

The Comprehensive Anti-Apartheid Act (CAAA) passed last year because the large rump of moderate opinion in the Senate, especially on the then majority Republican side of the aisle, felt it had no choice.

The Bill's contrary effects, especially the results of the May 6 elections, have sown sufficient doubts to prevent it happening again. Indeed, one Republican senator who was instrumental in drafting the Bill and ensuring its passage over the President's veto recently asked his advisers to prepare a measure that would repeal the whole thing.

The fact that repeal would have the chance of the proverbial snowball in hell does not diminish the central point: in the absence of contrary evidence that the sanctions thus far enacted are doing any good to anyone, the great American public would have to elect hundreds more Cranstons, Kennedys and Wolpes for Congress to go further. And whoever it picks as president next year, this the great American public is not going to do.

The bottom line here is that the CAAA has already plumbed the limits of what Congress can do to Pretoria without inflicting pain on its own constituents.

And there are as many, if not more, ordinary hardworking citizens who stand to get hurt by the arbitrary denial of SA's market and raw materials as there are soft-handed activists screaming for an embargo. Prod those citizens hard enough and they can get active too.

Consider the people of western Kentucky and southern Illinois whose livelihoods depend heavily on Allied Corp's uranium conversion facility in Metropolis and the Department of Energy/Martin Marietta enrichment plant in Paducah.

Unemployment in this region runs between 12% and 20%, well above the national average, but Senator Kennedy, safely ensconced in Massachussets, would like to make it worse.

These plants, already operating at well below capacity, depend for up to 30% of their business on South African uranium that is shipped to the US for processing and re-export.

At both installations, that 30% represents the margin of viability. Without it, both would quite likely close, putting at least 1 600 out of work and having a devastating ripple effect on the surrounding communities.

Kennedy, Wolpe, the black caucus *et al* insist that the CAAA's uranium ban applies to all uranium imports, even if temporary and under bond.

The Treasury Department has granted an exemption for the latter, which expires on July 1, and has invited comment from interested parties to aid its final decision.

The bulk of that comment has come in the form of letters, mostly handwritten, from the local population. It is unanimous and it is angry. Here is a sampling.

Mrs Ronnie Haskins writes: "Maybe Senator Kennedy and the other senators pushing for the prohibition of uranium processing of South African imports would like to visit our area and speak face-to-face with the people they are trying to destroy.

"They might even want to bring along some of their new (pay) 'raise' they needed so badly and spend it in our area. Their raise was more than some people in our area make in a year. If they have their way we may all end up on the welfare roll, then government will have more to support.

'We strongly urge 'our' (underlined) government to weigh the matter carefully and think of the honest, hardworking people who have always been the backbone of this nation, and to not be swayed by the fancy words of Senator Kennedy and others like him."

Mrs Joe Ann Mallory wonders, in a bold, decisive hand: "Why are we having to save our Paducah gaseous diffusion plant? Our men and women have done their job well . . .

"The issue seems to be: will the US continue to sacrifice our lives and livelihood to make a point in someone else's country? We seem to be burying ourselves in debt but still handing out money and telling everyone else how to live when we should save ourselves before there's nothing left to save . . .

"The American government (underlined) should provide for the American people (underlined) first. Nobody else ever will — and that's the bottom line."

Keith Anderson opines: "I do not approve of the situation over there in the least, but I also do not approve of the action we are taking.

"If this would possibly slow down or stop their economy, what would that do? All would starve and be poor. Are we trying to show the leaders there how they treat their blacks by treating them the same way?

"The main reason I am writing is to try and help save the one to two thousand jobs in western Kentucky that could be affected by this action. What's the point? Is that many jobs going to convince SA we're serious?

'We lose the jobs, what control we have in the enrichment market, along with future production, to end up with the same end we had with the (1980 Soviet) grain embargo. The farmers still haven't recovered, and neither would western Kentucky.

"If it's a moral decision, then why didn't government do the moral thing and turn down their raises? Maybe it's easier to throw away others' raises and whole sources of income for morals than it is your own."

Get outside the Washington beltway into places where people work and vote rather than play with policies and laws and position papers, and you will hear a lot of talk like that.

More sanctions — and strategic minerals are about the only things left to ban — will lead to more such talk as more such citizens suddenly find themselves being shafted.

The shaftees won't be a majority any more than the sanctions lobby is a majority, but there will be enough of them to ensure that what Sullivan is now preaching is not foreseeably agreed to by both House and Senate.

9.55: Misdaad

Cape Times 10/6/87

Buthelezi on Sullivan

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JOHANNESBURG. — Chief Mangosuthu Buthelezi has urged US civil rights leader the Rev Leon Sullivan not to abandon his involvement with South Africa.

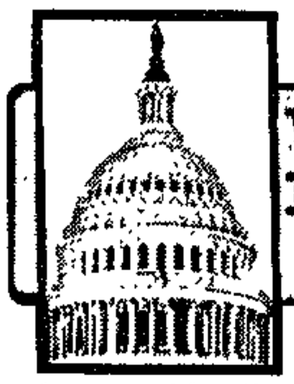
The Chief Minister of KwaZulu made his appeal in a letter to Mr Sullivan, who last week abandoned his involvement with companies in South Africa.

Mr Sullivan urged the US to break relations with Pretoria and impose a total embargo.

"There is now more urgent reason than there ever has been for your continued involvement in the South African situation," wrote Chief Buthelezi.

In a speech to the American Chamber of Commerce here, Chief Buthelezi criticized Mr Sullivan for washing his hands of this country. — Reuter

Total sanctions call draws no converts



Washington Letter
by SIMON BARBER

CAPE Times 11/6/87

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NOTHING exceeds like excess.

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The reason, extraordinary as it may sound, is reason.

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The bill's contrary effects, especially the results of the May 6 elections, have sown sufficient doubts to prevent it happening again.

Indeed, one Republican senator instrumental in drafting the bill and ensuring its passage over the president's veto recently asked his advisers to prepare a measure that would repeal the whole thing.

The fact that repeal would have the chance of the proverbial snowball in hell does not diminish the central point: In the absence of contrary evidence that the sanctions thus far enacted are doing any good to anyone (save perhaps Eugene Terre'Blanche), the Great American Public would have to elect hundreds more Cranstons, Kennedys and Wolpes for Congress to go further. And whoever it picks as president next year, this the GAP is not going to do.

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SULLIVAN MOVE

Now for SA Code

The Sullivan Code may be a spent force in corporate SA with the Rev Leon Sullivan now switching to a call for total disinvestment and a trade boycott. But that does not mean its precepts have been abandoned completely.

There is a distinct possibility that the code will be replaced by a home-grown version, agreed with black unions, which, hopefully, will not suffer the fate its predecessor did by setting unrealistic expectations.

The new code apparently plans to steer clear of overt political involvement and permit more autonomy in the choice of programmes.

Details are vague, since negotiations are continuing and participants are reluctant to pre-empt developments. But talks with unions and black organisations are said to be well advanced.

Says Keith Partridge, MD of Carlton Paper Corporation, the first majority South African-owned company to sign the Sullivan Code: "There are a lot of companies in SA with social consciences. Many of them believe in the principles espoused by Sullivan, although they had nothing to do with the code itself since it did not apply to them.

"In fact, local companies might well have joined in had it not been for Sullivan's political moves, particularly the Fourth Amplification requiring companies to support civil disobedience. There were also problems with the grading situation, which meant that funds were dissipated into a variety of programmes instead of being concentrated where individual companies thought they could do the most good.

"On the positive side, we found — and other companies shared our experience — that we benefited enormously from complying with the main principles.

"Another plus was that our activities were independently monitored and publicised through Arthur D Little Inc (ADL), a Boston consultancy, so nobody could question the information or accuse companies of mounting a propaganda campaign.

"The potential is therefore there for a similar independently-monitored local initiative to replace the Sullivan Code, which would involve businesses across the board — not just American or English-speaking businesses. Such an arrangement would make very good business sense."

US disappointment

With regard to the Sullivan Signatories' Association itself, which at last count numbered 179 companies, the future is uncertain. Senior officials are in the US negotiating with ADL which, sources say, is anxious to maintain the status quo.

Adrian Botha of the American Chamber of Commerce (Amcham) was designated to speak on behalf of the association, and could only say American companies here were "very disappointed" at Sullivan's call for disinvestment.

"We believe in the (Sullivan) principles, and that they have been a positive force for improving the quality of life of black employees in SA.

"We do not see the association disappearing, or the work of its members suddenly coming to a halt. Obviously there will be an increase in the pressure on American companies, although that pressure has been fairly constant despite the Sullivan Code.

"Generally, those American companies still here are committed to breaking down apartheid from inside. One can do a lot more when you are here than when you are not. Amcham has always believed that. Further than that, I just can't say." ■

answer.

Ford wants to give 42% interest in SA venture to workers

DETROIT — Ford Motor Company is trying to give more than half of its 42% interest in a South African joint venture to workers, but South African union leaders say it's unlikely they'll accept the offer.

Since February, Ford has proposed that workers get 24% of the South African Motor Corporation and take two seats on the board of directors, said plant chairman Sam Tsiane, who is also an official in the new union National Metalworkers of South Africa.

Union leaders said Ford would sell its remaining holdings to the South African conglomerate Anglo-American Corporation, which already owns the majority of the company.

Peter Pestillo, Ford vice president of employee and external affairs, said the company could either stay in South Africa, withdraw from the country or give workers ownership.

"It is our view that the (worker ownership) is the one way the operation can succeed," Mr Pestillo told the Ford World Auto Council in Chicago on Friday.

But workers aren't interested in the Ford offer because it offers no broader solution to South Africa's apartheid system, South African union leaders said.

"Our answer is likely to be 'no'," Mr Tsiane told the Detroit Free Press.

Several US universities and companies, including industry leader General Motors Corporaton, have divested their holdings on South Africa as a way of pressuring the Government to end its system of apartheid.

Ford officials are "not sure we want to be out of there", cautioned Ford spokesman Mr George Trainor. — Sapa-AP

Ford pullout on the cards

Business Day Reporters

ANGLO-American and other parties were yesterday locked in negotiations after reports that Ford was to disinvest from SA.

Reports from Detroit said that since February Ford had been trying to arrange a pullout by giving 24% of its 42% stake in Samcor to workers. The remaining 18% would reportedly be taken up by majority shareholder Anglo-American.

The AP report said workers would also get two directorships on the board. But National Union of Motor Workers of SA (Nmwsa) spokesman Sam Tsiane said the union was unlikely to accept the offer.

'Not interested'

The AP report quoted Tsiane as saying: "The answer is likely to be no."

Union leaders were not interested in the offer because it offered no long-term solutions to the problems of apartheid.

Anglo spokesman Neville Huxham confirmed yesterday, shortly before Business Day went to press, that a meeting between parties was underway in Johannesburg.

Samcor chairman Les Boyd said a clarifying statement would be issued later in the day.

Ford spokesman George Trainor was quoted by AP as saying Ford "are not sure we want to be out of there". A second spokesman, Peter Pestillo, said Ford could "stay, withdraw or give ownership".

Speaking at the World Auto Council in Chicago on Friday, Pistello said "our view is that 'worker control' is the one way the operation can succeed".

The attempt to involve workers in the pullout is said by union leaders to be an attempt to avoid the strikes and violence associated with the General Motors disinvestment.

Black trade unions said to be hesitant over shares offer

We're going Ford

SA says

By Michael Chester

Agreement on the offer by the Ford Motor Company of the United States to hand over most of its shares in the South African Motor Corporation (Samcor) to its mainly black labour force was hanging in the balance today.

Ford spokesman at the head office of the multinational motor giant in Detroit confirmed that discussions with worker representatives from Pretoria and Port Elizabeth were under way.

But Associated Press news agency reported that Mr Sam Tsiane of the National Union of Metal Workers of SA, who was in the US to discuss the proposal, was cool towards the shares deal. The agency quoted him as saying the union was unlikely to accept the offer.

In Johannesburg, Mr Leslie Boyd, executive director of Anglo American Corporation, which has a 58 percent majority shareholding in Samcor, said the talks between Ford and worker representatives were still at a formative stage.

But whatever the outcome, Samcor would continue to supply Ford vehicles and spare parts through the comprehensive Ford dealer network in South Africa.

Ford, which has been involved with Anglo American Corporation's motor division since 1985, would also continue to supply management and technical assistance, and licence the use of the Ford trade mark.

Ford executives in Detroit have confirmed that the company is discussing the transfer of its 42 percent stake in Samcor into local hands. It envisages handing over 24 percent to a trust to be run on behalf of the 4 500 labour force — 70 percent of whom are black workers — and selling the 18 percent balance to Anglo American.

The deal would also give the workers' trust two seats on the Samcor board of directors.

Mr L Lindsey Halstead, a Ford vice-president, said the US motor company wanted to avoid abandoning the Samcor workers.

No solution to apartheid

But union leaders are reported to take the view that a pull-out deal would offer no broad solution to South Africa's apartheid problems. They are also said to be fretful about the shares deal causing them the loss of entitlement to any legal claims for compensation or severance pay should their jobs become threatened.

But Mr Boyd assured them today: "Samcor is now in a profit position and a strong contender in the South African market. We are confident it will maintain and strengthen its position as one of the country's foremost vehicle manufacturers."

Anglo American intends continuing to give the company its full support.

David Braun reports from Cape Town that the Progressive Federal Party warned today that the Ford pull-out was a tragedy which would not only eliminate a positive influence in South Africa but contribute towards further polarisation.

The PFP spokesman on economics and technology, Mr Roger Hulley, said it was a tragedy for any firm to think about pulling out, especially one like Ford, which was well-disposed to the idea of more democracy and more freedom in South Africa.

"By pulling out they eliminate their influence, and worse, they are actually contributing to a polarisation and deterioration of the situation in the country," he said. "I appeal to them to reconsider, and not to withdraw.

"If they do withdraw, they are losing their influence — and are no use to us."

Ford's share offer to workforce in balance

NATIONAL/INTERNATIONAL

The Argus 15/8/87

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from MICHAEL CHESTER,
The Argus Correspondent

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Spare parts

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News of the likelihood of a withdrawal of Ford's direct investment in South Africa — less than a year after the sell-out by General Motors of the US to local management and the creation of Delta Motors — was first reported in the Sunday Star, sister newspaper of The Argus, yesterday.

It followed confirmation by executives in Detroit that Ford was discussing the transfer of its 42-percent stake in Samcor into local hands. It envisaged handing over 24 percent to a trust to be run on behalf of the 4 500-strong labour force — seven out of 10 of whom are blacks — and selling the 18-percent balance to Anglo American.

The deal would give the workers' trust two seats on the Samcor board of directors.

Mr L Lindsey Halstead, a Ford vice-president, said the US motor company wanted to avoid abandoning the Samcor workers.

But union leaders are reported to take the view that a pull-out deal would offer no broad solution to South Africa's apartheid problems.

They are also said to be anxious that the shares deal would cause them the loss of entitlement to any legal claims for compensation or severance pay should their jobs come under jeopardy.

But Mr Boyd assured them today: "Samcor is now in a profit position and a strong contender in the South African market. We are confident it will maintain and strengthen its position as one of the country's foremost vehicle manufacturers."

Anglo American intended to continue giving the company its full support.

Ford plans to pull out

Capt Times 15/6/87

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DETROIT. — Ford Motor Company is considering pulling out of South Africa, possibly by turning over the bulk of its current holdings there to employees, the company said yesterday.

Ford's chief spokesman for international operations told Reuters that several options were under study and the result would probably be for Ford to end its direct South African investment.

"We may just decide it's business as usual — but that's unlikely," the spokesman, Mr George Trainor, said.

Only a month ago Ford shareholders decisively rejected an anti-apartheid coalition's proposal for the world's second largest carmaker to withdraw from South Africa.

Scores of American firms, including IBM, General Motors and Eastman Kodak, have pulled out of South Africa since 1984 when riots on an unprecedented scale erupted in black townships.

Mr Trainor said Ford was exploring several options on what to do with its South African holdings — a 42% stake in South African Motor Corp (Samcor) — but said no decision had yet been taken.

In Johannesburg yesterday the chairman of Samcor said Ford was negotiating with employees the transfer of a major Samcor share to a trust for the benefit of its predominantly black work force.

Mr Trainor said the key was Ford's desire to assure continuing operations for Samcor, which Ford owns in partnership with Anglo American Corp.

"We have confirmed that Ford is exploring ways to, in effect, protect the 4 500 employees of Samcor — 70% of whom are black — and more than 11 000 dealer chain employees," Mr Trainor said.

If Ford can assure the viability of Samcor, which executives say only recently became marginally profitable, then "that would permit us to disinvest," Mr Trainor said.

He said Ford would continue to function as a supplier to Samcor, which sells vehicles carrying the Ford, Mitsubishi and Mazda names.

Ford is the only US-based car maker retaining a direct investment in South Africa.

To Page 3

From page 1

General Motors Corp sold its South African subsidiary to local management late last year, and Chrysler got out nearly a decade ago.

Ford vice-president Mr Lindsey Halstead said in a statement that the company's view is that "Ford should seek a more constructive role than abandoning 16 000 (manufacturing and dealer employees) and tens of thousands of their dependents".

"The purpose of (our) private discussions is to estimate a consensus among black South African labour and other leaders as to the alternatives."

He said the company intended to make no further comment on the matter at this time.

Word that Ford was exploring turning over a 24% interest in Samcor to an employee trust surfaced on Friday in Chicago at a meeting of union leaders representing Ford operations round the world.

Under that scenario, Mr Trainor said Ford's remaining stake would be "returned to Anglo".

A unionist, Mr Sam Tsiane, said the employee trust scheme was not likely to be accepted by the workers.

Ford, which has been in South Africa for more than six decades, merged its money-losing Ford South Africa business with Anglo-American's car subsidiary in early 1985.

Ford's stake in Samcor is actually held through Ford's 90%-owned Ford of Canada subsidiary. — Sapa-Reuter

(62) DD 15/6/87

Ford may quit SA

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Ford's chief spokesman for international operations, Mr George Trainor, said several options were being studied and the result would probably be for Ford to end its direct South African investment.

"We may just decide it's business as usual — but that's unlikely."

Only a month ago Ford shareholders decisively rejected an anti-apartheid coalition's proposal that Ford withdraw from South Africa.

Mr Trainor said Ford was exploring several options on what to do with its South African holdings — a 42 per cent stake in South African Motor Corp (Samcor) — but said no decision had yet been taken.

In Johannesburg, the chairman of Samcor, Mr Leslie Boyd, said Ford was negotiating with employees the transfer of a major Samcor share to a trust for the benefit of workers.

"We have confirmed that Ford is exploring ways to, in effect, protect the 4 500 employees of Samcor — 70 per cent of whom are black."

If Ford can assure the viability of Samcor, which executives say only recently became profitable, then "that would permit us to disinvest," he added.

An official of the National Metalworkers of South Africa, Mr Sam Tsiane, said workers were unlikely to accept the employee trust scheme. — Sapa

Another report P13

'Ford and its cars will stay' - MD

By MICHEL DESMIDT

THE proposed divestment by Ford Motor Company of its 42% share in Samcor will not affect the company's operations in South Africa.

Giving this assurance today, the managing director of the Pretoria-based South African Motor Corporation, Mr Spencer Sterling, said the future of the former Ford engine plant at Struandale, Port Elizabeth, was "bright".

"The move by Ford has no relationship to our product decisions and ongoing business. In fact, Ford's objective is to ensure things stay in place.

"There is no complication whatsoever — everything stays exactly the same," he said.

Mr Sterling said Ford did not want to withdraw its products from South Africa.

It rather wanted to restructure its equity to enable it to do business with those countries that had enacted laws barring trade with the Republic and at the same time leave its products in place here.

All agreements would remain in force, including those regarding use of the trade mark, technology and the supply of components. The Ford dealer body would remain intact.

On the future of the Port Elizabeth engine plant, Mr Sterling said it was not entirely true to say the Kent engine was obsolete overseas as it was still used in the European Fiesta range and locally in the Sierra.

Production of the Kent engine and components comprised a small percentage of output, most of which was exported. Also considering the manufacture of the Essex engine, as well as motor components for competitors and non-automotive parts, the plant's future was bright.

of the same area on 1987-02-16, the tape in respect of the 1986-87 edition had in the meantime been overwritten with the data in respect of the 1987-88 edition and consequently the tape produced for the latter edition was supplied to the National Party.

Langa High School

*27. Mr K M ANDREW asked the Minister of Education and Development Aid:

(1) Whether Langa High School was required to admit Standard 6 pupils for the first time in 1987; if not, when was this high school required to admit such pupils for the first time; if so, when was the decision made that Standard 6 pupils should attend this high school;

(2) how many such pupils registered at this high school in 1987;

(3) whether any additional classrooms were provided at the beginning of 1987 to accommodate Standard 6 classes; if so, how many; if not, why not;

(4) whether the Standard 6 pupils have been provided with (a) exercise books and (b) stationery; if so, as from what date; if not, why not;

(5) whether additional exercise books were supplied to Langa High School in 1987 for Standard 6 pupils; if so, on what date; if not, why not?

†The DEPUTY MINISTER OF EDUCATION:

The circumstances surrounding Langa High School have been investigated by a departmental committee. A report is being prepared, on receipt of which more clarity on questions concerning this matter will be attained.

Mr K M ANDREW: Mr Speaker, arising out of the reply of the hon the Deputy Minister, may I ask him whether this enquiry which he refers to, is having to investigate his own Department's instructions to schools as to whether to admit Std 6 pupils or not?

†The DEPUTY MINISTER: Mr Speaker, the investigation deals with the circumstances in connection with the Langa school matter. It will investigate all circumstances, including those where instructions were given and where they were also not carried out.

Mr K M ANDREW: Mr Speaker, further arising out of the reply of the hon the Deputy Minister, in view of his suggestion that the information will be forthcoming out of that enquiry, may I ask him whether the report of that enquiry is to be made public?

†The DEPUTY MINISTER: Mr Speaker, if there is certain information in that report which the hon member would like to obtain, we shall gladly make it available to him.

Schools closed

*28. Mr K M ANDREW asked the Minister of Education and Development Aid:

(1) Whether any schools (a) have been closed and (b) have remained closed during the second quarter of 1987 owing to non-attendance, unrest or any other form of disruption of normal school activities; if so, how many in each case;

(2) whether his Department is considering closing schools on account of the disruption of normal school activities at such schools; if so, which schools?

The DEPUTY MINISTER OF EDUCATION:

(1) (a) No.

(b) No.

(2) This possibility is considered where closing a school is required to allow time to investigate, consult, rectify, address problems and restore order (which is a precondition for effective education) before reopening such a school under normal conditions at the earliest possible date.

As investigations are still in progress names of schools cannot be disclosed at this stage.

Meetings prohibited

*29. Mr S S VAN DER MERWE asked the Minister of Justice:

Whether any meetings involving a certain organization, the name of which has been furnished to the Minister's Department for the purpose of his reply, have been prohibited; if so, (a) how many, (b) on what dates, (c) why in each case and (d) what is the name of this organisation?

†The MINISTER OF HOME AFFAIRS (for the Minister of Justice):

No specific gathering of the organization concerned has been prohibited in terms of section 46 of the Internal Security Act, 1982 (Act 74 of 1982) since 1 January 1987 up to 10 June 1987. The hon member's attention is also drawn to the provisions of Government Notice No. 750 of 1 April 1987 (*Government Gazette* No. 10691) in which the general prohibition on certain gatherings was promulgated.

End Conscription Campaign

*30. Mr S S VAN DER MERWE asked the Minister of Law and Order:

Whether any persons have been detained for reasons relating to their participation in the activities of a certain organization, the name of which has been furnished to the South African Police for the purpose of the Minister's reply; if so, (a) How many, (b) why and (c) what is the name of this organization?

The DEPUTY MINISTER OF LAW AND ORDER:

Yes.

(a) 23 persons.

(b) Because their activities posed a threat to the maintenance of public order which activities would not contribute to the termination of the state of emergency.

(c) The End Conscription Campaign.

Leon Howard Sullivan: visa

*31. Mr S S VAN DER MERWE asked the Minister of Home Affairs:

(1) Whether a certain citizen of the United States of America, whose name has been furnished to the Minister's Department for the purpose of his reply, recently applied for a visa to visit the Republic; if so, (a) on what date, (b) what reason was given for requesting a visa and (c) what is the name of this person;

(2) whether the application was granted; if not, (a) why not and (b) who took the decision in this regard;

(3) whether an explanation was given for refusing the visa; if not, why not; if so, what was the explanation given;

(4) whether he will make a statement on the matter?

†The MINISTER OF HOME AFFAIRS:

(1) Yes.

(a) 11 April 1987.

(b) Business visit to review progress of US companies in South Africa.

(c) Leon Howard Sullivan.

(2) The application was not granted.

(a) The visit was considered inopportune.

(b) The Minister of Home Affairs.

(3) Yes, that the visit was inopportune.

(4) No.

†Mr S S VAN DER MERWE: Mr Speaker, arising out of the reply of the hon the Minister, I would just like to know the following: Given the fact that the explanation given to Mr Sullivan was that his visit was inopportune, does it imply that Mr Sullivan would have been allowed at another time in the past or that he may still be allowed in the future?

†The MINISTER: Mr Speaker, it will all depend on circumstances if and when Mr Sullivan applies again.

Krugersdorp/Springs: freeway

*32 Dr P J WELGEMOED asked the Minister of Transport Affairs:†

(1) Whether it has been decided to build a new freeway between Krugersdorp and Springs; if not, why not; if so, (a) by whom (i) was this decision taken and (ii) is this freeway to be built, (b) when will construction work be commenced, (c) in what phases will the construction work be carried out and (d) what is the (i) expected date of completion and (ii) estimated cost of the project;

(2) whether this freeway will be operated as a toll road; if not, why not?

The MINISTER OF TRANSPORT AFFAIRS:

(1) Yes.

(a) (i) The National Transport Commission (NTC).

(ii) The NTC is presently negotiating with a private company Messrs Toll Highways Development Company (Pty) Ltd who will carry out the work on a concessionary basis as soon as an agreement has been concluded. If an agreement to the mutual satisfaction of both the State and Toll Highways Development Company (Pty) Ltd cannot be reached the NTC will in any event proceed with the construction on a tender basis by means of private construction companies.

(b) January 1988.

(c) Construction will commence on the Brakpan to Springs eastern section. Thereafter the western section between the N1 and Krugersdorp will be constructed followed by the central M4 section within the Johannesburg national ring road.

(d) (i) December 1994.

(ii) R680 million.

(2) Yes.

Petrol price reduced

*33. Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology:

Whether, in view of the recent recovery of the rand against the dollar, he intends reducing the price of petrol; if not, why not; if so, when?

†The DEPUTY MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Mr G S Bartlett):

Yes, simultaneously with the implementation of the increased tariffs of the SA Transport Services and the consolidation of levies on 1 July 1987 The nett result would be that decreases will occur which will vary from place to place but there may also be inland areas where increases can occur. These calculations are presently being made.

Universities: student fees

*34. Mr C J DERBY-LEWIS asked the Minister of Education and Development Aid:

(1) To what extent are student fees in respect of universities falling under the control of the Department of Education and Training subsidized;

(2) whether these subsidies are granted subject to certain conditions; if so, what are these conditions?

The DEPUTY MINISTER OF EDUCATION:

(1) The State does not subsidize student fees as such in respect of universities under its control, but subsidizes the universities according to the SAPSE financing formula which determines a state contribution to the total recognised expenditure calculated according to the formula. The rate of the State's contribution to the total income of the universities concerned (student fees, other income and the State contribution) was in 1985-86 on average 85,2% for the universities

(Medunsa excluded) and 94,6% in respect of Medunsa. The Universities fix their own student fees in the light of their expected income from other sources

(2) The subsidies are subject to conditions determined according to the Universities Act of 1955, sections 25, 26 and 27.

Section 25 stipulates that subsidies are granted for the purposes, on the basis and subject to conditions determined by the Minister.

Section 26 stipulates that the Council of the university must submit a report on its proceedings and management as well as a properly audited statement of income and expenditure and a balance sheet in respect the previous year to the Minister This report, statement and balance sheet must be Tabled in Parliament.

Section 27 stipulates that the Minister may withhold the subsidy or a part thereof if the Council of the university does not comply with the stipulations or conditions set by the Minister.

Registration of teachers

*35. Mr R M BURROWS asked the Minister of National Education.

(1) Whether he or his Department has been involved in any discussions concerning the general registration of teachers; if not, why not; if so, (a) with whom have these discussions been held, (b) on what dates were they held and (c) what was the outcome in each case;

(2) whether he or his Department has taken any steps to promote the general registration of all teachers under a single registering authority; if not, why not; if so, (a) what steps, (b) what bodies or persons were involved and (c) what was the result;

(3) whether he will make a statement on the matter?

†The MINISTER OF NATIONAL EDUCATION:

(1) Yes.

(a) Teachers' Association of South Africa and the Federal Teachers' Council.

(b) With the Teachers' Association of South Africa at two occasions during the past five months and with the Federal Teachers' Council at four occasions during the past eight months

(c) The bodies in (a) support the principle of a general registering body for teachers.

(2) Yes.

(a) Proposals for the establishment of a general registering body for teachers are being considered at present.

(b) The Committee of Education Ministers and the Committee of Heads of Education Departments.

(c) The matter is being investigated further.

(3) No.

Cabinet approval for appointments

*36. Mr R M BURROWS asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services:

(1) Whether appointments to certain post levels in the Public Service are subject to final approval by the Cabinet; if so, (a) to which post levels and (b) what are the designations of each of these post levels;

(2) whether Cabinet approval is required for appointments to certain post levels in own affairs departments; if so, (a) to which post levels and (b) what are the designations of each of these post levels;

(3) whether he will furnish information on whether, during the latest specified period of 12 months for which information is available, the Cabinet declined to approve the appointment to a post in the Public Service of any

Growing pressure is forcing Ford pullout

16/6/87 STAR

By Alan Dunn
The Star Bureau

WASHINGTON — Growing anti-apartheid pressures in the United States — such as businesses with links to South Africa being disqualified from bidding for certain contracts — were behind the Ford Motor Company's imminent disinvestment, a spokesman said.

"I am sure it has cost us something — I don't think anybody has put a price tag on it — but it's a developing trend," Mr George Trainor, a company official, said in Detroit.

The US State Department yesterday expressed regret at Ford's decision.

Mr Trainor said Ford's negotiations to rid itself of a 42 percent holding in the SA Motor Corporation (Samcor) was a response to pressures from state, county, city and local governments in the US which had passed legislation prohibiting companies with operations in South Africa from bidding for their contracts.

Mr Trainor said anti-apartheid groups were also urging pension funds, universities and other investors to sell off Ford shares and shares of other companies with interests in South Africa. Most recently, he said, some areas had passed laws forbidding the buying of commercial paper issued by the Ford Motor Credit Company.

But Ford was trying to keep Samcor a viable company, protecting jobs and people in it, while responding in some fashion to those pressures, he said.

Mr Trainor denied that the Rev Leon Sullivan's recent abandonment of his fair labour code for South African workers employed by US companies had anything to do with Ford's withdrawal. The present talks between Ford, Anglo-American, labour leaders, politicians, educators, workers, union representatives and church leaders had started in February, he said.

"We're trying to find a plan that would be acceptable to as many people as possible."

Asked if South Africans unanimously urged Ford not to leave, Mr Trainor said: "Despite tremendous pressures in the past few years, that's the way we have responded. And it may well be that we would decide to stay the course as we have done up to now.

"On the basis of what we know right now, we would never get unanimity of opinion to stay because of some elements already expressing themselves," he said.

There was no deadline on the negotiations, he said.

"They've asked for time to consider this unique proposal and time to consider their options and we're not pushing them up against any particular timetable."

Mr Trainor gave the assurance that Samcor's social programmes would continue — part of any withdrawal deal would ensure that Anglo-American continued them.

The primary feature of Ford's departure plan is a donation of 24 percent of Samcor stock to a trust for its 4 500 workers and the sale of the balance of 18 percent to Anglo-American.

A State Department official said US companies in South Africa were a positive force for change and had spent eight to 10 percent of their personnel costs on social improvement projects.

"Such programmes come under threat in a climate of increasing disinvestment."

In Johannesburg, the National Union of Metalworkers (Numsa) said the Ford plan was still under consideration by union members at Samcor plants in Pretoria and Port Elizabeth.

"Once the implications have been considered and clear proposals have been formulated," said spokesman Mr Les Kettledas, "the matter will be further discussed with the company".

CAPE-Times 16/6/87

Ford pullout would cause 'little damage'

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JOHANNESBURG. — If the Ford Motor Company pulled out of South Africa, it would cause little damage to the car industry but would leave few major US firms with a direct stake in local business, officials and experts said yesterday.

"It looks like a very tame action that will have nothing but a small general overall impact," said a business analyst, Mr Tony Twine.

Ford, the world's second-largest car maker, has been under heavy pressure to pull out since the other US car giant, General Motors, withdrew from South Africa in January, selling its subsidiary to local management.

Ford, which has a 12% share of South Africa's annual car sales of fewer than 200 000 vehicles, said in Detroit that it was considering pulling out of South Africa, possibly turning over most of its holdings to employees.

It said several options were being studied and the result would probably lead to the company ending its direct South African investment.

Technical assistance

But funding from Detroit has not been critical to Ford's operations here, industry sources said. The company would continue to supply its local partner, South African Motor Corp, with vehicles, components, management and technical assistance.

The Ford emblem, present in South Africa for the past 61 years, would also stay.

A Ford withdrawal would leave West German car makers Volkswagen, BMW and Mercedes as the only foreign manufacturers with a direct stake in South Africa's car industry.

Japan's Toyota and Nissan vehicles are sold under franchising agreements.

Dozens of American companies have pulled out of South Africa in the past three years because of apartheid, shareholder pressure and a local business slump.

Major firms such as as IBM, Eastman Kodak and Coca-Cola have left, although their products are generally still on sale.

"It will be very disappointing if Ford does leave but I don't believe it will cause massive pressure for others to do so," said Mr Adrian Botha, the executive director of the American Chamber of Commerce, which represents US companies here.

Mr Botha said 212 US companies were still operating in South Africa — the best known are consumer and pharmaceutical firms such as Cheeseborough-Ponds, Colgate Palmolive, Kelloggs and Gillette. More than 80 American firms have left since 1984.

"What we're looking at is continuing disinvestment pressure in the USA," an automobile industry executive said.

Ford's departure would be softened by its commitment to allow its products to remain, analysts said.

There has been no government reaction but State-controlled Radio South Africa, whose commentaries reflect government thinking, yesterday said the United States was playing a negative role in the country.

It said US influence in South Africa was on the wane because of disinvestment and the American-led wave of sanctions that hit the country last year. — Sapa-Reuter

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JOHANNESBURG. — Members of the National Union of Metalworkers of South Africa (Numsa) are discussing a proposal by Ford that the company would put a large part of its share in Samcor into a workers' trust before pulling out of South Africa.

Mr Les Kettledas, spokesman for Numsa, said the Ford proposal was still under consideration by Numsa members at Samcor's plants.

"Ford's proposal is to offer 24% of its 42% stake in Samcor to be placed in an employee trust. The trust is offered on the basis that it will give employees a share in the ownership of Samcor and a share in Samcor's earnings at such time as it becomes profitable," said Mr Kettledas.

He said it was also suggested that the trust have two representatives on the board of directors. — Sapa

Making a profit from a problem

SIMON BARBER in Washington

YOU'RE AN American company unfortunate enough to do business in SA: As a result, you've just lost a big contract with the City of Los Angeles.

A stockholder resolution calling for disinvestment received an unprecedented 15% of the shares voted at your annual meeting. The Rev Leon Sullivan has abandoned you. The US Congress is about to get on your case.

Your SA subsidiary, whatever its future prospects, is no longer especially profitable.

What with trying to keep abreast of the Sullivan Code and coping with the army of local legislators trying to boycott your products and sell your stock, you've been spending millions and tying up some of your best people on what, in the short-term at least, is a wasting asset.

Pressured

Not only are you being pressured to get out, but now there's a new twist. To get the activists off your back, you've got to leave "responsibly" in a way that leads to "black economic empowerment".

Simply selling out to your white managers, taking a tax write-off and carrying on a sales relationship isn't good enough.

So you start trying to put together a deal to transfer ownership to black employees. The local unions don't like it and would rather take the cash, thank you.

Other potential black buyers are scared off because the ANC and its supporters say that taking over departing companies' assets is a form of collaboration. Great.

Let's say you find a buyer. Where's he going to find the capital?

You agree to advance it yourself, only to discover you've run afoul of the Comprehensive Anti-Apartheid Act's ban on new loans and investment. You have to get a special certification from the Treasury Department's office of foreign assets control saying that the buyer is politically hygienic in terms of the law.

More paperwork. More Hassle. Will it ever end?

Succinctly, you have a problem, and where there's a problem there is nearly always a profit to be made by someone who can offer a solution convincingly enough.

Enter Dr Marcy Murninghan and Mitchell Investment Management (Mimco) of Boston, consultants in politically acceptable corporate withdrawal.

"We at Mimco have developed strategies for dealing with the disinvestment issue that help to fulfil the company's bottom line and future profit objectives as well as promote greater economic opportunity for majority population South Africans," boasts the consultants' literature.

The striking and articulate Murninghan (her 1983 Harvard doctorate is in "administrative planning/social policy") has become the quote of choice in US newspaper and television reports on disinvestment — and a fixture at places where businessmen meet to console each other about SA.

Naturally, she was on hand when Sullivan took his leave on June 3.

'A vulture'

While her prospectus cites clients in the Fortune 200, those executives most committed to staying on — and therefore least likely to retain her — are not flattering in their assessments.

"A vulture," says one. Another: "She is profiting from peoples' suffering."

Whether or not this is fair depends on one's perspective. What is clear is that, in offering its services, Mimco goes out of its way to emphasise the kind of data guaranteed to keep the divestment lobby at the heels of any company that will not take Murninghan's advice.

Since she also counsels the local authorities on what constitutes sound divestment, she is in a good position to define the issue and thus expand her own market.

A Murninghan Press release timed to coincide with Sullivan's announcement underlines the following on its opening page:

"Overall, from 1986 through the end of May 1987, 48 subsidiaries were sold to white South African buyers; 23 subsidiaries were sold to foreign or other American investors; and five subsidiaries were sold to white South African-controlled trust funds.

"Twelve subsidiaries terminated their operations by closing their offices, five subsidiaries established shell corporations to enable future business operations. Five subsidiaries retain non-controlling equity interest in a South African firm.

"Among the entire group of 104 subsidiaries sold over the past 17 months, 38% continue an economic connection to the erstwhile parent. These third-party links take the form of licensing, distribution, franchising or trademarks."

To get the divestment lobby really salivating, Murninghan then observes: "These figures plainly show that pull-out plans used by American investors have overwhelmingly ... transferred economic power to white beneficiaries, thus contributing to the polarised situation in SA."

Having opened up broad new vistas for anti-corporate activism, Murninghan devotes the next two pages to scaring the companies with an analysis of the activists' clout.

She warns of the goods and services boycotts already enforced by most major US cities, the massive proliferation of shareholder resolutions and, last but not least, the fact that "$400bn of assets of 535 institutional investors (are now) affected by South African restrictions of one kind of another."

The secret

Murninghan concludes: "It is time to consider how sanctions can be squarely and honestly directed to genuine economic empowerment for majority population South African workers.

"In other words, policy-makers should consider ways in which the disinvestment process results in economic justice rather than injustice for those who have suffered under the apartheid system."

In yet other words, come one, come all to Mimco and we'll tell you the secret of how it can be done. For a fee.

(62) BDay 17/6/87

First Bank buys Citibank

Finance Staff

First National Bank (FNB) came out fighting with their announcement yesterday that it has bought Citibank South Africa, the local subsidiary of US-based Citicorp, for R130 million in cash. The deal is effective from July 1 and Citibank will change its name to reflect its new ownership.

Citicorp will be paid in financial rands in a dollar-transaction that will be worth only about $38,25 million at the present rate of exchange.

The deal will not however, sever Citicorp's ties with South Africa entirely, as approximately $700 million is still owed to the bank by various South African institutions which will now fall into the debt-standstill net.

Citibank has been operating in South Africa since 1959, primarily in the wholesale and corporate banking sector. At yesterday's Press conference Mr Ball, managing director of FNB, said that his bank will use Citibank as a vehicle to increase its penetration in the highly competitive corporate and merchant banking markets.

Spokemen for both FNB and Citicorp denied that the deal was in any way related to the Rev Leon Sullivan's recent call for a total pull-out by US firms in South Africa.

The chairman of Citicorp Mr John Reed, was quoted in New York as saying that "current constraints on Citicorp made it increasingly difficult to meet the needs of its South African clients in the manner they have a right to expect."

Banking analysts were, however, slightly surprised at the relatively high price paid for Citibank as after-tax profits in the current financial year to December 31 are only expected to be R9 million, rising to R15 million the year after. The deal will contribute to FNB's earnings only in the 1988 financial year.

Senior general manager for FNB, Mr Jimmy McKenzie, was adamant that the deal will have outstanding potential in the medium to long term. "Obviously price was an issue during the negotiations, but we're happy with what we got. In recent years Citibank has been under-performing due to the political factors. We will get the bank back on track," he said this morning.

Analysts are of the opinion that the deal was influenced by the negative publicity surrounding Mr Ball and thoseANC advertisements earlier this year.

Another factor which influenced the price of the deal was the acute shortage of experienced bankers with international expertise. All the top employees at Citibank, including the MD Mr David Lawrence, are South Africans and are expected to remain with Citibank in it's new guise.

At present, Citibank has 175 employees of whom more than 45 percent are black. Citibank operates mainly from Johannesburg with a branch in Durban but closed it's Cape Town branch at the end of 1985.

The local stock market got wind of the pending deal two days ago during which the share price rose by nearly 10 percent to yesterday's close of 2150c. Today's movements will show whether the deal gets shareholder's approval.

The Star

Apartheid: the big foe of pragmatism

FORD MOTOR COMPANY'S dilemma about whether or not to quit South Africa has stirred discussion somewhat different from the usual disinvestment debates which have been sweeping the region as rapidly as multinationals have been leaving it. Ford is not the first American multinational to propose an employee-ownership scheme instead of a straight sellout deal but it is one of the first which has had to discuss the proposal with a strong, blue-collar and predominantly black union ... even though the share participation plan is for all employees, not union members per se. Ford, fortunately, has the benefit of the mistakes made by General Motors in its withdrawal.

Facing increased pressure to disinvest from South Africa, Ford is attempting to work out as painless a parting as possible. It is trying to find a precarious balance between being seen to respond to international moral pressure and to act responsibly towards 16 000 people who could lose their jobs. So far the National Union of Metalworkers of SA (Numsa) has remained lukewarm about acquiring shares in a company which has recently been only marginally profitable. But in Detroit, Sam Tsiane of Numsa is reported to have said the union was not convinced that Ford's withdrawal from South Africa would contribute to a broader solution of the country's apartheid problems.

The statement should not be taken as an instant reversal of the union's stand on disinvestment as a means to end apartheid, but it does reflect pragmatism based on a dilemma for black unions. While they must be seen to be doing all they can to force the abolition of apartheid, they must also be seen to act responsibly towards members whose jobs are at stake. The unions are precariously balanced between the two and realism is the price often required for staying intact in polarising times.

Apartheid is the foe of Ford, the unions and any thinking South African. Sadly it is also the enemy of pragmatism and is currently robbing the country of some of the world's best corporate citizens.

Argus 17/6/87

Anti-apartheid pressure behind Ford breaking links with SA

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By
ALAN DUNN
The Argus
Foreign Service



Dateline: WASHINGTON

BUILDING anti-apartheid pressures in the US — such as purchasing contracts disqualifying business with links to South Africa — were behind the Ford Motor Company's imminent disinvestment, a spokesman has said.

"I am sure it has cost us something — I don't think anybody has put a price tag on it — but it's a developing trend," Mr George Trainor, a company official, said from Detroit.

The US State Department has expressed regret at Ford's decision.

Mr Trainor said Ford's negotiations to rid itself of a 42 percent holding in the SA Motor Corporation (Samcor) was a response to pressures from state, county, city and local governments in the US which had passed legislation prohibiting companies with operations in South Africa from bidding for their contracts.

"In our case, that would be fleet business for cars and trucks," he said.

Mr Trainor said anti-apartheid groups were also urging pension funds, universities and other investors to sell off Ford shares and shares of others in South Africa. Most recently, he said, some areas had passed laws forbidding the buying of commercial paper issued by the Ford Motor Credit Company.

But Ford was trying to keep Samcor a viable company, protecting jobs and people in it, while responding in some fashion to those pressures, he said.

Mr Trainor denied that the Rev Leon Sullivan's recent abandonment of his fair labour code for South African workers employed by US companies had anything to do with Ford's withdrawal. The present talks between Ford, Anglo-American, labour leaders, politicians, educators, workers, union representatives and church leaders had started in February, he said.

"We're trying to find a consensus on a plan that would be acceptable to as many people as possible," he said.

Asked if South Africans unanimously urged Ford not to leave, Mr Trainor said: "In spite of tremendous pressures in the last few years, that's the way we have responded. And it may well be that we would decide to stay the course as we have done up to now.

"On the basis of what we know right now, we would never get unanimity of opinion to stay because of some elements already expressing themselves," he said, not specifying those elements.

There was no deadline on the negotiations, he said. "They've asked for time to consider this unique proposal and time to consider their options and we're not pushing them up against any particular timetable.

"Clearly, at some point in time, somebody is going to call the bid and say 'OK, let's see the cards', and we'll make a decision. But it's not being done with our backs against the wall or against any particular timetable."

He gave the assurance that Samcor's social programmes would continue in Ford's absence — part of a withdrawal deal would ensure that Angola-American continued them.

The primary feature of Ford's departure plan is a donation of 24 percent of Samcor stock to a trust for its 4 500 workers, and the sale of the balance of 18 percent to Anglo-American.

A State Department official said US companies in South Africa were a positive force for change and had spent eight to 10 percent of their personnel costs on social improvement projects: "Such programmes come under threat in a climate of increasing disinvestment," she said.

nancial year.

CapT Times 11/8/87

Replacement for Sullivan code?

Own Correspondent

JOHANNESBURG. — The American Chamber of Commerce in SA (Amcham) is expected to make an announcement next week on the implementation of a business code of conduct to replace the nine-year old Sullivan code.

President of the Signatory Association, Roger Crawford, returns from Washington next week after having had discussions on the replacement of the code. The Signatory Association has been responsible for administering the code in this country since it first came into effect in 1978.

Amcham executive director Adrian Botha is to meet Crawford next Tuesday, to discuss the implementation of a new code after Sullivan's notice to quit.

Botha says that the Arthur D Little practice which has monitored the code for Sullivan on the US side has indicated its willingness to continue with the administration of any new code.

The firm has monitored each of the 179 signatories to the code. Companies which have agreed to the code have, in the past, been required to submit detailed reports annually to the firm.

Also encouraging, says Botha, is that at least one of the full-time Sullivan staffers, Dan Parnell, who has visited SA on many occasions to oversee the implementation of the code for Sullivan, has expressed an interest in continuing.

The replacement of the Sullivan code with another is, in fact, essential since in terms of the legislation introduced in the US last year.

R130m 17/6/87 US bank sellout

JOHANNESBURG The world's largest bank, America's Citicorp, said yesterday it was selling its South African subsidiary to First National Bank.

The chairman of Citicorp, Mr John Reed, told reporters the bank was being sold for R130 million.

Agreement has been reached for the takeover to take effect on July 1.

Citicorp is one of the largest among scores of foreign companies which have terminated business in South Africa under pressure from anti-apartheid groups. — Sapa.

Full report page 13

R130m paid in cash

First National buys Citibank

CHR-Times 17/6/87 62

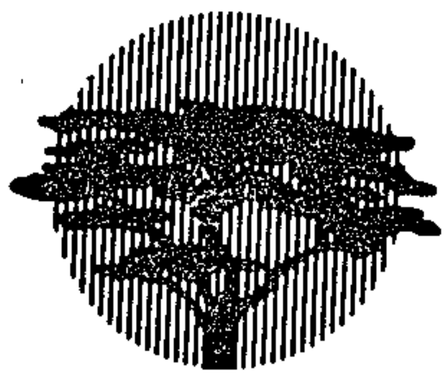
From HAROLD FRIDJHON

JOHANNESBURG. — First National Bank is buying Citibank SA from its US parent Citicorp for R130m cash with effect from July 1 1987.

Following Ford's intention to withdraw from SA this is a further disinvestment move by a major US corporation.

Citicorp chairman John S Reed said in a statement from New York that "current constraints on Citicorp have made it increasingly difficult to meet the needs of its SA clients."

He added that Citibank's cross-border exposure to SA borrowers would continue to be serviced in accordance with SA's foreign debt settlement agreements.



The US bank will pay dearly for this move as the R130m will be repatriated through the financial rand realizing about $43m.

Negotiations for the buy-out started about four weeks ago when Citicorp made an approach to First National. Subsequent negotiations in London and New York led to the deal being finalized yesterday afternoon.

First National was not buying assets but profit-earning expertise, MD Chris Ball told yesterday's press conference.

Citibank's assets totalled about R15m on which forecast taxed profit for the current year to December was about R9m, but Ball expected the 1988 taxed profit would rise to R15m, "having a positive effect on First National's earnings a share".

Ball emphasized that Citibank's profit for the current year would have been negatively affected by constraints on its normal domestic and international business.

Citibank, which will undergo a name change, will not be absorbed into the First National structure. It will remain a separate entity with its present staff, all South Africans, being left intact under MD David M Lawrence.

The bank will continue to operate in its specialist corporate market as well as maintaining its identity and competitive force in the money and forex markets.

Ball said: "We believe that the additional skills and expertise that this business unit has in local and international treasury trading, as well as in wholesale banking, will enhance First National's thrust into the corporate market."

To some extent the operations of First National and Citibank overlap but the volume of Citibank lending was not the material factor. Ball said First National was buying management and an enthusiastic staff with special skills for researching and developing new products, supplementing the work done by First National's corporate division.

The acquisition of Citibank would not affect First National's capital requirements under the Banks Act.

Senior GM Jimmy McKenzie added that Citibank had special relationships with its clients and with a full commitment by First National it would be able to grow and expand.

The Competition Board regards the transaction as acceptable.

First National shares gained 100c to 2 150c on the JSE just before the market closed.

Citibank sells out to First National

By Alan Dunn,
The Star Bureau

WASHINGTON — Citicorp, a leader of the American corporate effort to hasten change in South Africa, has become the latest company to disinvest.

Anti-apartheid groups promoting disinvestment are hailing the R130 million sale of Citibank to the First National Bank of Southern Africa more as an important symbol than a deal with financial impact.

"As the only American bank with operations in South Africa, they had become a central symbol to us of US involvement in apartheid," said the Reverend Timothy Smith, anti-apartheid activist and director of the Interfaith Centre for Corporate Responsibility, a church-sponsored organisation.

Citicorp was one of the original signatories to the Sullivan Principles, a code of fair labour practices for black South African workers.

The bank was prominent in the heated disinvestment debate in the US, arguing repeatedly that it was a positive force for reform in South Africa.

Disinvestment groups said the timing of Citicorp's announcement was symbolic — days after news of Ford's imminent departure and two weeks after the Reverend Leon Sullivan abandoned his labour code.

Citicorp's chairman, Mr John Reed, is also a co-chairman of the US Corporate Council on South Africa, a group of American chief executive officers with South African links, formed in 1985 to emphasise their commitment to ending apartheid.

In a statement from New York yesterday, he expressed regret at the withdrawal due for completion by the end of the month.

He said: "Current constraints on Citicorp have made it increasingly difficult to meet the needs of its South African clients in the manner they have a right to expect."

Asked to specify those constraints, a Citicorp spokesman mentioned the decision by US banks in 1985 not to issue fresh loans to South African borrowers.

"This made it difficult to run a full-fledged banking business in the country," he said.

"Because we felt the risks involved were higher than the level of our exposure warranted, we decided we had to cut back."

The spokesman denied that disinvestment pressures or the Rev Sullivan's abandonment of his labour code had played a role in the Citicorp decision.

It is understood that Citibank first approached the First National Bank about the sale a month ago.

Citibank will continue to hold the $700 million debt it is owed by South African institutions, handling it from outside the Republic.

Citibank employs 185 people in South Africa, 45 percent of them black.

Most work in Johannesburg, there are a handful operating in Durban, and the Cape Town office closed in April last year.

● See Page 14.

US will decide on uranium imports

By Neil Lurssen, The Star Bureau

WASHINGTON — The United States Treasury is to decide soon whether sanctions laws will forbid the import of uranium ore and uranium oxide from South Africa valued at millions of rand.

Mr R Richard Newcomb, Director of the Office of Foreign Assets Control in the Treasury, told a congressional committee here that a decision was expected before July 1.

The possibility of a ban has alarmed American companies which process uranium ore and uranium oxide for foreign buyers and re-export to the foreign buyers.

If the ban is confirmed, thousands of American jobs could be lost in seven states. The companies have enlisted the aid of their Senators, who have asked the Treasury not to include uranium in the list of banned imports contained in the sanctions imposed last year.

NO AMERICAN CONTROL

Senators have argued that an end to American involvement in the processing of the South African uranium — enriching it for use as nuclear fuel — would end American control over the future use of the fuel by potentially hostile nations like Libya.

Mr Newcomb said that because of uncertainty over the intent of the Congress regarding the uranium, the Treasury had called for public comment.

During the period of comment and analysis, uranium ore and oxide were being imported from South Africa in the usual way.

"The Treasury took this action because the domestic uranium conversion industry and the federal government's enrichment industry could be seriously injured in a manner unintended by the Congress if imports for processing and re-export were barred through a mistaken interpretation of the Act," he said.

Mr Newcomb said there were cases involving false country of origin declarations for textiles and false declarations for semi-concentrates and sports equipment.

ITT sells SA subsidiary

Another US giant decides to pull out

NEW YORK — Another multinational, ITT Corporation, announced yesterday that it was pulling out of South Africa and had sold its South African subsidiary.

ITT, a telecommunications, manufacturing and services company, said it had sold Alfred Teves Engineering SA Ltd, which employs 300 people and manufactures brakes for cars, to Glasfin Investments Ltd, a South African company.

ITT also said it would sell its minority stakes in South African telephone directory and cable businesses.

ITT chairman Mr Rand Araskog said yesterday that the environment in South Africa was no longer conducive to business operations.

ITT said the brake subsidiary had annual sales of R26 million but the pullout would not affect corporate earnings.

The company said it might continue to provide technical assistance to the new owners of the subsidiary.

● In Lagos yesterday, Nigerian Foreign Minister Mr Bolaji Akinyemi urged western nations to close their diplomatic missions in South Africa as a sign of protest against the apartheid policy.

Nigeria, a leading critic of South Africa, has consistently urged comprehensive economic sanctions against Pretoria believing they would help dismantle apartheid.

● In Washington, the White House said that President Reagan and other western leaders at last week's Venice summit stressed multiracial dialogue as the way to end apartheid in South Africa.

The participants in no way condoned the use of violence in reaching political objectives, a spokesman said.

● In London the Anti-Apartheid Movement has challenged Natwest Bank to commit itself to making no more loans to South Africa after the news that the bank had classed some of its South African exposure as bad debts along with those made to Brazil and Mexico.

An AAM spokesman commented: "As Natwest has now recognised that its South African loans are unlikely to be repaid, the least it can do is state categorically that it will make no new money available."

He said Natwest was the third largest UK lender to South Africa (after Standard Chartered and Barclays) with approximately R900 million outstanding. — Sapa-Reuter-AP; The Star Bureau, London.



☐ STERLING . . . "Samcor is in good shape"

Samcor will ride out bumpy road

DAVID FURLONGER
Industrial Editor

ANGLO AMERICAN, it seems, simply isn't fated to enjoy a smooth ride in the motor industry. Just as its investment seems to be coming right after several years of frustration, its Samcor partner — Ford Canada — has confirmed it wants to pull out of SA. It is uncertain at this stage whether the workforce will accept Ford's offer of a 24% stake in Samcor. Ford, with a 42% share of the company, is unsure of its next step if the unions reject the offer, as they have hinted they might.

Whatever the outcome, it is an interruption Anglo — with its 58% controlling interest in Samcor — could have done without.

In theory, say analysts, Anglo could welcome a bigger share of what is becoming a profitable venture, particularly if it picks up Ford's remaining 18%. In practice, they say, it has benefited from the partnership.

Struggled

Prior to 1985, when Samcor was formed, Anglo — through its Amic investment arm — had struggled for some time to make its motor industry involvement pay.

Sigma Motor Corporation became Amcar in the early Eighties in the hope that a change of name would lead to a change of fortune for the struggling company. But the Sigma stigma could not be shaken entirely, and Anglo/Amic was glad to pitch in with Ford Canada to rationalise their vehicle manufacturing operations.

Both were functioning well below capacity and losing money, their vehicle ranges were similar and it made economic sense to merge.

Sense, that is, unless you were from Port Elizabeth — in which case Ford's decision to transfer nearly all its operations to Samcor's Silverton plant near Pretoria meant the loss of thousands of jobs and a huge dent in the Eastern Cape economy.

Having achieved the merger, albeit as the motor industry was sinking towards the depths of a depression, Anglo might have hoped it could concentrate on selling vehicles.

But almost immediately, the Ford connection caused problems elsewhere for its new Japanese partners, Mazda and Mitsubishi. There were fears that Ford's unacceptability in parts of the Middle East would spread to the two Japanese manufacturers because of their SA link with the American company. It took several months and action by the US government to remove the threat.

Next, it was the turn of the fourth Samcor foundling — Peugeot — to suffer. At the same time as its fellow French car-maker Renault was leaving, Peugeot announced it, too, was abandoning the overcrowded local car market.

Industry slump and Samcor's decision to stop production of Mitsubishi cars notwithstanding, the company has appeared to settle since those traumatic early days. It is second only to Toyota in overall vehicle sales.

MD Spencer Sterling told me recently: "Samcor is in good shape. The merger was traumatic for our people, but we have come through. We made our first profit in June last year, and in the first quarter of this year we are in the black. We had a very good first quarter and increased market share each month, and made very good money doing it.

"We were actually ahead of schedule in coming from the red. We had budgeted for losses in 1986 and break-even in 1987. Now this year there should be a reasonable profit — at the very least, we will meet our shareholders' expectations."

If the merger was traumatic, how will Ford's latest announcement affect Samcor — and Anglo's investment?

Sterling agrees with analysts that there is likely to be an immediate impact on sales of Ford vehicles. Even with US assurances that supplies of vehicles, components and back-up will continue, uncertainty over the company's future is certain to affect sales.

'Up-front'

However, analysts expect any reaction to the Ford announcement to be temporary.

"There's bound to be some effect on sales," says Sterling. "But if we are up-front about the negotiations and Ford's plans, it should be kept to a minimum.

"Ford may be going, but its products aren't. Once people appreciate that, there shouldn't be any problems."

US acts against SA sanctions busters

18/6/87

From SIMON BARBER, Daily Dispatch man in Washington

WASHINGTON — Despite its strong opposition to sanctions against South Africa, the Reagan administration has embarked on a sweeping campaign against violators of the Comprehensive Anti-apartheid Act, US officials told congress.

At the same time, however, the Department of Defence was unable to deny categorically that South African intelligence personnel and aircraft had been been assisting the Nicaraguan Contras at the Central Intelligence Agency's request.

The Treasury Department told the House Africa subcommittee that US customs investigators were actively pursuing an unprecedented 22 cases of alleged sanctions-busting involving arms, steel, textiles and other embargoed items.

As a result of the customs enquiries, two persons have been indicted "for attempting to export licensable technical data to South Africa through another country", said Richard Newcomb, the director of the Treasury's Office of Foreign Assets Control.

He was apparently referring to Mr George Posey, a California based dealer in aircraft parts and manuals, who is awaiting trial with a colleague on charges that led to the recall of the South African naval attaché, Mr Nicolaas Vorster, earlier this year.

Several further cases have been dropped, the official said, including one involving imports of South African lobster caught by formerly South African-owned vessels now flying the Cayman Islands flag.

The active enquiries, which are being carried out domestically and by the US customs attaché in Rome, who has responsibility for Africa, all involve third country trans-shipment and-or false documentation of origin.

Four cases deal with alleged exports to South Africa of weapons, aircraft parts, "military commodities" and petroleum products. The rest concern imports of steel, textiles, diamonds, semi-concentrates, furniture and sports equipment.

One of the weapons cases concerns an alleged airlift of machines guns and other arms to Unita last year from a military base in the US via Johannesburg.

Two closed cases involved the alleged transshipment of broomcorn through Ethiopia — dropped for lack of evidence — and the seizure of "two small shipments of tapestries falsely declared as to. . .origin".

Enforcement of the sanctions has dramatically increased the bureaucratic workload, testimony at the hearings indicated.

The assistant secretary of commerce, Mr Paul Freedenberg, said his department's Office of Export Enforcement was now devoting nearly 20 per cent of its total time and budget to ensuring the US computers and other restricted items were not acquired by "apartheid-enforcing agencies".

The subcommittee's chairman, Congressman Howard Wolpe, homed in on allegations that Safair I-100 aircraft, as well as South African pilots and intelligence officers, had been involved in supplying the Contras between 1983 and last year.

The Deputy Assistant Secretary of Defence for African Affairs, Mr James Woods, denied the reports, but under intense questioning, said he was only able to speak for his own department and could not vouch for the CIA.

US-SA RELATIONS

Help that just won't come

Strains in the relationship between SA and America have re-surfaced — just as President Reagan is seeking to overrule the sanctions law passed by congress last year. But disinvestment has to be accepted as a fact of life now: more companies will leave. The terms on which they go is of crucial significance.

Constructive engagement is dead — long live constructive engagement. Sources in Washington indicate that a new version of what is an admittedly failed policy governing US-SA relations is being test-driven among various constituencies — including major business corporations — for acceptability. Ronald Reagan is said to be personally interested in the South African dilemma — and that it will occupy much of the time left to him as president.

That is not entirely good news. The Reagan presidency may not be on the rocks, but even without the Iran-Contra imbroglio, Reagan's tenure has become afflicted with that deadweight, lame-duck pattern of drift which marks the final 18 months or so of even the best US heads of state.

This has very real implications for corporate SA. It is a situation in which no illusions should be cherished that the worldwide drive for sanctions and disinvestment can be halted. Facts have to be faced.

True, the amount of coverage of South African affairs — particularly of violent incidents — is declining in foreign newspapers and on television. But the impetus towards disinvestment remains high. City treasurers and pension fund managers reflect the views of socially aware communities, and they will continue to pressure banks and businesses to cut all ties with SA.



Rev Sullivan

The latest example is the US city of Syracuse, which is to cease doing business with banks invested directly or indirectly in SA. As the saying goes: take a few million here and a few million there, and soon you're talking about real money.

This trend has a momentum that international bankers believe is increasing. It is far easier to trade with SA (though that too requires some defence) than to have an actual presence here. But getting out is problematic — as Ford is discovering.

Ford's decision to withdraw is understandable on economic grounds. Whether it is morally defensible, given its active programme of social responsibility here, is another matter altogether. The company's offer to vest part of its interest in Samcor in a trust for Ford workers can be seen as a *form* of privatisation. It would give affected workers a far more direct stake in the success of their business than they have as simple wage-earners. Yet the proposal has run smack into the volatility of black union perceptions.

The *FM*'s view is that the union leaders who want to reject or stall the proposal as it stands are mistaken. It suggests, in fact, that they are not in touch with grassroots opinion on matters like jobs and better pay. What Ford is proposing amounts to doing on the private shopfloor what Margaret Thatcher is doing in Britain's political arena — getting a stake in private enterprise down to workers.

The union says it wants no part of the equity of an unprofitable enterprise — which is absurd. Would they voluntarily leave their jobs or negotiate pay *downwards*? Of course not. So they will remain part of Samcor on terms less favourable than those offered.

Similar schemes could well be the answer for those socially aware companies who subscribed to the Sullivan Code. This route holds out much more chance of winning more material benefits for workers, and has a greater job-creating potential than anything the Rev Leon Sullivan has been able to achieve over the years.

Sullivan himself has given up. His call for sanctions and disinvestment suggests that — as far as he is concerned — his fellow Christians in SA are beyond redemption. That is as presumptuous as Archbishop Desmond Tutu's bizarre messianic statement that he "will announce the day when we (blacks) have reached the end of our tether."

Nonetheless, the fact that a relatively obscure preacher like Sullivan has had a definite impact on US corporate thinking is indicative of the sensitivity of the South African issue. And it has to be faced that the Nationalists are their own worst enemies when it comes to producing ammunition for foreign anti-SA pressure groups.

Take the ill-conceived plan to force employers to deduct unpaid black rents. How will this, if implemented, make matters any easier for those US and other transnational firms who want to remain? At a stroke they become Pretoria's rent collectors; back home, the uproar will be deafening. At best they will have to face pressures to engage in overt civil disobedience. The outcome? Further corporate disengagement.

The rents crisis is but one element in the mixture of SA's social instability. To consider the matter in isolation from the broader political scene is risky. However: if those corporations who are going to leave were to do so on the terms offered by Ford, there would be yet a further, longer-term benefit for the workers concerned.

This is that — as Margaret Thatcher has in mind for Britain — there would be greater opportunities for those who rent houses to buy them. The work force would have the financial base to do so. Such a step, *properly managed* — as Pretoria has been incapable of doing so far — contains the seeds of a solution to the rents crisis. It would, in short, give blacks a stake in their future.

In considering the broader picture, it is

P.T.O.

THE MORAL CAVALRY

In spite of Canada's efforts, the South African issue was reduced to the familiar generalities of hope and exhortation in the political communique at the end of the Venice Summit (see *World*). It is, however, very much on the agenda.

Canadian Premier Brian Mulroney's aim is the setting up of a more high-powered version of the Eminent Persons Group (EPG) involving the G-7 (the US, Japan, Germany, France, Britain, Italy and Canada) with the imprimatur of the Commonwealth. The fact that Britain (with German support) stymied a special "Venice Declaration" on SA, because it would be counter-productive in the light of last month's election outcome, was portrayed as a defeat for Mulroney.

But Mulroney's push was always intended as a start to the process. The G-7's inclusion of SA in its wide-ranging political statement "was not a perfect response," said Mulroney, "but what was important was that the issue was addressed."

Canada's next step will be to produce proposals for a new EPG — reminiscent of the Contact Group of the US, Britain, Germany, France and Canada on Namibia — at the Commonwealth Heads of Government gathering at Vancouver. Once Commonwealth agreement has been secured (obviously with British support) Mulroney will be set to put the idea formally to the G-7 when he hosts its next meeting in Montreal.

will remain entrenched within the mining industry, or how rapidly it should be dismantled.

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Rank Xerox SA sold to Altron

NEW YORK — Xerox Corp affiliate Rank Xerox Ltd has signed a definitive agreement to sell its Rank Xerox South Africa (Pty) Ltd affiliate to Altron for undisclosed terms.

Xerox said the preliminary agreement to sell the affiliate to Fintech, an Altron unit, had been reached in March.

Xerox said completion of the sale awaited approval of Fintech shareholders and a review by the JSE.

Rank Xerox SA was founded in 1964 as a wholly owned unit of Rank Xerox, the Xerox affiliate that manufactures and markets Xerox products in many countries.

The company would become a wholly owned unit of Altron, Rank Xerox said.

A total of 40% of Rank Xerox SA's 800-strong workforce are black, coloured or Asian. — Reuter.

□ Last night Fintech confirmed it had acquired Rand Xerox (Pty) with effect from May 1, 1987.

M & R back on the profit trail

DAVID FURLONGER
Industrial Editor

MURRAY and Roberts is back in profit following its losses of last year and despite a real decline in turnover in the last 12 months, says CE David Brink.

The group's 1987 financial year ends on June 30. While refusing to give figures before results are published later in the year, Brink said the group had achieved its objective of returning to the black after its R14,5m attributable loss last year — a R57m collapse from 1984's R43m profit.

Market analysts said yesterday Brink's comments confirmed the market's view that M&R was a recovery stock. Its share price has more than doubled since last September, when the 1986 losses were announced.

From 575c in September, it peaked yesterday at R12,50 — 50c up on the day and 125c up on a week ago.

M&R reported an interim attributable profit this year of R11,9m. The group reported a similar profit at the same stage last year before year-end results were hit by a heavy tax bill.

M&R's operations are split fairly evenly between construction and industrial activities. Brink said that while its industrial holdings were continuing the improvement they began last year, construction had also made a positive contribution to group profits.

Brink blamed mismanagement for last year's losses and said the turnaround was largely the result of rationalisation. It had sold off several under-performing companies and reduced its construction operations from 26 to 16.

GUY'S NEW HAIR RESTORED BRILLIANTINE AIR

AUCKLAND — French wing Didier Camberabero, whose goal kicking could prove vital in tomorrow's World Cup rugby final against New Zealand, has a novel explanation for the new-found confidence in his play.

Camberabero, who made his debut for France five years ago, attributes his remarkable comeback after several years in the wilderness to a hair transplant.

bero, the goal-kicking master of the 1960s, was dropped after only two games in 1983 and did not return until he was picked as a replacement for the injured Philippe Berot for the World Cup tournament.

The transformation in Camberabero's attitude came earlier this year when, increasingly embarrassed by premature baldness, he agreed to an offer of a hair transplant.

promptly set a world record of 30 points against Zimbabwe and then kicked a vital 14 points in the upset semifinal win over Australia.

"I am happy to tell everyone how important it was for me to have a transplant because I am sure that many young people who suffer from loss of hair feel the same," Camberabero said.

"I only hope I can help them to recapture their confidence like I did." — Sapa-Reuter.

Pretoria shares US platform with ANC

Consul officials, ANC, Inkatha at sanctions conference

By PIPPA GREEN in New York and HILARY JOFFE in Johannesburg

SENIOR representatives of the South African government, the ANC, the Dutch Reformed Church, Inkatha, the US state department and US businessmen met at a closed-door meeting in New York last week, days before three of the largest American companies withdrew from South Africa.

The conference, organised by the US Council on International Business, came the week after the Reverend Leon Sullivan's call for a total trade embargo against South Africa and the week before the Ford Motor Company, Citicorp and ITT announced their intentions to disinvest.

It was addressed by a range of political leaders, including Thabo Mbeki, the ANC chief international spokesman, Tom Wheeler, the South African consul-general, Charles Freeman, deputy assistant secretary of state, Oscar Dhlomo, Inkatha general secretary, Johann Heyns, a Dutch Reformed Church moderator, and Professor Sampie Terblanche of Stellenbosch University.

Those who were there

Thabo Mbeki (ANC), Tom Wheeler (SA Consul General), Oscar Dhlomo (Inkatha), Johann Heyns (NGK church), Tertius Myburgh (Sunday Times), Sol Marzullo (chairman, Mobil)

The keynote speaker, who was introduced by Sol Marzullo, head of the Mobil Oil Corporation and chairman of the Sullivan signatories in America, was *Sunday Times* editor Tertius Myburgh.

Sources here — both in the anti-apartheid movement and in Washington — say Sullivan's announcement might have affected the timing but not the substance of the corporations' decisions to withdraw from South Africa; and the conference organisers denied any link with the Sullivan announcement, saying it had been scheduled long before.

Proceedings of the conference have been kept confidential, but reliable sources say Mbeki addressed the question of economic relations between the US and South Africa in a post-apartheid society. According to a source, he said South Africa was — and would continue to be — crucially linked into the world economy.

While supporting a general sanctions position, he invited US businessmen to discuss their South African involvement with the ANC. He also asked South African businesses to take stronger positions against the government, including refusing to pay army conscripts and declining government contracts.

More than one source said Wheeler was harshly criticised by American businessmen, who "were really talking the language of human rights".

●To PAGE 3

Closed US indaba on disinvestment

Myburgh, who opposed increased sanctions, quoted a Cosatu report saying sanctions would have a devastating effect on workers.

It is not the first time Cosatu has been quoted recently — by both the pro- and anti-disinvestment lobbies. In a public television debate on Ford's pending withdrawal, screened earlier this week, Alan Keayes of the State Department quoted a "draft Cosatu report" in support of his argument against corporate withdrawal.

Cosatu last week issued a statement to clarify what it called "deliberate confusion caused by the leakage" of the document. It said the document was still under discussion that Cosatu stood by its support for "all forms of international pressure against apartheid".

