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THE ECONOMIC DEVELOPMENT OF THE BANTU HOMELANDS OF THE REPUBLIC OF SOUTH AFRICA — MANUFACTURED EXPORTS AS AN ALTERNATIVE TO THE PRESENT PLAN

by

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ABSTRACT

The feasibility of using export oriented manufactured products as a basis for the economic development of the Bantu Homelands of the Republic of South Africa is the subject of this study. The analysis presented works entirely within the existing framework of Separate Development as it presently operates within South Africa. The development of the argument follows three distinct phases; (1) an analysis of the policy of Separate Development with special emphasis on the effect of its economic policies on the economies of the Bantu Homelands; (2) an examination of the use of export oriented manufactured products as a means for development elsewhere in the world, and the acceptability of such a policy to South Africa; (3) an attempt to determine the economic success of such a policy if attempted in the Homelands.

The first phase provides an examination of the motivations behind the policy of Separate Development and the economic policies which have been carried out under its auspices. This examination, conducted from a purely economic point of view, points out that the policies carried out to date are not likely to provide a base for self-perpetuating economic growth, even though these policies have a basis in economic theory. This first phase also sets the stage for examining alternate policies.

The second phase briefly examines the relation between exports and economic development. The emphasis is upon light manufactured products as a base for development. An examination of four economies following such a

policy is provided, and their success evaluated. The similarities and differences between these economies and the Bantu Homelands are also noted. Further, an attempt was made to discern whether the implementation of such a policy within the Homelands would be contrary to policy of Separate Development, or other aims of the South African government. It was concluded that there should be no such contradiction.

Finally, the economic feasibility of such a program for the Homelands was investigated. An attempt was made to compare the competitive position of existing producers of light manufactured goods with potential producers of similar wares in the Homelands. As the entire range of light manufactured products could not be investigated, a criterion was developed from the market point of view to select products which would have a good chance of success. On the basis of this criterion, the ten best products were selected and the major input costs compared with those of the four economies studied which export similar products. The results were inconclusive. The Homelands appear to have no real advantage or disadvantage in the production of any of the selected products.

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INTRODUCTION

In the last twenty to twenty-five years there has been a great deal written about South Africa, and more specifically, Apartheid. The majority of these studies concentrate on the political, social, and, ideological aspects of the philosophy and its implementation. Economists have also applied themselves to the problem, but their works have often been coloured by pre-conceived ideological or philosophical constraints. This study is no different. The analysis presented is undertaken within definite limits which may, or may not, present an accurate interpretation of the South African situation. These limits, however, are necessary for the specific analysis undertaken.

Foremost among these constraints is the belief that Apartheid does exist, is likely to continue to exist, and that any improvement, whether economic, social or political, for the Bantu residing in the Republic of South Africa, will have to come within its structure. This constraint is probably based upon two further pre-conceptions, the rejection of both the peaceful evolution of an integrated or multi-racial South Africa, and the spectre of a racial bloodbath as likely solutions to the problems of South Africa's non-white peoples. The reasons for these pre-conceptions are outlined in the first chapter of the thesis. As a result of these limits, there has been an overt attempt to refrain from criticising the policy of Apartheid on its moral issues. Where criticism has been applied, it has been upon the economic policies of Separate Development, not upon the desirability of the overall policy itself.

A second constraint has been self-imposed given the time limits of this thesis. The analysis has been confined to the Bantu Homelands of South

Africa and their economic relations with the rest of the Republic. This thesis does not provide a complete analysis of the economic aspects of Separate Development, but only a section, the development of the Homelands.

Such an analysis is extremely important because, although the successful development of the Homelands will not ensure the success of Separate Development, if the Homelands do not become viable economic entities, then Separate Development will fail and, no doubt with it, the policy of Apartheid.

The reasons for undertaking this analysis have little to do with Apartheid. To a development economist South Africa can be seen as almost a classic case, embodying most of the pre-conditions usually thought necessary for successful economic development. The Homelands should provide a vehicle for the examination of development, free of most of the constraints which exist in many of the independent nations south of the Sahara.

Unlike much of independent Africa, the Homelands should be able to tap the extensive capital resources of the Republic of South Africa. A large percentage of their labour force has had experience within a modern economy. South Africa has an advanced economic infrastructure which the Homelands can draw upon. The political situation is relatively stable. A high level of technical expertise is available in the White areas of the Republic. From a purely economic standpoint, then, the Homelands should have an excellent chance for development. Certainly in some sectors, such as agriculture, there are inadequacies. More important, because many of the fetters to development should be less in the Homelands, a number of alternate strategies should also present themselves. One of these has been examined in detail in this thesis. This strategy, it would appear, is dependent upon the existence of most of the above mentioned pre-conditions. Development through a process of production for the export of manufactured products ~~demands a~~ higher degree of sophistication than other methods of development. Therefore, if such a policy were to succeed anywhere in present day Africa, it is most likely to succeed in South Africa. White South Africa is, of course, hampered by a different set of constraints on its economic growth. These are to a large extent determined by the political constraints, both at home and abroad, generated by Apartheid. The Homelands on the other hand need not be subject to these constraints.

Finally, it has also been necessary to examine the implementation, to this point, of the economic policies of Separate Development. If these policies had been wholly successful to date or were likely to produce self-perpetuating economic growth in the future, the examination of an alternate policy would not have been necessary.

The thesis is divided into six chapters, which develop, within the constraints of Apartheid, an investigation of the possibility of using manufactured export goods as the means of economically developing the Homelands. Chapter one presents a brief investigation of the non-economic variables which have helped formulate or are internalized in separate development theory and practice as it affects the Homelands. This chapter also provides the reasons for the constraints outlined above. Chapter two analyses in depth the economies of the Bantu Homelands and how, to date, they have been affected by the economic policies of Separate Development. Chapter three briefly looks at the connection between exports and development in economic theory and examines more directly some cases where economies are following a development policy of light manufactured products for export. Chapter four investigates the acceptability to South Africa of the pursuit of a similar policy in the Homelands. Chapter five examines the economic feasibility of the Homelands competing with existing producers of certain light manufactured goods. Chapter six presents the conclusions of this thesis.

CHAPTER I - PHILOSOPHICAL, HISTORICAL, POLITICAL AND SOCIAL BACKGROUND

"The lion and the elephant can live, but they live better apart".

Verwoerd

Apartheid is the philosophy and the policy of the government of the Republic of South Africa. The implementation of the philosophy has affected the lives of the inhabitants of South Africa in no less degree than the implementation of other political philosophies in other areas of the world during this century; Communism in Russia or China, Fascism in Germany, Democracy in independent Africa. Apartheid is a radical philosophy. What could be more radical than the total separation of societies living within the same nation: separation in every conceivable human activity; politics, social gatherings, sexual relations, sports, employment, entertainment, transportation, courts, administration, health facilities; all codified in law, preached in the churches to which most government officials belong, and rigidly, and sometimes brutally enforced, so that no one regardless of race escapes. With such separation must also come, logically, economic and geographic separation. These do not become fact by simply passing a law. It is a much more complicated process. Separation in the economic and territorial sphere is very necessarily tied together. To have separation of the economy demands a geographic area where economic activity may take place; to have territorial separation demands an area which has a feasible economic base. South Africa does have areas which are historically available for geographic separation of societies, the Native Reserves. At the same time, these Reserves do not at the present time provide an adequate base for national economies. In an attempt to overcome this problem, out of the philosophy of Apartheid, the concept of "Separate Development" has arisen.

The concept's architect and promoter, Prime Minister Verwoerd, explained the policy as follows:

> "We adopt the standpoint... that our Bantu territories should rather be led to independence as good neighbors than that we should aspire to one great common fatherland in which the Bantu must rule in the long run because of his number, as eventually happens in every democracy".[1]

> "The policy of Apartheid moves consistently in the direction of separate development with the idea of total separation in all spheres. Everyone realizes that it is not practical at the present moment, that it cannot be attained in a few years, but everyone realizes at the same time that if you have a clear, definite ideal in view - whether you have one moving towards separate development even territorially - it can be advanced even in these times".[2]

One cannot be so naive to suggest that the concept of "separate development" has been evolved for any humanitarian reasons. Those who hold the power in South Africa are not so foolish as to believe that their domination of the native races is unchallengeable; they realize that time is against them.

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1. Debates of the House of Assembly (Hansard), Third Session - Second Parliament, Republic of South Africa, vol. 9, col. 59, 21 January 1964 (in all cases, unless specifically noted, footnotes will refer to the English edition.)
2. as cited in Neome, L.C., The History of Apartheid, London, Pall Mall Press with Barrie and Rockliff, 1962, p. 157.

> "The facts, as far as the Nationalists can see, are that the demand of the Bantu for national self-determination is an irresistible force and that the demand of the Whites for continued national existence an immovable object".
> 3

No one believes that separate development will be an easy process. Many criticize it because they feel it is not attainable, but:

> "The Government on its part readily admits that separate development poses formidable difficulties. It chooses this solution for South Africa's problem, not because it is an easy way out but because it is utterly convinced that both alternatives - the common society and racial partnership - are unattainable, ... and that separate development with almost insuperable difficulties is, therefore, the only way out. It simply has to succeed or there can be no success at all".
> 4

Survival of Afrikaner culture is the driving force behind the policy of Apartheid, not primarily the economic advantages derived from the inequality of racial groups.

> "An analysis of the motive complex which lies at the basis of apartheid reveals that the White man's natural desire to maintain his national integrity and Western way of life in a Black continent, forms one of the most weighty incentives for separate development".
> 5

> "At present the White man's weightiest problem is how to reconcile his own survival with the rightful political interests of the Bantu. The political awakening of the Blacks signifies a real threat to the Whites, especially as the former collectively enjoy a numerical advantage in White South Africa".
> 6

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3. Pienaar, S. and Sampson, A., Two Views of Separate Development, London, Oxford University Press, 1960, p. 14.

4. Loc. cit.

5. Rhoodie, N.J., Apartheid and Racial Partnership in Southern Africa, Pretoria, H. and P. Academica (Pty) Ltd., 1969, p. 109.

6. Ibid. p. 43.

> "... South Africans are not afraid to spend the money and retard the economy to implement the scheme of territorial segregation. It will cost millions and cause some hardship. In order to keep the race pure, the civilization Western, and at least part of South Africa all-white, no effort is thought too great".
> 7

It is important to stress this point as it has been the fault of many critics, especially economists, to dwell heavily on the inequalities which exist in the system, and to construe from such evidence that Apartheid exists only for the purpose of maintaining such economic inequality.

Certainly, it has been official government policy, especially that of the Nationalist Government, that no White South African shall suffer economic deprivation.

> "Most of the racial legislation during the first six years of the National Government was deliberately negative. It pandered to the rural communities who saw in the rapid advancement of the Bantu in industry a threat to their supply of cheap farm labour and to the many thousands of 'poor whites' whose very survival was threatened by Bantu competition".
> 8

However, such policies were essential to Afrikaner survival. The vast majority of poor whites are Afrikaners. Soil exhaustion with correspondingly poor yields, the continued propagation of large families, and the lure of city life has led to an enormous urban migration by young Afrikaners from their traditional rural homesteads.

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7. de Blij, H.J., Africa South, Chicago, Northwestern University Press, 1962, pp. 248-249.

8. Niddrie, D.L., South Africa: Nation or Nations. Princeton, D. Van Norstrand Company, Inc., 1968, p. 138.

> "Between 1921 and 1951, the platteland lost 405,200 persons to towns at the average rate of 13,500 per annum. There is abundant census evidence that this has continued at a greatly accelerated pace in the last fifteen years, converting the rural Afrikaner within a generation to a city-dweller". [9]

> "... it should be noted that for every Bantu man who came to reside in or near the city between 1951 and 1961, some 20 white men arrived too". [10]

Yet, a great many of these rural Boers were probably little better qualified to enter the urban-industrial society than the Bantu. The Afrikaners' long history of subsistence farming and near tribal social structure, when combined with low educational standards has made the transition to a new way of life as difficult as that experienced by any traditional peasant society. The only significant resource many brought with them was the "whiteness of their skin". This "resource" was one the government could not ignore and a host of legislation was promulgated so that those endowed with that particular "resource" were freed from competition from those sectors of the society which did not possess it.

Only through such means could the survival of the "volk" be assured. Probably the most obvious legislation designed to protect the interests of white workers is the Industrial Conciliation Act of 1956, which formalized the practice of "Job Reservation", whereby certain categories of employment can be undertaken by Whites only. This, of course, was directly tied to the protection of the less competent segments of the urban Afrikaner population.

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9. <u>Ibid.</u>, p. 61

10. <u>Ibid.</u>, p. 62

The Act, as such was not well accepted by the profit-minded leaders of the still largely English[11] owned industrial sector.

> "The trade union movement and the leading employers' associations made the strongest representation to the Minister not to proceed with the new Industrial Conciliation Act and protested most strongly against the introduction of 'Job Reservation' ". [12]

But the survival of Afrikanerdom had to be assured. Of course, the prejudices of the affected Whites were re-enforced with the inclusion of the principle that no White should work under the direction of a Bantu, Coloured or Asian.

Once the policy of "Job Reservation" was formally sanctioned, the economic differentiation of the various racial groups was largely assured in an expanding economy. The reservation of a relatively large number of job categories for Whites, allowed the laws of supply and demand to work reasonably well. As the demand for skilled labour increased, the demand for the limited amount of such labour (white) forced their wages up. Unfortunately, the economy was not expanding at a sufficient rate to absorb the rapidly increasing Bantu unskilled labour force. As the supply exceeded demand, the wages remained extremely low. If it were not for the government's minimum wage bills, the wages of Bantu labour would probably be below what they are today. This is evidenced by the fact that, in the border industries areas where the Industrial Conciliation Act's minimum wage

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11. English taken here and for the rest of the paper to mean English South Africans, British will be used to denote citizens of the United Kingdom.

12. Sachs, E.S., The Anatomy of Apartheid, London, Collets, 1965, p. 214.

clause has been effectively waived, enterprises have no trouble attracting Bantu workers at lower pay scales. Bantu, due to the shortage of skilled White labour, have recently been able to move into certain skilled jobs.

> "Only in situations where poor whites have to be protected from Bantu workers, is the policy strictly followed". 13

Similarly, the government's policy of influx control is aimed directly at preserving Afrikanerdom. By keeping excess Bantu rural, it has prevented the spectre of large unruly and dangerous slums and shanty towns which have been the result of much of the urbanization in the developing world. Such dangerous entities are not conducive to the peace deemed necessary to Afrikaner survival. Influx control, then, is a policy which assures that the Bantu labour supply in urban areas does not outstrip demand.

> "Political decisions have been made by the Nationalist Government to reduce the flow of city-bound Bantu immigrants to a rate which is roughly equal to the number of jobs available..." 14

It is not necessary here to describe the rest of the Acts and Laws passed mainly in the 1950's. They are almost all aimed at the same purpose; the survival of the Afrikaner community. These laws were repressive in nature, and repugnant to the majority of the nations of the world. Probably though, they were necessary to assure the short term goals of Afrikaner nationalism.

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13. Niddrie, op. cit., p.143.

14. Ibid. p. 147

Once the immediate survival of the Afrikaners, and with them the Nationalist Government, had been assured, the problems of a long term solution had to be faced. Apartheid, as applied in its embryo period, was a stagnant and backward looking doctrine. As the Government perceived it, the long term solution demanded a more dynamic policy. Hence the concept of "Separate Development".

There is little doubt that the plan's major architect was Hendrik Verwoerd, first as Minister of Native Affairs and later Prime Minister. Beyond being a dogmatic and resourceful politician, Dr. Verwoerd was an intellectual. He and other Afrikaner intellectuals had been working for some time on a long term solution to South Africa's racial problem, which would also ensure the survival of Afrikanerdom. They worked through a powerful organization known as the Broederbond. This organization included the majority of Afrikaner elite. Its purpose was, and is now, to co-ordinate all the activities of the Afrikaner people for the purpose of retaining and strengthening their national cohesion.

> "Guiding force in the rebirth of the nationalist spirit was the Afrikaner Broederbond (Association of Brothers), a secret society which has gradually come to assume a dominant position in the affairs of the volk".
> 15

It is important to understand that the Broederbond, with its particular focus, greatly affected the development of Afrikaner intellectual thought and subsequently separate development.

At the outset, and until 1948, the main channelling of the Broederbond's energies was to remove the English from their position of power

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15. Bunting, B., The Rise of the South African Reich, Harmondsworth, Penguin Books, Ltd., 1969, p. 43

in the Union. Although they were in the numerical majority, a large segment of the Afrikaner electorate preferred collaboration with the English under such Boer leaders as Botha and Smuts. The only way such a government could be defeated was to create an ethnic exclusiveness among the Afrikaans speaking peoples.

This enormous task was undertaken by the Broederbond. Their method was to create the volk myth; a revival of the past, a recognition of history and a promotion of ethnic pride. Various programs were organized and carried out and were, in many cases, successful. But what is far more important if one is to understand the concepts of separate development as formulated by the Afrikaner intellectuals such a Verwoerd, is the effect the creation of the volk myth has had on intellectual development.

The Afrikaner myth is almost always couched in terms of struggle; struggle against the harsh African climate, a struggle against the Bantu hordes, and a struggle against English domination. In the myth the Afrikaners are a "chosen people", a special tribe and, above all, a separate nation. The deification of the "Great Trek", the romanticization of the rustic bushveld frontiersman, and especially the perpetuation of the image of the proud, independent Boer fighting heroically against British Imperialism in both peace and war have contributed greatly to the myth. The British conquest of the Boer Republics in the Anglo-Boer war of 1899-1902 was probably the most significant spark to Afrikaner nationalism. The defeat on the military-political battlefield threatened the existence of the Boers both economically and culturally.

> "Afrikaner nationalism was born out of bitterness of defeat and the fear of engulfment. It grew and flourished in a climate of economic insecurity and social and cultural frustration. It was deliberately cultivated by a rising intelligensia who rewrote the peoples' myths and refurbished their symbols to suit the needs of the changing world. The nation was even endowed with a national soul, which made its care fall within the province of the predikants. As Dr. Theo Wassenaar wrote in a special song for the 1938 centenary celebrations: 'God has decreed that we should be a nation, a nation with its own language and soul and will and spirit' ". 16

As with all nationalism, Afrikaner nationalism stresses its unique qualities. The perceived threat of Bantu and British nationalisms has made Afrikaner nationalism one of the most fervent in the world, and, by and large, this may have been necessary for its survival.

The result has been a divorce, for the Afrikaner, between the nationalism associated with the political-geographic state of the Republic of South Africa and the ethnic-mythical Afrikaner nation. The far more important of these two is the nationalism of Afrikanerdom.

> "It (South Africa) does contain two powerful and competing nationalisms - African (12,000,000 people) and Afrikaner (about 2,000,000) - revolving around each other like a binary star and far outshining the weak light of a nebulous South African nationalism. Thus not South African but Afrikaner and African nationalism overshadow the country. Significantly, the man in the street - black, brown or white - is familiar with the term 'nation'...
> The Afrikaner habit of speaking of ones nasie (our nation) to mean Afrikanerdom is recognized by other groups". 17

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16. Patterson, S., The Last Trek, London, Routledge and Kegan Paul Ltd., 1957, pp. 275-276.

17. Munger, E.S., Afrikaner and African Nationalism, London, Oxford University Press, 1967, p. 1.

As a result, Afrikaner nationalism has had to become selective, inward looking and, of course, conservative. It also presents a solid front to outsiders. The "nation" must be cohesive in the true sense of the mythical volk. There is an immense pride in the "bootstrap" development, the long struggle of "nation" building and belonging to Afrikanerdom.

This pride reached its apex with the victory of the Nationalist Party in the election of 1948. The old score was settled and the short term survival of Afrikanerdom assured. It was then time for the Afrikaner intellectual to turn his talents towards the solution of long term problems. It is not hard to perceive how the theory of separate development was to evolve in light of the Afrikaner experience. The "true" Afrikaner and in theory the Afrikaner "nation" above all does not wish to integrate. They desire economic, cultural and political independence (although they are pragmatic enough to allow the English to play a legal political role). Conversely, though, they also do not understand why any other group should want to integrate with them. They gibe the English for not having national pride and even go to the extent of trying to create an English myth with such ceremonies as "Settlers Day" commemorating early English immigrants. Similarly, there is a lack of sympathy for the various Bantu peoples who do not identify with their particular tribe. A Bantu should be first and foremost a Zulu, a Xhosa or a Venda. The major Apartheid theorists continue to echo such sentiments.

> "The advocates of a common society in South Africa are obsessed with the idea that (apart from the colour of their skins) the Bantu are merely uneducated Afrikaners or Englishmen... But it so happens that the Bantu is neither a backward black Englishman, nor a backward black Afrikaner. He is not even a backward black Bantu. He is a Zulu, or a Xhosa or a Sotho or what you will. A nation in his own right. A backward nation no doubt, but a nation for all that.