While there is still ambivalence about Ford's disinvestment — both in the State Department and the anti-apartheid movement — the divestment lobby has welcomed Citibank's announcement that it will sell its wholly-owned South African subsidiary to the First National Bank of Southern Africa, formerly Barclays National Bank Ltd, in a transaction expected to be completed by June 30.

"This will trigger a new wave of corporate withdrawals," predicted Tim Smith of the Interfaith Centre for

●From PAGE 1

Corporate Responsiblity, who debated with Keayes on Ford's withdrawal. He reiterated his view that US companies — like IBM, Ford and the oil companies — had strengthened the apartheid state by selling products to the police and miltary.

An anti-apartheid demonstration scheduled outside Citicorp's plush Manhattan headquarters on June 16 turned into a celebration hours after the giant corporation announced its withdrawal from South Africa.

The 500-strong solidarity demonstration was the most manifest sign of a critical and far-reaching debate aired here recently about the current and future role of US business in South Africa.

Citibank has long been targetted by the American anti-apartheid movement as the only remaining US bank in South Africa. Recently 14 percent of its shareholders called on the bank to withdraw from South Africa. US churches have withdrawn $125-million (R250-million) from accounts in protest at the bank's South African investments and New York City has voted to divest its stock.

Citibank has also been pressured in its home state, California, which is one of 21 American states to have sold off investments in US banks and corporations involved in South Africa.

The sale of the South African subisidary, which ranked 19th among South African banks in terms of assets and 23rd in terms of deposits, will probably have a more critical effect on the economy than Ford's withdrawal. Although Citibank's staff numbered only 185, compared to Ford's 15 000 employees, its significance lies in the size, influence and international financial clout of its parent body.

Although there is not yet clarity about the future of Citicorp's Diners Club subsidiary in South Africa, nor about whether they will continue to extend trade-financing loans, the divestment movement here pronounced Citibank's withdrawal as a "victory" and has now turned its attention to the Shell and Mobil Oil corporations.

The anti-apartheid movement is concerned, though, that Ford's withdrawal still leaves space for the use of the Ford logo and the sale of Ford vehicles in South Africa. They and the United Auto Workers' union, which discussed the terms of withdrawal at a recent World Ford Auto Council meeting, are reacting cautiously to the company's proposal to hand over a proportion of its shares to the organised workforce and to allow two union representatives on the new company's board of directors.

"We are awaiting guidance from the South African union before we do anything," said a UAW representative in Washington.

Ford effectively began the process of disinvestment a year ago when, in the context of a failing domestic auto market, it closed its Port Elizabeth operation and merged with the Anglo-American owned Amcar.

At least one of the divesting companies — ITT — may simply have been making political capital in response to these pressures.

Its decision to sell off holdings in South Africa was actually made in October, soon after the passage of the US Comprehensive Anti-apartheid Act, and the deal was completed by the beginning of May.

ITT's sale of the brake manufacturers, Alfred Teves Technologies, was to local management backed financially by First National Bank (then Barclays Bank).

Alfred Teves' managing director, John Brandtner, says nothing has changed in terms of the company's operations and its presence on the market.

But the company can now respond more flexibly and appropriately to local economic conditions and to the needs of its workforce, he argues.

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W/Mail 19-25/6/87

ITT sells last of its SA operations

Own Correspondent

JOHANNESBURG. — New York-based multinational ITT's (International Telephone & Telegraph Corporation) sale this week of one of its last remaining SA holdings — Alfred Teves Engineering (ATE) — puts the country's biggest brake-system manufacturer into local hands.

And Maister Directories, which publishes Yellow Pages in SA, is expected to complete buyout talks with ITT for its 20% stake in the company soon.

ATE, which supplys all the brake systems for Toyota, Volkswagen and Mercedes-Benz, is now half-owned by a management consortium. The balance is spread among First National Bank (FNB) and other institutional investors.

Said ATE MD John Brandtner yesterday: "FNB put up 50% of the long-term credit to bankroll the takeover and it owns a small stake in the company."

FNB has agreed to sell its ATE holding to management on repayment of the loan, which will give management a 60% shareholding.

Other interested buyers

Boksburg-based ATE's turnover is R50m a year and it employs 300 people.

Brandtner would not disclose ATE's sale price but said it exceeded the company's net asset value.

"And a chunk of goodwill was also paid to ITT because there were other interested buyers," he added.

On ITT's sale of its 20% Yellow Pages holding, Maister Directories MD Dennis Maister said ITT felt it "politicaly prudent" to shed its holding.

ITT — — began its march from SA 11 years ago when its telecom interests were sold to Altech.

It is unclear why ITT delayed its final pullout announcement until Wednesday. Brandtner said the directive to sell ATE was given last October and the Reserve Bank approved the buyout on May 7.

Cape Times 11/6/86

Now Xerox also leaves

From SIMON BARBER

WASHINGTON. — Xerox Corporation yesterday became the fourth United States company this week to announce its withdrawal from South Africa.

The company said it would sell its South African subsidiary to Fintech, a member of the Altron Group.

Three other US companies — Ford, Citicorp and International Telephone & Telegraph Corporation (ITT) — announced their departure from the SA this week.

Xerox said it would establish a foundation to support "management and technical education for black South Africans", which would work closely with the Altron-backed Black Management Foundation (BMF).

Fintech will continue to market and service Xerox products.

The decision to sell out after 22 years in SA was in response to "growing world-wide pressure from governments and shareholders", a spokesman said.

A major concern, the spokesman indicated, was the proliferation of state and local laws boycotting the products of companies still in South Africa.

☐ ITT pulls out — Page 5

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Xerox pulls out of SA

From Simon Barber

WASHINGTON — Xerox corporation announced yesterday that it had signed an agreement to sell its South African subsidiary to Fintek, a member of the Altron group, thus becoming the fourth US company to leave this week.

The company declined to reveal financial details, but said it would be establishing a foundation to support "management and technical education for black South Africans" and which would work closely with the Altron-backed Black Management Foundation.

Negotiations on the pact, which was signed on June 9, began last March, a company spokesman, Mr Peter Hawes, said.

The withdrawal will be completed "within about two months". Fintek will continue to market and service Xerox products.

Mr Hawes denied the announcement's timing was connected to the Reverend Leon Sullivan's decision to abandon his employment principles.

The decision to sell out after 22 years in South Africa was in response to "growing worldwide pressure from governments and shareholders", the spokesman said. "Our objective is to demonstrate our concern...and to protect our employees, customers and shareholders."

Mr Hawes said a major concern was the proliferation of state and local laws boycotting the products of companies still in South Africa.

Pullout chance to foster industrial harmony

Ford may leave R175-m goodbye gift to workers

(62) SPM 19/6/87

By Michael Chester

The package offered by Ford Motor Company in the event of withdrawal from South Africa promises to put R175 million in assets into a proposed trust to be run on behalf of the 4 500 labour force at the South African Motor Corporation (Samcor).

The market value of the shares package would push the total even higher, but it is impossible to put a precise figure on its value because the shares are not quoted.

Dividend income would ensure steady increase in the size of the fund.

The deal, which also envisages the handover of two seats on the main Samcor board of directors to representatives of the employee trust, may give South Africa a world lead in new approaches to industrial harmony.

Mr Leslie Boyd, chairman of Samcor, said: "The deal is unique to South Africa. It opens up entirely new vistas in solving the problem of bridging the gap that is sometimes perceived between labour and the free-enterprise system.

"Under the new proposals, the employee trust will have control of a major shareholding in Samcor, thus giving the labour force a financial stake in operations that is without precedent in South Africa."

Donation visualised

Mr Boyd is also an executive director of the Anglo American Corporation, which controls the majority shareholding in Samcor and whose representatives would sit side by side with the employee trust representatives in the reconstructed Samcor board of directors.

He said negotiations on the proposals were still in progress.

Details have yet to be hammered out, but, according to union sources, Ford visualises giving the bulk of its 42 percent shareholding to the trust, giving it control of 24 percent of all Samcor shares.

Ford may then negotiate the sale of the 18 percent balance of its shareholding to Anglo American.

Said Mr Boyd: "With the current socio-political tensions inside South Africa, it is well known that business must take new initiatives to end labour suspicions about the private-enterprise system.

"The new proposals offer a unique opportunity to introduce a system of power sharing between management and employees and give labour a real stake in reaping the rewards of free enterprise.

"There are obviously also new opportunities for the work force to benefit from a share in the profits as well as be assured of greater participation in corporate affairs."

He added: "Samcor is now in a profit position and a strong contender in the South African market. We are confident it will maintain and strengthen its position as one of the country's foremost vehicle manufacturers.

Final decision awaited

"Anglo American is equally confident about Samcor's future and intends continuing to give the company its full support.

"Ford headquarters in Detroit have yet to make a final decision about whether it stays in South Africa or transfers its direct investment. Agreement on the proposals to create the employee trust may have a strong bearing on an ultimate decision."

Mr Boyd pledged: "Whatever the outcome of current talks, owners and potential buyers of Ford vehicles in South Africa are guaranteed the continuation of production of Ford products and full service facilities.

"Agreement has already been reached that Ford will continue to supply Samcor with vehicles, components, management and technical assistance, as well as licensing the use of the Ford trade mark.

"So the public is assured that Ford operations will go on. We hope the labour force will be sharing in the responsibilities as well as the financial side of the exercise."

"It is a terrifically exciting concept that is welcomed by Anglo American and likely to be welcomed by Samcor employees with equal enthusiasm.

"South Africa needs a breakthrough in bridging the gap between labour and notions about free enterprise. This may well be it."

THE WEEK SANCTIONS WENT ON TRIAL IN AMERICA

DR MARCY'S PATENTED PAINLESS PULL-OUTS

By PATRICIA CHENEY: Washington

HARASSED American company executives taking the chicken run out of South Africa are being given disinvestment-without-tears advice from an unlikely quarter.

Dark-haired Dr Marcy Murningham runs a company called Mitchell Investment Management Company (MIMCO) in Boston which tells businessmen how to quit profitably — and in a way that'll get the activist crowd off their backs.

Pressure

Attractive Dr Murningham stands confidently astride the two warring factions, advising on how to set up worker buy-plans, employee benefit plans and other schemes which are deemed "socially responsible" and which won't leave the departing firms too much out of pocket.

It is an idea for which the time has clearly come.

"Disinvestment has overwhelmingly benefited other South African, foreign and American businesses rather than black South African workers," Dr Murninghan said.

"We've tried to build up models connecting divestment with the economic empowerment of black South African workers.

"We asked how pressures on companies to leave South Africa could be converted to a positive outcome."

MIMCO has already provided information — "without promoting policy" — to city and state pension fund managers, university trustees and other institutional investors on the possible consequences of dumping stock invested in companies with subsidiaries in South Africa.

According to Business Week magazine, in 1985 and 1986 Dr Murningham helped at least 16 state and local governments and 10 colleges rid themselves of over $5 billion dollars in South Africa-related holdings.

The pull-out strategy was the next step.

"We were in a position to point out that there were ways in which people could think of sanctions and disinvestment in terms of economic opportunity rather than economic non-opportunity," Dr Murninghan said.

Belief

The lure to businessmen, whom Dr Murninghan described as "frustrated" by the increasing demands of activists, has been potent.

It is now all but *de rigueur* for executives to knock on her door before withdrawing from South Africa.

While she is the first to admit she is no "crusader," the 37-year-old businesswoman does hold a doctorate from Harvard in administrative planning and social policy.

She also grew up in a house dominated by politics — her father was mayor of Lansing, Michigan. Later she helped implement a job programme for welfare mothers.

"I have a deep belief in human beings being able to solve their problems if the will and the wisdom is there," she said. "We want to develop the information and models to help them."

Critics

Dr Murninghan is not without her detractors. She has been called a "vulture" and an opportunist by critics in both the corporate and activist worlds who feel she and other investment managers specialising in "social investment" are profiting from a miserable situation.

"Not everyone is going to love you," Dr Murninghan said in reply. "I am certainly a businesswoman, but I also believe in what we're doing."



Dr Murningham — "I believe in what we're doing"

'Show trial' over implementation of sanctions on SA

By PATRICIA CHENEY: Washington

THE US bureaucracy went on trial this week as the pro-sanctions Africa sub-committee grilled administration officials on just how meticulous they have been in carrying out the sanctions measures.

That it was a show trial goes without saying. The hearings were held to coincide with the eleventh anniversary of the 1976 Soweto uprisings, giving members of the joint Africa and international trade sub-committees plenty of opportunity for grandstanding.

It was also clear that Africa sub-committee chairman Howard Wolpe had already made up his mind that in some instances the administration's performance was "less than stellar".

This included the continued import of South African uranium, bought by third countries and sent to the US for enrichment, the administration's failure to call an international conference with its allies to co-ordinate sanctions and its refusal to vote for more sanctions in the United Nations, and the continued import of South African crayfish.

Unfounded

The administration dutifully produced five top officials, including the Assistant Secretary of State for Africa, Dr Chester Crocker, and the Assistant Secretary of State for International Organisation Affairs, Dr Alan Keyes, to answer the congressmen's questions.

What soon became abundantly clear was that the administration has spent an enormous number of man-hours enforcing the sanctions it so adamantly opposed:

● According to Mr Richard Newcomb, director of the Treasury Department's Office of Foreign Assets Control, the customs service has already initiated 18 domestic and eight foreign investigations into sanctions-busting.

The allegations, most of which, he said, appeared to be unfounded, included false declaration of country of origin of products like diamonds, steel and textiles, the supposed import of Krugerrands made into jewellery and the illegal export of petroleum products, weapons and aircraft parts.

● The administration has turned out 13 reports, mandated by the legislation, on everything from dependence of the US on South African strategic minerals to ties between the African National Congress and the Communist Party. Two more are in the pipeline.

The State Department also delivered a 200-page report to congress this week on the sanctions implementation.

Rejected

● According to Mr Paul Freedenburg, Assistant Secretary of Commerce for Trade Administration, US embassy officials in South Africa are now visiting the premises of all South African buyers of American computers to ensure that none is going to any apartheid-enforcing agency. Checks are also made before the computers are shipped.

This year the Office for Export Enforcement (OEE) has initiated 26 pre-licence checks of computer exports.

Mr Freedenburg said South Africa accounted for a third of all post-shipment verifications carried out by the OEE worldwide this year Fifty-six staff hours a week are devoted to checking South Africa-related information

Dr Crocker rejected Congress griping about his decision not to follow recommendations in the legislation to seek multilateral sanctions with US allies or in the United Nations

"You are well aware of our feelings regarding punitive economic sanctions," Dr Crocker said in reply to written questions. "We feel that the important issue remains the identification of those bilateral and multilateral measures which are likely to influence the South African Government to abandon apartheid."

● See Business Times, Page 11

US amba ambivale SA sanc

Sunday Times Reporter

THE United States ambassador to South Africa, Mr Edward Perkins, has come out with some strongly-worded observations on the current situation — and implied he is indifferent to continuing disinvestment.

The normally low-key envoy told a Portland, Oregon, US, audience yesterday that sanctions were an "unmitigated success" in expressing displeasure for apartheid but it was too early to say whether they would contribute to change.

Mr Perkins also said he would not discourage companies from disinvesting.

Abhorrence

The ambivalent stand by the diplomat contrasts with the strong stand against sanctions recently taken by Assistant Secretary of State, Dr Chester Crocker, and Un-

...SUPERSAVERS

Anti-apartheid activists forecasting more US business withdrawals

Foreign firms face pressure

By Neil Lurssen,
The Star Bureau

WASHINGTON — Anti-apartheid activists say more American businesses will withdraw from South Africa during the next 18 months.

American activists are also planning to put pressure on foreign — not American — corporations operating in South Africa.

The process started with a campaign of harassment against Shell Oil but they admit that the foreign giants are a much tougher target than US companies which are vulnerable to public opinion and pressure.

Mr Tim Smith, director of the Interfaith Centre on Corporate Responsibility, one of the most prominent of the pro-divestment lobbies, said: "International focusing is well underway."

American and foreign activists are forging links and among plans being hatched in the US is congressional legislation to put pressure on foreign companies and the countries where they are based.

It would be difficult to enact such laws now but they could become more viable if the US swung to the Left in the 1988 election and a liberal Democrat became president.

Meanwhile the spur to American withdrawal, anti-apartheid activists say, will be local and state elections this year and next when South Africa will be an issue. Candidates will support disinvestment and withdrawal to gain voters.

"Crunch not yet begun"

The Rev Leon Sullivan, a black activist who recently called for total US corporate withdrawal from South Africa, said: "Municipalities and states have not yet become active in this matter, as they will. The crunch has not yet really begun."

Already more than 100 local authorities — states, counties and cities — habe probitited their officials from signing contracts for sales or services with companies that operate in South Africa.

Also growing is the prohibition of public fund investment in shares of companies with South African ties. There is a move to challenge the right of local authorities to take these steps on the grounds that decisions relating to foreign policy are the preserve of the federal government.

In some cases firms have quit South Africa because of the fear of losing American business. The Emhart Corporation of Connecticut pulled out because it was scared its subsidiary in Washington, Planning Research Corporation, would lose state and city data-processing and management contracts.

Mr John Budd, Emhart's vice-president for external affairs, said: "It was a business judgment — nothing political."

Mr Randall Robinson, head of the Free South Africa movement and one of the most influential anti-apartheid lobbyists in America, believed the pull-out of Citicorp, announced last week, was especially significant because it was the world's biggest independent financial institution.

He said it would put pressure on other companies by eliminating an important source of funding for South African purchases of American interests.

Perkins applauds sanctions 'success'

PORTLAND, Oregon. — The United States ambassador to South Africa, appearing to break with White House policy, has applauded US sanctions and says he would not discourage companies from leaving South Africa.

In his first US speech since becoming ambassador, Mr Edward Perkins said on Friday that the sanctions had been "an unmitigated success" in expressing displeasure for apartheid. However, he said it was too early to tell whether it would contribute to change.

President Ronald Reagan unsuccessfully vetoed Congress-imposed sanctions last year and opposes the departure of American companies from South Africa.

The Minister of Foreign Affairs, Mr Pik Botha, said last night that he was not prepared to comment on Mr Perkins' remarks until he had seen the full text of Mr Perkins' statement.

Mr Perkins said there was a need for "more inventive ways to manage our relationship with the government of South Africa and with the South African people".

"We have to make abundantly clear in almost any way we can our abhorrence of a system which has a minority of the population enjoying economic and political rights at the expense of the majority," he told a joint meeting of the City Club and the World Affairs Council of Oregon.

Though the White House opposes the departure of American companies from South Africa, Mr Perkins said: "I don't urge companies to leave or stay."

He also said it was "far beyond my capability to address" the issue of disinvestment, referring to the debate over whether local and state governments, colleges and other groups should sell their stocks in companies that remained in South Africa.

Mr Perkins said companies that stayed in South Africa must remain socially engaged and those that withdraw should leave behind something for black South Africans. As an example of what could be done, he said universities that disinvest could put their money in a trust to help black South Africans.

In his speech, Mr Perkins said the state of emergency had succeeded in restoring order "as the South African government likes to define it".

"The aspirations of black South Africans have not been stilled. They may temporarily have been halted, but aspirations will not go back to pre-state-of-emergency levels."

He said that the "most egregious" act under the state of emergency had been the detention of children.

The White House has maintained that disinvestment and the departure of American companies from South Africa thwart efforts for peaceful change and hurt blacks more than whites.

Mr Perkins did not address the question of whether sanctions were wise from an economic viewpoint.

Mr Perkins said the outlook was bleak, specially since elections earlier this year strengthened the hand of pro-apartheid forces. He said there might be a crackdown against black trade unions and an attempt to curb outside financial support for anti-apartheid activities.

"This drama ... has a long time to run. I don't know how long. I wish I did." — Sapa-AP

ARGUS 22/6/87

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Sanctions policy confusion

From NEIL LURSSEN
The Argus Foreign Service
in Washington and
DAVID BRAUN, The Argus
Political Staff

'T is likely that the Rea- gan Administration and e South African Govern- ent will want clarifica- on from Mr Edward Per- ns, the US ambassador South Africa, as to what e meant when he ad- ressed the City Club and orld Affairs Council in ortland, his home city.

In his weekend speech in regon, Mr Perkins appeared come close to rejecting merican policy.

As reported by the Associ- ted Press, Mr Perkins said hat sanctions had been an nmitigated success" in ex- ressing contempt for apart- eid, and that he would not iscourage US companies rom leaving South Africa.

In Washington, a State De- artment spokesman said here would be no official omment until the speech had een read in full here.

Obliged to promote Reagan's policies

The Reagan Administra- ion, whose policies Mr Per- kins is obliged to promote nd foster, is opposed to most f the anti-SA sanctions now n effect. President Reagan ried to veto the measures hen they were approved by he Congress last year, but as over-ridden.

In addition, the Administra- ion is firmly opposed to fur- ther sanctions and disinvest- ment and is trying to persuade US companies not to withdraw, arguing that their presence is needed in South Africa to help make the SA economy an "engine of change" and to continue US influence at a time of transi- tion.

The Secretary of State, Mr George Shultz, has repeatedly praised the companies that are staying, and Dr Chester Crocker, his top Africa offi- cial, took the same position last week in testimony before a congressional committee.

When he returns to Wash- ington, Mr Perkins may be asked to explain what he meant when he said he did not urge companies to stay or leave because ... "it is far be- yond my capability to ad- dress".

He was also quoted as say- ing: "The Comprehensive Anti-Apartheid Act of 1986, as a statement of abhorrence by the American people of a hat- ed system, was an unmitigat- ed success.

"There is no question about where the American people stand with respect to South Africa and its Government at this time."

While Mr Perkins's re- marks may be taken to mean that the sanctions law is suc- cessful in terms of American



Mr Pik Botha



Mr Perkins

domestic politics and in ex- pressing American dislike of apartheid, it seems likely that he will be required to explain exactly what he had in mind in calling it an "unmitigated success" — particularly in terms of the strong opposition to the Act by President Rea- gan and his Cabinet.

In South Africa, Govern- ment and diplomatic sources were irritated at the latest flip in America's policy to- wards southern Africa, saying that if Washington had a poli- cy at all it was now more confused than ever.

The fresh row between South Africa and the United States may erupt following the remarks by Mr Perkins.

The White House squan- dered much political capital last year in an unsuccessfu attempt to prevent Congress adopting sanctions legislation and it has actively opposed disinvestment of American companies from South Africa.

Mr Perkins' remarks, fol- lowing recent decisions by the American Congress with regard to classifying the ANC as a terrorist organisation and restricting aid to front- line states in certain circum- stances has added to the growing confusion of what American policy is in the region.

Foreign Minister Mr Pik Botha could not be reached for comment on the latest de- velopment in US/South Afri- can relatons today, but his spokesman said it was not policy to comment on press reports.

"We must first see the full text of the Ambassador's speech before the Minister considers commenting," she said.

The US Embassy spokes- man in Cape Town was also unable to make any com- ment, saying she too was awaiting a full text of the speech.

Meanwhile, an article in the business section of Time magazine says American cor- porate withdrawals have brought little change to South Africa.

The article said early fears by opponents of divestiture that the departures of US firms would mean a dramatic loss of jobs for black workers have so far proved unjustified and advocates of divestiture who hoped the corporate walkouts would spur the gov- ernment even to slight re- forms of apartheid "have been sorely disappointed."

Reporting the latest with- drawals of Citicorp, Ford and ITT, Time quotes the Kwa- Zulu Chief Minister, Dr Man- gosuthu Buthelezi, as saying: "If the South African econo- my is destroyed along with apartheid, we will have to build on the quicksands of deepening poverty."

Little effect on national economy

For now, however, dives- ture does not seem to have had much effect — positive or negative — on the national economy, the magazine arti- cle said.

"Since buyers of American subsidiaries are producing roughly the same output of goods and services as their US predecessors, South Afri- ca's growth rate has been lit- tle changed."

The 193 US companies that remain in South Africa would undoubtedly find it "increas- ingly tough to resist the mounting demands to divest."

Time adds: "Firms that have already divested their holdings are sure to face con- tinued demands that they sev- er all ties to South Africa by refusing to permit their prod- ucts to be sold in the country."

Move by Urban Foundation

Exit 'strategy' offered to firms in US

SIMON BARBER in Washington and KAY TURVEY in Johannesburg

WASHINGTON — American companies have been offered eight disinvestment "exit strategies" by the Urban Foundation.

The move — which could involve substantial US tax benefits — is aimed at the transfer of American assets in SA to the foundation.

This could involve the foundation, its tax-exempt US branch, Urban Foundation (US) (USUF) or an intermediary offshore trust.

A key to many of the suggested moves is the Us branch, USUF, established in 1985 as a charitable, non-profit organisation under US tax law. Donations to that entity may therefore be deducted against a company's gross taxable income.

Charitable donations are also exempt from the Comprehensive Anti-Apartheid Act's bans on new investment in SA.

The offer, prepared with the help of the foundation's Washington-based law firm Gammon and Grange, has had a mixed reception.

Some firms have accused the foundation and its chairman Jan Steyn of trying to exploit the US disinvestment and sanctions campaign.

But, foundation executive director (re-

sources) Warwick Barnes said, in Johannesburg last night, it was not on an "acquisition trail" and the offer had been made to no more than 15 companies representing a select group.

The foundation would assist companies which approached it once a "substantive" disinvestment decision had been reached in order to preserve existing social reponsibility programmes.

Barnes said the offer was developed in response to a request from a US company wishing to withdraw from SA. It

● See Page 4

was considered by the foundation in the light of the "gathering momentum" of disinvestment and meant companies had access to well-researched and legally-defensible mechanisms to maintain their responsibility programmes.

The foundation said: "We have consistently maintained that the continued investment in SA by overseas corporations

● To Page 2

Exit 'strategy' for US firms

● From Page 1

is essential for economic growth, increasing employment opportunities and the prosperity of our people."

According to documents obtained by Business Day in Washington, a letter sent to companies by Gammon and Grange on June 2 states that the foundation has "researched rather extensively in the past months various alternatives for the exiting process".

The letter says the foundation and its US counsel have received full co-operation from the State Department and the Treasury Department's office of foreign assets control in formulating the plan.

The letter, signed by George Grange, invites companies to meet Barnes, Lance Japhet and foundation board member Robin Lee to discuss the proposal.

The letter stresses that the foundation is not encouraging disinvestment, but is only "exploring productive strategies given the realities".

"As I am sure you can appreciate, the foundation needs to protect its local and international donor base to enable it to continue its worthwhile activities."

The strategies include:

- **☐ Obtaining charitable contribution (tax) deductions for the cancellation of parent-subsidiary loans;**
- **☐ Obtaining charitable contribution deductions for the depreciated stock of the subsidiary;**
- **☐ Transferring a subsidiary on credit;**
- **☐ Using offshore trusts;**
- **☐ Donating existing debt;**
- **☐ Technology transfers using a charitable intermediary;**
- **☐ The warehousing of intangible property (including trademarks and patents).**

These are described as "alternatives which have already been employed in the exiting process or which US companies may want to consider if and when a disinvestment decision is made".

ARGUS 23/6/87

Sanctions upset: US backs Perkins

By ALAN DUNN
The Argus Foreign Service



Dateline: WASHINGTON

THE US has explained to South Africa the reported comments of Mr Edward Perkins, its ambassador to the Republic, and issued a statement saying his speech was consistent with Reagan Administration policy.

South African embassy officials here yesterday sought and received clarification of a weekend report from Portland, Oregon, quoting Mr Perkins as "appearing to break with Reagan Administration policy" on South Africa.

Report not damaging to relations

It is understood, however, that colleagues at the US State Department questioned Mr Perkins by telephone shortly after the wire service report appeared on Sunday. His explanation of what he had told a meeting in his hometown were relayed to South African officials yesterday.

Neither officials at the State Department nor the South African embassy saw the upset over the report damaging relations between the countries — a State Department official, Mrs Phyllis Oakley, said it seemed Mr Perkins had in parts been quoted out of context.

She said Mr Perkins had discussed his talk in Portland with the State Department before delivery. Referring to the US law which imposed sanctions last year against South Africa, he was quoted as saying: "The Comprehensive Anti-Apartheid Act of 1986, as a statement of abhorrence by the American people of a hated system, was an unmitigated success."

Mrs Oakley commented: "We have consistently stated that the Comprehensive Anti-Apartheid Act is an effective embodiment of American outrage, but results are what count in ending apartheid.

Statements consistent with US policy

"The law has not achieved positive results toward that end," she said, referring to the economic sanctions contained in the Act which the Reagan Administration has repeatedly denounced. "The ambassador's statements are consistent with US policy,' she said.



Mr Edward Perkins

On the issue of American companies leaving South Africa, Mr Perkins reportedly said "I don't urge companies to leave or stay."

But Mr Perkins' bosses have, even in the past week, publicly urged US businesses to stay in South Africa, expressing regret as each one has withdrawn.

"I think Ambassador Perkins supports the continued positive presence of US firms in South Africa," Mrs Oakley said. "But he believes, as we do, that individual firms must take their own business decisions weighing all relevant factors."

There were no substantive signs of anger yesterday among senior State Department officials at Mr Perkins. "He is not going to get a slap on the wrist or disciplinary action, or anything like that," said one official.

"Misunderstanding of the US Press"

Asked if Mr Perkins perhaps misunderstood the Reagan Administration's policy, the official said: "No, I don't think so. I think it displays some kind of misunderstanding of the US Press to think that everyone understood the subject and would report it correctly."

The official said Mr Perkins's speech may have sounded "a different tone, but sure is not different substance" from what his superiors had been saying.

It is believed that the State Department does not think the upset merits summoning Mr Perkins to Washington. The ambassador is on vacation in his hometown, and will be heading for Taiwan to visit his wife's family before returning to South Africa early next month.

Foundation: Disinvestment exit strategies

Own Correspondent

JOHANNESBURG. — American companies have been offered eight disinvestment "exit strategies" by the Urban Foundation.

The move — which could involve substantial US tax benefits — is aimed at the transfer of American assets in SA to the foundation.

This could involve the foundation, its tax-exempt US branch, Urban Foundation (US) (USUF) or an intermediary offshore trust.

A key to many of the suggested moves is the US branch, USUF, established in 1985 as a charitable, non-profit organization under US tax law. Donations to that entity may therefore be deducted against a company's gross taxable income.

Charitable donations are also exempt from the Comprehensive Anti-Apartheid Act's bans on new investment in SA.

The offer, prepared with the help of the foundation's Washington-based law firm, Gammon and Grange, has had a mixed reception.

Some firms have accused the foundation and its chairman Mr Jan Steyn of trying to exploit the US disinvestment and sanctions campaign.

But, foundation executive director (resources) Mr Warwick Barnes said here it was not on an "acquisition trail" and the offer had been made to no more than 15 companies representing a select group.

The foundation would help companies which approached it once a "substantive" disinvestment decision had been reached in order to preserve existing social reponsibility programmes.

Mr Barnes said the offer was developed in response to a request from a US company wishing to withdraw from SA. It was considered by the foundation in the light of the "gathering momentum" of disinvestment and meant companies had access to well-researched and legally defensible mechanisms to maintain their responsibility programmes.

☐ **See Simon Barber column — Page 10**

The Urban Foundation's 'exit' for disinvestors



JAN STEYN

SIMON BARBER in Washington

TORPEDOED by anti-corporate activists, local governments, the US Congress and the Reverend Leon Sullivan, the ship of American business in South Africa is going down. Enticed by the cheap eats in the water, the sharks are circling.

Swimming among them is the SA Urban Foundation (SAUF). Under its Executive Chairman Jan Steyn, the SAUF is offering American companies a painless way of jumping overboard and in a manner he asserts will benefit all South Africans.

On June 2, the SAUF's Washington-based US counsel — Gammon and Grange — circularised some US firms with a set of suggestions. A copy of the letter was made available to me last week.

The letter stresses, somewhat disingenuously, that the SAUF is not advocating disinvestment but rather attempting to cope fruitfully with political and economic reality

"As I'm sure you can appreciate," writes attorney George Grange, "the Urban Foundation needs to protect its local and international donor base to enable it to continue its worthwhile activities."

To which end the SAUF evidently hopes to become its own donor, taking over a not insignificant fraction of the SA private sector and at the same time ensuring that SA is defended against the vicissitudes of sanctions and disinvestment.

Whether all US companies welcome such designs may be judged from the fact that someone decided to make them public.

"To improve its understanding of the existing dynamics and options which US companies have available," the letter explains, "the Urban Foundation has researched rather extensively over the past months various alternatives which have either already been employed in the existing process or which US companies may want to consider if and when a disinvestment decision is made.

"The Urban Foundation has pursued these alternative strategies based upon extensive discussions with the responsible officials in the Departments of Treasury and State. These have revealed the potential for maximising tax and financial advantages in the exit transaction, while accomplishing desirable social responsibility goals.

"The Urban Foundation has requested Gammon and Grange to develop alternative exit strategies, and in doing so our firm has had extensive discussions with the Office of Foreign Assets Control of the Department of Treasury, responsible for interpreting the new (Comprehensive Anti-Apartheid Act — CAAA) investment prohibitions, and the Department of State.

"The various strategies principally involve the use of two exemptions to the prohibition on new investments contained in the CAAA regulations: the charitable contribution exemption and the exemption for a firm owned by black South Africans."

What follows is an outline of the eight strategies the SAUF and its attorneys have come up with, as described in the executive summary attached to the letter.

The plans are similar to those already adopted by a number of departing companies, with the obvious exception that — in this instance — the proceeds are channelled to a not-for-profit, charitable organisation.

This is a key distinction, because in 1985 the SAUF set up a tax-exempt American counterpart known as the Urban Foundation (USA) Inc., which is authorised to receive tax-deductible donations from US individuals and entities.

Many of the proposed transactions thus take the form of charitable contributions which donors may deduct in whole from their gross taxable income.

"Exit strategy number one" is for a US company whose SA subsidiary has loans outstanding to the SAUF and in turn owes money to its parent.

"The parent will donate to the Urban Foundation (USA) (USUF) notes in an amount equivalent to the subsidiary's loan to the foundation (SAUF). USUF would then make a budgeted grant of these notes to SAUF. And SAUF would exchange these notes to pay off its indebtedness to the SA subsidiary".

Plan two posits a US company whose initial US$6m investment in SA has shrunk to US$2m, thanks to the collapse of the rand and the effect of the financial rand.

The parent could sell out for US$2m and take a US$4m book loss, or abandon the investment entirely. With the top tax rate currently at 34%, the latter could result in US$2,04m in tax savings. Potentially more profitable would be simply to transfer the subsidiary's stock to USUF as a tax-deductible gift.

Under plan three, the parent sells its subsidiary to SAUF or USUF, either directly or "through a suitable intermediary trust," taking back a promissory note for the purchase price.

"The US company would have the opportunity to forgive, at some point in the future, all or part of the interest and/or principal.

"The two goals of this strategy are: (1) to ensure a stream of income to the foundation from dividends from the SA company (which dividends would presumably be sufficient to pay all interest costs); and (2) to structure the transaction to provide some appropriate right of reacquisition."

Strategy four: "An appropriate offshore trust is set up by the foundation (a Dutch company may be used to ensure that the interest payments are only subject to a 10% South African non-residence tax and to take advantage of the Treaty rate of withholding tax).

"The US parent would then sell its subsidiary to the trust, transferring all of its stock and taking back notes in exchange".

Scenario five deals with a US parent owed money by its subsidiary. When it disinvests, the parent can only be repaid at the financial rand rate. Further, if it seeks to make a charitable contribution of the proceeds of disinvestment, then the donation must also be calculated in financial rand.

Solution: donate some of the notes owed by the subsidiary to the foundation and the gift can then be calculated at the full commercial rand rate.

"A variation of this strategy is proposed, whereby the US parent company is not disinvesting and the subsidiary requires further debt financing." To avoid the CAAA's ban on new investment "the foundation may serve as an intermediary for this transaction".

Plan six: "A transfer pricing technique is proposed to enable the foundation to receive on-going support in terms of goods and technology from the US parent company after it disinvests.

"To accomplish this, the foundation would establish a foreign subsidiary in a suitable tax haven, such as Switzerland.

"The US company would then route goods or technology through that entity. The pricing policy would be one where the amount which would otherwise be donated to the foundation would be represented by a profit to the tax haven entity."

The seventh strategy is entitled "warehousing intangible property" and is designed to defend against the US Congress making disinvestment mandatory.

"The foundation would establish a suitable tax haven entity (most likely a Dutch company), which could receive an assignment of intangible property essential in the on-going provision of technology from the US company to its former SA subsidiary.

"For example, the US company could licence to the foundation's tax haven entity various trademark or patent rights necessary for conducting the former subsidiary's business. As part of the transaction the US company would also agree to make available future developments of the technology to the tax haven entity for a specified period of time.

"The tax haven entity in turn would sell the technology to the SA company at a market rate as determined in an arms-length transaction If the US company sells rather than donates the technology, then payments received by the tax haven entity from the SA company in return for the technology would need to be sufficient to pay the US company the agreed licence fee, plus a sufficient profit margin to cover the cost of maintaining the tax haven entity and providing reasonable return to the foundation."

The eighth and last plan calls for the SAUF, or its US counterpart, to establish an off-shore trust "to receive and administer the assets of one or more SA operating companies divested by a US parent".

The parent could donate the subsidiary to USUF, thus earning a charitable contribution deduction. USUF "would then immediately transfer the stock of the operating company to the trust for appropriate consideration".

The trust would operate until the CAAA was repealed or amended and would permit the former parent the option of reacquisition.

The summary (of a far more detailed prospectus available to any interested company) concludes: "Whether US companies have decided to maintain their SA operations, or to disinvest, advantages (both tax and public relations) can be achieved by considering one of more of these alternative strategies."

Urban Foundation eases exit routes for US firms

CAPE TIMES 23/6/87

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Washington Letter
by SIMON BARBER

TORPEDOED by anti-corporate activists, local government, the US Congress and Reverend Leon Sullivan, the ship of American business in South Africa is going down. Enticed by the cheap eats in the water, the sharks are circling.

One of those sharks (a nurse, perhaps, rather than a Great White) is the Urban Foundation. If you are an American company thinking of jumping overboard, the UF executive chairman Jan Steyn would like you to swim towards his jaws. His offer is to devour you painlessly and in a manner he asserts will benefit all South Africans.

On June 2, the UF's Washington-based US counsel, Gammon and Grange, circularized some US firms inviting them to become lunch and offering a menu of possible ways they might like to be cooked. A copy of the letter and an attached summary of recipes were made available last week.

Donor base

The letter stresses, somewhat disingenuously, that the UF is not advocating disinvestment, but rather attempting to cope fruitfully with political and economic reality. "As I'm sure you can appreciate," writes attorney George Grange, "the Urban Foundation needs to protect its local and international donor base to enable it to continue its worthwhile activities."

To which end, the UF evidently hopes to become its own donor, taking over a not insignificant fraction of the South African private sector and at the same time ensuring that South Africa is defended against the vicissitudes of sanctions and disinvestment. Whether all US companies welcome such designs may be judged from the fact that someone decided to make them public.

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Jan Steyn



Leon Sullivan

"The Urban Foundation has pursued these alternative strategies based upon extensive discussions with the responsible officials in the Departments of Treasury and State. These have revealed the potential for maximizing tax and financial advantages in the exit transaction, while accomplishing desirable social responsibility goals.

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This is a key distinction because in 1985 UF set up a tax-exempt American counterpart known as the Urban Foundation (USA) Inc, which is authorized to receive tax-deductible donations from US individuals and entities. Many of the proposed transactions thus take

Target

Cont...

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"The tax haven entity in turn would sell the technology to the SA company at a market rate as determined in an arms' length transaction. If the US company sells rather than donates the technology, then payments received by the tax haven entity from the SA company in return for the technology would need to be sufficient to pay the US company the agreed license fee plus a sufficient profit margin to cover the cost of maintaining the tax haven entity and providing

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"A variation of this strategy is proposed whereby the US parent company is not disinvesting and the subsidiary requires further debt financing." To avoid the CAAA's ban on new investment, "the Foundation may serve as an intermediary for this transaction".

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Summary

The parent could donate the subsidiary to USUF, thus earning a charitable contribution deduction. USUF "would then immediately transfer the stock of the operating company to the trust for appropriate consideration." The trust would operate until the CAAA was repealed or amended and would permit the former parent the option of reacquisition.

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US disinvestment law tested

CMB Times 24/6/87 (62)

From SIMON BARBER

WASHINGTON. — The first major suit by a pension fund against a local SA disinvestment law went to trial in Baltimore this week.

Lawyers for the fund's 11-member board of trustees argued that the city law would increase the costs of managing the portfolio by $1m a year and would require $400m of the fund's most reliable stocks to be sold.

This represented a "clear violation" of the trustees' fiduciary responsibility to the fund's 7 000 beneficiaries, the lawyers maintained.

"We'll establish that a significant amount of damage will be ensured if the fund is required to sell its current holding in companies that do business with SA," attorney George Nilson told the court.

Nilson is also expected to argue that the law violates the State of Maryland's constitution because it farms out the task of blacklisting companies to private anti-apartheid groups.

Ed Glinka, the city's pension fund manager, testified that disinvestment would "place entire economic sectors beyond the scope" of fund investment.

"Disinvestment will eventually produce a riskier and/or more volatile investment portfolio."

Glinka produced a study showing that a 1% decline in fund performance between 1982 and 1986 would have cost the portfolio $27m.

The city council insists that a majority of the Standard and Poor's top 500 stocks could still be included in the portfolio, and that 65 of the Fortune 100 were now "SA-free".

In an ironic twist, Nilson disputed this by arguing for a more severe interpretation of the law than the council apparently intended.

Trade mags, books for SA stopped

Own Correspondent

JOHANNESBURG. — At least 25 overseas publishing companies — including McGraw Hill — have notified South Africa's largest subscription agency, Universitas, they will stop supplying South Africa with books and journals.

This means that dozens of publications — including Business Week — will no longer be available in South Africa through normal channels.

The managing director of Universitas, Mr Piet Groenewald, said many other publishers were doing the same. His agency deals with about 13 000 publishers worldwide.

Mr Groenewald said a recent subscription renewal cheque from Universitas had been returned by McGraw Hill, which announced in February its withdrawal from South Africa through a management buy-out.

This was followed by a note informing Universitas, which has about 2 500 subscribers for 34 McGraw Hill titles, that it would stop new subscriptions and renewals but would continue those already paid for.

On a subsequent visit to the US, Mr Groenewald said he was told political pressure forced the action because the company could not afford to jeopardize its $5 million US market share for the comparatively tiny South African market.

Magazines affected include mostly technical and trade magazines such as Business Week, Byte, Chemical Engineering, Data Communications and Aviation Week and Space. Many of them are supplied to government bodies.

It was possible, said Mr Groenewald, to circumvent the boycott by using middlemen overseas, but this would raise the price of the product and land the company with an additional 10% import surcharge.

No change after pullouts

KAY TURVEY

MOST employment practices will remain unchanged in the hands of local managers following disinvestment by US companies, a survey by the Washington-based Investor Responsibility Research Centre (IRRC) has found. However, less tolerance of strike action and a slackening of management commitment to affirmative action programmes are envisaged. RAU Institute of American Studies released the survey this week.

Research conducted in January by IRRC director David Hauck examined donor records of the Legal Resources Centre and Urban Foundation to determine the importance of US contributions to both organisations. The survey — "What happens when US companies sell their SA operations?" — concluded that the most likely change following US pullouts would be a cut in the size of wage increases.

This would occur until the wage scales of former US-owned firms matched those of other companies in related industries. Yet this was less likely if the company was unionised.

Where local managers had taken part in a management buyout, there would be more motivation to hold down wage increases to maximise cash flow to repay bankers and protect their own investment.

Black managers interviewed were divided as to whether local managements would invest less time and money in training and promoting blacks. Sullivan signatories had done little better than South African industry in developing black managers, the survey established. Manpower figures for 1983 showed 3,7% of managers in Sullivan signatory companies were black and 4,7% in SA companies. In 1985 the percentage of black managers in SA companies was unchanged, but among Sullivan signatories it had risen to 5%.

A change in labour relations was anticipated — new owners of US operations being likely to respond more agggressively to strikes by sacking strikers and refusing to rehire union activists.

Company contributions to community development projects and social change organisations would drop to about half their former level after the departure of US firms.

Unless there were dramatic changes in methods of financing buyouts there was no possibility of ownership of these assets passing into black hands, the survey found.

Foreign companies in South Africa can do more good by staying than quitting, says *The Economist*

Sullivan's retreat

HOW should businessmen respond to the Reverend Leon Sullivan's shifting of the goal posts?

Since 1977, many American companies with interests in South Africa have let Mr Sullivan, a black Baptist minister from Philadelphia, influence the way they do business.

Stay in South Africa, his six principles told them, but practise no apartheid in the workplace. Desegregate lockers and canteens; give black and white employees equal pay for equal work; train blacks for more responsibility and promote them into better jobs.

In 1984, as calls grew louder for American companies to pull out of South Africa, Mr Sullivan adopted a seventh and more demanding principle: companies should extend their campaign against apartheid beyond the bounds of their own businesses.

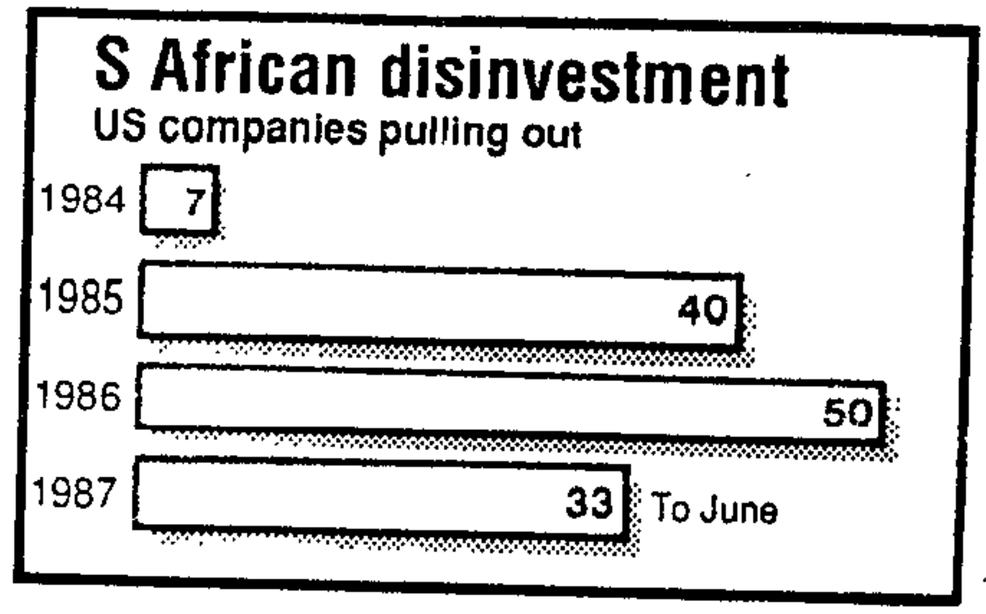
Three years later Mr Sullivan has given up on his own code and joined the call for disinvestment.

The principles have lost their author but none of their usefulness. Of all the economic sanctions proposed against South Africa, a pull-out by foreign companies makes the least sense.

If they stay, multi-nationals can help nudge South Africa down the right road: by training a generation or two of black managers; by nibbling away at apartheid by negotiating concessions from the government, supporting black education and quietly ignoring laws that hamper their business.



Rev Leon Sullivan



Far better to stay in South Africa than to sell, like General Motors, to new owners who start by sacking 500 workers, refusing to sign the Sullivan code and reversing the company's past policy against selling vehicles to the army or police.

Even some black South Africans who once backed a pull-out are having second thoughts: among them another anti-apartheid reverend, Mr Allan Boesak.

Staying in South Africa will make business sense only if American companies can persuade anti-apartheid boycotters at home to follow Mr Boesak's line of thinking, not Mr Sullivan's.

Their best chance of doing so is to continue adhering to the Sullivan principles (as many companies staying on intend to do): particularly the seventh one.

In some ways, the companies have already begun carrying their fight against apartheid beyond the workplace. Columbia Pictures has refused its films to segregated cinemas; as a result, some have dropped the colour bar.

Help pay for housing projects

Nearly half the signatories to the Sullivan code have housed black executives in areas reserved for whites under the Group Areas Act. More subversion of this sort might persuade anti-apartheid boycotters in the West to let up. Here are two suggestions.

Companies could start by distancing themselves from the army, which spends too little of its time on soldierly business and too much on keeping blacks in line.

They could, quite legally, cease paying indirect subsidies to the army pay-roll by refusing to top up white employees' salaries while they are doing national service. Companies that participate in the Defence Manpower Liaison Committees, which aim to bring business and the army together, could resign.

Second, companies can help pay for housing projects that break down residential segregation. Over the next two decades, South Africa will need ten new Sowetos for its growing black population.

Some government ministers think residential mixing should be allowed in new townships. BP has led one attempt to begin a trend by offering financial help to a private housing project in Cape Town — provided the project is racially integrated.

The government has yet to approve the scheme, but post-Sullivan multi-nationals should be making more offers like it.

● *Hugh Roberton is away. His Issues column will resume on his return.*

Ford plans to build experimental engine to run on ethanol

EP 25/6/87

DURBAN — Ford engineers in South Africa have started work on an experimental car engine to run entirely on ethanol.

The engine, a modified three-litre V6 petrol engine, is to be developed in Pretoria and Port Elizabeth. It will then be run experimentally in a farmer's bakkie on the Natal South Coast as part of the efforts of a group of farmers to build their own ethanol distillery.

Mr Dick Crosbie, managing director of Crosbie Ford in Port Shepstone, said yesterday the company already had the necessary technology to produce the ethanol engine because of its development of similar engines in Brazil.

Modifications to the bakkie engine will include re-calibrated ignition and carburettion settings and raising the compression ratio.

The Umzimkulu Cane Growers Association, which plans to build an ethanol plant in Paddock to produce low-cost farm fuel, was given Government permission to build the plant in 1985.

But the chairman, Mr Ben de Boer, said yesterday that the association was still waiting for a permit from the Department of Customs and Excise before building could start.

Sullivan principles live on, but quits

IN May 1985, the Rev Leon Sullivan said that if in 24 months statutory apartheid was not ended and there was not a clear commitment to an equal vote for blacks he would remove his leadership from the programme that he initiated in 1977.

It was, therefore, not surprising that on June 3 this year that he called for the withdrawal of all United States companies from South Africa, and for a total US embargo against this country. He also called on President Reagan to end diplomatic relations with SA.

Notwithstanding this announcement the signatories to the Sullivan principles will continue to comply with that 10-year-old code of corporate practice. The United States Corporate Council, comprising chief executive officers of corporations with a presence in SA, has called on signatory companies to "renew and increase their efforts to end the apartheid system and to support the efforts of dedicated individuals and organisations in South Africa to bring about a non-racial and democratic society".

Regret

A statement by the Association of Signatories says that the council, consisting of 104 chief executive officers of companies concerned about the South African issue, has expressed profound regret that Mr Sullivan has recommended US company withdrawal from SA.

Although sharing the frustrations of Mr Sullivan and others — particularly South Africans — who are properly impatient to see freedom and equality and oportunity prevail here, the council states its belief that US companies must continue to be a factor for fundamental and rapid change.

It is convinced that the decisive area of this historic struggle is in SA and US corporate resources can be most effectively brought to bear through an American presence here.

Roger Crawford, chairman of the Association of Signatories, says: "The American business community is indebted to Leon Sullivan for his leadership and initiative, but will commit itself to the continuation of the Sullivan principles without Sullivan.

"Steps will be taken to strengthen incentives to improve the quality and quantity of programmes supporting the South African black community. Renewed focus will have to be given to having meaningful communication with the black communities being assisted through the principles and to encourage negotiation with black community leadership."

Objectives

There are 125 signatories to the Sullivan code who will be encouraged to continue to apply the seven key objectives dealing with conditions at work, activities in the community at large and, most urgently with direct and wide-ranging opposition to the apartheid system itself.

Signatories will continue to work towards the elimination of all laws and customs impeding social, economic and political justice, says Mr Crawford.

The United States Corporate Council specifically endorses the ending of all apartheid laws.



Roger Crawford ... chairman of the Signatory Association

After Mr Sullivan's decision to remove himself from the leadership of the programme applying the Sullivan principles, and to relegate himself to the sidelines as a spectator, the leadership of the future effort will lie with the council.

It was formed in September 1985 to underline the personal commitment of the participating chief executive officers to the United States Corporate programme to accelerate the elimination of apartheid. It encourages member support to black South African education, advancement and leadership in the movement toward post-apartheid SA

Since its formation, the council has maintained close contact with SA business leaders to strengthen the combined business community influence on the Government to end apartheid.

The council's three co-chairmen are Allan Murray of Mobil Corporation, Reuben Mark of Colgate Palmolive and Michael Blumenthal of Unisys. The Signatory Association will remain in place, serving a similar role to the signatory companies applying the principles.

The policy-making body will now be the US Corporate Council with the ISU and Signatory Association providing administrative and communication support.

Mr Crawford says: "The American business community is committed to the concept of free enterprise, the promotion and development of trade and commerce between the United States and South Africa and to the creation of a free and just society.

"American business will continue to promote on-going investments in South Africa and has actively opposed the disinvestment and divestment efforts.

"In reviewing the achievements of US firms in the areas of social justice, education, community development, training and advancement, housing, health care and business development, there is a realisation that much more must be done.

"To seek the removal of American companies from South Africa is not only to call for an end to the significant expenditure in a wide area of activity, but to remove an enlightened and progressive business presence.

"The steady withdrawal of these enlightened business units will considerably weaken the social responsibility thrust in South Africa."

Equal pay

The code of employment practice followed by US firms in SA for the past 10 years embraces these principles:

- Working to eliminate laws and customs that impede social and political justice.
- Initiation and development of training programmes that will prepare blacks, coloureds and Asians in large numbers for supervisory, administration, clerical and technical jobs.
- Increasing the numbers of blacks, coloureds and Asians in management and supervisory positions.
- Improving the quality of employees' lives outside the work environment in such areas as housing, transport, schooling, recreation and health facilities.
- Non-segregation of the races in all eating, comfort, locker room and work facilities.
- Equal and fair employment practices for all employees.
- Equal pay for all employees doing equal or comparable work for the same period of time.

Local buyouts dull US disinvestment

B/Day 29/6/87 62

KAY TURVEY

US COMPANIES withdrawing from SA have indirectly paid over millions of dollars to local operations, minimising the effects of disinvestment.

In mid-1985, US investments in SA amounted to $1,5b, dropping to $1,3b at the end of 1986, according to US Department of Commerce figures.

RAU Institute of American Studies' Carl Noffke attributes the remaining high presence of dollars to the fact that disinvesting companies have set up secure financial bases to enable local operations to compete effectively.

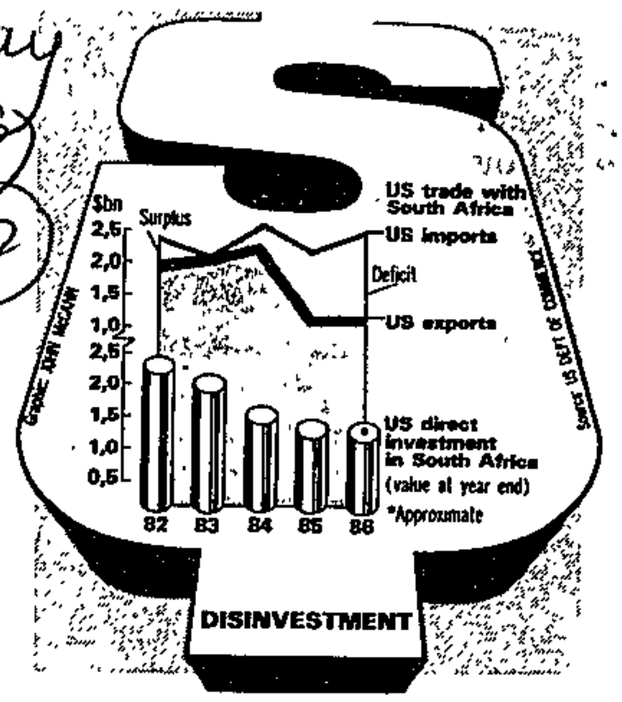
IBM and GM paid large sums to make provisions for pension funds. Further, IBM set up a trust to retain its R15m commitment to community projects, and GM paid for all development costs and the introduction of a new-model vehicle for Delta motors.

Noffke declined to give further examples, saying it could add to the pressure on parent companies.

Most management buyouts tie the new SA companies into some form of trading relationship with their former parents. As royalties and orders are permitted to leave SA through the more favourable commercial rand, it is in the interests of the disinvesting parent to ensure the local operation is financially viable.

Noffke also attributes the relatively insignificant drop in direct US investment in SA to the relative smallness of those US subsidiaries which simply withdrew. The larger operations, either capital- or labour-intensive, have sold out to European or local managements.

However, Noffke expects the effects of disinvestment to become more apparent this year, with the value of US investment beginning to drop significantly.



Already 18 companies have left SA so far this year and another 12 have announced their intention to do so. During the past two-and-a-half years the number of American companies with subsidiaries in SA has fallen by more than a third. In 1985, 40 companies pulled out of SA, and 49 in 1986.

Cape Times 1/7/87

Kodak slide film shock

By RONNIE MORRIS

SOUTH AFRICAN amateur and professional photographers who buy Kodachrome 64 film for colour slides are in for a rude and expensive shock — it cannot be processed anywhere in South Africa.

The film can be processed anywhere in the world, but no Kodak laboratory will return processed Kodachrome to a South African address.

Kodak withdrew from South Africa yesterday after announcing its pull-out earlier this year, selling its inventory to SA Druggist, and its nine laboratories to Trimark Agencies.

Kodachrome 64 film can still be bought but the majority of pharmacies and photographic outlets no longer stock them, a random survey showed yesterday.

The developing and printing of normal Kodak film, including Ektachrome, will not be affected because this could be developed at most laboratories, said Mr A Trevorrow of Trimark Agencies.

Mr John O'Kennedy, of Africolor laboratory, confirmed that Kodachrome was the only Kodak film that could not be processed in South Africa. The company received a letter from Kodak asking that film be forwarded to friends or family overseas for processing and return to South Africa.

Mr Trevorrow said the company was presently processing a backlog of a few thousand Kodachrome films and hoped this would be complete by the end of the week.

The restarting of the machines was a costly business because Kodak staff who had been retrenched had to be recalled and manufacturing equipment had to be bought.

Sotheby's SA bids for . . . Sotheby's

ARGUS 7/7/87 (62)

The Argus Correspondent

JOHANNESBURG. — Sotheby's auctioneers in South Africa have pre-empted disinvestment by the company's United States shareholders by offering to buy out the local operation.

The director of Sotheby's SA, Mr Stefan Welz, said he was under the impression that certain shareholders in America were "getting nervous" about the company's South African connections and he and his fellow-directors had decided to make an offer for the R10-million-a-year operation.

"Many of the shareholders are prominent personalities in the United States, such as Henry Ford and Alfred Taubman, a property tycoon and owner of a large supermarket chain," he said.

Mr Welz confirmed he would remain as a director on the board of Sotheby's in Britain and that the new company would act as Sotheby's sole South African agents.

He added that the local company, which employed 20 staff and had offices in Johannesburg and Cape Town with an agency in Durban, would continue to operate as in the past. Expertise, he said, would continue to be made available from London.

The management buy-out would be completed by the end of this month.

Sotheby's in buyout

A MANAGEMENT buyout of SA's premier auctioneering operation, Sotheby's SA, was confirmed by its local director Stephan Welz last night.

Welz said the MBO of the local operation, which had a R10m turnover, was to pre-empt disinvestment.

Sotheby's is an American-owned operation.

The transaction is being undertaken in Welz's personal capacity with two fellow directors, Danny Swart and Penny Culverwell. It is due to be officially completed by the end of July.

Welz, who has been with Sotheby's for 17 years, said the name would remain unchanged for a period of time, probably about a year, after which it would be incorporated into a new name still to be decided.

DIANNA GAMES

He said the operation, which employed about 20 people, would continue to operate exactly as in the past.

Expertise from London would still be available, he said, and he would remain a director on the board of Sotheby's in London.

Sotheby's was registered in SA in 1968 and was initially run by Reinhold Cassirer, husband of writer Nadine Gordimer. It now has offices in Johannesburg and Cape Town, an agency in Durban, and opened its own auction hall in Johannesburg, last year.

Ultimately, long-term growth will de-

Buthelezi's plea refused by Sullivan

Own Correspondent

THE REV Leon Sullivan, the author of the Sullivan Code and one of the latest exponents of US economic withdrawl from SA, has decided to ingnore Mangosuthu Buthelezi's call to oppose disinvestment.

Buthelezi wrote to Sullivan shortly after the May whites-only elections, calling on him to withstand the temptation to join the call for US disinvestment from the country.

In a letter to the KwaZulu Chief Minister, Sullivan said he had taken a stand and called for the withdrawl of American companies until statuatory apartheid had been abolished, and government had made a clear committment of a vote for blacks after negotiating with authentic and representatives, such as Buthelezi.

"I took this position after deep, deep concentration and much prayer," Sullivan said.

"I thought it was necessary for me to take the next step with corporate force to help, hopefully along with other efforts, to move the South African government to meaningful changes in the elimination of apartheid, which I believe is the main cause of problems in your country."

Sullivan said he would never turn his back on the struggle for liberation in SA, and would somehow remain a part of it.

He added that he admired Buthelezi for his historic and extraordinary leadership — from which all of SA would benefit.

"Let us both keep in touch, because although we seem to be going in different directions, we are both converging on the same goals," Sullivan said.

UIF swells to R240m as net widens

GERALD REILLY

PRETORIA — The strength of the Unemployment Insurance Fund has increased spectacularly recently.

Manpower director general Piet van der Merwe told Business Day yesterday the fund's assets had risen from R171,3m at the end of December last year to the current level of R240m.

He said were it not for the repayment of a R75m government loan at the rate of R10m a quarter, the fund would have exceeded the peak level of R270m reached in 1982.

The major reason for the well-filled fund was the raising of the beneficiaries ceiling to R30 000 from R26 000 and increasing employer and employee contributions to 0,9%.

Van der merwe said between R33m and R35m a month was being paid to beneficiaries.

Keep an eye

MOVES are afoot to weed out fake researchers.

People who sell door-to-door or telephonically under the guise of research are making an increasing number of people reluctant to be interviewed — and there are fears that this could distort research findings in some areas.

Research organisations have called on the public to report misrepresentations and have taken steps against "suggers" (people who sell under the guise of research).

The SA Marketing Research Association (Samra) is aggressively following up complaints reported to it and claims

Pharmaceutical firms say they are here to stay

HELOISE HENNING

MULTINATIONAL pharmaceutical companies in SA are committed to their local presence, and have considerable shareholder support.

Several MDs of US companies, when approached by Business Day for comment, were reluctant to discuss the matter and wanted to keep a low profile.

They said access to medicine was considered a basic human right, and anti-apartheid lobbies had a lot to prove before a multinational would decide to pull out.

If forced to do so, they would find means of continuing to distribute their products locally, they said.

But Hugo Snyckers, MD of local pharmaceuticals maker Noristan, said SA manufacturers would in future find it increasingly difficult to obtain patent licences from overseas companies.

Only about 7% of active components used are manufactured in SA.

The parent company of MSD, Merck & Co, reported to its US shareholders recently that a proposal concerning disinvestment from SA had been defeated overwhelmingly.

"Until otherwise convinced, we have decided to stay there," Merck chairman Roy Vagelos told the annual shareholders' meeting. He stressed the $1,1bn-turnover company's global performance would not be affected by its SA involvement.

However, MSD MD Don Allen said he was in the country to "find a way out of the dilemma".

Had to reduce staff

SA-born Allen's previous executive experience includes helping reduce Merck's involvement under communist-controlled labour unions in Venezuela and restrictive government policy on pricing. His management decisions helped maintain Merck's presence in Venezuela, although staff had to be reduced radically.

Janssens Pharmaceuticals executive director Theo Bahlmann said there was no talk of disinvestment and his company believed it was serving SA by being part of the solution. However, the threat of disinvestment would always be present as long as the highly active anti-apartheid lobbies existed.

Twins Pharmaceuticals CE Solly Krok, who bought out MER National — the only pharmaceuticals company that has disinvested so far — said Twins was continuing to manufacture the full product range.

Pharmaceutical Manufacturers' Association CE John Toerien said the industry was international with research and development being done in the major centres but SA was still regarded highly because it was used for most clinical drug trials.

Besides, the active ingredients imported were bought in small quantities and he did not foresee any problems obtaining them for local manufacture under a total boycott.

"The active ingredients for the manufacture of one drug's supply for a year could be brought in in a suitcase," he said.

US judge turns down disinvestment challenge

The Argus Foreign Service

WASHINGTON. — A US judge has rejected a legal action challenging a disinvestment law against South Africa in what is being seen as a landmark case.

He upheld a local ordinance passed by the Baltimore City Council last year ordering its R2,4-billion employees' pension fund to sell off its interests in companies doing business in South Africa.

"It's a national test case, definitely," said Mr Russell Frisby, a city council attorney.

Anti-apartheid groups, disinvestment pressure groups and pro-sanctions interests were elated at the judgment, believed to be the first since American disinvestment started.

In a 32-page judgment, Baltimore Circuit Judge Martin Greenfeld last week turned down arguments from the city employees' pension fund that its members would lose money if its South Africa-linked investments had to be sold and reinvested elsewhere.

He also rejected broader constitutional arguments that Baltimore's disinvestment law intruded on the federal government's prerogative to run foreign affairs and violated commerce clauses of the American Constitution.

Appeal likely

Lawyers for Baltimore's pension fund expressed disappointment at the judgment and said an appeal was likely.

It is understood lawyers representing several other local US pension funds will not regard this decision as binding, but may use it as a guide.

Judge Greenfeld found that although disinvestment and reinvestment might create some initial costs and possibly losses, the amounts were so small that they did not violate the Baltimore trustees' obligation to seek the best investment yields.

He said: "Even if the impairment were more significant, it would be insubstantial when compared to the moral principle which generated the ordinance."

Baltimore's ordinance requires the pension fund to rid itself of shares in companies operating in South Africa within two years.

Lawyers say it will have to sell about 40 percent of its investments.

PABX still holding on

HELOISE HENNING

DESPITE American ITT Corp's decision to disinvest, its ITT 5200 PABX will be available and maintained, and its future technology developed.

This is possible as it is largely locally manufactured under licence from Alcatel Austria by Fuchs Electronics, says Jasco Business Communication Systems MD Dave Rocke.

The name of the product is to be retained.

The ITT 5200 is capable of handling voice, text and facsimile switching between up to 844 ports.

Rocke says the ITT group's decision will affect SA companies that have ITT products.

ITT Austria, now named Alcatel Austria, became part of Alcatel NV two months ago.

US firms disinvesting are 'cop-outs'

LONDON — US companies disinvesting from SA were called "cop-outs" by American Assistant Secretary of State for Africa Chester Crocker yesterday.

Crocker, interviewed from Washington by journalists in London and Lisbon through a TV satellite link-up, said such disinvestment was destructive and removed influence.

He said: "We think disinvestment is a wrong-headed and negative policy — if you want to call it a policy at all.

"It is not a policy at all really — it is a cop-out. Disinvestment means that you just walk away from the situation, you wash your hands of it. It's a search for clean hands.

"But it doesn't work. All you do is to remove a limited external influence and turn over the assets which are involved at bargain-basement prices to local interests.

"What has happened is that SA firms have bought American assets. We have seen people no longer applying the positive employment principles our firms used to apply under the Sullivan code.

"We have seen a reduction in foreign funding for black education and training programmes.

"Now I don't pretend that this is an earth-shattering change, but to the extent that we had an influence, a positive one, through our investment presence, it has been reduced and will not have any positive consequence for the future of SA — on the contrary a negative one."

Crocker said the US administration had been constant in what he termed its "common sense" policy of trying to maintain influence with all parties in southern Africa in an effort to secure negotiated solutions. — Sapa.

THE ECONOMY

Some gaps and silences in Cosatu's disinvestment call

Cosatu's resolutions on disinvestment have ended media claims that an 'about-turn' is imminent, but there are still areas yet to be addressed. HILARY JOFFE reports

IT'S clear that there are gaps and silences in Cosatu's policy on disinvestment, adopted at last week's second national congress in Johannesburg.

The gaps are a mark of debates in progress and of questions which will have to be answered within the federation and its affiliates. Two of the major issues which will need clarifying are the share ownership issue and the practical demands which unions intend to make of companies planning to disinvest.

The resolution on disinvestment is rather thin; it does not, for example, call explicitly on foreign companies to disinvest

But the disinvestment resolution should be read together with the sanctions resolution.

Cosatu came out in favour of comprehensive and mandatory sanctions "as the only sanctions which are likely to bring effective pressure which will assist in bringing about a non-violent, truly democratic and non-racial South Africa".

The sanctions resolution expressed support for a range of measures, such as the stoppping of loans and credit to the state and business, diplomatic isolation, a stop to South African capital being invested abroad and to South Africans emigrating abroad..

Cosatu's new policy on sanctions and disinvestment is clearly an attempt to respond to the effects of these so far and to shape international campaigns. The sanctions resolution points out that "the organised working class in South Africa have not had control of sanctions campaigns," while both resolutions, and the resolution on international policy, emphasize the need for South African workers to ally with their counterparts internationally.

Despite the gaps, clearer policy on sanctions and disinvestment is intended to enable Cosatu to intervene more decisively to shape the direction of international campaigns than it has done so far. Two main areas in which it could shape debate are the call for comprehensive, rather than selective sanctions, and in the call on disinvesting companies to negotiate pullouts with trade unions rather than selling out "behind the backs of the workers".

In choosing support for comprehensive sanctions, Cosatu rejected the option of selective or strategic sanctions which observers predicted might be on the cards. Against selective sanctions, the resolution argued that "as currently applied, (they) will not be effective against capital or the state ... can cause serious regional unemployement and ... often serve the interests of imperialist states rather than the South African working class"

But the policy may pose the problem for Cosatu that, with comprehensive sanctions unlikely to happen, the federation will be limited in its ability to shape international campaigns by supporting some sanctions rather than others.

But the resolutions on sanctions and disinvestment are not just intended for foreign consumption More importantly, perhaps, they are attempts to address the problems which workers and trade unions have increasingly been facing, particularly in relation to disinvesting companies.

And it's here that major policy questions will have to be resolved by the federation and its affiliate unions.

The disinvestment resolution reiterates policy made at Cosatu's first national congress in 1985, that the federation is committed "to ensure that the social wealth of South Africa remains the property of the people of South Africa for the benefit of all."

But it does not suggest what forms of wealth holding might be acceptable.

Perhaps the most central clause of the resolution is the call for disinvesting companies to "give Cosatu adequate notice of their intention to pull out of SA so that bona fide negotiations can take place."

But there is no mention of the notice period or the terms and conditions which the federation and its affiliates would favour.

This surprised some observers since the original motion did set out such terms and conditions. And two Cosatu affiliates, Numsa and CWIU, have within the last year drawn up sets of demands for presentation to disinvesting companies

There are a number of reasons for the silences in the resolution on these issues Dealing with the situation is fairly new for the unions and some of them haven't even been directly confronted with it yet

The General Motors pullout and strike in October last year raised some of the issues for the first time

And the Ford pullout only a month ago brought the question of share ownership to the fore.

The repression which the federation and its affiliates have faced has probably slowed down the process of debate.

The debates are relatively new ones. And given that Cosatu, as a federation, does not negotiate directly with employers, it has to be careful about the extent to which it limits the negotiating options for its affiliate unions.

Majority feeling at the congress was that the federation should draw up guidelines for its affiliates, setting out general principles, rather than specifying fixed conditions in policy statements, according to Cosatu general secretary Jay Naidoo

The affiliates themselves operate in different industries and under different conditions. Thus it is probably no accident that guidelines for disinvestment have come from the unions which operate in industries such as motor vehicle manufacture and oil refining where multinational companies have been an important factor.

For Cosatu's affiliates in the food industry and in mining, the issue of trade sanctions may well be more salient than that of disinvestment.