> Seen in these terms there is an obvious answer to the suggestion of the common society theorists that the problem be solved by turning the Zulu into an educated Englishman (or Afrikaner) with a black skin. Why destroy the Zulu nation? Why not solve the question by making the Englishman (or the Afrikaner) an educated Zulu with a white skin? Why take the White man's culture as the ultimate solution and not that of a Black man? Is the Zulu then an inferior breed to the Ghanaian that his culture should be wiped out, that he should cease to exist as a nation in Africa?
> The facile assumption that a Zulu has everything to gain and nothing to lose by renouncing his way of life and accepting that of the Afrikaner (or Englishman) is surely rather staggering in its racial arrogance". [18]

Separate development, in theory, is an attempt to solve the problem of the rights of the various ethno-national groups in South African society, certainly always with an overwhelming bias toward White survival.

The pure theory involves the evolutionary parallel development of the various ethno-national groups within South Africa, specifically: the White nation, the Coloured nation,[19] the Asian nation (mainly of East Indian descent) and the nine major Bantu nations; Xhosa, Zulu, South Sotho, Tswana, North Sotho, Tsonga, Swazi, Ndebele and Venda.[20] The ultimate aim of such parallel development is as yet hazy, although probably the most popular version is the Verwoerdian concept of a loose federation or Commonwealth of South Africa. Officially, the government is silent on this issue, preferring to wait and see - and not commit itself to a future it may not be willing to grant.

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18. Pienaar, op. cit., p. 9

19. According to the simple definition given in Rhoodie; p.p. 7-8, "The Coloureds are of mixed bio-genetic descent. This group is not ethnically homogeneous but comprises the following four sub-groups: Cape Coloureds, Malays, Griquas and the Rehoboth Mixed Bloods of South West Africa".

20. These are government classifications for Bantu and should not be considered historically or anthropologically accurate.

It may seem strange that the discussion of separate development is carried out entirely on Afrikaner terms when to a large extent the future of the whole of South Africa is being decided. What of the Bantu whom it will affect most directly?

First, there is no question that separate development is the creation of the Afrikaner 'nation' and specifically the Nationalist government. Bantu opinion appears split. The policy has certainly won some grudging support from those who are willing to work through the system in an attempt to provide a better life for their people. The policy is also probably gaining a certain amount of support from the more conservative, traditional elements within the Homelands. On the other hand, there has been fierce resistance to the proposals from the adherents of the now banned African National Congress and Pan-Africanist Congress plus the multi-racial South African Communist and Liberal Parties. The program has, understandably, had little support from the urban Bantu who fear the prospect of being "endorsed out" and back to a Bantu Homeland with which they may have no tie or have never seen. On the whole, though, the Bantu seem to be playing a game of wait and see, being as far as possible passive, taking when something is given and resisting as best they can when necessary.

On paper the theory of separate development looks like a plausible, if not necessarily a desirable, solution to the Republic's racial problem. Although there has been a great volume of criticism of separate development, few realistic alternatives have been brought forward to solve the complex problems of the Republic, short of the extremely realistic prospect of a racial bloodbath, which would provide the spectre of a terrifying but final solution.

On paper many theories look excellent but, in reality, they may prove a failure either through their simple unworkability or from lack of faith among those wishing to implement them. What, then, are the conditions in South Africa and how much progress has been made in the implementation of Separate development? At the outset, it should be made clear that few definite conclusions can be drawn on the program which has only been in operation a little over a decade. In the process of development this is a short time indeed.

In 1948, when the Nationalist party came to power, it did so under the banner of Apartheid. The concept, though, could only be discussed in general terms as no master plan yet existed. Apartheid meant that integration or the multi-racial society was rejected, but the method and means of implementation did not yet exist.

> "In its early days the word meant many things. It was used to indicate anything from partial segregation to the ultimate establishment of a Bantu state. As the general election approached, the definition was sharpened as a political weapon with which to attack the United Party. A Nationalist committee sat to define the policy and succeeded in drawing up a statement which was sufficiently vague to be used throughout the country. Somewhat to its own surprise the Nationalist Party won the election..." [21]

That definition was espoused in 1948 by Dr. T.E. Donges, the newly elected Minister of Native Affairs:

> "The policy of the Nationalist party with regard to apartheid means that in their national development there shall be separation between European and non-European, and this will give the non-European an opportunity of developing their own national character". [22]

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21. "The Doctrine of Apartheid", The Round Table, No. 153, December 1948, p. 32.

22. Rand Daily Mail, April 21, 1948.

With the election won, a definite, positive program which could be implemented had to be found to replace the vague sloganeering of an opposition party. The government moved quickly to find such a program.

In November 1950 it set up the "Commission for the Socio-Economic Development of the Bantu Areas within the Union of South Africa", under the chairmanship of Professor F.R. Tomlinson. The Commission was established with broad terms of reference:

> "to conduct an exhaustive enquiry into and to report on a comprehensive scheme for the rehabilitation of the Native Areas with a view to developing within them a social structure in keeping with the culture of the Native and based on effective socio-economic planning".[23]

The Commission set to work and gradually began to construct what was to become the blue-print for the implementation of Macro-Apartheid or, as it is better known, separate development. By its own admission:

> "The Commission found it necessary to give the widest interpretation to its terms of reference, and consequently made a study as comprehensive as possible of the problem referred to it. This was done, because the Commission very soon realized that the problems relative to the development of the Bantu Areas, could only be thoroughly analysed and studied in the light of the wider economic, social and political framework of the Union of South Africa".[24]

The report was released on October 1, 1954, and immediately created a stir in all political spectrums. The report's closing paragraph carried ominous words for the vast majority of White South Africans.

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23. Summary of the Report of the Commission for the Socio-Economic Development of the Bantu Areas within the Union of South Africa, U.G. 61/1955, Pretoria, The Government Printer, 1955, p xviii, (cited below Tomlinson)

24. Loc. cit.

> "The choice is clear: either the challenge must be accepted, or, the inevitable consequences of the integration of the Bantu and European population groups into a common society must be endured".[25]

The long neglected Native Reserves (soon to be renamed Bantu Homelands) suddenly came to the forefront of South African attention - and have remained so until the present.

The Bantu Homelands are being created out of the nuclei provided by the Native Reserves which were created by the meeting of two migrating forces, Boers treking north from the Cape and the Bantu peoples migrating slowly south from central Africa.

> "First the Dutch, then the British and finally the South African government (not to mention the republics in between) clearly accepted the fact that as between the whites and Bantu, South Africa is divided into two parts".[26]

In the years shortly after the formation of the Union in 1910, the hodge-podge of treaties, tacit arrangements and agreements with local chiefs were consolidated into one policy by the Native Land Act of 1913 and later the Native Trust and Land Act of 1936.

> "In the Union the division of land between the European and the Bantu was fixed by the 1913 Native Land Act while provision was made for the acquisition of additional areas for Bantu occupation by the Native Trust and Land Act of 1936. The extent of the Scheduled Native Reserves as prescribed by the 1913 Act was 10.7 million morgen[27] or 22.7 million acres. The area of land owned by or reserved for ownership by the Bantu on the eve of the 1936 Act was 12.3 million morgen or 26.1 million acres. Between 1936 and 1955 nearly 6.8

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25. Ibid., p. 211

26. Pienaar, op. cit., p.p. 5-6

27. Note: The morgen is the South African unit of measure for land area. One morgen equals 2.116 acres.

> million morgen or 14.6 million acres were purchased by the South African Native Trust so that the area at present in Native ownership is 17.5 million morgen or 37 million acres, about 13 percent of the total area of the Union".[28]

The final total area of the Homelands, when all acquisitions of new land have been completed under the provision of the 1936 Native Trust and Land Act, will be some 19,611,468 morgen,[29] or about 13.7 percent of the Republic's area.[30] In a recent statement Mr. A.J. Raubenhumer, the Deputy Minister of Bantu Development, stated that acquisitions of land under the Act of 1936 should all be but completed in 1973.[31] It is doubtful that the area of the Homelands can be held at this figure, given the demands of the various Bantu governments, especially the Zulu government, for territorial continuity as a pre-condition of accepting "self government". The politics of this situation will be discussed in more detail below.

The future area of the Bantu Homelands is a vast arc of fifteen hundred miles, from East London on the Indian Ocean to Kuruman and Griquatown in the North of Cape Province. The areas form sixteen major blocks. In the south is the Ciskei, separated from the Transkei. Close to the Transkei and further up the coast are Tugelo, Nugoma and Maputaland. Following up the horseshoe are the reserves of the Blyderiver-Steelport-

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28. Cole, M., South Africa, London, Butter and Tanner Ltd., 1961, p. 516.

29. Tomlinson, op. cit., p. 46.

30. Houghton, D.H., The Tomlinson Report, A Summary of the Findings and Recommendations in the Tomlinson Commission Report, Johannesburg, South African Institute of Race Relations, 1956, p. 7.

31. South African Digest, March 3, 1972, p. 3.

Olefants complex. Further, in a northwesterly direction, are the blocks of Lebata-Chengwidzi, Bockum-Potgietersrust, Hammerskraal and Rustenburg-Pelanesburg. Finally, completing the horse-shoe's southwest leg are Tuang, Kuruman and Kalihari (See Map I). As envisioned in the Tomlinson Report, the future involved additions to these territories, the removal of uneven contours, and the creation of territorial units corresponding to the great Bantu ethnic formations:

> "(1) the country of the Xhosa..., with the Transkei and the scattered Reserves of the Ciskei.
>
> (2) the country of the Zulu, comprising the Reserves of Natal and Zululand, which will have to be generously linked by land belonging to the Whites.
>
> (3) the country of the Swazi, a small region bordering British (now independent) Swaziland.
>
> (4) the country of the Venda - Tsonga, made up of the Reserves in the region of Sebasa in the Northern Transvaal.
>
> (5) the country of the Southern Sotho bordering on British Basutoland (Lesotho); district of Herschel.
>
> (6) the country of the Tswana, made up of the 'ethnic dust', the small clans and tribes scattered to the south of British Bechuanaland (Botswana):
>
> (7) the country of the Northern Sotho or Pedi in the Transvaal".[32]

At the time that the Commission brought down its report the reserves' population was estimated at 4.8 million or about forty per cent of the native population. Most of the reserves lie within the warmer and better watered part of the country. Approximately seventy-five per cent of the Bantu lands receive more than twenty inches of rainfall a year. (See Maps 2 and 3).

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32. Geniewski, P., The Two Faces of Apartheid, Chicago, Henry Regnery Company, 1965, p. 252.

This includes about half the area of the entire Republic characterized by temperate rainy climate,[33] generally regarded as one of the most productive climatic types in the world (See Map 4).

> "Actually, approximately 45 per cent of the Republics most fertile ground is located in Bantu homelands".[34]

The reserves of the western Transvaal and Northern Cape, however, are semi-arid and those lying within the Ladysmith basin of Natal and the Bushveld basin of the Transvaal receive too little rainfall for subsistence agriculture, and their thornveld vegetation, while excellent for stock, has a low carrying capacity. The better watered reserves, unfortunately, have large areas of agriculturally difficult terrain. The problems of overpopulation and soil erosion of the better reserves will be discussed in Chapter 2.

It was these areas, then, that the Tomlinson Commission recommended as the basis for the long term solution to Apartheid.

The seven major blocks mentioned above were to become the nuclei of separate development. The Commission came out strongly for consolidation of the Native Reserves into Bantu Homelands:

> "Save for a few blocks like the Transkei and Vendaland, the Bantu Areas are so scattered that they form no foundation for community growth. Even if the potentiality of the existing fragmentary areas is such that it can provide the entire Bantu population with a means of living, this fragmentation can result in nothing else than a supplementary growth attached to the European community. The fragmentary pattern also results in scattering

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33. Note. Cf in the Koppen climate classification.

34. State of South Africa, 1969, Johannesburg, Da Gama Publishers (Pty) Ltd., 1970, p. 83.

> and consequent incoherence between historically and ethnically related Bantu, and this means that cohesive forces in the social and psychological sphere are paralysed".[35]

The Commission also came out strongly for increasing the role of Bantu in the administration of their own affairs.

> "With a view to complete socio-economic development, it is necessary that administrative functions should, in increasing measure, be exercised by the Bantu themselves. The Commission supports the foundation laid down in the Bantu Authorities Act, as a sound embryo from which healthy administrative development may be built up through the adaptation and evolution in accordance with the demands of time".[36]

The government's attitude towards the recommendations of the Tomlinson Commission was made known in a White Paper published in April 1956. The government's position in the White Paper agreed with the principle laid down by the Commission and promised to implement the recommendations dealing with Administration. The government refused to commit itself to any particular boundaries for the future consolidation of the Native Reserves into Bantu Homelands, but agreed to consolidation in principle. The government's main point of disagreement with the Commission's recommendations was over the implementation of economic development and the cost of such development. These will be discussed in more detail in Chapter 2.

The government rapidly began to implement sections of the program. As soon as Verwoerd became prime minister in 1958, separate development began to move from a paper policy to one of action.

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35. Tomlinson, op. cit., p.p. 180-181

36. Ibid., p. 181

The first step was the 1959 Promotion of Bantu Self-Government Act. The act was greatly maligned by the government's critics because it removed the last vestiges of Bantu representation in the South African parliament. The removal of token representation in parliament was supposedly compensated for by the official recognition of the Bantu nations.

> "In its place Verwoerd introduced a new system that recognized eight African national units - North Sotho, South Sotho, Tswana, Zulu, Swazi, Xhosa, Tsonga and Venda..."
> 37

The long process of education for South African Whites had finally begun, and the course officially set for the future of the Bantu peoples. The Nationalist government put itself in a difficult position. It needed to move fast enough to satisfy the Bantu nationalists necessary for the implementation of its policy. Visible progress was also of the essence because critics at home and abroad are quick to deem the program a sham. On the other hand, each advancement toward positive implementation of the policy had to be acceptable to the conservative electorate, on which the party depended for its continuance in office. The electorate had to be educated and Verwoerd, the inexhaustible lecturer and dogmatic philosopher, was the man to try, and he appears in many cases to have succeeded. Even at this early stage the Prime Minister was hinting at full independence for the Bantu Homelands:

37. Hepple, A., Verwoerd, Harmondsworth, Penguin Books Ltd., 1967, p.p. 187-188.

> "I say that if it is within the power of the Bantu and if the territories in which he now lives can develop to full independence, it will develop in that way. Neither he nor I will be able to stop it and none of our successors will be able to stop it, whether or policy is accepted, or whether the policy of the United Party is accepted". 38

The Promotion of Bantu Self-Government Act of 1959 was built upon the groundwork laid by the Bantu Authorities Act of 1951. The 1951 Act made provision for the creation of a hierarchy of Bantu administration. The local base was the tribal authority, above this, the regional authority and, finally, a territorial authority was to be at the apex of the pyramid. The Promotion of Bantu Self-Government Act identified the territorial authorities for the eight recognized tribal groups. The Authorities were strengthened by the 1959 Act which laid out specific executive, administrative and taxation powers which were to be passed into Bantu hands. In 1959 the only Homeland to have a territorial authority was the geographically contiguous Transkei, homeland of the Xhosa people. In most of the other Homelands even regional authorities were not common, although tribal authorities were nearly universal. Bantu government remained in the hands of traditional, government paid chiefs. The process of democratization was not extended.

Bantu reaction to the Promotion of Self-Government Act was mixed. Again, the traditionally oriented groups were acquiesent if not enthused about the changes. The urban liberal Bantu were violently opposed for two reasons; one, their last vestige of parliamentary representation was being eliminated and secondly, they were being compensated by representation in

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38. Debates of the House of Assembly (Hansard), Second Session - Twelfth Parliament, Union of South Africa, Vol. 101, col. 6221, 20 May, 1959.

tribal Homelands with which, in many cases, they had no interest or connection. Chief Albert Lithuli, president of the African National Congress, representative of liberal (anti-apartheid) Bantu, made a scathing attack on the new system.

> "The modes of government proposed are caricature. They are neither democratic nor African. The Act makes our chiefs quite straightforwardly and simply, into minor puppets and agents of the Big Dictator. They are answerable to him and him only, never to their people. The whites have made a mockery of the type of rule we knew. Their attempt to substitute dictatorship for what they have efficiently destroyed does not deceive us".[39]

Still, the government has continued to pursue its policy and by the end of 1969 territorial authorities had been established for the Tswana, the South Sotho, the Tsonga, the North Sotho and the Venda. Another had been set up in the Ciskei (although Xhosa) because it is geographically separated from the Transkei.[40]

The only significant group to remain outside the system had been the Zulu nation. In many cases it refused to accept regional authorities much less a territorial one. The Zulu Chief, Gatsha Buthelezi, a vocal critic of the Nationalist Government, adopted a wait and see attitude as no tribe was compelled to accept the system. It was considered a great feather in the cap of the government when Chief Buthelezi decided to begin co-operating with the system.

In Bantu political advancement, however, the Transkei has continued to be the leader. In 1963, the government passed the Transkei Constitution

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39. Lithuli, A., Let My People Go, London, Collins, 1962, p. 200.

40. Horrell, M., The African Reserves of South Africa, Johannesburg, South African Institute of Race Relations, 1969, p. 8.

Act, and the Transkei became a "separate territory" practising internal self-government. The power of the White Government remains extensive but these reserve powers have not been greatly used. The developments in the Transkei considering the restraints of White South African politics, are a significant step forward.

In speaking of the new constitution, the Minister of Bantu Administration and Development, Mr. D.C. DeWet Nel stated:

> "We hold the view that every nation should formulate its own political philosophy according to its own ideas. Every nation is entitled to draft its constitution according to its convictions and its views and its conscience, and we know they are capable of that; and that Bill is their work in the first instance. That Bill is the creation of the Bantu of the Transkei. Now I should like to say this, that I readily admit that there are a few points in it that might not be quite consistent with pure principles of Western democracy and I admit that the Constitution bears a Bantu stamp and it has a Bantu soul, but that is consistent with our views, for we hold the view that they should build their constitution to their own nature".[41]

Certainly, the constitution writers were paid government chiefs and pragmatic enough not to push the government too far with demands, but according to Carter's definitive work on the subject, the only two stipulations which had to be met were: no immediate independence and that Apartheid be applied within the Transkei.[42] The constitution allowed for a unicameral legislature composed of five permanent paramount chiefs, fifty-nine local chiefs and forty-five elected members. The reason for the single

41. Debates of the House of Assembly (Hansard), Second Session, Second Parliament, Republic of South Africa, Vol. 5, col. 2238, 6 March, 1963.

42. Carter, G.M., Karis, T., Stultz, N.M., South Africa's Transkei: The Politics of Domestic Colonialism, Evanston, Northwestern University Press, 1967. p. 114.

house was probably the fear of the traditional chiefs that if relegated to a senate type upper house, they would progressively lose their power to the elected legislature. This packing of the assembly with government paid chiefs has brought criticism from the government's opponents.

The elected members of the assembly were to be elected by universal suffrage of all Bantu residents of the Transkei and also "all Xhosa-speaking Bantu living and working outside the Transkei who had no other homeland".[43] By a 1967 ammendment to the constitution the non-paramount chiefs elected their own members, those members holding their seats for the duration of the assembly concerned. The constitution also allowed for a cabinet elected from the representatives of the majority party. This cabinet would control ministries transferred to the government of the Transkei; specifically Roads and Public Works, Finance, Justice, Agriculture and Forestry, Interior, and Education. The Republican Government retained control of Posts and Telegraphs, Transport, Defence, Foreign Affairs, etc., which are administered nation wide. The direct link with the Republican Government is The Commissioner General for the Transkei. The Republic's State President retains power to refer any act of legislation back to the Transkei parliament for further consideration.

In the first election in 1963, the Transkei National Independence Party (TNIP) gained only fifteen of the forty-five elected seats but retained the support of the majority of chiefs and formed a government under Paramount Chief Kaiser Mantanzima. Although sometimes touted as a government stooge, Mantanzima appears as a Bantu nationalist who has little liking for the Republican government, but who is pragmatic enough to attempt

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43. A State in the Making, Department of Information, Pretoria, The Government Printer, 1970.

to work through the system. As a Bantu nationalist (as opposed to a believer in integration or a multi-racial society) he is acceptable to Pretoria, though seldom as docile as they might like. He has forced a number of controversial bills through the legislature and has continually pressed the government for more independence.