Naidoo sees two significant aspects to the resolution. One is its assessment of the disinvestment which has taken place so far "Disinvestment as it is currently being carried out by multinational companies amounts to nothing more than corporate camouflage"

The other, says Naidoo, is the call for disinvesting companies to give notice and negotiate "Obviously this has to be expanded," he says The congress saw much debate, though not division, he says, on the terms which unions should demand and on the equity issue. Delegates agreed that there was a need for more rigorous discussion and there was not sufficient time or information at the congress for this.

"The actual terms and conditions of withdrawal are issues which must be negotiated by the affiliates, though Cosatu will be drawing up guidelines," Naidoo says

A starting point for discussion of such guidelines may well be the clauses dropped from the original motion. Demands included that companies should give 12 months notice of the intention to disinvest, should provide full information to unions, and the new owners or managers should recognise and negotiate with representative unions.

The departing company should guarantee that workers' benefits, such as pensions, were not prejudiced, should pay workers one month's pay for each year of service, should guarantee employees' earnings for five years from the date of withdrawal or sale and should pay proceeds of royalty rights, franchises, etc into a trust fund nominated by the union

These clauses expand on the set of demands outlined in November last year by a joint executive meeting of the three major unions (Naawu, Mawu and Miewu) which subsequently formed the National Union of Metal Workers (Numsa), now Cosatu's second largest affiliate with 131 000 members. The clauses closely parallel the detailed set of demands to disinvesting companies contained in a document drawn up by the 30 000-member Chemical Workers' Industrial Union earlier this year.

The question of share or equity options offered to workers by disinvesting companies (or, for that matter, local companies) is an even newer one for the unions and is being treated cautiously. While Cosatu is clearly rejecting the idea of worker directors, there is debate on which forms of share ownership would advance worker interests

The tendency in many of the share ownership schemes has been that companies offer shares to individual workers Naidoo argues "this does not give workers any degree of control over decision-making structures".

Nonetheless, he says, there is discussion in Cosatu on the various forms of share ownership for workers and the federation hopes to develop guidelines for affiliates.

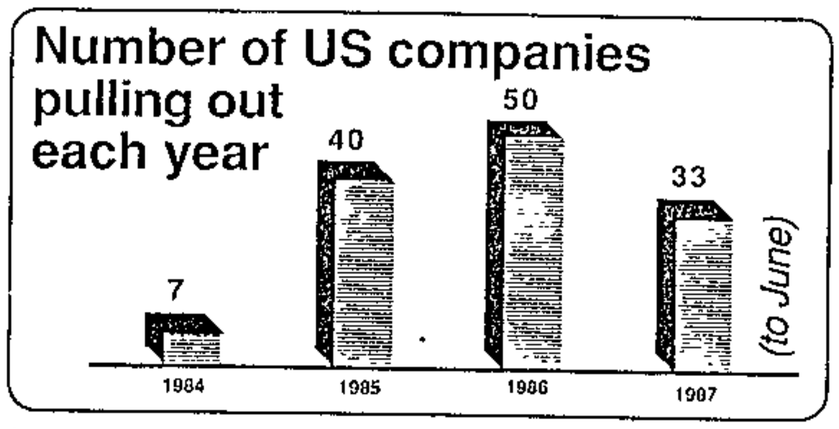
Naidoo would only say the issue would be rigorously discussed.

However, there has already been research and thinking on the issue, and one proposal circulated within the federation earlier this year was of a National Worker Trust.

In terms of this proposal, workers would not sit on boards of directors but would continue to rely on collective bargaining power to improve their conditions Shares would be treated simply as income earning assets and held in trust for workers collectively. The trust would receive money from, inter alia, shares acquired from disinvesting companies, and its beneficiaries would be Cosatu members and members of the Unemployed Workers' Union

It could provide benefits such as financial assistance for the starting up of production cooperatives, creche and child care facilities and community clinics. It could help individual workers with supplementary unemployment benefits and education grants

But this is only one of the options. No doubt more thinking and research will precede Cosatu guidelines which address some of the gaps in its disinvestment policy.



Ban on TIC boycott pamphlet suspended

C.T. 27/6/84

Own Correspondent

JOHANNESBURG. — The Transvaal Indian Congress (TIC) has won an urgent appeal for suspension of the banning of one of its campaign pamphlets.

This decision by the Publications Appeal Board (PAB) means the TIC can now continue distributing the pamphlet.

Entitled "Support Congress", the pamphlet was banned for distribution last week. It was part of the TIC's campaign for a boycott of the August parliamentary elections for coloured people and Indians.

Reasons given for the banning by the Publications Control Board (PCB) were that it carried an "instruction" from TIC president, Dr Essop Jassat, to people telling them not to vote, and it carried a picture of a dead black soldier with a caption saying Indians would be forced to fight on the border.

It was also pointed out that Dr Yusuf Dadoo, a former TIC president and former chairman of the SA Communist Party, was praised and his picture was prominently placed.

However, no explanation was given as to why these justified the banning.

Another reason given was that the publication had described the Freedom Charter as "the living voice of the people".

It said the Freedom Charter had been used in the protest against the new constitution for no other reason other than to sharpen the idea of violent revolution.

The board also said the publication indirectly advanced the cause of the ANC and the Communist Party.

TIC president Dr Essop Jassat said last night that he hoped the Minister of Internal Affairs, Dr F W de Klerk, would inform all government departments, including the police and the PCB, of his pledge not to interfere with the boycott campaign if it remained legal.

2 more firms to pull out of SA?

LAKE SUCCESS (New York) — Tambrands Incorporated announced yesterday that it has completed its withdrawal from South Africa by selling its subsidiary there to a new company formed by local management.

Tambrands makes and markets personal care products including Tampax tampons, which are sold in over 135 countries.

The Tambrands board of directors decided in January to withdraw from South Africa because of deterioriating political, social and economic situations there, the company said.

The divestment will have no material effect on Tambrands' financial results, the company said.

The former subsidiary in South Africa accounted for less than 1 per cent of the company assets, revenues and profits, according to Tambrands.

Meanwhile, the Daily Dispatch London correspondent reports that Suter, the industrial conglomerate which acquired the Mitchell Cotts group last month, is considering selling its South African operations.

Suter announced the sale of Mitchell Cotts Engineering (Australia) this week and a spokesman said yesterday they were looking at the disposal of the Mitchell Cotts at some of its mining, engineering and property interests in South Africa.

He said the most likely sale was the Kobar Mining coal interests.

He stressed that at this stage Suter was still exploring its options.

In regard to the coal mining operation, he said: "At this stage it depends on whether we can reach a conclusion to the negotiations with any of the parties who have offered to buy it."

He was not prepared to say which companies Suter was negotiating with, but confirmed it had received a number of offers.

He said that at this stage, Suter had no plans to dispose of the Mitchell Cotts transportation and freight interests. — Sapa-AP

Koornhof ready for political onslaught

US puts pressure on detentions, rent

Star 7/8/87 62

By Alan Dunn, The Star Bureau

Washington

Senior United States congressmen and American multinational companies are urging the South African Government to act on the detention of children and to drop proposed legislation to deduct arrear rents from the pay packets of black workers.

Conservative congressmen have appealed to the South African Embassy in Washington for an independent verification of the number of youths in detention. They have suggested a complaints office to accept charges involving the abuse of these children.

This emerged yesterday in an interview with the South African Ambassador to Washington, Dr Piet Koornhof, who has launched an early diplomatic offensive to counter another political onslaught against South Africa on Capitol Hill in the next two to three months.

Dr Koornhof is trying to defuse attempts, now being prepared, to increase economic sanctions against South Africa.

He said the issues of children in detention and black rents were the two main danger areas being brought to his attention by multinationals who wanted to remain in South Africa and by sympathetic congressmen.

American companies had told him they were "hanging on by their fingernails" in South Africa and that a law forcing them to collect rent from wages would cause another flood of disinvestment.

"It is a very important point we think, because it is an emotional issue here that will play straight into the hands of the disinvestment lobby," Dr Koornhof said.

Calls endorsed

Dr Koornhof also endorsed calls from conservative congressmen for independent confirmation of South African Government claims that there were fewer than 200 minor detainees, all of them being held in connection with serious crimes.

Human rights groups and anti-apartheid campaigners have so far ignored the South African Government's statistics published by Dr Koornhof in Washington on June 25.

On the alleged abuse of children, Dr Koornhof said a complaints office where people could make specific charges under oath would "certainly take us out of this rut".

He revealed that between 30 and 50 congressional aides were visiting South Africa or were about to do so.

"These people are young but are the eyes and ears of congressmen. They have an influence in this place.

"They work for very important people," he said, noting that two represented candidates for next year's presidential election.

US firm donates R10 000 to local library

16/8/87 Sowetan

International Flavours and Frangrances, a US company with a subsidiary in Roodepoort, has donated R10 000 worth of books to the Dobsonville library.

The books were presented to the mayor of Dobsonville, Councillor Steve Nkatlo, by the president of IFF, Rudi Menz, during a short visit to SA.

The ceremony was held at the local library.

The educational, reference and setwork books, would be followed by the introduction of other much needed projects, said Menz.

A commitment to extend the facilities at the local creche at a cost of R30 000 was also made.

A bus will be given to the council to be used to transport elderly people.

Menz said his company's willingess to assist the Dobsonville community was part of its involvement in the social welfare of its employees who live in the town.

SA manufacturer sheds its US name

SOUTH AFRICAN mining and industrial group Mynkar yesterday flushed the last traces of itsUS ties out of its corporate system.

It dropped the name "Monogram Sanitation" — a US connection that dated back to 1981 when Mynkar took over the SA operations of the Los Angeles-based toilet manufacturer — and emerged as Mynkar Manufacturing.

Said MD Peter Brown: "In the current

HAMISH McINDOE

sanctions climate, we decided to drop the name because of the adverse effect a US name was having on our business.

"Our locally made products bear so little resemblance to their US counterparts that it makes complete sense to break overseas connections."

In many cases, local companies acquiring the SA operations of divesting firms do not change names.

Mynkar must still pay about 3% in royalties to its former US parent on the price of certain units in terms of a licencing agreement that expires in 1991.

It is SA's biggest manufacturer of industrial toilet equipment and recently acquired its chief rival, Zozo-owned Portalet.

Sullivan and force for change in South Africa

by S. G. MARZULLO

The Rev. Leon Sullivan's decision to call for the withdrawal of American companies from South Africa is one we regret. The movement to which he lent his name more than a decade ago has helped bring real change in South Africa.

Since their inception in 1976, the Sullivan principles have been controversial. Yet the reality of what the principles have done to bring about change in South Africa is often overlooked or understated in both South Africa and the United States.

The Sullivan principles, whatever their limitations, have helped contribute to genuine changes in laws and labour policies in South Africa, such as laws enabling the formation of independent labour labor unions. Many of the changes have come from internal forces at work in South Africa.

And not to be overlooked are the contributions made by South Africans, both black and white. But the moral pressure exerted by American shareholders, companies, churches and others in the United States has been significant.

The Sullivan principles were never meant to guarantee quick and simple resolution for all of the injustices that exist in South African society. Only South Africans will develop the ultimate solutions to their problems.

We who have been involved in company efforts strongly believe that our collective commitment to the Sullivan principles, properly co-ordinated and properly implemented, offers the posibility of making a greater contribution to change than does withdrawal.

Black workers in South Africa have been telling us in increasing numbers every year that without the presence of American Sullivan companies, their jobs would be less secure and there would be less secure and there would be fewer benefits for them and their families.



The Rev. Leon Sullivan ... helped workers.

The symbolic value of the Sullivan principles must not be overlooked. And our efforts must be multiplied by those of leading South African businessmen and by South Africa's major employer groups, which have publicly committed themselves to a full and equal role for blacks in South Africa's economic and political life. American companies in South Africa remain a force for change, for bridge building and racial reconciliation.

The year ahead in South Africa may be one of continued struggle, violence and risk, but American business will continue to call for powersharing and negotiations leading to full citizenship for all South Africans.

In 1987, as before, American business urges the abolition of statutory race discrimination in South Africa; negotiations with acknowledged black leaders about power-sharing; full South African citizenship for all people of South Africa, and the restoration of the rule of law and an end to the state of emergency.

We deplore apartheid and have been working actively to end it. Our objective are similar to those of many good people in the United States and in South Africa, although our strtegies may differ. We do not believe that isolating South Africa will hasten the end of apartheid. If anything, that will prolong the confrontation, deepen the anguish and reduce the effectivenss of any American initiatives for serious reform.

We remain committed to making our presence an effective force for peaceful change. We cannot, as companies or as a nation, influence the course of events in South Africa if we are not present as active participants in the process.

In the past eight years, American companies oprating in Soth African have spent more than 230 million dollars on black education, housing, legal assistance, black business development, training programmes and other activities.

We do not, however, measure the progress made in dollar terms alone but by advances in the workplace, in education, in housing and even managerial skills. We believe one dedicated person, one committed company, can still make a difference.

'Our efforts must be multiplied by those of leading South African businessmen and by major employer groups, which have publicly committed themselves to a full and equal role for blacks in South Africa's economic and political life.'

"What has been started will not disappear, I quote Mr Sullivan, from a speech give last December: "Even if I leave the programme next May, the principles will remain. They provide the most comprehensive stadards for enlightened corporate behavior in South africa. Further, the implementing programme of reporting and task groups of companies has proven to be the most effective corporate change agent in South Africa. A company of any nationality which operates in South Africa can find no better vehicle to correct inequities and end discrimination brought about by apartheid."

S. G. Marzullo is chairman of Industry Support Unit Inc., the group U.S. established by companies that support the Sullivan Principles. The article is reprinted with the acknowledgement to the New York Times.

Botswana appeal to US firms

GABORONE — US-based multinationals withdrawing from SA have been asked to re-invest their capital in Botswana by Commerce and Industry Minister Moutlakgola Nwako.

He said Botswana was a suitable base from which to serve the Sadcc and Pretoria markets.

Nwako, speaking at the opening of the 1-million pula Colgate-Palmolive detergent and toothpaste plant on a Botswana Development Corporation site in Gaborone West, said the company had been attracted to Botswana by its favourable

To Page 2

Botswana appeals to US firms to invest

From Page 1

foreign exchange position, stable and democratic government, and its adherence to the principles of a free-market economy.

The establishment of the factory marked the beginning of American multinational participation in Botswana's industrialisation effort.

Nwako said the government was seeking foreign investment and the creation of employment opportunities, and would do all it could to assist Colgate Palmolive expand its productive capacity to reinforce the import substitution strategy and to serve export markets.

Nwako said a local preference scheme, which would give local producers an advantage over foreign competitors when tendering for government contracts, was being reviewed and the results would be announced in the near future. — Sapa.

STAR 24/8/87

Largest car-hire company in SA withdraws, but . . .

Pull-out won't hurt merger, says Hertz

Another US giant is pulling out of South Africa. The Hertz car rental group announced at the weekend that it is to disinvest from this country over the next 18 months.

A statement from the company said its current merger with Imperial Car Rental would continue — but the name Hertz would be dropped from the new enlarged group. Imperial would continue to provide travellers with international facilities.

No new Hertz International cards would be issued in future, though existing cards would be honoured over the next 18 months.

R80 million turnover

The merger operation, which will be listed on the Johannesburg Stock Exchange in the near future, brings together two of the major car rental businesses in South Africa.

The combined business will consist of a fleet of 4 000 vehicles generating an annual turnover of approximately R80 million and shareholders' funds would be in order of R17 million.

The merged company will be controlled and managed by Imperial Car Rental, which will have 60 percent of the equity. The balance of 40 percent will be held by a Sage subsidiary, Union and London Finance (Pty).

Mr Bill Lynch, joint managing director of the Imperial group, woud become executive chairman, and Mrs Carol Scott, also of Imperial, would be managing director, the statement said.

It added: "The vast experience and expertise of Noel de Villiers, previously chairman and managing director of Hertz, will be fully exploited by the merged company of which he will be director."

Imperial Car Rental began operations in January 1979 with only nine vehicles, one office and two members of staff. "Since then," said the statement, "Carol Scott has methodically developed Imperial into one of the four major car rental companies in South Africa today."

Her management style would be carried over into the new company, as would the Imperial culture of personal service.

She commented: "We are tremendously excited at the thought of this new challenge. Significant benefits will be derived from economies of scale achieved from the merger, resulting in increased profit for the new company."

Hertz was the largest car—hire company in the world and the both businesses had a wealth of experience in the car—rental industry, the statement said.

The combined customer base and range of services would considenhance the future of the company. In the last few years, Hertz had grown substantially in the long-term-contract rental business which was fast developing in South Africa.

Auto Pedigree, the disposal arm of Imperial Car Rental, which now had four outlets, was expected to grow significantly and would be of great benefit to the merged operation as Hertz in the past did not operate such a division.

Mr Lynch said: "I am confident that the merged company will offer great opportunities and through various synergies will be successful and highly profitable." — Sapa.

inks to Contras, says Pik

South Africa would have received CIA intelligence useful in Angola in return for aiding Con-

An intelligence report of February 1985, said the the CIA learned that Eden Pastora, a Contra leader known as Commander Zero, had received the equipment.

How this shipment reached the Contras is not known. The CIA has denied any involvement.

The references to South Africa came out in CIA evidence to the congressional committee in-

Lowveld chairman steps down

a pre-tax income of well over R1m.

Hertz: about to disinvest?



MICK COLLINS

AS THE merger of car rental giants Hertz and Imperial goes ahead, Hertz's US parent has backed away from giving a firm commitment on the continued use of its name in SA.

The move, which is being seen as a prelude to an official disinvestmet announcement by Hertz, will leave Avis as the only major international car hire company in the country.

Weekend media reports quoted Im-perial chairman Bill Lynch as saying: "I really do not think we need the name all that much. I don't believe the internationals can teach us much on the operational side."

Industry sources said Imperial, which has been negotiating with Hertz with a view to pooling the companies' operations and fleets, would now have to decide on a new name.

DED SOCIETY

South African economy and in the South African

Either way, the pressure is not likely to let up.

Travelling the Sullivan route

Why the frantic American mania for projects? Because they don't have a choice. HILARY JOFFE on what the Sullivan Code means today

AMERICAN companies in South Africa are "constantly running around looking for projects" as one community worker puts it. And one reason is that they have little choice but to do so.

Corporate social responsibility and black advancement programmes are, in effect, legal obligations for American companies operating in South Africa. In terms of the the US Congress' Comprehensive Anti-Apartheid Act passed last year, American parent companies with South African subsidiaries have to sign up with either The Statement of Principles, formerly the Sullivan Code, or the US State Department code.

This means the South African subsidiaries are evaluated annually on their degree of compliance with the code.

Most have chosen the Sullivan route.

The State Department evaluations are public, but details of the evaluations of individual companies who have signed the Statement of Principles (Sullivan), which are conducted each year by Washington management consultants Arthur D Little, are kept confidential. Only the aggregate figures are published.

The Statement of Principles specifies a range of areas in which companies have to be active.

Companies are rated on a set of basic requirements for equal and fair employment practices, including equal pay for equal work, recognition of freedom of association, desegregated facilities, and minimum wages above the Household Subsistence Level set by the University of Port Elizabeth. But they also have to be active in four other areas:

- Commitment to social justice
- Education for non-employees
- Community development
- Black advancement and training

Companies who want top rating are now expected to spend the equivalent of at least four percent of their wage bill on each of the first three categories (the fourth, black advancement,

Continued overleaf

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(62) centrespread

7 REASONS WHY SHELL BELONGS IN SOUTH AFRICA

1. Our commitment to ending apartheid and to achieving freedom for all in an equal society.

4. Our role in encouraging the climate of change.

5. Our community involvement.

2. Our history of over 75 years of supplying quality products to the South African market.

3. Our responsibility to our employees.

6. Our role in maintaining the economic viability of the country under a post-apartheid order.

7. Our firm belief in the future of South Africa.



WORKING TO MAKE A DIFFERENCE NOW

F/M 4/9/07

US COMPANIES

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Nouvelle Sullivan

Two bodies of US businessmen and an outside advisory council have taken over where Leon Sullivan, who enshrined affirmative action in the famous Sullivan Code of Principles for American companies operating in SA, left off.

In May, Sullivan resigned from further active involvement in implementing his code, citing the slow pace of reform in SA as the reason.

The Sullivan Code itself has now been replaced by the Statement of Principles Signatory Association (SPSA) which embodies the same four basic objectives: education, training for advancement, community development and social justice.

The SPSA will be guided by the US Corporate Council, formed some 15 months ago by the CEOs of US companies operating in SA, and administered by the Industry Support Unit (ISU), drawn from senior management in the same companies.

The outside advisory council, composed of people outside the business sphere, will provide independent input and guidance.

The SPSA will be run on exactly the same lines as the old Sullivan Code, requiring annual reports from each participating company with answers to questionnaires, which will be independently audited and rated. In the US, Arthur D Little will continue the task of independent measurement.

Says SPSA chairman Roger Crawford: "When Sullivan chose to relegate himself to the position of spectator, we were prepared for that eventuality. We believe the principles he originally enunciated are still relevant and will continue to apply them.

"In my opinion, the mistake Sullivan made on entering the social justice arena in SA, was that he believed reform would be an *event*. I always argued that you cannot remove 300 years of institutionalised discrimination at the flick of a finger and that reform in SA is a *process* rather than an event.

"But he really was expecting some sort of grandstand event by May 31 this year (the deadline he set for reform or his withdrawal and commitment to disinvestment and sanctions). I also think he found himself in an unfashionable position through his involvement in SA and that he had painted himself into a corner from which he could not escape.

"Certainly his disappearance means a degree of depoliticising of the association, but the principle of social justice remains a cornerstone."

Crawford says that with the disappearance of Sullivan there is the possibility that non-American companies could come forward to participate in the new association. But, he adds, office-bearers in SA are not going to spend time trying to recruit new members.

Chairman of the ISU, Sal Marzullo, and executive director Daniel Purnell are currently visiting US companies in SA to outline their new brief and will also meet community leaders, organisations and government representatives. ■

Such surveys were conducted Ellis said it was possible to put lished later this week.

US companies 'want change'

MANDY JEAN WOODS

US COMPANIES in SA have no illusions about what they can and cannot do about influencing the pace of change.

Sal Marzullo, chairman of the Sullivan Code Industry Support Committee, says the intention of the signatory companies in SA is to work with all people to bring coalitions together and initiate peaceful change.

Marzullo spoke exclusively to Business Day while in SA on business for the Sullivan Code signatory companies.

During the past decade, US business in SA has spent about $270m to bring about full equality of all employees by expediting training and education, developing black managers, and pursuing housing and health programmes, he says.

The social responsibility programmes initiated by US companies in SA have been an example for other business to follow. But companies leaving SA cannot be a positive force for change, he says.

"US companies are moving in a unique way not previously defined in corporate social involvement in SA and one hopes SA companies will continue on this path," Marzullo says.

Government cannot achieve what a successful economy can, and US companies must continue their activities to help skills development, skills creation and education to create greater opportunities for blacks.

"The surest way to guarantee US companies will stay here is to guarantee continued change in SA," says Marzullo.

● Read more about the role US companies are playing in SA in Business Day's survey on pages 9, 10, 11 and 12.

LONDON: Ford of Europe's 1 012 units sold, A

Chain hits group areas snag

STAR 15/9/87

Pretoria Bureau

The Kentucky Fried Chicken chain which is disinvesting from South Africa aims to increase the stake of "non-whites" in its existing businesses, many of which are in white areas, a company spokesman said.

Mr Mike Holme, managing director of the group, said the implications of the Group Areas Act will first have to be discussed with the relevant authorities.

"We will act as a good corporate citizen in the matter."

He was reacting to claims made by a black franchise holder, Mr Abel Sibanda of Mamelodi, that local management did not highlight the pitfalls and restrictions of the Group Areas Act to their American principals recently.

According to Mr Sibanda proposals were explained at a meeting of franchise holders in terms of which 28 of the 56 outlets owned by Kentucky Fried Chicken would be sold to blacks.

"This excited us tremendously. But after the Americans left we were told that this would not be possible because of the Group Areas Act," said Mr Sibanda.

49 strikers die of malnutrition

DURBAN — Forty-nine of the 900 black workers, involved in the 28-month long strike for union recognition and higher wages at BTR Sarmcol in Natal, have died of malnutrition, stress and other related illnesses.

The workers were living in Mpophemeni, near Howick, since the strike started on April 30, 1985. Mpophemeni is the main reservour of labour in the area.

The strikers are all members of the National Union of Metalworkers of SA (Numsa), an affiliate of the Congress of South African Trade Unions (Cosatu).

Mr Ian Weir, Numsa's regional secretary, said the deaths in the township were directly related to the "starvation" wages paid to workers.

Following the high mortality rate among the striking workers, the union decided to investigate health conditions at Mpophemeni.

"Appalling conditions"

"We found appalling conditions, directly attributable to low wages. BTR, a British-owned company, has for many years been paying around 24 percent below the supplemented living level — a minimum requirement set down by the European Economic Community," he said

Following the investigation, the union established a clinic to monitor the health of residents.

"Only 59 percent of the 700 children we placed on a feeding scheme showed signs of improvement or growth.

"In addition to the health clinic and the feeding scheme, the union has initiated a number of projects in the township.

"These include the establishment of a gardening project, a T-shirt and button-making co-operative and the production of a play, The Long March. "All these projects are controlled by an umbrella organisation, the Sarmcol Workers' Co-operative."

Long struggle

Weir said the play was written and produced by the strikers and it reflected the long struggle waged by workers against BTR.

Members of the cast recently left for London where they will be the guests of the Trade Union Council of Britain.

The dispute with BTR has been a bitter and a costly one. BTR have not only refused to negotiate with the union, but had instead entered into a recognition agreement with the United Workers' Union of SA (UWUSA), the Inkatha-orientated union, .

A number of the union's shop stewards were also killed and many others were injured by vigilantes. The union has now instituted civil claims running into hundreds of thousands of rands against the Kwazulu police and Inkatha for the alleged murder of Simon Ngubane, Phineas Sibaya, Flomenah Mnikatha and Alpheus Nkabinde.

"In spite of these brutal actions against us, and the attitude of BTR, the strikers are still determined to continue the strike because they believe their cause is a just one", said Weir.

Mr John Sampson, BTR's Sarmcol's administrative director, said he could not comment on the health conditions of the striking workers and the deaths that occured since the strike began.

He referred all queries to Mr Beebee of the Dunlop Industrial Product division in Benoni, who was not available. - PRESS TRUST



Numsa branch secretary Ian Wier informs Sarmcol workers of the court judgment

Sarmcol workers vow to fight on

DURBAN — More than 900 BTR Sarmcol workers, whose dismissal two years ago was sealed by the Industrial Court last week, have vowed to continue their fight

The Industrial Court questioned whether the collective democracy practised by unions was tolerable in present day South Africa.

In dismissing the workers' application for re-instatement and compensation, the court finally quashed the workers' twenty-year-long struggle for recognition of their union, the Metal and Allied Workers Union (Mawu), now amalgamated under the National Union of Metalworkers of South Africa.

Ironically, four years ago the same court ordered BTR Sarmcol to conclude a recognition agreement with Mawu

The latest ruling justifies the sacking of the 970 workers after they had downed tools on April 30, 1985 in protest against the company's failure to conclude the recognition agreement.

Workers said: "We shouldn't become weak because we have lost one battle. Remember we are paving the way for our children's freedom.

Other workers stressed that with the unity they had learnt and the co-operative they had formed they could find another way of making a living —Concorde.

α (62) Sowh 17-23/9/87

Cape Times 23/9/87 62

Fintech shows dramatic 511% rise in earnings

JOHANNESBURG. — Fintech, which was a cash shell eight months ago, has emerged as an entirely different organization with a current market capitalization of more than R500m.

Turnover of the group rose dramatically to R64m for their half-year to August, while an outstanding earnings performance reflected an increase of 511% from 13c to 79,4c a share.

The directors say that this follows Fintech's strategy of becoming a leading office automation and information technology organization in SA.

They add this was firmly established in the half-year through a number of carefully-planned strategic acquisitions of companies which already have a major share of the markets in which they operate.

In their review of activities, the directors point out that Fintech:

Acquired the entire issued share capital of Rank Xerox (Pty) Ltd with effect from May 1.

Successfully raised R47,3m in August by way of a rights issue in the ratio of 33 ordinary shares for every 100 shares held at a price of R35 a share.

Increased its investment in Punch Line Holdings from 21% to 56% with effect from July 1.

Exchanged its 50% shareholding in South Continental devices for 1,1m Punch Line shares with effect from March 1.

Disposed of its 100% shareholding in Roneo Alcatel with effect from April 1 for 400 000 new Punch Line shares.

Increased its shareholding, effective October 1, in Punch Line to nearly 60% through the recently announced acquisition of Computer Sciences (Pty) Ltd from Anglo American Corporation by Punch Line.

Acquired a controlling interest in Sequal Computer Holdings Ltd with effect from August 31.

Acquired, effective from September 1, the entire share capital of two fellow Altron Group companies, Altech Informatics and STC Business Communications for R22m settled by the issue of 626 857 new ordinary shares in Fintech.

The transaction will increase Fintech's forecast earnings a share by 10c and improve net asset value by 36c.

The directors say that Fintech is now firmly established as a dominant player in its targeted markets and is well placed to expand its business interests further through organic growth and additional acquisitions.

They say that negotiations with a number of companies has reached an advanced stage and announcements regarding these will be published as each occurs. — Sapa

Due to a technical fault "Your guide to gilts" was not received last night

29/9/87

Why US Act on SA has failed

NEW YORK — One of the most telling signs that sanctions against South Africa have not even begun to prove effective is that black organisations that originally supported them have begun to change their position, says the US magazine *Time*.

After one year of US government anti-apartheid measures — the comprehensive Anti-Apartheid Act — designed to force major changes out of the Botha Government, South Africa's whites "have neither chosen the carrot nor suffered the stick" says a report in the magazine.

The Government has undertaken none of the political changes specified in the Act, and the South African economy has not endured any major setback as a result of either US sanctions or punitive measures by 27 other countries.

Large chunks of South Africa's vital export economy, particularly gold sales, have proved to be relatively invulnerable, says *Time*.

Although the Congress of South African Trade Unions (Cosatu) has called for even stronger comprehensive sanctions that would include a total embargo on trade, investment and travel, it has also concluded that the current selective sanctions can have serious negative consequences for workers.

That, says *Time*, is the argument long employed by opponents of such measures.

The magazine says that in view of the US Administration's past record, this week's annual review to assess the effectiveness of the action by Congress is not expected to contain a call for making the sanctions any tougher, even if it deems the measures have been unsuccessful.

"But there is little sentiment in Congress to abandon a programme that passed amid bitter debate and provided at least the appearance that the US was doing something about apartheid."
— Sapa.

US sanctions didn't work says magazine

NEW YORK — One of the most telling signs that sanctions against South Africa have not even begun to prove effective, is that black organisations that originally supported them have begun to change their position, the US magazine, Time, said.

After one year of the US Government's anti-apartheid sanctions measures — the comprehensive Anti-Apartheid Act designed to force major changes out of the Botha government — South Africans have "neither chosen the carrot nor suffered the stick".

The government has undertaken none of the political changes specified in the Act and the South African economy "although limping in spots" has not endured any major setbacks as a result of either US sanctions or similar punitive measures imposed by some 27 other countries.

Although the Congress of South African Trade Unions (Cosatu) has called for stronger comprehensive sanctions, including a total embargo on trade, investment and travel, it has also concluded that the current "selective sanctions" can have "serious negative consequences" for workers.

Time said in view of the US Administration's past record, this week's annual review to assess the effectiveness of the action is not expected to contain a call for making the current sanctions any tougher. — Sapa

US association slams SA book-sale sanction

(62) 11/12/85

WASHINGTON — The Association of American University Presses (AAUP) has bitterly criticised attempts by school boards to block the sale of books to South Africa.

The American Publishers' Association, which represents US commercial publishing houses, is expected to follow suit later this week.

A "statement of principles" issued yesterday by the AAUP's director, Mr E. H. Phillips, said: "We believe in the unfettered right of access to whatever has been written because we deny that any man or woman has the right to decide what another might read."

School boards in at least three cities — Detroit, Pittsburgh and Los Angeles, are refusing to purchase textbooks from publishers that trade with South Africa.

Baker and Taylor and Prentice-Hall owned International Book Distributors, have informed publishers they will no longer distribute their books to South Africa.

In addition, University Microfilm International has suspended shipments of monographs and other materials to South Africa.

Mr Phillips said publishers were acceding to the boycott because "it is the easiest course — few presses suffer significant losses by doing so and their action is widely applauded."

However, Mrs Mary Berry, who was appointed by President Jimmy Carter to the US Civil Rights Commission and is a prominent member of the Free South Africa Movement, has denounced Mr Phillip's stand.

"While we have freedom of expression in the US, they obviously don't in South Africa... what we're talking about is stopping as many contacts as possible, not to constrain free expression, but to bring home to South Africa that they will be deprived of the contacts you expect to have in a civilised society until they change their policy." — DDC

SA ... sentence

CIA-Trips 2/12/87

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Sanctioned rich

Own Correspondent

JOHANNESBURG. — Disinvestment by US companies has seen the creation of 168 new South African millionaires in the 12 months that American sanctions have been in force, says the US Journal of Defence and Diplomacy (JDD).

The magazine, published by the Intel Research Corporation in Washington, says one of the major effects of sanctions has been to increase the concentration of wealth in hands of white South Africans.

168 new tycoons since US pullout — journal

JOHANNESBURG — Disinvestment by United States companies has seen the creation of 168 new South African millionaires in the 12 months that American sanctions have been in force, says the US Journal of Defence and Diplomacy (JDD).

The magazine says one of the major effects of sanctions has been to increase the concentration of wealth in hands of white South Africans.

The report, which is the result of several months of research in the US, Europe and South Africa, says local businessmen have benefitted from being able to purchase profitable concerns at bargain basement prices.

Although decisions to disinvest have had an effect on South Africa, it is barely felt on a macro-economic level, the magazine claims.

"US companies employ only an estimated 0,8 per cent of South Africa's economically active population and account for only 0,3 per cent of total new domestic investment."

Earnings of subsidiaries sold by US parent firms now remain in South Africa and are available for internal investment, the JDD says.

In some instances the US parent company actually provided loan funds for local management buyouts. This appears in economic indicators as a slight inflow of foreign capital.

Under current disinvestment methods, employment levels are being maintained by the new managements.

In one instance where this did not occur, however, was when Ford sold out to Samcor. Samcor decided to move its operation to Pretoria from Port Elizabeth, leaving about 4 000 unskilled workers unemployed. — DDC

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THE ECONOMY

Ford pullout sets first for negotiations

By HILARY JOFFE

THE Ford Motor Company's withdrawal from South Africa, details of which were announced this week, has set a precedent for disinvesting companies and trade unions.

It is the only case where a disinvesting company has negotiated the terms of its withdrawal from South Africa with a trade union.

And the decision of the National Union of Metalworkers to accept the substantial stake in Samcor offered by Ford is an indication of the terms other Cosatu unions would find acceptable from foreign companies pulling out of South Africa.

In terms of the agreement reached this week between the union, Ford, Anglo American Industrial Corporation and Samcor, 24 percent of Samcor's shares will be donated by Ford to an employee trust, with dividend income to be used for the community rather than for individual workers. Workers will elect the trustees, who will elect three employee directors to the Samcor board.

The rest of Ford's stake in Samcor will be sold to Anglo and AMIC, which together will own 76 percent of the motor company.

An Anglo statement this week said Ford would continue to supply Samcor with vehicles, parts, management and technical assistance and would allow Samcor to use the Ford trademark.

It was only on the basis that dividends from the Samcor shares would be used for community development rather than for individual workers that the union could participate in the deal, says Fred Sauls, head of Numsa's motor section.

Sauls sees the agreement as a victory for Numsa, which had rejected Ford's original plan in terms of which individual workers would have benefitted from ownership of Samcor shares, a principle which the workers rejected.

The deal isn't totally satisfactory in the union's view, since only a portion of Ford's stake has been turned over to the employee trust, but it does begin to meet the conditions for an acceptable disinvestment to which Cosatu unions have committed themselves: "to ensure that the social wealth of South Africa remains the property of the people of South Africa for the benefit of all".

Sauls stresses that the union does not see the employee stake in Samcor as a form of worker participation in the running of the company. "We do not believe you can have collective enterprise in a private enterprise economy," he says.

Two of the three worker directors on the Samcor board will represent hourly-paid employees and the third will represent salaried staff.

According to Sauls, the worker directors will not participate in the actual management of the company. Rather, he says, "We feel this will give workers direct access to information for the first time."

Sauls says the accountability of the directors to workers will prevent them identifying with management interests: "They will go to the directors' meetings with a worker point of view. If they start to show management inclinations the workers can deal with them."

Sauls expects the main issues the trust will deal with will be community health, education and recreation (libraries, for example). But there is no restriction on what projects it can fund or in which communities.

Trustees will be working out the way the trust will operate in consultation with workers over the next six to eight months, to be ready by the time dividend income begins to flow.

The company has agreed to fund training in financial and managerial skills for trustees and worker directors, in institutions jointly agreed on by union and management. The company will also fund a five-year programme to upgrade the skills of Samcor workers.

Ford will also establish two community trusts, one in Port Elizabeth and one in Pretoria, to which it will donate $4-million (R8-million). The boards of trustees will comprise an equal number of employee and community representatives.

Sullivan is departed but the report cards live on

Leon Sullivan has departed from the South African scene, but his code is more widely followed than before. By HILARY JOFFE

THE Reverend Leon Sullivan has gone from the South African scene and 52 of the signatories to his Sullivan Code have followed him. But the American companies which have remained in South Africa are spending substantial amounts of time and money to get good ratings on employment practices and corporate social responsibility.

This was apparent last week with the publication of the 11th annual audit of the activities of signatories to the Statement of Principles, formerly the Sullivan code.

The audit, carried out by Washington management consultants Arthur D Little, provides an overview of their efforts to justify their presence in South Africa by their contribution to change.

A higher proportion of US companies with South African subsidiaries subscribe to the principles than did when Sullivan was around. The Comprehensive Anti-Apartheid Act enacted by the US congress last year obliges these companies to subscribe either to the Sullivan or to the US State Department principles and almost all have chosen the former.

The 90 American and two non-American signatory companies employ 43 865 people. All except one pay at least the minimum wage required by the principles, which is 30 percent above Unisa's Minimum Living Level or the University of Port Elizabeth's Household Subsistence Level for a family of five. This MLL/HSL level averaged R396 a month, according to the report, but signatories reported that on average their lowest-paid employees received 64 percent above that level.

The principles require companies to pay above minimum levels, desegregate their workplaces and spend time and money on four action areas: education for non-employees, training and advancement, community development and social justice.

The signatories paid out R31-million towards improving black education in the year to June — an increase of 11 percent over the previous year, according to the report. They also contributed 20 228 man-days, particularly to the "Adopt-a-School" programme some of these American companies are involved in.

"Adopt-a-Clinic" is another such project towards which executives of these companies contributed some of their time.

Health falls under the community development requirement, and the companies reportedly contributed more than R36-million in this area, an increase of 16 percent. They helped blacks obtain 820 99-year leases, for example. They also assisted black business to the tune of R9,6-million and 9 871 employee-days.

In the area of education and training they provided bursaries and grants for tertiary education and made efforts to advance blacks, for example into managerial positions, in their companies.

The signatory companies are required to take action on social justice by "working to eliminate laws and customs that impede social, economic and political justice" — a principle added to the list only in 1984. It's significant, says the report, in that it takes the companies into an arena of direct confrontation with the government. However, the report adds, such activites are difficult to quantify — though "efforts aimed at the complete elimination of apartheid include loybbing, anti-apartheid advertising, anti-apartheid negotiation and legal assistance". Many of the exciting activites in this area cannot be publicised, says the report, because of their "sensitivity".

The independent evaluation and quantification are what make the principles different from other codes of conduct.

Hence the report is filled with figures: on the companies' employment profile and on what they spend on corporate social responsibility programmes, in both rands and employee-hours.

But qualitative data are evaluated as well, so companies report in minute and sometimes trivial detail every action in adherence to the principles.

The companies are rated on the basis of their performance. According to the report, 42 percent got top rating: "making good progress". Some of the well-known names in this category were Kelloggs, Caltex, Mobil, Colgate Palmolive, Carlton Paper, Johnson and Johnson and Warner Lambert.

A further 41 percent were "making progress", the second category. And 17 percent got the worst rating, "needs to become more active". Some on this list were Otis Elevator Co, Grey Advertising Inc, HH Robertson and Ingersoll Rand.

Sullivan said when he abandoned the code to call for disinvestment that the principles provided "the most comprehensive standards for enlightened corporate behaviour in South Africa". Clearly many of the companies still have a long way to go towards meeting these standards.

(62) W/Mail 4-10/12/87

Samcor's fate hung in balance on US decision today

from SIMON BARBER

WASHINGTON — Samcor's fate appeared to hang in the balance yesterday pending a decision by the US treasury to permit Ford to transfer $61 million to South Africa to help pay off the car company's debts.

The transfer is an unpublicised part of the disinvestment agreement Ford negotiated with Anglo-American, Amic, the National Union of Metalworkers of South Africa and Samcor.

A Treasury ruling is required because the injection of funds into South Africa may run foul of the Comprehensive Anti-Apartheid Act's ban on new investment.

Congressional and administration sources said they had been told by Ford that, unless the money was released, Anglo would liquidate Samcor, possibly putting thousands out of work.

Pro-sanctions forces on Capitol Hill, including Congressman Howard Wolpe, Congressman William Gray and Senator Paul Simon, have demanded that the money not be released.

They are considering filing for a court injunction if the Treasury rules in favour of Ford, one of their advisers said yesterday. They have also been in contact with the United Democratic Front and union leaders to drum up opposition to the transfer.

"Ford claims to be disinvesting, but at the same time it wants to pump $61 million into Samcor. The way we read the act this is prohibited because it represents new investment," a staff member said.

Ford Canada is technically the disinvesting company, but the money is being provided by its US parent, thus bringing the act's investment ban into play.

Ford Canada owned a 42 per cent stake in Samcor. It has agreed to donate 24 per cent to a community welfare and development trust owned by Samcor employees.

The remaining 18 per cent was to be sold to Anglo.

Government sources said the Treasury was expected to make its decision late last night and Ford was cautiously optimistic.

Not all sanctions proponents are opposed to the transfer.

A spokesman for Senator Edward Kennedy said: "If it's possible to disinvest without throwing thousands out of work, that's the way to go. We favour disinvestment but we're not in favour of a scorched earth policy."

Bid to halt US funds transfer

Samcor fate in balance in $61m row

(62) B/day 15/12/87

WASHINGTON — Samcor's fate appeared to hang in the balance yesterday, pending a decision by the US Treasury to permit Ford to transfer $61m to SA to help pay off the car company's debts.

The transfer is an unpublicised part of the disinvestment agreement Ford negotiated with Anglo American, Amic, the National Union of Metalworkers of SA (Numsa) and Samcor.

A Treasury ruling is required because the injection of funds into SA might run foul of the Comprehensive Anti-Apartheid Act (CAAA) ban on new investment.

SIMON BARBER

Pro-sanctions forces on Capitol Hill, led by Congressman Howard Wolpe, chairman of the House Africa Sub-committee, Congressman William Gray, chairman of the House Budget Committee, and Senator Paul Simon, chairman of the Senate Africa Sub-committee, have demanded that the money should not be released.



● GRAY

They are considering filing for a court injunction if the Treasury rules in favour of Ford, one of their advisers said yesterday. They had also been in contact with UDF and union leaders to drum up opposition to the transfer.

However, a Numsa spokesman involved in negotiations with Ford over the disinvestment deal said he was not aware of contact being made between US Congressmen and the union.

One of Gray's staff members said: "Ford claims to be disinvesting, but at the same time it wants to pump $61m into Samcor. The way we read the Act, this is prohibited, because it represents new investment.

"We have reason to believe the transfer was not discussed in depth with Cosatu and other unions."

Congressional and administration sources said they had been told by Ford that unless the money was released, Anglo would liquidate Samcor — possibly putting thousands out of work.

Such a move would also invalidate the painstakingly negotiated creation of an employee trust fund from Samcor shares donated by Ford.

The Ford officials dealing with the issue, William Broderick and Elliot Hall, did not return repeated telephone calls.

Anglo is understood to have set yesterday as the deadline for the transfer of the $61m.

The US Treasury had been expected to rule by close of business on Friday, enabling Ford headquarters in Detroit to authorise its Canadian subsidiary to wire the funds to Samcor by close of business yesterday.

Ford Canada is technically the disinvesting company, but the money is being provided by its US parent, thus bringing

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Samcor in US funds row

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the CAAA's investment ban into play.

Administration sources said the Treasury was now expected to make its decision late last night, and that Ford was cautiously optimistic.

The administration is anxious to release the funds. The delay was said to have been caused in part by the Treasury's desire not to alienate Budget Committee chairman Gray.

The dispute centres on exceptions to the ban laid out in regulations published on December 29 last year to implement the CAAA.

Exempted under these regulations are "contributions of money or other assets where such contributions are necessary to enable a controlled South African entity to operate in an economically sound manner, without expanding its operations."

A "controlled South African entity" is defined as "a corporation, partnership or other business association or entity organised in SA, and owned or controlled, directly or indirectly, by a national of the United States".

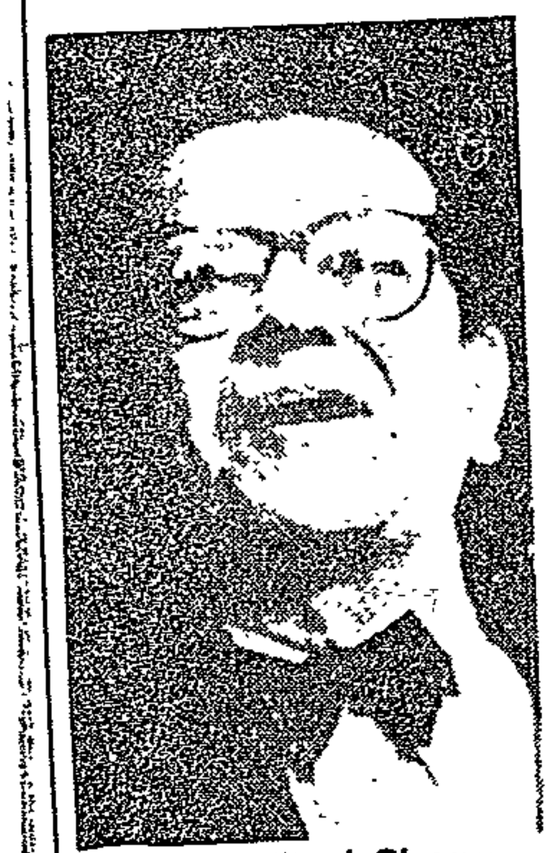
Ford Canada owned a 42% stake in Samcor. It has agreed to donate 24% to a community welfare and development trust owned by Samcor employees. The remaining 18% was sold to Anglo for a nominal sum.

Ford maintains that Samcor is still a controlled entity as defined by the Treasury and that the $61m is needed to keep the company economically viable without expansion.

Not all sanctions proponents are opposed to the transfer. A spokesman for Senator Edward Kennedy said: "If it's possible to disinvest without throwing thousands out of work, that's the way to go. We favour disinvestment, but we're not in favour of a scorched-earth policy."



Mr William Gray



Senator Paul Simon

US Treasury to decide Samcor's fate

From SIMON BARBER

WASHINGTON. — Samcor's fate appeared to hang in the balance yesterday pending a decision by the US Treasury to permit Ford to transfer $61 million (about R122 million) to SA to help pay off the car company's debts.

The transfer is an unpublicised part of the disinvestment agreement Ford negotiated with Anglo-American, Amic, the National Union of Mineworkers of SA (Numsa) and Samcor.

A Treasury ruling is required because the injection of funds into SA may run foul of the Comprehensive Anti-Apartheid Act (CAAA) ban on new investment.

Pro-sanctions forces on Capitol Hill, led by Congressman Howard Wolpe, chairman of the House Africa subcommittee, Congressman William Gray, chairman of the House Budget committee, and Senator Paul Simon, chairman of the Senate Africa subcommittee, have demanded that the money not be released.

They are considering filing for a court injunction if Treasury rules in favour of Ford, one of their advisers said yesterday. They have also been in contact with UDF and union leaders to drum up opposition to the transfer.

"Ford claims to be disinvesting, but at the same time it wants to pump $61 million into Samcor. The way we read the act this is prohibited because it represents new investment," a staff member said.

"We have reason to believe that the transfer was not discussed in depth with Cosatu and other unions."

Liquidate

Congressional and administration sources said they had been told by Ford that unless the money was released, Anglo would liquidate Samcor, possibly putting thousands out of work.

Such a move would also invalidate the painstakingly negotiated creation of an employee trust fund from Samcor shares donated by Ford.

Anglo is understood to have set yesterday as the deadline for the $61 million transfer.

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Ford Canada is technically the disinvesting company, but the money is being provided by its US parent, thus bringing the CAAA's investment ban into play.

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A "controlled South African entity" is defined as "a corporation, partnership or other business association or entity organized in South Africa, and owned or controlled, directly or indirectly, by a national of the United States".

Ford sends millions to save SA car company

Own Correspondent

WASHINGTON. — In a bid to prevent Anglo American liquidating Samcor, Ford has wired the car company $61 million (about R122 million) without waiting for formal approval from the US Treasury.

The move was "a flagrant violation" of the Comprehensive Anti-Apartheid Act's ban on new investment, congressman Mr William Gray, chairman of the House budget committee, said yeserday.

Samcor, 58% owned by Anglo before Ford's departure, was a South African-controlled company and therefore not exempt from the law's ban, Mr Gray said.

The congressman, who has been leading the effort to stop the transfer, accused Ford of signing a secret agreement with Anglo to help pay off Samcor's debts so that Samcor would remain viable to continue selling Ford products in South Africa.

This pact was separate from the disinvestment agreement reached with the National Union of Metalworkers of SA (Numsa) under which Ford undertook give 24% of Samcor equity to create an employee trust fund, Mr Gray claimed.

Ford was sufficiently worried about the legality of the transfer to seek Treasury approval.

Superlatives of past year

NEW YORK. — Here are some of the superlatives of 1987:

Most expensive painting: "Irises" by Vincent van Gogh — sold at auction for $53,9 million (R108m) in New York.

Most expensive car: 1931 Bugatti Royale — auctioned for $9,86-million (R19,8 million) in London.

Richest person: Sultan Hassanal Bolkiah, 41, Bandar Seri Begawan, Brunei, $25 billion (R50 billion), according to Forbes magazine.

Top-grossing US film: "Beverly Hills Cop II" — grossed $153 million (R306m) as of December 1.

Best-paid entertainer: Bill Cosby of the United States, $84 million (R168m) estimated for 1986-87, according to Forbes magazine. — Sapa-AP

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Cash transfer bypasses Treasury

Ford sends $61m to save Samcor

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17/12/87

WASHINGTON — In what is being billed as an eleventh hour bid to prevent Anglo American liquidating Samcor, Ford has wired the car company $61m without waiting for formal approval from the US Treasury.

The move was "a flagrant violation" of the Comprehensive Anti-Apartheid Act's ban on new investment, Congressman William Gray, chairman of the House Budget Committee, said angrily yesterday.

Gray, who has been leading the effort to block the transfer, charged that Ford signed a secret agreement with Anglo to help pay off Samcor's debts, so that Samcor would remain viable to sell Ford products in SA.

He said that pact was separate from the agreement reached with the National Union of Metalworkers of SA (Numsa), under which Ford undertook to donate 24% of Samcor equity to create an employee trust fund, and the union was deliberately not informed.

Ford was sufficiently worried about the legality of the transfer to seek Treasury approval. But the Treasury repeatedly delayed issuing a final ruling despite the carmaker's warnings that Anglo had set a deadline for receiving the funds, after which it would close Samcor.

SIMON BARBER

Finally, on Tuesday night, Ford decided to go ahead on its own initiative, congressional and administration sources said.

The company's Washington representatives were understood to have been informed that, although the final ruling would almost certainly be in their favour, Treasury Secretary James Baker wanted to study the matter personally before an official decision was taken.

Underlying the delay was Treasury's desire to avoid alienating Gray at the height of tense negotiations with Congress over the Budget Bill.

The House version of the Bill, which Gray is pushing, contains language, hotly

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165 donations, Lipp says.

Samcor: Ford sends $61m

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opposed by the administration, that would deny US companies tax credits for taxes paid to the SA government.

ALAN FINE reports Numsa has said it was informed during talks on the Ford disinvestment deal of the plan whereby Ford would liquidate Samcor debt through a $61m payment, and had not opposed the move.

Numsa motor-section chief Fred Sauls was responding to questions on the attempts by a number of anti-apartheid US congressmen — including Howard Wolpe, Gray and Paul Simon — to block the transfer of the funds to SA.

Sauls said while the union had been informed of the planned transfer of funds, it had not been the subject of the negotiations which led to agreement on the establishment of employee and community trust funds estimated to be worth more than R100m.

He said the union would have expected to have been the first to be consulted had US legislators been planning action over the transfer. The absence of consultation meant the union saw no need to comment further on the row, which appeared to be a matter of domestic US politicking.

Cosatu spokesman Frank Meintjies said the organisation had not formulated a position on the issue. He said it was likely there would be divergent views and it was necessary for the matter to be debated first.

He said the transfer of funds could be seen as new foreign investment and hence contrary to Cosatu policy.

On the other hand, the nature of Ford's pullout came closer than any other to meeting Cosatu policy on disinvestment, which required disinvesting corporations to leave their wealth in SA. The $61m could be seen as a repatriation of funds which had already flowed out in the form of dividends.

Ford wires $61 m to save Samcor

(62)

BD 17/12/87

from SIMON BARBER

WASHINGTON — In what is being billed as an eleventh hour attempt to prevent Anglo American liquidating Samcor, Ford has wired the car company dollar $61 million without waiting for formal approval from the US Treasury.

The move was "a flagrant violation" of the Comprehensive Anti-Apartheid Act's ban on new investment, the chairman of the House budget committee, Congressman William Gray, said yesterday.

Mr Gray, who has been leading moves to block the transfer, claimed that Ford had signed a secret agreement with Anglo to help pay off Samcor's debts so that Samcor would remain viable to sell Ford products in South Africa.

This pact was separate from the agreement reached with the National Union of Metalworkers of SA (Numsa) under which Ford undertook to donate 24 per cent of Samcor equity to create an employee trust fund, Mr Gray said, and the union had deliberately not been informed.

Ford sought Treasury approval for the transfer, but the Treasury repeatedly delayed a final ruling despite warnings that Anglo had set a deadline for receiving the funds after which it would close Samcor.

Finally, on Tuesday night, Ford decided to go ahead on its own initiative, according to congressional and administration sources. The company's Washington representatives are understood to have been informed that the final ruling would almost certainly be in their favour.

● Numsa said yesterday it had been informed during talks on the Ford disinvestment deal of the plan to liquidate Samcor debt through a $61m payment and had not opposed the move.

The head of Numsa's motor section, Mr Fred Sauls, said the union would have expected to be consulted had US legislators been planning action over the transfer. The absence of consultation meant the union saw no need to comment further on the row, which appeared to be a matter of domestic US politicking.

Massive US tax threat averted

SA escapes 'deluge of disinvestment'

By Claire Robertson, Pretoria Bureau

The threat of legislation that would have imposed crippling taxes on United States firms operating in South Africa — and led to massive disinvestment — has been removed with the quashing of a budget provision in Washington.

The controversial tax Bill, the harshest of the new sanctions legislation being considered by congressional and senate panels, would have imposed taxes of between 84 and 91 percent on the SA subsidiaries of US companies.

This would have led to a "deluge of disinvestment" by the firms which have a stake of almost R2 billion in South Africa, said the executive director of the American Chamber of Commerce in South Africa, Mr Adrian Botha.

On Wednesday night a senate panel voted to kill a budget provision which would deny American firms any tax credit for taxes paid or accrued in South Africa.

The "Wrangle measure" — named after leading black caucus member Mr Charles Wrangle — was part of the Omnibus Budget Reconciliation Act passed by the House but was not in the Senate version of the Bill.

The 13-member Senate Conference Committee, sitting to consider the massive budget deal, voted 7 to 3 to drop the South African provision.

Mr Botha said he could not estimate the relief to US firms here in financial terms. But a conservative estimate by the Congressional Budget Office in Washington reportedly said the measure would have raised the price of doing business in South Africa for US companies by R115 million before 1990.

Double taxation

The proposal sought to force US firms with branches or subsidiaries in South Africa to pay the 34 percent company tax imposed in the US on top of the 50 percent SA company tax. A subsidiary which did not pay tax currently but on dividends would have had to pay a total of 91,5 percent tax on both the profits and the dividends.

But Mr Botha pointed out that this was not the end of the road for US firms operating in South Africa. Two Bills which would be considered next year aimed at punishing US firms for operating in South Africa.

One was directed at both US and other foreign oil companies and sought to deny those firms the right to bid on US federal oil, gas and coal leases, he said.

The other sought to prevent both South African and US firms with a stake in the mining industry from investing in the United States.

Ford in trouble over R122-m sent to Samcor

The Star Bureau

WASHINGTON — Anti-apartheid forces on Capitol Hill are regrouping to respond to the Ford Motor Company's transfer of R122 million to Samcor (South African Motor Corporation) as part of its withdrawal from South Africa.

Congressional aides to those trying to block the money — because they feel it violates sanctions against South Africa — said they were considering their options but they refused to define any course of action.

"We should come up with something within a week," said one source deeply involved in the issue.

A spokesman for Ford, Mr Al Chambers, confirmed yesterday that the R122 million had been sent to South Africa. The money is seen by some observers as an attempt by Ford to rescue Samcor, while ridding itself of its 42 percent in the company and leaving South Africa.

Ford did not publicise the R122 million pay-out as part of the disinvestment deal agreed to on November 24 by Samcor union workers and Anglo American. It did inform interested parties in the US of the general terms of the withdrawal but did not mention the money.

Ford officials told congressional aides last week that R122 million would be dispatched to South Africa but remained silent until yesterday about when it would be transferred.

Tax Bill could have cost millions

Bid to hit US firms in SA rejected

62
b/day
18/12/87

WASHINGTON — US business in SA dodged a potentially lethal bullet on Wednesday night when a Senate panel voted to kill a budget provision that would have denied American firms tax credits for any tax paid or accrued to SA.

Had the measure been passed, it would have put SA in a legal category that includes communist and so-called "terrorist" nations.

According to a conservative estimate by the Congressional Budget Office, it would have raised the price of doing business in SA for US companies by $57m between 1988 and 1990.

There was still a small chance that the Democrat-controlled House of Representatives might continue the fight. Otherwise, the 1987 legislative session seemed certain to end without passage of a single new anti-apartheid law.

Introduced by leading black caucus member Charles Rangel, the double taxation measure was part of the Omnibus

SIMON BARBER

Budget Reconciliation Act passed by the House, but was not in the Senate version of the Bill.

The 13-member Senate Conference Committee charged with working out a compromise on the mammoth budget package voted 7-3 to drop the SA provision.

The voting took place behind closed doors, but sources agreed the seven "no" votes included all six Republicans on the panel and one Democrat, Senator David Boren of Oklahoma, with the rest abstaining.

If the House were to demand a second vote, the margin seemed strong enough to hold, especially since one of the apparent abstainers, Senator Lloyd Bentsen, chairman of the Senate Finance Committee, is known to oppose the measure strongly.

The decision followed intense behind-

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Tax bid against SA halted

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the-scenes lobbying by the State Department, the Treasury, the National Association of Manufacturers and a number of major US companies that feared the item was such a tiny portion of the overall Bill that it might slip through unnoticed.

Administration officials considered it highly unlikely that President Reagan would veto the full Bill for the SA clause alone.

In a letter to every senator on the committee, Deputy Secretary of State John Whitehead called the measure "an undisguised attempt to use the US tax code to drive American business from SA".

"Many US firms, already in marginal economic circumstances, would be forced to downgrade their financial participation in community programs or to pull out of SA altogether."

He noted that the Comprehensive Anti-Apartheid Act passed last year specifically applauded "the positive contribution" of US firms in SA.

Congressman William Gray, chairman of the House Budget Committee, vowed in an interview to push for the measure next year. "It will get through," he said.

LINDA ENSOR reports that the watershed decision will have a significant counter-effect on disinvestment from the country.

US companies with subsidiaries or branches in SA had been nervously watching the progress of the proposal since it was first put forward in October.

If it had been passed these companies would have been so heavily taxed that their continued presence in SA would not have been viable, said Adelaide Passos, a senior partner with accounting firm Arthur Andersen in Johannesburg and an expert on the subject.

"In terms of keeping US companies in SA it is a very important step," Passos said last night.

In terms of the proposal, all US companies with branches or subsidiaries in SA would have had to pay not only the 50% company tax in SA but also the 34% company tax imposed in the US.

The SA branch of a US company would have had to pay 84% tax while a subsidiary which does not pay tax currently but when the dividends are remitted would have had to pay a total of 91,5% tax on both the profits and the dividend.

WEEKEND ARGUS 19/12/87

Sanctions blow to US firms in SA

Weekend Argus
Foreign Service

WASHINGTON. — Anti-apartheid lawmakers on Capitol Hill have dealt a powerful blow to American companies operating in South Africa — one that is certain to drive many more out of the country — by repealing their tax credits.

Analysts here believe that the new move will be the last straw for those of the 168 or so firms still in South Africa and which have been on the verge of disinvesting.

The Bill, which must still be approved by President Reagan, emerged after tough bargaining between the US Senate and House of Representatives yesterday.

The clause will axe a tax credit that US companies have enjoyed, where the taxes they paid to the South African Government were deducted from those due in the US.

Behind the move was Congressman Charles Rangel of New York, a black member of the House and staunch opponent of apartheid.

Pro-disinvestment and sanctions legislators and anti-apartheid groups who backed his clause were ecstatic yesterday: "This is the biggest tightening of sanctions we have seen," said one activist in New York.

"More meaningful"

"It could be an even more meaningful measure than any of the sanctions already in place."

One respected analyst said: "It adds considerable weight to the scale on the side of leaving South Africa. It will be the final straw for marginal companies down there."

US Treasury estimates show that it will probably cost American companies in South Africa about $20-million (R40-million) in the first year and $23-million (R46-million) in the second.

● Meanwhile, the US Treasury department said yesterday it did not object to the Ford Motor Company pulling out of South Africa without awaiting department approval of a key part of its withdrawal plan.

A department official said that on the basis of what the agency knows of the Ford plan, "it plans to take no further action".

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SA clause 'the lesser of two evils'

by ALAN DUNN
Weekend Argus Foreign Service

WASHINGTON. — American businesses in South Africa fell victim this week in the US Congress to so-called "runaway plants", a wrangle totally unrelated to apartheid.

In political trading allowing glimpses of the remarkable world of wheeling and dealing on Capitol Hill, legislators at first rejected legislation eliminating a tax credit system allowing US companies credit at home for the taxes they pay in South Africa.

They did so twice at least and then, at midnight on Thursday, they switched.

The carrot was another clause in the Bill that they were negotiating and one which lawmakers liked even less than the South African one. As the bargaining wore on they were told to choose — and they opted for the alternative less painful to them.

The present on-off tangle dates back to early this year when the Democrat-dominated House of Representatives "ways and means" committee worked behind closed doors on a Bill to reduce America's huge budget deficit through tax increases.

President Reagan told the Democrats that any measure raising taxes would die on his desk; that he would veto it. So the Republican members of the ways and means panel did not even bother to take part in the tax deliberations.

Then came the October 19 Wall Street shock, frightening the US, causing business and industry to urge Washington's politicians for signs of leadership in tackling the deficit.

Mr Reagan softened his position on tax increases to restore faith in his administration and help to nudge the plummeting Dow Jones industrial averages back upwards.

The House Bill was suddenly very much alive again, and so was the South African clause that Congressman Charles Rangel of New York had slipped into it.

House Republicans had been caught napping. Pro-investment politicians, Reagan officials and US companies affected soon started a frantic but fruitless scramble to make up lost ground.

So this week the House version of the deficit-reduction Bill contained the South African clause. It also contained a clause imposing tariffs on imports from so-called "runaway plants" — factories built by US firms in low-wage countries such as Mexico or Puerto Rico which sell their goods back to America.

The Senate version contained no foreign policy clauses. When delegates met in camera this week to marry their Bills, the haggling started.

Senator Lloyd Bentsen of Texas, leading the Senate negotiators, rejected both clauses — but then, when ordered to decide between the two, chose the South African measure.

US firms in SA may pay double taxes

From SIMON BARBER

WASHINGTON — In a stunning about-face, the United States Congress has approved possibly its most devastating anti-apartheid sanction yet — double taxation for US companies in South Africa — as part of its 1987 budget.

Unless the decision is vetoed by President Ronald Reagan, it could force out all remaining US firms within a matter of months.

Incredibly, the move was made with almost no public debate. Until last week, the South African provision was a secret even to most congressmen.

If it stands, many struggling US subsidiaries will cease to be viable as they will have to pay tax on their South African income in both countries.

"This is the death knell," one industry official said. "There will now be genuine shareholder pressure to pull out — staying on will no longer be justified by the returns."

The development left the State Department, Treasury and industry lobbyists reeling. All had been confident that the measure had been killed when Senate negotiators voted 7-3 against it.

The idea, authored by Mr Charles Rangel, a prominent member of the congressional black caucus, was part of the House budget bill, but not the Senate's. Under its provisions, US companies would cease to be able to subtract taxes paid to South Africa from their US tax bill.

Until now, such tax credits have only been denied to US firms operating in certain officially-designated "terrorist" nations and countries the US does not recognise diplomatically.

It is understood that the chairman of the House ways-and-means committee, Congressman Dan Rostenkowski, told Senate negotiators they had the option: either accept the proposal, or a far broader one hitting US multinational operations all over the world.

The latter, also authored by Mr Rangel, was designed to pressure companies not to build plants in countries with cheaper labour, by taxing the profits of such plants.

The third option was no budget, which would bring into play automatic, across-the-board budget cuts under the so-called Gramm-Rudman deficit reduction law.

With time running out, the South African measure was suddenly reinstated, virtually without debate, and even though the chief Senate negotiator, Democrat Lloyd Bentsen, chairman of the Senate finance committee, hotly opposed it.

Opinion is divided as to how the White House will react. Administration sources said the Treasury was urging President Reagan to cast a veto, even though this would trigger deep cuts in the defence budget.

The final budget bill still faces a yes or no vote by both chambers before it is presented for the President's signature. This should be a formality but a Republican-led filibuster in the Senate can not be ruled out.

US firms in SA are dealt big tax blow

ALAN DUNN

WASHINGTON — Anti-apartheid lawmakers on Capitol Hill have dealt American companies operating in South Africa a powerful blow, which is sure to drive many more out of the country, by repealing their tax credits.

The move poses severe setbacks for American businesses in South Africa. Analysts here expect it to be the "last straw" for those of the 168 or so firms still in South Africa which were on the verge of disinvesting.

The Bill, which must still be approved by President Reagan, emerged after tough bargaining between the US Senate and House of Representatives at midnight on Thursday.

The clause affecting South Africa axed a tax credit US companies have enjoyed, where the taxes they paid the South African Government were deducted from those due in the US. Behind the move was Congressman Charles

● TO PAGE 2.

US turns tax screw

● FROM PAGE 1.

Rangel of New York, a black member of the House and staunch opponent of apartheid.

Pro-disinvestment and sanctions legislators and anti-apartheid groups, who backed his clause, were ecstatic yesterday. "This is the biggest tightening of the sanctions we have seen," said one church activist in New York.

One widely-respected analyst said: "It adds considerable weight to the scale on the side of leaving South Africa. It will be the final straw for marginal companies down there."

US Treasury estimates show that it will probably cost American companies $20 million in the first year, and $23 million in the second.

"It just makes it more expensive for them," said Mr Michael Christie, director of the South African Foundation office in Washington DC. But he did not share the bleak, damaging forecasts of other analysts:

"I would think it is not going to mean the end of US business in South Africa by any means," he said, noting that 160 or more companies paying the estimated $43 million over the next two years did not constitute that much of an individual burden.

The, tax credit repeal emerged in an larger omnibus tax Bill intended to reduce America's massive budget deficit. Lawmakers forged a Bill raising $23 Billion in revenues through taxes over the next two years.

The Bill was the result of a mini "econoic summit" in Washington recently following the October 29 Wall Street slump which shocked America when when the Dow Jones industrial average dropped more than 500 points.

The Bill emerged after Senate and House conferees bargained behind closed doors on Thursday, to marry their differing versions of the $23 Billion tax Bill — the Senate's version did not contain the South Africa clause, and the House's did.

R200m shot saves Samcor

TENS of thousands of jobs threatened by further US sanctions have been saved by an 11th-hour injection of R200-million by America's Ford company into its South African offspring.

Congressional anti-apartheid attempts to block the transfer of the money to the South African Motor Corporation (Samcor) failed.

Had they succeeded, it would have meant liquidation of Samcor with the loss of 5 000 jobs, an end to the 24

By DAVID CARTE

percent employee trust set up as part of Ford's disinvestment plan, and the closure of hundreds of Ford, Mazda and Mitsubishi dealerships which would have cost thousands more jobs.

Samcor chairman Leslie Boyd yesterday confirmed the company had received a total of R200-million to repay debts incurred by Ford in South Africa over many years.

Anti-apartheid activists argued that the money was a new investment in SA and that it contravened US law, even though the transfer had been approved.

Now Samcor will be free of bank debt.

With interest costs of at least R24-million a year eliminated, Samcor is expected to become profitable.

In a prepared statement, Mr Boyd said Samcor would continue to supply a full range of Ford products.

A close association with Ford would continue.

At present, Ford offers the Sierra and Laser cars, the Husky minibus and a range of light delivery vehicles in SA.

The Sierra is to be replaced with a new model.

Tooling is expected to cost R100-million.

Anglo American and Samcor both refuse to comment on events in the US.

They have not acknowledged that Samcor might have been liquidated if the funds had not been received.

Debts

But Samcor is known to have lost tens of millions of rands and interest costs are known to have been the major cause.

There is still no clarity on whether American multinationals in South Africa would be able to repay debt in South Africa from the US.

If not, the implications for American companies in South Africa could be profound: their bankers and creditors would probably demand repayment and their suppliers could well start asking them to pay cash.

Lawmakers debate tax credits

Bill poised to force US firms out of SA

By Alan Dunn, The Star Bureau

Washington

United States lawmakers will continue bargaining today after an extraordinary weekend of negotiations over a Bill containing a clause eliminating tax credits for American companies operating in South Africa.

By last night, there were no signs of relief for the more than 160 businesses which, in terms of the Bill, will have to pay taxes at home from next year regardless of those they pay in South Africa. American firms have, until now, had taxes they paid the South African Government deducted from their dues in America.

The future of the clause, whether it remains in the Bill presently being debated on Capitol Hill, was undecided last night. It could go either way: "All we can do is breathe tonight and wait for tomorrow," said a South African official anxiously watching the Bill's passage last night.

If the clause survives a powerful, pro-investment counter-charge by President Reagan's top lieutenants and some influential members of Congress, it is expected to drive many more US corporations out of the Republic.

Reagan 'would veto legislation'

The clause is contained in a $23 billion (about R44,6 billion) omnibus deficit-reduction Bill. Mr Reagan has signalled he will veto this and other domestic finance legislation currently being finalised on Capitol Hill, because he finds several provisions in it unacceptable.

His Treasury Secretary, Mr James Baker, apparently telephoned lawmakers on Friday, telling them Mr Reagan would veto the deficit Bill on four grounds — the fourth was the South Africa tax credit clause.

His last-minute efforts to kill the clause came as Senate and House of Representatives members were still negotiating the Bill. They decided to include the South African clause at midnight on Thursday but, because their dealings on the Bill are unfinished, they can still go back on that provision. The conferees met again yesterday behind closed doors, trying to finish as early as possible for the Christmas recess. But no word was mentioned about the South African clause.

The main focus of lawmakers and the Reagan administration is largely other issues, such as the controversial debate on funds for the Central American Contra rebels fighting a Marxist government in Nicargua.

A Senate Foreign Relations Committee member, Senator Richard Lugar, has written to the main Senate conferee, Senator Lloyd Bentsen of Texas, pressing him to reject the clause.

Not considered

He said the tax credit repeal had been proffered by the House. It had never been discussed in the Senate. It was not considered last year during the sanctions debate, led by Senator Lugar, and had not been proposed this year.

Anti-apartheid lawmakers are expected to announce some form of retaliation tomorrow for the US Treasury allowing the Ford Motor Company to wire $61 million (about R118 million) to South Africa as part of it's withdrawal from Samcor and the country.

At least four Democrats and anti-apartheid groups opposed the move, urging the Treasury to stop the money transfer because they felt it constituted new investment in the Republic.

Body blow for US firms in SA

IN a stunning about-face, the US Congress has approved potentially its most devastating anti-apartheid sanction yet — double taxation for US companies in SA — as part of its 1987 budget law.

Unless the decision is reversed by a presidential veto, it could force out all remaining US firms, oil giants like Mobil included, within a matter of months.

Incredibly, the move was made with almost no public debate. So mammoth is the overall budget bill that until last week, the SA provision was a secret even to most congressmen.

If it stands, many already struggling US subsidiaries will cease to be viable because they will have to pay tax on their SA income in both countries.

"This is the death knell," one industry official said. "There will now be genuine shareholder pressure to pull out because staying on will no longer be justified by the returns."

The decision was reached on Thursday night in a closed Capitol Hill caucus room as congressional budget negotiators raced to complete their work in time for the Christmas recess.

The development, which has received no coverage in the US media, left the State Department, Treasury and industry lobbyists reeling. All had gone home on Thurday evening confident that the measure had been killed the previous night when Senate negotiators voted 7-3 against it. This was widely reported in the media.

The idea, authored by congressman

SIMON BARBER

Charles Rangel, a prominent member of the congressional black caucus, was part of the House Budget Bill, but not the Senate's. Under its provisions, US companies would cease to be able to subtract taxes they paid to SA from their total US tax bill.

Until now, such tax credits have only been denied to US firms operating in certain officially-designated "terrorist" nations and countries which the US does not recognise diplomatically.

The congressional budget office has estimated that the measures would add $56m to the cost of US business in SA between 1988 and 1990. Industry sources called this figure "very low".

A State Department official noted that such estimates were worthless. "If this goes through, there won't be any companies left in SA to be taxed."

Precise details of how the reversal occurred remained unclear yesterday because the proceedings occurred in camera, closed even to the administration.

It is understood, however, that congressman Dan Rostenkowski, chairman of the House Ways and Means Committee, told Senate negotiators they had the option of accepting either the SA measure or a second, far broader proposal hitting US multinational operations all

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Body blow for US firms in SA

● From Page 1

over the world.

The latter, also authored by Rangel, was designed to pressure companies not to build plants in countries with cheaper labour by taxing the profits of such plants.

The third option was no budget, which would bring into play automatic, across-the-board budget cuts under the so-called Gramm-Rudman deficit reduction law.

With time running out, the SA measure was suddenly reinstated, virtually without debate, although it was hotly opposed by chief Senate negotiator, Democrat Lloyd Bentsen, who is chairman of the Senate Finance Committee.

Yesterday, opinion was divided about how the White House would react. Administration sources said the Treasury was urging President Reagan to cast a veto, even though this would trigger Gramm-Rudman and deep cuts in the defence budget.

The final budget bill still faces a straight yes or no vote by both chambers before it is presented for the president's signature. This should be a formality, but a Republican-led filibuster in the Senate cannot be ruled out.

Senate's double tax bill still undecided

From SIMON BARBER

WASHINGTON — The fate of the US Congress' decision to impose double taxation on American firms in South Africa remained undecided yesterday, though the chances of its becoming law appeared to be lengthening.

The measure, authored by Congressman Charles Rangel, is a tiny fraction of the massive omnibus Budget Reconciliation Act of 1987 that would help put into effect the $30-billion deficit reduction agreement worked out between Capitol Hill and the White House after the October stock market crash.

There was still some hope that the South Africa provision could be knocked from the bill before the house and Senate both voted on the final version, perhaps as early as today.

The house-initiated measure, which industry sources said could force a stampede of the remaining US firms from South Africa, major oil companies like Mobil included, was accepted by Senate negotiators late on Thursday night.

Sources said that the Secretary of State, Mr George Shultz, personally intervened on Saturday to urge reconsideration of the South Africa measure.

President Reagan is threatening to veto this and another budget bill, the "Continuing Resolution" which authorises federal spending but, he says, does not contain sufficient aid to the Nicaraguan Contras.

Observers believed that if he could be satisfied on that point he would drop his veto threat against both bills.

Editorial opinion P12

Reagan to veto unlikely tax measure

WASHINGTON — President Reagan will not veto the decision by Congress to impose double taxation on US companies in South Africa, the White House has informed Republican congressional leaders.

from SIMON BARBER

"They have told us it's a done deal," one of their aides said yesterday.

The measure is part of a critical taxation and spending package worked out between the Senate and the House of Representatives to reduce the US budget deficit by $30 billion.

A final vote on the package in both chambers was scheduled for late last night. If all goes according to plan if will be on the President's desk for signature this morning.

The package consists of the omnibus Budget Reconcilation Act of 1987, which contains the measure affecting South Africa and a catch-all spending bill known as a "continuing resolution".

The President had earlier vowed to veto both bills if Congress did not agree to certain changes relating to aid for the Nicaraguan Contras, welfare spending and farm subsidies.

The South African taxation provision, authored by Congressman Charles Rangel, was also on the list of items declared "vetoable" by the US Treasury, but it appears to have been dropped.

There were unconfirmed report that Senator Jesse Helms, the conservative North Carolina Republican, might mount a filibuster.

Sources close to the affected companies cautioned against assuming there would be a total and immediate stampede from South Africa.

"Most companies have been expecting something like this since the Comprehensive Anti-Apartheid Act last year and have been making plans accordingly," a trade lawyer said.

South African-based representatives of US companies or their affiliates which could be affected by the legislation are maintaining a concerned silence over the proposal.

While the situation remained fluid, none would even vouch a comment as to the possible implications.

Their concern suggested that the proposal was regarded in a more serious light than other anti-apartheid measures that that have come before Congress.

A partner in a Johannesburg firm of tax consultants, Mr Larry Kritzinger, said that if the legislation was passed, South African branches of US firms should immediately siphon off to their parent companies as much income as possible.

He says the provision, if passed, would only take effect from January 1 1988. US-owned companies in South Africa would be advised to distribute to their American parents all income earned before then.

The measure, if imposed, will mean that the total tax payable on income earned by US controlled companies in South Africa will leap from 57,5 per cent to 71,-95 per cent.

'Umbilical cords' hidden from hostile probings by critics

US firms retain SA 'ghost' links

By Michael Chester

While the toll of disinvestments by American companies had climbed to 143 by the close of 1987, the reluctance behind most of the withdrawals from South Africa has been spelt out in new studies into the pull-outs.

Prepared by Mr David Hauck, head of the SA Review Service run by the Investor Responsibility Research Centre (IRRC) of Washington, the studies show that most of the companies ensured that they have retained running business links, even if hidden away from publicity and hostile probings by political critics.

Moreover, several of them have simply mothballed their South African operations, slipping out of range of overseas snipers by closing down operations on the surface — but leaving their subsidiaries only temporarily dormant and moving back into action if and when the political climate improves.

IRRC studies show that out of 94 US companies that appeared to have severed investment ties with South Africa since the start of 1986, no fewer than 43 of them ensured the preservation of contracts or agreements on distribution of their products, or local production under licence, or franchise or trademark deals, or the flow of technological know-how.

Six of them which appeared to vanish in fact left behind dormant companies.

Now Mr Hauck delves deeper into actual disinvestment patterns in the period spanning 1985 and 1986 when the bulk of withdrawals hit the headlines.

He reveals that out of 88 American withdrawals in the two years, 17 were by companies running no more than small sales or representative offices — with only a hand ful of employees and with few real assets — which closed their operations or sold off their assets piecemeal.

Even among the mini-operators, however, several of them simultaneously entered into licensing or distribution agreements with South African firms to carry on sales and services for the US parent company's products.

The only company to pull out and smother sales with a blanket ban on exports to South Africa was Eastman Kodak, which announced the closure of its two SA subsidiaries last November.

Growing in popularity was the method of selling South African assets to local managers — even if there were better bids from outsiders and even if, on occasions, the US parent had to feed in loans to cover part of the purchase price and rely on repayments out of future profits from the new fledgling.

Mr Hauck found one of the attractions of the management buy-out arrangement was that it made sure no technological know-how fell into the hands of a prowling competitor on the takeover trail.

Profits from royalties

Moreover, in nearly all such buy-outs, the new company that emerged was locked into some sort of trading relationship with the US parent that assured on-going profits out of royalties or licensing agreements covering manufacturing processes.

Investment bankers told the IRRC that the US parent companies sometimes turned down takeover offers as much as four or five times higher than the price tag worked out to encourage buy-outs by existing management teams.

Mr Hauck says one management consultant, trying to prove that the selling price deals sometimes made local management buy-outs a sham, suspected there may also have been future buy-back provisions in the sell-out agreements that were struck.

The IRRC looked at yet another angle: income from a sell-out to an outsider has to be repatriated to the US in financial rands — at a far lower exchange rate than with the commercial rand, which can be used in the repatriation of profits from royalties.

In a third withdrawal method, 37 US corporations, anxious to pick up the cash now rather than await any possible longer-term benefits, sold out their South African operations to outside companies in 1985 and 1986.

A breakdown of the disinvestment patterns showed that most of the buyers were South African companies. But there were also takeover deals with British, West German, Swedish, Dutch and Japanese companies.

Ironically, some of the buyers turned out to be other US-based corporations obviously willing to take on any hassles with disinvestment lobbies.

It was only at the tail-end of 1986 that a fourth alternative withdrawal scheme was devised — the formation of trusts to take over South African assets.

Initially, the idea was that the trusts would be obligated to pay for assets sooner or later in a series of instalments. But agreements also emerged to ensure that trusts were committed to make contributions to South African community projects

Mr Hauck suspects that the motive of several US companies creating such trusts was to leave the foundations intact in readiness to move back into South Africa in the next three to five years.

The clues, he reckons, are spread out in the number of buy-back options in the deals and the apparent absence of fixed repayment schedules in most trust agreements — indicators that the transfers of assets were very often not intended to be final.

South African observers will be looking forward to how the IRRC reviews disinvestment patterns in 1987 — especially the sort of innovations that went into the package that covered the withdrawal of the Ford Motor Company from its partnership with Anglo American in running the South African Motor Corporation.

(62) B/day 22/12/87

Reagan will not veto SA tax provision

SIMON BARBER

PRESIDENT Reagan will not veto Congress' decision to impose double taxation on US companies in SA, the White House has informed Republican congressional leaders.

"They have told us it's a done deal," a congressional aide said yesterday.

The measure is part of a critical taxation and spending package worked out between the Senate and the House of Representatives to reduce the US budget deficit by $30bn.

A final vote on the package in both chambers was scheduled for late last night. If all goes according to plan it will be on the President's desk for signature this morning.

The package consists of the omnibus Budget Reconcilation Act of 1987, which contains the SA provision, and a catch-all spending Bill known as a "continuing resolution".

The president had earlier vowed to veto both Bills if Congress did not agree to certain changes relating to aid for the Nicaraguan Contras, welfare spending and farm subsidies.

The SA taxation provision, authored by Congressman Charles Rangel, was also on the list of items declared "vetoable" by the US Treasury, but it appears to have been dropped.

There were unconfirmed reports that Senator Jesse Helms, the conservative North Carolina Republican, might mount a filibuster. House aides said Republican leaders were studying possible procedural manouevres, but they held out little hope.

Sources close to the affected companies cautioned against assuming there would be a total and immediate stampede from SA.

Meanwhile, US companies or their affiliates with connections in SA are maintaining silence over the proposed legislation, reports CHRIS CAIRNCROSS from Cape Town.

Their silence suggests that the proposal is regarded in a more serious light than others which have been before Congress.

● See Comment Page 4

Thumbscrews tighten on American firms in SA

Argus 22/12/87

From ALAN DUNN
The Argus Foreign Service

WASHINGTON. — United States lawmakers voted early today to turn the thumbscrews on American businesses in South Africa by imposing a "double taxation" on them, a move widely expected to drive many more from the country.

The US Senate voted 61 to 28 in favour of ending a tax credit arrangement whereby taxes that American corporations paid to the South African Government were deducted from those due in the US. The repeal takes effect from next year.

The House of Representatives voted 237 to 181 for the measure, a small part of a R46 000-million omnibus Bill to reduce America's huge budget deficit.

Tough bargaining

Only fleeting reference was made — and by one senator only — to South Africa in both chambers' debates.

The Bill, the product of several days of tough political bargaining between House, Senate and White House representatives, will now be sent to President Reagan, who must sign it before it becomes law.

Mr Reagan has already said he will veto it if it contains clauses he dislikes. His Treasury Secretary, Mr James Baker, apparently telephoned key legislators on Capitol Hill on Friday to tell them that Mr Reagan would veto the Bill on four counts — the fourth of which was the South African tax credit repeal.

The US Treasury estimates that the new measures will net them an extra R86-million in revenue in the next two years — amounting to the added burden that about 160 American companies in South Africa will have to shoulder in that time.

(62) B/day 22/12/87

Price Ford paid for the privilege of escape from SA

SIMON BARBER in Washington

EUGENE TERRE-'BLANCHE, and possibly even P W Botha, will be happy to know the great American campaign to deny black South Africans economic power and preserve them in social, intellectual and political servility proceeds apace.

This year has been a good one for those South Africans who wish to maintain, albeit in some superficially beautified form, the status quo. If the double taxation of American subsidiaries in SA becomes law, it may even go down as a great year.

Talk about a Christmas present! The US Congress may just have handed white SA business the plant and other assets of nearly every US company still in SA.

Any US firm that pays serious taxes to Pretoria — in other words, the large ones with real capital investment — could now be up for grabs. Anyone for an oil refinery?

As with all the best Christmas presents, this one was a complete surprise, even to most of the givers.

Congressman William Gray, chairman of the House Budget Committee and a leading if unwitting proponent of all such gifts, did not appear to know what I was talking about when I raised it with him last week.

He was, and is, not alone. I doubt that there were more than 50 people in Washington — yes, Washington, not just on Capitol Hill — who had the foggiest idea that the double taxation proposal was lurking on page 1 172 in the 2 047-page House Omnibus Budget Reconciliation Act of 1987.

The tax-writing House Ways and Means Committee held one 20-minute fraction of one hearing on the thing last July (consisting of a piece of incomprehensible waffle from the Washington Office on Africa) before slapping it into the Bill.

From that point on, including and beyond the House debate on the full Bill, not a peep of debate was heard.

As of this writing, with the provision a Presidential signature stroke away from law, there has been precisely one passing reference to it in the Washington Post, tucked away in a lone paragraph as the bottom of Saturday's business section.

That is how blithe the process of swatting SA has become.

A number of affected corporations did know about it in advance, for that is why they spend millions on Washington lobbyists, but chose to remain silent, believing that to sound worried would only encourage Congress.

I was specifically asked by one executive not to make a big deal of it for that very reason.

The White House either was ignorant or took a similar line. The former is more likely.

Now that push has come to proverbial shove, and despite the best efforts of Secretary of State George Shultz and Treasury Secretary James Baker to light the dim bulb above its head, it does not seem to care.

SA — and you would do well to recite this to yourself at least a 100 times before breakfast each morning — is now the least of Ronald Reagan's concerns

But back to the Christmas present, for such it most assuredly is.

If it becomes law, most of the US companies still left in SA will in all probability come at even better than firesale prices.

Indeed, if the recent Ford debacle is anything to go by, SA beneficiaries will be able to demand payment for taking the stuff off the donors' hands.

Let's look at the price Ford paid for the privilege of escape.

First, it had to give away its 42% stake in Samcor, 24% to the unions, 18% to Anglo American On paper, at any rate, that's a US$50m gift or thereabouts.



□ GRAY . . . complete surprise

The company also agreed to pump an additional US$10m into community development trusts in Pretoria and Port Elizabeth. And then, to top it all off, it had to ante up US$61m in debt liquidation to keep Anglo from shutting Samcor down.

That, at least, is what it told both the US administration and Congress, and there's no reason to doubt it

In essence, Ford has had to shell out a cool US$121m to leave a country in which it has been trading for nearly half a century

Samcor is going to have to sell a lot of cars with Ford logos on them for such an investment to pay off, especially if the Reserve Bank continues to limit royalty payments in real money to a small percentage of revenues

And — the US$61m injection notwithstanding — there isn't much guarantee how long Samcor will continue competing in the heavily overtraded SA car market, or, if the company does remain viable, how long Ford will continue to want its products being sold in SA in any form

Increasingly, local governments are defining the kind of relationship Ford hopes to maintain with Samcor as doing business in SA

Licensing and royalty agreements, technology transfers, even permitting a trademark to be used, all qualify as tainted transactions in Los Angeles, San Francisco and a growing number of other major US cities

Is a toehold in a stagnant SA really worth not selling fleets to some of the richest cities in the world?

Whether or not Anglo intends to keep Samcor going, and it would seem a pity to close that splendid new facility, it had Ford over a barrel.

Ford had to agree to pay off a large chunk of Samcor's debts and endow a fund that would keep the work-force happy, or at least committed to keeping the concern going

In return, the Detroit car-maker stands to get nothing, not even the hope of an African production base if and when the millennium dawns in SA

Anglo's balance sheets will not be ruined if Samcor closes Ford will lose whatever return it hoped for, and 4 900 workers — 70% of whom are black — will lose their jobs and their suddenly valueless trust fund

Whatever clout the National Union of Metalworkers of SA had managed to accrue will be smashed

That seems a ghastly hole for a well-intentioned American company to have to throw its money down, but it can hardly be said to take any skin off Pretoria's — or Anglo's nose

Except and here is one bad piece of news for those who would profit from US corporate withdrawal it may become increasingly difficult for companies to pay their purchasers, especially if such payments can be interpreted by the scorched earth boys in Congress as "new investment".

It remains to be seen precisely what Congressmen William Gray and Howard Wolpe will do following Ford's decision to transfer the US$61m without waiting for the Treasury to rule that it did not violate the Comprehensive Anti-Apartheid Act's new investment ban

But do something they will, encouraged by Treasury's pusillanimousness in coming to a decision.

Steps will be taken that will force US companies to find other avenues of paying their buyers or that will end such payments altogether

This means that some US concerns may simply be liquidated outright, though, thanks to the two-tiered rand, most of the proceeds will stay in SA

As for the rest, well, SA investors will no doubt learn to live with the intolerable burden of getting something for nothing

The American Santa Claus is bringing no gifts for black SA. But for Pretoria and the business sector, it should be a merry Christmas and a profitable New Year

A Christmas present of double taxation

Eugene Terreblanche, and possibly even P W Botha, will be happy to know the great American campaign to deny black South Africans economic power and preserve them in social, intellectual and political servility proceeds apace.

1987 has been a good year for those South Africans who wish to maintain, albeit in some superficially beautified form, the status quo. If the double taxation of American subsidiaries in SA becomes law, it may even go down as a great year.

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SIMON BARBER writes from Washington

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In essence, Ford has had to shell out a cool $121 million to leave a country in which it has been trading for nearly half a century. Samcor is going to have to sell a lot of cars with Ford logos on them for such an investment to pay off, especially if the Reserve Bank continues to limit royalty payments in real money to a small percentage of revenues.

And, the $61 million injection notwithstanding, there isn't much guarantee how long Samcor will continue competing against the Japanese in the heavily overtraded SA car market, or, if the company does remain viable, how long Ford will continue to want its products being sold in SA in any form.

Increasingly, local governments are defining the kind of relationship Ford hopes to maintain with Samcor as doing business in SA. Licensing and royalty agreements, technology transfers, even permitting a trademark to be used, all qualify as tainted transactions in Los Angeles, San Francisco and a growing number other major US cities. Is a toehold in a stagnant SA really worth not selling fleets to some of the richest cities in the world?

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Steps will be taken that will force US companies to find other avenues of paying their buyers or that will end such payments altogether. This means that some US concerns may simply be liquidated outright, though, thanks to the two tiered rand, most of the proceeds will stay in SA. As for the rest, well, SA investors will no doubt learn to live with the intolerable burden of getting something for nothing.

The American Santa Claus is bringing no gifts for black South Africa. But for Pretoria and the business sector, it should be a Merry Christmas and a profitable New Year.

MBER 22, 1987

US investors in SA suffer

WASHINGTON — The US Senate voted early today to end foreign tax credits for US firms doing business in South Africa.

The move, seen as a way of increasing pressure on South Africa to end its apartheid policies, was included in a Bill to cut the massive US budget deficit by $76 billion (R152 billion) over two years.

Dealers in currencies and stocks say the cuts are needed to help restore confidence in financial markets, still jittery after the mid-October global stock market crash.

President Reagan was expected to sign the legislation, which was passed late yesterday by the House.

Backers of the South African sanctions claim it will generate about $20 million (R40 million) in additional tax revenue for the United States in the next three years.

Congressman Charles Rangel, a New York Democrat who led the fight to include the provision in the budget Bill, said it makes "an extraordinarily important moral statement about the pernicious evil of apartheid".

Under the legislation, any company operating in South Africa after January 1 would be unable to count taxes collected by South Africa as a credit toward its US tax bill.

South Africa currently imposes a 50% tax on the profits of foreign firms operating there.

There are 163 US firms that now have direct investments in South Africa, according to the Investment Research Responsibility Centre (IRR), a consulting firm that provides information to institutional investors.

But firms are pulling out. In 1984, only seven US firms left, in 1985 that total jumped to 40 while last year, 50 firms left, and 51 others have pulled out this year, the IRR said. — Sapa-Reuter

Final straw for US firms

Cape Times 23/12/87

MOST of the largest United States companies still in South Africa have nine days to restructure their corporate finances or face severe US tax penalties.

That, according to well-placed industry sources, is the effect of the South African double-taxation provision enacted by Congress early yesterday morning and certain to be signed by President Reagan.

The measure is likely to have profound political consequences in South Africa because it says that Washington now officially equates Pretoria with a list of "terrorist" and other pariah states that includes Libya, Iran, North Korea, Cuba and South Yemen.

The American Chamber of Commerce in Johannesburg said the move would be the final straw for most of the 163 US corporations that still have direct investments in South Africa.

From SIMON BARBER in Washington and CHRISTOPHER WILSON in Johannesburg

"It will lead to a deluge of disinvestment," warned Mr Adrian Botha, the chamber's president.

In 1984, seven US firms left South Africa. In 1985 the total jumped to 40 while last year, 50 firms left, and 51 others have pulled out this year.

Among the US firms still in South Africa are Mobil Oil, Union Carbide, Kellogg, Nabisco and Caterpillar.

Mr Patrick Landey, managing director of Hewlett Packard's South African subsidiary, said in Johannesburg: "The bill seems to be aimed mainly at oil companies here which are required to operate as separate profit centres and already pay high tax rates."

The law was passed without public debate as part of a giant deficit reduction package which Mr Reagan believes he must sign to restore international confidence in the US economy. It takes hold on January 1 and provides for no grace period.

"Those hurt the most will be those with the largest exposures in South Africa in terms of employment and investment," said Mr Steve Cooney, director of international investment and finance for the National Association of Manufacturers.

Topping the list of potential victims are oil giants like Mobil, which has taken the lead in black advancement and social responsibility programmes.

To page 3

US to end Senate vote tax credit

WASHINGTON — The United States Senate voted early yesterday to end foreign tax credits for United States firms doing business in South Africa.

Most of the largest US companies still in South Africa now have nine days to restructure their corporate finances or face severe US tax penalties.

According to well-placed industry sources, the "double tax" bill is certain to be signed by President Ronald Reagan.

The measure is likely to have profound political consequences in South Africa because it says that Washington now officially equates Pretoria with a list of "terrorist" and other pariah states that includes Libya, Iran, North Korea, Cuba and South Yemen.

The law was passed without public debate as part of a giant deficit reduction package which Mr Reagan believes he must sign in order to restore international confidence in the US economy. It takes effect on January 1 and does not provide for a period of grace.

Backers of South African sanctions claim it will generate $20 million in additional tax revenue for the US in the next three years.

"Those hurt the most will be those with the largest exposure in South Africa in terms of employment and investment," the director of International Investment and Finance for the National Association of Manufacturers, Mr Steve Cooney.

Topping the list of potential victims are oil giants like Mobil, analysts say.

"The companies most heavily impacted will be those who are consolidated in South Africa rather than, say, Europe, and primarily those involved in primary resources — refining, processing and providing equipment," Mr Cooney predicted.

Because these firms will no longer be permitted to subtract taxes paid or accrued to South Africa against their US tax bills, their profitability and competitiveness could be severely reduced.

The provision's author Congressman Charles Rangel and the black caucus voted against the overall package because of maintained aid to the Nicaraguan Contras.

As a result, the final vote in the house was a razor-thin 209—208.

● The measure was depicted in Johannesburg as a "savage, sanctions move" that could prompt a new wave of pull-outs by American companies.

"We are very disappointed that this legislation got through," said the president of the American Chamber of Commerce in South Africa, Mr Ian Leach. "Naturally it will have a severe impact on the profitability of US companies."

The chamber's executive director, Mr Adrian Botha, said prior to the measure's passage that many US companies would disinvest if double taxation took effect.

More than 100 US firms have withdrawn from South Africa because of disinvestment pressure since 1985, with 160 remaining. — Sapa-RNS-DDC-AP

DA
23/12/87

ACCUSED of massacres and mutilations, denounced by East and West, rebels in There is no disagreement on the war's consequences — one-third of Mozmabi- from Tanzania and Malawi and Cuban and Soviet advisers.



☐ REAGAN ... expected to sign the legislation

Cost of a US company doing business in SA has just gone up

WASHINGTON — The US Senate voted early yesterday to end foreign tax credits for US firms doing business in SA.

The move, seen as a way of increasing pressure on SA to end its apartheid policies, was included in a Bill to cut the massive US budget deficit by US$76bn over two years.

Dealers in currencies and stocks say the cuts are needed to help restore confidence in financial markets, still jittery after the mid-October global stock market crash.

President Ronald Reagan was expected to sign the legislation, which was passed late on Monday by the House.

Backers of the South African sanction claim that it will generate about US$20m in additional tax revenue for the US in the next three years.

Congressman Charles Rangel, a New York Democrat who led the fight to include the provision in the Budget Bill, said it "makes an extraordinarily important moral statement about the pernicious evil of apartheid".

Under the legislation, any company operating in SA after January 1 would not be able to count taxes collected by SA as a credit toward its US tax bill.

SA currently imposes a 50% tax on the profits of foreign firms operating there.

There are 163 US firms that now have direct investments in SA, according to the Investment Research Responsibility (IRR) centre, a consulting firm that provides information to institutional investors.

But firms are pulling out of SA. In 1984, only seven US firms left. In 1985 that total jumped to 40, while last year 50 firms left and 51 others have pulled out this year, the IRR said.

"It means that the cost of doing business in SA has just gone up," said David Hauck, a senior IRR analyst, of the Bill.

"The more costs go up, the more companies leave," he said.

The Bill itself says foreign tax credits for US firms in SA should be ended because "it is not clear that any positive ends to be served by US-owned businesses working within SA continue to outweigh the positive effects of adverse tax treatment. — Reuter.

EVENING POST, WEDNESDAY, DECEMBER 23, 1987

US MEASURE A MAJOR SAVAGE MOVE'

JOHANNESBURG — The taxation measure adopted by the US Congress yesterday was depicted here as a "savage sanctions move" that could prompt a new wave of pullouts by American companies.

Row over transfer by Ford of R122m to SA

WASHINGTON — The Treasury Department acted illegally in allowing Ford Motor Co to transfer $61m (R122m) to its former South African subsidiary, nine members of Congress and anti-apartheid groups said in a statement yesterday.

"Treasury's action could establish a dangerous precedent under which US companies could resume financing the apartheid system," said the statement.

It was signed by Mr William Gray III, an opposition Democrat who is chairman of the House of Representatives Budget Committee, and Mr Howard Wolpe, a Democrat who is chairman of the sub-committee on Africa.

Ford last week transferred the money to Samcor.

The transfer was part of an agreement by which Ford, based in Dearborn, Michigan, last month withdrew its investment in South Africa.

Ford said the transfer was an essential part of its disinvestment programme and it had been assured by the Treasury Department that it was acting legally.

"We feel relatively certain that we will not be prosecuted under the Act nor found gulty under civil penalties," said Mr Elliott Hall, Ford's vice-president for Washington affairs. — Sapa-AP

The measure, sent to President Reagan as a small part of a budget legislation package, would impose "double taxation" on US firms in South Africa — eliminating their right to deduct taxes paid to the SA Government as a credit against taxes owed to the United States.

The measure was authored by Mr Charles Rangel, an outspoken critic of SA's racial policies. President Reagan has expressed opposition to the measure but was expected to sign the overall package that includes the double taxation provision.

Disinvest

"We are very disappointed that this legislation got through," said Mr Ian Leach, president of the American Chamber of Commerce in SA. "Naturally it will have a severe impact on the profitability of US companies."

The chamber's executive director, Mr Adrian Botha, said before the measure's passage that many American companies would disinvest if double taxation took effect.

More than 100 US firms have withdrawn from SA because of disinvestment pressure since 1985. These included IBM, Eastman Kodak, Xerox, Exxon Corporation and General Motors.

About 160 US firms remain, many with extensive affirmative action programmes to benefit their black employees. Mr Rangel's office said the double taxation imposed on these firms could net the US Treasury $20 million (R40 million) to $25 million (R50 million) next year.

"This has taken us by surprise," said Mr Patrick Landey, managing director of Hewlett-Packard Co, one of the largest US companies in SA.

"We are still trying to determine the impact on our business, but our initial impression is that the effect will be insignificant. We don't generate huge profits locally." — Sapa-AP

US firms in SA say: 'We will stay'

Cape Times 24/12/87

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Own Correspondent

JOHANNESBURG. — It would take more than the recently passed anti-South African double-tax measure to chase healthy United States-owned companies out of the country, according to executives of major US-owned companies in South Africa.

The executives interviewed said they remained dedicated to staying as long as they could make a positive contribution.

The Minister of Foreign Affairs, Mr Pik Botha, said the livelihood of thousands of black South Africans was being unscrupulously sacrificed because of US domestic political considerations.

"The acceptance by the US Congress of the Rangel Amendment over the objection of the US administration amounts to a deliberate effort to destabilize South Africa economically.

"The decision is a particulary gross form of hypocrisy; under the pretence of contributing to peaceful change it in fact encourages polarization and conflict."

A spokesman for the Minister of Finance, Mr Barend du Plessis, said yesterday that the details of the legislation were still being studied. No decision had yet been taken as to whether government was able to introduce any measures aimed at alleviating the problems US companies might experience.

However, there does seem to be a concerted effort on the part of Treasury officials to identify whatever means possible to ameliorate the likely effects of the taxation measure — especially if it will help reduce the further disinvestment of American-controlled companies from South Africa.

South African subsidiaries said that while the measure — included in bills to cut the US budget deficit — caused their American parents some concern, it certainly had not generated the frenzied reaction with which it was greeted in South Africa.

The managing director of Colgate-Palmolive, Mr Gerry Nocker, said Colgate's American parent was scrutinizing the legislation to establish the extent to which

To page 3

From page 1

profits would be affected. But the option of disinvesting had not been canvassed, he said.

"A true multinational does not pull out that easily, and in the absence of legislation forcing Colgate to leave, it will stay in South Africa as long as it feels it can make a contribution."

The managing director of Unisys, Mr Jack Horton, said the provision was extremely harsh and went contrary to a "capitalist business context". However, he said, the impact was not great enough to force strong and viable business entities to disinvest.

"The companies that will be hardest hit will be those who will have been operating on a marginal profit line for some time."

The managing director of Hewlett Packard, Mr Patrick Landey, said the reaction from the company's American parent had been "very low key". There had been no change to Hewlett's ability to do business in South Africa, he said.

Meanwhile, Sapa-Reuter reports that Assocom president Mr Alec Rogoff has described the provision as "counter-productive, and motivated by politicians promoting their own political standpoints rather than the good of South Africa".

"It is counter-productive. It will not create jobs, it will destroy them. Some companies will no doubt be forced by this measure to disinvest."

US tax bill to cut more investment

CPE Times 28/12/87 62

Own Correspondent

JOHANNESBURG. — The recently passed anti-South African double-tax bill will not only affect United States companies which have already disinvested, it could well impede the expansion of US-owned subsidiaries in South Africa, says a partner in a large accounting firm, Mr Larry Kritzinger.

Many US corporations who have disinvested will still be receiving royalty payments from their ex-subsidiaries in South Africa.

From January next year, when the provision becomes effective, any royalties remitted from South Africa will be subject not only to a 15% South African withholding tax, but the balance will attract a further 34% tax in the US.

Currently, only a 34% tax is paid on royalties because credit is granted for the withholding tax paid in SA. The elimination of this credit means tax on royalties will increase by 29%.

Mr Kritzinger says another implication of the measure is that profits from SA subsidiaries could be taxed as they arise, and not, as is currently the case, when they are remitted to the US.

At present, in order to circumvent laws which prohibit new investment in SA, US companies allow their branches in SA to retain profits to fund expansion. Currently this has no negative tax consequences.

But when the new law becomes effective, a US parent will have to pay tax on profits earned by its subsidiary, regardless of whether those profits have been remitted.

As a result, the funding future expansion could become an expensive excercise.

However, says Mr Kritzinger, it may be possible for the SA government to lessen this expense if it allowed the retained funds to be used to buy financial rands.

Mr Kritzinger says the interest on loans made by US companies to their SA branches will also attract a larger tax liability once the provision becomes effective.

After the 10% non residents tax which such interest attracts in SA, the balance will be subject to a further US tax of 34%.

Tutu-backed Harvard disinvestment move

CHR Times 1/6/87 (62)

CAMBRIDGE, Massachusetts. — Harvard University, beset by student demands that it sell investments in companies with ties to South Africa, now faces an alumni group's bid to spur divestment by electing members of a school governing board.

Harvard officials dismiss the campaign, which has been backed by Archbishop Desmond Tutu, as an irresponsible attempt to create a single-issue election in June for the Board of Overseers, but the dissident group says it would address numerous social and economic issues and make the university more responsive to student and alumni wishes.

Harvard has a $4-bn endowment, the largest of any ersity. About $250 million of that is invest anies with links to South Africa.

FOREIGN FIRMS

IN S.A.

UNITED STATES

1987 - 1988

US firms in SA facing sanctions

Own Correspondent

WASHINGTON. — At least nine US companies face possible sanctions for not allowing their South African employment practices to be monitored as required by the the 1986 Comprehensive Anti-Apartheid Act, according to a new survey by the Investor Responsibility Research Centre (IRRC).

All US firms with more than 25 employees and a stake greater than 50% in their South African operations are required either to adhere to the Sullivan Code — now known simply as the Statement of Principles — or to submit annual reports to the State Department.

Non-complying firms identified by the IRRC included Harsco, which jointly owns Hecket (Pty) Ltd with Iscor; Standard Commercial, which wholly owns Lohmann and Co (Pty) Ltd in Port Elizabeth; Rustenburg-based L and M Radiator (Pty) Ltd; and Interpublic Inc, which owns a series of advertising agencies in Johannesburg and Namibia.

Companies that fail to abide by either code may be denied US government export assistance. A State Department official responsible for overseeing company practices said the firms named would "be contacted".

Oil giants pour funds into township co-ops

Weekly Mail Reporter

ONE of the giant oil multinationals operating in South Africa are giving financial support for the establishment of co-operatives in black com-munities.

The Mobil Foundation has assisted in establishing a number of income-generating co-operatives in disadvantaged communities, with the emphasis on "structural change rather than charitable work", says community action manager George Gibbs.

He was writing in the Foundation's first report since it was established 18 months ago with a grant of R40-million from the US Mobil Oil Corporation.

The foundation's venture parallels that of Shell South Africa, which announced its support for co-operatives in its annual report released earlier this year.

Gibbs said income-generating projects such as co-ops — as well as the rural and agricultural development projects and urban community work projects which the foundation was supporting — were seen as the most important structures emerging in the community.

They were seen as a meaningful answer to problems of unemployment and lack of skills.

One project is a brick-making co-op run under the auspices of the Belhar Pre-School Association on the Cape flats, started to combat high unemployment in the area. The bricks are sold to self-build schemes in the surrounding areas and the income is used to develop the association's pre-schools.



A child plays at a day care centre in Bellville South

23-29/9/88

Another project is in Pacaltsdorp, where the South Cape Learning Resource Unit is teaching unemployed local people agricultural skills and is developing an experimental farm on land leased from the municipality.

In Port Shepstone a community-based organisation, Ziphakamise, is helping people upgrade their homes and has established a technical school providing home builders with building expertise and advice.

Activities of other co-ops in which the foundation is involved include electrical work, panelbeating, beadmaking, carpetweaving and carpentry.

The foundation says in its report it has spent R8,3-million on more than 90 community projects.

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More than half of this, R5,7-million, was spent on funding education projects and the balance, R2,6-million, on projects involving business and agricultural development, self-employment and urban community work such as health training programmes.

Apart from its initial funding the foundation is independent of Mobil.

W/Mail

The foundation is using a large portion of its resources to promote alternative education, says chairman Franklin Sonn.

"It is working towards a system which is relevant to a post-apartheid society. Therefore we have focused on early childhood development, curriculum development, alternative education and teacher development."

Sonn said the foundation's activities must involve "a wholly democratic, participative decision-making process".

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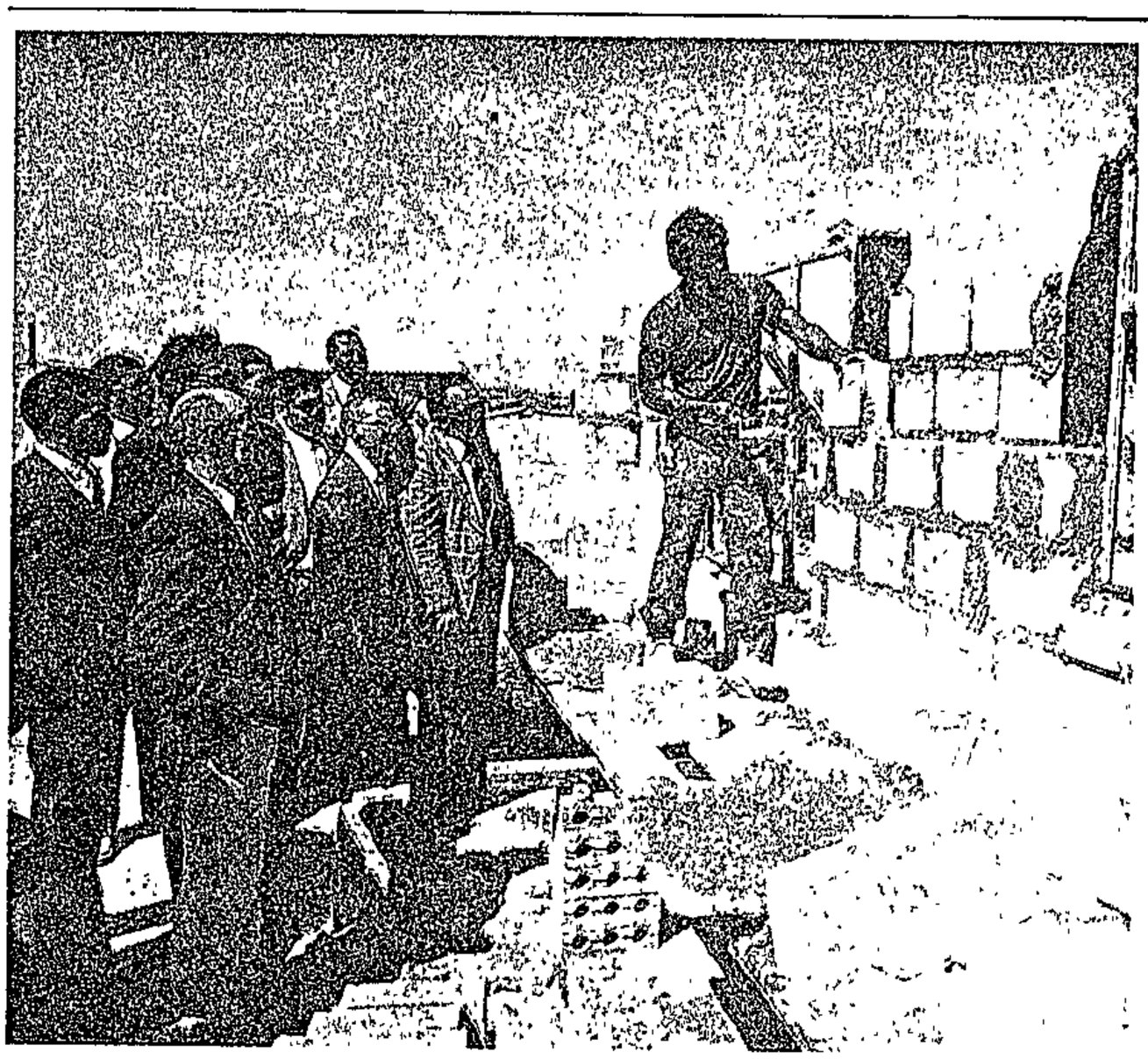
New bid to stop the exodus of US companies

ARGUS 29/9/88 62



Picture: DANA LE ROUX, The Argus.

BUILDING FOR THE FUTURE: Delegates to the Association of Management Committees congress in Cape Town visited self-help housing schemes in Belhar, Retreat and Steenberg yesterday.

The Argus Foreign Service

WASHINGTON. — A group of American companies in South Africa has formed an advisory panel to try to deflate congressional pressure for them to leave the country promptly.

Seventy-six US businesses, signatories to what was once called the Sullivan Code of employment practices in South Africa, announced the creation of a National Advisory Council in New York this week.

The move can be seen as an effort to fill the vacuum left by the Rev Leon Sullivan, a Baptist preacher of Philadelphia who drew up the principles, when he abandoned them more than a year ago.

His withdrawal elated hardline anti-apartheid groups in the US, serving also as a powerful blow to the purpose and credibility of his code's adherents who nonetheless continued to promote their contributions towards demolishing apartheid.

The companies, now calling themselves signatories to the Statement of Principles, have since been trying to reorganise.

Their co-ordinator, Mr Sal Marzullo, said yesterday the advisory body would be wholly independent, providing guidance, help and, where appropriate, criticism as US firms worked for the removal of laws sustaining apartheid and towards black social and economic empowerment.

Sounding board

"The value of the council to us is that it gives us an independent sounding-board," he said. The three-man panel would visit South Africa, hopefully in January. They would return with word of what South Africans were saying, what employees were thinking and what subsidiaries were doing.

"It could be a vehicle for companies to maximise their efforts in South Africa; work with other groups in the erosion of apartheid", he added.

The US House of Representatives last month passed a Bill ordering US companies out of South Africa within six months. A similar Bill was recently approved by the Senate foreign relations committee and could still reach the full Senate before it adjourns in two weeks or so.

Mr Marzullo said the new council included Father Oliver Williams, associate provost at the University of Notre Dame, who has written about apartheid and travelled to Southern Africa frequently, Mr Melvin Miller, a Boston lawyer and prominent civic figure, and Bishop Richard Fisher of the Ninth Episcopal District of the African Methodist Episcopal Zion Church, who serves on the World Council of Churches.

pe bid: Man held

H. — A 63-year-old man has
he alleged attempted rape of a

an said the girl went to a house
ing for a woman.

inside by a man who allegedly
old her mother what had hap-
d the incident to the police.

Leaking gas cylinder causes blaze at house

Staff Reporter

A FIRE caused by leaking gas badly damaged a house in Bridgetown, Athlone.

Flames roared through the small municipal semi-detached home of Mr T Thompson of Sycamore Way yesterday.

Firemen from the Epping fire depot found the house burning fiercely and prevented flames from spreading to two adjacent houses. They extinguished the fire using two water jets.

Firemen said Mr Thompson was taken to hospital and treated for slight burns and shock.

IPRESSOR ENGINEERING
A full range of

SA company buys US firm for R52,5-m

By Paula Fray

A local pharmaceutical manufacturing group, Adcock Ingram, has bought the South African subsidiary of American Sterling Drug for R52,5 million after the company decided to disinvest.

The local company's name has changed from Sterling Drug (SA) to Saphar-Med.

Chief executive of Saphar-Med Mr Chris Rose said that while he was opposed to disinvestment, it had, in this case, "ensured the long-term viability of the company and secured employment" as US legislation limited the development of American companies in South Africa.

The new owners had promised to invest in management and resources, Mr Rose said.

Minorco: Consgold's Agnew resigns over bid

From MIKE ROBERTSON

LONDON. — Consolidated Goldfields (ConsGold) chairman Rudolph Agnew has resigned from the board of Anglo American as a result of Minorco's £2,9bn bid for his company.

And, in the latest development in the insider trading scandal that has accompanied the bid, Department of Trade and Industry (DTI) inspectors met with ConsGold officials. A ConsGold spokesman said it had been a very useful meeting and they were pleased with the outcome. Agnew has asked Trade and Industry Secretary Lord Young to appoint a team to investigate insider trading.

According to ConsGold, Harry Oppenheïmer, who was yesterday served with a Section 212 notice instructing him to disclose his ownership of ConsGold shares has not yet replied.

The spokesman said it was still early and the reply was expected today.

He added that from replies received on Section 212 notices served on Minorco or people who could be connected with Minorco no information had emerged to give the company cause for concern about a possible concert party.

In his letter to Anglo American chairman Gavin Relly, Agnew is believed to have said the Minorco bid for ConsGold went contrary to an earlier undertaking by Anglo and De Beers in which the companies expressed great faith in the management of the British mining financial house. The undertaking was entered into after Anglo and De Beers' dawn raid on ConsGold eight years ago.

Agnew is also understood to have written that Relly's representatives in the UK, meaning Minorco, have been saying that they in the past have urged ConsGold to sell its stake in GFSA and Newmont. He is said to have pointed out that Anglo had maintained that ConsGold should retain control of GFSA and that De Beers and Minorco chairman Julian Ogilvie Thompson had supported the rescue bid for Newmont after an attempted takeover by T Boone-Pickens last year.

Bid for impact on SA society

By Kaizer Nyatsumba

For any genuine change to come about in this country, both blacks and whites "need to work together boldly and honestly" to build a society in which all South Africans can share and experience a better future for themselves and their children, according to Mr Franklin Sonn.

Chairman of the Mobil Foundation, which was formed in 1986 as an organisation for change in the country, Mr Sonn said in the Foundation report that while it was important that people be empowered to participate fully in decisions affecting themselves and the society in which they live, "a history of denial has created a sense of alienation among the majority of our people".

Mr Sonn said it was unfortunate that the Mobil Foundation, which was "absolutely independent" of the Mobil Oil Corporation which donated R40 million to fund it, had to operate in a highly divided society which was "in a state of protest and transition on the one hand and repression and polarisation on the other".

ISSUES

While the Foundation could not align itself "fairly closely" with the issues of resistance, it had to avoid "failure resulting from confrontation", said Mr Sonn.

The Foundation was formed "to support and develop programmes and any other activities that will, in its judgment, impact on the current structures of South African society and help South Africa develop into a non-racial, democratic society, based on the principle of freedom of association."

Programmes supported by the Foundation are in three broad areas: education, community and rural, and business development.

The Mobil Foundation's Education Board believed that the on-going crisis in black education in the country had its origin in political, economic and social structures of the apartheid society.

The solution, the Education Board said, lies in the formation of "a new, unitary, non-racial and democratic education system".

From JOHN SPIRA

JOHANNESBURG. — A powerful new force has emerged in the titanic struggle for control of Consolidated Gold Fields.

"Masters of the Never-Never" Bruce Wasserstein and Joseph Perella have been lined up to fight off Minorco's takeover bid for Cons Gold and, judging from the "Wasserella" duo's outstanding success record, Anglo American's "Young Turks" are facing opposition stiffer than bargained for.

Oppenheimer

Already the Wasserella touch is in evidence in the form of an instruction to Harry Oppenheimer, Anglo's retired chairman, to divulge his holdings in Cons Gold.

At week's end, London sources reveal that Mr Oppenheimer had made the requested disclosure, though its contents have not been released.

Mr Oppenheimer is currently on a private visit to London. Anglo American's London office said yesterday that Mr Oppenheimer could not be contacted as he wished his privacy to be respected.

Observers who have been following the progress of Messrs Wasserstein and Perella predict that their next move will be to ascertain the identity of Everal key shareholders (who have been hiding behind nominees) in Cons Gold.

The idea prompting such a strategy is to discredit Anglo group company Minorco's bid for Cons Gold in the light of strong suspicions of insider trading in the shares, whose price began moving strongly higher weeks before the bid was announced.

In the space of 10 years to February 1988, Bruce Wasserstein, 40, and Joseph Perella, 46, built — from nothing — a lucrative takeover business at New York investment bank, First Boston.

First Boston advised on more than 200 mergers and acquisitions in 1987, generating $365-million in fees and $200-million in profits from bridging loans.

The pair then left First Boston as accredited inventors of the double-barrelled two-step, whereby a raider tenders for only a portion of the target company's shares, paying for the balance with its own shares.

When they left First Boston, the bank's stock market value plunged by $127 million, 16 of its mergers specialists went to Wasserstein, Perella & Co, which received commitments totalling $1-billion from investors seeking equity in Wasserella takeovers.

Retained by 55 companies, it now has offices in New York, Chicago, Los Angeles, Houston and London.

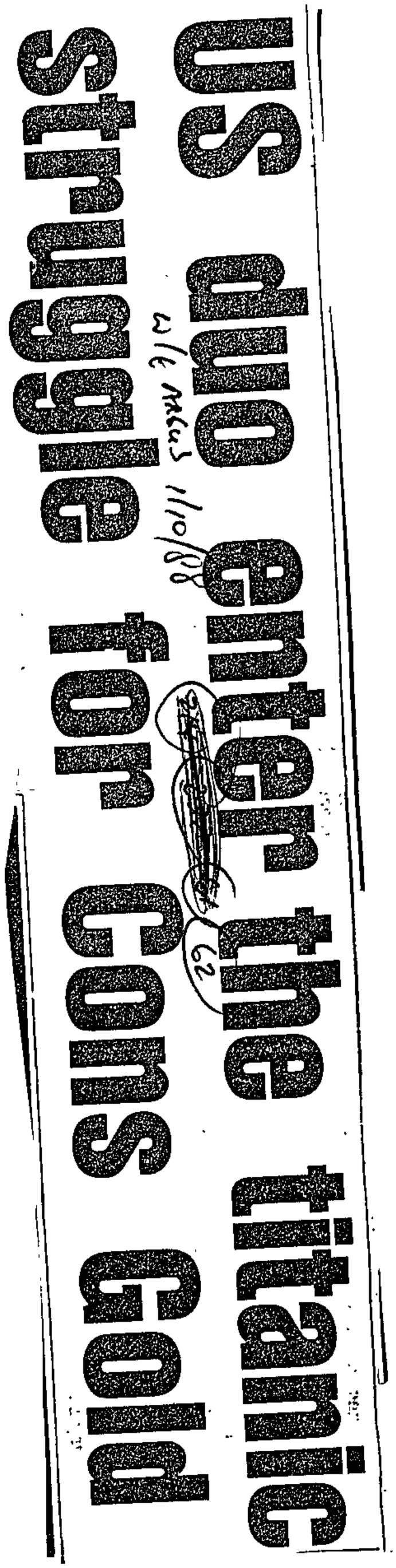
The British magazine, Business, quotes Mr Perella as saying: "What happened in America over the past 10 years will happen in Europe in spades".

Transformation

Business explains: "What happened was complete transformation of the corporate environment: from a quiet golf course filled with sleepy conglomerate vice-presidents, to a jungle teeming with predators, poison pills, greenmail, golden parachutes, golden handcuffs, bootstrapping bidders, two-tiered tender offers, proxy fights, white knights, crown jewels, midnight raids and leverage, leverage, leverage.

"Sleepy vice-presidents are now regularly devoured.

"Like it or not, every company is 'in play', yet among the advisers, according to Wasserstein, 'maybe five people know what they are doing'. Each enjoys an aerial view of the jungle and thinks in terms of the treetops: 300 carniverous chief executives and four other master practitioners."



For its social responsibility, Mobil is No 1

w/k Argus 1/10/88

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By DICK USHER
Business Staff

MOBIL Oil Southern Africa, winner of the first Warner Lambert social responsibility award, has a commitment to plough resources back into the communities that support it.

To help achieve this the Mobil Foundation, directed by community leaders, was created in 1986 and the company also encourages staff to become involved through the employee community-based project.

It has committed itself for R40-million over five years for the foundation, while the employee project, administered by staff, has access to small sums for financial assistance to schemes in which they are involved.



Mel Palmer

Mr Mel Palmer, human resources director for Mobil, said the social responsibility concept was a complete one.

"We believe that it starts at home. Whatever you are going to do for the community you also have to do for your own staff," he said.

For employees the company provides housing loans and subsidies without differentiation to make it possible for every employee to own their own home, every employee is entitled to a bursary for their children's education which covers the basic costs of tuition from pre-primary to tertiary level, and a development programme aimed at raising managers from all sections of the community to international standards.

The Mobil Foundation identified three basic crucial areas of community development — education, grassroots level business and rural development — to which they have devoted most of the available funds.

The company also feels that it is an aspect of social responsibility that it should wholeheartedly support endeavours such as the award which Warner Lambert sponsored jointly with the Cape Chamber of Industries.

Winners in other categories were the Western Province Blood Transfusion Service and Prunus Printers. Companies awarded certificates of merit were: Anglo Alpha, Yardley, Van Leer, Cape Gate Wire and Fence, Bonwit and Elgin Timbers.

Bonanza prospects for golds

Star 5/10/88

By Sven Forssman

American legislation prohibiting Americans from purchasing or owning any investments in South Africa could create a bonanza for non-American investors in South African mining shares.

This is the conclusion of a recent survey by Wharton Econometric Forecasting Associates says the latest *International Gold Mining Newsletter.*

According to the survey, some 500 000 US citizens stand to lose $1 200 million if legislation forces them to sell shares in SA gold mining companies within a six-month period.

The newsletter says that although the sanctions bill (called HR 1580) stands no realistic chance of being passed into law, it does indicate the possibility of a similar bill being enacted in the next session — particularly if a Democratic president is elected in November.

It adds that the recent vote in the House of Representatives aimed at imposing a ban on all trade with South Africa was a crucial seven short of the two-thirds needed to override a presidential veto, which would be expected in the unlikely event of HR 1580 passing the Senate.

2-13/9/88 WMAIL

Union wants protection in case of sell-out

By EDDIE KOCH

WORKERS at Mobil Oil have vowed to continue pressing the multinational to negotiate terms of a possible disinvestment from South Africa after anti-apartheid activists in the United States leaked a document showing the company has secret contingency plans to pull out of the country.

The top leadership of the Chemical Workers' Industrial Union (CWIU) is holding a national meeting this weekend to discuss whether some 10 000 union members should take strike action against 39 multinationals who have refused to negotiate a disinvestment programme. Mobil is one of the largest companies involved in the dispute.

The Manpower Department has refused to appoint a conciliation board to resolve the dispute and this opens the way for the union to hold strike ballots and conduct a legal strike.

The Interfaith Centre for Corporate Responsibility (ICCR) last week leaked an internal Mobil memorandum indicating the oil giant had discussed the possibility of emulating IBM by selling its assets in South Africa to local employees.

The document also mentions the possibility of selling-out to a third party or of distributing the assets to Mobil shareholders so that tax liabilities in the US can be avoided.

The news has surprised anti-apartheid campaigners because Mobil has been in the forefront of the fight against sanctions and has even threatened to sue the US administration if it is forced by disinvestment legislation to leave South Africa.

ICCR executive director Tim Smith told the *Weekly Mail* that Mobil's senior public relations official in the US, Sol Marzullo, has acknowledged the pull-out plans but claims they were devised for contingency purposes. Don Bouchard, Mobil's public affairs manager, was not available

CWIU's national executive committee will meet this weekend to discuss the government's refusal to appoint a conciliation board to resolve the dispute, said Adler.

The union wants the multi-nationals to negotiate a trust fund for the benefit of black workers, severance pay and guarantees that employees' conditions of service will not be jeopardised in the event of disinvestment.

● Zenex Oil, the SA company which bought out the local assets of US oil company Exxon, this week announced plans to fund an extensive adult literacy scheme

ConsGold takeover blocked by US judge

From SIMON BARBER

WASHINGTON. — A New York judge has issued an order barring Minorco from going ahead with its offer for ConsGold.

ConsGold, in a further attempt to stop the takeover, went to a US court last week to complain that Minorco's bid violated US monopoly law. Yesterday Judge Michael Mukasey ruled that it did.

The judge's ruling in favour of Consgold and its US affiliate, Newmont Mining, was made under a 1914 anti-trust law.

ConsGold told the court that Anglo American and its subsidiaries "own or substantially control mines which produce the most gold in the free world".

The ruling appears to be a setback for Minorco, coinciding with the UK government referring the bid to the Monopolies and Mergers Commission.

● British govt acts too — Page 12

TAKEOVERS

Argus 26/10/88 62

Cons Gold exposed to new hostile bidders

From NEIL BEHRMANN

LONDON. — Having won round one in its battle against Minorco, Consolidated Gold Fields could be in the unenviable position of protecting itself from other hostile bidders.

Potential bidders are rumoured to be Western Mining Corporation, a large Australian mining group, RTZ Corporation, a UK mining company and British Petroleum.

Cons Gold could then be in a difficult position, say analysts. Particularly if these companies decide to follow Minorco's plan and strip the company of unprofitable or undesirable assets.

With shares falling from to £11,40 from £12,80 prior to the announcement, the City is undecided which way Minorco will move. If there is an attractive offer, say city analysts institutions are likely to sell.

Minorco could increase its offer, if the bid is cleared by the UK Monopolies and Mergers Commission. Alternatively it might decide not to wait for the three month investigation period and sell its 29,6 percent holding to a a single mining company or a consortium of buyers.

In a terse statement, however, Minorco refused to disclose its intentions.

"We are considering our position (on whether to sell)," a Minorco spokesman said.

Analysts believe that Cons Gold is vulnerable because several of its assets are unprofitable and it has already indicated that it might sell its South African assets.

While Cons Gold points out that its gold operations, particularly in the US, will grow in the next few years, Minorco documents show that its profits have been inflated by share dealing and asset sales.

PRICES of Cons Gold shares surged up and down on the Johannesburg Stock Exchange yesterday.

UP — after the London takeover panel decided not to take action, gaining R2 to R92.

DOWN — after the referral to Britain's monopolies commission, losing R11 on the day to close at R81.

Minorco shed 50c to R46,50.

The proportion of pre-tax profit derived from operations has shrunk to 60 percent in 1987 and 47 percent in 1988 from over 80 percent in the years 1984 to 1986, says Minorco.

Pre-tax profits of £302-million in the year to June 1980 were boosted markedly by a £97-million sale of a holding in Gold Fields of South Africa and a Chilean prospect. The purchase of additional shares in Newmont Mining Corporation which cost $1027-million last year, are now worth only $577-million, says Minorco.

Net debt of Cons Gold has risen to £638-million in 1988 from £266-million in 1982. Gearing is 99 percent against 42 percent.

For these reasons, say several independent analysts, institutions would have gladly accepted a higher Minorco's offer.

As expected, it was the UK government which held the ultimate balance of power and the record £2,9-billion bid has now lapsed.

Lord Young, UK Secretary of State for Trade and industry said that the hostile bid would be investigated by the Monopolies and Mergers Commission (MMC) over a three month period.

It could have an adverse effect on competition, particularly regarding strategic metals such as titanium and zircon.

In a seperate statement, however, the UK Take Over Panel ruled that Minorco's bid could go ahead even though there was an inquiry into possible insider dealing. Yet Minorco has not been let off the hook.

"If Minorco or any representative was found to be engaged in insider dealing, the remedies of the criminal law are available," says the Panel.

Minorco, in contrast to Cons Gold, is in a strong financial position, say analysts.

Minorco's stake in Cons Gold is worth around $1,26-billion says David Ridley a director of Williams de Broe Hill Chaplin $ Company. Over above that amount, it has cash resources of around $900-million.

Minorco, which has an asset base of $3-billion, has stated that it intends becoming "far more aggressive" in the international resources industry with "direct operating control" over companies.

Yet if Minorco made a bid for another European or US company it is highly likely that they would follow Cons Gold and complain about its South African connections, says Peter Miller, director of research at Yorkton Securities Inc.

for the Roman Catholic Church in Zambia said yesterday.

Mail Times 4/11/88

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CWIU settles with Caltex

DURBAN. — A settlement was reached between the Chemical Workers' Industrial Union (CWIU) and Caltex yesterday, ending a two-month-long dispute. However, workers at Mobil and Shell SA are still in dispute with management.

Pepsi-Cola fizzes back with new SA flavours

Cape Times 14/11/88

Staff Reporter

PEPSI-COLA is making a big comeback in the Western Cape, and its bottling plant in Epping will produce mixers under a local label, "Everess", as well as the full Pepsi range of products.

Pepsi disinvested from South Africa and sold its local assets to a consortium of black businessmen.

The new local company, Pepsi-Cola SA, announced at the weekend that it would spend close to R2 million next year on advertising and promotions.

Its managing director, Mr Juan J Oteiza, a former Pepsi-Cola International executive, said most products would still have their international taste, but the promotions would be very South African.

Local pop stars Sipho "Hotstix" Mabuse and Yvonne Chaka Chaka have signed promotional contracts, as has radio DJ Alex Jay.

Pepsi launches its second SA comeback

CHRIS CAIRNCROSS

CAPE TOWN — Pepsi-Cola has undergone major reconstructive surgery twice since 1986, when its parent, US softdrink giant Pepsico, decided to disinvest.

In the first operation the assets of the SA company and the Pepsi franchise in this country were taken over by Soweto Investment Trust Company (Sitco), a consortium of black interests, with loan finance from a local institution.

Under "new" ownership Pepsi was again launched onto the SA market, mainly in the western Cape, at the beginning of 1987. It proved to be an abortive effort, resulting almost in the Pepsi label disappearing from the SA landscape.

The timing was wrong: Pepsi is a summer drink, and the February launch date was inappropriate.

It has also since emerged that production at Pepsi's bottling plants had not been geared up sufficiently for a launch; and the company was under-capitalised and unable to afford and sustain the degree of marketing/promotional activity necessary to attract cola-drinkers away from major competitor Coca-Cola.

The company went through troubled times, chronicled on occasion in the media but denied vigorously by Pepsi.

These stories were, however, pretty much true, according to Juan Oteiza, a former Pepsi-Cola International executive, brought in to try to keep the Pepsi name afloat in SA.

"The company went through very difficult times and, I can tell you now, even considered closing on August 12. It was a long night," he said on the eve Pepsi's second relaunch in two years.

He was confident the most recent reconstructuring would lead to Pepsi's complete and permanent regeneration within SA's commercial community.

Pepsi's treatment involved a revamp of its capital and financing structures, and a new injection of capital (said to be close to R5m), syndicated by Cape Town-based Personal Trust.

The SA Pepsi franchise is now owned by a consortium comprising black business interests through the original Sitco, Cape Town investors through Personal Trust, and individual shareholders such as Oteiza, who has taken on the role of MD.

Financial backing is also being provided by First National and Standard Bank, with the Pepsi parent continuing to provide technical and marketing support.

SA singers

Pepsi re-launches this week with a high profile R2m promotional and advertising campaign along the lines the highly successful US Pepsico recently adopted, with singers such as Michael Jackson, Lionel Ritchie and Tina Turner endorsing the product.

In SA, contracts have been signed with Sipho "Hotsix" Mabuse and Yvonne Chaka Chaka and Radio 5 disc jockey Alex Jay, with guest appearances by Johnny Clegg.

Taking a pragmatic line, Oteiza stressed these initial launch efforts would be mainly aimed at consolidating and strengthening the company's product in the western Cape, where it is calculated Pepsi still has 10% of a total softdrink market worth about R230m.

Pepsi's goal is to build its share of this market to about 20% over the next five years.

Oteiza stressed Pepsi had no intention of entering any price war with Coca-Cola in order to build market share. The emphasis would be on substantial increases in marketing and promotional activity.

Pepsi has two bottling plants in SA, in Epping in the western Cape and in Bloemfontein. Production capacity is thought to be sufficient to meet near-term growth in demand.

The company has no immediate plans to go national with its new marketing programme.

Oteiza felt the need to stress that the restructuring of Pepsi did not represent a re-entry or reinvestment in SA by Pepsico.

BUSINESSMAN OF THE WEEK

Senor Pepsi comes to town with gusto

By TREVOR WALKER
Business Staff

ARGENTINIAN Mr Juan Oteiza, the new man heading Pepsi Cola in South Africa, is determined to put the rumba and calypso back into the product.

Pepsi sales dwindled away over the past four years and the disinvestment by Pepsi International and the conversion to a local franchise agreement pushed staff morale through the floor.

But peppy Juan, known as the "turnaround king" at Pepsi International, has emigrated to South Africa to start the "new regeneration" of Pepsi.

Innovative

Mr Orteiza has had a wide-ranging career with Pepsi International as general manager Portugal, Puerto Rico, Colombia and Peru. He was also director of finance South America.

He sees many similarities between his task here and the one he was landed with in Puerto Rico.

He hit 50 percent share in a stagnant market, an all-time record, through successful innovative consumer and trade promotions.

The increased profitability led Pepsi to sell the company to a group of local entrepreneurs.

When the Sowetan Investment Trust (Sitco) acquired the franchise from Pepsi when it pulled out of any direct involement in this country, Mr Orteiza who was then working as an independent consultant for the company, was sent out to prepare a status report.

Mr Orteiza said the slide in Pepsi South Africa had started long before Sitco took over and the refinancing of the operation eventually reached crisis proportions.

He arrived at the beginning of this year and after two months reported that among many changes necessary, increased financial backing would be crucial to any improvement in business prospects.

Charmed

After returning to his consultancy business in Argentina, he was approached by Sitco to return to South Africa to help with the implementation of his recommendations.



Juan Oteiza . . . turnaround king.

He said he had been charmed by the lifestyle of Cape Town during the two months that it took to complete his investigations, and the decision to close down his consultancy operation and move to this country was easy.

"I think Cape Town is one of the loveliest cities to work in and the potential for Pepsi in the Western Cape is tremendous."

Pepsi worldwide was associated with music and this image would be extended in South Africa. Music first, and later sport, would be how the product would be presented and numerous promotions had been put in place.

The tie-up with Personal Trust, the small Cape-based investment trust company, had been harmonious and now that new senior management at Pepsi was in place, the company had merely to knuckle down to hard work in all aspects of its business.

The bottling plant at Epping is in full production and the place has come alive over the past few months.

On a visit to the plant, just judging by the number of stacks of brand new pallettes, clearly things are fizzing.

Besides Pepsi and Diet Pepsi, the company produces the full range of Shani soft drinks, as well as Mountain Dew and Miranda. It has also introduced a replacement an international brand for Canada Dry called Everyess which comprises ginger ale, soda and tonic water.

Pepsi is naturally the biggest seller and accounts for 45 percent of total sales.

Hoopla

"We have started our sales and promotional campaign and the carnival hoopla, dolly birds and all, and have started visiting stores to put Pepsi back on the shelves," Mr Oteiza said.

The radio, TV and press ad campaigns had already begun and the Pepsi logo would be displayed in as many unusual and aposite places as possible.

The response from the major chain stores had been tremendous — "what we have to do is to convince the public that Pepsi is singing."

(62) B/day 22/11/81

Test of US-SA relations in Congress — Parsons

THE real test for US/SA relations under President-elect George Bush would lie with the Democratic-controlled Congress, Assocom CE Raymond Parsons said yesterday.

Bush would have other major foreign policy priorities but was "nonetheless likely to seek to put his own stamp on US/SA relations".

Parsons, in a speech at Kempton Park, said although Bush had his own domestic agenda to follow, "SA should at least endeavour to maintain a climate of opinion that will help

Political Staff

him play a positive role in addressing the realities of southern Africa".

He believed business should continue to be supportive of reform and ensure that the views of black and white opinion-formers who were opposed to sanctions and disinvestment were also heard in the US Congress.

Business should also maintain a constructive relationship with black trade unions and initiate dialogue on the consequences for the labour force of disinvestment and sanctions and "encourage government to avoid unncessary actions that could create negative perceptions overseas".

Parsons said whether Bush's election would be good or bad for SA depended "partly on the kind of economic policies the US follows in the period ahead and their impact on the SA economy; on how much room the Congress gives Bush to manoeuvre in policy towards southern Africa; and on what happens in SA".

Oil giants vow to keep service stations open

Cape Times 30/11/88

By CHRIS STEYN

FOUR major multi-national oil companies have warned white Boksburg that they will fight tooth-and-nail to keep their service stations in the town non-racial and one has threatened to take the council to court.

Shell executive chairman Mr John Wilson yesterday vowed to go to "the highest courts in the land" if the company's service stations were affected in any way by the reintroduction of petty apartheid legislation and practices.

Mr Wilson said: "Shell South Africa will not accept the imposition of this sort of nonsense lightly, and will fight it with every means at its disposal.

"It has for years now insisted that facilities at its retail sites be open to all. It will brook no interference with this policy. If any of its service stations or indeed its black dealers operating in white CBDs are threatened, the matter will be taken to the highest courts in the land."

Mobil chairman and managing director Mr Robert J Angel said the company would vigorously oppose "with all the means at its disposal" any attempt to interfere with its non-discriminatory business practices.

"Mobil deplores the action of the Boksburg Town Council which clearly is a retrograde step in the evolution of a just and fair society," said Mr Angel.

BP chairman Mr I J Sims said the company would resist efforts by any local authority to prejudice the position of any BP dealer or reverse the company's long-standing policy of open facilities at service stations.

Mr Sims said: "The overwhelming majority of our customers support our policy of open facilities and we deplore the possible implementation of steps to reverse this."

Caltex deputy managing director Mr Jock McKenzie said the company would not accept any move to limit its ability to treat all customers equally.

"Caltex has for many years practised complete non-discrimination within our company and at all the facilities we provide to our customers through our service station network," said Mr McKenzie.

COLGATE APPLIES TO DUMP 'BACKWARD' BOKSBURG

PRETORIA — Colgate Palmolive in Boksburg has applied for rezoning to the Benoni district.

MD Gerry Nocker said payments of rates and taxes to a town council which held such backward views could not be justified.

He said the Boksburg council's retreat to the petty-apartheid era had highlighted the disinvestment and sanctions issue.

This meant pressure would increase on foreign companies.

GERALD REILLY

He said developments in Boksburg had created a false impression of the Afrikaans community.

"Regardless of their political views, I cannot believe they want to create a ghost town of Boksburg."

Referring to mounting US pressure on the company to disinvest from SA, he said: "We are committed to stay in SA as long as we believe we can continue to influence political change and protect human rights."

More than 60% of the company's 1 200 workers were non-white and the Boksburg council's actions were an insult to their dignity and contrary to all human rights.

"The council's actions were particularly irresponsible at a time when there was a positive response and goodwill from President P W Botha's peace initiatives and his efforts to create an environment for negotiation with responsible black leaders."

Boksburg: Colgate stays put, applies for rezoning

(62)

Own Correspondent

BOKSBURG. — Colgate-Palmolive had no intention of leaving South Africa or moving its factory from Boksburg, but had applied for rezoning into Benoni, managing director Mr Gerry Nocker said yesterday.

"More than 60% of our 1 200 employees are non-white and we have always been an equal opportunity company. The Boksburg Council's actions are an insult to their dignity and contrary to human rights. We will defend those rights to the maximum," Mr Nocker said.

He added that the return of petty apartheid would revitalise pressure for disinvestment and sanctions. Cape Times 13/12/88

Reacting to reports of pressure on Colgate-Palmolive to disinvest, the Vice President of the Witwatersrand Chamber of Commerce and Industries, Mr Eric Henderson, said the business community expected the government to act soon to block moves back into apartheid in CP-controlled local authorities.

● Top business leaders yesterday came out against boycotts aimed at Boksburg and other CP-controlled municipalities which have moved to reimpose petty apartheid in their towns.

A meeting attended by 40 top businessmen was held behind closed doors in Kempton Park yesterday.