> "We, therefore, solidly stand by the Constitution of the Transkei and will, under its provision, ask, at the appropriate time, the greater powers and more comprehensive duties in respect of Transkeian matters be handed over to us so that we can develop towards complete autonomy".
>
> "One can foresee that eventually South Africa will embrace a number of fully Bantu-governed states linked with the white Republic of South Africa in co-operative association".[44]

The South African government, on its part, has been moving rapidly toward increasing Bantu participation in the Transkei civil service and:

> "When the Civil Administration was transferred in 1963, 1900 of 2,467 administrative posts were immediately filled by the Bantu, leaving 567 occupied by Whites. By 1966, Whites occupied 382 out of a total of 2,821; and by 1969 the number was 324 out of 3,460".[45]

The deputy minister of the various Transkei ministries, however, is still a White official seconded to the Transkei government by the Republic. The Republican government still must supply grants to cover over two thirds of the Transkei government's expenditures. In 1970, this amounted to R15,075,000.[46] Such a gradual process toward self-government is similar, in many respects, to British policies of decolonization. How much independence

44. Progress Through Separate Development, 3rd edition, New York, Information Service of South Africa, 1968, p. 103.

45. A State in the Making, op. cit.

46. ~~Note: The South African currency is the Rand (R).~~ 1 rand = ~~U.S. $1.40.~~

the Republic will be willing to grant is still a subject for speculation.

Mantanzima's policies seem to have won him some popular support as was manifested in the legislative elections of 1968, where his TNIP increased its elected members from fifteen to twenty-eight out of forty-five.

The increased self-government in the Transkei is far from perfect and progress may not be fast enough for many. The Transkei government also does little to aid the expatriate Xhosa citizens residing in White South Africa, who tend to be hostile to the idea of a separate Transkei in principle.

In the political sphere, the South African government can claim its policy a success (except for foreign acceptance). Those who are supporters of the government's policy also have little to complain about since 1963:

> "Promises have been kept and intentions quickly translated into reality".
> 47

Such policies have not gone unnoticed by other Bantu leaders. In the near future the Homeland of the Tswana people may soon take on a status similar to the Transkei. As mentioned above, Chief Buthelezi, an outspoken critic of Apartheid, has been convinced that the interests of his people may be served best by working within the system. He is very important to the government program of separate development as he leads the largest Bantu national group. Buthelezi is no Mantanzima - he is far more popular and has control of more powerful resources.

The problem with the Zulu Homeland and, to a lesser extent, the other Bantu Homelands, is their fragmentation. Chief Buthelezi argues that his "nation" must be contiguous before any workable administration can be set up. As pointed out above, the government has agreed to the principle of

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47. Niddrie, op. cit., p. 153.

consolidation of the Homelands, yet it is committed not to increase the area beyond that stipulated in the 1936 Native Trust and Land Act. This land is all but used up. If the government wishes to win the support of the Zulu and prove their good faith, they will have to come up with more land. As Buthelezi stated in a conference at the California Institute of Technology in 1971:

> "I assume that you know my address which I gave on one occasion where I said that if the Government has committed us to eight federal nations through this polka dot arrangement, they need to deal with us first by consolidating all this. For it is ridiculous to say that we can be a nation of polka dots. The Government must consolidate us because it is their policy to do so. If they want to make a nation of us, then we must consolidate in an African bloc".
> 48

Still, Homeland political development seems to be evolving much as separate development theorists envisage.

Far more important are the slow, even minute changes in white attitude which are beginning to be noticeable.

> "... though paternalistic master-servant relationships dominate in the working sphere, an African is no longer an object of personal white arbitrariness. Awareness among non-whites of at least their formal rights when confronted with individual discrimination has contributed in some measure to the belief in the justice of Apartheid order".
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> "The civil servant has been officially told to avoid blatant discriminatory treatment...".
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48. Buthelezi, G., "The Past and Future of the Zulu People" Munger Africana Library Notes, Issue #10, January 1972, p. 7.

49. Adam, H., Modernizing Racial Domination, Berkley, University of California Press, 1971, p. 82.

50. Ibid., p. 81

> "The commander of the Johannesburg police declared that policemen treating Africans not as human beings would be regarded as saboteurs".
> 51

> "There are many official examples of social cordiality between officials of the two governments (The Republic's and the Transkei's). But perhaps a clue to a significant shift in attitude on the part of many Afrikaners-in-the-street was when Prime Minister Mantanzima emerged from a reception at the Cape Town city hall to enter his limousine, and the Afrikaner policeman on duty snapped to attention and saluted the African politician".
> 52

The spectre of Prime Minister Vorster shaking hands with Malawi's President Dr. Banda would have been political suicide ten years ago. In November, 1971, South Africa held its first inter-racial sports meet.[53] These may be small steps but they are steps which indicate a changing attitude.

There are larger indications that Whites have come to accept the government's policy. The Nationalist party, since its election in 1948, has never had to worry about serious opposition from the United Party or the more liberal Progressive Party. The danger lay in the party's own right wing, known as the verkrampte wing (literally cramped ones). This conservative sector tended to work as a brake on the implementation of the Homelands policy. Dr. Albert Hertzog, leader of the verkrampte sector of the party, decided he would no longer support the Party's outward looking policy and claimed that separate development was proceeding too fast. He and a group of ten M.P.'s withdrew from the National Party and formed the nucleus of a new party, the Herstigte Nasionale Party (Reformed National Party). The Herstigte party looked backward to baaskap (racial domination in the traditional sense)

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51. <u>Loc. cit.</u>

52. Munger, <u>op. cit.</u>, p. 101

53. <u>Malawi Pictoral</u>, Vol. 3, No. 2, 1972, p. 6

and opposed most of Vorster's "liberal" programs. The National Party moved quickly to test the support of the Herstigte party.

> "At the election on 22 April, 1970, not one of the Hertigte candidates was returned and all but one, including the sitting M.P.'s lost their deposits (which in South African election terms means that they polled less than one-fifth of the votes of the winning candidate). The strength and influences of the Herstigtes (or verkramptes) were shown to be very small and Mr. Vorster may be said to have been given the green light by the electorate to continue his outward-looking policies". 54

White South Africans have begun to accept Bantu progress, on the government's terms, of course, but Bantu progress nevertheless. This is significant. The total defeat of the right wing of the party has freed the Nationalists from many constraints. The government, with its new mandate, is already showing signs of speeding up the implementation of separate development.

This is not to suggest that three hundred years of racial domination is dying overnight. Prejudices and domination are still manifested on a large scale. The government's harsh laws are still rigidly enforced, often with little consideration for the individual. The Nationalist Government is still prone to pass and enforce legislation long before it is ready or able to make suitable compensation. Individual rights are still curtailed for the sake of security.

The government is continuing along its path toward its concept of separate development. Unfortunately, it is still a path which must be followed with extreme caution and care. Improvements must always be implemented with one eye toward Afrikaner survival. The speed of development

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54. De Velliers, D., The Case for South Africa, London, Tom Stacey Ltd., 1971, p. 132.

is always subject to constraints. Improvement in education must be provided if Bantu are going to take on greater responsibility for their own affairs, yet too fast an improvement could create an unemployed elite which could be politically dangerous. However, on the whole, offices of separate development seem to be providing a sufficient outlet for those who have political ambitions, and at least the possibility of a long term solution can be perceived.

Unfortunately, the political solution cannot solve the major problem which threatens Afrikanerdom. Two thirds of the nation's Bantu live and work outside the Homelands. Proclamations alone, identifying non-Homeland Bantu with the citizenship of a "National Homeland", do not automatically commit an individual to identify with it or turn his energies toward it. Despite rigid influx control and mass programs of forced "endorsement out", conducted with harsh rigidity, movement to the industrial urban centres continues.[55] In the period 1959 to 1970 it is estimated that a million surplus persons (i.e. those without employment) had been forcibly removed and resettled in the Reserves.[56] The government has continued with this program even to the extent of creating labour shortages in certain areas. But forced removals do not provide the answers. The Homelands must be made to provide opportunity and employment for this excess population. Not even the most optimistic proponents of separate development expect the Homelands to provide the means of sustenance for the entire Bantu population. This, even if it could be achieved, would be disastrous to the White economy. The Homelands first must be able to provide employment for excess Bantu workers so that pressure on urban areas is removed, if the system is to survive. In the longer run, the

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55. See Desmond, C., The Discarded People, Harmondsworth, Penguin Books, 1971.

56. Ibid., p. 224

Homelands could hopefully provide a genuine alternate area of employment. Probably most important, if "separate development" is to succeed, the Homelands must provide the opportunity, both economic and cultural, to attract or retain the growing number of skilled and professional Bantu who now largely gravitate to the urban centres. Forcing these people back to the Reserves can only increase dissent. Separate development, therefore, is an economic problem.

The government may be satisfied with the political situation but it has spent large sums on economic development with, as yet, little gain. It will, therefore, be useful to examine the economy of the Homelands in detail to ascertain the problems of economic development.

CHAPTER II - THE ECONOMIC POLICIES OF SEPARATE DEVELOPMENT AS THEY HAVE AFFECTED THE BANTU HOMELANDS

> "... is it really beyond the capacity of South Africans, White and Black, to find a practical middle way between 'community development' and the unleashing of fully fledged 20th century capitalism in the Bantu areas? On the White side, the search for a middle way demands a fairly clear comprehension of the traditional Bantu order into which modern development is to be implanted". 57

It is safe to say that the body of theory known as development economics, as it applies to the developing nations of the world, has improved tremendously since its naive embryo period following the Second World War. One of the basic tenets of traditional economic science assumed that men behave in an economically rational fashion. This tenet was logically transferred to development economics. This gave rise initially to theories which assumed that all that was necessary for the promotion of economic development was the provision of certain basic inputs: i.e. capital investment in physical infra-structure, production facilities and human capital combined with sufficient material incentives to labour and enterprise. If these conditions were manifest, then the pull of economic forces would determine human reactions and create a changed social system. Despite the warnings of anthropologists and sociologists, such theories did not become discredited until after a number of costly failures. The human element could not be relied upon to act in the theoretical manner, due to sociological and cultural conditioning.

In South Africa, on the other hand, there has long been a realization by economists that the cultural background of the Bantu often

57. Leistner, G.M.E., "Some Thoughts on Bantu Development", Journal of Racial Affairs, Vol. 21, No. 2, April 1970, p. 42.

causes him to react in an unconventional way to economic stimulus. Two direct causes for such awareness can be identified. The most obvious stems from the long association of Bantu and White in the spheres of productive activity, whether industrial, agricultural or domestic. The second is derived from the very theory of separate development itself and its emphasis on the unique features of the various "national" groups in the Republic. Such a realization of these differences may not have prepared South Africa's development theorists any better to deal with the ethno-social problems of economic development, but it has, in many cases, conditioned them to make allowances for these problems.

Those same influences which at least saved South African theorists such as Steenkamp and Nieuwenhuysen from the naivety of many early development economists, may have at the same time prevented an objective analysis of the problems being undertaken. The long work association between Bantu and White has traditionally been one of the manager-employee, master-servant type. The long term psychological conditioning of such a relationship, reinforced by the social ideology of the society, has led to a particular view of the Bantu. In many cases it has led these same development theorists to underestimate the abilities of those they wish to aid. Secondly, the need for differentness as manifested in theoretical separate development has led those trying to implement the policy to deny the possibility of development along lines similar to those of advanced nations. The South African economist, like most economists concerned with development, is continually improving his ability to deal with the complex problems of economic and social change partially by a process of trial and error, and particularly through improved information and techniques.

The economic policies directed at the development of the Homelands have, however, been following generally accepted criteria in the theory of economic development.

> "Efforts at economic growth in a labour surplus, underdeveloped economy must essentially result in increasing productivity through the reallocation of economic resources. In our view this process is likely to follow a 'formula' which reads somewhat as follows: (a) the achievement of continuous substantial increases in labour productivity in the agricultural sector so that disguised unemployed rural labour can be freely reallocated and agricultural surplus for fueling the industrialization process can be generated (as a smaller fraction of the entire population supplies the rest of the economy with food and raw materials); (b) the simultaneous expansion of employment opportunities in the industrial sector to absorb the labour released by the agricultural sector; (c) sufficient speed in labour reallocation and industrial output expansion to outstrip population growth, which continues inexorably to augment the rural 'reserve army' of the underemployed; (d) emphasis on the general 'tightness' of resources in terms of both the mobilization of 'hidden rural savings' and other, more conventional domestic savings out of industrial profits to accomplish these objectives through time; (e) the allocation of the annual saving fund to agriculture and industry in a 'balanced' fashion to promote increases in productivity in both sectors without the serious deterioration of the (internal) terms of trade of either; and (f) the generation and adoption of technological change biased toward the economy's relatively abundant labour resources".[58]

According to economic theory, one should have little quarrel with the South African government's development policies toward the Homelands. In theory at least, their implementation of development policy is sound. This is not to indicate that their policies have been successful. Although failures have been few, the successes have been modest. Certainly one could make a

58. Ranis, G., "Trade, Aid and What?", in Ranis, G., (ed.) The United States and Developing Economies, New York, W.W. Norton and Co. Ltd., 1964, pp. 161-162

case for the fact that the government is not providing adequate amounts of all types of aid, but this problem is not uniquely South African. There are three reasons why aid has not been as extensive as one would like. The first two are political, the third psychological.

One of the primary restrictions on a massive aid project results from the government's fear of the headway which right wing political factions might make. Among certain factions in South Africa it is felt that Bantu development is acceptable only on the condition that they pay for it themselves. The idea that White South Africa should foot the bill is unacceptable. As pointed out in chapter I, this faction has proved less powerful than anticipated. It appears that the government is increasing the tempo of development as a result of the 1970 election.

The second political constraint arises out of a fear of failure. If the government were to undertake a massive, well-publicised attempt at industrializing one of the reserves, critics might make considerable political gains by using the failure as evidence that separate development is not feasible. As a result, most projects have tended to be small, well-studied and assured of success. All such projects have a very small element of risk.

Finally, the psychologically conditioned White conception of Bantu capabilities has led to a setting of their absorptive capacity at an arbitrarily low level. Still, those projects which have been implemented have been based on generally accepted development principles and carried out in a spirit of good faith. The Homelands, on the other hand, may not provide the necessary preconditions which make implementation of conventional theory the best means by which development can be brought about, and the need to examine alternatives will present themselves. At this time, therefore, it is necessary to examine the Homelands, surveying their general economic condition and the effect of government development policies and projects since the commitment to separate development.

The Tomlinson report must form the basis for any study of the economics of the Reserves. Previous to the report the Reserves were economic backwaters in the true sense of the word. They were out of sight and out of mind to all but those who were directly concerned. Beyond scattered attempts at improving agriculture and preventing soil erosion, no interest had been taken in them. Their main purpose, as far as South Africans were concerned, was to provide a depot for the inexpensive labour needed in South African industry and agriculture. Beyond some rudimentary studies, no economic survey had been undertaken until 1930. Any thought that these areas should be productive entities in themselves was not considered.

> "It is possible, and excellent arguments have been brought forward to prove that such an area as the Transkei would be capable of supporting a vastly increased population and of producing a surplus of agricultural and forest products for export, if its people were thoroughly educated and their economy reorganized on a planned communal basis. But such a possibility is not contemplated by our present government, partly because of the apparently utopian character of the proposition itself, but also because a government representing the interests of White South Africa must regard the reserves primarily as a source of labour for the mines and European farms". 59

Still, the government could not be entirely insensitive to the population growth in the Reserves and the ensuing impoverishment of the inhabitants. The first adequate survey of the Reserves was undertaken by the Native Economic Commission of 1930-32. The report of the commission painted

59. Hellman, E., (ed.), Handbook on Race Relations in South Africa, London, Oxford University Press, 1949, p. 190.

a grim picture even in this early period. There was already evidence of declining agricultural yields in nearly all reserves and the large population increase was necessitating increased use of marginal land. The Eastern Cape reserves were suffering from extensive soil erosion. The small Natal reserves had considerable problems with overstocking and Zululand was infested with malaria and tsetse which sapped the human and animal population. In the northern Transvaal, reserves with little arable land were suffering from population pressure and there had been serious clashes with the Native Affairs department over the plowing of watershed areas. The northern Cape Province reserves with their low carrying capacity thorn-veld were, except for a small number of pilot plots, largely stagnant.[60]

The Commission laid the blame on four major causes:

> "(a) The Bantu land and agricultural systems postulate plenty of land for grazing and cultivation, but increasing human and animal population in the Reserves have set limits to the land available.
>
> (b) White European administration has led to less warfare, less famine, less human and animal mortality from disease, and contact with Europeans has led to the awakening of new ambitions, and the development of new social needs, knowledge of how to make the land yield more has not kept pace with these developments.
>
> (c) Overstocking has led to a definite deterioration of the land in the Reserves. Desert conditions are being created: denudation of the soil, donga erosion, conquest of grass by weeds, destruction of woods, drying up of springs, destruction of the reproductive properties of the soil.

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60. *Ibid.* p.p. 179-180

> (d) Too little has been done to alter the mental outlook of the inhabitants so that they can take advantage of the knowledge available to them for the better preservation and use of the land".
> 61

Industrialization in the reserves did not exist except for a few insignificant home-handicraft units. The Commission made a great number of sound recommendations but the world depression, the world war and a government not dedicated in ideology to Apartheid prevented any significant action being taken on them.

The Commission, however, realized the importance of the Reserves to the solution of the economic-political problems of South Africa:

> "The Native economic question is:- In what way can the millions of uneducated, inarticulate Natives, held in the grip of superstition and of an anti-progressive social system be led onward step by step in an orderly march to civilization. It is a problem whose roots are to be found in the Reserves where four-sevenths of the Native population lives, for the most part under tribal conditions - political, social and economic".
> 62

After the report, the Reserves were again conveniently forgotten. The situation continued to deteriorate. Production of maize, the staple crop of the reserves steadily declined. In the decade 1921-1930 the average annual production of the reserves collectively was 640 million pounds, the following decade this yield and decreased to 490 million pounds.[63] In 1943, in the Transkei alone, there were some 250,000 landless family units. Once self sufficient, the Transkei was importing two hundred million pounds of maize a

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61. Rheinallt Jones, J.D. and Saffery, A.L., "Social and Economic Conditions of Native Life in the Union of South Africa; Findings of the Native Economic Commission, 1930-32 Collated and Summarized", Bantu Studies, Vol. VII, 1933, p. 242

62. Ibid. p. 237

63. Hellman, E., op. cit., p. 184.

year by the early 1940's.[64] The resultant undernourishment and protein deficiency led to a high Bantu infant mortality rate of approximately thirty-three per cent.[65]

When the Commission for the Socio-Economic Development of the Bantu Areas within the Union of South Africa completed its work in 1954 the first extensive, in depth survey of the Reserves was published and a basis upon which a development program could be worked out existed.

According to the 1951 census the population of the Union of South Africa was 12,646,000, with a racial division of 8,535,000 Bantu, 2,643,000 Whites, 1,103,000 Coloured and 367,000 Asiatics, giving percentage figures of 67.5 Bantu, 20.9 Whites, 8.7 Coloured and 2.9 Asiatic. These percentages had remained stable since 1904.[66] Of the 8,535,000 Bantu, 1,954,000[67] were resident in urban areas although only about 1,500,000 were considered permanent residents. Another 2,581,000 were living on European farms outside the reserves. This left approximately 3,633,000 resident in the Bantu Areas. These were distributed by area as follows: Ciskei 264,000; Transkei 1,202,000; Natal (including Zululand) 926,000; Northern Areas 927,000; Western Areas 314,000. About 500,000 Bantu remained absent from the Reserves and transient in the urban or rural areas.[68] The exact figure reported by the Tomlinson commission was 569,000, of which only 66,000 were females. The remaining half million males formed the migrant labour force so important to

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64. Jokl, E., "Native Manpower Resources with Special Reference to the Transkeian Territories", The Associated Scientific and Technical Societies of South Africa, the Annual Proceedings, 1943-1944, p. 32.

65. Ibid. p. 33

66. Tomlinson, op. cit., p. 25

67. Ibid. p. 27

68. Ibid. p. 53

the reserves. According to Tomlinson Commission estimates a minimum of thirty-five per cent of the reserves' G.N.I. was generated by migrant workers.

If the Tomlinson estimates can be used, the G.N.I. of the reserves in 1951 would have been £71,027,500.[69] As thirty-five per cent of the G.N.I. was generated by migrant workers, a total of £46,878,000 was generated inside the reserves themselves. Of this £46,878,000, 62.1 per cent was derived from agriculture, 19.1 per cent from services, 9~~.2 per cent~~ from various governments, 9.2 per cent from industrial or commercial activity and .02 per cent from mining. Wages and salaries contributed only 11.7 per cent of the locally generated income, agricultural production for nearly one hundred per cent of the remainder.[70] In the words of the Commission:

> "These proportions reflect the underdeveloped state of the economy and its lack of diversification. In 1950-51 the Bantu Areas provided only 3.7 per cent of the total geographic income ("adjusted") of the Union. Their per capita production of £12.9 contrasts with £99.4 for the Union as a whole".[71]

These figures reflect only part of the picture. The situation was getting worse.