A businessman who attended the meeting said the general feeling was that "businessmen should use the opportunity to build concrete relations between members of the community".

Fewer US firms quit SA this year — report

Star 17/12/88

By Neil Lurssen, The Star Bureau

WASHINGTON — This year there was a significant drop in the number of American companies ending their direct investment in South Africa, according to a report released today by the Investor Responsibility Research Centre.

Only 25 companies withdrew this year — fewer than half the number that quit last year.

The report shows an even more striking slowdown in the number of non-American companies getting out of South Africa. In 1988, only 11 such companies disinvested, compared with a peak of 44 withdrawals the previous year.

Disinvestment by foreign corporations appears to have reached its limit in 1987, when 57 American firms left, following the 50 in 1986, 40 in 1985 and seven in 1984.

MAJOR CORPORATIONS

There are now 138 American and 440 non-American foreign corporations with direct investment or employees in South Africa, according to the study.

The new report says that 77 of the remaining American companies in South Africa have signed the Statement of Principles that formerly were known as the Sullivan Principles.

Another 20 have not signed the Statement of Principles but have registered with the US State Department on their fair labour standards.

The report states that of the 149 US and Canadian companies that have stopped their direct investment in South Africa since January 1986, 68 have kept non-equity ties with the country, seven have "dormant" subsidiaries in SA and 86 have severed links completely.

Fewer US companies disinvesting

From SIMON BARBER

WASHINGTON. — The pace of United States disinvestment "dropped significantly" in 1988, the Washington-based Investor Responsibility Research Centre (IRRC) concludes in a survey to be released today.

However, no US bank questioned by the centre has made use of a loophole in the Comprehensive Anti-Apartheid Act's lending ban that permits loans to black-owned business or for education, housing and other humanitarian projects.

Only 25 companies have pulled out in 1988, fewer than half the number in 1987. Departures of non-US companies also slowed down from 44 in 1987 to 11 so far this year.

This left 138 US and 440 non-US companies with direct investment or employees in SA. Seventy-seven of the US firms have signed the statement of principles which replaced the sullivan code in 1986, while 20 are currently complying with a code administered by the state department.

The code requires US firms to subscribe to one of the codes but most of the remaining 41 are exempted from either system because they have too few employees or own less than 50% of their SA operations.

Of the 149 US and Canadian firms that have ended direct investment in SA since the start of 1986, 68 retain licensing agreements and other non-equity relationships, seven maintain dormant subsidiaries and 86 have cut all ties.

IRRC also surveyed 86 US banks. Of these 11 still had SA loans outstanding (3 to the public sector, 3 to private corporations and 8 to SA banks). Eight had sold their loans on.

● Meanwhile Japanese newspapers have reported that West Germany is set to take over from Japan as South Africa's largest trading partner after a successful policy of self-restraint adopted by many Japanese companies doing business with SA.

The Japan Times quoted International Trade and Industry minister as saying West Germany had been doing more trade with SA than Japan.

However, according to Dr Claus Knope, economic councillor with the West German Embassy in SA, it would not be possible to make the assumption West Germany would take over as the largest trading partner until the whole year's trade figures were available.

The latest statistics released in West Germany for the first seven months of the year — from January to July — show German imports from SA had risen by 31,6% while exports to SA rose by 36,6% in the same period.

62 B/day 14/9/88

'Responsible' way for Americans to help change in SA

ROGER BLACKWELL, Professor of marketing at Ohio State University, wrote an open letter on sanctions to his fellow Americans on his return from a lecturing visit to the Wits Business School
This is an edited extract

THE disinvestment policies of American business firms have been a disaster. Disinvestment has helped the South African government consolidate power, destroyed what positive influence American business had and, tragically, destroyed the economic prospects of millions of black South Africans.

As usual, we Americans have lunged forward, admittedly with good intentions, to solve the problems of the world with little regard for the unintended consequences of our actions. We have also been intellectually lazy in looking at the results of our policies and beliefs.

However, sanctions can produce some positive benefits and therefore should not be ignored as a strategy. Sanctions that communicate to the South African government (and the watching world, especially black Africa) should be supported by concerned business leaders and all other concerned Americans. However, disinvestment should not be one of these.

The consequences of disinvestment can be discerned by any careful observer in SA. As American firms disinvested, the rest of the world has taken up the slack, apparently quite willingly.

A direct result of the decision of American firms to disinvest is a decline in firms adhering to the Sullivan Principles. While interviewing business firms in SA, I received case after case telling of firms who have stopped their efforts to recruit and promote black personnel. I was told of specific instances in which firms found it cheaper to hire the qualified white workers who had become available as a result of disinvestment-created layoffs than to hire and train black employees.

Americans are peculiar in that they appear to believe there is a solution to every problem. Our first response is usually to organise a committee. The reality is that Americans will not solve the problem of South Africans. Only South Africans, both black and white, will solve their problems.

But there are responses that Americans and concerned people in other countries can make to encourage South Africans in their struggles. They will not offer immediate or perfect solutions, but there are responses that are probably more helpful and responsible than those we have undertaken to date.

Business people know that the best solutions demand a knowledge of the facts and the weaknesses and strengths of alternative actions. Thus the first action Americans or any other concerned persons should take is to be well informed about the country. To act otherwise is irresponsible.

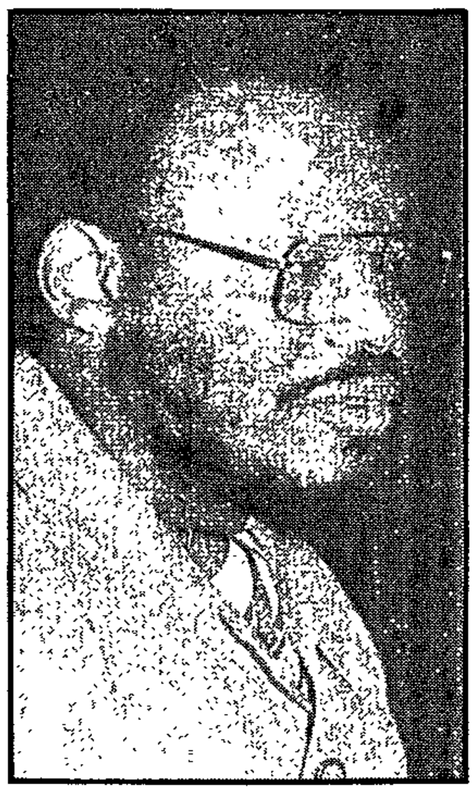
The marketing function of corporations is the area primarily charged with the responsibility for the interaction of a firm and its environment. Marketing should therefore have a primary role to play in collecting and communicating data about SA.

If the firm is not involved in SA it may miss a valuable global market opportunity. Already SA supplies many of the requirements of "Frontline" nations and unofficially to many other African countries. When SA becomes no more racist than the US or Britain, it will probably become the Singapore of Africa.

The concern of responsible American businesses and other concerned persons should be how to end apartheid in such a way as to retain (and expand) the infrastructure and economic development of the country. One of the most irresponsible acts that Americans perpetrate is to be concerned about ending the evils of apartheid without also asking: "What comes after apartheid?"

KwaZulu Chief Minister Mangosuthu Buthelezi has indicated that SA is at the crossroads; it can choose a path which leads to its becoming a country like Canada or France or it can choose a path which leads to its becoming a country like the Lebanon.

If civil war erupts in SA, Americans might equate it to our own war between the states. Experts predict about three to four-million South Africans would be killed in an era of violence. Such a price is not unlike our own Civil War. If the outcome were a democratic society, then perhaps we Americans could be proud of our responsibility for encouraging such a war. But would Americans wish to accept the responsibility of encouraging the chaos, economic disaster, bloodshed and divisive political power that currently characterises a country such as the Lebanon?



☐ **BUTHELEZI... SA at crossroads**

In a recent US News and World Report examination of the military and industrial situation in SA, it was concluded that, barring anything less than massive military intervention from the US, the Soviet Union, Britain and other countries, the whites can maintain power in a garrison or seige stage for the foreseeable future. Even if a revolution were successful, the result might be the end of apartheid, but with the institution of a military dictatorship in its stead.

Another post-apartheid scenario is one in which power is somehow transferred from the present "haves" to a new group of "haves" primarily composed of blacks. The possibility at least exists that the nature of a post-apartheid South African society ruled by blacks will be one of enormous violence and industrial destruction similar to that in many other African countries.

But one scenario that could achieve both political and economic freedom, and the one that may be most likely if Americans choose their strategies on sanctions and disinvestment carefully, is one of transforming more and more "have nots" into "haves".

There has been substantial progress in the elimination of apartheid — progress that can be objectively evaluated by those who are open-minded and responsible enough to do so.

The repeal of the job reservations law freed many firms to employ people of all races in jobs at all levels. In a few firms, two-thirds of management is now black.

It is more difficult to be a racist when your colleague at work drives a Mercedes like you do, dresses as well as or better than you do, has a good education and can afford a home like yours, and wants to do so. In a climate of unrestricted economic growth, the growing number of such blacks would have put tremendous pressure on government to repeal the Group Areas Act. But disinvestment put the damper on such a process.

A careful analysis of the situation should lead to the conclusion that the most important action American business firms can take is to support economic advance for blacks. We should avoid actions likely to retard that progress, as disinvestment clearly has done.

As a practical step, we should form a group that would formulate criteria for evaluating firms, both US and South African, in the fields of recruiting, training and promoting blacks. We should boycott firms unless they are following such principles, which at the minimum would probably include the Sullivan Principles. We should boycott firms that were making a contribution to progress but which have bowed to consumer and shareholder pressures and disinvested.

Such a committee should identify South African firms which are demonstrating their commitment to promoting the economic development of black citizens and should encourage American firms that develop trading or other relationships with such firms.

We should continue to use selective sanctions that punish firms that do not meet such standards.

Responsible Americans will build an anti-apartheid policy and programmes on the psychological principle that positive reinforcement (rewards) for SA and US firms making a contribution to the economic development of a multiracial SA are more effective than negative reinforcement (sanctions), especially the blanket sanctions that punish firms or a society equally when they obstruct progress or when they make progress toward a post-apartheid society.

Activities could include:

1. — Convening of a group of individuals committed to these assumptions, representing academics, businesses in SA and the US and other relevant organisations;
2. — Personal visits to SA to determine what South African and US firms are doing to contribute to the personal, economic and political goals of a multiracial society. Such visits should include interviews with South African and US firms that have demonstrated progress in their organisations, as well as interviews with community members in cities, townships and homelands;
3. — The committee should develop criteria according to which it would evaluate the contributions towards achieving an effective multiracial society;
4. — It should suggest actions by the American public to reward South African and US firms which meet the criteria and negatively respond to firms that do not; and
5. — It should also convene in the US in a place and in a manner that will elicit media interest in the dissemination of factual and realistic information about SA.

It is proposed that six or more American firms with historical or current involvement in SA each contribute US$100 000 and that six or more South African firms each contribute R20 000 in initial funding of this project.

☐ **The full text of Roger Blackwell's open letter appears in the current issue of the Business School's publication Business Alert.**

Oil companies deny disinvestment

Own Correspondent

JOHANNESBURG. — Major oil companies yesterday denied union allegations that they were intending to disinvest and described the Chemical Workers' Industrial Union's (CWIU) declaration of a dispute in terms of this, as irrelevant.

Shell SA, Mobil Oil SA and Caltex stated unequivically that they would continue to operate in SA.

BP SA was not prepared to comment.

Shell SA said they would continue business in SA. "In the light of this, any talks on disinvestment would be futile."

The union had recognized that possible employment under local management was less favourable. Their strategy on disinvestment had obviously rebounded.

Shell hoped other unions advocating sanctions would take note.

Disputes rock oil industry

w/t ARGUS 10/9/88

By DICK USHER
Business Staff

TWO major disputes are looming in the vital oil industry, either of which could have serious implications.

The Minister of Manpower has granted a conciliation board to hear one dispute, over a demand by the Chemical Workers' Industrial Union (CWIU) for national collective bargaining, and the union has applied for a board to hear the other but this has not yet been granted.

If the board fails to settle the national bargaining issue the union has the legal right to hold a ballot and call a strike, an issue which company spokesmen say is "very, very sensitive".

In a Press statement this week CWIU referred to the hearing as a "CWIU showdown with petroleum bosses".

It involves nine major petroleum companies, including Shell, Mobil, Caltex, BPSA, Veetech and Cera-Oil over their refusal to bargain nationally at an industry-wide level.

CWIU claims to have noted common strategies and approaches by managements during wage negotiations and demanded that "employers come out into the open together and negotiate certain employment conditions".

These include public holidays, maternity and paternity leave, educational assistance, job security and pensions.

More controversial issues are demands for a bigger say for workers in social responsibility programmes and an end to PAYE while workers do not have proper political representation.

Bargaining

Company spokesmen said they regarded collective bargaining as a domestic issue to be conducted on a domestic level rather than nationally.

The second dispute is over disinvestment.

The CWIU is campaigning for disinvestment by all multinationals, including oil companies.

Claiming that the collective bargaining climate was less favourable where South African management had replaced foreign management after disinvestment, the CWIU is seeking prior agreement on the course of action to be taken by companies in the event of them disinvesting.

This would include sufficient notice of the intention and economic protection for workers.

CAPE TIMES 62

September 5, ~~1988~~

Foundation spends R3m on education

Staff Reporter

THE Mobil Foundation has spent more than R3 million on alternative education projects in South Africa, it was disclosed yesterday.

The projects included curriculum development, early childhood development, teacher development and bursaries.

Mobil Foundation — funded by a R40-million donation from the US Mobil Oil Corporation — has already spent R8,3 million on more than 90 community projects.

Foundation chairman Mr Franklin Sonn said yesterday the foundation supported projects that would help the country develop into a non-racial, democratic society based on the principles of freedom of association.

Dr Ken Hartshorne, chairman of the foundation's education board, said the most serious mistake in the past was to use education to divide people rather than using it to give them a common purpose.

"We should be looking at a future kind of education in a different kind of South Africa, in a different society," he said.

(62) B/Day 8/9/88.

R4m social programme ends as Unisys quits SA

AS COMPUTER giant Unisys jumps on the bandwagon of US companies rolling out of SA, it takes with it one of the most conspicuous social responsibility programmes in the country.

The estimated R4m that Unisys spent last year for black education, township clinics, legal resources centres and housing made it one of the most active of the Sullivan Principles signatories.

This budget — more than 12% of Unisys's payroll expense — is to be phased out, says MD Jack Horton, following the acquisition of Unisys's SA operations by Mercedes Datacor.

Horton says the new corporation — Datacor — remains an equal-opportunity employer but will be unable to fund a budget for social responsibility projects.

To ease the pain for its most important benefactors, the American parent company will establish a trust fund of approximately R4m to provide transitional funding for two years.

CHRISTOPHER TUCHER

Horton lists some of the major programmes: the Unisys Edutrain, a Standard 5 science programme, teacher colleges and several "adopted" schools. Much of its work served the nearby Alexandra township, from which Unisys drew most of its black workforce.

Unisys is the second US subsidiary in recent months to make headlines by withdrawing its social responsibility programme.

It follows on the heels of Carlton Paper, which renounced the Sullivan Principles and, in so doing, saved itself R2m.

The Unisys departure comes as a particular blow because it has been such a stellar corporate donor. Unisys had received a Category I top rating from the Sullivan Commission since its inception in 1977.

'Involved'

"Unisys has been phenomenal," says a co-ordinator for READ, an organisation working for better education in the townships. "They have underwritten our most important projects."

READ particularly praises the computer-makers for their hands-on commitment.

"They did not just sign cheques, rather they were personally involved in the projects we have run."

"Unisys has stood out as a leader," says Jill Ortel of Thussong, another promoter of non-racial education projects. She also has the highest praise for Unisys' physical involvement in the projects it sponsored.

The Rev Leon Sullivan called it "sweat equity," as opposed to mere financial donations.

READ estimates that the void left by Unisys will eventually be filled by South African companies, but it will require three or four of them to provide the same level of funding.

"There is not the same sense of responsibility among SA companies, nor the external pressure to get involved," says the READ spokeswoman.

Furthermore, there is a widespread belief in South African boardrooms that black education and medical care are matters for government, not the private sector.

Horton thinks Unisys's withdrawal is a "tragedy," and the anti-apartheid movement that has forced it and other US firms to abandon SA he calls a "retrogressive step".

Thussong's Ortel, clearly, is also "very sad to see them leave".

But some black business leaders see it differently. Eric Mafuna — formerly with a US advertiser, now in business for himself — says it is government that should be pumping money into township schools and medical facilities.

Message

His message to US companies: "You didn't create these problems by forcing blacks to live where and how they do. So it is not your job to try to clean them up. That is government's business."

Lionel Grewan, former Citibank executive and officer in the Signatory commission, agrees with Mafuna.

"US companies are dealing with problems created by the South African government, which government itself needs to come to grips with."

Sanctions hit Republic's export trade

United States invests more in South Africa

By Alan Dunn
The Star Bureau

WASHINGTON — American investment in South Africa has in fact increased in spite of the wave of disinvestment from the Republic where more than half the US companies left the country, according to an official US study.

But US economic sanctions against South Africa cost the country about R103,18 million in exports in the first nine months the trade restrictions were fully applied, the report said.

The US General Accounting Office, investigative arm of Congress, said in a report released on Capitol Hill yesterday that the value of direct US investment had, adjusted for exchange rate fluctuations, risen four percent.

"This increase is largely the result of significant reinvested earnings of US companies in South Africa — about R4,4 million between 1984 and 1987 — that have offset US disinvestment," the report said.

It appeared there were also often continuing business relationships between former US owners and the successor companies in South Africa, it added, and little or no change in the availability of the US companies' products there.

A law passed by Congress in 1986 prohibited new investment in South Africa but did not affect profits earned from existing investments in the country. About 162 American firms have left South Africa, 149 remain.

Direct American investment in South Africa increased nearly 10 percent between 1984 abd 1986, the study found. Since sanctions, however, it had dropped about five percent.

On South African trade, the report said the country had largely been unable to recover exports losses caused by sanctions by re-directing trade to other countries.

The Republic had been unable to send its exports elsewhere "because other countries have actively reduced their imports from South Africa, and because weak markets for many of the products reinforced the effect of the sanctions by making alternative markets harder to develop".

The GAO, which at one stage estimated South Africa's trade loss due to sanctions at about R1 800 million, said Taiwan had increased its imports by R400 million, offsetting some of that loss.

Weekend FOCUS 3

Pull-out companies scaling down aid to blacks

WITHOUT SULLIVAN CODE, LIFE BECOMES TOUGHER FOR EVERYBODY . . .

by VIVIEN HORLER
Weekend Argus Reporter

COMPANIES whose foreign-owned principals have withdrawn from South Africa, are scaling down their commitment to social responsibility programmes introduced to comply with codes of conduct such as the Sullivan Principles.

The result is that employees and communities are becoming more impoverished, according to Lionel Gruwen, former executive director of the Signatory Association, the organisation to which Sullivan code signatories belong.

The trend is partly a result of withdrawal of foreign funding, and partly because companies see no reason to comply with the terms of foreign-imposed conduct codes.

And it will continue, says Mr Gruwen.

"The trend is already set, and we can extrapolate from that. Many companies who have lost their American principals and been taken over by South African companies, or had management buy-outs, have decreased their commitment to social responsibility.

"Some companies continue with a small commitment, but it is generally very litle compared with what it used to be. Generally speaking the commitment has been drastically reduced.

"So, given that pattern, and the generally diminished economic activity in the country, there is no way the social responsibility programmes will continue in the same way. Life becomes tougher for everybody, believe me, for everybody."

It is understood that not one former Sullivan Code signatory has remained a signatory after the departure of its American principal.

Said one company executive: "We're a wholly owned South African company now, and see no need to be monitored by an American organisation."

IN terms of the Sullivan Code, known since the Rev Leon Sullivan withdrew his commitment to it last year as the Statement of Principles for South Africa, companies had to agree to a set of principles. Every year they had to fill in an exhaustive questionnaire describing their efforts at implementing the code, and these were compiled into a report released by the respected Arthur D Little organisation in the United States.

Companies were then given an annual rating, ranging from category one, meaning "making good progress" to category three "need to become more active", which is, according to Denise Buckle, secretary of the Signatory Association, "more or less a failure".

Companies such as Carlton Paper, IBM and General Motors all won a category one rating.

There were seven principles to the code:

- Non-segregation of the races in all eating, comfort and work facilities;
- Equal and fair employment pratices for all employees;
- Equal pay for all employees doing equal or comparable work for the same period;
- Initiation of and development of training programmes that would prepare, in substantial numbers, blacks for supervisory, administrative, clerical and technical jobs;
- Increasing the number of blacks in management and supervisory positions;
- Improving the quality of life for blacks outside the work environment in such areas as housing, transportation, school, recreation and health facilities; and
- Working to eliminate laws and customs that impeded social and political justice.

Mr Sullivan withdrew his commitment to the code in June last year, in terms of an ultimatum he had issued two years previously. This stated he would call on all American companies to leave South Africa if apartheid had not been completely dismantled by the end of May 1987.

ACCORDING to the latest figures contained in the 11th report on the code, which was released in November last year, there are still 92 signatories. Any American company still in South Africa must report once a year to either the Little organisation or to the State Department.

But the State Department report, says Lionel Gruwen, is considerably less rigorous than the Little report.

"Taking a look at the areas in which the companies were involved, you see for instance the equal pay principle. Now I guess those companies that are no longer signatories to the code will not abandon that principle once they've attained it, and they're unlikely to re-segregate restrooms.

"But take development and upward mobility of black employees. This is likely to dissipate once the pressure of strict scrutiny is removed.

"In-house training and education will continue, I guess, but the education upliftment of the community, projects to upgrade teachers and the provision of bursaries, these are all falling away. Community development is likely to receive scant attention, if any.

"And as for the social justice principle — the companies were always reluctant to implement that one because it meant getting involved in politics; now that they don't have to there's no way they'll stick to it."

A company executive, who said he was speaking off the record, said "the real difficulty" with adherence to the code was "what we spent on Sullivan mostly wasn't tax deductible in South Africa".

"I'd rather spend R1 on an educational programme knowing I'll get 50c back from the taxman than R1 trying to get rid of apartheid and getting nothing back."

One of the companies no longer a signatory to the code is Delta, formerly General Motors. GM spent between R3-million and R4-million a year on social responsibility programmes, most of which money came from the General Motors Corporation and the General Motors Foundation in the United States. Delta will spend slightly more than R1-million in 1988.

"Once we no longer had links with the American company, that source of funding was no longer available," said George Stegmann, spokesman for Delta. "Delta's ability to do good depends on how well we do as a business."

Mr Stegmann stressed that spending on such areas as in-house training, development and the company's medical department did not come out of the R1-million. "Those are the things we do in the normal course of business. The social responsibility spending is for programmes that embrace housing assistance, educational assistance for employees and the community, job creation projects and charity, welfare and civic contributions."

He said Delta had swung from a commitment to the broad range of Sullivan principles to a programme more directed to its own people, their dependents and the Port Elizabeth community.

The Sullivan Code had incorporated "a cumbersome reporting system" and the rating was based "on how much was spent rather than on results".

"Taking care of our own people makes more sense than being committed to dissipating resources in areas that had litte credibility in the eyes of our own workforce.

"And the most important commitment we can make to this entire community is to continue to operate successfully, to stay in business, preserve 3 500 jobs and to create new ones."

IT was reported last week that Carlton Paper Corporation, the only South African-owned company to be a signatory to the code, would no longer report to the Little organisation, and had dropped its R2-million social responsibility programme.

This report was entirely incorrect, according to Mr Keith Partridge, managing director. "Of course we're still spending money on our social responsibility programme," he said. "We're just not spending it the way Sullivan prescribed. Sullivan walked away from South Africa."

Mr Partridge declined to say how much Carlton was spending. Carlton was involved in "a lot of health education in the black community".

"We also sponsor health education programmes on television. You might say that's advertising, but we had to put up the money for those programmes and they're very educational."

A spokesman for ISM, formerly IBM, confirmed that ISM was spending less than IBM had done. But, added Mr Greg Gardener, ISM's communications manager, when IBM withdrew it left behind and intact its entire social responsibility programme, known as the IBM South Africa Special Projects Fund.

"If you take the current contribution by ISM and the IBM fund together, you'll get a figure certainly no less than was spent in the days of IBM, in fact it may be slightly more.

"Our commitment to South Africa is as strong as ever, if not stronger. We now own the company ourselves, and one of our company's five basic principles is that we must be a good corporate citizen — and that implies a lot."

Disinvestment will hit social aid programmes

By Clare Harper

American disinvestment from South Africa would entail the loss of some R93 million annually in contributions to educational, welfare, housing and social justice projects, according to the American Chamber of Commerce in South Africa (ACCSA).

From the period July 1986 until June 1987, 134 American subsidiaries contributed R93 million, of which R31 million was spent on educational assistance, R3,2 million on housing, R9,4 million on health/welfare, R14,6 million on civics and recreation, R9,6 million on assistance to black business and R25,8 million on social justice aid.

Based on these figures, the 160 American subsidiaries which have pulled out of South Africa since 1983, might have contributed an additional R100 million to such projects, the executive director of ACCSA, Mr Adrian Botha, said.

Signatories to the statement of principles of the Sullivan Code contribute between 10 and 15 percent of their annual payroll to educational, housing and social justice projects.

But, according to reports, Carlton Paper Corp Ltd, has increased its profits by R2 million by withdrawing its social responsibility programme.

Mashold buys out Grolier subsidiary

By AUDREY D'ANGELO
Financial Editor

CAPE Town-based MAS Holdings (Mashold) has joined the growing number of SA companies to benefit from the US disinvestment policy.

Mashold, a mail order group which until now has dealt almost entirely with the black market, has diversified into the middle and upper income white market by buying the SA subsidiary of Connecticut-based Grolier International for R3,7m.

It has raised R800 000 of the purchase price by placing 400 000 Mashold shares with financial institutions at a price of 200c each. The balance will come from internal resources.

Mashold recently completed a capitalization issue and the formation of a pyramid company, Mascon, listed in the "Industrial/retailers and wholesalers" sector of the JSE on August 1.

The purchase of Grolier consolidates Mashold's position as the largest mail order and direct marketing group in SA. Grolier has a client base of more than 400 000 and gives Mashold an operation base in the Transvaal.

A statement issued yesterday said that Grolier SA would retain both its name and its supply link with the former US parent, with "the usual rights on new lines."

All Grolier staff have received a farewell bonus, but they will retain their jobs and the company will continue to be run autonomously.

Its head, Bob Warde, said the change of ownership would enable it to expand and had ended uncertainty and insecurity among the staff. "Because of US legislation, our American parent was unable to inject any additional capital into our organization," he explained.

"Now that the company is part of a major quoted SA group, its potential for growth has risen dramatically. There are greater resources available, both in human and financial terms.

"We will not only retain our supply links, but now have the ability to bring in exciting products from various other sources."

US aid schemes wither as . . .

Hope falls casualty to sanctions

SHARP reductions in American funding of local community projects through disinvestment would deal a crippling blow to educational and political development, says the chairman of the Signatories Association, Mr Roger Crawford.

The association comprises 89 American companies and abides by the Code of Employment Practice — formerly known as the Sullivan Principles before the Rev Leon Sullivan withdrew his support in June 1987 because of resistance to his view that *all* US companies should withdraw from South Africa.

Mr Crawford said that some companies which had bowed to disinvestment pressure had left behind them a disillusioned black community to whom they had made promises of great educational assistance.

Those promises now had little chance of being honoured.

He did not wish to name the companies for fear of litigation.

According to one expert involved in community aid, who did not want to be named, it is believed that, in the past, 60 percent of all donations for educational and health projects originated from American companies.

In the past 18 months the number of companies operating here has dwindled from about 150 to under 90.

Says Mr Crawford: "South Africa would lose one of its last few instruments of change if the US Senate were to pass the sanctions Bill in its present form later this year. American companies would then have six months to leave South Africa.

"The supreme tragedy is that it is these very companies which support organisations that constantly challenge apartheid policies, such as the Legal Resources Centre, the Get Ahead Foundation and the Urban Foundation.

"It is these US companies in particular that have pointed out to the South African Government the implications of the Sharpeville Six judgment."

"Most South Africans, however, see such organisations as being too active politically."

SARA MARTIN

Disinvestment already has had a serious impact on projects which involved "adopted" clinics and schools and teacher upgrading programmes.

"We are struggling to find local companies to carry on several of the health and education projects initiated by the American companies who decided to disinvest," he said.

Mr Crawford said that he participated in a delegation from the American Chamber of Commerce in April this year to lobby against sanctions.

"I am fundamentally opposed to Archishop Desmond Tutu's belief that disinvestment and sanctions will bring freedom and democracy.

"If we stunt this economy and stunt its ability to grow, we will stunt people's opportunities to develop and control their own destiny.

"It is intriguing that when a company changes ownership even though there may be no loss of employment, there is nevertheless a significant loss of commitment to social responsibility," says Mr Crawford.

One South African consultant who advises US companies on their social responsibilities observed that, when the parent company sells out to local interests, the new owners cut their budget by at least half.

"In some cases, the new owners do not even tell the community projects that funding will be cut, making it impossible for them to plan properly for the loss of funds," he said.

Many US firms that have recently withdrawn from South Africa have added a clause to the sales commitments urging the new owners to continue the companies' social programmes.

"I doubt whether these clauses are worth the paper they are written on," said the consultant.

"New owners, once some time passes, will give low profits or some other reason as justification for jettisoning the programme of the Signitories Association."

Added Mr Crawford: "More and more communities are beginning to realise that sanctions are a dangerous game to be played at the expense of innocent people."

Call to support blacks in struggle against apartheid

A DELEGATION of seven black entrepreneurs, including a woman, has told the American community to support blacks in their struggle against apartheid in South Africa.

Co-ordinator of the group, Mr Gainsworth Betshanger, said they told various groups, including the exiled leaders of the African National Congress and the Pan Africanist Congress that black business needed an international financial boost.

Mr Betshanger told a Press conference in Johannesburg that during their three-week visit the group also held discussions with the US assistant secretary of State for Africa, Dr Chester Crocker, about peace talks between Angola, South Africa, Cuba and America in Southern Africa.

The group, which included a leading Johannesburg business consultant, Mr Nimrod Mkele, said that it did not go on a "sanction busting mission" to the US, but wanted the international community to hear the black business viewpoint.

Mr Betshanger said they have appealed to the American congressmen to review their strategy regarding disinvestment. "If they must disinvest they should leave an avenue open for black South Africans to uplift themselves.

He said: "We want to grow, learn and have an equal opportunity to enter the economic mainstream. In order to achieve this objective, foreign companies must sell to blacks".

He said they were not against Anglican Archbishop Desmond Tutu and Dr Allan Boesak, but wanted Americans to understand the plight faced by black business in South Africa.

"All the groups we met have indicated their willingness to support the upliftment of blacks in South Africa," he said.

He added that the Congressmen pledged their solidarity with the Sharpeville Six. "They were also willing to fight against apartheid," he said.

Mr Betshanger said the American community was prepared to train, educate and engage in many ventures, including building homes for oppressed blacks.

Sanctions lobby shifts focus to the 'invisible' links

The sanctions lobby shifts focus to less visible economic links, with some activists accusing US firms of using 'smokescreen' tactics. HILARY JOFFE reports

THE sanctions lobby has shifted its focus from campaigning against direct investment in South Africa.

Sanctions campaigners are now concentrating on "non-equity ties" — those links which multinationals maintain when they pull out of the country, such as licensing and technology agreements and offshore trusts.

In a new report from the Washington-based Investor Responsibility Research Center (IRRC), researchers Jennifer Kibbe and David Hauck wrote: "The last two years of disinvestment have raised the new issue of non-equity ties.

"Companies see these continuing economic links as a normal, viable business alternative to direct investment, while anti-apartheid activists view them as yet another pillar propping up South Africa's apartheid regime."

The report includes a comprehensive survey of the routes taken by the 114 US firms which disinvested from South Africa between January 1986 and April 1988.

Forty-five of the companies sold their operations to South African companies or investors, 27 sold to local management or employees, 15 closed their operations, 13 sold to foreign (European, Asian or Australian) companies or investors, seven sold or donated their assets to some form of trust, six sold to US companies, one donated its assets to a South African church, one moved its operations to a neighbouring country and one sold shares to the public. Seven have not disclosed what they did with their assets.

	By no. cos.		By no. emps.	
Sold to South African companies	37	(35%)	14,172	(37%)
Sold to local management	25	(23%)	6,687	(17%)
Closed down	13	(12%)	1,164	(3%)
Sold to European/Asian/Australian companies	11	(10%)	5,135	(13%)
Sold or donated to some form of trust	7	(7%)	10,055	(26%)
Sold to U.S. companies	5	(5%)	674	(2%)
Donated to church	1	(1%)	5	(0%)
Moved to a neighboring country	1	(1%)	465	(1%)
IRRC unable to discover method	6	(6%)	365	(1%)
	106	(100%)	38,722	(100%)

Some of the companies employed more than one method, according to the report.

The fact that sales to South African companies or local management account for almost three-fifths of the disinvestments has "lent credence to fears that disinvestment is contributing to a consolidation of economic power by South Africa's whites", the report said.

Departing companies will use their chosen method of withdrawal to achieve their own objectives, whatever their reasons for disinvesting, the report said, and these objectives usually have little in common with those of disinvestment activists.

Companies most concerned with their image in the US are inclined to sever all economic ties with South Africa. Those more interested in reassuring workers and customers are likely to maintain non-equity ties and arrange profit-sharing or employee share ownership plans.

Companies keen to retain a foothold in a market they see as having potential tend to include in the package non-equity agreements such as licensing, franchising or distribution agreements with their former subsidiaries.

Offshore trusts are used by companies which want to get as much as they can out of the country through the commercial rand — as opposed to the discounted financial rand. Another method is to sell assets at less than market value and recoup the price in lucrative licensing royalties.

Kibbe and Hauck found half of the US firms had retained licensing or distribution agreements with companies in South Africa.

"The major reason so many departing companies have opted to maintain non-equity ties with their former subsidiaries is that these agreements help to ensure that the disinvesting company will continue to earn income from South Africa, and keep its name and product visible there, without the costs of direct investment," the report said. The US company can also get a higher price for its technology or management assistance.

And licensing royalties can be taken out of South Africa at a better exchange rate than the proceeds from the sale of a subsidiary.

Companies which opted to cut all ties did so mainly because of selective contracting ordinances adopted by major US cities which allow municipalities to discriminate in awarding contracts against companies which have economic ties to South Africa. Among these cities are New York, Houston, Los Angeles, San Francisco and Pittsburgh.

Many disinvestment proponents have labelled the intricate methods US firms have adopted to pull out as "smokescreens" and have called for full and complete disinvestment, the report said. But other activists feel "they should define their calls for disinvestment more precisely, so as to ameliorate some of its worst effects, such as the concentration of economic wealth in the hands of whites".

Kibbe and Hauck argue that the shift of focus to the issue of non-equity ties will make the disinvestment campaign tougher because of the complexity of such ties and the difficulty of identifying companies maintaining these.

The researchers found managers at most of the newly-South African companies said their labour practices and their commitment to black advancement were unchanged; trade unionists confirmed this for some cases but mentioned others where new owners were actively rolling back progress made under US ownership.

Kibbe and Hauck did find, however, that "The most noticeable change following disinvestment is a cutback in corporate funding of community development programmes and organisations that challenge apartheid policies".

Monsanto votes against pulling out of SA

SHAREHOLDERS of one of the world's biggest industrial chemical producers, Monsanto of the US, have voted overwhelmingly against a resolution demanding that the company stop doing business in SA.

The resolution, put forward by the New York State Pension Fund, received the vote of 11,4% of the 56,3-million shares represented. Last year a similar resolution won 12,8%. — Sapa.

(62) B/day 28/7/88

62 B/day 21/7/88

Jaycee man amazed by Dellums

US legislators 'not interested' in white views

SUSAN RUSSELL

THE average American was not aware of the effects the planned new US sanctions Bill would have on black and white SA, according to Jaycees national president Vernon Matthysen.

On his return from an anti-sanctions campaign to the US, Matthysen said: "After meeting the author of the Bill (Democrat Congressman Ron Dellums) and Robert Brauer, aide to Dellums, I was amazed at their unwillingness to listen to reason.

"My impression was they do not care if their Bill will result in unemployment and misery in SA.

"They discount moderate black leaders and label them as 'stooges of the system'," he said.

Dellums and his aide claimed they were encouraged by the support they were getting from Cosatu and Anglican Archbishop of Cape Town Desmond Tutu.

Matthysen said the presidential race was being fought in SA's back yard.

"The Democrats are trying to discredit the State Department's engagement policy.

"The State Department, on the other hand, is looking for results that will prove to the voters that their constructive engagement policy will influence SA to bring about change."

Matthysen said this message was repeated many times when his delegation met 20 aides to senators and congressmen on Capitol Hill.

"We believe if there was a greater awareness amongst the man in the street in America, more pressure would be exerted on Congress and the Senate not to pass further sanctions legislation."

He urged South Africans to write to friends, family and associates in the US to appeal to their congressmen and senators to stop any further sanctions legislation.

Very few black SA businessmen were seen by the legislators in Washington, Matthysen said.

"The message conveyed to our delegation was that most of the South Africans seen in Washington pleading against sanctions were white.

"They want to hear from the black business community."

Matthysen added that the Jaycees would offer advice and services to any individual or group planning a similar mission to Washington.

Carlton drops Sullivan and banks R2m

8 days 22/7/88

LINDA ENSOR (62)

CARLTON Paper Corporation is gaining about R2m annually from dropping the social responsibility programmes it undertook to adhere to the Sullivan Code.

The group yesterday reported its exceptional results. In the six months to June Carlton outstripped its full 1987 earnings by notching up an impressive 46,2c a share, 107% higher than last year's interim earnings

A cost-slashing programme — 90 management jobs were shed — strong margin growth, and the saving of about R1m in the half year by withdrawing from the Sullivan programme, contributed to the performance.

The Sullivan expense was not the major element in earnings growth but it demonstrates the effect of US pressure on SA companies.

CE and MD Keith Partridge says about R2m was spent in 1987 on social responsibility programmes, such as education, training, community development and social justice. These have been dropped.

Carlton participated for one year in the programme due to pressure on its 39% US shareholder, Kimberly-Clark Corporation. It was the only large SA company to do so and achieved a category one rating — at great cost, says Partridge.

Partridge says that when the Rev Leon Sullivan withdrew from the programme — intended originally to monitor the treatment of black workers by US companies in SA — the group saw no reason for continued participation.

● For details on results see page 8.

US DISINVESTMENT

62

Sugaring the pill

Sometimes you have to find out the truth alone: no one else can tell you.

So it is with the Investor Responsibility Research Centre (IRRC), a Washington-based shareholder activist group in the forefront of demanding that American corporations divest themselves of their SA business enterprises. Now the IRRC has discovered the obvious — the big losers in disinvestment are SA's black workers and their development-starved communities. The big winners are SA businessmen who buy up the US properties at distress-sale prices.

Yet even when conceding the truth, the IRRC analysts have found a way to escape any acknowledgement of error. It seems, according to the group, that American businessmen have been cheating and only pretending to leave SA. What really has been going on, the report issued this week states, is that "at least half of the disinvesting US companies have retained non-equity ties such as licensing agreements with the new owners of their former subsidiaries." The statistics support this.

The report finds that of the 114 American firms that disinvested their SA holdings between 1986 and the first quarter of this year, nearly three-fifths sold their operations to a SA company or to local managers, "giving credence to fears that disinvestment is contributing to a consolidation of economic power by SA's whites." The report then notes that it "does not find much evidence that labour practices, on average, will change for the better or worse, with two notable exceptions."

These are, firstly, that black SA trade unionists "give US firms higher marks for labour relations," and, secondly, that American owners "clearly outperform SA companies in the minimum wages they pay. In mid-1987, the lowest wage paid by any US company that had signed the seven-point corporate responsibility code, known as the Sullivan Principles, was 40% above the median wage for unskilled labourers working in SA industry as a whole."

But the biggest disadvantage to SA blacks caused by the American emigration was in "the cutback in corporate funding for community development programmes and organisations active in challenging apartheid policies."

The thrust and tone of the IRRC report are clear. The disinvestment movement has failed to maximise the pressure on US companies — and thus against SA — by allowing corporate executives to certain ties to their old investments. These are clearly the next target on the agenda, despite the acknowledgement that black trade unionists, such as those in the Cosatu leadership, have withheld their own calls for disinvestment because of the inordinate price their working members must pay so that American liberals can feel virtuous. □

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Sullivan withdrawal helps SA company

Finance Staff

The Carlton Paper Corporation will benefit to the tune of R2 million this year after its Sullivan Code-initiated social responsibility programmes were stopped when the Rev Leon Sullivan withdrew from the programme.

The Sullivan Code of Principles monitors the treatment of black workers by US companies in South Africa and after pressure on its major US shareholder, Kimberly-Clark, Carlton last year spent about R2 million on education, training, community development and social justice in adherence to the code.

Says Carlton chief executive Mr Keith Partridge: "We achieved a category one rating for our efforts, but the expenditure was not tax deductible and was a financial liability."

Mr Partridge added that none of the 90 management jobs shed as part of a major cost-cutting programme were related to the administration of the social responsibility programmes.

"We still have a large social responsibility budget, which we spend internally on our own staff, and not on external programmes as prescribed by the Sullivan Code," Mr Partridge said.

Aliens in Dellums dilemma

DIANNA GAMES

SOUTH Africans in America are trying to get the Dellums Bill on sanctions amended to prevent those who are US residents — or citizens — from having funds cut off.

One provision prohibits any US resident, citizen or business from holding funds or assets in SA.

San Diego's SA Jewish American Community points out that immigrants are already prevented by SA exchange controls from transferring more than R100 000 but are allowed to receive interest or dividends from blocked assets.

The Bill in its present form would not allow this. The organisation has circulated a letter to members asking for help in approaching sponsors of the proposed legislation.

The Bill, allowing for strict and wide-ranging sanctions, has been approved by the House Foreign Affairs Committee and is expected to be adopted by the House of Representatives soon.

Organisation president Leah Levin warned in the letter that the provision would also affect Americans with assets in SA if they returned to the US.

She added an exemption could be made for blocked funds and inheritances being construed as a holding investment in SA.

28/7/88

Star

newspaper.

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'Disinvestment is ineffectual'

Star 20/7/88 62

By Neil Lurssen,
The Star Bureau

WASHINGTON — The wave of disinvestment by American companies from South Africa has had relatively little impact on the SA economy, according to a new report by a research group here.

The Investor Responsibility Research Centre, a non-profit organisation that prepares impartial studies for American businesses and investors, found that disinvestment had produced few changes in the labour practices of SA companies formerly owned by US corporations.

The IRRC's examination found that at least half of the disinvesting companies retained non-equity links with their former subsidiaries, such as licensing agreements.

"These agreements help to ensure that the disinvesting company will continue to earn income from South Africa, and keep its name and product visible there, without the costs of direct investment," the report states.

The American company can also get a higher price for its assets by including continued access to its technology in the deal, it says.

"Moreover, under South Africa's exchange controls, licensing royalties can be repatriated (to the US) at a more advantagous exchange rate than that for the proceeds of the subsidiary."

The existence of non-equity links has angered anti-apartheid activists in the US who are demanding that when a company leaves South Africa it must do so completely — until apartheid ends.

But those companies that have quit without any remaining links, the IRRC report notes, have done so mostly because they fear losing contracts in major US cities that forbid business ties with companies that trade with South Africa.

The new report — the third major study on South Africa from the IRRC in the past few months — provides powerful evidence for opponents of sanctions against South Africa.

Its finding that disinvestment has had little impact on the SA economy bolsters their argument that sanctions merely penalise US businesses and reduce US influence for no good purpose.

Olympic body to keep SA links

By Ramsay Milne,
The Star Bureau

NEW YORK — The US Olympic Foundation has turned back a strong move from within its ranks to suspend all future investments in American companies operating in South Africa and has voted to maintain its South African links.

The vote by the foundation, the fund-raising arm of the US Olympic Committee, came two weeks after the International Olympic Committee, which expelled South Africa from the Olympics in 1970, reiterated its opposition to South African participation in international sports.

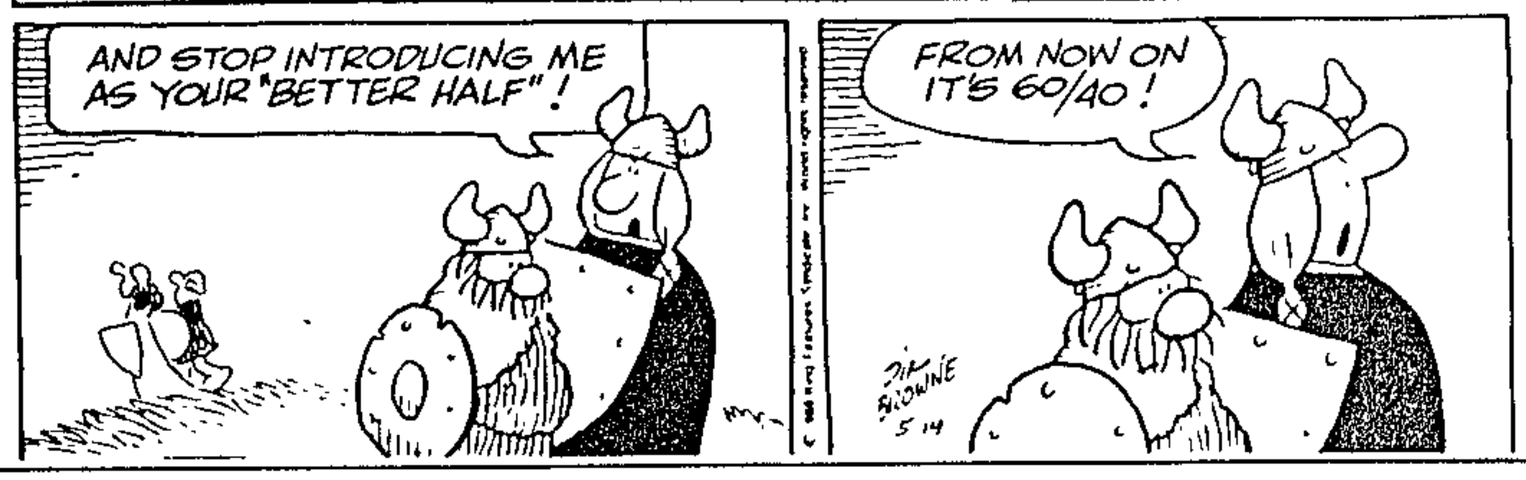
MOTION DEFEATED

The foundation directors voted on a compromise proposal that would have allowed about R25 million invested in companies with ties to South Africa to remain in place. That figure represents about eight percent of the foundation's portfolio, which is valued at more than R300 million.

When the motion was defeated by a 4-3 vote, not only was the money to remain as invested, but the portfolio managers were also left with the same unrestricted hand on future investments they had before the vote was taken.

Mr William Simon, the foundation chairman and a former Secretary of the Treasury, defended the majority of the foundation directors, saying he opposed the proposed investment ban because "it hurts the very people you are trying to help".

HÄGAR the Horrible ® **By Dik Browne**



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Blacks seek buy-out chance

By Robyn Chalmers

A GROUP of 15 black businessmen and women are in America to appeal for a review of the disinvestment policy.

Led by Gainsworth Betshanger, owner of an auto-radio alarm and air-conditioning company, they will spend more than a month talking to congressmen.

They hope to convince politicians to review their approach to disinvestment.

Mr Betshanger says: "If they are set on disinvestment, it is vital that they leave some avenue open for black South Africans so we can uplift ourselves and have an equal opportunity to enter the economic centre."

He believes it can be done if disinvesting companies sell to black entrepreneurs instead of to large corporations.

"We do not stand a chance because the big boys jump in first and they have funds to take over these businesses.

"Several banks in SA are willing to lend the money to us. We will form a consortium if need be,'

Pressure on the US from anti-apartheid groups is increasing.

International companies are pulling out of SA, and almost without exception they have sold to the conglomerates at cut-rate prices.

"They are creating a monopoly. While the American Government is screaming disinvestment, big corporations are smiling this side because they are buying for next to nothing.

"We aim to reduce this situation by trying to get the US to give us the opportunity to prove ourselves."

He sdays that when a sound equipment manufacturer disinvested and was taken, it made no difference to the unemployment problem in SA.

"We can make a difference if we are allowed to buy these businesses — we need a chance to do so."

62 Times 10/7/88

SA companies up US social spending

(62 B/day)

8/21/88

BRONWYN ADAMS

COMPANIES which bought out US disinvestors said yesterday they had not reduced spending on social responsibility projects.

Some of the companies said they were not only taking up where the multinationals left off, but were contributing more.

ISM media official Michael Letellier said ISM contributed between R2,2m and R2,4m over the past year. He said a policy change in line with IBM's withdrawal would result in more funds for community development.

Zenex Oil contributed R20m to educational and social programmes, spokesman Mike Hawkins said. This was in accordance with conditions under which Esso withdrew from SA.

Anglo American representative Sheila Blackman said Anglo and De Beers spent R49,1m on social responsibility during the 1987 financial year.

Barlow Rand foundation director Charles Lipp said 20% more money was allocated to the foundation this year, compared with the R10m last year. Barlow Rand financial director Brian Steele said there had been no cut-back in funding at Sterling or Merck Sharp and Dohn since the US disinvested.

SA Breweries said all subsidiaries were contributing a set proportion of after-tax profits to charities. These funds were increased substantially each year in accordance with escalating profits.

'Keep on filmin' now hits Kodak

A FRENCH television company has defied a call from Kodak in the United States to stop filming a R500 000 Olympic advert in Cape Town.

On Thursday evening, Mr Ian Gutthrie of Kodak's corporate communications department in New York, instructed the company, which handles Kodak's French account, to stop production.

However, on Friday and yesterday, the company continued filming in defiance of Mr Gutthrie's call.

The final day of shooting is planned to take place tomorrow at the Bellville municipal swimming bath, near Cape Town, an amenity that is reserved for whites only.

This could lead to problems for the French company as three of the "athletes" appearing in this film are black.

When asked whether they were defying Kodak's call from New York to stop the filming, the South African producer of the film, Mr Chris Charles, said:

"I have absolutely no comment to make."

Secretive

Kodak withdrew from South Africa in November 1986 and placed a total ban on its products, including X-ray film used by hospitals and clinics, motion picture film and computer technology.

In the process, almost 500 Kodak employees lost their jobs.

The company started its four-day shooting session at the Cape's "coloured" holiday resort of Strandfontein on Thursday in what was supposed to have been a highly secretive Kodak assignment.

The French crew under director Jean-Paul Goude filmed the first part of the 30-second commercial with a cast of black and white South Africans.

The commercial was to have been shown in Europe to coincide with the September Olympic Games in Seoul, Korea.

By RENÉ DU PREEZ

Director defies call to quit making Olympics advert



Film-maker Jean-Paul Goude with Moria Pamqwa

However, there were no plans to have the commercial shown in South Africa.

Colours

South Africa has not been a member of the Olympic Games Organisation since being banned from the Olympic movement after the Rome Olympics in 1960.

When approached for subject matter on the commercial being shot, Mr Goude at first denied that the commercial was for Kodak and advertising the forthcoming Seoul Olympics.

"It's for my French company called 41-41 and a swimwear commercial," he said.

But he was asked why five of the male cast were wearing athletic vests with the names and colours of Brazil, Jamaica, the USA, England and New Zealand, and with Olympics 1988 on their backs.

He then admitted that it was to be a film for Kodak advertising the Olympic Games.

Mr Goude, a leading film director in Europe based in America, said he had been in South Africa since Christmas preparing for the shoot.

"I'm responsible for the entire script, which tells a humorous little story with a pleasant ending.

"And all we need is thirty seconds," he said.

When asked why South Africa had been chosen to shoot an Olympic commercial, Mr Goude said: "There were two main reasons.

"One is the excellent weather experienced at this time of the year in this country, and the other is the low cost involved in shooting a commercial like this compared to costs in other countries."

Blistering

The small stretch of Strandfontein beach used for the shooting looked like a miniature Olympic village this week.

More than 100 people and dozens of cars and combis surrounded an area where an artificial athletics track, fitted on to a huge 30-metre inclining scaffolding ramp, was used to shoot the opening sequence of the commercial.

Five male athletes, representing five different countries, and three children representing three races — black, white and oriental — and dressed in red and white-striped bathing suits and pixie caps, were asked to sprint up the track into a blistering cold south-easter.

On Friday the unit was filming stadium scenes at the South African Transport Services complex in Mitchells Plain.

● It was learned yesterday that the company was considering moving to Zimbabwe to re-shoot the advertisement so as not to lose the valuable Kodak contract. But no one on the set would comment.

Firms in US hit in anti-SA moves

6/7/86

SIMON BARBER

WASHINGTON — The US House of Representatives, in one of the most bizarre anti-apartheid moves ever, has voted all but unanimously to punish small US businesses that trade with companies that have SA ties.

The measure, which was adopted unnoticed on Wednesday, bars any form of government assistance, including disaster relief and loan guarantees, to small companies that supply US multinationals operating in SA.

It is part of otherwise entirely domestic legislation funding the Small Business Administration (SBA), one of whose prime functions is to encourage black and other minority enterprises in the US.

Any business that provided so much as cleaning services or paperclips to the Mobil Oil Co, for example, would be denied assistance.

Furthermore, if black-owned, it would no longer be eligible for the award of government contracts under special set-asides for minority firms.

No impact

At the same time, the measure would have no impact on US firms still operating in SA, which appears to be why there was almost no lobbying against it.

Not one member of Congress spoke against the measure, much less tried to amend it, during Wednesday's debate. The full Bill passed by 342 votes to 40, the bill must now go to the Senate.

The only opposition surfaced last month in the House Small Business Committee, when just five of the panel's 16 Republican members filed a formal dissent arguing that the amendment's "practical effects . . . could well be nightmarish".

The committee, in its official report on the Bill, explained that it "believes sterner sanctions are now required".

Business as usual but . . .

Rangel mangle puts screws on US businesses

SVEN LÜNSCHE

The introduction of the so-called Rangel Amendment, the temporary climax to the sanctions campaign in the United States, is expected to make even the most dogged of companies rethink their position in South Africa.

A tirade of protests by the remaining 162 US companies in the country, local businessmen and politicians has so far proved fruitless.

The amendment is certain to be a low blow to the profitability of US multinationals operating in South Africa, as it repeals tax credits for American companies received at home for taxes they paid in this country.

Threatening

While there might be efforts in the wings to hit back at, or at least dilute, the amendment in this year's congressional session, the clause is already threatening to push many US businesses, especially those generating marginal profits, out of South Africa.

This would represent a continuation of the recent trend that saw disinvestment maintained at a high level last year.

Since 1984, 126 US companies have disinvested from South Africa, with a peak reached in 1986, when 49 firms left the country, and about 30 companies withdrew in 1987.

But the question critics are asking is whether disinvestment, and for that matter sanctions and boycotts, are bringing the South African economy to its knees.

It was inevitable that the pace of disinvestment would accelerate in 1987 after the passage of the Comprehensive Anti-Apartheid Act through the US legislature in late 1986.

Many of the disinvesting firms nonetheless managed to find ways of retaining access to South Africa's lucrative markets, largely through the maintenance of licensing, distribution or franchise agreements with a local firm.

Huge amounts of money are also flowing into the country, so that companies can repay debts or start new ventures after their US-based companies have withdrawn.

Less pressure

Further pressure on the remaining US companies in the country has also been eased by the fact that, according to a recent study, the number of US states and cities passing divestment and other anti-apartheid ordinances fell to zero in the second half of last year.

To summarise, in most cases it has been business as usual.

South Africa should also be feeling the squeeze of the sanctions imposed last year by the US, the European Community and other industrialised countries. Is it?

Not if the aim of sanctions was to bring apartheid tumbling down. In 1987, the year after sanctions were first imposed, both the South African economy and Government look in reasonable shape.

May's elections swept President Botha back to power, and parties to his Right displaced those to his Left as the Opposition.

Increased surplus

In a recent interview with the *Financial Times*, Reserve Bank Governor Dr Gerhard de Kock said:

"Despite sanctions, South Africa has managed to increase its trade surplus, while disinvestment — far from bringing the economy and the Government to its knees — has caused the business community to rally behind Pretoria.

"It used to be my private theory, but now it's an established fact — sanctions and disinvestment have not forced Pretoria to speed up change. They have forced business to divert its energies into busting sanctions and profiting from disinvestment."

The outcome of sanctions might have been different if the measures had been more ambitious.

The bewildering range of sanctions (see accompanying chart) nominally affects only about 30 percent of South Africa's exports, according to a release by the London-based Economist Intelligence Unit, and mostly items that compete directly with the sanctions-imposers' exports, such as coal, iron and steel.

Yet about half of South Africa's export earnings come from gold, and another tenth from diamonds and strategic metals.

South Africa has also been lucky. The dropping oil price and a stronger rand have cut its import bill, while the gold price has soared from about $280 an ounce in 1985 to about $500 last year.

Therefore, allowing for all the leaks and distortions, *The Economist* recently estimated that official sanctions have cut exports by only about 3 percent, rather than the 8 percent that should in theory be reached if all the current sanctions had been strictly adhered to.

However, while South Africa has been let off lightly up to now, it will certainly need huge investments in future to create jobs for its burgeoning population.

Coming on top of the fact that the country cannot obtain capital from foreign banks, the loss of foreign capital poses a serious threat to the economy's capacity for growth.

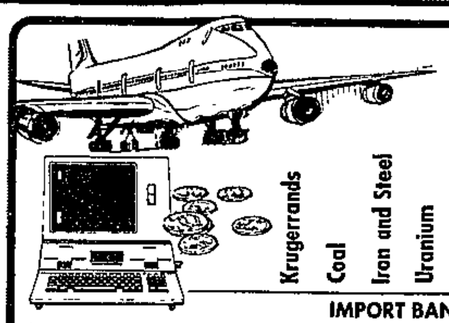
Interest rates

At the moment the subdued growth rate of the economy has sheltered South Africa largely from the lack of foreign investment.

But if the economy improves and consumers and corporations cannot find the money to sponsor this growth, interest rates will rise and inevitably choke off the recovery.

It is then that disinvestment campaigners can hold their heads up high and point to the increasing number of unemployed blacks to show the success of their campaign.

The vast range of sanctions



	IMPORT BANS						EXPORT BANS			LOANS			
	Krugerrands	Coal	Iron and Steel	Uranium	Agricultural produce	Products of "parastatals"	Petroleum	Computer equipment	Nuclear trade	New investment	Private loans	Government loans	Air links
Australia	●	●	●	●	●		●	●		●▲	●▲	●	●
Austria	●		●				●□	●	●	●	●□	●□	
Belgium	●		●						●				
Brazil							●						
Canada	●▲	●	●	●	●		●▲				●▲	●	●
Denmark	●	●	●	●	●	●	●	●	●	●		●	●
Finland										●	●	●	●
France	●	●	●				●		●★●	●			
W Germany	●		●						●	●			
Greece	●		●				●			●			
Holland	●	●▲	●	●			●	●□	●		●▲	●	
Hongkong	●▲		●▲							●▲	●▲	●	
Ireland	●		●		●■					●			
Italy	●		●							●▲			
Japan	●		●■		●			●	●	●	●	●	●
S Korea										●	●	●	
Luxembourg	●		●							●▲			
New Zealand	●	●	●	●	●			●□	●		●▲	●	●
Norway	●	●	●	●	●	●	●	●	●	●	●	●	●
Portugal	●		●						●	●			
Singapore	●	●	●	●	●	●	●		●			●	●
Spain	●		●					●□		●▲			●
Sweden	●	●	●	●	●	●	●	●	●	●	●	●	●
Switzerland								●□	●			●	
Turkey				●					●			●	●
United Kingdom	●		●				●	●□	●	●▲		●	
United States	●	●	●	●	●	●	●	●	●	●	●▲	●	●

□ Applies only to government bodies ★ With exception of export to the Koeberg nuclear power plant ■ Imports allowed under licence
▲ Voluntary Source: US State Department

Disinvestment 'hinders reform'

MUNICH — Disinvestment by Western companies in South Africa is hindering the reform process there, according to a report by the West German section of the International Chamber of Trade.

Sanctions and the withdrawal of foreign firms and capital had so far only led to a hardening of the South African Government's stand, the German chamber said. The South African economy, on the other hand, had shown hardly any signs of suffering from the measures. The withdrawals, particularly of multinational companies, were "counter-productive". — Saturday Star Foreign News Service.

Benefits of sanctions can lure the black radicals

Star 29/7/88

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By Tim Cohen

Sanctions could be vital for the success of black opposition movements, Mr Tom Lodge, senior lecturer in political studies at the University of the Witwatersrand, told the SA Megatrends conference this week.

He said the African National Congress was unlikely ever to be a military match for the South African Defence Force, nor are the politics of demonstrations, civil disorder, strikes and street fighting ever going to overcome the resources of the security forces.

"In combination with sanctions, though, black opposition can be expected to have an exhausting and attritional effect, which could constantly raise the costs of defending the status quo, while simultaneously reducing its benefits to whites."

Mr Lodge put forward six basic propositions about South Africa's likely political development in the 1990s. They were:

- A government based on the concept of group privilege is unlikely to negotiate away the power that conserves this privilege unless it is forced to do so.
- The Government at this stage is not prepared to negotiate anything really substantive in the area of political rights.
- The argument that a sustained period of rapid economic growth is needed to supply the basis of a general prosperity to lessen the material costs to whites of conceding power finds few admirers among radical opponents of minority rule.
- South African does not have the the potential to generate or attract the kind of external investment which would be needed to have a material effect on the political dispensation.

Dealing with the proposition that State power will be conceded only by a State under compelling pressure, Mr Lodge said: "The crucial preliminary to a negotiated transfer of power ... will be a progressive deterioration in white living conditions and white security.

"This deterioration will be equalled, and probably exceeded, by the economic misery that sections of the black population will experience.

"This future tragedy needs to be placed side by side with the appalling deprivation which so many black people experience today, not as a consequence of sanctions or adverse world economic conditions, but as a consequence of apartheid.

3M dismisses speculation it is pulling out

By Sven Forssman

Mr Ed Ashe, managing director of 3M South Africa, this week laid to rest speculation that the company was planning to disinvest from South Africa.

"3M South Africa has been established in the country for some 30 years and is fully conscious of its responsibility to its customers and employees. We have no plans to withdraw," Mr Ashe said.

"And at the company's annual shareholders meeting in Minnesota recently, a proposal by the National Council of Churches of Christ in America for the company to withdraw from South Africa was defeated."

More than 90 percent of the shareholders voted against the proposal.

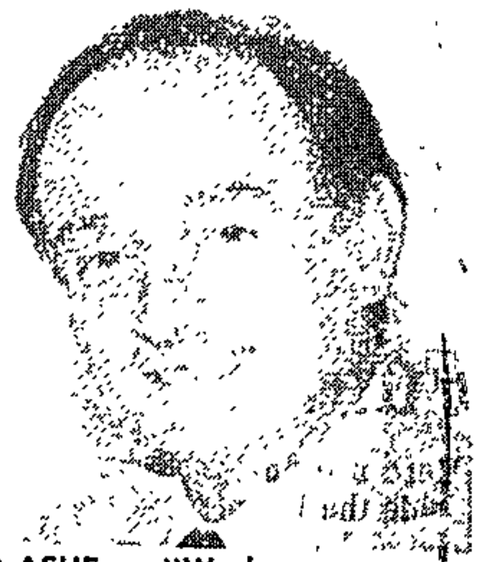
Mr Ashe added that 3M South Africa, which has 850 employees with its head office at Elandsfontein, had in recent years concentrated on acquiring locally sourced raw materials.

Chairman and chief executive officer of 3M St Paul, Minnesota, Mr Allen Jacobson, told investors recently that one of the company's strategies was to "expand global penetration".

He said although 3M derived 40 percent of its sales from international operations — of which the South African subsidiary contributed one percent — he saw large opportunities for further growth because the market share remained well below what it was in the US.

"To capitalise on this opportunity, 3M is systematically strengthening every area of its global operations with regards to research, manufacturing and marketing."

The company ranks 37th in sales on a list of the 500 largest US industrial companies. In 1987, 3M earned $918 million.



ED ASHE — "We have a responsibility to customers and employees."

Social responsibility programmes lose out

JOHANNESBURG. — Social responsibility programmes have suffered with the withdrawal from SA of 161 American companies, as local companies' contributions cannot be independently monitored, American Chamber of Commerce executive director Adrian Botha said at the weekend.

Botha said the Sullivan code was still intact and the 154 US companies remaining in SA had increased their contributions over the past year, compensating for the loss of funds from organizations that had disinvested.

He said during the last reporting period 134 subsidiaries contributed R84m to the programme.

He said these companies substantially increased their social responsibility contributions. This meant although funds had not been lost, they have not increased as they would had disinvestment not occurred.

Funds were lost track of following disinvestment since local companies were not obliged to indicate expenditure on social responsibility.

US would face lawsuits over sanctions

Myers noted the SA government was likely to block the repatriation of any sale proceeds, which under the law, the companies would be barred from redeploying in SA.

"Mobil would find itself in the paradoxical position of violating the law if it did not divest and probably violating the law if it did and received some payment, however inadequate."

A number of recent court decision back Mobil's case.

In 1981, the appeals court ruled that "the government must pay just compensation when it furthers the nation's foreign policy goals by using as 'bargaining chips' claims lawfully held by a relatively few persons and subject to the

● From Page 1

jurisdiction of our courts".

Simon tried to argue oil companies affected by US sanctions on Libya had not sued. Coleman responded those companies retained title to their assets and had been required only to cease operations.

Coleman, a former cabinet member under the Ford administration, is one of the country's most prominent black attorneys.

Mobil's stand, coming on top of Whitehead's warning all America's major trading partners would resist the Bill, is an indication that sanctions opponents are now pulling out all the stops.

SPL's export venture paying off

One of the pioneers of the South African software industry, SPL, is currently developing software for overseas projects that will bring in R5 million over the next three years.

Of this amount, R1,5 million will flow into its coffers this year.

Mr Lewis Folb, managing director, says the group will further benefit from ongoing royalties from its worldwide sales.

In the year ended February 29, SPL increased its turnover by 28 percent to R35,4 million. Pre-tax profits rose by 39 percent to R6 million while after-tax profits jumped 40 percent to R3,1 million.

Giving his impressions of the past year, Mr Folb said he was encouraged by the speed with which the group had become involved in research and development activities for the export market.

"This is something we started to strategise two or three years ago. Our relationships with our principals Software AG of West Germany, and other overseas companies, have been developed over many years.

"To deal with such companies that have positions of strength in the international marketplace seemed to us the right way to go with our software."

He said the move into the export market would mean that the group's revenue stream would be totally different in the future. SPL currently gets its money from the placing of resources and the charging of people's time on an hourly basis; from the sale of software products to users and maintenance; and from the placing of people on a contract basis or on a permament basis.

Future profits

The group has permanent rights for the sale of the Walker range of application products from Walker Interactive Products, US. It has the source code and copyright and an arrangment which includes an attractive buy-out of future royalty payments.

This, says Mr Folb, would have a positive effect on future profits.

SPL, in business for 20 years, went public in November 1985 and was the first computer company to be listed on the Johannesburg Stock Exchange.

"This has given us more credibility and the ability to attract staff through being given a stake in the company. It has brought greater stability as a result."

Asked if he was driven more by shareholders than by his own "gut feel", he said this was a danger one could run into.

"We have resisted that very strongly. In fact, at the end of the 1987 year, we announced in our results that we would invest some of our profits in overseas export ventures. This is paying off but it was a decision we took in the face of a lot of resistance.

"Ours is not a short-term business and we have to make decisions that reach right into the future. Shareholders have to trust us and rely on our judgment."

He said that after its listing there was a big rush by other computer companies to follow suit which was unexpected. But he felt it had been good for the industry. It had attracted more general business talent into the industry and a lot more money.



LEWIS FOLB — "Shareholders have to trust us and rely on our judgment.

(62)

We, mayors and leaders of city councils of 92 cities in seven countries, hereby call on ROYAL DUTCH SHELL to cut all its ties with South Africa. This includes the withdrawal of its subsidaries from South Africa and Namibia.

We make this call based on the fact that ROYAL DUTCH SHELL'S continued investments in South Africa and Namibia help to maintain apartheid.

We are aware of the fact that Shell has publicly renounced apartheid and the company has introduced a number of social programmes in South Africa. However, these actions are negated by Shell's active support for the South African Government and the economy.

Our request for Shell's withdrawal from South Africa and Namibia is inspired by the plea for economic sanctions made by organisations of the black majority of those countries, including the South West African People's Organisation, the United Democratic Front, The Congress of South African Trade Unions and the National Council of Trade Unions.

Our request that Shell withdraws from South Africa and Namibia arises from our abhorrence of racism and oppression and our conviction that these evils should be combatted wherever they appear.
We hope this call will serve as a stimulus for Shell's board of directors to break all ties with the South African regime.

This call was presented to the board of ROYAL DUTCH SHELL at the AGM of Shell on May 11 1988 in the Hague, Netherlands.
The call is signed by mayors and leaders of city councils from the United States, the United Kingdom, Denmark, Ireland, Canada, Belguim and the Netherlands. Among them are the mayors of Los Angeles (US), Washington DC (US), Amsterdam

(Netherlands) and leaders of the City Council of Glascow (UK) and Liverpool (UK).

Speak out, says Amcham

THE American Chamber of Commerce in South Africa has called on the South African business community and the government to take action to stop further sanctions and has criticised the complacency of many South Africans about further sanctions and disinvestment.

Amcham senior vice president Morris Allen said this week there was a perception in the US that business in South Africa had abdicated from the political arena in the last two years and had become less vocal on the reform issue. Business had to demonstrate its stance in a more vigorous way, he said.

Amcham last month sent a five-member delegation to Washington to lobby against sanctions legislation now before the US House of Representatives and the Senate. The delegation met about 140 members of congress, including leading members of the Senate Foreign Relations Committee, and staff of the US State Department.

Since the delegation's return, Amcham office bearers have met State President PW Botha and "four or five cabinet ministers" in an attempt to convey the seriousness of the threat of further sanctions.

WEEKLY MAIL REPORTER

Amcham's analysis of the situation in Washington is that there was little interest in the South Africa/sanctions issue by the end of last year but events this year have "put the pot on the boil again", according to director Adrian Botha. These include increased press restrictions, threats to curb foreign funding of South African organisations, and, most importantly, the effective banning of 17 organisations and restrictions placed on the Congress of South African Trade Unions in February.

The Amcham lobbyists found there was a bi-partisan (Democrat and Republican) mood in favour of the US doing something to force a resolution of the South African situation, but there are many "swingers" of both parties who still oppose sanctions. Anything "negative" in South Africa over the next few months would, in Amcham's view, speed up the passage of the Bills. And if a Democratic president is elected in November, strong sanctions measures will result, whether or not the current Bill is passed.

The Bill would prohibit all US investment in South Africa and impose an almost total trade embargo, and mandates US action against countries and individual foreign companies which take commercial advantage of the Bill. American companies would have to disinvest, closing down operations and taking their products and technology with them. Amcham representatives stressed the Bill would affect non-American companies' corporate presence in South Africa as well as that of American companies. "When you look at the size of the South African market for any multinational, if it stands to lose its American market, there's just no contest," Allen said.

Amcham believes the sanctions measures can still be averted. "Instead of looking outside the country for the reasons for sanctions and blaming the world for the problems of South Africa we must proceed on a course of real reform," the organisation said in a statement.

Protest

BOSTON — A group of Harvard University students and alumni occupied a law firm's office on Monday to protest its work for a company that has a subsidiary in South Africa.

The group of about 35 demonstrators walked into the office of Ropes and Gray, chanted and sang songs while a group of supporters marched outside the building :

Building security guards sealed off the offices but no attempt was made to remove the protesters forcibly.

"We will continue to talk with the group and try and resolve this in a peaceful and simple manner," said Truman Casner, a senior partner and member of the law firm's management board.

The protesters said they were concerned that the firm represents at least one company doing business in South Africa, and that a senior partner at the firm, Thomas O'Donnell, co-chairs a committee of Harvard's board of overseers that is reviewing the university's investment in companies with operations in South Africa.