> "With regard to changes in the longrun, geographic income of the Areas, calculated at ruling prices has risen, but their share in the generation of the national income of the Union has declined considerably. The 'real' income produced in the Reserves has remained almost unchanged since 1936 (apart from possible fluctuations caused by climatological factors) while the per capita income has even fallen".[72]

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69. Note Shortly after South Africa became a republic in 1961 South African Rands (R) replaced South African Pounds (£) as the official currency at the value of two Rands for one South African Pound.

70. Ibid. p. 99

71. Ibid. p. 99

72. Ibid. p. 99

Beyond such unattractive findings the Commission found great inequality of income.

> "The inequality of income is very striking. For instance, 12.7 per cent of the families in the Reserves earn 46.3 per cent of the total income of those territories. The average income, as conventionally calculated, is far lower in the Northern Areas than in Natal or the Transkei".
> 73

In its description of the Reserves' economy the Commission devoted much of its time to agriculture. The Commission divided Bantu Areas into four main agricultural classifications using as their criteria, vegetation, soil types and climate. About twenty-four per cent of the total area, comprised mainly of the water starved western Cape areas, Kalahari, Kuruman and Umzemkulu-Harding, plus the Eastern portion of the Northern Transvaal Reserve of Lateba-Singwedsi, was considered to be too dry for anything but extensive stock raising.

Another twenty-seven per cent of the Reserve area was considered fit mainly for stock raising although irregular crop production was possible. This type of production was centred in two areas, the Transvaal reserves (Mafeking, Rustenburg-Pelanesburg, Hammanskraal, Premiermyn, Bochum-Polgietersrus and the Western portions of the Olefants-Steelpoort-Blyderivier complex) where rainfall is not adequate to provide for subsistence crop production, but the cattle carrying capacity is improved over that of the desert reserves. The other areas considered in this category were the northern Natal Reserves. Although these areas receive sufficient rainfall, topographically they are too broken for planting extensive field crops.

A third category was "Mixed Farming Areas" with Emphasis on Stock. According to the Commission:

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73. *Ibid.* p. 99

"This type of farming area again is a degree superior in productivity. It occurs, ... in the Pietersburg-Letaba plateau, on the eastern mountain slopes of the lowveld, in the valleys of the Transkei, in large portions of the Ciskei and in the vicinity of Thaba Nchu".

"Although stock farming plays a leading role there are other possibilities as well. Crops such as maize and kaffircorn are easily grown; forestry is possible in selected localities and it is even possible to produce deciduous fruit in certain parts. There are, furthermore, possibilities for sub-tropical fruits, vegetables and fibre crops".

"Both sheep and cattle farming can be practiced and intensification is possible, particularly in regard to the latter. Fodder crops can be grown and dairying developed. In addition, the carrying capacity of the grazing is much higher with the result that a denser human population also becomes possible".

"One-fifth of the Bantu Areas consists of this type of country".[74]

Finally, twenty-nine per cent of the Bantu Areas could be considered good farming land. These areas lie almost exclusively in the Transkei, although there are some small areas in Southern Natal and the Ciskei. According to the Commission these areas have a higher livestock carrying capacity, potentially good cereal crop yields, and a great variety of tropical and sub-tropical crops such as sugar could be grown.

"Here we have to do with those portions of the Bantu Areas that can stand comparison with the best parts of South Africa. Among the various potentialities, those for agriculture are greatest and the zone is capable of carrying a dense population. It is fortunate that the largest of the four zones covers 29 per cent of the Bantu Areas".[75]

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74. Ibid. p. 48

75. Ibid. p. 49

In its conclusion, the Commission clearly indicated that the possibilities for agricultural development in the first two classifications would be severely limited.

> "In conclusion one can draw a clear distinction between the poorer north-western sector where, with few exceptions, cattle farming must remain the principal industry and the much better south-eastern sector where mixed farming should be mainly practiced".[76]

Unfortunately, the potential seldom lives up to the reality of the situation. Even in the reasonably well endowed areas of the Reserves, crop production was found to be very low compared to that of White areas. For the two staple crops of maize and "kaffircorn", average yields per morgen on White farms were 6.98 bags[77] and 5.35 bags respectively, while corresponding average per morgen yields were 2.45 bags and 1.46 bags on Bantu acreages.[78] The Commission's report also showed expected regional differences in yields and indicated the possible potential when good agricultural practices were utilized.

> "The Commission's surveys show that the maize yield in the Bantu Areas varied from 3.84 bags per morgen in the high rainfall zones to 0.36 bags per morgen in the lower rainfall zones of the mixed farming regions. The yield in a Bantu irrigation scheme under European supervision was 15.87 bags per morgen as compared with 3.0 bags on a scheme controlled by the Bantu themselves. The survey also showed that in the mixed farming regions of the Bantu Areas, 70 per cent of the Bantu reaped 4 bags or less per morgen, 34 per cent 2 bags or less, while 13 per cent reaped nothing. Only 4 per cent produced 10 or more bags per morgen".[79]

The Commission also found that over the long term the absolute grain production of the Reserves had fallen from 1919 to 1952, even with the

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76. Loc. cit.

77. Note. In South Africa grain crops are measured in bags - 1 bag = 200 lbs

78. Ibid. p. 84 79. Ibid. p. 84

increase in agricultural labourers and a twenty-five percent increase in land area. As pointed out before, the Bantu areas had long since ceased to be self-sufficient; the Commission further clarifies this:

> "In regard to cereal foods, the Commission's estimate is that the average person in the Bantu Areas requires approximately 2 1/2 bags (of 200 lbs.) of grain per year. During the period 1946 to 1952 the average yield of grain in the Bantu Areas amounted to about 3.3 million bags per annum, while with a resident population of about 3.6 million persons, the annual requirement was about 9.0 million bags. The Bantu in their own areas, therefore, produced less than half of their normal grain requirement during the period in question". 80

As for stock farming, the Commission gives detailed figures showing large numbers of cattle in the Reserves but as these cattle were not bred productively, culled effectively, nor sold commercially, they hardly constituted an economic resource;

> "And because the Bantu Areas carry not their optimum but their maximum stock population, the pasture and stock must continue to deteriorate more and more. The stock will not only decrease in numbers, but also as economic units of production". 81

The Commission also described the pilot projects and services of the Technical Agricultural Services of the Department of Native Affairs but concluded that although of high quality, they were far too few to have any extensive effect.

Low production in the Reserves was attributed by the Commission to six main causes; the "cattle culture" of the Bantu, soil deterioration, the land tenure system, lack of men, overpopulation, and lack of White

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80. Ibid. p. 84

81. Ibid. p. 78

assistance. Although these are all related, they can generally be interpreted as separate causes.

The cattle culture of the Bantu is probably the greatest cause of low production. Much of the Bantus' social system is based on cattle security. A man's wealth and prestige are measured by the amount of stock, especially cattle, he controls. The cattle kraal is considered the home of ancestral spirits and, therefore, of deep religious significance. Animals are considered to be the medium through which contact can be maintained with the spirits.

> "To the Bantu the cattle kraal is his church and the centre of his family and communal life".
> 82

Cattle are also used to stabilize marital relationships and thereby ensure the desirable kin relationships of an extended family. The "lobolo", or exchange of cattle at marriage, goes far beyond a simple "bride price". It is a legal contract bearing certain responsibilities to both families. As the Bantu society recognizes polygamy, the more cattle a man has, the more wives he may obtain, and the more secure he becomes in the social system.

All such practices lead to a preference for quantity rather than quality in cattle, especially since cattle are seldom eaten except when they become carrion. Out of a total of an estimated 3,532,117 head of cattle in the Reserves in 1952, only an average of 36,000 head had been sold in the years 1950-1953, or about one per cent of the total.[83] It is obvious, therefore, that a great number of productive acres are withdrawn from economically productive use. Any form of stock control is obstinately resisted. The result is poorly bred, diseased and undernourished cattle plus

82. Ibid. p. 73

83. Ibid. p. 82

gross overgrazing which encourages soil erosion.

Soil erosion was considered as another direct cause of low agricultural productivity. A number of reasons for soil deterioration are evident. As mentioned above, overgrazing is a major contributor. The heavy population increase has led to the use of marginal land, often in hilly or watershed areas. The Bantus' lack of conservation knowledge and adequate equipment leads him to plow in a downhill fashion rather than in contours, thereby increasing erosion.

In Bantu culture, traditionally the woman is the farmer. In addition, many of the young men are absent having found employment in the White Areas of the Republic. Therefore, male manpower needed for heavy work is seldom evidenced in crop production. As a result, yields tend to be lower than could be realized.

Although less generally accepted, the Commission's report found the communal land tenure system of the Bantu to be incompatible with an individual's effort to improve his land. As the farms were allotted, more or less arbitrarily by the local chief, any improvement an individual could make might be just as arbitrarily removed from him the following year. Finally, the Commission indicated that while the technical assistance provided by the government was of high quality it lacked widespread effectiveness.

The Reserves' agriculture, then, could be said to be in a state of low and decreasing productivity. Certainly it would be difficult for the Reserves to increase production to offset the increase in population without a substantial influx of capital, especially human capital plus a rapid change in Bantu attitude.

The Report's section on the state of secondary industries in the Reserves was far briefer, as virtually no industries existed.

> "Secondary industries are conspicuous by their absence in the Bantu Areas. The Reserves have, in fact, so far found no favour whatever for the establishment of industries, and the Commission observed that the few undertakings that are located there, are generally small concerns serving a local demand and consisting, for the most part, of grain mills and garages. Furthermore, these businesses are, almost without exception, in the hands of Europeans. Apart from centres such as Durban, Pretoria and East London, there are few places where industries are situated near to Bantu Areas".[84]

The only legitimate secondary industry facility the Commission could identify was a textile factory in the Ciskei. The Commission also commented that there was some small production of handicrafts and curios, mainly catering to the tourist trade.

Mining, the only heavy industry in the Reserves, was entirely concentrated in European hands although these enterprises paid prospecting fees, rents and royalties to the South African Native Trust. In 1951 these amounted to, by the Commission's estimate, a total of £60,000 or 1.7 per cent of the total value of mineral production (about £3,448,000) in the Reserves for that year. These mines provided about 14,000 Bantu jobs.[85]

Tertiary activities were also discussed in the report. Of a total of 2,633 licensed general dealers in the Bantu Areas in 1952, 1199 (45.5 per cent) were Bantu. In 1936 Bantu had comprised only 9.1 per cent of the total. Older established traders in the Transkei and Ciskei were still largely White, while in the Northern and Western Reserves, Bantu were in the majority.[86] Monthly turnover of these enterprises was found to average £5.6s in a Commission conducted sample. In the Transkei and Ciskei the

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84. Ibid. p. 88

85. Ibid. P. 88

86. Ibid. p. 90

average reached £6.11s, while in Natal and Zululand the average was £3.7s.[87] Trade still was dominated by the White traders.

> "In spite of the fact that Bantu traders constituted 45 1/2 per cent of the total number of traders in the Reserves in 1952, the Commission estimates that their total turnover was only £1,755 million, 10 per cent of the total trade".[88]

The Reserves also lacked most essential forms of infra-structure. Roads, beyond those which passed through Bantu Areas for the purpose of connecting White areas of the Republic, were little more than tracks. Railways were either through lines or spurs directed at the few mines located in the Reserves. Banking and financial institutions did not exist. There were no large towns. There was no middle class. In fact there was little good the Commission could say about the Reserves. They were over-populated, the agricultural land consisted of about fifty percent marginal land and fifty per cent good land that was worn out. The people were not progressive and continued to follow policies which further degraded the soil. Industry did not exist. The Bantu merchants were too poor to be able to generate any significant capital. The young and able-bodied spent much of their time working in the White mines, industries and farms. No sizable cash crop was produced. Yields were declining in subsistence crop production. Starvation was manifest in several regions.

The Reserves hardly presented promising areas for economic development. They had no special attribute upon which development could centre. The prospects looked particularly grim in the face of the prosperous, fast-growing economy of the Union. Under such circumstances economic policy would have suggested that the Reserves be progressively abandoned and employment

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87. *Ibid.* p. 91   88. *Loc. cit.*

created for the excess Bantu in the existing urban industrial areas of the Union. But, as discussed in chapter 1, political decisions frequently override those of economics in South Africa. The Commission realized this when it was summing up its program of development and stated that separate development should be followed even if it were the more expensive economic policy.[89]

The Commission advocated a massive development scheme, broad based and almost evenly divided between improving agriculture and undertaking industrialization. It laid out seven basic principles which were to be followed in the process of development:

(1) The overall aim should be human welfare;

(2) The well-being of the people concerned should serve as the standard;

(3) While the welfare of the Union as a whole should be considered, the stress should, in the first place, fall on the welfare of the Bantu;

(4) The development of the Bantu Areas should be linked up with that of the Union as a whole;

(5) Development of the Bantu Areas should be undertaken in co-operation with the Bantu and as far as possible by the Bantu themselves;

(6) The co-operation and participation of Europeans would be necessary;

(7) Development should be balanced with regard to scope and tempo.

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89. <u>Ibid</u>. p. 211

Using these broad general principles as their framework, the Commission laid out a comprehensive scheme for the development of the Reserves.

Its basic recommendations regarding agriculture concentrated on three major areas; increased attention to stabilization of the land. extension of existing programs of irrigation farming, and, where possible, a switch to cash or forest crops.

To the Commission stabilization of the land meant two things, first, soil conservation and secondly, land reform. If the soil could be stabilized, then yields could be held constant, and eventually increased. Land reform, in the form of de-communizing tribal land and allowing for individual tenure, it was felt, would give rise to a class of independent and prosperous farmers who would eventually be able to generate some capital for the process of development.

With regard to agriculture, the Commission made recommendations under seven major headings:

A. Stabilization of the land.

These sections gave detailed recommendations dealing with the methods and practices of soil conservation;

B. Settlement.

The Commission recommended that all Reserve areas should be divided up into "economic farm units". Excess labour was then to be removed to proposed villages and towns;

C. Sale of Land.

Land would be sold to Bantu individually, one unit initially, but there was no limit set on the number of plots a Bantu could obtain if he had fully paid for each additional holding;

D. Utilization of Stabilized Land.

The recommendations in this sector dealt with assurances that land, once stabilized, would not fall back into disrepair by the continuation of faulty methods;

E. Marketing of Agricultural Produce.

The Commission recommended that machinery be established to provide greater control over standards and to seek out new markets for Bantu produce;

F. Provision of Agricultural Credit.

The Commission recommended that the Lands Division of the Department of Native Affairs should provide:

> "long term credit for the purchase of land and for effecting permanent improvements";
>
> "short term credit for settlers, but that commercial firms, and the proposed Bank for Savings and Advances, shall be the appropriate sources for this type of credit to the landowner".[90]

The Commission also set a suggested price for a farm unit, £400, with 10 per cent down payment, and forty-year mortgages at two and one-half per cent.[91]

G. The Technical Agricultural Staff.

That this division of the Native Affairs Department be expanded to enable it to cope effectively with its increased role in development policy.

The report also recommended that the Bantu diversify their agriculture into cash crops such as sugar cane, various types of fibre

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90. *Ibid.* p. 120

91. *Loc. cit.*

production and forestry when applicable.

In its discussion of the development of secondary industry, the Commission was obviously convinced that therein lay the solution to the problem of the Reserves.

> "In its hearings upon the present and future population problems in the Bantu Areas, development of industries is of the greatest significance. It offers a means of absorbing the 'surplus' population from agriculture and may eventually lead to a falling off in the birth rate... Furthermore, it is a well known fact that industrial development brings with it a higher standard of living, the need for which in the Bantu Areas requires no elaboration".
>
> "In general, the Bantu do not appear to be very successful farmers, and experience over the years has shown that it is easier to make efficient industrial workers of them than efficient farmers. Industrial development in Bantu Areas would also provide greater scope for productive utilization of labour. This may result in a relatively smaller number of migratory labourers, thus inter alia, obviating the repeated breaking off from one class of work and being retrained in another and leading to a healthier family life. In addition, it would become possible to employ Bantu as skilled workers in larger numbers than at present or in the foreseeable future".[92]

The Commission also discussed the relative merits of industrialization within the reserves and the development of industries within White Areas situated on the borders of the Native Reserves (border industries). The Commission felt that, although border industries would probably be easier to establish initially, and that they would suffice in limiting migratory labour, they would not solve the long term problem as they would prevent Bantu from moving into higher management positions. On the other hand, the Commission realized that because the Bantu had little

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92. _Ibid._ p. 131

experience in managerial positions, and entrepreneurs were not sufficiently present in the society, any immediate industrialization within the Reserves would be thwarted without the aid of White skills. If the White workers and managers were allowed entrance to the Reserves to any significant degree, "White spots" would be created which would be contrary to government policy. The Commission, therefore, felt that both types of development should be encouraged with emphasis upon industrialization in the Reserves.

The Commission could not agree on what form investment should take. The majority of the Commission felt that all avenues for capital investment should be utilized, i.e.

> " (I) Through Bantu entrepreneurs.
>
> (II) Through the proposed Development Corporation.
> (a) where the Development Corporation provides Bantu entrepreneurs with help and guidance.
> (b) where the Development Corporation itself acts as entrepreneur.
>
> (III) Through European entrepreneurs". [93]

A minority (two members) of the Commission, for reasons which will become clear below, were;

> "opposed to the establishment of industries or the acquisition of any rights ancillary thereto in the Bantu Areas by persons other than -
>
> (I) Bantu
> (II) bodies controlled by the state". [94]

With all the Commission's bright predictions about the future of industrialization, when it actually presented its detailed analysis of opportunities, the picture did not appear encouraging.

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93. Ibid. p.p. 141-142.

94. Ibid. p. 143

This, however, was partially due to the constraints which the Commission put on its plan for development. Industrial development is limited by the extent of the market. It appears that from the outset the Commission limited market possibilities to the Bantu areas exclusively, thereby precluding the possibility of large scale production for export or even for the Union as a whole.

> "A study of the Union and overseas markets for manufactured goods is probably the best starting point for deciding upon the direction to be taken by industrial development in the Bantu Areas. A thorough enquiry into this aspect of the problem was, however, not possible owing to lack of necessary data. In the following paragraphs only a few possibilities are dealt with. They are those indicated by the available information and which appear adaptable to the considerations to be borne in mind when planning industrial development in the Bantu Areas. Discussion is, moreover, limited mainly to place-bound industries (i.e. industries whose locations are pre-determined mainly by the source of supply of raw materials)". [95]

The Commission felt that the only large scale manufacturing which could be undertaken would be textiles and low grade clothing industries which, of course, would be suited to the low purchasing power of the Reserve Bantu. The Commission further speculated that there might also be a market in the African territories north of the Union.

> "Goods such as cheap clothing, textile goods, foot-wear and pressed metal goods such as cups and plates already meet with strong demand among the inhabitants of those territories. Development of industries in the Bantu Areas of the Union to manufacture these articles, offers important advantages, especially as semi-skilled labour is largely used in the manufacturing process". [96]

95. <u>Ibid.</u> p. 133

96. <u>Ibid.</u> p. 134

It is at this point that the Commission appears to lose touch with reality. The limited possibilities for industrialization have already been noted. The extent of the market, by the Commission's own admission, was extremely small. According to the Commission's 1951 figures the gross purchasing power of the Reserves equalled £15.8 million. Of this, fifty per cent went for foodstuffs.[97] Therefore, a maximum of £7.9 million would be left for the purchase of clothing and manufactured articles. If it can be assumed that savings were virtually non-existent, then the market could be assumed to have been satisfied by outside sources in 1951.

It is difficult to envisage how Bantu industries, producing for a small local market, would be able to compete with world producers, who obviously could take advantage of economies of scale. Even if such ventures were successful, it is hard to conceive how such a narrow range of products, confined to a small market, could generate the tempo of development deemed necessary by the Commission.

> "According to the calculations of the Commission, this objective implies that, on an average, 50,000 opportunities of employment will have to be created in the Bantu Areas annually. The actual number will naturally be smaller at the initial stages and will increase gradually. The most important factor involved here is that work will have to be provided for 20,000 Bantu annually in secondary industry including the construction industry. The economic activities arising from this and from agriculture will, according to expectation, stimulate tertiary activities to such an extent that the remaining 30,000 workers will be absorbed by the latter".[98]

It is significant that the Commission did not speculate as to long range possibilities. Even working with the ten year horizon which seemed to

97. *Loc. cit.*

98. *Ibid.* p. 184

be the immediate goal of the Commission, it is difficult to imagine a 200,000 man labour force working in the industries suggested, given the extent of the market envisioned. In short, the Commission provided an in depth survey into the requirements of growth which were deemed necessary to achieve the political aims of the Nationalist Party. Unfortunately, it did not apply itself with imagination towards the implementation of such development.