US sanctions Bill casts cloud on SA mining sector

KAY TURVEY

ACTIVITY in mining shares has been damped by proposed US sanctions measures, which could force the sale of more than R14bn US-held mining shares.

Brokers said the Dellums Bill currently before the House of Representatives had thrown a cloud over mining shares, causing hesitancy among investors.

The proposed Bill, if enacted, could create havoc on the JSE, causing the offloading of some R10bn American-held stocks in SA gold mines and precipitating a plunge in the financial rand.

Davis Borkum Hare research released yesterday revealed US and American Depository Receipt holders retained 14,2% of SA mining shares market capitalisation, totalling R14,27bn (at end-1987 financial rand rate).

This was despite the process of "creeping foreign disengagement" from ownership of SA mining shares, which has seen foreign holdings of mining shares decline progressively from 33,7% in 1982 to 23,8% in 1987, the report said.

Report in detail — Page 6

Brokers said the impending Bill had not affected trading and Americans remained net buyers of SA stocks, although there was a holding back on gold shares. The Bill had given rise to fears, particularly surrounding shares which had major US holdings, such as De Beers, Vaal Reefs, Driefontein and Kloof.

Other brokers said the probable effects could be reduced through the transfer of these American holdings to Europe or Japan.

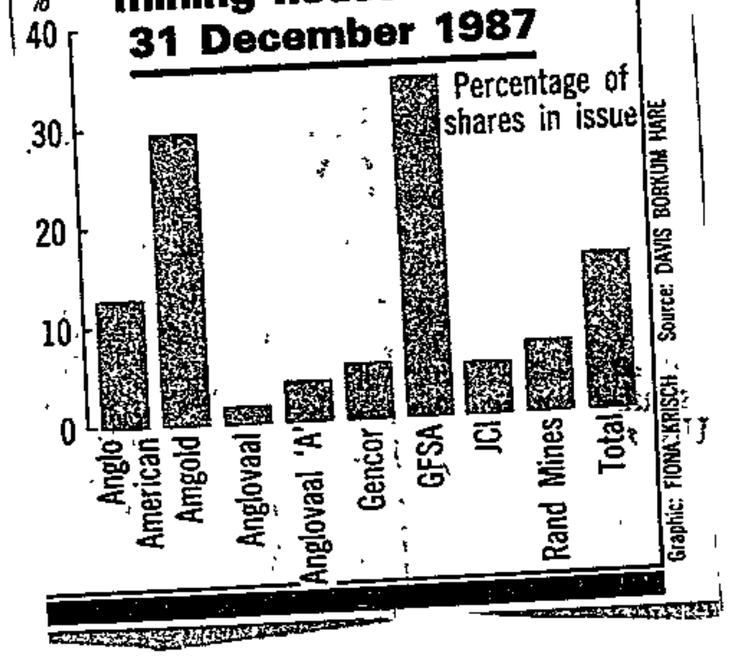
The report said: "Cautious investors wishing to avoid the disruptive influence of potential further foreign disengagement from SA mining equities might be attracted to mining shares with minimal foreign ownership."

These would include shares such as Northam, which has a 0,4% US holding, Joel "B" options with a 1% US holding and Anglovaal with a 0,9% US stake.

Brokers said if the Bill was enacted in its present form it could knock the JSE sharply and result in the "fire sale" of some R25bn locally held US shares.

Max Pollack & Freemantle's John Rayner said it was unlikely the market could absorb such a sell-off, as total institutional cash flow in SA amounted to about R23bn in 1988.

Total foreign holdings of South African mining houses as at 31 December 1987



'Punitive inspections' of computers

SA business anger over US checks

NEIL JACOBSOHN

AMERICAN government agents are conducting a series of "punitive" inspections of major SA companies to ensure their computer equipment is not being used to enforce apartheid.

Up to 30 computer installations, including those of some of SA's biggest businesses, are being inspected on a random basis each month by officials attached to the commercial section of the US consulate.

They have warned company chiefs that future supplies of American high-tech equipment could be cut if such equipment was made available to bodies identified by the US government as "apartheid-enforcing entities".

Among the listed organisations are the SA Police, Defence Force, Prisons Department, Armscor companies, the departments of Justice and Manpower — and the Regional Services Councils.

Some businessmen have reacted with anger to the checks. The MD of one of SA's biggest retail chains, who was recently visited, said: "I didn't know whether to throw the man out or hit him. It is economic warfare."

Another top retailer, Pick 'n Pay chief Raymond Ackerman, whose company has also been visited, described the US action as "total interference, disgusting and hypocritical".

The US agents are also making random inspections of computer installations at government departments and other official bodies, as well as computer suppliers and agents.

An American embassy official said the inspections were "punitive controls" intended to deny access to US technology to "identified apartheid-enforcing entities".

He said the intention was not to interfere with legitimate business activities.

He also said US agents had inspected Japanese computer equipment when they visited OK Bazaars head office. "It's quite a strange case. The OK uses Hitachi equipment, but it was acquired from an American-based subsidiary, so it also falls under the regulations."

In terms of US sanctions legislation, certain categories of computer equipment can be exported to SA only after approval from Washington and the issuing of a special licence.

The licence specifies that the user cannot modify or reprogramme the software, or even move the equipment, without applying for a fresh export licence from the US government.

The official said deliberate infringement of these regulations would most certainly "jeopardise further supplies".

He said the system "almost polices itself" in that technical assistance from suppliers was usually required to reprogramme or move equipment. "The various companies supplying this equipment are aware of the regulations."

● Whom the ban affects — Page 2
● Comment — Page 4
● To Page 2

Business anger over computer checks

● From Page 1

In fact, American computer companies now require SA customers to sign contracts agreeing not to sell equipment to the listed bodies before they will supply them.

Joffe Associates computer dealer Joan Joffe said: "We have to sign these regular contracts with our American suppliers. This is the condition of our supply."

The official said the checks were done either as a "pre-licence check" when an application for a new licence was received, or as a "post-shipment check".

He said: "We are asked to go and visit computer users to see if the equipment is still in place and is still doing what it is supposed to do."

Just how wide-ranging the measures are emerged from an example given by the official. "Not long ago Liberty Life upgraded its computer system and returned some of its original equipment to its supplier, who then sold it to Russell Furnishers.

"It was a perfectly legitimate business transaction — but a contravention of the regulations. But we did not take action as there was obviously no deliberate intention to evade the regulations."

US agents check on SA computers

Own Correspondent

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PW warned: New US sanctions bill serious

Own Correspondent

JOHANNESBURG. — The American Chamber of Commerce had, in a recent private meeting with President P W Botha, impressed on him the seriousness of the situation facing South Africa if the new sanctions bill presently before the US House of Representatives became law.

The president of the chamber, Mr Ian Leach, said members had also met five cabinet ministers since a five-man team from the chamber visited Washington last month to lobby US legislators against the imposition of further sanctions.

The chamber, which warned of the gravity of the sanctions threat, said the enrichment of local business by some disinvestment so far had led to South Africans becoming apathetic about sanctions.

The proposed bill contains the severest measures ever imposed by the US on South Africa, including the prohibition of all US investment, an almost total trade embargo and a provision mandating US action against countries and individual foreign companies which took commercial advantage of the bill, the chamber said.

The US market was such that any company or country faced with the threat to its US operations because of its direct trade with South Africa would undoubtedly have no option but to sacrifice its South Africa trading relations, Mr Leach said.

He said the recent press restrictions and the restrictions placed on anti-apartheid organizations by the government had pushed the South African issue back to centre stage.

There was also major concern about the government's threat to curb foreign funding to local organizations.

Carlton Hotel workers released

Own Correspondent

JOHANNESBURG. — All 245 Carlton Hotel workers arrested during demonstrations on Friday were released and resumed work, a hotel spokesman said.

He said the Commercial Catering and Allied Workers' Union had taken up the issue of the international hotel group Westin's withdrawal with its headquarters in Seattle in the United States.

More than half of the Carlton staff demonstrated when they heard Westin was planning to withdraw its management prior to paying severance benefits promised, a union spokesman said.

Business leaders criticise American inspectors

Computer snoopers probe local firms

Star 31/5/88

By Esmaré van der Merwe

Continuing investigations by American computer inspectors, to ensure that American-bought computer systems in the hands of private companies are not resold to or used by "apartheid-enforcing entities" such as the SA Defence Force, have met with sharp criticism from business leaders.

At least one company is known to have refused to allow American officials on its premises.

But most South African companies and computer suppliers put up with the probes, conducted in terms of American anti-apartheid legislation, because "we would simply cut our own throats if we didn't", The Star was told.

These investigations by officials of the commerce section of the American Consulate in South Africa have been carried out for at least two years.

Mr Terry Sandy, marketing director of the American computer supplier Unysis, said: "I don't know where American government officials get the authority to walk into companies' doors to investigate."

Unysis was "very careful" not to distribute computer systems to institutions listed as "apartheid-enforcing entities" — among them the SA Police, Defence Force and the Department of Law and Order.

"If we fall short of the export licence regulations we would lose our opportunities as exporters," he said.

Mr Raymond Ackerman, chairman of retail giant Pick 'n Pay, yesterday lashed out at the "disgusting and hypocritical" anti-apartheid probes.

"It is nothing but total interference," he said.

He was told that American officials had conducted the first investigation into Pick 'n Pay's computer affairs last week. He had not been informed beforehand and "certainly would not have given them my blessing", Mr Ackerman said.

"I would like to head a delegation to America to investigate job advancement programmes and staff housing developments at American supermarket chains.

"We are far more advanced than they are. For example, 45 percent of Pick 'n Pay's managers are coloured or black," he said.

'Economic terrorism'

Professor Carl Noffke, director of the Rand Afrikaans University's Institute for American Studies, warned that the "economic terrorism" against South Africa would be tightened if new sanctions legislation, presently serving before the American Congress, were approved.

Mr Adrian Botha, executive director of the American Chamber of Commerce, said computer suppliers in South Africa were "fairly used" to these measures as they had been applied for years.

The American Embassy declined to comment.

New sanctions will be tough

THE American Chamber of Commerce has met government leaders, including President P W Botha, to impress on them the seriousness of new sanctions legislation being considered by the US House of Representatives.

Amcham president Ian Leach said South Africans tended to be complacent about sanctions, but government action which inflamed US public opinion could lead to the legislation being enacted in its current form.

Leach told a Press conference on Friday that Amcham members had met President Botha and five SA Cabinet ministers since a five-man Amcham delegation visited Washington last month to lobby US legislators against the imposition of further mandatory sanctions against SA.

Leach warned that any action by SA which further inflamed American public opinion could result in the new Bill, known as the Dellums Bill, being forced through. If the Bill was not dealt with before the US election, it could well be put before a Democratic President, who would not veto it.

DIANNA GAMES

The proposed Bill contains what would be the severest measures yet imposed by the US on SA. It includes the prohibition of all US investment, an almost total trade embargo and a provision mandating US action against countries and individual foreign companies which take commercial advantage of the Bill.

The US market was such that any company or country faced with the threat to its US operations due to its direct trade with SA would undoubtedly have no option but to sacrifice its SA trading relations, Leach said.

Leach said the recent restrictions placed on the Press and 17 local organisation had pushed the SA issue back to centre stage. There was also major concern about government's threat to curb foreign funding to local organisations, he said.

The chamber called on government, business and South Africans of all races to appreciate that the means of stopping further punitive measures lay in SA hands.

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Mobil votes to stay in SA

Cape Times 14/5/88 62

PHOENIX, Arizona. — Mobil, the second-largest US oil company, on Thursday overwhelmingly defeated two shareholder proposals which would have required it to abandon or limit its operations in South Africa.

"Oil is the lifeblood of South Africa's white-minority regime," one shareholder said at the company's annual meeting. "Without oil, white supremacy in South Africa would face a severe crisis."

Mobil chairman Mr Allen Murray said Mobil, through its continued operations in South Africa, is working to bring about social and economic changes.

"We will do everything we can to bring about the end of apartheid," Mr Murray said.

Church organizations support proposals

Mobil's Southern African subsidiary refines and markets petroleum products in South Africa, but does not supply South Africa with crude oil.

The shareholder measures would have required Mobil to divest its South African operations or banned sales of petroleum products to South African government agencies.

Both measures were defeated overwhelmingly, receiving only about 12% of votes cast. Groups supporting the proposals included Baptist, Methodist and Roman Catholic church organizations.

On other matters, Mr Murray said the company expects its oil and gas production to be maintained or increased over the next five years, even without new discoveries.

"Mobil expects to maintain or increase production over the next five years, even if we don't discover another barrel," said Mr Murray. Mobil's oil and gas production rose 32% between 1982 and 1987. — Sapa-Reuter

US in bid to persuade firms to buy from black suppliers

JOHANNESBURG — A senior United States official is in South Africa to persuade American firms here to buy from black suppliers, underlining the US Administration's commitment to trade links despite pressure in congress for intensified sanctions.

The Deputy Assistant Secretary of State, Mr William Robertson, attended the start of a trade exhibition here, set up by the local American Chamber of Commerce and bodies linking white and black businesses, US diplomats said yesterday.

The Matchmaker exhibition is part of a programme set up in 1985 under the Reagan Administration's approach of using business contacts to bring about a reform of South Africa's apartheid system. This strategy includes encouraging a black business class.

Legislation now proposed by Democratic politicians in congress envisages an almost total severing of commercial ties as a means to end apartheid.

Mr Robertson, an aide to the Assistant Secretary of State for Africa, Dr Chester Crocker, said US firms understood the value of working with black businesses "but we have to agree that the policies you set are not always implemented at the working level".

Mr Robertson, who was due to end his three-day visit yesterday, said companies should set targets for buying from blacks.

"The employee charged with that responsiblity must understand that salary increases, bonuses and promotions will depend on his measurable success in achieving your targets," Mr Robertson had told executives on Tuesday before the opening.

About 145 US companies have quit South Africa since the start of 1986 and around 155 remain. — Sapa-RNS

STERLING DRUG

Chemical reaction

As predicted in the *FM* (*Business* April 22), the purchase of Sterling Drug by local drug giant Adcock Ingram (AI) hasn't met with the approval of the Chemical Workers' Industrial Union (CWIU).

To mark the change of ownership, the Cosatu-affiliated union has begun strike action. Before Sterling sold out, the CWIU demanded guarantees on employment and wages, as well as a regular disclosure of profit from the new owners.

General secretary Rod Crompton accuses Sterling of dishonesty in its dealings with the union.

"They refused to admit they were planning to disinvest until after it happened. When we applied for a conciliation board to hear the dispute, Sterling SA opposed the application on the grounds they weren't disinvesting but the US company was."

Demands for negotiations to be held with a delegation from the US headquarters of Sterling, which was recently acquired by Kodak, went unanswered.

The new owners could have more than a few problems on their hands. AI is part of the Barlow Rand group, which has been embroiled in tussles with the union before. It is currently refusing to recognise CWIU stewards at Nampak Polyfoil and locked out 400 CWIU members at Plascon Paints.

A Barlows spokesman says there will be no loss of jobs or changes to conditions of employment as a result of the purchase. He adds: "In line with its philosophy of decentralised management, Barlows has no intention of interfering with the existing employment relationship between Sterling Drug and its employees."

Crompton, however, claims past experience shows Barlows does impose its industrial relations philosophy on its subsidiaries. "Nampak and Plascon are 'independent' companies but they presented the union with identical statements, implying a great deal of head office interference." ■

US pull-out from SA 'ineffective'

23/5/88

(52 Blade)

WASHINGTON — By pulling out of SA, some US companies have hurt black workers without having had much effect on SA's exports and imports, Barron's Financial Weekly reports.

This is the conclusion of a General Accounting Office (GAO) study requested by pro-sanctions Senators Edward Kennedy and Lowell Weicker, who are pushing a Bill to ban all trade with SA.

Kennedy and Weicker did not release the study until after the House Foreign Affairs Committee approved the Bill.

The GAO found that during the first half of 1987 the US imported 12,6% of SA's total exports, down from 20,6% in 1986. But exports to Japan went to 23,8% from 18,9% the previous year, and to Italy to 17,4% from 16% — more than making up for the US drop.

The GAO also found successors to US companies in SA unlikely to treat blacks as well. — AP-DJ.

US yacht-builder to create 1 500 jobs in city

By HENRI du PLESSIS
Shipping Reporter

AN American yacht-building firm is to move from Fort Lauderdale in the United States to Cape Town, creating 1 500 new jobs and generating an expected annual turnover of R100-million.

Company spokesman Mr Julian Ovsiowitz said yesterday the company, Swiftsure, was making the move because of the favourable exchange rate and the availability of skilled labour.

Swiftsure had bought premises at Cape Town harbour and Paarden Eiland and hoped to start building factories in July.

Specialists from Europe would supervise the building of five sizes of motor yachts for the pleasure and commercial markets.

Mr Ovsiowitz said the vessels, an 18-metre, a R2-million 20-metre, a R3,6-million 24-metre, a R10-million 30-metre and a R24-million 60-metre, would be built of aluminium and steel and would carry the latest navigation equipment.

The American and European designs were for basic keels on which a variety of boats could be built to suit clients' requirements.

He said the larger vessels could be used as trawlers or other fishing vessels.

The 60-metre vessel would be a luxury cruising yacht.

The company, headed here by South African Mr Javor Gourkov, aimed to get a larger bite of the export market because of the low rand. Skilled labour was available here.

While the operation would employ 500 in the beginning, the number would increase to 1 500 at peak production in three years.

The first keels would be laid between November and February.

STERLING DRUG

On the shelf

Fears that Panado, Andrew's Liver Salts and other medical preparations would disappear from supermarket shelves because of the current dispute between the Chemical Workers' Industrial Union (CWIU) and Sterling Drug appear unfounded — so far.

A Sterling spokesman says manufacturing is continuing at the company's Mobeni plant, near Durban, and products will continue to be available. Just over 20% of the plant's 300 employees are on strike. Make-or-break day is Friday, when a Conciliation Board will sit to try to settle the dispute.

The strike was begun by the Cosatu-affiliated CWIU in protest at the recent sale of the formerly US-owned company to Barlow Rand subsidiary Adcock-Ingram.

Before the deal was signed, the union had demanded that any sale should be subject to the union being privy to company accounts and other business information. It also demanded creation of a trust fund for employees.

CWIU temperatures have risen with Sterling's sale to a Barlow Rand subsidiary. The union has recently been involved in disputes at other Barlow's companies — Nampak and Plascon. It accuses the group of imposing head office bargaining rules on its companies — a charge Barlow's rejects. It says its companies are left to handle disputes in their own way.

Sterling's management points out that there are no redundancies planned and no change in conditions of employment. Company sources say they hope that because the Sterling dispute is essentially a protest action, it will fizzle out once the protest has been noted. ■

CPT. Times 25/5/61

Hotel guests make own beds

JOHANNESBURG. — Guests at the Carlton Hotel made their own beds yesterday after police arrested nearly all the black staff protesting against disinvestment by the American managers. — Sapa and UPI

NEWS

R25-bn SA shares could be dumped

From CHRIS MOERDYK

JOHANNESBURG. — More than R25-billion worth of South African mining shares could soon be dumped on world markets.

This is only part of the financial implication of the latest anti-South African trade legislation being considered by the US Government.

Placed in perspective, the value of South African mining shares held by US corporations and citizens is equivalent to double the turnover of the Johannesburg Stock Exchange last year and half of South Africa's national budget.

In addition a further R2-billion in direct American investment is at stake.

The Anti-Apartheid Bill Amendments of 1988 is expected to be considered by the US Congress early next year and if approved in its present form, American citizens and corporations holding South African shares or investments will be given 180 days to off-load.

While it is likely that foreign investors outside of the US would snap up a fair proportion of the shares, domestic mining houses and institutions would no doubt buy with alacrity should the shares fall by any substantial margin.

Nevertheless in view of the huge amounts involved should the proposed legislation succeed in its present form, pressure on the JSE would be immense, perhaps even making the crash of last October a hiccup by comparison.

US list of 'entities enforcing apartheid'

Own Correspondent

JOHANNESBURG. — Organizations listed by the United States government as "entities enforcing apartheid" are:

The ministries of Justice, Home Affairs and National Education, Constitutional Development and Planning, Law and Order, Manpower, Public Works and Land Affairs, Education and Training.

Other agencies enforcing apartheid including local, regional and homeland agencies were listed as those that regulate employment, classification or residence of non-whites.

The military and police of South Africa and Namibia, including those bodies regarded as "police or military entities such as Armscor and its subsidiaries, the Department of Prisons, homeland police and armed forces, those divisions of the CSIR involved in aeronautics, system technology and weapons research, the National Intelligence Service and SA Railways police.

Certain municipal and provincial law enforcement officials, such as traffic inspectors and highway partrolmen are also regarded as police entities.

Government departments identified as not being apartheid enforcing are: the ministries of Communication and Public Works (including posts and telecom), of Agricultural Economics and Water Affairs, of Mineral and Energy Affairs, of Finance and the Department of Transport.

The documentation advises exporters to seek guidance from the State Department in Washington before "making commitments to export".

Star 12/4/88

Veto of tough new Bill possible

Anti-sanctions stand reaffirmed by White House

62

By Neil Lurssen,
The Star Bureau

WASHINGTON — The White House has reaffirmed its opposition to economic sanctions against South Africa, pointing out that they have been tried and that they have failed.

President Reagan's position on further punitive measures against South Africa was made clear to reporters here yesterday by White House chief spokesman Mr Marlin Fitzwater.

It came on the eve of a new move in the Democratic Party-controlled House of Representatives to impose the toughest package of sanctions yet — the Dellums Bill, which aims to cut virtually all trade between the two countries.

Threat to consulates

The Bill, with a number of amendments that may threaten the existence of some South African consulates in the US and intelligence links between the two countries, is expected to be approved by a sub-committee tomorrow and to be sent to the full foreign affairs sub-committee, where its approval appears to be certain.

From the committee stage it will go to the floor of the House, where a majority of congressmen is likely to vote in favour.

A parallel move to win approval in the Senate is also under way, but the measure's fate in the upper chamber of Congress is less certain.

Also uncertain at this point is whether President Reagan will veto the Bill should it be accepted by both chambers.

He suffered an embarrassing defeat in Congress in 1986 when his veto of the Comprehensive Anti-Apartheid Act of that year was soundly beaten. The question this year is whether he will risk another big defeat in the closing stages of his period in office with yet another veto effort.

Analysts say that much will depend on the actions of the South African Government itself with Pretoria providing the political climate which makes it possible, or impossible, for US political leaders to hold off sanctions in an election year.

In spite of these political uncertainties, the President and his senior State Department, White House and national security officials remain firmly opposed to the Dellums Bill, arguing that sanctions have reduced US leverage in Pretoria and have failed to move the South African Government toward US policy goals such as the start of all-party constitutional negotiations.

At a regular press briefing in the White House yesterday, Mr Fitzwater was asked why his chief had imposed crippling economic sanctions on Panama while continuing to resist their use in South Africa.

"The situation is totally different — in every respect. The internal politics, the nature of the government, the nature of the objectives, the nature of the sanctions available — I don't see how you can make comparisons," he said.

Mr Fitzwater said the legitimate government of Panama had been thrown out by the military regime of General Manuel Noriega. In South Africa, however, the US was trying to persuade the legitimate government to make changes.

The US did not have the financial influence in South Africa that it had in Panama. Sanctions had been tried in South Africa and they had not worked, he said.

...erritory into ...
...rnment in December 1986.

(62) SPM 13/4/88

Groups refuse summons to testify

US corporations fire first shot on sanctions lobby

By Alan Dunn, The Star Bureau

WASHINGTON — American businesses still operating in South Africa have publicly fired their first shot at pro-sanctions lawmakers here by snubbing a House of Representatives panel probing oil sanctions.

This was the start of a series of moves designed by US corporations to brake and roll back a sanctions and disinvestment momentum which has grown in the last three years, threatening tougher, even total, restrictions against South Africa this year.

Six oil companies yesterday burst the low public profile corporate America has up to now preferred on the South African issue, refusing to testify before the House's sub-committee on mining and natural Resources.

Two, Mobil and Caltex, submitted written testimony. Officials of the Reagan administration including the State Department, which is and has been emphatically against sanctions, also rebuffed invitations to testify.

The panel was staging a hearing on a Bill titled the "Anti-Apartheid Petroleum Sanctions Act", which was drafted by Congressman Bob Wise of West Virginia. It severely penalises US oil companies and subsidiaries in South Africa.

"Sanctions placed on the oil industry would cripple the country's transportation system and defence forces," said Mr Wise. It would leave South Africa without the capital and expertise needed to maintain oil production. "The resulting financial burden would be almost devastating, forcing South Africa to come to the bargaining table."

Mobil Oil Corporation, America's largest employer in South Africa, warned in its testimony that imposing total economic sanctions would be tantamount to the US playing its "last card" against apartheid.

It said the measures would not have the effect their sponsors desired, and pooh-poohed an assertion that the oil legislation would hit at South Africa's "energy jugular". It said South Africa could replace any technology US oil companies removed in withdrawing from the country.

Mr Wise said Sasol's fuel-from-oil process could not produce refined products, such as lubricants and solvents which could only be imported. The costs of alternative sources would have a "debilitating effect".

Mobil, which has about $400 million invested in its South African operations, contradicted Mr Wise. It said the Republic had two lubricant refineries, a number of re-refineries and sophisticated solvent manufacturing facilities.

"South Africa is not solely dependent upon direct imports for its lubricant and solvent requirements," it said.

In a clear threat, raising the spectre of massive legal actions, Mobil noted that its lawyers had concluded that the American constitution protected it from the US government removing its property without just compensation. It said 244 000 Mobil shareholders would be hit by the "confiscatory" legislation.

Mobil said US companies were a "vital counterweight" to apartheid. It noted that in South Africa most skilled Mobil workers were local people.

Judging by the country's ability to build and operate the Sasol synthetic fuel plants, "there is absolutely no basis for assuming they would be unable to manage refineries of the type operated by US companies in South Africa," it said.

Other measures contemplated against the pro-sanctions lobby include:

- Alternative legislation to be introduced in Congress, possibly later this month, qualifying economic sanctions already in place against South Africa.
- Retaining a former liberal Democrat US senator to lobby legislators on an "old boy" basis.
- A blitz on the US Senate in an effort to halt any additional trade measures against South Africa in the works.

W/Mail 15-21/4/88

Amcham send team to lobby on sanctions

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By HILARY JOFFE

THE American Chamber of Commerce in South Africa is sending a five-person delegation to Washington to lobby against the new sanctions Bill due to come before the US congress.

This is the first time Amcham will be lobbying US legislators directly, and it is doing so because "We feel this is a critical juncture", Amcham's Adriaan Botha said this week.

The Amcham lobbyists don't plan to defend what's going on in South Africa, says Botha. "The main thrust of our argument will be we want to see change in South Africa but sanctions and disinvestment are not the way to do it."

The Africa sub-committee of the House of Representatives' Foreign Affairs Committee was due to release its version of a Bill this week. Details were not available at the time of going to press but the Bill is said to include measures which would:

- force remaining US companies in in South Africa to leave;
- impose trade sanctions against all South African products except those deemed to be of strategic importance to the US;
- cut off military and intelligence ties between the two countries;
- deny gold, coal, gas and oil leases in the US to companies, wherever based, which had a presence in South Africa — a measure which would significantly affect non-American multinationals such as Shell and BP.

It may authorise an investigation into the De Beers-controlled Central Selling Organisation, with a view to possible action against it in terms of American anti-trust legislation.

And an investigation into possible ways of reducing South Africa's foreign exchange earnings on gold may be initiated.

Events in South Africa in recent months have put the sanctions and disinvestment issue "on the boil again", following a period in which advocates for stronger sanctions could not raise much interest for their proposals, says Botha. The new US sanctions Bill is likely to be passed by the House and may well get through the Senate.

Events which have put the sanctions issue back on the agenda in the US, Botha says, include:

- the February restrictions on 18 organisations, government action against Archbishop Demond Tutu and Dr Allan Boesak and the lack of any action against the AWB;
- the proposed Promotion of Orderly Internal Politics Bill, which would enable the government to stop overseas funding of organisations;
- the death penalty imposed on the Sharpeville Six, whose stay of execution expires on Monday;
- the killing of African National Congress representative Dulcie September in Paris and the bomb which severely injured Professor Albie Sachs last week in Maputo.

Disinvestments by American companies have reduced Amcham's membership to just over 200, down from a peak of 340.

American direct investment in South Africa is estimated at just under $1-billion, down from $2,8-billion in 1984/85, Botha says.

15/4/88

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3M under pressure to disinvest from SA

By Sven Forssman

The giant 3M company, recently awarded a Government contract estimated at more than R80 million, is being urged by the National Council of Churches of Christ in America to disinvest from South Africa.

A proposal by the National Council of Churches of Christ, a large stockholder in 3M, will be voted on at the annual meeting on May 10 in Minnesota.

Several other organisations have also indicated their wishes to co-sponsor the proposal.

But 3M's board of directors have recommended a vote against the proposal.

They say socially conscious US business involvement is a better way to break down apartheid.

The proposal for 3M to disinvest was put forward for the following reasons:

- The South African Government has persistently blocked peaceful channels for blacks to request changes in apartheid.
- The African National Congress has been outlawed and its leaders arrested.
- The Government has turned increasingly to violence against blacks.
- Many corporations have spent great amounts of time and money on social programmes to improve the lives of blacks, inside and outside the workplace. Yet these programmes have had little effect and they can no longer be used to justify continued investment in the country.
- The present economic conditions in the country make continued viable economic investment imprudent.

Ford sticks around

By Don Robertson

AMERICA'S connection with motor manufacturer Samcor continues.

Until February three directors — Les Brown, Bill Cosgrove and Tom Williamson, all of whom held senior positions on the board — were seconded from the parent company in America.

Mr Brown was in charge of sales and marketing, Mr Cosgrove was financial director and Mr Williamson was deputy managing director.

However, at the end of February, Mr Brown and Mr Cosgrove returned to America. Mr Cosgrove was replaced by Tom Thorp, a Canadian from Ford.

Mr Brown has not been replaced.

A Samcor spokeman says that in spite of Ford's withdrawal last year, the American motor giant has agreed to continue the supply of components, spares and technological know-how.

He says, however, that unlike General Motors which sold out to SA management — now trading under the name Delta Motor Corporation — Ford does not have a buy-back clause in its deal.

GM is able to buy back into Delta should the political situation change.

Before its withdrawal, Ford had a 42% interest in Samcor, which also makes Mazda and Mitsubishi vehicles. Anglo American and its associates hold the balance.

The sale by Ford involved an offer of 24% to "workers". Anglo bought the rest.

62 B/day 18/4/88

Feeling in SA turning against US say experts

ABOUT 160 US companies in SA, pressured by anti-apartheid campaigners to join the disinvestment caravan, are being made to feel even more uncomfortable by mounting anti-US sentiment in SA.

Fed by Washington lawmakers' calls for stiffer sanctions and by a steady stream of anti-US rhetoric by the SA government, references to "the ugly Americans" are now commonplace in business circles.

"There is an unfortunate, hostile attitude to US firms and individuals at the moment that is being spurred on by government rhetoric," Adrian Botha, director of the American Chamber of Commerce in SA, said.

"They (American Congressmen) are pressing not only for total disinvestment, but also for an end to all business ties with this country."

More than 140 US companies have left SA in the past two years, including most of the big-name multinationals like IBM, General Motors, Coca-Cola and Eastman Kodak.

US aid is wilting

"I have a pretty low opinion of Americans since the onset of sanctions," confided a senior official at a big SA bank. They seem to be interested only in themselves and don't give a damn about the rest. Self-interest seems to be the top US priority."

As the roll call of disinvestment has grown, many US-backed programmes in black education, training, housing and health have folded.

"Our efforts at social upliftment are being discredited, along with our argument that we are a positive force for change working from inside the country," acknowledged one American businessman. "People just don't trust us any more."

Now a new Bill seeks to force all US oil companies out of SA.

Supporters of the measure assert that it would hit SA's "energy jugular," leaving the country without the capital and expertise needed to maintain oil production for its transportation and defence forces.

Mobil Oil, the largest US investor in SA, says the plan amounts to a virtual expropriation of its $400m investment here. It reaffirmed its opposition to further sanctions and forced disinvestment. — Reuter.

Isolating SA 'will not force change'

By Neil Lurssen,
The Star Bureau

WASHINGTON — A senior Reagan Administration official has told Americans that economic isolation of South Africa would concentrate even more power in white hands and contribute to the "powerlessness of blacks".

Embargoes could be an effective way of registering disapproval of another country's policies, but they had never been able to force fundamental constitutional change inside the countries against which they were targeted, Mr Charles Freeman, who serves as deputy to the Assistant Secretary of State for Africa, Dr Chester Crocker, told a foreign policy group in California.

Mr Freeman was speaking against a background of renewed efforts in the US Congress to impose stringent economic sanctions against the Republic.

That process continues tomorrow when the liberal-dominated Africa sub-committee of the House of Representatives is expected to approve a tough package of punitive measures.

AROUSE A BACKLASH

Mr Freeman said sanctions had "tended to arouse a nationalist backlash and to unite those against whom they are directed more than to divide them or push them towards compromise and accommodation.

"South Africa seems unlikely to be an exception in this regard.

"The first consequence of the falling tax revenues that would follow a major economic contraction in South Africa would be reduced government expenditures on education, housing and other services for blacks, all of which have been expanding in recent years.

"Moreover, to the extent that sanctions seemed to threaten South African access to key industrial inputs and technologies, the State's role in the economy would expand as the government redirected investment towards achieving the same self-sufficiency in economic areas that it has successfully promoted in the arms industry."

Mr Freeman said this would concentrate even more power in the hands of the apartheid state, and it would deny blacks the opportunity to develop the economic muscle they needed to strengthen their bargaining power against apartheid.

Westin cuts ties with SA

CAPE TIMES 21/4/88 (62

From MICK COLLINS

JOHANNESBURG. — The US-based Westin Hotel group is to pull out of SA as a result of international pressure.

The move will see Westin sever ties with the five star Carlton Hotel in Johannesburg which it has managed on behalf of Amaprop subsidiary Carlton Centre Ltd for the past 15 years.

In addition to terminating its management contract, Westin will also cut all international marketing ties with the Carlton with immediate effect.

Speaking on behalf of Westin yesterday, Carlton Hotel GM Patrick Kelly, said US pressure, which could impact badly on the group's world-wide interests, had forced the move.

"We have been able to resist pressure in the past but can no longer do so. We deeply regret leaving SA."

Kelly said Westin had no financial stake in the R150m hotel and that its managment fees had been determined by gross revenue and profits.

JSE-listed Amaprop bought out Westin's 11% stake in the hotel operation two years ago.

Amaprop director Gerald Leissner said the hotel would be run as an independent unit and would not operate with any other major chain.

"The hotel is an important element in the complex that is the Carlton Centre. We are saddened by the termination of the agreement with Westin ... but are excited at the prospect of managing the Carlton as a unique independent hotel," Leissner said.

Kelly said the business would carry on as normal and a R6,5m renovation plan for 400 rooms would be completed as planned.

Profits had declined over the past few years with the fall off in international tourism. But, he added, occupancy at the hotel was slowly improving, moving from 36% in 1986 to an expected 66% this year.

Westin ends hotel contract

By Melanie Gosling

Westin Hotels and Resorts, the American-based hotel chain, announced yesterday that the company had decided to terminate its contract with Carlton Centre Ltd under pressure from the United States.

Westin employee and general manager of the Carlton Hotel, Mr Patrick Kelly, said the anti-South African sentiment in the United States had increased dramatically and the pressure for Westin to disinvest from South Africa had intensified.

He said: "It was not Westin's desire to pull out.

"The last thing we wanted was to terminate the contract after 16 good years, but, over the last few months, the pressure from the States has intensifed to such an extent that we can no longer avoid it."

He said rumours that the Carlton would close were unfounded.

Only Mr Kelly and Mr Fred Christensen, executive assistant manager, are Westin employees. All other staff are local and will remain in their jobs.

A director of Amaprop, Mr Gerald Leissner, said yesterday that the hotel would operate independently as a division of Carlton Centre Ltd.

"Naturally, we are saddened by the termination of our agreement with Westin with whom we enjoyed an excellent relationship. However, we are excited at the prospect of managing the Carlton as a unique independent hotel. The management team will enjoy the full support of the Anglo American Group."

Mr Leissner said the Carlton was currently making a loss because occupancy rates had decreased. The hotel was largely geared towards business travellers to South Africa and their numbers had dropped.

r a market

FM 22/4/88

and Industries (BTI) and the Industrial Development Corporation (IDC).

But the DoF is stalling. Director General Chris Stals notes the jewellery ad valorem issue was not mentioned in the Budget and so rests with his department. He refuses to be drawn on when changes will come.

"The White Paper on the Margo Commission (WP) stated ad valorem tax remains a valuable source of revenue and must be gradually phased out. We are studying the implications of the WP, but there is no special focus on the jewellery industry," he says.

On Tuesday, Reserve Bank Governor Gerhard de Kock supported the idea of a larger local industry, noting "considerable value could be added to South African gold sales if part of the gold were converted into jewellery as well as alloys and sheets."

Politicians, too, see the need for speeding up implementation of the Cabinet recommendation. The Third Report of the Standing Select Committee on Finance, dated 25 March, 1988, stated: "Beneficiation processes for new materials to obtain the benefit of a larger added value for local industries, should receive specific and urgent attention.

"In this regard, reference is especially made to the jewellery industry and it is recommended that the results of the inquiry into the industry be made public and that urgent steps be taken to bring relief."

To date, details of the inquiry have not been made public. BTI Chairman Lawrence McCrystal says the matter rests with Stals, while an Economic Affairs and Technology spokesman maintains the Department of Trade and Industry cannot comment "until the DoF makes its official views public."

JCSA executive director Tim Davidson estimates total annual ad valorem revenue in SA amounts to R350m, a fraction of annual budgetary requirements. By scrapping the tax on jewellery — a fraction of a fraction — the massive growth potential of the industry could be released.

"The rationale for this tax is different from that imposed elsewhere. Most ad valorem tax is on *imported* luxuries, but here it was imposed on a *locally* produced 'luxury' by the late Finance Minister Nico Diederichs. The local industry is penalised and the whole economy suffers," says Davidson. ■

DISINVESTMENT

Union specific

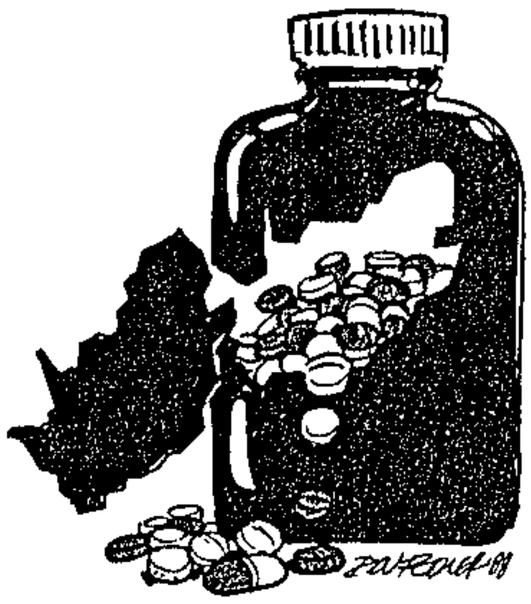
The disinvestment from SA of Sterling Drug has run into problems with the intervention of the Chemical Workers' Industrial Union (CWIU).

Just as the US-owned company was negotiating with would-be local buyers, the CWIU suddenly demanded the right to vet any potential deal. It doesn't want Sterling to sell its assets either to management or another company without its approval. Further, it warns it will consider strike action if ignored.

Sterling Drug of the US confirmed its divestment plans to the *FM* this month, following its acquisition by Kodak, which took flight from SA last year.

Several companies have their eye on Sterling's modern plant at Mobeni, near Durban, and its range of well-known products like Panado, Beserol and Andrew's Liver Salts.

CWIU general secretary Rod Crompton



says in the event of a sale to a local company, the union will demand full details including company valuation, purchase price, franchise and technology transfer arrangements. It will also demand regular disclosure of profits and guaranteed conditions of employment.

"If disinvestment is supposed to help workers, it shouldn't simply be 'corporate camouflage' and allow the company to go on as before with local management," he says.

Among local companies negotiating with Sterling are South African Druggists and Twins Pharmaceuticals. It is unclear whether licences to manufacture all Sterling's products will be passed on, although one prospective buyer says: "We wouldn't be negotiating unless something was up for sale."

Companies have mixed views on the Cosatu-affiliated CWIU's intervention. Twins Pharmaceutical MD Abe Krok says: "If we negotiate with Sterling, I don't see why we should also be obliged to talk to the union." But he adds: "I can understand their concern for jobs, so I can say we wouldn't retrench anyone as we need the capacity of the plant."

Another potential buyer says: "Any pur-

P.T.O.

Ask the unions, says US sanctions Bill

A CALL for disinvesting companies to negotiate the terms of their withdrawal with trade unions or other worker organisations is included in the new sanctions Bill which passed its first test in the US Congress on Wednesday.

The Bill, approved by two House of Representatives foreign affairs sub-committees over fierce Republican opposition, would require an end to all US business investment in South Africa and impose a virtually complete two-way trade ban.

It would give US businesses a year to terminate their South African investments and would impose a trade embargo within six months.

Imports of South African goods other than strategic minerals into the US would be prohibited. Exports to South Africa would be banned, except for US assistance for disadvantaged South Africans.

The bill, which now goes to the full Foreign Affairs Committee, would sanction non-US companies with South African oil industry links. — Sapa Reuter.

Politics? The Carlton's been losing money for years

By HILARY JOFFE

POLITICS and economics appear to have combined in US-based Westin Hotels' decision to pull out of managing Johannesburg's Carlton Hotel.

Westin and Anglo American Properties subsidiary Carlton Centre Ltd this week announced they had agreed to terminate the management contract.

Westin cited increased political pressure in the US as the reason for its decision. But with foreign tourism falling and the hotel's profitability declining, it's clear Westin didn't feel it had much to lose by its decision.

Westin sold its 11 percent stake in the Carlton to Amaprop two years ago, but continued to manage the hotel as it had done for 15 years.

Carlton Hotel general manager, American Patrick Kelly, said it had not been Westin's desire to pull out prior to the completion of its contract. Speaking on behalf of the hotel chain he said there had been increased pressure in the last few months on Westin in the US to pull out of South Africa.

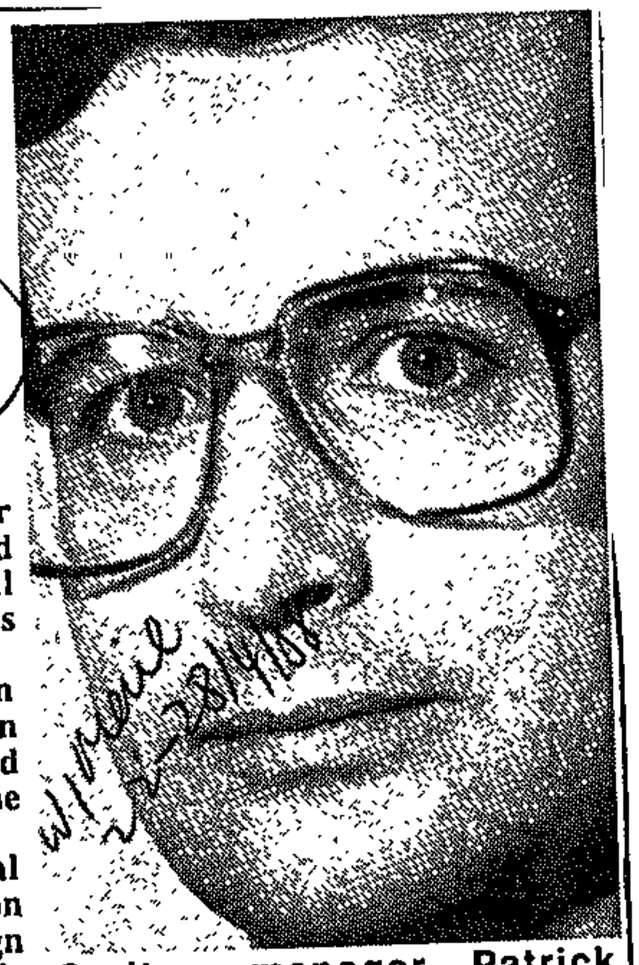
"The pressure had reached the point where it had the potential to impact on how competitively Westin could do business in the US," Kelly said.

He is to leave South Africa within six weeks and the hotel will look for a new general manager.

The rest of the management team will, however, remain the same, with The Carlton operating as an independent hotel and as a division of Carlton Centre Ltd.

With Westin's departure, Amaprop finds itself in a new role, as hotelier.

But the company does not plan to get into any more hotels, nor does it intend the Carlton to become part of any of South Africa's major hotel chains, said Gerald Leissner, Amaprop director and Carlton Centre executive chairman. "We always felt running an independent high quality hotel made sense," he said. The hotel had a strong management team, he added, and its standards would be maintained.



Carlton manager Patrick Kelly... going home

All the hotel's projects would continue. Westin's departure would not affect employment, Kelly said. Its 700 employees had all been informed of the change.

Kelly said the Carlton contract, which had originally been a lucrative one, was no longer worth much to Westin, since hotel occupancy rates had declined with the fall in international tourism to South Africa. Westin's fee was tied to gross revenue and gross operating profit.

This year's anticipated occupancy rate is 65 percent, an improvement on last year's 46 percent and the 36 percent rate for 1986. The hotel has been making a loss for three years. But Amaprop regards it as an essential element in the multi-purpose Carlton Centre complex, Leissner said.

Congress move to thwart total trade embargo on SA

By PATRICIA CHENEY
Washington

A GROUP of Republican Congressmen has drawn up a Bill that rejects new embargos on South Africa in favour of stepped up aid to South African blacks.

They hope the Bill will stop the complete trade and investment ban that seems set to steam through the House of Representatives.

The Bill, which has not yet been formally introduced by Republican Dan Burton, calls for:

● Giving money for black housing "only in geographic areas of South Africa in which there are no apartheid policies of residence restrictions based on race or ethnic origin, or in areas where such restrictions are being challenged by South African blacks or other non-white South Africans"

● Supporting "black private enterprise" by setting up business trusts, helping establish businesses, providing legal assistance and training black entrepreneurs

● Exempting American companies from double taxation if they transfer at least a 15 percent interest to black South Africans and train and promote blacks to managerial positions

● Setting up a President's advisory group of Americans "experienced in the establishment and management of programmes, services, and institutions which have proven effective ... in empowering disadvantaged and disenfranchised individuals and groups"

● Providing special credit, credit guarantees, bridge finance, and access to foreign capital through the export-import bank and overseas private investment corporations.

Meanwhile, Republican Howard Wolpe, House Africa subcommittee chairman, has introduced an amendment Bill that clarifies the five pro-sanctions Bills already under consideration by the subcommittee.

The Bill exempts "otherwise unavailable strategic minerals" from the proposed complete trade cut-off and eliminates loopholes which presently allow some South African uranium to come into the US despite the ban.

All trade between the US and South Africa would end within six months and all investment within one year.

The terms for disinvestment would be negotiated between the departing company and the relevant trade unions.

Strikers are back but will fight on

Own Correspondent

JOHANNESBURG. — Workers at Samcor's Pretoria plant returned to work yesterday after an eight-day strike, but their rebellion against the union-supported company share scheme is not over.

The head of the National Union of Metalworkers of SA motor section, Mr Fred Sauls, said yesterday, after a visit to the plant, that it appeared some workers wanted their share of company assets (estimated by them at R40 000 each) liquidated and paid over to them.

Others wanted the dividends from their holdings paid over to them personally rather than into a trust fund to be used for community development projects.

Mr Sauls warned that unless the issues were satisfactorily resolved they could threaten the future of Samcor.

In terms of the deal agreed between Anglo, Samcor, Ford and the union, 24% of Samcor equity is to be held by an employee trust.

Ford's continued relationship with Samcor — which includes a licensing arrangement in terms of which Samcor continues to build Ford products — hinged on the agreement.

Another key part of the deal was a $61-million (about R170m converted in financial rands) cash injection to wipe out Samcor debts and transform it into a profitable concern. The money has already been paid over.

Mr Sauls said most workers did not participate in discussions while he was there and it was hence unclear how the silent majority felt. Numsa leadership would have to take decisions on the situation this week.

He believed workers demanding the liquidation of their share of the assets — assuming this could be done at all — did not understand this may mean the closure of the company.

Mr Sauls said the rumblings originated in Port Elizabeth earlier this year, and then spread to Pretoria. A group of Samcor employees in PE had threatened legal action if their demands were not met. It was unclear against whom such action would be directed.

He said the union had received a mandate from Samcor members at mass meetings to sign the agreement last November. This had been preceded by a number of meetings and seminars where details of the deal were explained.

"We thought we had a good agreement. However, if the members wish to withdraw or alter their mandate we will go along with them," he said.

Samcor chairman Mr Leslie Boyd declined to comment.

IBM continues selling to SA

RICHMOND. — IBM shareholders yesterday defeated a proposal that would have forced the computer giant to stop selling its products in South Africa.

The proposal gained less than 10% of about 400 million of the shareholders' votes.

The proposal, from a group of churches and individual shareholders, drew the most discussion at the meeting.

IBM sold its South African subsidiary last year. — Sapa-AP

reduce its holding in the bank to 30%

Financial staff and Sapa

Cape Times 29/4/88

20 more industries in Atlantis

Staff Reporter

TWENTY new industries have been established in Atlantis since February last year, according to lists of statistics tabled at yesterday's Regional Services Council meeting.

Eleven other industries closed, but they had a combined workforce of only 60, whereas the 20 new firms employed a total of 804 people.

A survey by Liebenberg and Stander showed that 15 462 people were employed in the formal sector, 13 264 or 18,64% more than last year.

The number of workers employed in construction declined by 425.

But in the industrial sector, eleven establishments reported taking on more than 40 new employees.

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Boland shows growth

Financial Staff

INCREASED demand for credit helped the Cape-based Boland bank group to lift after-tax profit for the year to March by 40% to R11,6m (R8,3m) after transfers to reserves.

The final dividend has been increased by 1c to 24c, making a total of 42c (40c) for the year.

MD Gert Liebenberg said: "Income from services showed a healthy growth, and income from financing also improved notwithstanding a narrowing in the net interest margin on financing activities.

"Although bad debts were still high, there is now a definite decline in doubtful accounts."

Cape Times 29/4/88

Pepsi Cola US intervenes in local operation

From SIMON BARBER

WASHINGTON. — Pepsi Cola International, the US soft drink giant, is concerned about the viability of the Soweto Investment Trust Co (SITCO) which owns its former SA bottling operation, and has decided to intervene.

"We know SITCO is in financial difficulty and we are sending a team to talk to them and look into possible solutions," company spokesman Barry Holt said yesterday.

"We are watching the situation very closely and are committed to nurture and help the development of all our franchise bottlers, and obviously, we're not crazy about the decline in our market share (in SA)."

Disinvestment agreement

Under a disinvestment agreement finalized last December, the former US parent helped SITCO take control of Pepsi SA from Cape Beverage Holdings for a nominal sum.

Holt could not say when the Pepsi International team would be arriving in SA or what its brief would be. Under existing US law it might be permitted to inject fresh capital as long as the venture was wholly-owned by black South Africans.

The threatened collapse of Pepsi SA could have serious implications for future disivestment deals in which departing companies seek to hand over control of local franchises to black entrpreneurs.

It might also have a strong negative impact on US Commerce Department efforts to promote investment in black ventures.

In promotional literature, the department has specifically cited soft drink bottling as an attractive sector.

Bonanza for rebel workers

Own Correspondent

JOHANNESBURG. — Rebel Samcor workers, all Numsa members, were in high spirits yesterday as they prepared ballot papers to elect a new shop stewards' committee — so much so that some were already talking of retiring if they got their share, estimated by them at between R40 000 and R60 000 each.

"With so much money, I will be in a good position to retire. I will leave the company and start a new life," said "Joseph", attached to the engineering section of Samcor.

Workers claim the ousted committee "sold them out" by involving them in a share deal without a mandate.

Numsa motor section chief Mr Fred Sauls said yesterday the shop stewards' committee at the plant had resigned. "Union leadership would not interfere with the work of the newly-elected committee which could, in the face of realities, try and achieve a new deal," he said.

Most workers interviewed were optimistic about getting their share. They were optimistic the new committee they were preparing to elect would not let the money elude them by signing "ill-explained" documents that would result in their share being paid into a trust fund they knew little about.

The workers are demanding the 24% share of the Samcor equity left for them by Ford Motor Company when it disinvested last year be liquidated and paid directly to them.

Final vote for US Bill cutting ties with SA

Star 4/5/88

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By Alan Dunn
The Star Bureau

WASHINGTON — Legislation to haul US companies out of South Africa and sever almost all trade between the countries has gathered momentum on Capitol Hill, and congressmen have passed it to the full House of Representatives.

Calling it an effort to avoid a bloodbath in South Africa, the House's foreign affairs committee easily approved the Bill yesterday by 27 votes to 14, paving the way in coming weeks for a final debate and vote on the floor of the House.

The Bill prohibits American investment in the Republic, halts trade with South Africa, penalises US oil corporations supplying South Africa, bans intelligence and military co-operation between the countries and appoints a senior State Department official to co-ordinate sanctions against South Africa.

It recommends a reduction in South Africa's diplomatic posts in the US and a tightening of visas granted South Africans to enter the US.

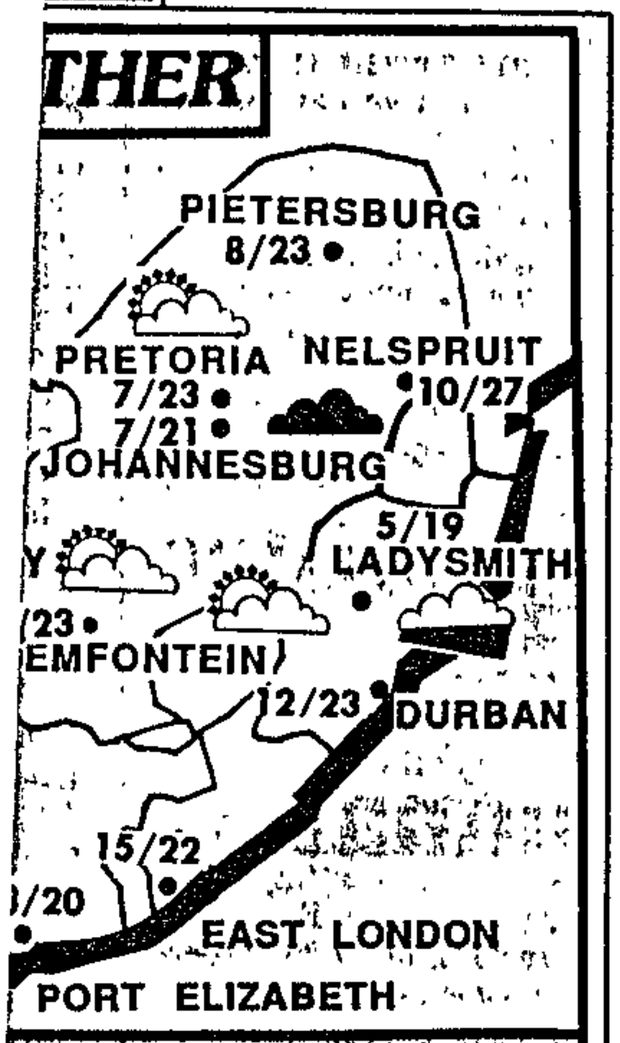
Certain significant amendments were inserted into the Bill at the foreign affairs committee's sitting yesterday.

They include that black South African businesses are exempt from the US imports ban and that US agricultural products are excluded from the prohibition on American exports to South Africa.

Congressman Mr Howard Wolpe, chairman of the House's panel on Africa said white-owned companies had for years profited from apartheid. He referred to SA as a "slave plantation".

The foreign affairs committee also rebuffed Republican efforts to allow the president to scratch specific sanctions if he could show they were costing American jobs.

Votes on the various amendments were cast yesterday largely on partisan lines, with the Democrat majority dominating the Republicans who mostly opposed disinvestment and more sanctions.



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Anti-SA Bill criticised by the US govt

(62)

Blaw 5/5/88

WASHINGTON — Proposed legislation which would ban all US trade with an investment in SA was criticised yesterday by the US State Department.

A spokesman said: "We don't believe they (sanctions) have, or will, achieve their intended purpose and would in many respects be counter-productive."

He was reacting to a Bill passed on Tuesday by the house foreign affairs committee, which now heads for debate by the full house.

The spokesman said the trade sanctions against SA legislated in 1986 by Congress "have not led to significant positive changes in SA and we don't believe that additional ones are any more likely to succeed".

He said the administration had been lobbying Congress against the Bill and would continue to argue its position. — Sapa-AP.

● See Page 3

Ford 'confusion' being resolved

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5/5/88

ALAN FINE

CONFUSION over the Ford disinvestment deal was well on the way to resolution after discussions between management and employee representatives in Port Elizabeth and Pretoria, Samcor chairman Leslie Boyd said yesterday.

In breaking the company's silence on the mainly intra-union dispute, Boyd said the employee trust had been formally established last week in terms of the agreement between Anglo, Ford, Samcor and Numsa.

And it was publicly disclosed for the first time that a fourth trust fund — a $4,5m educational trust funded by Ford Canada — is to be set up. Plans for two community trusts in PE and Pretoria, to receive a total of $5m, have already been announced.

Boyd said MD Spencer Stirling had held a number of meetings with employee representatives and the latter now understood the liquidation of their 24% share of the equity was not an option. He believed the majority of employees, too, accepted it was no longer an issue.

It had been explained that certain of the trust's rules — such as the recipients of dividends earned — could be amended if this had the support of 75% of the employees and a simple majority of the trustees. Thus, if they so chose, they could ensure that the trust paid them dividends personally, channelling them into community projects.

Two lawyers and a Ford representative had been appointed as trustees to the employee trust.

5/5/88 (62) B/day

US sanctions Bill set for approval

SIMON BARBER

WASHINGTON — The US House of Representatives now appears certain to adopt a potentially devastating disinvestment and sanctions Bill by early June.

The House Foreign Affairs Committee having adopted the package on Tuesday evening by an easy 27-14 margin, Republican opponents are hoping to delay a floor vote by appealing to other committee chairmen.

At least four other panels have jurisdiction over the Bill, including the ways and means, banking, armed services and intelligence committees.

Meanwhile, proponents of the measure are hoping that Archbishop Desmond Tutu, who is scheduled to make several well-publicised appearances in Washington next week, will speed the process.

In particular, they are hoping he will galvanise the Senate, which remains deeply divided over the need for further sanctions and would almost certainly not accept the House Bill as it stands.

The Foreign Affairs Committee modified the Bill adopted last month by Congressman Howard Wolpe's Africa sub-committee, to make it more broadly acceptable.

Changes included an amendment offered by farm-belt Congressman Doug Bereuter to exempt US food exports from the trade embargo and a proposal by liberal Republican Jim Leach to exempt imports from wholly black-owned SA companies.

As it now stands, the package includes:

- A total ban on any US investment in SA, including previously exempted black-owned businesses;
- A trade embargo exempting most mineral exports and with the above agricultural exception;
- Attempts to penalise foreign firms that continue trading with SA, particularly oil companies, which would be denied US government leases; and
- Calls for the administration to smash the De Beers Central Selling Organisation, to close SA consulates and to find ways of reducing SA's gold earnings.

Ford payout: Union quits

Own Correspondent

SOME rebel Samcor motor plant workers are threatening court action against the leadership of their union, Numsa, and Samcor management if their 24% Ford disinvestment deal is not liquidated and paid directly to them.

The workers, who said said they had raised more then R10 000 for legal action against the two parties, also said they would have to go on a one-year strike if their legal battle fails.

"We have amassed over R10 000 for a legal fight. We will accept nothing except our money which we demand must be paid directly to us," said the workers.

No mandate

The workers also reiterated their stand that the union signed the agreement without a proper a mandate from them which resulted in the resignation of Numsa's shop steward committee.

The workers also dissociated themselves from Samcor chairman Mr Leslie Boyd's statement yesterday that the employee trust had been established last week in terms of the agreement between Anglo American, Ford, Samcor and Numsa.

Numsa regional organizers, met by reporters at the Samcor plant, yesterday said the union had decided not to involve itself any more in the 24% share participation deal.

"We are out of it. We have accepted that the workers should handle negotiations themselves," the organizers said.

Foreign 'invasion' is keeping US economy afloat

SIMON BARBER in Washington

DRUGS? The budget deficit? The trade deficit? The failure of sanctions to bring down apartheid? Such problems, say the Democrats, lie not in ourselves, or even in President Reagan's stars, but in foreigners.

Not all foreigners, mind. The Soviet Union is exempt under its new and beguiling management. The most vicious outbursts of xenophobia are reserved for America's allies, trading partners and impoverished neighbours to the south.

The sanctions legislation currently moving on autopilot through the House of Representatives is but a small example. One of its principal targets is any non-US company — Royal Dutch Shell and BP, for example — active in the South African energy sector. Unless they desist, such transgressors are to be denied Federal oil, coal and gas leases and turfed out of those they already hold.

Expanding on the Comprehensive Anti-Apartheid Act's attempt to bash Israel for its continued military ties with Pretoria, the sanctioneers now propose to hunt down and punish all foreign firms that do business in SA, on the theory that they are "taking advantage".

The threatened thuggery is constitutionally dubious, but this is no deterrent to the legislation's authors. They are even demanding that the State Department create a sort of commercial KGB to "lead and ordinate monitoring ... of other countries' trade and commercial flows with SA ... including economic relations which may violate this Act".

Woe betide any wily Oriental who might flout Congress's will, for the President shall be obliged to "limit the importation into the US of any product or service of the foreign person" and "restrict the foreign person from contracting with departments, agencies and instrumentalities of the US government".

The drug epidemic is a hot political item this year (Jesse Jackson has earned the label "mainstream" for exploiting it), but of course the problem has nothing to do with consumption or any other domestic pathology. Forget Nancy Reagan's (admittedly rather coy) "Just say no" campaign. That's no fun at all. Let's beat up the little brown men who grow the leaves.

"You want to talk about trade?" Congressman Lawrence Smith screamed in the general direction of Peru, Bolivia and Paraguay the other day. "You want to talk about bilateral loans. The hell with you — first we talk about drugs."

The Senate has even gone so far as to approve sanctions against Mexico, "America's number one drug dealer," halving its aid allotment and attempting to block its access to the International Monetary Fund. Bright move. Impoverishing the country further is really going to encourage it to shut off the flow of cocaine and heroin that have become one of its principal non-oil dollar-earners.

What makes the sanctions especially repulsive is that they are punishment for punishment's sake. Nobody seriously believes that they are going to staunch the flood of narcotics pouring across the Rio Grande.

But somebody has to suffer to demonstrate to voters that their Congress is doing something. And if somebody has to suffer, the attitude seems to be, much better that it be a Latin than some rich WASP with a habit.

God forbid that the American consumer be blamed for causing a few kilos of intrinsically worthless powder to fetch millions of dollars on the streets of American cities. He, poor fellow, has a disease.

Heaven forfend even that American makers of acetone and ether, key ingredients in cocaine production, be subject to export controls. A Bill to impose such controls lies dormant in a Congressional sub-committee because the chemical lobby won't have it.

Another great theme of 1988 is yet more jingoist: America is being bought up by foreigners. Not content with destroying our steel, car and basic electronics industries by "unfair competition," the line goes, little yellow men — as well as lots of white ones with strange accents — are now literally invading, swallowing our real estate, our corporations, even our banks. We have become a debtor nation. Our very sovereignty is at stake.

This is at least as ludicrous as blaming a Peruvian peasant for the country's cocaine addiction. The trouble, if there really is one, rests in America's insatiable appetite for imports.

The consumption has to be paid for somehow, and if that means putting assets on sale by letting the dollar drop, so be it. Foreigners can scarcely be blamed for taking advantage. Indeed, it would be back to the Thirties if they didn't.

But what makes this particular variety of xenophobia especially depressing is that the foreign "invasion" is actually doing far more than keeping the US economy afloat.

What the Democrats, and precious few Republicans for that matter, fail to understand is that the invasion, if we must call it that, is an extraordinary boon. America was built on trade deficits and will continue to be so long as the xenophobes do not adopt policies calculated to drive investment out.

Unfortunately, it is entirely plausible that they will adopt such policies (forcing foreign investors to register and disclose their investment is one small, but pernicious, example) because they are blind to the modern reality that capital no longer knows any boundary other that those that they themselves try to impose in the search of such statist fictions as "balanced trade".

Capital — nowadays little more than a burst of electrons on a telephone line — goes where it will be most amply rewarded and efficiently used. The trillion-dollar American economy happens to be one of the most attractive destinations.

And once it has arrived, it does not matter much whose capital it is. Angry car workers may derive satisfaction from sledge-hammering a Honda, but the fact is that Honda is becoming an American company and will eventually be making more cars here than it ever did back home.

So what if the owners live in Tokyo. Their plant and their assets are in Ohio, creating new wealth and business opportunity in depressed mid-Western communities as much as in Japan.

Why, then, the resentment? What have these foreigners done except help the US to a staggeringly low 5,4% unemployment rate — 66 out of every 100 Americans, man and woman, eligible to work are employed — and rates of investment, industrial production and productivity that have been increasing more than twice as fast as those of the country's major trading partners?

Part of the answer is political. The Democrats have learnt that in order to win the presidency they cannot "blame America first," as Jeane Kirkpatrick put it in 1984. But because the politics of resentment is still their basic game, they and the establishment they represent must be able to blame someone, find some bogyman, some clear and present danger that the Reagan administration is doing nothing to confront.

So why not thrill bigots everywhere by stirring up a pogrom on the rest of the world?

PHARMACEUTICALS

A sterling sale

American drug manufacturer Sterling Drug has sold its South African operation to Tiger Oats subsidiary Adcock Ingram for R52,5m.

Tiger Oats chairman Robbie Williams says the company will carry on as before and there will be no job losses. "The full range of Sterling products will continue to be available.

"The division will be renamed and the Sterling name, along with that of subsidiary Winthrop, will disappear."

Tiger was one of four South African companies to bid for the operation after Kodak bought the American parent company and made it known it wanted to be rid of its South African business.

Premier's Twins Pharmaceuticals and Malbak's Protea Medical both pulled out before the final negotiations.

SA Druggists MD Tony Karis, who was bidding for the company in New York last week along with Adcock Ingram (AI), says: "We offered Sterling a fair price but were beaten to it."

By buying Sterling, AI has acquired the licences for consumer products such as Wet Ones tissues and drugs Panado and Beserol. Some products are likely to change their name, including Andrew's Liver Salts and Philip's Milk of Magnesia.

Unlike Merck, Sharpe and Dohm, which was acquired at the end of last year by Tiger Oats and kept as a separate company, Sterling will be integrated into AI, but as a separate division.

Industry sources say AI benefited from ultimate parent Barlow Rand's progressive image internationally. SA Druggists, conversely, suffered from its position in the Afrikaner Sanlam group.

Telerate divests from SA

TELERATE, a subsidiary of US publisher Dow Jones & Co, has sold its SA operation to Altron and will withdraw from SA.

Altron bought the entire issued capital of Telerate's local arm, International Financial Information Network, for an undisclosed amount.

The operation is based in Johannesburg and offers customers a comprehensive financial service under the "Interfinet" and "Telerate" brand names.

Telerate's withdrawal comes ahead of proposed US legislation which could force all American companies that still have direct investments in SA to sell them and pull out of the country, reports Reuters.

HELENA PATTEN

The Bill proposing the new law was passed last week by the House of Representatives' Foreign Relations Committee and will soon be presented for approval by the full House and the Senate.

To Page 2

Altron benefits from US disinvestment

About 140 US companies have disinvested from SA since the start of 1986, leaving 160 American companies still invested in the country.

Altron says Altech Electronic Systems — involved in the electronics and communications arena — and the newly acquired company fit together well. Product ranges are compatible and the acquisition is "a natural expansion for the company into the financial information market."

Altech plans to increase its stake in this field and will soon be announcing additional products to its range.

From Page 1

THE ECONOMY

Go well, go Shell - if the Bill passes

The oil companies, so determined to stay in South Africa, might find the new American sanctions Bill changes their minds. JO-ANN BEKKER reports

THE Total Disinvestment Bill currently under scrutiny in the United States House of Representatives has added a new urgency to the sanctions issue.

If it were to be passed in its current form, the Bill would sever trade links between America and South Africa. It would deny federal oil leases to foreign companies who also supply South Africa. And it would empower the president to take retaliatory action against other foreign companies who try to step into the vacuum created by US sanctions.

The American Chamber of Commerce, which represents the major American multinationals in South Africa, took the Bill so seriously that it sent a five-member delegation to the US last month to lobby against the proposed sanctions package.

According to the Chamber's executive director, Adrian Botha, there are 150 to 160 American companies still trading in South Africa, with total assets of just under a billion dollars.

Sources in the oil industry said if America denied federal leases to oil companies who supply South Africa, it would force them to pull out of South Africa.

They said multinational oil companies' markets in South Africa were negligible compared with those in America. Royal Dutch Shell, for example, derives five percent of its earnings from Shell South Africa and 45 to 50 percent from its American subsidiary, Shell Oil.

Thus if the Bill was passed the departure of America's Caltex and Mobil would be followed by that of Shell and British Petroleum.

"In that sense the Bill is the deathknell of oil capitalism in South Africa," one source said.

Amcham's Botha believes this prognosis applies to other industries too, through the Bill's provision for retaliation against companies who take advantage of US disinvestment.

"This means, in short, that America can turn round to Toyota and BMW and say: you sell one more car and you can forget about our market," he said. "It is probably the most devastating clause because we do not have a single trading partner who would not be directly affected. For all of them America is definitely their biggest market."

Piroshaw Camay, general secretary of the National Council of Trade Unions, said he believed the trade union movement, which had pressed for foreign pressure, would welcome the Bill.

He said it would intensify the South African issue in the European community and would force South Eastern Asian countries such as Japan and Korea to re-assess their position.

Camay discounted fears that implementation of the Bill would result in massive unemployment. He predicted South African managements would take over companies. While it was likely that workers in marginal companies would lose their jobs as smaller companies folded, "I can't see it happening in the major companies".

Camay said he was disappointed that union demands that disinvesting companies re-direct their investments into the frontline states had not been heeded.

The Congress of South African Trade Unions was banned from engaging in non-union activities in March. It was specifically prohibited from calling for disinvestment. However, Cosatu called for comprehensive and mandatory sanctions at its second national congress in July. Demands by Cosatu affiliates that disinvesting companies negotiate the terms of withdrawal with their workers are included in the sanctions package.

The proposed Bill to intensify the Compehensive Anti-Apartheid Act of 1987, based on congressman Ron Dellum's Total Disinvestment Bill, has already passed its first station. On May 3 the House Foreign Affairs Committee adopted the package by a 27-14 margin.

Now it must be approved by the House of Representatives. From there it will go to the Senate, where it is likely to be modified. After a compromise is worked out by representatives of the Senate and House of Representatives, the Bill must be ratified by a joint vote of both the Senate and House. It then goes to the president for ratification or veto. If he vetoes it, it can be passed by a two thirds majority in the Senate or House of Representatives.

Some observers predict the Bill will sail through the various stages. But it might be delayed by the mid-year summer recess.

"I would say the Bill quite likely will be passed by the House of Representatives," Botha said, "but it is difficult to say whether it will get through the Senate. It is not improbable that the legislation will be passed by June. The urgency will be dictated by events on both sides of the Atlantic."

●Sapa reports from Washington that Senate opponents of South Africa's apartheid government prepared to introduce a Bill yesterday similar to the one before the House of Representatives. Senator Edward Kennedy, one of the Bill's sponsors, said "So long as apartheid continues, American business has no business doing business with South Africa".

The bill's fate is unclear in the Senate, in part because moderate Republicans who were the key to the passage of limited sanctions in 1986 are said to be reluctant to go along with stronger measures.

●In a disinvestment deal announced this week, US company Sterling Drug Inc sold South African subsidiary Sterling Drug(SA) to Tiger Oats subsidiary Adcock-Ingram for R52,5-million. This is the second disinvesting drug company bought by Tiger Oats, part of the Barlow Rand group, which last year bought high-technology drug company Merck.