Working under the given constraints, especially the necessity of drawing on local natural resources, the report was able to describe five main areas where industrial development should take place:

(1) In the Transkei on the Umtata River;

(2) Near the vicinity of Sebasa in the Letaba-Shingwedzi Reserve;

(3) Along the railway in the Umzemkulu-Harding block;

(4) In the Bosbokrand-Sabie region of the Olifants, Steelport and Blyderivier area, and;

(5) Maputaland, although the commission believed that it was stretching the point in this area.

> "In the Maputaland block, there is nothing to justify industrial centres at the moment, and there is, in particular, a lack of transport and power. Even the required population is not present. Nevertheless, this area included about 300,000 acres which could be afforested, and in the wake of the logical development thereof, many factories might arise. The freshwater lakes can provide water, but the other services will have to be specially laid on". 99

The northern and western reserves did not present the commission with any likely areas for development.

As for the location of border industries the Commission suggested:

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99. *Ibid.* p. 143

(a) Three areas in Natal: Durban, Pietermaritzburg and Newcastle;

(b) In the Transvaal: Pretoria, Rustenburg, Tzaneer and possibly Nelsprult, Sabie, Barberton and Pietersburg but the distances from the reserves were felt excessive, and;

(c) In Cape Province: East London, King Williams Town and Mafeking.

The report presented a recommended expenditure for development in all its facets for a ten year period (see Table I). The total expenditure recommended totaled ₺104,000,000, of which ₺55,256,000 would be of a private nature which would be recoverable over a period of time. The remaining ₺49,230,000 was to have been in the form of social overhead capital.

The Commission's estimates on the cost of industrial development seem poorly researched and arbitrarily low. The sum recommended for the ten year period was ₺25,000,000. If the Commission's development schedule was to be kept - i.e. providing 20,000 direct industrial jobs per year - this would provide approximately ₺125 for each worker's machinery, plant and equipment. Costs for the Union as a whole had been found considerably higher.

> "In 1949/50 the average value per employee of machinery, plant and tools, excluding the value of land and buildings, was ₺282 in manufacturing and construction industries. Even if, as suggested, it were possible for factories in the Reserves to use a relatively lower proportion of capital to labour, the average cost of land, building, machinery, etc., could scarcely be less than ₺300 per worker". [100]

One almost gets the impression that the Commission realized beforehand that what it deemed as the necessary tempo of development could not

100. Van Der Horst, S.T., "A Plan For the Union's Backward Areas: Some Economic Aspects of the Tomlinson Commission Report", The South African Journal of Economics, Vol. 24, No. 2, June 1956, p. 109.

be attained. Allotting a paltry £3,000,000 for post secondary education over a ten year period seems to affirm this suspicion, even if greater credence could be given to on-the-job training.

The Commission's proposals for the development of agriculture are far more staggering in their naivete. Although the setting up of an individual land tenure system in plots which met minimum income requirements (£60 per annum by the Commission's reckoning) may have been sound economic reasoning, the social implications were almost completely ignored. In the first instance, the Commission realized that agricultural development could only succeed if it had the "wholehearted co-operation" of the Bantu.[101] Beyond this statement the social implications are ignored. Yet the proposals were so staggering in scope that it is hard to conceive how the Commission, charged with an investigation of the social as well as the economic development of the Reserves, could ignore them. To implement the Commission's recommendations for land reform an average of forty-nine per cent of the population would have to be removed from the land. In some areas this figure increased to between eighty-five to ninety per cent.[102] In one subsequent study of the Lovedue Reserve, even the Commission's figures were found to be low.

> "The proposed measures of the Tomlinson Report are such as will bring about for the Lovedu a social and agrarian revolution, the magnitude of which is unprecedented in history. According to the figures of the Report itself, 75 per cent of the population (but according to our calculations it will be more like 90 per cent) of the Lovedue Reserve are to be deprived of their lands upon which they depend for their livelihood without any form of compensation or any immediate alternate means of livelihood. There is room for only 600 family units in the Lovedue Reserve. The rest, 6,000 of them, will be expropriated. Forced to part even with the livestock they may have (since grazing rights will be attached only to

101. Tomlinson, op. cit. p. 77

102. See Table 1, p. 115 of the Tomlinson Report

> agricultural land), they will be thrown on the migrant market and will be dependent upon wages earned in European urban areas for their living until such time as local Bantu industries can be developed". 103

Even if suitable alternative employment could be found for the majority of the Bantu, it would seem unlikely that the transition would command the "wholehearted support" of the inhabitants, especially when, by the Commission's own admission:

> "To the Bantu the cattle kraal is his church and the centre of his family and communal life". 104

In addition, the Commission implied that only the most progressive Bantu farmers would be allotted plots under the reform scheme. This would then indicate that the more conservative residents would be removed. Yet, it is probably the traditional sector which would be likely to resist eviction most fiercely. In any case, a massive forced removal is probably only comparable to the collectivization of Soviet agriculture under the first five year plan. The resulting social upheaval is well documented.

The Tomlinson Report, then, in the final analysis provided a good description of the Reserves and much of the information needed to attempt the construction of a development plan. Unfortunately, the Commission's recommendations did not continue the standards set by its description of the Reserves, either in quality or detail. Although the Report did provide the evidence needed to show the necessity of separate development, if the aims of the Nationalist government were to be realized, it did not provide a realistic solution to the problem. The Commission was also unable to present

103. Krige, J.D., and Krige, E., "Implications of the Tomlinson Report for the Lovedu, A typical Tribe of the North-Eastern Transvaal", Race Relations Journal, Vol. XXIII, No. 4, 1956, p. 17.

104. Tomlinson, op. cit. p. 73.

a report which conformed with the aims as set out in its terms of reference, i.e. "with a view of developing within them (the Reserves) a social structure in keeping with the culture of the Native".[105] Instead, the Commission presented a plan which would bring the Bantu, within a short time, into the industrial world as the Commission understood it. It seems unlikely that it is possible to implement such a process of economic development without bringing about a social revolution. A final criticism which can be made concerns the make up of the Commission itself, all members being more or less in agreement with the government's views. But in the words of Sheila T. Van Der Horst:

> "It is a very great pity that the report issued should fall short in this way because it may cause many of those, both within and outside the Union, who are familiar with the practical working of the South African situation, to write it off as a piece of special pleading. This would be a mistake because the Commission has not only done much valuable work; it has made a valiant attempt to put forward constructive proposals for the economic development of the Union's Native areas which, in their present state, are a drag on the whole economy. Its proposals deserve to be considered on their merit as a programme for economic development without bringing into reckoning their ideological background".[106]

Even with the Commission's bias towards the government's ideological point of view, the government was quick to present its official view of the Report. These views were released in a White Paper and, in the main, agreed with the principles set down in the Report but refused to be bound by its timetable. Essentially, the government quarrelled with two of the Commission's main points; first, the institution of individual land tenure on a wide scale and secondly, the proposal that the Reserves be

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105. Ibid. p. XVIII

106. Van Der Horst, op. cit. p. 95

opened to direct white industrial investment.

The government rejected the Commission's land reform measures for two reasons. First, the official reason, that such a new form of land tenure was not in keeping with the tradition of the native people. Secondly, the Department of Native Affairs, with its long experience with limited land reform, realized that the implementation of such a massive scheme as proposed by the Commission would lead to a social upheaval as discussed above.

As for its rejection of direct white investment, the government found such a policy contrary to its policy of separation. In the parliamentary debate on the White Paper, the Minister of Native Affairs, Dr. Verwoerd, made himself quite clear as to the official reasons for rejection of direct White investment.

> "Now I should like to give a few reasons as to why the Government rejects large scale development of assisted European owned private industries in the Bantu Areas. The first is this: A thing like this would obviously not come about without encouragement. But in addition to that there would have to be freehold for both the factories and presumable also in respect of the residences of the White employees... Instead of a gradual reduction of the number of Whites and officials in the Bantu areas, there would be an increase because provision would also have to be made for services for these people... In other words, this economic influx would be followed by a gradual penetration of Whites into the Bantu areas instead of the present gradual withdrawal. The fact, therefore, that the Whites would pocket everything economically, would wreck separate development for all time, because if you want to be consistent, if in the Bantu areas you are going to give the White industrialist such rights as the ownership of property, the same rights would have to be given to the Bantu in White areas and that would put an end to the possibility of separation..."
>
> "But a second point is this: We can be quite sure that this will not be of a temporary nature. When established rights of this nature are created, it is wishful thinking to believe that after ten or twenty years the industries will pass from the hands

> of the Whites into the hands of the Bantu. We cannot therefore accept this idea on the part of the Tomlinson Commission as something which is likely to happen".[107]

When the government produced its initial budget for the implementation of separate development, the financial requirements suggested by the Tomlinson Commission were reduced by nearly two-thirds to approximately Ŀ36,600,000 from Ŀ104,486,000 for the first ten years.[108]

The reductions were justified as follows:

(1) Soil reclamation - reduced from Ŀ27,400,000 to Ŀ15,000,000 because the method on which the Commission based its estimates was no longer used; instead, a system of self-help, which was much cheaper, had been instigated.

(2) Loan Facilities Ŀ3,000,000 reduced to nothing:

> "Then secondly, we take the item 'Loan facilities' for which an amount Ŀ3,000,000 over ten years is required according to the Report. For that purpose I need ask nothing in the form of special funds, because these loan facilities are already provided from the Trust Fund which is available to me".[109]

107. Debates of the House of Assembly (Hansard), Fourth Session-Eleventh Parliament, Union of South Africa, Vol. 91, 14 May 1956, Cols. 5306 - 5307.

108. Nieuwenhuysen, J.P., "Economic Policy in the Reserves Since the Tomlinson Report", The South African Journal of Economics, Vol. 32, No. 1, March 1964, p. 9.

109. Debates of the House of Assembly (Hansard), Fifth Session-Eleventh Parliament, Union of South Africa, Vol. 94, 28 March 1957, Cols. 3748-3749.

(3) Improvement in agriculture, specifically sugar cane, fibre cultivation, and irrigation, reduced from £6,486,000 to £3,500,000 for two reasons, (a) many projects were already underway and (b) much of the needed aid would be provided under general expenditure.

(4) The £3,000,000 allotted for forestry production was eliminated because it was not a direct grant, but rather a repayable capital investment.

(5) "Then mining development will require £1,000,000. For that purpose I am, in the meantime, asking nothing because in the first instance certain preparatory work still has to be done".[110]

(6) The £30,000,000 for secondary and tertiary development was eliminated because that was to have been spent in aiding establishment of White Industries, a policy which had already been rejected by the government.

(7) By the Native Affairs Department's own estimates based on experience, the £12,000,000 slated for Urban development was exorbitant and was reduced to £3,000,000.

(8) The £13,000,000 for basic facilities such as roads, railways and water supply were reduced to £5,000,000 because of the exclusion of White enterprise.

(9) Again, based on Department Calculations the health service estimates were reduced from £5,000,000 to £3,000,000.

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110. Ibid. col. 3749.

(10) "For educational facilities £3,000,000 is estimated ... That amount must obviously fall away because we already have our Bantu Education Fund which takes care of everything".[111]

(11) As the government disagreed with the policy of subsidizing church activities, the welfare service cost of £3,600,000 was reduced to £1,500,000. (See Table 11)

The minister of Native Affairs summed up the government's planned expenditure as follows:

> "Therefore, instead of £104,000,000, at most £36.6 million will be required. That means an average expenditure of only about £3,000,000 per annum, and in the initial stages that average is not immediately required, and, in fact, as I have already described, between £1,000,000 and £2,000,000 is already being spent".[112]

The government then began to set up the machinery to administer development and in 1961 announced the first five year plan for the development of the Reserves. For the five year period the government expected to spend a total of R 104.2 million, i.e. 1961-62, R 9 million; 1962-63, R 17.50 million; 1963-64, R 28.4 million; 1964-65, R 30 million; and in 1965-66, R 29.30 million.[113] The second five year plan doubled the expenditure of the first to R 259 million for the period (1966-1971). The third five year plan announced a further expenditure of R 86 million for the period 1971-1975.[114]

The government's program essentially concentrated on three main avenues to bring about economic development. Two of these operate according to

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111. Ibid. col. 3750

112. Ibid. col. 3750

113. Nieuwenhuysen, op. cit. p. 10.

114. Madavo, C.E., "Government Policy and Economic Dualism in South Africa", Canadian Journal of African Studies, Vol. 5, No. 1, 1971, p.p. 29-30.

standard development procedures. The third is a creation of the South African government.

The first route to development is through the traditional process of attempting to improve the agriculture of the Reserves, so that in the long run they can climb out of agricultural subsistence and eventually generate a surplus, which could be turned back towards further increasing agricultural productivity or funnelled into other sectors of the economy. Still, few would be so visionary. One would speculate that the agricultural policy is actually aimed at preventing further drops in Reserve productivity.

The second prong of the government's attack on Reserve impoverishment is the encouragement of industrialization within the Reserves. As the government initially prevented any direct private non-Bantu investment in the Homelands, most of such development has been generated by the Bantu Investment Corporation. This semi-government organization provides project by project capital loans to Bantu entrepreneurs on terms and conditions similar to that of the World Bank. The Corporation will also, if necessary purchase, construct or administer enterprises when a profitable opportunity arises and no interested Bantu entrepreneur can be found.

Finally, the third method used by the government to generate reserve development is that of border industries. As direct non-Bantu investment was forbidden, until recently within the Reserves proper, the government has encouraged private concerns to establish themselves within daily commuting distance of the Reserves to draw upon their labour force. It was hoped that those industries would have considerable "spill over" effects within the Homelands from the demand of urban tertiary services. The reward would have been twofold, firstly, local entrepreneurs would eventually be able to provide a certain amount of capital for development and secondly, Bantu entrepreneurs would develop skills without competition.

It will be advantageous, therefore, to examine these three programs for development in detail. To this date the government has concentrated its efforts in the agricultural sector. Therefore, it will be examined first.

The government's plan for the agricultural development of the Reserves is dependent on four factors: land re-distribution, increased technology, cash cropping and soil conservation.

The Tomlinson Commission, in its report, stated that some ₤104,486,000 would have to be spent in the first ten years of Reserve development; ₤33,886,000 was to be spent on agriculture, compared to ₤30,000,000 on manufacturing and tertiary activities, the second highest allotment of funds. Of the ₤33,886,000 to be spent on agriculture, ₤27,000,000 was to be spent for soil reclamation. In the government's reduced expenditure estimates, soil conservation was still allowed R 30,000,000 of the R 78,000,000 total. Of course, it is obvious that any agricultural development is dependent upon stabilization of the soil but it is significant that thirty-eight percent of the funds slated for Homeland development go toward soil conservation. Soil conservation is not a problem in the Native Reserves of South Africa only, but a problem for the Republic as a whole (See map 5).

> "Before the second world war, South Africa had achieved the unenviable distinction of being the most severely eroded country in the world and the one in which soil erosion and soil deterioration were most nearly approaching a stage of national disaster". [115]

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115. Cole, M., South Africa, London, Butter and Tanner Ltd., 1961, p. 249.

This condition was partially due to poor agricultural methods practiced by Afrikaner farmers and partially due to the nature of the terrain. The pioneer conditions led to such practices as veld burning, overgrazing and kraaling in the ranching districts of the Republic. Later, between the two wars, grain and maize cultivation was taken up over wide areas of the southwestern Cape and Highveld. As in the North American case, farmers simply overextended the cropping area. The Cape farmers took to plowing steep slopes. The combination of monoculture cultivation and the exposure of the soil after harvest led to alarming rates of sheet and gully erosion. The failure to use fertilizers led to further impoverishment of the land.

In the semi-desert areas of the western Cape and Transvaal, any disturbance of the soil surface, whether by drought or overgrazing, leads to accelerated erosion activity. These problems were largely the product of ignorance, and with concentrated effort since World War II have largely been eliminated. Mixed farming has come to the fore, eliminating the problems of monoculture. Rest periods for soils have been instigated. Methods of intensive, rather than extensive, agriculture have been promoted. On the veld, herd sizes and overgrazing are effectively controlled and various types of soil fixing grains have been experimented with to further prevent erosion. Dung spreading and artificial fertilizers have been introduced to the pasture lands. In the worst areas reclamation projects have been undertaken to return the land to usefulness. To conclude:

> "the pastoral industries are now passing beyond the stage of pioneer development: they are becoming adjusted to the geographical environment; crop production is leaving the phase of exhaustive mono-culture, and with the adoption of suitable crop rotation, is becoming linked with pastoral pursuits in the development of a mixed economy". [116]

116. *Ibid.* p. 252

In the Reserves, erosion is far more serious. This is true for a number of reasons, some economic, some educational, some cultural and some topographical.

The traditional communal land tenure system of the Bantu was not conducive to good land management. There was no personal or communal responsibility for the maintenance of soil fertility, or of the carrying capacity of grazing. If and when population became too great for the land to support, Bantu groups usually expanded into new areas through aggression and migration. No attempt was made to restore the necessary balance between human population and the land's carrying capacity. With the fixing of the limits of Bantu expansion in the nineteenth century, the traditional method of relieving population pressure disappeared. No other methods were available to replace it and soil deterioration increased at an alarming pace.

The Bantu areas suffer from a lack of manpower, or more correctly male power, necessary to conduct the heavy physical work entailed in intensive agriculture and good soil management.

> "Traditionally, the Bantu men are warriors, hunters and stockowners, while the Bantu women till the soil and grow the crops". [117]

With the political stabilization of South Africa enforced by the Europeans, the warrior role of the Bantu male disappeared. Population increase soon led to the elimination of game and the number of stock per farmer was severely restricted due to lack of grazing areas. In time it became impossible for him to contribute in the traditional manner towards the maintenance of his family and community.

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117. Tomlinson, <u>op. cit.</u> p. 72.

> "Under these circumstances he had to choose: he could become a tiller of the soil or sell his labour to the White man. The choice as a rule was not difficult to make. Few Bantu are willing to perform women's work and to lend themselves to small patches of arable land. By selling their labour to the Europeans and particularly in the cities which offered the novelties of Western Civilization, wherever, whenever, and for as long as it pleased them, the Bantu were able to continue, in some measure, the wandering and adventurous life they had known as warriors and hunters". 118

> "... If the name 'farmer' can be applied to the Bantu, the Bantu women alone can lay claim to it. The Bantu man has so far displayed no inclination at all to become an arable farmer". 119

Probably the greatest deterrent to good soil management is the extensive Bantu cattle herds which are held without any regard to the damage they do to the soil through overgrazing.

The main Bantu food staple is mealies, made from a group of sorghum type grains commonly known as "Kaffir" corn (sorghum vulgare). These, when planted in monoculture, as is the custom, do not provide adequate resistance to erosion. Because of the Bantu's preference for mealies, the introduction of other crops has largely been unsuccessful.

The topography of the Bantu areas is generally conducive to erosion, especially in the areas which have sufficient rainfall for intensive agriculture. The Native areas can generally be divided topographically, corresponding to the legs of the horseshoe. The coastal leg is far more important when one is discussing soil erosion. It consists throughout of broken country. These are the reserves which receive rain of greater than twenty inches a year. It is in these areas that the severest erosion has

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118. *Ibid.*

119. *Loc. cit.*

taken place due to the combined factors of rainfall, topography and the encroachment of the Bantu and his farming methods upon the hillside watersheds.

The northwestern leg is essentially flat country:

> "... large blocks of which are as flat as the proverbial pancake".[120]

Erosion is far less severe, with wind rather than water being the problem. What erosion does take place is generally the result of overgrazing, causing loss of ground cover. As these areas are dry, water conservation is a far more important problem for agricultural development than erosion.

Finally, the migrant labour system is not conducive to the creation of a stable farming class which would have the incentive to protect the land. A great percentage of Bantu males spend approximately six months of the year outside the Reserves working for wages. The reserve to which he returns is a place to rest, not a place to engage in productive work. These conditions are now changing as the government implements its plans under "Betterment schemes" for resettlement, and the introduction of improved farming methods, with the hope of creating a class of permanent farmers.

The Tomlinson Commission report indicated the huge extent of soil erosion. The total area of the reserves, at the time, was given at 16,350,000 morgen (11,650,000 morgen for the scheduled areas and 4,700,000 morgen for the released areas.[121] Only 1,532,000 morgen (9.4 per cent) were found to be

120. Ibid. p. 47

121. Note: Scheduled areas are the original native reserves as prescribed in the Schedule to the Native Land Act, No. 27, of 1913. Released areas are areas purchased from Europeans or the Government by the South African Native Trust for the exclusive use of the Bantu people as laid out in the Native Trust and Land Act, No. 18, of 1936.

stabilized - 447,000 morgen in the Scheduled Areas (3.8 per cent) and 1,085,000 morgen in the Released Areas (23 per cent). In 1952, it was estimated it would take 245 years to stabilize the Scheduled Areas and thirty-three years to stabilize the Released Areas. Over fourteen million morgen remained in a state of continuing deterioration. A regional breakdown of the figures was also provided (See Table 3). It is to be noted that the drier northern and western areas were, to a far greater extent, stabilized than were the coastal areas; (thirteen and fourteen per cent compared to only 5.4 per cent of the Transkei). Only 2[illegible]3,000 morgen of its 4,207,000 morgen were judged stabilized. (See map 6). The Commission's estimate of 245 years applied only to the Transkei.

The reasons why the figures of the Native Trust areas are far more encouraging than those of the Scheduled areas, are that the Released areas have been purchased from Whites and are not usually as badly eroded, due to the more scientific methods employed by White farmers. Secondly, the Native Trust maintains control of such land, and proper agricultural methods are more easily enforced. Usually only progressive Bantu farmers are allowed to settle in such areas.

> "The 417 million morgen of Trust farms (released areas) are ipso facto 'betterment areas'[122] and the Trust has full rights of control over it. The Trust does not possess such rights over the Reserves proper (Scheduled areas) which can only be proclaimed as 'betterment areas' in consultation with the inhabitants".
> [123]

The Commission concluded that such erosion was an alarming situation and gave ten years as the time period before damage became terminal in many areas.

The cost of past stabilization was not considered prohibitive and a speeding up of the program was urged.

> "The total extent of the land stabilized thus far, including the 318,000 morgen in scheduled areas, amounts to approximately 1.5 million morgen. The cost of this stabilization has been in round figures, £3,820,000 or about £2.10s per morgen".
> [124]

The Commission made a number of recommendations concerning the stabilization of the land. It declared that all land in the Bantu areas should be immediately declared betterment areas, with or without the consent of the people.[125]

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122. Note: Betterment Areas are units of land within the Scheduled areas which, in consultation with the inhabitants, are proclaimed as betterment areas by the Minister of Bantu Administration and Development in terms of Proclamations, No's. 31 of 1931 and 116 of 1949. The land units may be in the areas of jurisdiction of headmen or chiefs, or whole reserves or smaller community areas within the scheduled areas. Such proclamation empowers the Department of Bantu Administration and Development to stabilize, and where necessary, reclaim the land in question. All Trust farms are ipso-facto betterment areas. Betterment Areas are fundamental to the Department's policy of soil conservation and agricultural development.

123. Ibid. p. 74

124. Ibid. p. 75

125. Ibid. p. 118

The Commission also recommended what such stabilization schemes should entail.

> "work must be commenced immediately to prevent further deterioration of the soil and natural pasture in the Reserves (scheduled areas). Such a scheme must embrace - -
>
> (a) dividing each betterment area into residential, arable and grazing areas;
>
> (b) preventing the building of any further houses outside residential areas;
>
> (c) Allocating no more arable lands outside the prescribed ploughing areas;
>
> (d) allowing no increase in the number of animal units, unless the number be below that of the estimated consuming capacity of the available grazing, and;
>
> (e) dividing the prescribed residential areas into residential plots of fixed size, and the arable lands into ploughland units of one morgen each".[126]

The Commission further advocated that soil administration in the Bantu areas be centralized for more efficiency, and the size of the new department be enlarged so that soil conservation could be speeded up and Bantu agricultural development could be substantially promoted.[127]

Finally, the Commission recommended:

> "that the Bantu shall be held responsible for all maintenance of stabilized areas".[128]

This is one of the most important recommendations as the previous policy had not made the Bantu people responsible for preventing the deterioration of the already stabilized land. This is due partially to their

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126. Ibid. p.p. 117-118

127. Ibid. p. 118

128. Loc. cit.

lack of knowledge, and partially to the fact that most of the work had been carried out on Trust Farms before settlement by the Bantu had been allowed. Often the people did not realize the extent or the nature of the work undertaken before their settlement, and were in no position to continue it. Consequently, the agricultural division of the Department of Native Affairs was having to spend more and more time looking after the areas which it had already treated. Needed funds and manpower had to be withdrawn from the new stabilization projects, thus limiting the works undertaken. As more areas were declared stabilized, the more acute the problem became.

During the period of the preparation of the Tomlinson report, the Soil Conservation Board, which does not administer conservation in the Bantu areas, but acts in a supervisory role and provides experts and staff to the Department of Bantu Administration and Development, was becoming increasingly concerned with the rapid deterioration of Bantu soils and the slow rate of stabilization. In their report for the 1952-1954 period, the Board reported that only three or four per cent of all Native scheduled areas had been stabilized while twenty per cent had been planned. In discussing the more progressive Trust areas, the report painted the true seriousness of the situation.

> "Although it would, on the face of it, seem an encouraging fact that 20-25 per cent of the Native areas is fully reclaimed, there are two factors which denounce any sense of complacency which may arise. In the first place, the achievement so far represents the work of 25 years reducing the rate of progress to only one per cent per year. The rate of retrogression is obviously much faster and it becomes evident that at such a slow rate there is no hope of soil erosion eventually being overtaken. Within the very near future, large areas will be ruined to such an extent that there can be no hope of redemption within a lifetime. In the second place, reclamation or rehabitation is merely the first stage in soil conservation. The essence of soil conservation is,

> in fact, conservation, which is based entirely on sound farming principles. This aspect is sadly lacking even among the Natives in the reclaimed areas with the result that a large amount of the resources, which could be more profitably employed in the advance of the attack on erosion, must perform maintainance work which should normally be undertaken by the occupier of the land".
> 129

The Board also presented its views as to the reasons why soil conservation in the Bantu areas presented such a problem.

> "In native areas the soil conservation problem is of a singular nature as a result of the peculiar prevailing conditions which, apart from the natural and generally recognized causes, considerably promotes water erosion. These conditions are summarized briefly as follows:-
>
> (1) The Human Factor. — The native is indifferent to soil destruction and deterioration and his backward farming methods and preference for large numbers of inferior cattle are still part and parcel of his traditional way of life;
>
> (2) Human and Animal over-population. — Coupled herewith is the fact that there are a great many Natives in the Reserves who, although owners of cattle and permitted to cultivate some land, are actually labourers and make a living in cities and towns. As a result, they are in no position to attend their veld and cattle personally;
>
> (3) Population Distribution. -- In many instances a large number of bad farmers are concentrated in the most dangerous places, such as catchment areas of rivers, water springs, etc. The greatest percentage of the Native areas is situated in high rainfall areas and mountainous country — areas in which erosion will, in any case, easily take its course. In view of the above, the task of soil conservation in Native areas calls for special measures, some of which bear no immediate reference to soil conservation as such, but nevertheless fit into the general aspect. Soil conservation in the Native areas does

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129. Seventh Annual Report of the Soil Conservation Board Covering the Period 1st July, 1952 to 30th of June 1954, (U.G., No. 13, 1955), Pretoria, The Government Printer, 1955, p. 24.

> not only include reclamation of areas already washed away, but is actually based on the sound utilization and care of the soil and correct planning of lands, thus preventing erosion".
> 130

With the release of the Tomlinson report, the Government began to take action to speed up the conservation of soil in Bantu areas, although rapid progress was not to come until Verwoerd's master plan for separate development was fully conceived and formulated near the end of the decade.

The program of soil conservation was changed from the existing program, concentrating on reclamation works, to a broader based program of stabilization, as the former had been found inadequate to keep pace with deterioration.

> "the system of 'Stabilization services' is aimed at directing the activities toward the prevention of further deterioration. This will, in itself, not be aimed at completing any large-scale reclamation, the main objective being the prevention of further destruction. Parallel with this system, the present comprehensive reclamation works will be continued but the aim will be to provide, without delay, means for the prevention of deterioration, so that restoration may follow gradually. As soon as complete stabilization has been achieved, it will not matter if reclamation follows at a slow tempo. Under the old system it was, however, one of the greatest problems, in that the tempo of destruction exceeded that of reclamation work".
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130. Sixth Annual Report of the Soil Conservation Board Covering the Period 1st July 1951, to 30th June 1952 (U.G. No. 24 - 1953) Pretoria, The Government Printer, 1953, p. 21.

131. Eighth Annual Report of the Soil Conservation Board Covering the Period 1st July 1955, to 30th June 1956 (U.G. No. 32-1956) Pretoria, The Government Printer, 1957, p. 9.

One of the results of the new program was to further stretch the finances of the Soil Conservation Service as a system of voluntary labour was introduced to supplement the work of paid employees. This move was significant because it tended to involve the local inhabitants in the work of soil conservation.

> "A considerable amount of fencing during the year was erected with free labour and it is gratifying to note that, in spite of this, more fencing was erected during the past year than during the previous year. It was anticipated that the fact that more stress was to be laid on the provision of free labour for this service would retard progress, but fortunately this was not the case".
> 132

This is important as it showed that at least some of the Bantu people were becoming concerned about the state of their own soil. This must, in part, be attributed to the extensive education program carried out by the Department.

The 1957 white paper regarding the Tomlinson report placed heavy emphasis on soil conservation, even though the estimates of the Tomlinson report were reduced.

> "The amount of ₤27,400,000 for soil reclamation is based on a calculation of ₤1.10 s per morgen for Stabilization and ₤3 per morgen for rehabilitation... This did not take account of the modern method of working through the Bantu Authorities in terms of which the people do the work themselves under the supervision of the (Native) Trust. Taking this method into account, the amount is no more than ₤15,000,000 over ten years... Approximately ₤1,500,000 will be required every year and this year we are providing ₤1,000,000".
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132. Ninth Annual Report of the Soil Conservation Board Covering the Period 1st July 1955, to 30th June 1956 (U.G. no. 19 - 1957) Pretoria, The Government Printer, 1957, p. 9.

133. Union House of Assembly Debates, (Hansard) 28 March 1957, col. 3748.

The original estimates of the Tomlinson Report were reduced from £104,486,000 to £36,600,000 for the ten year period, yet the government was still advocating £15,000,000 for soil conservation.

The year 1957 also marked the year that benefits of soil conservation were beginning to be realized and led the Soil Conservation Board to make this optimistic statement in their annual report.

> "After many years of practical application of the policy of the Department of Native Affairs with regard to planning and soil conservation works in Native Areas, the beneficial effects are becoming all the more apparent. The co-operation of the Bantu - one of the cornerstones for future progress - has been obtained in many areas and in other areas prospects are very promising. From the Transkei it is reported that the carrying capacity of some of the planned land units will have been increased in order to adapt it to the improvement of the grazing which took place. In Natal also and in the rest of the areas, the effect of the controlled use of natural resources and of soil conservation practices are so obvious that the Bantu population has become more appreciative of the value of these measures". 134

The new government dedication to the improvement of the Bantu Areas can be noted in the sharp rise in the per cent of land being planned for soil management, a jump from 14.2 per cent in 1956 to 22.6 per cent in 1958; a significant increase from the one per cent per year reported in 1954. Progress continued at the increased rate of two to three per cent per year, a great improvement over the old system and allowed stabilization to overtake deterioration.

The first five year plan also laid heavy emphasis on conservation.

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134. <u>Eleventh Annual Report of the Soil Conservation Board Covering the Period 1st July 1957, to 30 June 1958.</u> (U.G. 27/59) Pretoria, The Government Printer, 1959, p. 10.

> "The Department of Bantu Administration and Development[135] announced a five-year plan for the development of the Bantu homelands commencing on 1st April, 1961. This plan is a very comprehensive one and is aimed mainly at the stabilization and development of agriculture. The total cost will amount to approximately R 114 million ..."[136]

The great part of this amount was going directly, or indirectly into soil conservation. Of the R 114.2 million allocated, R 18.5 million was to go directly into soil conservation and R 76 million was to go into resettlement,[137] which is directly tied to soil conservation.[138]

After three years of implementation of the five year plan, the Soil Conservation Board was able to report that:

> "... at this stage the work in regard to soil conservation is proceeding according to plan. The rate at which the work is being completed is also steadily increasing".[139]

Progress continued at a relatively stable, new pace and by 1968, 53.80 per cent of the scheduled areas had been assessed and a plan developed for Stabilization -- approximately 7,054,570 morgen. In 1952, twenty per cent of the land had been planned but only three to four per cent -- approximately

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135. Note - The Department of Bantu Administration and Development replaced the Department of Native Affairs in 1958.

136. "Progress in Soil and Water Conservation", Annual Report of the Soil Conservation Board 1961-1962 (R.P. 39/1963) Pretoria, The Government Printer, p. 10.

137. Note - Resettlement entails the removal of excess inhabitants from overgrazed or watershed areas so that proper farming methods can be carried out by those remaining.

138. Nieuwenhuysen, op. cit. p.p. 10-11.

139. "Progress in Soil and Water Conservation", Annual Report of the Soil Conservation Board for the Period 1st July 1963 to 30th June 1964 (R.P. 14/1965), Pretoria, Vond H. Printers (Pty) Ltd., for the Government Printer, 1965, p. 15.

447,000 morgen or about 20 per cent of this completed. By 1968, the Soil Conservation Board reported that seventy per cent of the planned areas could be considered stabilized, or approximately 4,938,000 morgen or thirty-seven per cent of the Scheduled Areas (See tables 4 and 5). The rapid progress has not been without its problems, however, as in the 1966 report 100,000 morgen were having to be re-planned. The results are commendable, representing a great increase in Stabilized acreage of approximately thirty per cent in the ten or eleven years since the implementation of the recommendations of the Tomlinson report. In general, the aims for the ten year period, set down by the report, have been achieved, at least as far as soil conservation is concerned.

The Department of Bantu Administration and Development's program for soil conservation can be divided into three basic programs; education, planning and physical stabilization.

The educational program attempts to promote the use of good farming methods among the Bantu. Demonstrations form a good part of this program. The extension officers set up separate plots for comparison, which, in many cases, will yield two or three times what traditional plots yield. Competitions are also held as an incentive for the Bantu to attempt to improve farming techniques. All such demonstration plots incorporate the principle of sound soil management. In addition to these methods, there are Agricultural officers assigned to many Native communities who work directly with the native to promote the techniques of good soil management.

To aid in this work, there are four agricultural colleges for the Bantu which offer a two and a half year diploma course. Approximately ninety per cent of the graduates of these colleges are appointed agricultural extension officers.[140]

Planning is probably the most important facet of soil conservation in Bantu areas, as few actual physical stabilization methods can be implemented before an area is planned.

> "Planning work is chiefly aimed at assessing the value of each area according to its agricultural potential and to place it on a sound farming basis".[141]

Planning is usually taken to mean the declaring of an area a "betterment scheme". Such schemes have certain aims to carry out.

The following were the recommendations of the Tomlinson Commission:

> "the population of the Bantu Areas should be divided into two chief classes, viz. —
>
> (a) an agricultural class who will eventually make their living exclusively from farming; and
>
> (b) the rest of the population who will have to find a means of existence outside farming, for instance, employees in secondary and tertiary activity, professional classes and entrepreneur".[142]

Surplus population is to be removed by differentiating between farmers and non-farmers. Those considered progressive farmers are to be allotted plots estimated able to produce a minimum annual income of R150 and with modern agricultural methods, eventually incomes of R600 - R800. Non-farmers are placed in rural erventowns away from the water sponges, and allotted small plots for vegetable gardening.

In the Northern areas, irrigation schemes are usually started for the "farmer class" so that increased fodder yields will prevent erosion

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140. Annual Report of the Soil Conservation Board for the Period, 1st July 1967 to 30th June 1968. (R.P. 27/1969) Pretoria, The Government Printer, 1969, p. 29.

141. U.G. No. 24 - 1953, op. cit. p. 21

142. Tomlinson, op. cit. p. 195

through increased ground cover.

As far as retardation of soil deterioration is concerned, the betterment schemes have proved quite successful. Erosion is no longer perceived as the paramount problem which it was a decade ago. There is little evidence, however, that the subsequent expected agricultural development has taken place.

The actual physical methods for erosion control are relatively simple. The main cause of erosion is uncontrolled run off of storm water from the overgrazed slopes of the hills and mountains onto the lowland areas. As a result, sheet erosion appears on most of the cultivated highland areas and many of the lowland valleys have been severely subjected to gully erosion. In the western areas, wind erosion is the major cause. Contour banks and diversion ditches are probably the most widespread methods of preventing erosion. Since 1960, the government has built over ten thousand miles of such banks (See table VI). The technique is simple. By constructing such banks at strategic intervals, run off water is channelled toward natural stream beds. The reduction of the volume of water passing over cultivated or grazing areas decreases the rate of particle removal.

Grass strips are also planted to decrease the rate of erosion. Besides providing a service similar to the contour banks, although on a smaller scale, in the dry areas, they protect crops from blowing soil.[143] By grassing the banks of gullies, erosion in such areas can be significantly retarded. Since 1961, 42,000 miles of grass strips have been planted. (See table VII).

Grazing control is probably the most widespread method of preventing

143. Fitzgerald-Lee, G., "Basutolands Success with Soil Conservation", New Commonwealth, Vol. 21, No. 7, p. 521.

erosion. Without the reduction of the number of stock, the only way to adequately prevent the removal of ground cover is to allow only selective grazing. To this end, a large part of the soil conservation budget has gone towards the erection of fencing, some 31,200 miles have been built (See table VIII).

Beyond these widespread and simple methods, certain other local measures are often undertaken.

Declared mountain catchments (See Map 7), found in Bantu Areas, are administered directly by the Department of Agriculture's Technical Services branch. As these are priority areas, the Department acts almost without restraint, using expensive techniques, especially reforestation and the total exclusion of stock and cultivation.

Dongas (erosion gullies), where they reach the dangerous stage, are usually fenced and rehabilitated with the aid of stone banks, trees and shrubs.

Where water sponges occur, they are protected by fencing and demarcation.

The banks of major rivers and large streams are protected by erecting beacons and, wherever necessary, fenced along the bank at a distance of approximately 150 yards. No cultivation is allowed in such areas.[144]

To avoid unnecessary tramping of the veld by cattle, well placed watering points are provided. Dams and boreholes, fitted with plumbing equipment, are the method used. (See table IX). The work of dam building is almost complete.

There are other methods used for certain specific problems which will not be elaborated on here.

144. U.G. No. 24 - 1953, <u>op. cit.</u> p. 22.

The policies can be judged effective, but do they have any relevance to economic development? Of course, soil stabilization and the prevention of erosion are necessary to agricultural improvement but, do they lead necessarily to agricultural development? The evidence indicates that they do not. This is not to suggest that the program should be abandoned and the funds spent elsewhere. Soil stabilization is vitally important any further degradation of the land could lead to full scale starvation. If anything, the program should be speeded up, as at the present rate, it will still be another twenty to twenty-five years before the Bantu areas are completely stabilized. The sooner the projects are completed the less damage will be done initially, and probably less money have to be spent. The stabilization certainly should be carried out. Unfortunately, it is only a stabilization program, - or, in the words of the Tomlinson report:

> "whatever work is necessary to stop further deterioration of the soil and its vegetation". 145

and not a program of reclamation - or;

> "all the work which is necessary to restore land to economic productivity after it has deteriorated through bad usage". 146

Just because the soil has been stabilized does not mean that the depressing yields of the land will suddenly improve. As stated before, the government realizes that reclamation is a long term project and has, for all intents and purposes, abandoned work in this field until stabilization is complete. Without reclamation, however, agricultural development is severely hindered.

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145. Tomlinson, op. cit. p. 74.

146. Loc. cit.

The policy of dividing the land into economically viable plots and the introduction of good agricultural methods certainly help increase production, but no significant advances will be made until there is a sufficient return of nutrients and organic matter to the soil. The watchful eyes of the agricultural advisors may be able to prevent the worst abuses to the land but the primitive tools and the poor education of the Bantu farmer are a severe handicap.

For the soil to return to its full natural potential as quickly as possible, the land should lie fallow or be planted with nitrogen fixing crops. Unfortunately, because of population pressure and food shortages, all available acreages must be used. The Bantu preference for "Kaffir corn" products has severely hindered the introduction of crops better suited to the soil. As the majority of the Bantu still refuse to keep production oriented animals, much valuable land must be withdrawn from the productive process, further limiting agricultural advancement.

As the soil conservationists have been so busy in stabilizing the soil, it is doubtful that they have fully considered the impoverishment which may develop from the proposed extension of mono-culture cash cropping of the soil. To this date, little use has been made of artificial fertilizers, the availability of dung being thought sufficient. The necessity of purchasing chemical fertilizers may considerably limit the amount of surplus the normal farmer is able to generate. Unless the land is healthy, the move toward cash cropping mono-culture production could be nearly as disastrous as the massive erosion of the past.