27/3/88

A year after its SA film fade-out, Kodak is still...

OVER-EXPOSED!



EVEN IF YOU HAVEN'T GOT IT, FLAUNT IT ... UCT's irrepressible "bummies" won't go the way of defeated drummies

AMERICAN photographic multinational Eastman-Kodak has failed to close the shutters on South Africa after divesting nearly a year ago.

South African Druggists (SAD), who bought millions of rands worth of Kodak film shortly before the New York-based company pulled out, and is now importing stock from secret overseas sources, disclosed this week:

- Eastman-Kodak's share of the local market — 7 million colour rolls sold a year — has only dropped from 47 percent to 30 percent since divesting for political reasons nine months ago.
- Kodak's market share should be nil after pre-divestment stock runs out by the end of this year but it is expected to hold a 20 percent market share in 1988 due to SAD imports from undisclosed overseas sources.
- The price gap between Kodak photo film and Japanese competitors Fuji and Konica has narrowed from being 20 percent more expensive to about nine percent.

SAD declined to disclose its overseas sources for Kodak stock. "The reasons for that must be obvious," said an SAD spokesman, adding that Kodak had forbidden its overseas subsidiaries to supply SA.

The spokesman made it clear that pre-divestment stock would run down by the end of the year and reliance on Kodak film would then be entirely from overseas sources.

The spokesman stressed the threat of "total sanctions" on imported film from industry majors had caused distributors to switch to private label film.

Ironically, all this film is also made overseas but the packaging does not bear the telltale hallmark of the major producers.

"And private label film coming onto the market will also further erode Kodak's market share," the SAD spokesman added.

Total

Eastman-Kodak's withdrawal was total. Unlike most divesting US multinationals — such as General Motors and IBM — it did not allow a managment buy-out of its local operations, or leave the door open to re-investment.

Meanwhile, the local distributor of Japan's Fuji Film is standing in the firing line of a recent Tokyo Foreign Ministry request to traders doing business with South Africa to loosen their ties with this country

Recently released figures showing that Japan is South Africa's biggest trading partner caused acute embarrassment to the Japanese government.

The Sunday Times this week learned that Japan's External Trade Organisation (JETO) in Johannesburg had been ordered by its Tokyo head office to temporarily close its doors on traders' inquiries.

JETO director Mr K Kobayashi declined to comment on the move but, according to a Japanese Embassy source, the closure would give JETO time to consider the "the request to very prudently reduce trade with South Africa."

Quotas

Fuji has already slashed its South African sales by imposing import quotas on its local distributors, Johannesburg-based Photo Agencies.

Said a Photo Agencies spokesman: "No Fuji stock has come into South Africa this year.

"We used up our 1987 quota after Kodak pulled out, but we expect the situation to even out by next year."

He rated the chances of Photo Agencies continuing to supply Fuji Film in the event of a total supply cut-off from Japan as slim.

"The Japanese are very rigid about these sorts of things. It won't work the same way as with Kodak," the spokesman said.

Reels snapped up via back door

By HAMISH McINDOE

Girls drummed out — over to the bummies

By ALAN DUGGAN

THE DRUMMIES are dead — long live the *bummies!*

After countless colourful Rag parades, Cape Town University's drum majorettes have called it a day.

The prancing girls have finally yielded to pressure from the university's feminists and anti-militarists.

But the thousands of people who line the streets once a year for UCT's Rag procession may be pleased to know: The "bummies" are here to stay.

Fuelled by seemingly endless cans of beer, these male "drum-majorettes" will continue to flaunt their oversized bras, padded knickers and curly wigs annually to raise funds for charity.

The demise of the drummies follows years of criticism from feminists and anti-conscription campaigners who claimed drum-majorette squads were "sexist" and "militarist".

The pro-drummie brigade, in turn, argued that since Rag was devoted entirely to raising money for deserving charities, the end justified the means.

However, drummies are still alive and kicking at the University of the Witwatersrand — despite the torrential downpour that forced students to abandon this year's Rag Day.

But a spokesman for the Rag committee said the Wits drummie squad was operating on a reduced scale.

"The trend seems to be to phase them out," he said.

Buy an Empisal
#the OK and get

Free market the key to eradicating apartheid

American companies should be applauded, not punished, for doing business in South Africa, says the Heritage Foundation. Neil Lurssen reports from Washington.

An insight into the latest conservative thinking about southern Africa has emerged with the publication of "Issues '88", a three-volume set of books prepared by the Heritage Foundation, a prominent think-tank that has had much influence in the Reagan administration but which now must face the prospect of a swing in the American ideological pendulum away from the right.

In volume two, which deals with defence and foreign policy, the Foundation says flatly that Africa is a battleground between the US and the Soviet Union, pitting Soviet-style dictatorships against the US model of representative democracy.

Economically, it pits Soviet-style centralised economies which have impoverished the continent against US-style free markets which would unleash economic creativity and entrepreneurism.

And geostrategically, the battle is a confrontation between the Brezhnev doctrine of keeping Marxist dictatorships in power through Soviet arms and the Reagan doctrine's determination to help democratic freedom fighters.

US policy, says the Foundation, should be to seek to empower the black community in South Africa through increased Western investment.

PRIMARY INTERESTS

The US should continue to support the Unita resistance movement against Soviet advisers and Cuban troops in Angola and should abandon efforts to wean the Mozambique Government away from the Soviet bloc and, instead, assist Renamo.

On South Africa, the Foundation says the US has two primary interests, strategic minerals and the sea lanes, noting that without access to South Africa's cobalt, vanadium, manganese and chromium, the free world's economies and defences would suffer severely.

"The US should recognise that the surest way to eradicate apartheid ... is to allow the free market to operate in South Africa. Free markets lead to economic growth, thereby creating jobs that must be filled by black workers.

"This would give South African blacks more control over the economy, and hence more political leverage.

"The US should push for increased Western investment in South Africa, and take steps to ensure the continued growth of the SA economy" — a move that would increase the size and strength of the black labour movements.

But, says the Heritage Foundation, there are obstacles in the way. One is Congress, which imposed sanctions on South Africa in 1986 and whose Africa subcommittee blocks sensible solutions for removing Soviet bloc forces from Angola and assisting Renamo.

"The second obstacle is the federal bureaucracy. Some State Department officials view good relations with black African dictators as more important than pursuing a policy designed to help black South Africans."

Public perception is yet another obstacle, the policy statement says. Not only is the US public ignorant of the Soviet threat in Angola and Mozambique, but on the South Africa issue, Americans erroneously seem to equate being anti-apartheid with being pro-sanctions.



Crocker: implied criticism.

The Foundation calls for a public awareness campaign to make Americans aware of what is at stake in Africa.

"The threat to Western defences posed by an Africa solidly unified to the Soviet bloc simply must be understood, as must Africa's potential market for US goods and services.'

The US left must be challenged to explain what they are for in South Africa, the Foundation insists.

"It is not enough for them to say merely that they oppose apartheid. By contrast, conservatives should stress that their policies aim at em powering the black majority, instead of merely trying to weaken the white government."

African leaders such as Chief Mangosuthu Buthelezi and Ivory Coast President Felix Houphouet-Boigny are promoting democracy and free enterprise in their countries and should become better known to the American people.

American companies should be applauded rather than punished for doing business in South Africa and should work to open economic markets throughout the continent. US workers who have lost jobs because of anti-SA sanctions — such as workers who used to process uranium of South African origin — should get their union leaders to press for a repeal of sanctions and to promote US investments. Moderate American black leaders should forge links with moderate groups in Africa, such as Inkatha.

The Heritage Foundation view probably reflects the election platform to be adopted by the Republican Party later this year — without the implied harsh criticism of Dr Chester Crocker and his State Department colleagues.

The Democrats will have a different perspective in their election platform — one that sees a much tougher attitude to the P W Botha Government and more direct political and financial support for the Frontline states as the only way to bring peace to southern Africa. — The Star's Foreign News Service.

Zimbabw are still l

Nearly a decade after an end to the fighting to overthrow the white Rhodesian regime, some 20 000 Zimbabwean ex-combatants are locked in a losing battle to find jobs.

The problem is not a new one. But the issue has been revived through a debate in Parliament initiated by a white member of the ruling party, Mr Sean Hundermark, who asked the House of Assembly to take note of the plight of the former guerillas.

About 60 000 fighters went into the assembly points hurriedly set up in Rhodesia in 1979 after the Lancaster House conference agreed on a ceasefire.

Thousands were absorbed into the Zimbabwe National Army but about 36 000 were demobilised.

For the first few years of independence, many of those who had run away from school to join the liberation forces had money in their pockets for the first time under a scheme in which war veterans were given R240 a month while they

Chevron to resist SA withdrawal

NEW YORK — The Chevron Corporation, which owns 50% of Caltex Petroleum Corporation, said this week that it was urging its shareholders to vote against three stockholder proposals seeking the withdrawal of operations in South Africa.

Earlier, the International Business Machines Corporation, which sold off its SA subsidiary last year, said it was opposing a shareholder proposal to cease all sales to the former unit, now owned by local employees.

The Chevron proposals call on the oil company to halt petroleum sales to any South African government entity for military or police use, and to terminate agreements to continue business links in SA. — Sapa-Reuter

CITY/NATIONAL

R500-m pullout by international firms

The Argus Correspondent

JOHANNESBURG. — Two huge multinational firms have announced the sale of their South African interests for a total of over R500-million.

The US mining group Newmont has agreed to sell its stake in five South African companies for a total of R363-million.

The transactions will be completed by the end of April and involve the mining operations Palabora Mining, Okiep Copper, Tsumeb and Gamsberg Zinc and the Anglo-American controlled Highveld Steel and Vanadium.

Benficiary

Anglo American is said to be the beneficiary as it has a substantial financial interest in Newmont through London-based Consolidated Goldfields.

In comment on the disinvestment move Newmont said the group had tried for years to dispose of its Southern African interests.

In the second major announcement yesterday the British packaging group Metal Box said it had sold its 25 percent stake in its local operation to Barlow Rand subsidiary Nampak. Financial details of the deal would be announced later, a Barlow Rand spokesman said.

The acquisition of Metal Box (SA) will give Nampak a huge share of the local packaging market. Metal Box (SA) will continue as a licensee of Metal Box technology and will be able to use the Metal Box name for two years.

Barlow Rand will also take up Metal Box's 25 percent interest in steel, metal and tube group Robor Industrial Holdings for R34,4-million, in which it already has a 60 percent stake.

The disinvestment moves were taken ahead of expected new sanctions legislation, especially in the US, where a congressional committee has been hearing submissions on a range of Bills calling for intensified sanctions.

GFSA pays over R300m for Newmont's SA interests

JOHANNESBURG. — The mystery buyer of most of the SA interests being sold by Newmont Mining of the US is Gold Fields of SA (GFSA).

GFSA thus acquires control of the O'Okiep and Tsumeb copper mining interests, and a strategic stake in Gamsberg Zinc, greatly expanding its important base metal operations.

The identity of the buyer was indicated to Sapa yesterday by three leading stockbrokers analysts.

The information was then supported by sources within GFSA, and later confirmed by GFSA deputy chairman Dru Gnodde.

Price paid

Gnodde said the price being paid by GFSA for Newmont's interests in O'Okiep Copper Corporation, Tsumeb Corporation and Gamsberg Zinc Corporation could not be disclosed at this stage.

However, he agreed with the proposition that, together with the Newmont stake being sold in Palabora Holdings, the consideration could be taken as worth "well in excess of R300m".

This squares with the R363m aggregate price which Newmont Mining disclosed in New York on Wednesday night that it would be receiving as a result of its sale of all direct and indirect holdings in five SA companies; the Palabora group, O'Okiep, Tsumeb, Gamsberg Zinc and Highveld Steel & Vanadium.

If Newmont Mining still held just less than 10% of Highveld Steel at the time of its disinvestment agreement, this would have realized about R34m, taking the Highveld share price of 472c at which a major "bookover" deal was done on Wednesday — 18c below the ruling price then of 490c.

Highveld Steel's market capitalization for these purposes is taken as approximately R390m at Wednesday's ruling price on the JSE.

This implies that Newmont is receiving some R330m for the interests it is selling other than Hiveld.

The Newmont sell-off is not seen primarliy as a major disinvestment in response to anti-SA political pressure.

It has been common cause for some time, both internationally and in SA, that Newmont is labouring under a massive debt burden and has therefore been obliged to dispose of assets in many parts of the world besides SA to help raise funds to improve its liquidity and reduce its crippling interest payments.

As all Newmont's SA holdings were minority interests, and in the context of the persistent weakness of the rand, and the implications for future Newmont income from SA in dollar terms, the sell-off makes sound commercial sense from the American group's point of view.

It is also indicative that, according to the latest GFSA annual report, Tsumeb's after-tax profit declined from R40m to R10m in its latest financial year, while O'Okiep's was also marginally down, from R11m to R10m.

Stakes

Newmont held 40% of O'Okiep and 30% of Tsumeb, and GFSA is buying 100% of both these stakes, according to Gnodde.

In turn, O'Okiep held 27,5% of Gamsberg Zinc, Newmont held 27,5% and Anglo American Corporation group held a controlling 45%.

Contrary to initial reports, Newmont is not disinvesting from Palabora Mining as such, as it has no direct stake in this operation.

It is selling its stake in Rio Tinto Holdings, held jointly with the giant US mining group, Rio Tinto.

Rio Tinto Holdings is invested in Palabora Holdings which, in turn, controls the Palabora mining operations.

Cape's plush Mount Nelson Hotel for sale

LONDON. — British & Commonwealth Holdings, owner of the Mount Nelson Hotel in Cape Town, plans to sell the venerable institution.

A B&C spokesman says: "Steps are being taken to realise the investment, but it is too early to say anything about the price or the identity of the buyer."

B&C, when under the control of the Cayzer family, was one of the founders of Safmarine and was primarily involved in shipping. In the past three years, it has withdrawn from shipping, selling its last vessel in 1986.

Management of the group is now in the hands of financier John Gunn, who has returned B&C to financial services, centred on its successful fund management operation, Gartmore.

B&C is also in partnership with Sun International in Royale Resorts International, which is involved in hotel developments in Europe and elsewhere.

RUTH GOLEMBO reports from Cape Town that the Mount Nelson has been plagued by wage disputes and stiff competition from the Cape Sun Hotel.

By Richard Rolfe

The hotel is owned by an SA holding company, Mount Nelson Hotel Enterprises, a subsidiary of B&C.

The reason for the sale which has been a Cape landmark for many years and host to many celebrities could be last years' angry wage disputes.

Workers demanded a minimum wage of R455 a month and a reduction in the 53-hour week to 44 hours. They distributed pamphlets airing their grievances to guests.

Workers also put their own "welcome" letters in the luxurious rooms telling guests of their low salaries and long working hours.

The workers alleged that the Mount Nelson was circumventing the European Economic Community wage code for SA companies held by British owners.

The hotel was originally a homestead built in honour of Lord Nelson in 1805.

AAC buys Newmont holding in Palabora

THE mystery buyer of Newmont Mining's stake in Palabora Mining Corporation has emerged as the Anglo American (AAC) Group.

Anglo American Corporation and De Beers have agreed to purchase Newmont Mining Corporation's effective 28,6% interest in Palabora in the ratio 2 to 1 for R250m, the AAC group said in a statement yesterday. This suggests that AAC will end up holding around 19% of Palabora, and De Beers around 9,5%.

A detailed examination by Sapa of the AAC group's disclosed interests reveals that the new deal will, in one fell swoop, increase the value of AAC group's investments in base metal and mineral mines in SA by at least 70%.

A spokesman for the group confirmed after yesterday's announcement that AAC will now have SA base metal interests worth significantly more than half a billion rand.

Last week, US-based Newmont said in New York it was selling all its SA interests for some R370m. Five SA companies were involved: Highveld Steel and Vanadium, the copper and base mineral producers Tsumeb, O'Okiep and Palabora, and Gamsberg Zinc Corporation.

'Bookover' deal

Goldfields of SA emerged as the purchaser of Newmont's stakes in Tsumeb, O'Okiep and Gamsberg, in all of which it already held shares, while AAC was cited as having spent some R38m in a "bookover" deal on the JSE to take the Highveld slice.

According to McGregor's Who Owns Whom, Consolidated Goldfields has the main stake in Palabora Mining — probably through unlisted Palabora Holdings, which has a stake of some 62%.

Palabora represents Anglo's first big foray into copper mining in SA. Before the nationalization of the copper mines in Zambia, AAC had significant copper interests in that country; these are now held through ZCI.

The AAC group declined to discuss the strategic importance of its new stake vis-a-vis the Cons Gold interest, but there may have been an important shift in the balance of power, at least on paper.

Although exact figures are not provided on the face of it, it seems that AAC has paid a premium of about 9,5% on the ruling market price for this significant stake in Palabora. Ahead of the announcement, Palabora was trading at 2 825c and AAC appears to have bought at around 3 085c a share. Palabora's market price recently has been near its low for the year (2 650c) and well below the peak of 3 700c. — Sapa and Financial Staff

PHARMACEUTICALS

Drugs headache

Some of SA's best-known medical preparations may be affected by the latest disinvestment move from the US.

Sterling Drug, which produces Panado, Beserol and Andrew's Liver Salts, plans to be out of SA within four months. The US company was recently bought by Kodak, which last year both closed its South African operation and announced its products would no longer be available locally.

Sterling's New York head office says the company will withdraw from SA by the end of August and "no other unit in the group will have dealings in SA."

Local drug manufacturers say the industry is not surprised at Sterling's move, given Kodak's hardline attitude.

It is uncertain what will become of Sterling's products. Apart from its medical preparations, it also produces supermarket-shelf goods like Wet Ones tissues. Until now, it has been generally accepted that foreign companies would not withdraw medical products from the South African market. But Sterling refuses to comment on what will be available after August.

However, the *FM* understands leading local pharmaceutical companies have been sent documents by Sterling with a view to acquisition. Industry officials say possible buyers will probably include Federale's South African Druggists, Premier's Twin Pharmaceuticals and Tiger Oats' Adcock-Ingram.

Twins MD Abe Krok says: "We are very acquisitive and believe Sterling Drug is very sound. Its modern factory would be an asset to an expanding company. It may be another 1 000 years before Twins will have an opportunity to acquire internationally-known brand names from companies that are leaving for political reasons."

Sterling Drug employs 300 people in SA and owns a recently modernised plant in Mobeni, Natal. About two-thirds of Sterling products are supermarket-orientated.

American Chamber of Commerce CE Adrian Botha says the decision is to be regretted. "To some extent, when an American company pulls out, it encourages others to do the same." ■

DISINVESTMENT

Bargain Price

Any suggestion that Ronnie Price's Eureka group is in the process of taking a lower key interest in the information technology sector has been scotched by the announcement that group company Computermatic Holdings has acquired the South African operations of US computer software corporation Reynolds and Reynolds (R+R).

There has been speculation since the sale towards the end of last year of Eureka's interest in Sequel to Bill Venter's Altron group, that other computing interests would soon follow. But instead, Price appears to have taken the initiative by taking over the local interests of yet another disinvesting US firm. R+R (US) is a major supplier of information processing systems including software solutions in the motor industry, medical, and business markets in the US. In SA R+R's emphasis has been on developing software solutions for the distribution side of the motor industry.

Of the acquisition Price says: "R+R fits very nicely into the strategic framework of Computermatic and the broader Eureka group. It has a specialist vertical market niche with some excellent in-house expertise which is transferrable to the rest of the group."

R+R will be allowed to continue with its existing operations, but Price believes the acquisition will in the near to medium term open up "some very interesting doors" such as making R+R system applications available as a bureau service.

Richard Grant, senior vice-president of R+R (US) says the process of divesting itself of its South African interests took more than a year because it wanted to ensure the best for its employees and customer base in SA. "Once we were assured that those two important groups were safe we finalised the agreement with Computermatic." ■

SA buys postal tuition school

28/2/88
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By Ruth Golembo

AN American-owned correspondence school has been sold to SA management and staff.

The branch of International Correspondence Schools (ICS) was bought from the parent firm for an undisclosed amount.

ICS has an annual turnover of more than R10-million and will be run as a wholly owned SA company.

The management and staff hold 75% of the company and First National Corporate and Investment Bank, which structured the deal, holds the rest.

In terms of the buy-out, ICS SA must change its name by the end of 1989. The new name will be INTEC Correspondence Schools.

Wall Street

Frank Maunder, managing director of ICS SA, says the disinvestment came after two years of pressure from US educational groups on the parent company, National Education Corporation, which is listed in Wall Street.

"The parent company's shares were under a lot of pressure. The California Teachers Pension Fund dumped its holding and others followed.

"Clients of the American company also refused to deal with it because of its South African connection. About eight months ago negotiations for a buy-out started."

Mr Maunder says ICS SA formed part of an international correspondence school network with about 10-million students.

It has operated in SA since 1906. Its current enrolment is 40 000 students.

Mr Maunder says: "We have assured our students and the professional institutes for which we provide tuition that the buy-out will not change our operation.

"We will keep the same course structures, fees and tuition services. In terms of the sale agreement, our operation will continue to have the same access to all ICS correspondence tuition offered worldwide."

Assurance

The school offers a hundred different technical, high school, computer study, business and vocational courses.

They include diploma and certificate courses for institutes like marketing, management, chartered secretaries, administrators, bankers, certified bookkeepers and accountants.

INTEC operates from headquarters in Woodstock, Cape Town, and has offices in Johannesburg, Durban, Pretoria and Port Elizabeth.

It prints 93% of its tuition texts and imports 7% from the US.

Mr Maunder says there is great demand for education in SA.

"We expect the growth of the school group to soar. Now that we are a South African company we can expand faster and introduce more industrial programmes suited to SA's needs."

ACTIVISTS TARGET 100 FIRMS WITH A SA CONNECTION

Sowetan 10/3/88 62

WASHINGTON — American anti-apartheid activists have targeted at least 100 US corporations with South African links in a barrage of disinvestment resolutions to be decided at upcoming annual general meetings.

Shareholders are scheduled to debate and vote on about 116 resolutions proposing action ranging from reduced links with the Republic to total severance of dealings with it.

Pressure for pull out by corporations mounting

"Virtually every major company still holding investments in South Africa received a shareholder resolution calling for its withdrawal," said a prominent anti-apartheid figure, the Rev Timothy Smith of the Interfaith Centre on Corporate Responsibility (ICCR) in New York.

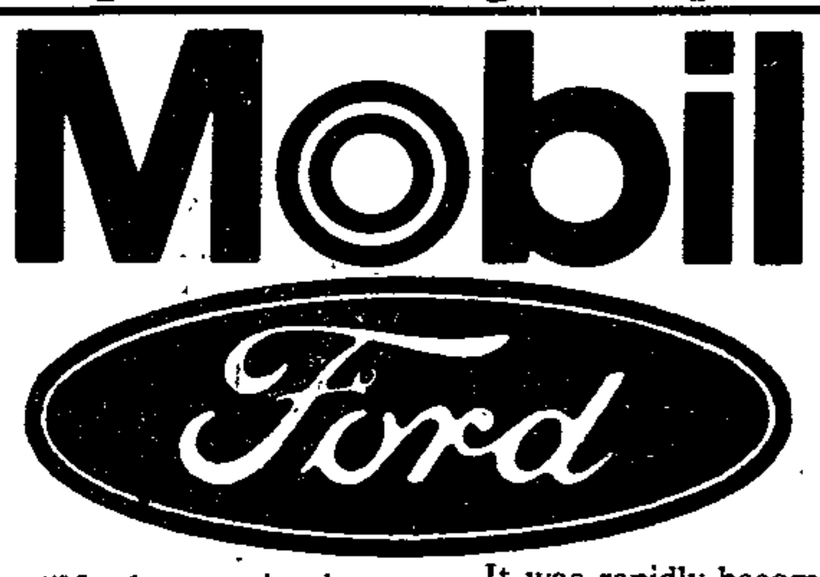
Churches and six of America's largest pension funds are trying to force US corporations out of South Africa.

"Corporations with trade, licensing, franchise and correspondent banking agreements are also major targets of 1988 shareholder resolutions, he said.

Companies singled-out for such pressure include IBM, Citicorp, Ford, General Motors, Exxon, Westinghouse and Xerox.

Their decisions — to leave South Africa but continue trade with the country — at first blindsided anti-apartheid activists, causing some confusion until groups such as the ICCR realised that non-equity licensing agreements were replacing their physical presence.

"... The hassle factor for top corporate



"No longer simply a question of morality, corporate image and profits are negatively affected by the South African connection. It's now a financial bottom-line issue," he said.

It was rapidly becoming bad business for US executives is growing," said Mr Smith, executive director of the ICCR, a national coalition of religious groups controlling investments worth more than R40-billion and a US clearing-house for corporate anti-apartheid activities.

corporations to continue business in South Africa. They were facing more pressure than ever to end those links, Mr Smith said.

Most of the resolutions will be discussed in coming weeks at shareholder assemblies, during the traditional spring wave of annual general meetings.

Pension fund giants such as New York State Common Retirement Fund and Teachers Retirement System are pushing companies to leave South Africa and withdraw by selling to promote black ownership and management.

Mobil, Chevron, Texaco, Ford, Control Data, Newmont Mining and 3-M are the most prominent targets in this case.

The US's largest fund, the Teachers Insurance Annuity Association-College Retirement Equity Fund, has urged 18 companies to get out of South Africa, including Caterpillar, Control Data, Goodyear Tyre, Unisys, and USX.

Church groups are aiming at a total end to trade. Recipients of this resolution include Mobil, Texaco, Union Carbide, American Cyanamid, Ingersoll-Rand, Johnson and Johnson, and 3-M.

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Buy-out at Bausch

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13/3/88

Business Reporter

THE biggest suppliers of contact lenses and associated products in SA, Bausch & Lomb Vision Care, has been sold to its management because the American parent is pulling out.

Managing director Paul Harrington will not disclose the amount involved.

Bausch & Lomb also supplies Ray-Ban sunglasses.

Two SA welfare organisations, Friends of Baragwanath and Pretoria-based Burea for Prevention of Blindness, benefited from the deal by receiving grants.

Mr Harrington says the agreement provides for the continued supply of products. The SA company has a staff of 40.

Slimming firm sheds SA

Sunday Times Reporter

AMERICAN slimming company Weight Watchers is to shed its South African interests at the end of February.

Local managing director Mr Imker Hoogenhout has told staff in a letter that "foreign pressure" has forced the US parent company to sever its South African franchises.

But Weight Watchers' staff and 5 000 members will tie up with a rival slimming company, Weigh-Less International, from March.

Weight Watchers was founded in the US in 1963 and has been operating in most major South African centres since the early '70s.

THE contents of this issue of the Sunday Times have been restricted in terms of the emergency regulations.

Targeted for 'police, army links'

Anti-SA activists take on Mobil Oil

By Cheetah Haysom, The Star Bureau

NEW YORK — Anti-apartheid groups have targeted Mobil Oil for a national campaign to get the company to pull its $400 million (about R800 million) investment out of South Africa.

Leaders of the Mobil Out of South Africa campaign plan a series of civil disobedience actions as well as institutional pressure for disinvestment of stocks.

Mr Joshua Nessen of the American Committee on Africa, one of the organisations involved in the campaign, said that Mobil had been targeted because it supplied oil to the South African police and military.

It was also under attack for its role in "forming a Washington-based 'secretariat' of US companies in South Africa to coordinate anti-sanctions and anti-disinvestment efforts in this country".

DEMONSTRATION

The campaign used Martin Luther King Day this week to stage a demonstration at the entrance to Mobil's world headquarters in New York. Police arrested 14 protesters who refused to leave the site after 90 minutes.

The blockade and civil disobedience involved representatives from the American Committee, Interfaith Centre on Corporate Responsibility, Union Theological Seminary, Communications Workers of America and others.

The same groups were involved in the campaign to force Citibank to close its branches in South Africa. Mr Nessen said the Mobil campaign was also linked to the boycott of Shell for its South African ties.



● SULLIVAN

Sullivan signatories drop by half

SUSAN RUSSELL

THE number of signatories to the Sullivan code of conduct for companies operating in SA dropped from 183 at the end of June 30, 1986, to 92 in 1987.

These figures were published in a report in the US in December, almost six months after the call by code architect the Rev Leon Sullivan for a complete withdrawal from SA by American companies and his subsequent resignation from the Sullivan Principles organisation.

The Prudential-Bache Securities report is based on the Arthur D Little annual ratings, published for the organisation, now known as the Statement of Principles for SA.

The Little report noted that 52 signatory companies had withdrawn from SA since last year. Only one US subsidiary, sold to non-US owners, had decided to continue as a signatory.

The report attributed the drop in signatories to three factors:

- ☐ Companies withdrawing from SA.
- ☐ Companies with no operations in SA being reclassified from signatories to endorsers.
- ☐ The fact that firms without control of their SA operation, or with fewer than 25 employees, can decide to report and become a signatory or not to report.

Profile



SULLIVAN

The name that shook a nation

THE Rev Leon Sullivan no longer has a direct connection with South Africa, but after a decade of involvement he has left a growing legacy of economic pressure against South Africa in an effort to end apartheid.

The fiery Baptist minister last week announced his intention to retire from the pulpit, but will remain a leading voice against apartheid.

Last year Sullivan agonised for weeks over a knotty question of conscience: Were US companies in South Africa helping to end apartheid by following the fair-employment principles he devised in 1977, or was their very presence lending aid and comfort to Pretoria's "whites only" regime?

In a dramatic reversal of his long-held position in favour of "constuctive engagement" and reform from within, Sullivan last June called on US companies to leave South Africa and demanded that the US sever diplomatic ties with Pretoria and impose a total trade embargo.

Black South African groups, including the African National Congress and the United Democratic Front, welcomed Sullivan's call for corporate withdrawal, as did South Africa's Anglican Archbishop Desmond Tutu, who said he would support sanctions until he was convinced "of a more effective non-violent way of bringing justice and peace to our country".

Sullivan's about-face had an almost immediate impact on Capitol Hill.

The heat on US business was turned up by Congress when it overrode a presidential veto and slapped sanctions on South Africa in early October last year.

The action banned new US investment and bank loans, ended US landing rights for South African Airways and prohibited US imports of uranium, coal, steel, textiles and farm products.

Outside Washington, American opponents of apartheid continued to press companies to leave South Africa.

Even before Sullivan's defection, American business had begun voting with its feet. More than 100 companies have left South Africa in the past 18 months.

Despite the turmoil, at least 160 US companies are still doing business in South Africa, the Washington-based Investor Responsibility Research Center reports.

Most businesses that have stayed on have said they would retain the Sullivan Principles.

Over the last 10 years, the Sullivan Code prodded American subsidiaries into challenging petty apartheid, supporting black trade unions, and spending about R500-million on black education, housing, and community projects.

Unfortunately, disinvestment and sanctions are unlikely to exert the sort of pressure that Sullivan had in mind, and they threaten the code's limited accomplishments.

After the imposition of the state of emergency in July 1985, jittery American bankers refused to roll over SA's R14-billion short-term debt.

The SA government immediately froze repayments, reinstated currency controls on capital exports and increased its crackdown on political dissent.

As after Sharpville and Soweto, the state of emergency calmed American bankers (who eventually rescheduled payments on South Africa's terms), and reassured the white electorate.

The declining rand stimulated demand for exports and curbed import-buying, leaving South Africa with a record trade surplus in 1986. After the government handily won last year's May election, industrial shares on the Johannesburg Stock Exchange climbed markedly.

Despite disinvestment, half of the US multi-nationals that left retained licencing and distribution agreements with their former subsidiaries.

Royalty payments on these agreements offer multi-nationals the only means to evade the strict currency controls on capital flight. And such links enable them to circumvent the 1986 Export Act's restriction on direct sales to the South African government and military.

Even a ban on all trade links won't stop the flow of American goods to South Africa. After Kodak pledged to end direct involvement, a spokesman said: "We can't stop all our 500 000 world customers from deciding to resell to the South African operations which replace us."

More important, Sullivan's dictum undercuts his plea for disinvesting firms to empower their black workers.

There are two major difficulties in transferring to blacks the assets of departing firms. First, black managerial talent is in short supply, reflecting, in part, the failure of Sullivan-mandated advancement programs.

Second, blacks lack the requisite financing for buy-outs.

Disinvestment also comes at the expense of black workers by causing further unemployment.

This weakens trade unions just as they are becoming more politically active. And it is the unions that provide a slender democratic precedent for a post-apartheid society.

But it is South African businessmen who are reaping the benefits. After Sullivan's announcement, shares on the JSE rose noticeably.

Anglo American, South Africa's largest conglomerate (and America's largest foreign investor), increased its share on the JSE last year from 54 percent to 60 percent through buy-outs of disinvesting firms.

Realising that disinvestment alone will not topple apartheid, Sullivan also called for full trade sanctions. But like disinvestment, sanctions have unitended consequences.

The gold sanctions proposed by Sullivan and the International Labour Organisation would cripple the South African economy (since gold provides 11 percent of GNP and over half of foreign exchange earnings), but they would also devastate the country's strongest trade union, the National Union of Mineworkers.

The resulting lay-offs and wage freezes would undercut the NUM's current campaign for "living wages" far more effectively than mine-owner intransigence

Sanctions, though, are more likely to be implemented against South Africa's agricultural products than against its minerals – as the West, if not sub-Saharan Africa, can easily afford to find substitute suppliers.

But it is the agricultural sector that is most labour-intensive.

Sanctions would also wreak havoc on the regional economy. The Southern African Development Co-ordinating Conference, an organisation of the frontline states, estimated that international sanctions would cost them R14-billion over the first three years.

That is if South Africa expels its 350 000 foreign migrant labourers, halts electricity supplies and cuts off trade with the region.

Facing economic woes of their own, Zimbabwe, Mozambique and Zambia have muted their calls for economic sanctions.

Advocates of sanctions are willing to risk these consequences, believing Archbishop Desmond Tutu's claim that sanctions will end apartheid in "next to no time". Yet South Africa has long been preparing for autonomy.

Since 1962, legislation has mandated ever-increasing percentages of local content in automobile manufacturing (now at 70 percent), and the military has pressured the government into developing local industries (such as diesel engines).

The oil embargo prompted the development of coal liquefication plants, which now supply 30 percent of South Africa's energy needs. And the 1977 arms embargo turned South Africa into one of the world's largest arms exporters.

If sanctions are adopted, there is no guarantee they will be enforced.

Ritualistic denunciations of apartheid have rarely interfered with surreptitious trade with South Africa.

The disinvestment efforts, however, still haven't settled a persistent issue: Are US firms a progressive force against apartheid?

Sullivan was scathingly critical of President Reagan, whose administration continues to resist imposing full sanctions on South Africa.

He expressed hope that the sanctions debate would become a key issue in the 1988 presidential elections.

And Congress has decided to impose double taxation on the profits or royalties of US businesses still involved in South Africa.

"Whether they stay or go, US firms aren't likely to become a major force for reform," said one US corporation spokesman.

"US companies have little leverage under the circumstances. After all," said one American executive, "American firms employ only one percent of South Africa's labour."

The stepped-up pressure on US firms may well make further withdrawals from South Africa inevitable.

The volatility of stock prices, caused by portfolio insurance and index arbi- million shares a day, against 186,74-million the week before. — Sapa-AP.

The newspaper said that

BI Daily 18/11/88 62

US trade deficit falls $4,41bn

WASHINGTON — The US trade deficit fell to $13,22bn in November from the record $17,63bn in October.

The Commerce Department said US exports rose 9,4% to a record $23,80bn while imports fell 6,0% to $37,02bn. The US manufacturing trade deficit fell to $12,22bn in November from $15,52bn in October.

Oil imports fell to $3,99bn in November from $4,34bn in October. The November deficit was the lowest since a trade gap of $12,96bn in April 1987 and was below most analysts' predictions.

The trade deficit with Japan fell to $4,85bn in November from $5,86bn in October.

The surplus in agricultural commodity trade rose to $954,2m from $698,1m in October.

Commerce Department officials said exports of aircraft, power generators and chemicals contributed to the record export level in November. The previous export record of $22,9bn was set in March 1981.

Imports of clothing, textiles and telecommunications were down in November.

The November trade deficit was down from the deficit of $15,44bn in November 1986, the department said. — Reuter.

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The 'staying in touch' people

Carter and Coyle

No US tax can mean no SA control

14/11/88

B/Dam

(62)

JENNY BOBERG

US corporations may have to relinquish control of their SA subsidiaries if they are to avoid US tax on income retained in SA, tax experts say.

The recently-passed omnibus Bill, which includes the so called "Rangel amendment", makes it clear that the income of any "Controlled Foreign Corporation" (CFC) is deemed to be distributed to its US shareholders.

CFC's are corporations in which more than half of either the voting interest, or the value of the shares, is owned by a US shareholder.

In spite of the fact that the income of a CFC is retained in SA, this income is now taxable in the US without credit for SA taxes levied on it.

Price Waterhouse partner Chris Frame says US companies could sell shares in their SA subsidiaries with a view to excluding them from the definition of a CFC.

Some traders will even watch for data from home

World awaiting trade figures

B/Dam

14/11/88

NEW YORK — Pivotal US trade figures will be released tomorrow into the maw of a global 24-hour currency market which is rapidly abolishing barriers of time and geography.

Major money broker Lesser, Marshal's executive vice-president Tomio Kudo said: "All the major dealers around the globe will be up and will be watching the (November) trade figure."

Bad trade figures, suggesting the huge US trade deficit is not being corrected, are likely to trigger renewed selling of the dollar.

Twenty-four hour trading now goes on in New York, Tokyo, London and other money centres, which used to close overnight.

Brokers and dealers said the currency market, which can trade currency worldwide to the value of as much as $200bn in a day, had been able to develop 24-hour trading because of improved communication and information systems.

The First National Bank of Chicago has become the second US bank this year, after Citibank, to operate a full 24-hour trading cycle in currencies, interest rates and other financial instruments for clients worldwide.

The bank's chief currency dealer, Tim Morge, said: "To be competitive, you have to offer a 24-hour service.

"There is quite a lot of business during Tokyo time (late evening and midnight in North America)."

Richard Lloyd, chief dealer at Security Pacific National Bank in Los Angeles, said: "Lots of large banks in Asia — Tokyo, Hong Kong and Singapore — are now manned 24 hours.

"Most major dealers will be in their offices at the time the (trade) figures come out, even in Tokyo."

Yen: rising star of currencies

D/Dam

14/11/88

LONDON — The Japanese yen, boosted by investor buying, emerged yesterday as the rising star of currency markets jittery about new US trade figures due out tomorrow.

The dollar and share values slumped in Europe on uncertainty over future prospects for the US economy, but the US currency was underpinned somewhat by central bank intervention in Japan and West Germany yesterday. Gold prices crept ahead and oil prices, which took a dive on Tuesday, recovered.

Rumour-driven financial markets were preoccupied with the size of the US trade deficit for November. America's burgeoning trade shortfalls and big surpluses in West Germany and Japan have been blamed by economists for global economic imbalances and by dealers for the dollar's weakness. — Sapa-AP.

DISGRACED former

Black group buys Pepsi

By SHAUN BENTON and DAVE PHILP

A GROUP of black businessmen has bought the last remaining Pepsi plant in South Africa — located in Cape Town — with intentions to put the soft-drink company "back on the map".

Soweto Investment Company Ltd (SIC) bought the troubled plant late last year from Cape Beverage Holdings just a day before liquidation procedures were due to begin.

The Pepsi plant had run into financial difficulties arising from, among other things, a labour dispute in August last year.

SIC's co-managing director, Mr MacDonald Temane, said yesterday that in spite of the plant's former financial problems, he was confident that it would soon turn in a profit.

"You can safely say that Pepsi Cola is now in black hands."

He envisaged an advertising campaign to relaunch the product — "we want to put Pepsi right back on the map".

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US firms urged to invest in S Africa

WASHINGTON — As congress seeks to tighten the sanctions noose, the US commerce department is hoping to convince American businesses that the "black South African market" presents "excellent trade and investment opportunities".

An important starting point for the department's push is that ventures with black business are exempt from most sanctions and may be eligible for subsidised financing from the US export-import bank.

In a circular advertising a US Government-sponsored "business development mission" to South Africa in May, the department urges companies "to get a leg up on the competition in the midst of new economic growth and direction in South Africa".

"Black South Africans welcome foreign investment," the circular states, "and American firms participating in this venture stand to benefit from a wide and growing number of business opportunities".

The department points out that black consumer spending totalled over $7 billion in 1985, and constituted around 55 per cent of total consumer spending in South Africa.

"Such spending fuels black entrepreneurship and economic and commercial expansion, in an effort to keep pace with the fast growth and increasing sophistication of South Africa's 26 million black consumers."

Investment opportunities include "a variety of service-related areas" and consumer products, from insurance and transportation to sporting equipment, computers and software systems".

Also highlighted is franchising, especially of fast food restaurants, a market "expected to expand by a minimum of 25 per cent over the next three years".

"Excellent opportunities also exist for dry cleaning, quick copying and printing, automobile spare parts and service, education products and servicing, shoe repairs, and industrial cleaning, maintenance and security services.

"Participants in this should be able to negotiate franchises in several of these areas, many of which may qualify for US export-import bank financing".

The mission is scheduled to visit Johannesburg, Cape Town and Durban between May 16-28, and will include a maximum of 10 business represenatives willing to pay in excess of $1 200 for travel expenses. — Sapa

Disinvestment: The big boys do it with mirrors

IT was inevitable that the pace of disinvestments from South Africa would accelerate during 1987 after the passage of the Comprehensive Anti-Apartheid Act through the United States legislature in late 1986.

Many of the disinvesting companies nonetheless managed to find ways of retaining access to South Africa's lucrative markets.

The case of the giant Coca Cola corporation provides a neat illustration of this point.

After Coke's announcement that it was to disinvest from South Africa, the company sold off its local bottling plant and distribution network to a South African company, Amalgamated Beverage Industries (ABI). At the same time, Coke also announced that the syrup, which was previously manufactured in Durban and is the key to Coke's success, would no longer be manufactured in South Africa.

In that case, one wondered why ABI wanted the bottling plant.

The answer came when Coke announced it was constructing a new factory in Swaziland which would manufacture the syrup. From there the syrup will make its way to South Africa where things could continue to go better with Coke.

The trick with disinvestment is leaving but staying. DUNCAN INNES on politics and the art of new labels

Kodak was another American company to find a novel way of retaining access to the South African market despite its promise that shipments of Kodak products to South Africa would stop by June 1987.

In October this year a South African company, SA Druggists, announced it was importing Kodak products into the country and would continue to do so. SA Druggists also announced it would shortly be launching a "new" film under the label, Impact.

Whether or not Kodak is behind these new arrangements, or whether or not it even knows about them, is not the issue. The fact is that, despite its disinvestment, Kodak continues directly or indirectly to profit from sales to South Africa.

But while the disinvestment campaign has forced many foreign disinvesting companies to come up with indirect ways of retaining access to the domestic market, South African companies, especially our large corporations, have openly benefitted from disinvestment.

The Anglo American Group has done particularly well.

Over the past year Anglo acquired control over Barclays Bank (now First National); control over 76 percent of the South African Motor Corporation (Samcor); and (through First National) control over Citibank, the local subsidiary of the American bank, Citicorp.

During 1987, then, disinvestment provided South Africa's large domestic companies with a great opportunity to expand their power base in the South African economy by picking up prime assets in key sectors of the economy at very low prices.

Disinvestment has also led to a spate of mergers in the domestic economy.

The announcement that the giant American-owned car rental group, Hertz, was to disinvest from South Africa was accompanied by a statement that the company would first merge its local interests with the South African-owned Imperial Car Rental company.

ISM, the domestic company formed to take over IBM's South African interests after the latter disinvested, recently announced it was to merge with Reunert Computers, which is the computer arm of Barlow Rand. The new group will control 70 percent of the local mainframe computer market.

Thus one of the most significant impacts which disinvestment has had on the domestic economy over the past year has been to increase the level of concentration of capital within the economy, thereby strengthening large corporations like Anglo, Sanlam and Barlow Rand.

What, then, does all this mean in terms of the objectives of those in the anti-apartheid movement who favour disinvestment? Has 1987 proved a failure for them or not?

If disinvestment was intended to frighten the South African government into negotiating an immediate transfer of power then it clearly has failed. Since most disinvesting companies have ensured that they retain their links with the domestic market, in most cases it has been business as usual. Consequently, pressure on the South African government has so far been minimal.

But if the disinvestment campaign's goals are aimed at the longer term, then disinvestment may yet hurt this economy.

South Africa has an open economy, which means we rely heavily on the rest of the world for supplies of technology to remain competitive, for markets to bring in foreign exchange and for capital to help finance domestic growth. Should any one of these supply lines be cut, the South African economy would be in serious trouble.

Because disinvesting companies have made arrangements to continue to supply the domestic market, the flow of technology has not been severely disrupted so far. Also, while foreign trade sanctions applied by the West have hit some of our exports, the signs are that developing markets for our products in the Far East, coupled with a stronger gold price, should ensure a continued flow of foreign exchange for some time yet.

But what of foreign capital? Disinvestment has meant the withdrawal of foreign investment finance from South Africa and, more importantly, it means that there will be no new investment from these sources.

Coming on top of the capital sanctions imposed on South Africa by foreign banks, the loss of this investment finance poses a serious threat to the economy's capacity for future expansion.

At the moment, with its subdued growth rate, the economy is not yet feeling the pressure. But as it improves, and as credit demand grows, so domestic interest rates will rise and choke off the recovery unless new sources of finance can be found.

It is then that the disinvestment chickens will come home to roost.

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W1 Mail 24/12–14/1/88

ap

US INVESTORS

Hit by tax bill

American investors in South African shares have been dealt another blow — this time by new tax legislation. Already they have been subjected to a Bill prohibiting new US investment in SA and, effective from July 1, the termination of the Double Taxation Agreement (DTA).

Indications are that the Omnibus Bill, including the so-called Rangel amendment, passed late last month by the US Congress (see ***Economy***), will mean a reduced dividend flow for American shareholders. The new legislation is highly complex, and it seems that few investors or analysts have so far assessed the implications.

As far as equity investors are concerned, the practical effects will vary according to the position of individual shareholders and institutions. But, after investigating the issue, at least one local stockbroking firm, Mathison & Hollidge (M & H) is convinced that in principle equity investors will be affected and could be poorer to the extent of 15% of gross dividend income.

No more relief

The previous Bill banning new US investment in SA was mitigated as regards the DTA because US taxpayers have always been able to claim relief from double taxation in terms of the Foreign Tax Credit (FTC) concept embodied in US domestic tax law. Whereas non-residents securities tax (NRST) of 15% has and will continue to be deducted from dividends remitted to the US, American recipients have simply claimed relief of this tax in terms of the FTC arrangement.

M & H's view, formed in consultation with their auditors Arthur Andersen & Co, is that the FTC will no longer be applicable to SA-sourced income. This means that portfolio investors who receive such income will continue to pay the South African NRST; will also pay US tax on the same gross income; and will not be able to claim tax relief. The extent that net income is reduced could be pared to about 10% if investors take advantage of certain alternative procedures available to them in terms of US domestic tax law.

The degree of loss will also be determined by the type of investor. Least vulnerable are those recording capital gains or jobbing profits. There is no impact on the former as capital gains are not taxed in SA. For a jobber, who relies on both capital gain and dividend income for a total return, the effect will depend on the proportion of the total represented by the dividend; but the effect could be negligible.

But dividend strippers, M & H says, are in deep trouble. Their basic income, the difference between the financial and the commercial rand value of the dividend, will be significantly reduced and the profitability of dividend stripping will be hammered.

For closed-end investment trusts, whose shares are listed on the NYSE, investor income is simply reduced by 15%. The same applies, in general, to open-ended US mutual funds; however, M & H understands that some if not most of the US funds substantially invested in US gold shares, although by law advising investors of both their gross and net dividends after withholding taxes, do not specify the sources of such withholding taxes. If they are not questioned on the source the full FTC may be allowed; if they are, the 15% loss of SA-sourced income will apply.

Dividends under threat

Dividend payments are at present under threat anyway from rising costs and narrowing profit margins, and certain mines are expected to reduce their pay-outs this year. Traditionally US interest in South African gold stocks is concentrated on quality counters such as Freegold, Harties, Vaal Reefs, Western Deep Levels, Kloof and Driefontein. Any reluctance to trade in these could affect their prices. Or, suggests M & H research head David Gleason, those American investors who are prepared to live with reduced net dividend income may nonetheless want to obtain the same yields ruling at present — and will simply wait for prices to drift lower before buying.

There may well be many investors who in practice pay minimal tax. But the fear is that growing numbers will conclude that holding South African shares is no longer worth all the bother.

Andrew McNulty

fusal to sever trade links with SA, was orderly and no incidents were reported.

aim to do far more to dismantle the apartheid system. — Sapa-Reuter.

To Page 2

Fair weather brings Kodak back to SA

A R500 000 Kodak advertisement is being filmed secretly in the Cape Peninsula — less than a year after the giant corporation pulled out of SA and gave instructions that no Kodak unit "anywhere in the world" would be permitted to supply SA firms with Kodak products.

Own Correspondent

Yesterday afternoon a French camera crew and local technicians began filming the 30-second advertisement at Strandfontein. It is to be televised in Europe to coincide with the Olympic Games in Seoul, South Korea, in September.

SA producer Chris Charles at first denied the ad was being filmed for Kodak, saying it was for "swimwear".

He said Kodak film was being used for the shoot because "film-makers worldwide prefer it."

"The ad is not a Kodak ad," he said.

But yesterday Charles admitted that the ad was for Kodak. "I admit that I was lying last night," he said. "I was just stalling. I want to keep a low-profile."

Asked how Kodak could justify filming an advertisement in SA after its pullout, Charles said: "It is winter in Europe, while the weather here is perfect".

Another reason for making the commercial in SA was the favourable exchange rate. Kodak, New York, said it would prepare a statement.

KEY MARKET MOVEMENTS — JANUARY 6 to JANUARY 7 REUTERS

Gold			JSE	Previous			Latest		Johannesburg Stock Exchange		
LON close $/oz	LON PM $/oz	LON PM R/oz	Kruger-rand	$/R Comm	$/R Fin	Ffurt close DM/$	LON close £/R	3 months B A	All Gold BD Index	BD Induet Indox	JSE Ov'll Index
484,50	483,50	949,71	1157	0,5091	0,3175	1,6475	0,2810	9,45	1469,1	1744,2	1890
483,25	481,40	948,57	1145	0,5075	0,3150	1,6420	0,2803	9,45	1446,3	1732,0	1860

NO MOVE

Kodak sneaks in and out

Cape Times 8/1/88

By GLENDA GLOVER

A R500 000 Olympic advertisement for Kodak, secretly filmed in the Peninsula a year after the giant international corporation's dramatic pull-out from South Africa, was last night summarily scrapped on orders from its headquarters in New York.

The colourful commercial, featuring South African children and athletes, was being directed by Mr Jean-Paul Goude, one of the world's top directors of television advertisements.

It was to be televised in Europe to coincide with the Olympic Games in September in Seoul, South Korea.

Yesterday afternoon a French camera crew and local technicians filmed scenes in the 30-second advertisement at Strandfontein.

The producer on the South African end, Mr Chris Charles, initially denied that the commercial was for Kodak, which had cut all ties with this country and placed a blanket ban on sales of any of its products from "anywhere in the world" to it. He claimed it was a "swimwear" advertisement.

Why SA was chosen

He later admitted that the advertisement was for Kodak. "I lied," he said. "I wanted to keep a low profile." He did not want Kodak to be embarrassed, he said.

Asked why South Africa was after all chosen for the film, Mr Charles gave as reasons the weather, the favourable exchange rate and South Africa's "excellent" film technicians.

"The weather here is perfect, and it is also cheaper to shoot here."

Mr Charles said the commercial was not intended for South Africa — which is in any event barred from the Olympics.

The director, Mr Goude, had told the Cape Times he liked filming in South Africa because of "the excellent light, the marvellous sun, the wonderful styling artists and the genuine enthusiasm".

Mr Goude said the commercial was intended to be "a narrative ... a clear story with a sense of humour and a nice little end. A little tale in 30 seconds".

"We've been here for weeks just to tell a little joke," he said.

Mr Goude, the cameraman, his assistants and personnel from the Young and Rubicam advertising agency — which handles Kodak's Paris account — flew in before Christmas.

He said three little South African girls — a black, a white and an Oriental girl — featured prominently in the commercial and to him represented the "three races of the planet".

To page 3



KODAK STARS ... Top commercial advertisement director Mr Jean-Paul Goude with some of the R500 000 Kodak advertisement. The girls, who represent the "three races of the planet", are Maureen Panowa, 12, (left), Adelle Tinkos, 12, (centre), and Peta Brocklebank, 12. — Picture: [illegible]

From page 1

Cape Times 8/1/88 (62) (288)

presented the "three races of the planet".

A huge ramp about nine metres high and 30 metres long, painted bright red, had been erected in the Fisherman's Walk parking lot close to the Strandfontein pavilion, as a main feature of the film.

After news of the Kodak feature leaked out in Cape Town, Mr Ian Guthrie of Kodak's corporate communications department told the Cape Times in a late-night statement from New York that Young and Rubicam in Paris had been instructed to stop filming.

"It turns out that we had not been informed that our French company had commissioned Young and Rubicam, who in turn, hired people to shoot the commercial in South Africa. We have now directed Young and Rubicam to terminate production. It is not consistent with the position we have," Mr Guthrie said.

Today the crew had hoped to film the second sequence of the advertisement in a stadium at the South African Transport Services (SATS) hostel in Elsieben Road, near Mitchells Plain. The athletics track there was being painted yesterday and boards were being placed beside a section of it.

Tomorrow 250 extras were to take part in the third sequence of the advertisement at Herzlia School in Vredehoek.

On Monday the fourth and final sequence was to be filmed underwater at the Bellville municipal swimming pool.

● When Kodak withdrew from South Africa in November 1986, 460 Kodak employees lost their jobs and the total ban on products included X-Ray film used by hospitals and clinics, motion picture film and computer technology. Among the reasons given for the pull-out were financial considerations and because Kodak saw no end to apartheid.

It was not known last night whether the film crew would be seeking a new location outside South Africa.

Nickel sees drive for worldwide sanctions

Argus 8/1/88

62

ALAN DUNN of The Argus Foreign Service reports. Dateline: WASHINGTON.

SOUTH Africa will emerge as an issue in the seven-man Democratic race for the United States presidency this year, says Mr Herman Nickel, the former American Ambassador to the Republic, who has been analysing developments involving Southern Africa.

He also forecast in an interview a continuing rough ride this year for multi-national businesses — and not only American companies — in South Africa.

Mr Nickel, an analyst for the respected Econometrix organisation and Southern African specialist at the Johns Hopkins School for Advanced International Studies, said pressure groups would be pushing the Democratic candidates on the South African issue.

A breakdown of the special interest groups which made up the Democratic Party showed black and liberal anti-apartheid groups among them, he said.

"One of the recent things emerging ever more clearly in the way in which we select presidential candidates is that it's necessary to gain the support of these special interests," he said.

White House hopefuls could not gratuitously offend them. The Rev Jesse Jackson, one of the candidates with considerable black support and an



Mr Herman Nickel



The Rev Jesse Jackson

outspoken critic of the South African Government, would use his leverage to its maximum in the Democratic debate, he said.

The South African issue had become one where the pro-sanctions camp had become identified with the anti-apartheid struggle, an orthodoxy he dismissed as a "terrible and pernicious syllogism". No Democratic candidate had yet strayed from that, however.

"But there is a fading of interest in South Africa as far as the American public is concerned," he observed, so the two trends would have to be weighed against each other.

Referring to American companies in South Africa, Mr Nickel said a law Congress passed last month repealing tax credits American businesses received at home for those they paid in South Africa probably had more "bite" against those firms than economic sanctions passed the year before.

"The Rangel Amendment was one of those bits of legislative guerilla warfare that's very effective," he said. The "anti-South Africa lobby", unable to pass it through the front door, had slipped it through the back.

"It was a sneak attack that worked very well, a sad reflection on our legislative process," Mr Nickel said.

South Africa had unfortunately become an issue on which not even Republican politicians were prepared to spend a great deal of political capital, he added.

Congress seemed to have lost some interest in South Africa, with some politicians developing second thoughts about the sanctions they imposed in October, 1986. It had become obvious to them, he said, that the sanctions had failed to achieve their goal and had not produced the "quick fix" many on Capitol Hill had spoken of at the time.

Anti-sanctions Republicans were now in a better position than they were then: passing the sanctions had driven the monkey from their backs, there was increasing evidence that sanctions had in fact reduced American influence in South Africa to an all-time low, and a dawning realisation that sanctions would not work unless implemented on a co-ordinated global basis.

The anti-apartheid lobby would clearly aim for worldwide sanctions as one of its campaign thrusts this year. He warned of anti-apartheid groups leading consumer boycotts in the United States against the products of multinationals operating in South Africa.

If the two-year-old campaign against Shell Oil was anything to go by, he added, these boycotts would not make much of a dent. "But in public relations terms, major multi-nationals are very sensitive to their images."

Anti-apartheid movements would not stop their campaigns and demands until they were able to report a transfer of political power in South Africa.

Mr Nickel said the dynamic of selective contracting by American state and local authorities would continue in 1988.

Staff 'confused' over Kodak ad

By CHRIS STEYN

CONFUSION reigned yesterday at the offices of a building contractor and a modelling agency whose staff had been hired for the canned R500 000 Kodak advertisement which was secretly being filmed in the Peninsula.

The colourful commercial, which was to be televised in Europe to coincide with the Olympic Games in September in Seoul, has been scrapped on orders from Kodak's headquarters in New York.

After news of the Kodak feature leaked in Cape Town, Mr Ian Gutthrie of Kodak's corporate communications department told the Cape Times that they had directed the advertising agency, Young and Rubicam, to "terminate production".

The Kodak commercial, featuring South African athletes and children, was being filmed less than a year after the giant corporation pulled out of South Africa and announced a total ban on products — including X-ray film used by hospitals and clinics, motion picture film and computer technology.

Yesterday morning a spokeswoman for Topcco Modelling Agency, which had supplied models for the commercial, said the shoot had not been cancelled. "Don't believe anything of what you've heard," she said.

In the dark

When she was told about the report in yesterday's Cape Times, she undertook to bring it to the attention of the agency bosses.

But yesterday afternoon Topcco's owner, Ms Juliette Stander, said through a spokesman that she had "no comment" on the report.

The staff of building contractor Mr Christo Holloway, who had been commissioned to build ramps and erect scaffolding for the advertisement, were still in the dark yesterday morning.

"We are just going on as though nothing has happened. I have not spoken to Mr (Chris) Charles (the producer on the South African end) yet," said Mr Holloway.

Asked whether his builders would be paid fully for the work they had done, Mr Holloway said: "I would hope so."

Mr Charles, who conceded on Thursday that he had "lied" when he claimed earlier this week that the advertisement was a swimwear commercial, could not be contacted yesterday.

It was not known last night whether top French director Mr Jean-Paul Goude and his camera crew would try to complete the costly commercial in the Peninsula or would seek an alternative location outside South Africa.

Sulliyan to leave pulpit



Rev Leon Sullivan

THE Reverend Leon Sullivan, author of the anti-apartheid code of conduct for businesses dealing in South Africa, has told his Baptist congregation he is retiring from the pulpit.

"It was almost like a funeral," said State Republican Ruth Harper, who was among the 2 000 worshipers at the Zion Baptist Church when Sullivan made the announcement last Sunday.

"A terrible, terrible sadness fell over the church. Some women screamed. People were crying and he shed a few tears himself," she said.

The 65-year-old West Virginian has been pastor of the church, one of the city's largest congregations, for 37 years. His commanding height, booming voice and fierce commitment to political and economic betterment for blacks have been enforced locally and internationally for decades.

Sullivan was not in his office and was unavailable for comment this week, said his secretary.

Even though Sullivan is retiring as a pastor, he remains a corporate director of General Motors, the head of an international vocational training program called Opportunities Industrialisation Centres, and a leading voice against forced racial segregation in South Africa.

In 1977, Sullivan formulated his Sullivan Principles, a set of guidelines aimed at achieving racial equality in pay, hiring and promotions in South Africa.

Sullivan told his congregation on Sunday that he wanted to devote more time to OIC and to helping feed children of Africa and the world. He said his resignation would be effective from June 1988. – Sapa.

Cape Times 4/11/85

Kodak seeks a new location

By CHRIS STEYN

A SEARCH for a new location to film the Kodak television commercial is on.

The commercial was being secretly filmed in South Africa when the Cape Times broke the news. The company, which has withdrawn from South Africa, ordered filming to be stopped.

Informed sources said yesterday that the commercial would probably have to be filmed all over again at another location, possibly in Zimbabwe.

Informed sources said yesterday that the order to end the production had created havoc and caused dismay among the French camera crew and South African film technicians, models and staff hired for the commercial.

Postponement of the production has had serious financial implications, and has apparently also resulted in the loss of jobs.

Tax Bill holds more trauma for US firms

JENNY BOBERG

US COMPANIES operating in SA could face the prospect of not only paying double tax on their SA profits, but also on capital gains blocked in SA by exchange control and on undistributed profits.

This threat is posed by the recently passed US anti-apartheid Double Tax Bill which became effective at the beginning of the year, says Arthur Andersen partner Adelaide Passos.

She said that when the Bill became effective, the undistributed profits of SA subsidiaries also became taxable in the hands of their US parents, regardless of those profits not having been remitted to the US.

However, while SA subsidiaries often got permission to remit their trading profits to the US, exchange control regulations prohibited any dividends being paid out of capital gains. It was nevertheless posssible that US companies could be liable to pay tax on these gains.

This would only be avoided if US companies could claim a tax deferment until exchange control uplifted the ban on paying dividends out of capital gains, Passos said.

Previously, US companies paid tax only on dividends actually remitted by their SA subsidiaries. The US authorities taxed the retained earnings only of subsidiaries in tax haven countries. However, any country to which the US denied tax relief was treated for tax purposes like a tax haven.

The anti-SA tax provision denies US companies credit for tax paid in SA.

Catch-all tax law blasted in Wall St

ARGUS 6/11/88

From NEIL LURSSEN
The Argus Foreign Service

WASHINGTON. — The Rangel amendment, which doubles taxation for US companies operating in South Africa, revealed a US Congress which gave little thought to the consequences of its actions, the Wall Street Journal has charged.

The amendment was approved as part of an omnibus, catch-all tax Bill in the final days before the US Congress completed its work for 1987. There was hardly time for a thorough debate and the ways and means committee approved it after hearing only one piece of testimony.

The Wall Street Journal, America's largest daily newspaper and one of the world's most influential financial publications, said further debate might have shown that the amendment would do more than cost thousands of blacks their jobs.

"It will have the perverse effect of strengthening white economic dominance of South African society."

Fine print

The newspaper said studies showed that support for sanctions had fallen among South African blacks.

"Much of the (American) support for further sanctions appears to be driven by US domestic political concerns. Whether or not blacks support them has become irrelevant."

Meanwhile, US companies trading in South Africa are studying the fine print of the amendment to assess the impact it will have on their operations.

According to trade sources, the studies disclose that the taxation procedures vary widely from company to company and that in some cases it may be possible to find legal ways of reducing the impact of the amendment.

The Wall Street Journal said the measure effectively raised the total tax burden from 57,5 percent to 72 percent.

But sources said the final increase would be much lower after accountants and lawyers had finished their work.

The amendment halts the practice of making tax payments in South Africa tax-deductible in the US.

CAPE TIMES 7/1/88 62

Bush against 'no breaks' US tax in SA

WASHINGTON. — Vice-President George Bush has criticized a new law eliminating tax breaks for US businesses operating in South Africa, but says he is uncertain of how exactly to end racial discrimination in the country.

Mr Bush, who is seeking the 1988 Republican presidential nomination, denounced the amendment by Congressman Charles Rangel, Democrat-New York, to the $9-billion (about R18-billion) tax increase bill signed into law by President Reagan last month.

Mr Bush said the amendment, which ended tax breaks for businesses operating in South Africa, made "it almost impossible for some businesses to practise in South Africa".

"It's going to hurt the very people that that misguided legislation is trying to help," Mr Bush said on Tuesday during an appearance at the National Press Club.

He said Mr Reagan had advocated a policy of "constructive engagement" in South Africa to quietly persuade the Pretoria government to abandon apartheid.

He also reiterated an administration call for the release from prison of African National Congress leader Mr Nelson Mandela.

Mr Rangel said he "had no idea that the vice-president was co-pilot on our South Africa policy. I certainly did not even know the vice-president was aware of foreign policy".

He said Mr Bush should know constructive engagement had been a "complete failure, politically and morally".

Mr Rangel said Mr Reagan never expressly opposed the amendment although it was known the administration would not be enthusiastic about it. — UPI

'US companies can play constructive role in SA'

8/11/88

By Bruce Anderson

A visiting professor from Harvard Business School says he was "bitterly disappointed" when the US Congress recently passed legislation which effectively doubled the tax that US companies in South Africa would have to pay.

Professor John Mathews, who is in South Africa to present a series of seminars on business ethics, says he believes American companies can play a constructive role by staying in South Africa, despite pressure on them to pull out.

He said he believes that local South African companies also have a considerable role to play in solving the country's social problems.

SOCIAL RESPONSIBILITY

"South Africa's problems are so complex and so vast, that I don't see how any businessman can turn his back on the social problems. Saying that the government must take care of the social problems, is a way of ignoring reality," he says.

Professor Mathews believes that business ethics "has to start with a frame of mind and an emotional mind-set, only then do the tools and techniques for implementing changes become relevant".

"If you have a person at the head of a company who does not have personal values that translate into good corporate values, then the people below him will pick that up."

According to Professor Mathews, every business, whether a large corporation or a small restaurant, functions as both a "moral environment" and a "moral agent".

A business is a "moral environment" in the sense that it affects the happiness and well-being of the people who work for it. It is a "moral agent" because it also affects the lives and well-being of people and entities who are external to it, for example customers and suppliers.

The notion of "social responsibility" which is often evident in programmes run by local and foreign firms to upgrade schooling and provide housing for the population at large is an example of a firm acting as a "moral agent".

Businessmen in South Africa have proved themselves capable of speaking out and dissociating their companies from apartheid, he says.

But he also stresses that the apartheid system is all-encompassing and that businessmen are inevitably part of the system, as are individuals and countries who associate with South Africa.

Historically, he traces concern about the legitimacy and morality of business behaviour in the United States to roughly 100 years ago.

Anti-trust legislation, which made it virtually impossible to create monopolies, was passed in the 1890s.

WATERGATE INVESTIGATION

Another wave of interest in business morality came in the late 1920s and early 1930s in the wake of the stock market crash when legislation governing the financial markets was promulgated.

The excesses of corporations, which became evident following disclosures in the investigation of Watergate, also "shocked and disgusted" businessmen in the United States, he says.

Illegal campaign contributions and highly questionable payments to foreign politicians, especially in Japan, were among the practices that contributed to what many observers described as "corporate Watergate".

Professor Mathews says this was one of the factors that led to a greater interest in business morality in the post-Watergate era.



PROFESSOR MATHEWS

Business seminars

Professor John Mathews will conduct three seminars in South Africa on business leadership and corporate morality.

The seminars have been organised by the Harvard Business School Club of SA.

The first seminar will be held at the Carlton Hotel in Johannesburg on January 13.

This will be followed by a seminar in Cape Town at the President Hotel on Tuesday, January 19.

The final seminar will be held on Thursday, January 21, at Durban's Royal Hotel.

For further information, phone Ms Merle Richardson at (011) 465-1595 or pager (011) 393-1020 code 1334.

Tax move 'flies in face' of foreign policy

Oil giant hits out at 'sneak' US law

By Alan Dunn, The Star Bureau

Washington

The largest United States employer in South Africa, Mobil Corporation, has torn into the US Congress for sneaking through a law increasing the cost to US companies still in the Republic.

Breaking its silence since the law was passed at nearly midnight on December 22, Mobil said it "took exception" to the way lawmakers had worked on this legislation and said it "flies in the face" of the US government's foreign policy.

Mobil, a leading multinational among the 162 US companies in South Africa, was responding to insertion of the so-called Rangel Amendment — named after Congressman Charles Rangel of New York who sponsored it — repealing tax credits for American companies received at home for taxes they paid in South Africa.

Corporate sources in Washington said yesterday the Rangel Amendment's enactment into law was probably not the final word on the issue which has upset and angered much of corporate America, which fears precedents being created for their operations in other countries. They say there may be an effort in the wings to hit back at, or at least dilute, the Rangel Amendment in this year's congressional session.

In a quarter-page advertisment in yesterday's *New York Times*, Mobil criticised the 1988 budget Bill that Congress approved in the closing hours of last year's sitting.

"We've read the budget — fine print and all — and it leaves much to be desired," it said under the headline "Undue process".

Dealings on Capitol Hill over the budget should have involved revenue and expenditures, it argued.

Subterfuge

"It should not be subterfuge that allows legislators to achieve their own narrow objectives — which otherwise would fail if the normal legislative process were followed."

Mobil cited a few examples of clauses attached to the budget which were unrelated to finance and focused on the provision which affected the Rangel Amendment.

"This, of course, isn't how we should be making our fiscal policy — or our foreign policy. If the public is to have confidence in its elected officials, Congress must play by the rules. Those rules call for appropriate hearings by appropriate committees before a Bill can be voted on."

● Vice-President George Bush has described the new law as misguided. "It is going to hurt the very people the misguided legislation is trying to help," he said.

● See Page 9.

ARGUS 8/1/88 (62)

Mobil hits back at Congress over tax curbs

From ALAN DUNN
The Argus Foreign Service

WASHINGTON. — Mobil, the largest American employer in South Africa, has torn into the US Congress for sneaking through a law increasing the cost to US companies still in South Africa.

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Mobil was responding to the Rangel Amendment repealing tax credits American companies received at home for taxes they paid in South Africa.

Corporate sources in Washington said the amendment's enactment into law probably was not the final word on the issue, which has angered much of corporate America, which fears precedents being created for operations in other countries.

They say there may be an effort in the wings to hit back at, or at least dilute, the amendment in this year's congressional session.

In a quarter-page advertisement in yesterday's New York Times, Mobil criticised the 1988 Budget Bill which Congress approved in the closing hours of last year's sitting: "We've read the budget — fine print and all — and it leaves much to be desired," it said.

"Must play by rules"

"It should not be a subterfuge that allows legislators to achieve their own narrow objectives — which otherwise would fail if the normal legislative process were followed.

"... This, of course, isn't how we should be making our fiscal policy — or our foreign policy. If the public is to have confidence in its elected officials, Congress must play by the rules."

Mobil said Congress had debated the tax credit issue while considering sanctions in 1986 and had decided against it.

"This time, however, without hearings, the House-Senate conferees inserted the provision in the budget during a midnight trade-off ..."

Constructive role

A visiting professor from Harvard Business School told The Argus Correspondent in Johannesburg that he was "bitterly disappointed" when Congress passed the legislation.

Professor John Mathews, here to present seminars on business ethics, said he believed American companies could play a constructive role by staying in South Africa in spite of pressure to pull out.

'Sanctions, but scant effect'

JOHANNESBURG. — A visiting US anti-sanctions lobbyist said yesterday that South Africa would face increased economic sanctions, but predicted they would have a limited economic effect.

Washington lawyer Mr Donald Dekiefer told the RAU Institute for American Studies that SA was "better prepared for economic hardship than any other country in the world".

"It will have to rely on its own resources, however, and must show a greater commitment to looking at what it can do itself," he said.

SA had psychologically faced the worst of the sanctions threat, he said.

"There will be more and more symbolic sanctions against SA, but they will have scant effect. Economically it won't mean very much."

He cited the example of companies monitored by the Investor Responsibility Research Centre group in the US.

Companies could easily satisfy the criteria for disinvestment — such as no longer having any assets in SA — and yet no money would physically have left SA.

Only corporate motifs and symbols would have changed.

"Companies are not political institutions and it is easy for them to acquiesce in symbolic acts."

He highlighted the positive aspect of sanctions: "SA can now be in control of its own political and economic destiny."

He said sanctions, for example against steel, gave the industry a major means of increasing its overseas trade through exporting the raw material in a different form.

"Where sanctions have hit certain sectors hardest, this shows SA has not been inventive enough in looking at how to export those products."