Beyond the sheer magnitude of the soil problem, Bantu agriculture is still beset with massive problems. Theoretically, the potential of the Bantu homelands may be extensive. In a recent study comparing the potential food producing capacity of the Bantu Homelands with F.A.O. standards, it was estimated that the Natal reserves could support 7.5 million, the Northern Areas 10.9 million, and the Western Reserves 6.2 million.[147] Unfortunately, there are two main constraints which prevent the Homelands from reaching their projected potential, namely, financing and tradition.

Of the two, tradition is probably the greatest drawback. The Bantu is slow to change his ways. The peasantry tends to be conservative, resisting the government's attempts to bring them into the betterment schemes.

> "How conservative they can be on occasion is well shown by the election of a member of the Transkei parliament on a non-rehabilitation ticket".[148]

The Bantu, as a result of their cultural heritage, are extremely sensitive to the culling of their cattle herds to meet the requirements of the betterment schemes. In more than one case a Bantu group has agreed to be rehabilitated, accepted the fencing of the land, resettlement, institution of new or different crops, and finally balked at cattle reduction. In a few instances this has led to open rebellion.[149]

In some cases, the breaks with tradition, when they do come, have been harmful rather than beneficial.

> "... it is the changeover from the traditional diet of the African pastoralist to one that has spread by contact, that gives the Trusts scientists most cause for alarm. Provided that maize (corn) was not overwhelmingly dominant, the traditional fare was nutritious. Whole grain maize, roots, tubers, enfinos (spinach), masi (sour milk) and meat kept malnutrition at bay most of the time, and certainly one of its most

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147. Grober, J.H., "Die Landboupotensiaal van die Bantoegebiede", Journal of Racial Affairs, Vol. 21, No. 1, 1970, p. 6.

148. A State in the Making, op. cit.

149. For one such account see Mbeki,G. South Africa: The Peasants Revolt, Harmondsworth, Penguin Books Ltd. 1964.

> extreme forms, Kwashiorkor, was seldom experienced. Today, the African diet is heavy with foods that are most easily procurable, relatively cheap, and palatable. Too often a meal is nothing more than half a loaf of bread and a cool drink. In the rural areas, particularly, refined samp[150], sifted mealie (maize) meal, white bread and white sugar fill the African stomach. Body-building and health giving proteins - both animal and fruit, are more or less absent from the diet".
> [151]

Beyond this there is evidence that the moderate betterment schemes are not achieving their objectives. It would appear that the focal point of the Homelands development, has as yet, achieved few significant successes. Actual study of the schemes has been limited, but there is evidence enough that the betterment schemes are not bringing about significant change. Some controlled studies indicated that there was little change at all.[152, 153]

Beyond the fact that there has been a marginal increase in crop production, the per hectare yield remains extremely low for the three main crops respectively, Maize, 195.3 kg; Kaffir corn, 175.5 kg; and Wheat, 261.9 kg.[154]

In short, despite all the good intentions the agricultural development of the reserves has been less than a success. Malnutrition seems to be on the rise rather than decreasing. Already there are those who are in

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150. Broken mealie seeds from which the nutritious germ has been removed.

151. Young, B.S., "The Valley Trust: Experiment in African Development", The Canadian Geographical Journal, Vol. LXX, No. 6, 1965.

152. Board, C., "The Rehabilitation Program in the Bantu Areas and Its Effect on the Agricultural Practices and Rural Life of the Bantu in the Eastern Cape", The South African Journal of Economics, Vol. 32, No. 1, 1964, p. 48.

153. Van der Horst, "Africans on the Land". The South African Journal of Economics, Vol. 33, No. 3, 1965, p. 244.

154. Report of the Department of Bantu Administration and Development for the Period 1 January 1969 to 31 December 1969, (R.P. 58/1971) Republic of South Africa, 1971, p. 5.

sympathy with the government who are suggesting that the only hope for Bantu Agriculture is a radical move toward the mechanized farming implemented in white South Africa.

> "The granting of credit to the Bantu agricultural sector in order to mechanize and make farming scientific demands, consequently, serious consideration". 155

There is little doubt that the introduction of mechanized farming would increase production, as illustrated by the significantly higher yields of mechanized white farms under similar conditions. But beyond the problems of resettlement, training, etc.; there is little evidence that, even with the new[illegible] methods, such farming would be an economic proposition. Farming in the mechanized white agricultural sector of South Africa is not a viable economic proposition. Those farmers are heavily subsidized and in 1970, the total agricultural subsidy reached R 71,509,000.[156] It would appear, then, that the agricultural development of the Reserves does not provide the vehicle for general Homeland development in view of the constraints of current funding and methodology.

The real problem, however, with agriculture development on the Reserves has been the inability of the programs to generate the needed jobs in industry so the excess population can be drawn from the land. If one remembers the Tomlinson report, there were two suggestions presented as to

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155. (My translation) "Die verlening van krediet aan die Bantoelandbousektor ten einde te meganiseer en witenskaplike boerdery-methodes toe to pas, vereis dus ernstige oorweging". Swanepoel, J. and Wiedemann, J.J.S., "Landbou-Ontwikkeling in die Bantoegebiede", Journal of Racial Affairs, Vol. 16, No. 4, 1965, p. 198.

156. Annual Report of the Secretary of Agricultural Economics and Marketing for the Period 1 July 1969 to 30 June 1970, (R.R. 23/1971) Department of Agriculture and Marketing, Republic of South Africa, 1971, p. 114.

how industrialization was to be carried out; industrialization of the Homelands themselves and border industries.

The government rejected large scale Homeland development, mainly on the grounds that the large influx of private White capital would lead to something paralleling neo-colonialism in the Reserves and bring about an increase in the resident White population, both of which were considered to be contrary to the aims of separate development.

Following the recommendations of the Tomlinson report though, the government set up a state funded development agency, the Bantu Investment Corporation. A separate Xhosa Development Corporation was set up to serve the needs of the Transkei. The original capital released to the Bantu Development Corporation was R 1,000,000; it had been gradually increased to R 7,000,000 in 1967.

The Bantu Investment Corporation was established with five basic aims.

> "The aims of the Corporation are essentially:
> (1) the provision of loan capital without security.
>
> (2) to give enterprising Bantu the means to start and build a business.
>
> (3) the furnishing of help, leadership and information.
>
> (4) the development of savings.
>
> (5) directing individual industries and other enterprises". [157]

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157. (my translation)
"Die oogmerke van die Korporasie is onder andere:
(1) die voorsiening van leningskapitaal met sonder sekuritiel;
(2) om die Bantoe aan te moedig om nuwe ondernemings te begin of bestaande sake uit te bou;
(3) die verskaffing van hulp, leeding en voorligting;
(4) die ontwinkkeling van spaarsin; en
(5) on self nywerlede en ander ondernimmings op te rig".
Adendorff, J., "Ekonomiese Ontwikkeling in die Tuislande", Journal of Racial Affairs, Vol. 18, No. 2, 1967, p. 67.

The corporation operates in a manner similar to that of the World Bank, providing loan capital to undertakings deemed economically feasible by Corporation studies. This policy is followed instead of an outright aid program due to the political constraints listed earlier in the chapter. In some instances, when a Bantu entrepreneur cannot be found, the Corporation manages enterprises directly. The majority of the Corporation's loans have, in the past, been of small amounts to individual Bantu entrepreneurs wishing to enter commercial businesses rather than industrial concerns. Trading stores, gas stations, taxies, laundries, motels, restaurants, and local bus services, have been the main receivers of funds~~. The Corporation~~ has, also, in many cases, provided funds for Bantu to purchase existing concerns owned by Whites within the Reserves.

Major industrial undertakings have been financed and managed by the Corporation itself and are the only examples of industrial enterprises within the Homelands. For what is supposed to be the agency for the economic development in the Reserves, the results have not been encouraging. In 1967, the director of the Corporation reported that:

> "The Corporation at present owns four wholesaleries, three bakeries, a soft-drink factory, a roller mill, a furniture factory, a handspinning and weaving plant as well as a meatpacking plant. The value of these enterprises amounts to, at present, R 1,700,000.
>
> The Corporation is, at present, also engaged in the establishment of four further wholesaleries, three of which will soon be operating, a leather tannery which also is in fact complete, a second furniture factory in the vicinity of Letaba, and several garages and motor workshops. Several other projects are already in the final planning stages, including a large brick works for Natal, a third

> furniture factory for Zululand, and breweries to serve the population of Bantu towns".
> 158

These meager undertakings hardly indicate a burgeoning industrial revolution.

In April, 1971, the Bantu Investment Corporation released details of a five year plan for the development of manufacturing and commerce in the Homelands. ~~This is the first such plan.~~ Initially, in this first plan six selected "growth points" will be developed; two in the Transkei at Umtata and Butterworth, and four in other Bantu Homelands.

> "The first is Babelegi, about three miles from Hammanskraal, in a Tswana area to the north of Pretoria. The second is at Setebe, near the S.A.P.P.I. paper mill at Mandeni in Zululand. The third may be among the Northern Sotho people in the Potgietersrus area. A site for the fourth has not been decided at the time of writing".
> 159

The five year plan gave an estimate of R 86,000,000 for funds for the development. The plan is expected to generate 17,000 industrial and

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158. (My translation)
"Die Korporasie besit tans vier groothandelsake, drie bakkerye, 'n koeldrankfabriek, 'n rollermeule, 'n meubelfabriek, 'n handspinen weefbedryf sowel as 'n oleesverpskkingsbedryf. Die waarde van hierdie ondernemings bedra tans R 1,700,000.
Die Korporasie is tans ook besig met die opregting van vier verdere groothandelsake, twee waarvan eersdaags in werking tree, 'n leerwerkery wat ook fietlik voltooi is, 'n tweede meubelfabriek in die omgewing van Letaba, en verskeie motorhawens en motorwerkevinkels. Verskeie ander projekte is reeds in 'n stadium van finale beplanning, onder andere 'n groot steenmaakfabriek vir Zoeloeland en bierbrouerye om die bevolkings in die Bantoedorpe te bedien". Ibid, p. 69.

159. Horrel, M., A Survey of Race Relations in South Africa, Johannesburg, South African Institute of Race Relations, 1971, p. 159.

5,000 non-industrial jobs for Bantu. Of the R 86,000,000 R 12,000,000 is to be spent on providing the necessary infrastructure at the four growth points. To take advantage of the government's decision to relax its ban on private white capital, a further R 31,000,000 was earmarked for the erection of some 233 factories which could be leased to entrepreneurs. This is necessary as businesses are still prohibited from owning land or physical plant located in the Homelands. Another R 22,000,000 is to be used to expand or initiate commercial or complementary manufacturing concerns to be operated by the Corporation itself. R 6,000,000 will be devoted to the erection of business premises and housing to be leased to Bantu, and a further R 14,000,000 will be provided in the form of loans to Bantu businesses and professional men. Finally, R 1,000,000 has been allocated for the extension of savings banks.[160]

For the year 1970-71, the first year of the plan, some R 14,500,000 was allocated with the hope of creating some 7,500 Bantu jobs by the end of 1971.[161] In June, 1972, the Bantu Investment Corporation announced that, at the first of the internal growth points, Babelegi, some thirty-eight of an expected 102 industries has already been established.[162]

Although the results of Reserve industrialization have been meager, at least until the present five year plan, a few outside considerations must be examined. The R 7,000,000 capital, provided until recently to the Bantu Investment Corporation, may seem such a small amount that it might be considered insignificant as a stimulant to industrial development. Still, it must be remembered that the fund was never near to being fully subscribed.

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160. <u>Ibid.</u> p. 157.

161. <u>Debates (Official Report)</u>, The Senate of the Republic of South Africa, Seventh Session - Second Senate, 1st October 1970, col. 2174.

162. <u>South African Digest</u>, June 30, 1972

In fact, in many years less than half the capital was utilized. There are two reasons for this. First, as mentioned previously, the government only provides funds for economically safe projects, because, first it is good business and secondly, due to the political fear of failure. Loans were always made with an extremely low risk factor. More important, however, is the sheer lack of Bantu entrepreneurs. In a system which allows no opportunity for Bantu to gain managerial experience outside the Homelands, and where, as yet, Homeland industry is scanty, it is difficult to perceive where entrepreneurs would develop. Compounding this, is the fact that the financial and other attractions of the Bantu urban townships within White South Africa provide a better opportunity for the enterprising Bantu, although exclusively in the service sector. In short, there seems little to attract an entrepreneur to the Homelands. The education system has done little to augment the number of Bantu entrepreneur-managers through commercial courses. In the years 1960-1968, the Bantu Universities granted only ten degrees in Commerce and Administration. The colleges' two-year courses granted fifty-eight diplomas.[163] In the absence of opportunities for on-the-job training, it would seem obvious that the education department should encourage more students to enrol in commercial-administrative courses. Until sufficient individuals have acquired the skills required for management, either through on-the-job training or formal education, it would seem unlikely that a process of industrial development within the Reserves, which is in agreement with the government policy of Bantuization, will be

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163. Annual Report for the Calendar Year 1969, Department of Bantu Education (R.P. 18/1971) Pretoria, Republic of South Africa, 1971, p. 27.

possible. Commercial education is one area where the government is showing considerable neglect and poor planning.

Partially to overcome the shortage of Bantu entrepreneurs and partially, in the past, to circumvent its own ban on direct non-Bantu investment in the Homelands, the government has encouraged the policy of border industries.

> "The foundations (of Border Industries) are that, whilst certain natural resources may be present in the Bantu homelands, the entrepreneurship for industrial development amongst the Bantu is still dormant. Basically this can be ascribed to culture and approaches. Custom changes slowly and it will take time before industrial leadership will be present in any large measure amongst the Bantu in the Bantu homelands... Whilst the opportunities inside the Bantu homelands are reserved for the Bantu, the benefits of industrial development can be brought to the homelands by encouraging industrial location in the environs of their borders, bringing about the retention of cultural life; short distance labour exports; and consequently, a bigger percentage of income spent in the homelands".
> 164

Others would suggest that border industries are a vehicle for the continued exploitation of the Bantu.

In theory, the concept of border industries is a relatively simple one, and one which appeals to many South Africans. At the present time, in South Africa, about forty percent of the available labour force, between the ages of fifteen and sixty-five, are absent from the Homelands. These people are classed as migratory labour. To prevent mass urban migration of the Bantu, the government does not permit wives and families of such workers to follow them to the urban areas. The disruption of the family unit in such situations has been well documented concerning the spread of crime and social

164. Rautenback, P.S., "The Economies of Border Areas", Journal of Racial Affairs, Vol. 16, No. 3, 1965, p.p. 107-108.

vices in the cities. The long absences from the Homelands of the male members of a family prevent optimum utilization of the land, as pointed out above. Of course, the huge, largely male population of the urban Bantu townships is politically uncomfortable for the government.

> "The urbanization of the population has led to the massing of large numbers of Natives, who have broken away from tribal relations that had given their lives a content and meaning, and have been congregated in the large industrial cities. The effect of the massing of large numbers of people, who are inadequately housed and fed, whose social and family life are disintegrated, who are forced to travel long distances to and from their work, and who consequently fall an easy prey to immorality and political subversion, represents the social cost of industrialization in this country".
> 165

Finally, the government, even before the theory of separate development was brought forth, had become increasingly worried about the centralization of industry at the five major industrial areas, the Rand, the Freestate goldfields, Port Elizabeth-East London, Capetown and Durban.

Therefore, the border industry idea is, in essence, to paraphrase an old aphorism - if it is inconvenient for the Bantu to go to the jobs, then the jobs must be moved to the Bantu. By setting up industries on the borders of the Bantu Homelands, the worst evils of the migratory labour system are removed. These areas are close enough to the Homelands that Bantu can ideally commute daily to their place of work, or, at worst, be able to go home on weekends. Theoretically, Bantu living in the Homelands are not subject to the harsh laws imposed upon Bantu living in urban townships. They are not

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165. Report of the Commission of Enquiry Relating to the Protection of Industry (the Viljoen Commission) U.G. 36/1958, p. 58, as cited in Nierwenhuysen, J.P., "Some Aspects of 'Reserve Border' Development", The South African Journal of Economics, Vol. 30, No. 1, 1962, p. 75.

required to carry a pass. They may own their own land, something forbidden in the White areas of the Republic. They are free to withdraw labour service without being "endorsed out".

Productivity should, theoretically, increase as the Bantu are able to stay at one job. Under the migratory labour system, Bantu who return to the Homelands to visit their families beyond a three week yearly holiday period, seldom find themselves back at the same job, with the same employer, or even in the same industry. This leads to great inefficiency, due to the need for constant retraining. Under the border industry scheme the Bantu could lead what may be termed a normal industrial existence.

Although the government accepted the principle of border industries in its White Paper on the Tomlinson report in 1956, it was not until 1960 that any concrete plan was drawn up. To attract industries to border areas the government appointed a Permanent Committee for the Location of Industry, which was to encourage the movement of industries to designated border areas through the use of economic inducements. These inducements generally have taken the form of tax concessions and government aid for infrastructure.

Concessions fall into eight major areas:

(1) Income tax concessions. There is a ten per cent tax rebate for the first five years on the cost of power and water in the case of new undertakings, and, in approved cases, on extensions to existing undertakings. A thirty per cent allowance on the cost of new machinery is granted. There is also a thirty-five per cent allowance for infrastructure and another twenty-five per cent on the cost of factory buildings. Alternatively, a five year income tax holiday may be granted for both new and expanding undertakings. In both cases the cost of moving a factory is included automatically in the capital amount on which depreciation allowances are calculated.

(2) Infrastructure - Water supply and electricity are provided by the government at rates comparable to developed industrial areas. Rail facilities are subsidized and road extensions are provided when necessary. In addition industrial townships, fully equipped with services, are provided.

(3) Transportation costs - for the Transkei, Ciskei, Pietersburg, Mafeking, Phalabawa and Richards Bay areas there is a fifteen percent rail cost rebate for finished goods. Transkei or Ciskei border goods receive a twenty-five per cent rebate on harbour dues for goods shipped from East London to other points in the Republic. The rebate also applies to the receiving port.

(4) Labour Costs - The Republic's minimum wage regulations can be waived to cover lower productivity and lower living costs.

(5) Tender Preferences.

> "a 0% to 5% additional preference for state tenders and a 10% preference for tenders of the Department of Bantu Administration and Development with regard to goods which are manufactured within the homelands or border areas".[166]

(6) Financial assistance. Low interest rate loans (0%-9%) for business capital, factory buildings and white housing.

(7) Factory buildings. - In some cases the Industrial Development Corporation may provide leasable premises which carry a fifteen year purchase option.

(8) Housing. - Housing for Bantu, Indians and Coloureds is provided by the state and financial assistance of R 12,500 per property is provided for the housing of White personnel.[167]

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166. "0% tot 5% additionele voorkeur op slaattenders en 10% voorkeur of tenders van die Deportament van Bantoe - Administrasie en Ontwikkeling ten opsigte van goedere wat benne die tuisland in die grensgebied vervaardig is". du Pleussis, M.A., "Grensgebied in Tuislandontwikkeling Probleeme en Vooruitsigte", <u>Journal of Racial Affairs</u>, Vol. 22, No. 3 July 1971, p. 101.

167. Horrel, M., The African Reserves of South Africa, <u>op. cit.</u>, p.p. 69-71.

Beyond these various carrot type inducements, the Planning and Utilization of Resources Act of 1967 gives the minister of Economic Affairs the stick. The act gives the minister control over both labour supplies and extension of plant in the White Areas of the Republic. By withholding extension of licences or labour supply, the minister is able to force expansion to be carried out in border areas. Apparently this type of inducement has been used more than once.[168]

At present there are ten major border development areas, Rosslyn, Hammondsdale, Pietermaritzburg, East London, Berlin, King William's Town/Queenstown, Tugela Basin/Newcastle, Richards Bay/Empangeni, Pietersburg/Tzaneen/Phalabowa, Brits/Rustenburg, Zeerust/Mafeking and Grahamstown. (See Map 8). In addition, some new growth points are planned including Harismith in the Orange Free State.

From a modest beginning, the policy of establishing border industries has mushroomed into one of the success stories of Separate Development. In parliament on the 24th of April, 1964, the Minister of Economic Affairs reported that, beginning the 24th of March 1961, twenty-five new industries had been established and extensions of fifty more had been undertaken. State capital had provided R 13,000,000 of a total of R 85,000,000 for the expansion. For this 12,786 jobs for Bantu had been created.[169]

By 1970, the government could report that 135 new industrial enterprises had been established with state concessions, some aid had been

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168. See "Colonial Border Industries" Sechaba, Vol. 4, No. 1, 1970, p. 17.