FOR SUBSCRIPTION INQUIRIES — TELEPHON

D/D 26/11/86

(62)

Sullivan Code signatories halved

WASHINGTON — The number of Sullivan Code signatories has halved from 184 to 92 since November last year, according to the eleventh annual report on their activities.

Fifty-two have pulled out of South Africa, while 31 with less than 25 employees or a minority interest in their South African subsidiary have elected to be reclassified as non-participating "endorsers".

Ten firms have withdrawn from the programme altogether. Two were dropped for non payment of dues. Two merged and four joined.

The surviving companies employ 43 865 people, down from 62 376 last year.

The report said it was "regrettable that only one US subsidiary in South Africa, which was sold to a non-US owner, decided to continue as a signatory".

The 1987 edition is the first to appear following Reverend Leon Sullivan's decision to abandon his code last June. It was prepared, as before, by the Arthur D. Little auditing company.

"The signatories continued to operate together in following the principles through the Industry Support Unit in the US and the signatory association in South Africa," the report explained.

Despite the dramatic attrition rate, signatory outlays for non-employee education and community development rose from R59,2-million in 1986 to R67,8-million.

The percentage of senior job vacancies filled by non-whites was also up. Blacks filled 10 per cent of managerial openings in the latest reporting period and 36 per cent of new supervisory positions. This contrasts with 8 per cent and 28 per cent in 1986.

The value of goods and services purchased by signatories from non-white enterprises rose from R22-million to R27-million.

"What you're seeing," one company executive commented, "is that the the truly committed people who really want to contribute something are staying on board. — DDC"

Ford pull-out deal a model for others

ALAN FINE

IT IS just over a year since General Motors (GM) announced its decision to disinvest from SA, a local management buyout exercise which was to be carried out in an atmosphere of ignominy and acrimony.

In case anyone has forgotten, following the announcement more than 2 000 members of the then National Automobile and Allied Workers' Union (Naawu) staged a bitter three-week strike in protest against GM's failure to consult them over the terms of the withdrawal. And GM certainly received no praise from any quarter for what it characterised as partially a politically-motivated move.

In contrast, when the final terms of Ford's withdrawal from SA were announced two days ago, everyone concerned, it seemed, was happy or at least content.

The main difference, of course, was the five months of consultation and negotiation between Ford, Samcor and the National Union of Metalworkers of SA (Numsa), of which Naawu is now a part.

Key issues

But the Ford deal is additionally important because it embraces two key issues of the local industrial relations scene — disinvestment and employee share-ownership programmes (esops).

The extremely creative thinking that went into the final agreement has demonstrated that there are formulae for adequately resolving the conflicting interests involved.

As Numsa's Fred Sauls has pointed out, this is the first time a disinvestment arrangement has given any real content to Cosatu policy on the issue — namely, that while disinvestment is desirable, the wealth must remain "the property of the people of SA for the benefit of all".

Cosatu's stance leaves open the all-important question of how to deal with those disinvesting multinationals — almost all so far — which do not hand over their equity to bodies such as employee trusts. In this case, though, Ford has gone a long way toward meeting that demand.

Assuming Samcor becomes a profitable concern — as management has apparently convinced the union it will — and the employee trust is efficiently run, the goal of promoting "community welfare and development activities" has important potential.

The same can be said of the two community trust funds — in Port Elizabeth and Pretoria — to be established with $4m of Ford money and administered by equal numbers of Numsa and community representatives.

The decision to divert the dividend income received by the employee trust fund into the community rather than to distribute it among employees was, according to Sauls, the factor which, more than any other, allowed the scheme to become a reality.

There will be those who mutter that it was an arrangement imposed on the workers by union leadership for ideological reasons.

But while it may be difficult for the average shareholder to grasp, there was apparently a serious danger of the Ford proposals being rejected due to worker suspicion of the offer as an attempt at co-option and a reluctance to become "dividend-earning capitalists".



□ SAULS . . . "the benefit of all"

The consequences of non-agreement could well have been the withdrawal of all Ford links with SA — technology, licensing — and hence the probable collapse of Samcor as a going concern.

As an esop, the deal is, on a per capita basis (perhaps the eqivalent of R20 000 a person) far more extensive than anything SA has ever seen. Ironically, the timing may be unfortunate for Samcor majority shareholder Anglo American.

Anglo is to announce details of its own esop soon and, however generous it may be, it could well prove to have been pre-emptively upstaged by the Samcor plan — in terms of the latter's magnitude, the extensive negotiation undertaken and the subsequent union acceptance.

The collective nature of the scheme and its size — 24% of the equity — is a boon and a challenge to Numsa.

Despite the fact that workers are to earn no dividend income, one suspects that the dividing line between employee and shareholder/director interests will be more blurred than Numsa hopes. For one thing, the obligation to the beneficiary communities will become a factor.

Two directors

The Samcor deal is also the first local example of general employee representation in the boardroom. The two directors representing hourly-paid employees (the pre-negotiation offer was one) will doubtless, as Sauls said, receive a great deal of information of interest to the workforce.

Yet participation in board meetings will also inevitably force them to take stands on issues related to company management. How to do this in a way in which commitment to constituents' wishes is upheld could well be the next key test of Numsa's creative thinking at Samcor.

Naturally, a system of mandates and reports back will be implemented, but dilemmas arising from harsh economic realities will have to be faced.

Overall, though, the deal is an even greater challenge to other employers: firstly those multinational companies which — through irresistible domestic pressures and/or a desire to make an anti-apartheid gesture — decide to leave SA; and, secondly, those local companies wishing to give real meaning to employee share ownership.

Workers to run R100m fund

Ford, union conclude trust deal

25/11/87
B/day

AGREEMENT was reached yesterday on the terms of the Ford Motor Company's disinvestment from SA, five months after the proposed move was announced.

Ford Canada is to donate a 24% equity interest in Samcor — estimated by industry sources to be worth R100m — to a trust controlled by Samcor employees. Dividend income accruing to the fund will be used for community welfare and development activities.

The rest of Ford's 42% stake in Samcor will be held by Anglo American, AMIC and associates — who now hold the remaining, and majority, interest in the company. Anglo was unwilling to say what the 24% amounted to in monetary terms.

The employee trustees will nominate three of their number — two representing hourly paid employees and one representing salaried employees — to serve on Samcor's board of directors.

The agreement was concluded between Ford, AMIC, the National Union of Metalworkers of SA (Numsa) and Samcor.

An Anglo statement said Samcor operations would, in effect, continue unchanged.

Ford would continue to supply vehicles, components, service parts, management and technical assistance, as well as licensing the use of the Ford trade mark. Products would be distributed to the public in the same way as now.

ALAN FINE

In addition, Ford would establish and fund two community trusts — one in the Pretoria area and one in the Port Elizabeth area — with an equal number of employee and community representatives as trustees.

Ford would contribute $2m to each of the trusts, with the trustees having complete autonomy over the disposition of the trusts' funds.

The head of Numsa's motor section, Fred Sauls, expressed satisfaction with the accord.

He said while it was a small step — in that only a portion of Ford's total interests had been given to the trust — it came the closest to complying with Cosatu's position on disinvestment, that the assets and wealth should be retained in SA and used in the interests of the people of the country.

Sauls said a critical aspect of the agreement was that dividends accruing to the employee trust would not benefit workers personally.

He said this was the only basis upon which the union was able to accept the offer. There had been widespread resistance among members to having dividend income distributed among them personally.

They had, said Sauls, no desire to be drawn into "alienating private enter-

● To Page 2

Ford, union in deal on 24% Samcor stake

● From Page 1

prise relationships", which would lead to competition between them and colleagues in other companies.

It also meant there would be no contradiction between the normal collective bargaining processes and the position of the workers as shareholders.

Sauls said at this stage it was not envisaged that employee directors would directly participate in the running of the company. Rather, they would aim at gaining an understanding of how the company was being managed, and at collecting information which would be of use and interest to workers.

Union attempts to negotiate an equity of more than 24% — which would have given the trust a more decisive say in certain corporate decisions — were unsuccessful.

Anglo said a joint committee of trustees and management would be established to address issues of mutual interest. This committee would not substitute for the normal collective bargaining process.

The trust would comprise five representatives of hourly-paid workers — elected on a one-employee-one-vote basis, and two salaried staff representatives.

Regarding the two community trusts, Sauls said the union had demanded equal worker representation so as to ensure funds were channelled into relevant projects and to progressive organisations.

According to the Anglo statement, Ford had agreed to provide training over a period of five years — primarily at its US and European locations — for the purpose of upgrading the skills and qualifications of Samcor's employees (including, it is understood, worker directors) and to improve their career development and job opportunities.

CAPE Times 25/11/80 P 62

THE Emhart Corporation of Connecticut in the US has sold its local interests in Bostik and Formex Industries, two major Port Elizabeth companies employing about 1000 people, to a consortium of SA investors. The consortium consists of management of Bostik and Formex, SA Bottling and First National Merchant Bank.

Business Report

DIGEST

AGREEMENT was reached yesterday on the terms of the Ford Motor Company's disinvestment from SA. Ford Canada is to donate a 24% equity interest in Samcor to a trust controlled by Samcor employees. Dividend income accruing to the fund will be used for community welfare and development activities. The rest of Ford's 42% stake in Samcor will be held by Anglo American, AMIC and associates — who presently hold the remaining, and majority, interest in the company.

serve on Samcor's board of directors.

□ □ □ □ □

PE buy-out of Connecticut firm

PORT ELIZABETH — The Emhart Corporation of Connecticut in the United States has sold its local interests in Bostik and Formex Industries, two major companies here employing about 1 000 people, to a consortium of South African investors.

The consortium consists of management of Bostik and Formex, SA Bottling and First National Merchant Bank.

The sale was effective from November 21, a spokesman for the consortium said yesterday.

Bostik manufactures and distributes adhesives, sealants, speciality chemicals, fasteners and sound insulators for the motor industry.

BU Engineering, a division of Formex and a major general engineering and metal pressing operation in Port Elizabeth, will now trade under the name Formex Engineering.

The sale does not include British United Shoe Machinery, which bought out Emhart shares in the company worldwide.

Mr Philip Gutsche, a Port Elizabeth industrialist who will become executive chairman of the new group, said the continued employment of all personnel was assured.

"We are glad to see these businesses which have successfully traded in South Africa for many years continuing their operations intact under the new ownership," he said.

"Being largely Port Elizabeth-based, this is important. This area has suffered more from disinvestment pressure than any other."

Mr Dennis MacDonald, chief executive of the chemicals and fasterners operation, said the group had secured ongoing user rights to the well established trademarks Bostik, Prestik, Pop and IVI, as well as the right to secure new technology from Emhart companies worldwide.

"There is every confidence we will maintain our level of service to our customers under the Formex Industries name," he said.

In January this year, Emhart said pressures for divestiture in South Africa were beginning to affect its abilities to conduct its business elsewhere, especially in the United States.

It said that the sale of their assets formed part of their worldwide restructuring programme.

Emhart was the first major company to link its departure directly and exclusively to pressure from the anti-apartheid movement without citing economic and political problems in South Africa.

It was reported at the time that the South African subsidiaries had combined sales of more than R60 million a year.

— Sapa

Ford disinvests but cars stay in SA

The Ford Motor Company is disinvesting from South Africa, but will continue to provide Ford vehicles, components, service parts and management and technical services to Samcor, which at present manufactures Ford vehicles in the country.

Agreement was reached yesterday between Ford, Anglo American Industrial Corporation (AMIC), the National Union of Metalworkers of SA and Samcor "whereby Ford Canada will give a 24 percent equity interest in Samcor to a trust for the benefit of all Samcor employees", Anglo American Corporation said in a statement.

The statement said that for 10 months, Ford Motor Company "has been consulting interested parties with regard to the transfer of Ford Canada's equity in the South African Motor Corporation (Samcor)".

EQUITY

"The remaining 76 percent of Samcor's equity will be held between AAC, AMIC and associates."

The transfer, in effect, "means that Samcor will continue to operate unchanged, supplying Ford products to the public through its Ford Division and Ford dealer network in South Africa".

Dividends received by the employee trust would "be used for community welfare and development activities".

In addition, Ford would "establish and fund two community trusts, one in the Pretoria area and one in the Port Elizabeth area, with an equal number of employee and community representatives as trustees. Ford will contribute $2 million to each of the trusts..." — Sapa.

AK605 24/11/87

COMPANIES

US firm sells SA stake in Bostik, Formex

By TOM HOOD, Business Editor

AMERICAN-based Emhart Corporation has sold its local interests in Bostik and Formex Industries to a consortium of South African investors for an undisclosed amount.

The consortium is made up of management of the two companies, SA Bottling Company and First National Merchant Bank.

Bostik is a major manufacturer and distributor of adhesives, sealants, speciality chemicals, fasteners and sound insulators for the motor industry.

Port Elizabeth-based Formex Industries has a long history of supply and manufacture of footwear materials and components to the shoe trade as well as speciality hardened nails to the building and allied industries.

Mr Philipp Gutsche, the new group's executive chairman said Port Elizabetgh had suffered more from disinvestment pressure than any other area.

"We are glad to see these businesses continuing intact under new ownership. The continued employment of all personnel is assured."

Ongoing user rights to the established trademarks — Bostik, Prestik, Pop and IVI — as well as the right to secure new technology from Emhart companies world-wide has been written into the deal.

● **Santam Insurance** posted record profits for the year to September, improving its solvency margin, net asset value, insurance funds and reserves.

Gross premium income rose 17 percent to R642-million while net premium income rose by 18,5 percent to R577,1-million (R486,9-million).

Cash paid on claims increased by almost 11 percent to R448-million and a R700 000 underwriting loss was converted into a R20-million profit.

Total assets, at market value, amounted to R415-million on September 30. Only R6-million was knocked off this in the share price plunge in October.

The company had followed the policy of remaining relatively liquid and was under-invested in ordinary shares, although it did hold substantial blocks of high-yielding prefs.

Earnings a share jumped to 41,5c (21,5c), the final dividend of 9c makes a total payout of 15c (13c).

● **Teljoy Holdings**, listed on the JSE in June, more than doubled its net profit from R2,6-million to R5,8-million for the first half. This is well ahead of the R4,5-million forecast.

The interim dividend of 3,5c is also above the 3c forecast.

The year's earnings will exceed 22c a share, beating the prospectus forecast of 18,6c, says the chairman, Mr Theo Rutstein.

● After almost a year of strategic planning and careful examination of the group and its markets, **Nedbank Group's** management has decided that its thrust, in the wider financial services industry, will be towards greater specialisation by the divisions, says the chairman, Mr Owen Horwood.

There's life after Rev Leon

U.S. firms plough in millions to uplift SA workers

62

ST Times 22/11/87

By CAS St LEGER

THERE *is* life beyond the Rev Leon Sullivan, the American clergyman who for so long rode shotgun on American companies operating in South Africa.

While the good preacher himself has abandoned his policy of engagement and joined the sanctions movement, US investors have carried on their social responsibily programmes without him.

And this week the Sunday Times obtained a report which revealed that virtually all the American companies represented in SA are still voluntarily submiting to a monitoring process — and emerging with credit.

Of the 300-odd US companies invested in SA about two years ago, more than 100 have disinvested or simply ridden off into the transatlantic sunset. But many of those remaining are ploughing increasing millions into the upliftment of their workers.

Signatories to the voluntary business code of ethics dropped from 183 last year to 92. Yet, against this, funds assigned to improving the lot of employees increased significantly — with only one company failing to make the grade.

Nearly R130-million was spent on education, community development, social justice and business aid. This figure does not include job upliftment and training, and a higher wage structure.

An impressive R31-million was spent on education. And goods and services worth R27-million were bought from businesses in the disadvantaged sector.

Meaningful

These figures are drawn from the independently evaluated 11th Report on the Signatory Companies to the Statement of Principles for South Africa — the annual evaluation of the social performance of US-owned companies in this country (formerly known as the Sullivan Report).

Reporting signatories employed a total work force of only 43 865 — yet, said Mr Roger Crawford, chairman of the Signatory Association, their influence on South Africa was meaningful.

"We often make the mistake of measuring our performance in terms of rands spent, but our contribution should be measured in a far broader way — our management expertise and our influence in society," he said.

"As chairman of the Signatory Association, I was particularly concerned that we would lose a number of our signatories; of course, that is reflected in the report. But notwithstanding that, there have been significant increases in spending.

"This is a human endeavour and we attempt to quantify those involvements by millions of rands, percentages of management advancement, and so on. We are inclined to overlook the ripple effect the American business community has on South Africa.

"One of our very real contributions has been to introduce our managers and others to the real-life situation of the majority of the population in this country."

Since the 10th report, 52 signatory companies have withdrawn from SA. Of the 134 companies surveyed in the July 1986 to June 1987 period, 85 percent were wholly-owned by their parent companies.

Numbers of blacks filling managerial vacancies rose four percent to 24 percent, and supervisory posts manned by the disadvantaged sector increased from 52 to 60 percent.

Signatories are required to pay 30 percent above the local Minimum Living Level (MLL) and Household Subsistence Level (HSL), as established by the universities of SA and of PE.

Only one signatory paid wages less than the required amount and all other companies averaged R396 a month. Lowest-paid employees received 64 percent above the MLL/HSL and signatories at six localities paid minimum wages of more than double the prevailing rate.

Directors

Eleven percent more was spent improving education standards, including the provision of 11 767 bursaries and grants.

During the 1986-7 reporting period, 387 employees were trained to journeyman status. Seven companies said they had 14 non-white members on their boards of directors. White employees supermarked by non-whites increased from 4,9 percent to [illegible] percent.

[illegible] wage gap remained [illegible] and complex, though [illegible] companies reported improvements.

Signatory assistance worth more than R36-million — a R5-million increase — was spent on community development, including housing, health and welfare. About 40 percent of workers owned their homes.

Aid worth R9,6-million was devoted to black, coloured or Asian businesses and R27-million — an increase of 23 percent — was spent in buying goods and services from non-white companies.

Many companies became involved in the Adopt-a-Clinic programme, providing money, equipment and advice, while others assisted mobile health units.

Much progress was made under the controversial Principle 7 on social justice and the elimination of apartheid, with R25,8-million spent on activities, including lobbying, anti-apartheid advertising, negotiation and legal assistance.

(62) 6/11/87 STAR

Disinvestment wrong — Crocker

US firms urged to turn the tide

By Alan Dunn, The Star Bureau

WASHINGTON — The Reagan administration's top official on Africa has urged Congress to help turn the tide of American businesses disinvesting from South Africa.

"A clear signal of congressional interest in this would send a powerful message across America," the Assistant Secretary of State for African Affairs, Dr Chester Crocker, told a House of Representatives hearing on Capitol Hill yesterday.

"Company after company is being intimidated by all forms of local and other action into a belief that if you're in South Africa it means you have blood on your hands or you're some kind of racist," he added. "It's nonsense. But until we have that kind of consensus emerging in our political system, our view is that our companies should be encouraged to stay."

The US administration was doing what it could to this end — "and we hope that others will join us".

Dr Crocker said he would like to see the State Department working with Congress to produce measures encouraging American firms to stay.

In a clash with Congressman Stephen Solarz of New York, a leading sanctions advocate, Dr Crocker said if major black South African organisations and leaders pressing for total sanctions and disinvestment "wanted to shut down American investment in South Africa, they could do it tomorrow by stopping the workforce at American firms.

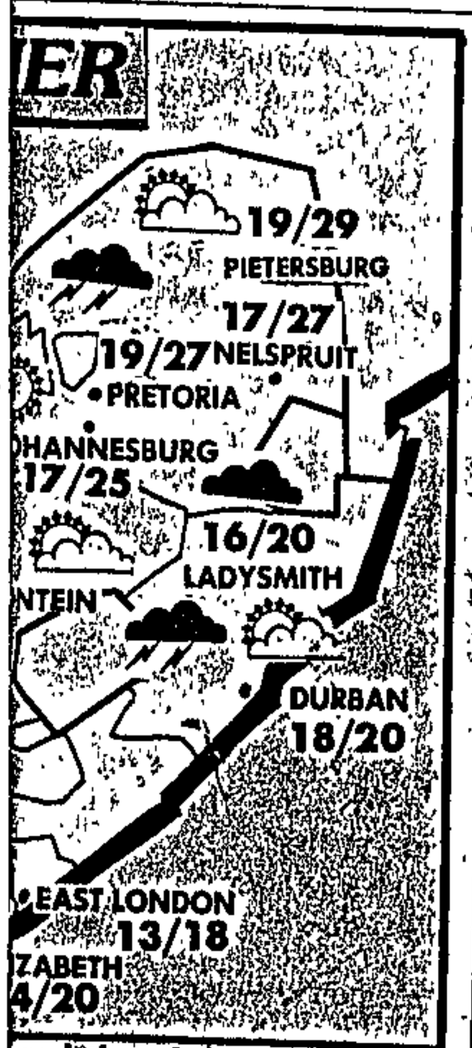
"They haven't done so. Why is that?"

Calls for new sanctions

Encouragement of US businesses was another way of ensuring that Americans contributed to the economic improvement of South African blacks.

In another development, the House of Representatives panel on Africa would consider specific proposals on new economic sanctions against South Africa early next year, its chairman, Mr Howard Wolpe, said.

He said a new package of measures should "embrace the thrust' of proposals presented yesterday by the US trade union giant, the American Federation of Labour and Congress of Industrial Organisations (AFL-CIO) which include closure of all SA consulates in the US, and restrictions on South Africans' entry to the US until SA is opened to all Americans, including AFL-CIO repereserntatives presently excluded.



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Huge classroom backlog

9/11/87

AT LEAST R850m will be required to eliminate the backlog in the provision of classrooms for blacks according to research conducted by the South African Institute of Race Relations.

These estimates are made in the institute's "Social and Economic Update" for the third quarter of 1987, released yesterday.

The figures include the "independent" and "non-independent" homelands.

They are based on a classroom shortage for blacks of 38 641.

The shortage of classrooms for coloured people is estimated at 5 400 and for Indians at 587.

There is a surplus of 3 840 classrooms in white schools, representing 15 3637 empty places, according to "Update."

The huge amount required to meet the backlog in black classrooms is based on estimates by the Department of Education and Training (DET) that it costs between R95 000 and R103 000 to build a classroom at a new secondary school, and between R22 000 and R30 000 to build one at an existing secondary school.

Comparable figures for primary schools are R60 000 at a new school and between R22 000 and R30 000 at an existing one.

The publication also reported on the per capita spending in 1986 on education.

An amount of R2 746 was spent for whites, R1 952 for Indians, R1 330 for coloured people and R395 for blacks.

Analysis of the education budgets for the current financial year illustrate that state spending on separate racial departments had increased by 8,77% for whites, 16,1% for coloured people, 10,46% for Indians, and 25% for Africans outside the homelands.

Increases for non-independent and independent homelands (which may include tertiary education) show even better improvements.

Among the non-independent homelands, Gazankulu shows an increase of 65% Kangwane 48,98%, kwaNdebele 110%, kwaZulu 50,27%, Lebowa 66% and QwaQwa 43,43%.

Figures for three of the "independent" homelands are: Bophuthatswana 5,49%, Ciskei 38% and Venda 22,27%. Figures for Transkei were unobtainable.

"Social and Economic Update" adds that the trend noted in previous quarters — an increase in government resources for black education — continued in the third quarter for 1987.

Further analysis of this year's education budgets also suggests that priority is being given to homelands, most of whose education budgets rose far more sharply than that of DET. The government's commitment to upgrade farm schools also suggests that improvements in black education in white-designated rural areas may be on the way.

Outside the homelands, DET appears to be making limited but steady progress in reducing backlogs. There was evidence that the government was cutting back on white education resources. But it remained highly doubtful that racial parity in education could be achieved in the foreseeable future. — Sapa

Ladysmith 16/25 15/29 Sapa-AP

US banks renew interest in SA debt

AMERICANS are once again showing interest in buying up SA's foreign debt, said Reserve Bank deputy-governor Jan Lombard yesterday. And indications are that sellers are successfully achieving lower discounts for their wares than was the case at the beginning of the year.

HELENA PATTEN

Banking circles

Lombard said that until some months ago, only non-US banks were interested in holding SA debt. "Now I get the feeling American banks are also interested," he said.

Reports early this year suggested SA's debt was regarded in international banking circles in a similar light to that of Mexico, and was flogged at similar discounts — around 43%.

However, Lombard said although the market for SA debt was not particularly active and no discount was universally applicable, discounts fluctuated between 30% among American buyers and "much smaller margins" in Europe.

He said international confidence in this country's economy had definitely taken a turn for the better.

"Banks generally are feeling far more relaxed about holding SA debt; it has been performing tremendously well."

He said some banks were swapping SA debt for South American debt, but he indicated such transactions were probably motivated by political factors rather than by commercial considerations.

Lombard said he could not divulge the names of banks involved in the purchase of SA's debt or any details of these deals.

Friday and doctors said they had responded en- as a British newspaper has exclusive rights to

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SA-US trade volume almost static — Durr

Daily Dispatch Correspondent

JOHANNESBURG — The total volume of trade between South Africa and the United States has remained almost static while that between the Republic and Japan has risen marginally.

This is according to figures provided by the Deputy Minister of Finance, Mr Kent Durr.

Mr Durr was reacting to a recent report from Washington in which the US Assistant Secretary of State, Dr Chester Crocker, said Japan had overtaken the US as South Africa's largest trading partner.

Dr Crocker said it was "only natural" that other countries were going to step into the trading gap created by US sanctions.

Unofficial estimates published in the Washington Post last week placed Japan's two-way trade with South Africa at about $3,1bn this year with US two-way trade estimated at $2,5bn.

But, Mr Durr said, the figures on which US estimates were based distorted the real picture.

He said they did not take into account the exchange rate and the picture was not what Dr Crocker had portrayed.

He said in physical terms, the volume of South Africa's two-way trade with the US in 1985-86 was nine per cent of the total foreign trade and remained the same for 1987.

In rand terms, the figures of trade with the US as a percentage of the total were nine per cent and 11,5 per cent respectively.

The physical volume of trade with Japan in 1985-86 was seven per cent of the total while in 1987 it was 9 per cent.

In rand terms the figures were seven per cent and 12,5 per cent respectively, he said.

He said 70 per cent of the apparent increase in trade figures was accounted for by the exchange rate.

Mr Durr said the rand had fallen in sympathy with the dollar while the yen had hardened against the dollar.

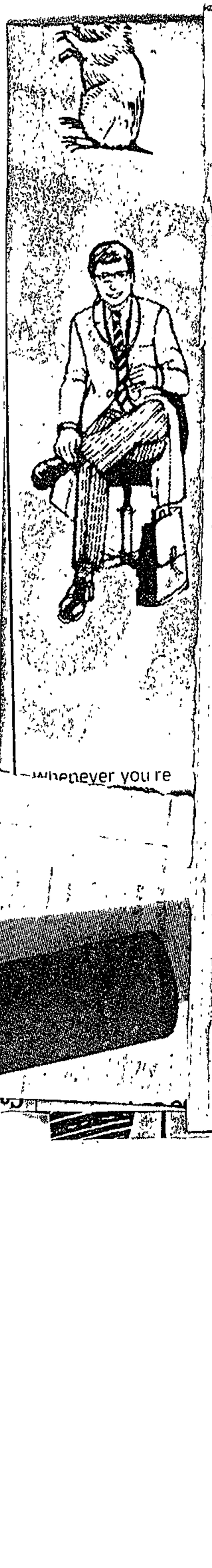
● South African exports to Germany plummeted by a massive 27,1 per cent — from R2bn to R1,5bn — in the first seven months of 1987.

German exports to South Africa were practically unchanged dropping a marginal 0,25 per cent to R2,7bn compared with the same period last year.

poned to December 1.

17/11/87

Star



Insurance company disinvests

By Teigue Payne

The American parent of Cigna Insurance Company has disinvested and local staff and management will now hold all shares in the company.

The disinvestment, for political reasons, by one of the world's largest insurance groups, was effective from November 5, and the company's name has been changed to Concorde Insurance.

The managing director of Concorde, Mr Robert Greenwood, said negotiations had taken about 13 months. He said 51 percent of the shares would be held by directors and senior management and 49 percent by staff at all levels, "down to the tea-lady".

He said staff had only to pay a nominal amount for the shares immediately.

There had been a "very good response" to the offer. The indications were that all shares allotted would be taken up immediately, he said. If they were not, they would be placed in a trust.

Mr Greenwood said the move would not affect policyholders in any way.

Daily Dispatch

62

29/11/87

Oil embargo against SA failing — report

UNITED NATIONS — A 10-year-old voluntary UN oil embargo against South Africa has not succeeded and has led to the expansion of an "illegal oil business" with that country, a UN report said yesterday.

"While small companies and middlemen are reported as being the main violators of the oil embargo, the role of major transnational oil companies, such as British Petroleum (BP), Caltex, Mobil, Shell and Total, which own subsidiaries in South Africa, cannot be underestimated," it said.

"Both BP and Shell are reported to be actively involved in oil imports to South Africa. In addition, tanker companies, through a series of chartering schemes, are attempting to conceal their role in the violation of the oil embargo."

The report was drafted by an 11-member UN body set up by the General Assembly last November and called the Intergovernmental Group to Monitor the Supply and Shipping of Oil and Petroleum Products to South Africa.

Its main purpose is to monitor an oil embargo recommended by the General Assembly in December 1977 as one of a number of measures aimed at pressurising South Africa into ending its policy of apartheid.

The group, chaired by the Norwegian UN representative, Mr Tom Eric Vraalsen, comprises members from Algeria, Cuba, East Germany, Indonesia, Kuwait, New Zealand, Nicaragua, Nigeria, Tanzania and the Ukraine.

The report said: "It should be noted that the embargo so far has not resulted in the cessation of the supply of oil and petroleum products to South Africa; instead it has led to the expansion of an illegal oil business with South Africa through the involvement of middlemen and others who have been able to circumvent the decisions of most oil-exporting states regarding their prohibition of the export of oil to South Africa."

Since South Africa was ready to pay premium prices, and as the world was experiencing an over-supply of oil, private companies had a strong incentive to transport oil to South Africa under mostly secret arrangements involving oil producers, shipping companies, charterers, oil traders and a host of middlemen, the report said.

"Under these circumstances, officials of states ... are often unaware of the arrangements to supply oil to South Africa," it added. — Sapa-RNS

San Francisco's Laws on doing business with SA are unwitting slapstick

TO do business with San Francisco, a contractor must first sign an affidavit solemnly swearing, among a multitude of other things, that he "is not the Government of South Africa".

San Francisco is a place where a lot of people claim a lot of peculiar identities, so perhaps this is necessary to weed out the truly eccentric.

Believing yourself to be Genghis Khan, Jesus Christ or Donald Duck does not automatically rule out your bid to lay a sewer on Castro Street or sell insurance to the tram company.

Indeed, I am sometimes tempted to think, it might be *de rigueur*.

But confuse yourself with the South African state apparatus, and therefore presumably with 60 percent of Afrikanerdom, and the city fathers will draw the line.

You have become, in their view, "tainted" (the official word, its opposite is "clean") and beyond the pale.

Now, some may argue that I am doing this lovely if somewhat damp and foggy city an injustice. In my defence, I offer exhibit A — 53 pages of unwitting slapstick entitled: "Regulations Governing the Implementation of Article XX of the San Francisco Administrative Code."

Article XX requires that the city government protect itself against the dread contagion of apartheid by refusing to deal in any way with infected persons or firms.

The document at hand explains what constitutes infection and the prophylaxis required to keep it out.

The carriers of this supposedly lethal disease are not simply businesses which have direct dealings with South Africa: San Francisco, familiar as it is with other kinds of epidemic, is far too cautious for that.

Under the regulations, a company is considered "proscribed" if it so much as "permits, with or without consideration, its name, trademark, trade name (in whole or in part), trade secret, copyright or patent to be used by an entity in South Africa".

Draconian? Not sufficiently, it seems. He is also unclean who does business with an entity he knows or "should know" has dealings with South Africa. *Should know?*

Evidently, ignorance is no more defence against the apartheid pox than it is to the more conventional varieties to which the flesh of San Francisco is heir.

The regulations contain a couple of examples elucidating the point:

● "Contractor A sells a shipment of widgets to B. A knows, or should know, that B will sell one or more of the widgets to B's customer in South Africa. A would therefore be deemed to have proscribed South Africa business relations.

● "Contractor A does business in South Africa. Law firm B, located in the US, is retained by A to review aspects of a lawsuit filed anywhere which is related to A's South African business. Law firm B would be deemed to have proscribed South African business relations."

The city fears it may also be infected by what its regulators call "non-cash transactions".

Thus far, the theory has been that the disease is spread by the exchange of taxpayers' money for tainted goods and services. Wrong. This virus is even more virulent.

"The ordinance must apply to transactions where neither the city nor the contractor is paying money to the other," the epidemiologists conclude, offering the following as an example:

"The city wishes nursing students from a university to receive training in a city hospital, thereby benefiting the city which would receive the services of the nursing students, and the university, which would receive training and education for its students."

In which instance, the university would be regarded as the contractor and the students its product. The city would be "purchasing" the students by providing them with training from its own doctors.

Though the regulations do not go into any further detail on this point, one must assume that the university would be "proscribed" if it had investments in "tainted" businesses or if books published under its imprint were sold in South Africa or if one of its tenured professors was temporarily teaching there.

Now, let us say that the school was "clean" in the above regards.

Its products, in this case nursing students, might still be classed as infected if they had originally been made in South Africa and would continue to be so classed until they had undergone "substantial transformation" by a non-infected party.

Question: Would an appendectomy or a nose job by a "clean" surgeon amount to such a "transformation"? Or would the poor girl have to be burnt at the stake before her services, and those of her university, could be accepted?

On these points, the rules are not specific.





SIMON BARBER'S WASHINGTON DIARY

Soweto chamber says 'no' to ABI share offer

B Day 8/10/87

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THE Soweto Chamber of Commerce has rejected Amalgamated Beverage Industries' (ABI) share offer to black traders.

It would not mean meaningful business participation and was politically ill-timed, the chamber's projects director, Peter Temane, said yesterday.

He said the chamber would fight to get Coca Cola in Atlanta to withdraw the flow of syrup from Swaziland where it is produced under franchise.

Temane said ABI, which was formerly controlled by the Coca Cola Corporation,

THEO RAWANA

approached the chamber after failing to sell to individual traders. The offer of 11-million shares at 100c each to staff and about 11 000 traders had already been rejected by the Food and Allied Workers Union (Fawu).

"Since the offer would constitute only 11% of ABI shares and black consumers form about 80% of its market, why not reverse the ratio and give blacks the major share? Or sell us one plant to run?" he asked.

He said the absence of risk made the offer look suspicious. "Why is there a guarantee to sell a R1,00 share at R1,60 after a 18 months? Black traders will not be enticed by "blood" riches rejected by unions," he said.

"We will be taking steps to get Coke in Atlanta to withdraw the syrup produce under franchise in Swaziland. No syrup, no Coke," he said.

ABI director Alex Reid said the offer was not meant to stall US sanctions moves as Coca Cola had already disinvested from SA.

"To say the offer should have been made in 1975 cannot be answered by ABI since Coca Cola made its decision to sell then and ABI became wholly SA-owned only last year", he said.

He said there was nothing sinister in making the dividend a sound investment, and selling one plant was not seen as a sound investment sense.

Reid said only Fawu did not support the offer.

400 people, two restaurants, a recrea- year.

2m Coca Cola shares taken

JOHANNESBURG. — More than 2m of the ~~11m~~ Coca Cola shares offered during its disinvestment from SA had already been taken up by traders and staff, Amalgamated Beverage Industries (ABI) said yesterday.

ABI, which took over Coca Cola's SA interests in a management buyout, said it would decide on November 1 what to do with shares not taken up in its offer.

The announcement comes after the Soweto Chamber of Commerce turned down the share offer to black traders because it felt the deal would not be a meaningful business participation and that it was made to stall US sanctions moves.

ABI is offering the 11m shares at 100c each to staff and about 11 000 traders after the Coca Cola withdrawal from SA.

The ABI spokesman said more than 1m had been taken by traders and another more than 1m by staff.

Criticizing ABI's offer for not being meaningful, the Soweto chamber's projects director, Peter Temane, also said the chamber would lobby to get Coca Cola in Atlanta to withdraw the supply of syrup from the Swaziland plant. "Without syrup, no Coke," he said.

Rand eases

JOHANNESBURG — The rand closed slightly lower at $0,4840/47, mainly due to a lack of interest in late trading, after holding steady at slightly higher levels of above $0,4850 earlier on a weak dollar and steady gold price, dealers said.

The rand closed at $0,4848/55 here on Wednesday.

The financial rand eased slightly to $0,2963/3013 from on Wednesday's $0,2988/3038 finish.

Against other currencies the rand closed at:

USA: 0,4840/47.
UK: 3,3910/40.
Germany: 0,8820/35.
Switzerland: 0,7360/75.
France: 2,9380/430.
Netherlands: 0,9930/50.
Japan: 70,30/40.
— Reuter

Computer Installation Group Limited

(Reg No 86/02604/06)
(Incorporated in the Republic of South Africa)

Cautionary announcement

Shareholders are informed that Computer Installation Group

On the go with Coke

62

B'day. 9/10/87.

THEO RAWANA

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Criticising ABI's offer, the Soweto chamber's projects director, Peter Temane, also said the chamber would lobby to get Coca Cola in Atlanta to withdraw the supply of syrup from the Swaziland plant. "Without syrup, no Coke," he said.

ABI confirmed there was no plant producing syrup in SA.

New US sanction step

Cape Times 20/10/87 62

From SIMON BARBER

WASHINGTON. — The House of Representatives is set to deny American firms tax deductions for the taxes they pay to Pretoria, adding tens of millions of dollars to the cost of doing business in South Africa.

The new sanction, which was quietly reported out of the House Ways and Means Committee last week as part of the final 1988 budget, would place South Africa in the category of countries deemed by Washington to support international terrorism.

These nations include Libya, North Korea, Iran and Afghanistan.

The measure, which effectively means double taxation for American companies still operating in South Africa, was authored by Congressman Charles Rangel, a leading member of the congressional black caucus.

Even though it must still be endorsed by the Senate and survive a possible presidential veto of the entire budget bill, Reagan administration officials remain deeply concerned that it will become law.

"This is the sanctioneer's best bet this year," one official said.

An industry source described the new legislation as "very serious".

One industry source, who would only speak on a non-attributable basis, called the legislation "very serious — a lot of companies will have to reconsider their position if this passes. the oil companies would be likely be especially hard hit."

Democrats on the Ways and Means Committee adopted the proposal unanimously after minority Republican members refused to participate in the budget drafting process.

22/10/87 (62) STAR

US firms that quit SA still profit, says report

The Star Bureau

WASHINGTON — Nearly half of the 96 American companies to disinvest from South Africa since last year are still making money in the country with other deals, the US business community has been told.

Anti-apartheid activists have been taken by surprise, according to a new report here, and are now trying to stop indirect and well as direct business ties between the US and South Africa.

In its fourth report on United States and Canadian business in South Africa released here yesterday, the Washington-based Investor Responsibility Research Centre found that United States disinvestment had had an "extremely small" impact on South Africa.

An IRRC director, Mr David Hauck, reported that the South African economy still had unrestricted access to United States products and to much of the United States technology it needed.

"Rather than pay dividends to the former parent company, the South African operation now pays royalties in compliance with the licensing agreements it signed with its former parents.

Business confidence on the rise

"The confidence of the SA business community may have been affected by the disinvestment, but that is difficult to measure, and there is some evidence that business confidence is now on the rise," Mr Hauck said.

Yesterday's report said that 96 United States companies had severed direct investment links with South Africa since January 1 1986, leaving 167 American companies with direct investment or employees in the country.

Nearly half of the 96 disinvesting companies had retained contracts, licensing, distribution or other agreements with the new owners. This allowed them to make money while telling critics that they had disinvested.



Protest at pull-out

JOHANNESBURG. — Workers at Mono Pumps (Africa) in Sebenza near Kempton Park have decided to hold regular demonstrations to protest at the failure of the company to negotiate with their union.

According to the National Union of Metalworkers of South Africa (Numsa), the US holding company, American Brands, announced in April its intention to disinvest from South Africa "due to the deteriorating political and business environment".

Mr Michael Kettle, group chief executive director of Mono Pumps (UK), was given the task of arranging the sale.

Purchase

"After a meeting with Numsa in August, Kettle said he would tell us the purchase price and the name of the buyer before the sale and agreed to consider certain demands," a Numsa spokesperson said.

The demands were:

- Mono Pumps should not continue to benefit from apartheid and should negotiate with Numsa the terms of the sale which affected workers.
- Workers should be no worse off after the sale.
- Mono Pumps should give Numsa full financial information about the sale price and the name of the proposed buyer.
- Mono Pumps should fully recognise the union in terms of a draft agreement submitted to Kettle, giving it the right to negotiate at plant level.
- Workers' wages should be guaranteed for five years and the company should sign a full retrenchment agreement.
- A fund to provide workers with supplemented benefits, should be set up. The company should also set up a community trust to get its boreholes and other pumps into the rural areas.

Negotiate

"Kettle referred us to the Gallager Board of Directors for further financial information. They refused to give us this information.

"He refused to negotiate any of our demands at a second meeting earlier this month. He refused to negotiate a document of sale in which workers would be protected. He also refused to discuss a trust fund.

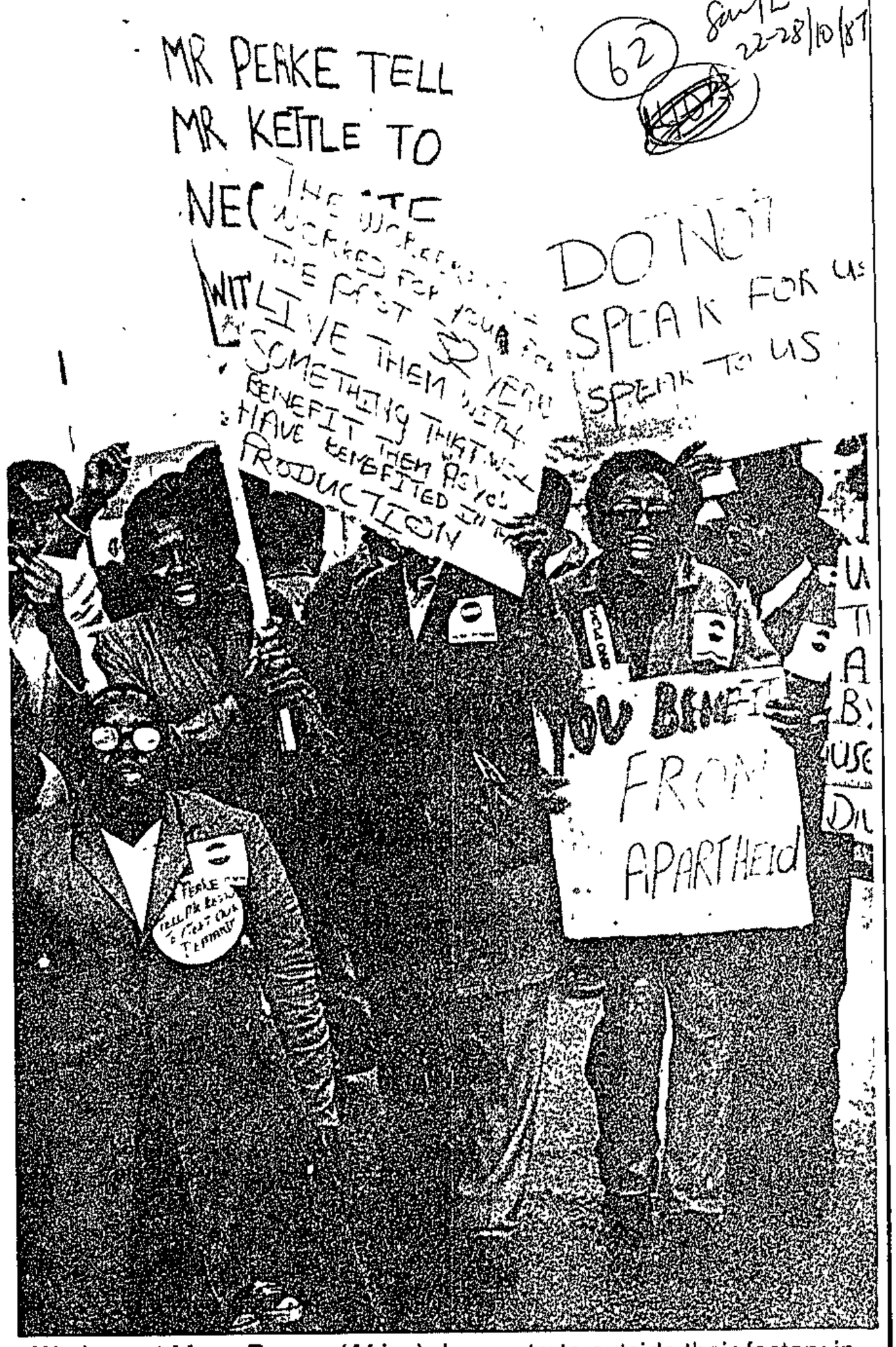
"Kettle said however, that he would consider giving an ex-gratia payment to some educational institution for the disadvantaged people of South Africa," the Numsa sdpokesperson said.

Mr David Bracher, projects manager for Mono Pumps (Africa) said the company's sale was a "commercial decision" and not a disinvestment.

He said the Kempton Park branch was one of "five or six being sold off around the world".

Numsa's disagreement was with Kettle and not Mono Pumps (Africa).

"Conditions of employment will not be materially affected by the sale," he said.



Workers at Mono Pumps (Africa) demonstrate outside their factory in Edenvale, Johannesburg, to show their dissatisfaction at the way their parent company is disinvesting

Mwasa clash looms

THE Media Workers Association of South Africa (Mwasa) faces another crucial national congress next month.

This time the divisive issue could be whether to affiliate to the Congress of South African Trade Unions (Cosatu) or the rival National Council of Unions (Nactu).

In 1983, Mwasa split at a national congress in East London over the decision of its Western Cape region to join the United Democratic Front.

The union patched up its differences after months of delicate negotiations.

The Western Cape region seemed to be approaching next month's congress with more caution.

At a recent regional congress, they decided MWASA should remain unaffiliated.

Regions like the Transvaal are expected to urge the union to affiliate to Nactu.

The Western Cape region resolved to commemorate May 1 and June 16 as workers' days.

They said they would review its position if the national congress decided to affiliate to Nactu.

New Shell boycott over SA links

CHICAGO. — The United Church of Christ is to boycott Royal Dutch Shell Petroleum and its subsidiary, Shell Oil USA, until the company stops doing business in South Africa. — Sapa-AP.

KODAK FILM REACHES SA

KODAK products are still being imported into SA despite the company's withdrawal earlier this year, SA Druggists' film division has confirmed.

Shipments of Kodak products were to have ceased altogether by June, and no Kodak operation anywhere in the world was to supply SA.

But Tim Sanders, marketing manager for SA Druggists' film division, said they were still getting supplies.

The division took over a large amount of Kodak stock at relatively low cost when the company withdrew, but new supplies were costing a lot more.

ROGER SMITH

He expected their Kodak prices would go up substantially next year.

The division had established itself as specialists in Kodak materials.

At the same time the division was about to launch film under its own new label, Impact.

He said there were only four or five large manufacturers of film in the world. Film was not manufactured in SA and had to be imported.

He would not say where the division's film was coming from, but said they had been guaranteed continuity of supply.

US poll finds support for SA

NEW YORK — Despite South Africa's continued refusal to dismantle apartheid, most Americans still do not support a pullout of US businesses to protest the racially discriminatory policies, according to a Media General-Associated Press poll.

Only 34% of the 1 223 respondents in the nationwide telephone poll said US businesses should stop investing or doing business in South Africa, while 49% opposed such action. The rest, 17%, were unsure.

When the same question was asked in a Media General-AP poll two years ago, 28% supported a pullout, 50% opposed a withdrawal, and 22% were unsure.

Blacks were more likely than whites to support withdrawal from South Africa. Forty percent of blacks said US businesses should get out of the country, compared with one-third of whites. Only 37% of blacks said businesses should stay, compared with 51% of whites.

Respondents were asked to choose between two statements:

"US companies should stop doing business with South Africa because it is immoral to deal with a government that practices racial discrimination," or "US companies should not stop doing business in South Africa because to do so will economically hurt both the blacks and the whites."

While the poll found most people did not favor business pullouts, it also indicated that many Americans have no idea what US policy toward South Africa should be.

When asked, "In your opinion, what should the United States do next concerning South Africa?" 48% said they didn't know. Among those who had opinions, 18% said "stay out of it", and 9% supported stronger economic sanctions. The rest were divided among dozens of answers.

The United States has already imposed limited economic sanctions against South Africa. But Edward Perkins, the US ambassador, recently questioned the effectiveness of US sanctions and urged Western nations to "proceed with sensitivity."

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Poll shows US is against pull-out

Own Correspondent

NEW YORK. — According to a poll here, most Americans do not support a withdrawal of US businesses from South Africa.

The Media General-Associated Press poll said that only 34% of the 1 223 respondents in the poll said US businesses should stop investing or doing business in South Africa, while 49% opposed such action. The rest, 17%, were unsure.

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● Key British and European officials and business leaders now have second thoughts about the effectiveness of sanctions, Assocom said in Johannesburg at the weekend.

According to Assocom, this emerged during the organization's recent "goodwill mission" to Britain and Europe.

Assocom chief executive Mr Raymond Parsons said: "While the forthcoming Commonwealth conference and the review of the United States Anti-Apartheid Act this month will be accompanied by the usual anti-South African rhetoric, it is likely that opinions will now be more sharply divided on the desirability of further measures."

He went on to say that the emphasis was expected to fall more on "unity on existing measures" and on "positive assistance" to SA's neighbouring states rather than on any new negative steps against South Africa.

Mr Parsons said officials who had resisted sanctions, such as those in Britain, felt that their stance had been vindicated by events.

'Goodwill mission'

However, this did not mean that there should be complacency about sanctions, disinvestment or increased isolation. "SA must continue to diversify its foreign markets and will have to utilize unconventional trading devices where necessary."

During Assocom's "goodwill mission", business co-operation agreements were signed with the French and Spanish chambers of commerce. Mr Parsons said the agreements provided for the promotion of mutual trade.

An early benefit from the visit, Mr Parsons said, could be more visits by trade missions to and from South Africa to expand trade with France and Spain.

"These business contacts may well be low-profile and informal, but will nonetheless help to create a climate within which South Africa can expand its trade with France and Spain."

● The general secretary of the South African Council of Churches, Reverend Frank Chikane, said on Saturday that black South Africa was calling for quick, comprehensive and mandatory sanctions.

Mr Chikane's statement came after President Ronald Reagan's report to the US Congress, in which the president recommended against any new sanction measures, saying sanctions imposed by Congress a year ago had not changed the course of the South African Government.

Mr Chikane said a survey of political organizations "of the opressed people" of South Africa, trade unions and churches, showed that "the majority of the popular voice" of South Africa wanted the world community to deprive the South African Government of international political and economic support by imposing mandatory sanctions.

Sowetan

Page 3

Many against pull-out

5/9/83

NEW YORK — Despite South Africa's continued refusal to dismantle apartheid, most Americans still do not support a pull-out of US business to protest the racially discriminatory policies, according to a *Media General-Associated Press* poll.

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Blacks were more likely than whites to support withdrawal from South Africa. Forty percent of blacks said US businesses should get out of the country, compared with one-third of whites.

THE ECONOMY

Sullivan and the American obsession with new projects

● From previous page

is evaluated in terms of numbers of people, rather than in money terms).

But writing out cheques is not enough: the intention of the code is that companies should spend time and involvement too. Half the points on the evaluation go to the quantity of money spent: the other half measure the "sweat equity" of time and effort the company's staff has put into programmes in each of the four categories.

American companies can thus be found sponsoring a wide range of projects: from the Urban Foundation and Legal Resources Centre to schools and clinics in townships or rural areas to financial assistance for black entrepreneurs.

According to Signatory Association chairman Roger Crawford, from 1979 to June 1986, US companies in South Africa spent R128-million to support black education and training and R90-million on progress to improve the living conditions of blacks, coloureds and Asians. They contributed more than R12,5-million to housing projects, in addition to making low-interest housing loans available to employees.

Since 1980, when they initiated their "Befriend-a-School" programme, they have developed links with 500 black schools in which they have invested R9,2-million and substantial time. Almost 10 000 black South Africans have studied at colleges and universities on scholarships funded by US companies, according to Crawford.

In 1986 these companies helped 3 830 black business enterprises get started and purchased R22-million in products and services from black entrepreneurs.

Crawford says it's not the bald figures but what they look like as a percentage of the payroll that's important — and that US companies spend the equivalent of two to 12 percent of their payroll on social responsibility programmes here.

The code has on occasion come under fire even from people within Sullivan companies. It's argued that the black advancement programmes it requires can be a recipe for tokenism. And the range of activities it specifies tends to result in companies funding 20 or more different projects, diluting the impact of support for any one.

One criticism of the workings of the code has been that it encourages companies to engage in high-profile social responsibility programmes to get "brownie points" on the Sullivan ratings — rather than looking to their own employees or the communities in which they live.

For example, at the time ITT announced its sale of subsidiary Alfred Teves Engineering to local management, Alfred Teves managing director John Brandtner argued the disinvestment move had its advantages, since often policies had been made overseas and passed down to local management without a real understanding of needs.

"In the past we had mandates on social programmes which may have had high visibility but may not have benefitted our workers and their communities," he said. "For example we invested in Pace College (in Soweto) which is far away and gives no benefit to our employees."

But Crawford counters: "There is nothing in the principles which prevents companies following the maxim that charity begins at home."

And while some companies may choose the high profile, "glamorous" social programmes, others prefer to implement their commitment to social responsibility without ostentation — and without advertising it in the press.

It's clear though that a company wanting to score high on the ratings cannot confine its charity to its own workers: it must be active in all four of the code's categories.



Amcham ads on social responsibility

This could act as a constraint on negotiations with workers and trade unions in a factory, if, for example, their demand was for the company to direct its spending primarily towards wages and benefits for its own employees.

Crawford says it's a basic requirement of the code that companies share their annual evaluations with their work forces and seek input, guidance and support from them.

"I totally agree with community organisations and trade unions when they insist social programmes and activities be supported by the company's own employees," he says. "Any company which attempted to put social responsibility programmes into action without the input of its own employees would not make progress."

He says most signatory companies recognise the need for consultation, though he acknowledges they are not always successful at it.

Companies interviewed by the *Weekly Mail* said they had workplace "Sullivan committees" which acted as a forum and helped decide the allocation of money.

"We do not unilaterally take decisions about our programmes — we ask workers and communities what their needs are," says one manager.

Says Jurie Serfontein, human resources director at Janssen's Pharmaceuticals, part of the Johnson and Johnson Group: "We try to integrate employee needs with community needs." Thus, for example, the company puts money into projects such as health clinics in Alexandra and Tembisa, the townships from which the majority of its workforce is drawn.

But, he argues, while it is the company's responsibility to ensure its workers are well paid and well cared for in terms of housing, transport education and so on, "We can't just look inwards," he says. He points to the desperate need in rural communities, for example, which have no access to funds or employment.

Johnson and Johnson companies, he says, are involved in social responsibility projects not so much because of the Sullivan code or even because of disinvestment pressure. They act in terms of the J&J credo, first formulated in 1944 and revised into its final form in the Sixties as a guideline for the multinational's subsidiaries worldwide.

One of the clauses in the credo reads: "We are responsible to the communities in which we live and work and to the world community as well ... We must be good citizens — support good works and charities ... We must encourage civic improvements and better health and education..."

The company is particularly interested in primary health care and is involved in projects in rural areas.

After all, it makes sense for Johnson and Johnson, as a company involved in pharmaceuticals, medical and health care products, to invest in expanded health services if it sees a long-term future for itself.

For many companies, the programmes required by the Statement of Principles are simply good business.

Says another US company director: "A lot of things in the code are just basic good management." He argues South Africa has to train 5 000 managers a year: in the long term there will not be enough white South Africans to fill the positions. So company investments in education programmes and black advancement are essential.

Whether US companies engage in social programmes because the code says they have to or whether they are motivated by genuine commitment, they clearly see corporate social responsibility and black advancement programmes as a case for their staying in South Africa.

Says a spokesman for one company, which has a top Sullivan rating, "It does help to relieve disinvestment pressure, it helps justify the continued presence of overseas companies in South Africa. If you are rated in category one you can at least say to your shareholders the company is doing something to work for reform, trying to bring about change." He adds though that he would like to think his company would implement these programmes anyway.

Serfontein says Janssen's and Johnson and Johnson would invest in social programmes anyway, and they do so in other parts of the world where there is no disinvestment pressure. Johnson and Johnson worldwide chief executive officer James Burke said recently: "There are times when one has the choice of being part of the problem or part of the solution."

Crawford says the Sullivan Code was not a response to disinvestment pressure when it was introduced in the Seventies, but part of "an effort to make a significant contribution to change in South Africa".

Paradoxically, he notes, Sullivan companies, because of their high profile, provided a greater focus for disinvestment pressure in the US.

But the irony for the US companies is perhaps that the bigger and better their social responsibility programmes grow, the more they strengthen the case for the disinvestment campaign, which has certainly acted as a spur for change.

Reuter

Citr-Trips 20/10/87

3 Fruit

DFB shows R50m turnover growth

By AUDREY D'ANGELO
Financial Editor

IN SPITE of sanctions the fresh fruit industry — which employs about 250 000 people in the Western Cape — had its most profitable season ever this year.

The domestic market has been growing and the total pay-out to farmers from sales in SA and overseas was a record R366m. The turnover of R637m was R50m higher than last year.

Deciduous Fruit Board (DFB) chairman Leo Fine said: "This performance was made possible by record sales of 28,4m cartons of fruit in spite of very competitive marketing circumstances."

This year and last the board did not disclose how much of its profits came from exports. But Fine said that export volumes this year had risen by 18%.

There had been record sales and earnings on the domestic market and gross earnings were up by 8%.

However, Fine said, although fruit farmers will receive 4% more cash this year, they will be left with 12% less in their pockets than last year after paying higher production and packaging costs.

"It is estimated that the net earnings of the producers actually decreased by 12%, which is a clear reflection of the effect of increased production costs and therefore the high SA inflation rate," he commented.

But, he said, the DFB's efforts to curb export costs had brought these down to 46% of gross earnings compared with 50% three years ago.

Fine said the apple crop was 9% lower this year. But there were substantial increases in sales of every other kind of fruit.

Sales of apricots were up by 216%, peaches and nectarines by 176%, pears by 48%, table grapes by 38% and plums by 21%.

This was the DFB's last year as an international marketing organization. Fruit exports will be organized and marketed this season by the newly formed Universal Frutrade Co-operative (Unifruco), which is owned by the growers.

Net foreign investment on SA capital market

GRETA STEYN 9/10/87

NET foreign investment is taking place on the SA capital market, JSE figures show, confirming market talk that foreign demand for SA gilts is strong.

Last month net investment in SA gilts was about R62m. However, the JSE says these figures are by no means comprehensive as they represent only that portion of the financial rand market where foreign transactions are executed through the JSE.

Dealers yesterday described gilt purchases by foreigners as "very regular" — but turnovers are not large enough to have any effect on interest rates. Gilt options, they said, were also increasingly in demand among non-residents.

In the case of equities, the reverse is happening: foreigners are selling JSE shares faster than they are buying them. Net disinvestment on the equities market amounted to about R270m in September.

Foreigners buying gilts are capitalising on the dual exchange rate system — interest on securities bought in financial rands is paid out in commercial rands. This means a non-resident investor who buys long-term RSA stock when the interest rate is 15% will get a return on his investment of over 20%.

'2m people dependent on fruit exports'

CPT Times 13/10/87 3 Fruit

By AUDREY D'ANGELO
Financial Editor

THE multi-million rand deciduous fruit industry is one of the biggest employers — and earners of foreign currency — in the Western Cape.

But the European organizations and retailers who handled 500 000 tons of fresh fruit from SA last year earned more than twice as much from doing so as the growers and others in this country.

This was among facts given to the Confederation of Importers and Marketing Organizations (CIMO) in Europe by the SA ambassador to the European Economic Community (EEC), Bhadra Ranchod, at their annual conference in Brussels.

He was speaking against a background of pressure for protectionist measures against agricultural imports and the continuing threat of sanctions.

Ranchod said that a total of European Ecu 566m was earned by European organizations and retailers by handling SA fresh fruit exports last year, compared with Ecu 240m earned by growers and others in SA.

"If we take the average retail price of a case of Cape grapes in Europe and break that down to the final payment to the grower in SA, then these figures indicate that Europe retains two-thirds of the gross income and the exporting country receives one third.

"Given these conditions, it is difficult to understand why certain bureaucrats are calling for increased protectionism or restrictions against Southern Hemisphere imports."

Ranchod said the European market was becoming increasingly competitive.

But fresh fruit production in SA would continue to grow, employing better techniques, better varieties and improved handling procedures to make it more competitive.

Pear production would reach a volume of nearly 300 000 tonnes by 1995 compared with the present 160 000 tons a year.

Table grape production was expected to reach about 175 000 tons in 1995 compared with the present 100 000 tons and total production of stone fruit would grow steadily to reach 300 000 tons in the same period.

Stressing the need to export this fruit to provide employment in areas like the Western Cape, where there is little alternative industry, Ranchod said that about 2m people in the whole of southern Africa were dependent on the industry.

Production could not be absorbed by the domestic market and without fruit exports there would be "mass job losses with catastrophic results".

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such as Rhodesia, Northern Rhodesia, Nyasaland, Mozambique and East Africa.

Today it is part of SA's largest banking and financial services group, Standard Bank Investment Corporation (Stanbic).

With assets of more than R19 000m, the group employs 23 000 people and provides its services through over 900 outlets countrywide. — Sapa

PARLIAMENT

'Chocolates' for Hendrickse — CP

Parliamentary Staff

OPPOSITION to the President's Council group areas report swung from the Conservative Party accusation that the report was a "breach of faith with our volk and everything that is good" to the Progressive Federal Party stand that the Act was a "morally unacceptable wedge" driven between people on the basis of "race and race only".

Mr Moolman Mentz of the official Opposition led his party's condemnation of the group areas report during debate in the House of Assembly yesterday, "totally" rejecting the document and its recommendations.

The report contained a "little bit for everyone", he said. It attempted to put a sugar-coating on the pill for whites to make it more attractive while it had to "contain chocolates for Hendrickse too", said Mr Mentz, referring to the Rev Allan Hendrickse, leader of the Labour Party and chairman of the Ministers' Council in the House of Representatives.

"It is a break of faith with our volk and everything that is good," he said to cries of "Mooi, Moolman" from his CP colleagues.

"MORALLY UNACCEPTABLE"

The CP stood for "own white community life and own separate areas" and the recommendations in the report were a "violation of all that is holy" for "volk and vaderland".

Mr Tian van der Merwe of the Progressive Federal Party attacked the principle of the Group Areas Act as "morally unacceptable" and said that no matter what lofty principles the Government used to disguise the legislation, its real basis was racial.

The report, he said, had been a disappointment and the Government's response to the report "an even bigger disappointment".

The continuation of the Act was in conflict with the Government's attempts to work with other population groups in the interests of power-sharing and unity, he said.

"You cannot call on people to work towards unity while on the other hand you're telling them to spy on their fellow South Africans."

The Act was "fundamentally anti-reformist", anachronistic and "more divisive than any other Act", he said.

"Not only does it emanate from racial prejudice but it lends statutory respectability to racial antipathy and even hatred."

Ordinary South Africans had been denied the opportunity of meeting and knowing one another.

Statistics showed that the Government's "separate but equal" policy had been far from fair. A breakdown of the numbers of families moved in terms of group areas legislation was 22 000 whites, 9 400 Indians and 81 900 "coloureds".

"Who can argue that this is fair," said Mr van der Merwe.

GROUP AREAS DEBATE

6/10/87

Don't jump the gun on open areas — warns Botha





President Botha

'Catastrophic' if Act repealed

Parliamentary Staff

THE Government believed the concept and policy of "own affairs" was the best way to ensure civilised standards and community development, said the Deputy-Minister of Development Aid, Mr Piet Badenhorst.

It was clear the Group Areas Act could not be repealed without disruptive and catastrophic consequences.

Speaking during the debate on the Group Areas Act report, Mr Badenhorst said the National Party had never been uncertain about the principle that scrapping the Group Areas Act would be disruptive and cause changes in community structure.



Mr Badenhorst

"The Government has bound itself to civilised standards and community development and it believes that these can best be achieved by own schools, own community life and own group areas wherever possible."

He said while there had always been "Woodstocks", the cornerstone of Government policy was the concept of own community life.

"The repeal of the Group Areas Act would be catastrophic to the reform process in this multicultural society."

Each population group had an "inalienable right" to protect its own community life and the National Party had always seen it as a priority to provide the opportunity to exercise this right.

South Africa was entering a new phase, but it would have to be characterised by "order".

By DALE LAUTENBACH
Parliamentary Staff

PRESIDENT Botha has reaffirmed his government's belief that the protection of "individual rights and group rights" could best be achieved "within the context of an own community".

Opening the debate on the President's Council Group Areas report in the House of Assembly yesterday, Mr Botha said that provision had to be made for those who held an "own community life" dear and for those who preferred "another way of life".

He added the proviso: "As long as it (the other way of life) does not bring about disorder and undesirable conditions."

It would be as "unjustifiable" to deny those who wanted an "own community life" this right as it would be to deny the right to those who sought to live in an open area.

Accommodation of rights

Accommodation of these rights should be sought "as far as is practicable", he said.

Proclaiming a new residential area open would be subject to a number of considerations, including the approval of those in neighbouring areas.

Changing the nature of existing areas would have to consider the "vested rights" of individuals and groups in the area.

He said experts would have to examine the desirability of open areas and warned that in the interim no one should give in to the "enormous temptation to anticipate the eventual new arrangements by ignoring the provisions of the Group Areas Act as it exists at present".

Proposed changes would require complex legislative amendments which would not be submitted to Parliament before next year ... and then "not necessarily early in the session".

Any anticipation of changes in the status of certain areas would result in "serious uncertainty and even chaos" and would not be allowed, he said.

"Let there be no doubt about this: the government intends to enforce the existing provisions until such time as the amended or new legislation comes into force."

"Who believes that?" retorted the CP.

Slums Act

Mr Botha said that a tightening of the Slums Act and an improvement of the "legal instruments to prevent squatting" would have to be considered.

The Government considered the identification of land for residential purposes a "high priority" and was working on placing "affordable housing in an own-community context within the reach of members of all population groups".

He reiterated his government's commitment to the policy of education as an own and separate affair and "we're not about to change that".

The franchise options contained in the President's Council report would need further study, he said, adding that "any eventual new arrangements regarding franchise at a municipal level should also be of such a nature that they will not impair the rights of communities to self-determination and the inherent character of the existing franchise arrangements at the level of central government".

Commitment to 'own affairs"

Parliamentary Staff

WHILE one of the main points to emerge from debate on the President's Council Group Areas report was that open areas would be acceptable "in certain cases", President Botha and National Party members used the forum to reaffirm the Government's commitment to the concept of "own affairs" and "own community" life "wherever practically possible".

Main points which emerged during the deabte in the House of Assembly yesterday were:

- **A total rejection of the report by the official Opposition on the grounds that it was a "breach of faith" with the "volk" and that nothing but totally separate and own community life was acceptable to the CP.**
- **A rejection of the report by the Progressive Federal Party on the grounds that nothing short of a repeal of the Group Areas Act was acceptable and that the Government's reaction to the report showed no signs of progress.**
- **The PFP claimed the Act was anti-reformist and incompatible with the government's avowed willingness to share power and build unity.**
- **A warning from Claremont independent Mr Jan van Eck that Parliament was fiddling while Rome was burning. Any changes in the legislation would take about two years to filter through and in the interim those who experienced the discrimination of the Act would experience no change in their lifestyle.**
- **NP speakers claimed the Group Areas Act had created rights for "other population groups" and advantaged the poor.**
- **The report did "no more and no less" than recognise the realities of de facto open areas in existence, said the NP.**
- **The PC proposals made provision for those who wanted "own" community life and those who "preferred another way of life", said President Botha.**
- **Existing education policy was in accordance with proposals in the report, said the NP.**
- **"Some" open areas were an inevitability, said the NP.**
- **It was clear the Group Areas Act could not be repealed without "disruptive consequences and changes to community structure", said the NP. The Government had never been uncertain on this principle.**
- **"Own community life" was a cornerstone of NP thinking.**
- **The NP was bound to "civilised standards and community development" and believed that these could be achieved only through the "own" concept.**

6/10/87

Botha failed 'yet again' to cross Rubicon — Eglin

Parliamentary Staff

PRESIDENT Botha failed "yet again" to cross the Rubicon and his speech at the outset of the debate on the group areas report set the tone for what turned out to be a "field day for verkramptes", said Progressive Federal Party leader Mr Colin Eglin.

Thousands of South Africans had been disappointed by the President's Council report on the Group Areas Act, said Mr Eglin, speaking in the House of Assembly yesterday during debate on the report.

It was a debate which saw the defeat of the "few remaining verligtes in the National Party" who had clung to the belief that the Government might repeal this legislation, he said.

"It's been a field day for verkramptes and a sad day for South Africans."

The tone set by Mr Botha's address at the beginning of the debate was an "absolute damp squib" and evidence that the NP was in retreat in the face of a rightwing challenge.

NP speakers during the debate, like Minister of National Education Mr F W de Klerk, had even gone as far as arguing that there was a "credit side" to group areas legislation and that other population groups had benefitted from its application, said Mr Eglin.

While the 14 NP members of the President's Council had reported on the negative perceptions of the legislation among blacks, "coloureds" and Indians and the fact that it was seen as hurtful, discriminatory and a cornerstone of apartheid, Mr Botha had failed yet again to cross the Rubicon and had "ducked" the crucial issues addressed "even in this rather timid report", said Mr Eglin.

SEPARATE SCHOOLS

The only recommendation in the report that was embraced wholeheartedly was the one which enshrined the principle of "own", separate schools.

"They accept the recommendation of separate schools easily because there's no change in that. For the rest, response to this report reflects no progress at all," said Mr Eglin.

The possibility of "open areas" as recommended in the report would be subject to such stringent controls that this too could not be termed progress, he said.

PFP member for Houghton Mrs Helen Suzman criticised the "sophistry" and "high-sounding statements" with which the Government presented its response to the report. Similar language had been used to introduce the legislation in 1950 when it was argued that the Act was in the interests of "racial harmony" and that all groups would have to surrender certain rights for the "common good".

This "guff" could not go unchallenged, said Mrs Suzman. "For if the introduction of the Act was steeped in hypocrisy, its implementation has been proof positive that the surrender by each group of its rights has been for the good of one group only . . . and that's the white group."

The report "passed the buck" by suggesting options rather than making recommendations in the crucial areas of local government franchise and schooling for children in grey areas.

"And the State President has done the same," said Mrs Suzman. Referring to the new board of experts that Mr Botha announced would be investigating the feasibility of open areas in specific instances, she said it would be just "one committee after another making recommendations and more committees considering those recommendations and making more recommendations".

Report on areas 'recognises realities'

Parliamentary Staff

THE group areas report did "no more and no less" than recognise the realities of the Hillbrows, Mayfairs and Woodstocks, said Minister of Constitutional Development and Planning Mr Chris Heunis.

Speaking in the House of Assembly last night at the end of the debate on the President's Council report on group areas legislation and related matters, Mr Heunis said the report recognised the realities of open areas.

He said: "You can't get away from the fact that some areas will be open.

"The National Party recognises the realities of Hillbrow, Woodstock and Mayfair and wants to create the legislative mechanisms to handle these areas. The President's Council report does no more and no less than recognise these realities."

PLEADED

Provision had to be made for both people who wanted legislative protection of their "own areas" and those who did not.

He argued that "other population groups" pleaded for the protection of their areas . . . "that's a reality" . . . and that group areas legislation had done "the most for the poorest people" who would not have been able to afford property had it not been for the Act.

The Government had created these rights for people and any government not prepared to defend these rights was not worthy of governing, he said.

The Minister of National Education, Mr F W de Klerk, said freedom of association could exist only where there was a choice and if all areas were opened this would result in "compulsory integration" and remove that choice.