169. Debates of the House of Assembly (Hansard), Third Session - Second Parliament, Republic of South Africa, 21 April, 1964, Col. 4610.

given to 74 new enterprises and 110 new ventures had been started without state concessions.[170] The total employment figure was stated at 100,500 new workers in industry in 1970 including some 81,000 Bantu. In 1969, alone, 31,000 new jobs were created reflecting the increased tempo.[171] Including dependents, this would mean livelihood for approximately 165,000 Bantu.[172] If the employment figures are added to the 55,000 Bantu already employed in border areas in 1960, it would appear that Border Industries provide employment for some 136,000 Bantu.

Total direct investment, both public and private, equalled more than R 400,000,000 by the end of 1969. The state had spent R 38,260,000[173] on water schemes while the government Power Corporation (Escom) had spent R 45,000,000[174] by the end of 1966.

Beyond these specific expenditures,

> "The costs of the program during the sixties were briefly as follows:

Capital aid by the Industrial Development Corporation (directly recoverable)	R 90.3 million
Cost of Infra Structure (Indirectly recoverable) (excluding electricity supply, provincial road and railways for which statistics are not available)	R 30.0 million
Cost of Treasury concessions (not recoverable)	R 34.5 million
Housing for White key personnel (directly recoverable)	R 4.7 million"

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170. Ciliers, S.P., "Border Industries", Optima, Vol. 19, No. 3, Sept. 1969, p. 170.

171. Horrel, M., A Survey of Race Relations in South Africa, op. cit., p. 105.

172. See Cilliers, op. cit., p. 170 or Rautenback, op. cit. p. 110.

173. Horrel, M., A Survey of Race Relations in South Africa, op. cit. p. 104.

174. Horrel, M., The African Reserves of South Africa, op. cit. p. 72.

175. Reynders, H.J.J., "The Employment Potential of the Bantu Homelands with Special Reference to Industrial Decentralization", Bantu, Vol. XVII, No. 11, 1970, p. 28.

The industries attracted have been varied and include a motor assembly plant, engine parts, lathes, processing metal, drilling apparatus for mines, cooling apparatus, metal containers, weaving machines, textiles, both synthetic and natural fibre, rubber and canvas goods, plastic buttons, cement products, super concrete pipe, pre-fabricated houses, hardboard, dry cell batteries, sanitary ware, paper plates, industrial laundry - in general, a wide range of secondary industrial products. Some specific cases can also be provided:

INDUSTRY	NUMBER OF EMPLOYEES WHITE	BANTU	BANTU WAGES (WEEKLY) LOW	HIGH
Motor Car Assembly (Datsun, Nissan)	825	2,500	R7.65	R27.98
Motor Car Assembly (Fiat)	98	495	N.A.	N.A.
Plastic Buttons	5	110	Similar to Datsun	
Porcelain Factory	Na.	610	R6.50	R18.00
Concrete Pipes	Na.	350	N.A.	N.A.
Hammondsdale (entire growth point-mainly textiles)	288	4,730	R7.50	R10.00
Pietermaritzburg (entire industrial area)	1,000	2,000	N.A.	N.A.
Cotton Mill	207	850	N.A.	N.A.
Textile Factory	300	3,200	N.A.	N.A.
Children's Clothing Factory	32	501	R3.50	R10.00
Phosphate Mine	300	2,000	N.A.	N.A.

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176. Horrel, M. The African Reserves of South Africa, op. cit. p. 72.

In general, Bantu working in border industries are able to rise to more responsible positions than in the White areas of the Republic. In many cases only managerial positions are left with Whites and Bantu are taking both skilled labour and clerical positions. The racial employment ratios reflect this.

Wages tend to be lower than in the industrial areas of the Republic but living costs are less (no need to support two households), and the improved social conditions should more than make up for the loss of monetary wages.

In terms of development of the Homelands, however, the success of border industries has had little effect. Certainly, jobs are provided and the worst evils of migratory labour eliminated for those Bantu working in border industries but:

> "The border industrial development policy cannot be reconciled with the state's 'separate or self-development' policy, since it is more consistent with economic integration combined with residential segregation than with independent development in separate areas. Thus, it is apparent that, from the broad view of state policy, border development will not provide that unlimited scope or opportunity for Africans to climb to the top of the industrial ladder which the government has stated is its intention to create. Furthermore, the policy does not fit in with the overall desire to allow Africans to 'develop along their own lines' as manifested, for example, in the Bantu Authorities and Separate Universities Acts". 177

Separate development economists continue to speculate that, in theory, Border Industrial development should have a noticeable ripple effect in the Reserves. In other words, the wages returned to the Homelands by

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177. Nieuwenhuysen, J.P. "Some Aspects of 'Reserve Border' Development", The South African Journal of Economics, Vol. 30, No. 1, 1962, p. 77.

workers in Border Industries should create a demand for new services and goods so that, initially commercial and later industrial, ventures would be stimulated.

> "It should also be borne in mind that the employment of each additional unit of labour in industry results in employment opportunities and development in several other sectors. It has been shown in the U.S.A. that the additional employment of 100 workers in industry results in gains for the community in the following way:-
>
> 296 additional people
> 112 additional households
> 174 additional workers in service industries
> 52 additional school children
> 4 additional trading undertakings". 178

If these figures, which Rautenbach appears to feel could apply in South Africa are followed, then, for the figure of 81,000 new jobs created since 1961 there should be approximately 3,240 new trading undertakings in existence. In 1969, there were only 553 Commercial Concerns and 85 Service Concerns which had been started or extended in the whole area of the Homelands - not just in the townships of border development areas.[179] Certainly, a great deal of this can be explained by the low purchasing power of the Bantu, as compared to people in the United States. It has been further reported that large numbers of Bantu leave the reserves on weekends and do their week's purchasing in the nearest White centre.

> "As a result, most of the expenditure on money earned in the border areas actually took place in the modern economy. For example, 73.8 per cent of Rosslyn Africans made regular trips to Pretoria to shop". 180

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178. Rautenbach, op. cit. p. 110

179. Horrel, M., The African Reserves of South Africa. op. cit. p. 62

180. Madavo, C.E., op. cit. p. 28

It would appear that whatever ripple effect could have occurred has been considerably reduced.

It would seem that most border industries contribute little to the development of the Bantu homelands. As stated before, jobs are provided but economic progress in the reserves is hindered because the funds are not being spent in the homelands. Border Industries, at the moment, do not allow for the full advancement of the Bantu into the managerial level. Beyond this, by locating industries outside of the Reserves, Bantu are denied the opportunity to contract for construction work or to provide for all the auxiliary services (from laundries to consulting firms) which any industrial area needs. It could be said that the Bantu would be unable to provide such services at the present time, but by locating industries outside the Homelands, these opportunities are withdrawn indefinitely. The provision of rail and road extensions, industrial parks, and financial subsidies, could just as easily be made in the Homelands as in the border areas. Certainly, it would be more difficult to attract White industrial capital to the Bantu areas, but with the power the Government holds under the Utilization of Resources Act of 1967 such inducement would certainly be possible. On the other hand, investment in the Homelands would necessarily have to be controlled, with provision for protection of the Bantu. In the final analysis then, border industries do provide a means of alleviating the worst injustices of the migratory labour system but, in the long view, they can only complicate the process of separate development.

What then, in conclusion, can be said about the progress of the implementation of the separate development program in the economic sense? Has it been successful and has it satisfied the aims of the Pretoria government? It seems important to reiterate the aims of separate development.

Probably the most important aim, as far as the government is concerned, is that the influx of Bantu toward the white cities be limited. Secondly, if one can assume that separate development is being carried out with sincerity, then the inhabitants of the Bantu Homelands should be provided with the ability to progress to a state where they will be able to realize a viable economy for which they will be responsible. It would seem, from the data presented, that the policy has not been a complete failure on either count. The problem is that the magnitude of success has been far too limited.

Certainly, the industrialization program has provided between 6,000 to 8,000 jobs annually (the bulk of these in border industries). This is, of course, important. Unfortunately, the yearly increase in the Bantu labour force far outstrips this total. In the Homelands alone, for the period 1970-1980, the Bantu labour force will grow on average by 40,700 each year, and in the decade 1980-1990, this will increase to 53,000.[181] Two things must be made clear here. First, that few of these people can be absorbed in the White areas of the Republic, as its self-generating Bantu labour force will, it is expected, increase by 47,300 per year (1970-1980) and 61,000 per year (1980-1990) respectively.[182] Secondly, as already seen from the discussion of the Reserves' agricultural areas, rather than absorb further population, they must drastically decrease the numbers carried if any development is to take place. Therefore, in this decade a minimum of 407,000 jobs must be provided if the present geographic distribution of population is to be

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181. Van der Merwe, P.J., The Labour Force Potential of the Bantu Nations with Reference to Employment Targets for Each Nation, Private Circulation, Pretoria, 1970, as cited in Reynders, <u>op. cit.</u>, p. 32.

182. <u>loc. cit.</u>

maintained. Obviously also, this figure must be considerably increased if any significant progress is to be made in reserve agriculture.

Finally, if the long range aims of the government are to be realized, (i.e. a removal of a certain number of Bantu out of employment in white core areas) then even more jobs will have to be created, preferably in the Homelands. Conservatively, one could estimate approximately 600,000 jobs will be needed in the 1970's. This, one would think, is an impossible task; one which is not likely to succeed, even with the most intensive type of development. There are certainly limitations on the amount of capital available and the absorptive capacity of the reserves themselves. These, one would assume, are relatively fixed limits in the short run. Certainly capital can be augmented to some extent by foreign investment, and absorptive capacity increased in the long run by larger expenditures on education and training.

But there are more subtle reasons why industrial expansion in South Africa is limited. In the first instance, South Africa presents a very limited market. There are only four million persons (mainly White) in South Africa who have the financial resources to make the purchases which are necessary for an industrial state to function properly. The Bantu population as a whole, on the other hand, do represent considerable purchasing power. Individual incomes, however, are so low that industrial consumption is not possible (i.e. average monthly earning in the manufacturing industry, Whites R 278, Bantu R 48,[183] and in the Mining Industry, R 316 for Whites and R 18 (plus room and board) for Bantu.)[184] For instance, a survey conducted in

183. Horrel, M., A Survey of Race Relations in South Africa, op. cit., p. 101

184. Ibid. p. 113.

1961 of Bantu households in Johannesburg and Pretoria,[185] showed that a household of five persons earning R 39.47 spent R 33.54 on essentials (38.4% on food, 17.5% on clothing and footwear, 12.5% on housing, 7.5% on fuel and light, 6.4% on transport and .7% on taxes), leaving only R 5.93 or 15% of income to be spent on non-necessities.[186] It would appear then, that the industrial market is severely limited.

Yet, in the majority of cases, both in the border areas and in the Homelands, the industries established have been of the import substitution type (i.e. the auto assembly plants), which have a very limited market. Such undertakings are obviously fostered by the government's strict tariff policies.

The second type of industries which have been established under the auspices of separate development, are duplications of industries already actively serving the South African market (textiles for one). These industries compete with established industries under government concessions, and have brought protests both from organized White labour and businesses who claim unfair competition.[187]

In all the literature surveyed for this thesis, no one has suggested that the industries of separate development should produce products for export. In even the most basic economic theory specialization through exports is accepted as a method of increasing one's material well being.

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185. Although this study is dated, its usefulness should not be discounted. Bantu real incomes have not increased significantly, if at all, in the last decade.

186. Steenkamp, W.F.J., "Bantu Wages in South Africa", The South African Journal of Economics, Vol. 30, No. 2, 1962, p. 94.

187. See Horrel, M., A Survey of Race Relations in South Africa, op. cit. p.p. 106-107.

Secondly, exports of finished products are generally recognized as having a higher value than the export of raw materials. Exports, taking advantage of the world market, are also felt to be able to reap the benefits of returns to scale. South Africa is an exporting country. It is an exporter of raw materials and semi-finished products, hardly an optimum position. In 1969, South Africa exported R 487,400,000 worth of raw materials, some 31.5% of the total export for that year.[188] In 1971, the picture had not improved. (See table X). At present there is beginning to be concern over the lack of manufactured exports in South Africa.[189]

Yet, with a large unemployed labour force, available technical knowledge, a good economic infrastructure, why then doesn't South Africa turn to the export of finished goods to solve her peculiar development problems? The remainder of this thesis will attempt to examine the possibility of such expansion for South Africa.

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188. Yearbook of Industrial Trade Statistics, 1969, Department of Economic and Social Affairs, Statistical Office of the United Nations, New York, United Nations, 1971, p.p. 741-744.

189. See "Exports - Which Path to Take", U.A.L. Economic and Financial Review, May-1972, p. 6.

CHAPTER III - EXPORTS AS A METHOD FOR DEVELOPMENT -- A BRIEF EXAMINATION

> "... though the revenue of the inhabitants of every country was supposed to consist altogether, as this system seems to suppose, in the quantity of subsistence which their industry could procure to them, yet even upon this supposition, the revenue of a trading and manufacturing country must, other things being equal, always be much greater than that of one without trade or manufacturers. By means of trade and manufacturers, a greater quantity of subsistence can be imported into a particular country than what its own lands, in the actual state of their cultivation, could afford".
> [190]

It has long been an accepted principle in economic theory that foreign trade increases the well being of a nation's inhabitants under normal conditions. This is explained by a large number of theoretical concepts such as increased efficiency due to extended international division of labour, the exploitation of comparative advantage, the advantages reaped from specialization, economies of scale and so on. The majority of these concepts were developed in the context of international trade between the developed nations of the world at particular points in time. Trade between countries with different levels of development, although considered from the very outset of economic theory,[191] were dealt with as normal cases in the theory of trade. It was not until concern for those nations which came to be described as poor, less developed, underdeveloped or developing, was expressed by

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190. Smith, A., An Inquiry into the Nature and Causes of the Wealth of Nations, New York, Random House, 1937, p. 641.

191. See, for example, Smith, Ibid. p. 380, Ricardo, D., Principles of Political Economy and Taxation, London, George Ball and Sons, 1891, p. 251 and Mill, J.S., Principles of Political Economy, London, Longmans, Green and Co., 1929, pp. 574-582

economists, that trade theory was expanded to ascertain the effects of trade upon these less fortunate regions.

Foreign trade has played an important role in both theoretical works and in the actual implementation of economic development. In simplest terms, the generating of export revenue (foreign exchange) is a pre-requisite to the importation of goods and services. In a nation which is lacking in capital, capital goods, technology and human capital, the generation of foreign exchange is important because it can short cut the process of acquiring these factors of production which are absent or in short supply in the local economy. Instead of a long and tedious process of what has been commonly denoted as "bootstrap development", the nation can circumvent the process by purchasing already existing stocks from the developed nations of the world. Exports, then, really are generated only to attain imports, and in many cases, the ramifications of exports for the domestic economy are ignored.

> "Perhaps the tendency to evaluate exports only in terms of representing a source of foreign exchange partially explains why many under-developed countries, while stressing the immediate importance of exports, also hope to reduce their relative dependence on foreign markets as economic development proceeds at a more rapid pace. Thus it is overlooked that the export sector assumes a broader and more useful role than that reflected in terms of foreign exchange earnings".
> 192

In standard growth theory and development theory, however, there do exist various models which include, or which can be modified to include, the relations of exports to economic growth.

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192. Hultman, C.W., "Exports and Economic Growth: A Survey", <u>Land Economics</u>, Vol. XLIII, p. 148.

Probably the simplest of these is an extension of the simple domestic multiplier model as developed by Samuelson. In the domestic model, the multiplier, as exemplified by autonomous investment, allows for a multiple change in domestic spending and income. In the simple case, exports can be equated to investment because they are injections which expand domestic income. Imports, on the other hand, are leakages which resemble savings in the traditional model. Therefore, increases in exports for an economy which is not at full employment produce a multiple increase in domestic income. The strength of the effect is determined by the marginal propensity to consume and import.

The standard growth model of the type developed by Harrod and Domar can be modified to contain a foreign sector. In the simple version of the model with the equation

$$E = S/K$$

where E is the equilibrium growth rate, S is the propensity to save and K is the capital output ratio - E is highest when there is a high propensity to save and K is low. For an open economy, the equations can be suitably modified to include a foreign sector.

If one assumes that imports constitute a leakage, like savings, the equation becomes modified

$$E = \frac{S + M - X}{K}$$

where X is the ratio of exports to income and M is the ratio of imports to income.[193] Where M exceeds X, a higher rate of growth results than in the other two cases - no trade or X greater than M. In the case of M greater than X, the nation is assumed to be importing capital. From this model it is easy

193. Ibid. p. 149.

to see the magnitude which the export sector could come to assume in an underdeveloped economy which characteristically has low savings rates.

In the stages of development type model as developed by Rostow it is expected that, during the initial take off phase, the economy must receive some sustained impetus to move into a condition of sustained growth. This impetus may come from a number of sources identified by Rostow, one of which is the extension of exports.

> "One extremely important version of the ploughback process has taken place through foreign trade. Developing economies have created, from their natural resources, major export industries, and rapid expansion of exports has been used to finance the import of capital equipment and to service the foreign debt during the take off. United States, Russian and Canadian grain fulfilled this function, Swedish timber and pulp, Japanese silk, etc. Currently, Chinese exports to the Communist block, wrung at great administrative and human cost from the agricultural sector, play this decisive role. It should be noted that development of such export sectors has not in itself guaranteed accelerated capital formation. Enlarged foreign-exchange proceeds have been used in many familiar cases to finance hoards (as in the famous case of Indian bullion imports) or unproductive consumption outlays".[194]

Appearing similar to Rostow's theory, with the export sector as the leading sector, is what Watkins and others identify as the "Staple Theory of Growth", which is most often applied to Canada.

In this model, exports become the major factor contributing to development. Exports of raw materials (furs, wheat, minerals), which initially contained a very small labour content, obviously the scarce resource in the history of Canada, assumed great importance.

194. Rostow, W.W., The Stages of Economic Growth, Cambridge, The University Press, 1961, pp. 48-49.

> "The basic factors determining economic growth in expanding economies such as Canada's have been the sources of export staples, the structural characteristics of the export industries and the disposition of income received by the export sector". 195

Although the theory, generally, is substantially at odds with Rostow, it is beyond the scope of this paper to discuss these differences. What is important is that exports can or must play an important role in both theories. Watkins realized that the theory had little applicability to the developing economies of today.

> "The phenomenon of the new country of the 'empty' land or the region over run by white man in the past four centuries, is, of course, well known. The leading examples are the United States and the British dominions.[196] These countries had two distinctive characteristics as they began their economic growth: a favourable man/land ratio and an absence of inhibiting traditions. From these initial features flow some highly probable consequences for the growth process, at least in the early phase: staple exports are the leading sector, setting the pace for economic growth and having their peculiar imprint on economy and society; the importation of scarce factors of production is essential; and growth, if it is to be sustained, requires an ability to shift resources that may be hindered by excessive reliance on exports in general and in particular, on a small number of staple exports. These conditions and consequences are not customarily identified with under-developed countries, and hence are not the typical building blocks of a theory of economic growth. Rather,

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195. Bertram, G.W., "Economic Growth in Canadian Industry, 1870-1915: The Staple Model and Take-Off Hypothesis", <u>The Canadian Journal of Economics and Political Science.</u> Vol. XXIX, No. 2, 1963, p. 162.

196. <u>Note</u> - Presumably including South Africa which manifests many of the characteristics of staple theory before the urban Bantu influx after World War I. South Africa, in fact, may still quality even more than Canada because technology has increased in the staple exports, but wages remained low.

> the theory derived from them is limited, but consciously so in order to cast light on a special type of economic growth".
> 197

It may be that Watkins is too modest. Certainly, the staple theory's particular factor endowment cannot explain development under conditions of different factor endowment. Staple theory discusses the utilization of certain economic conditions which lead to an exploitation of a comparative advantage. It is not inconceivable that, under different factor endowments and different economic conditions, comparative advantage could also be exploited. If this can be envisioned, then the internal ramifications of staple theory to an economy could hold true.

> "The fundamental assumption of the staple theory is that staple exports are the leading sector of the economy and set the pace of economic growth. The limited - a first possibly non-existent-domestic market, and the factor proportions - an abundance of land relative to labour and capital - create a comparative advantage in resource - intensive exports, or staples. Economic development will be a process of diversification around an export base. The central concept of a staple theory, therefore, is the spread effects of the export sector, that is the impact of export activity on domestic economy and society".
> 198

Similar to the staple model are those developed in regional economics around an export base concept. Instead of just certain staple exports, a broad range of products is usually exported from the region. This export sector becomes the leading sector of the economy, producing jobs in the non-export sector. According to D.C. North, one of the theory's major proponents;

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197. Watkins, M.A., "A Staple Theory of Economic Growth", The Canadian Journal of Economics and Political Science, Vol. XXIX, No. 2, 1963, p. 144.

198. Ibid. p. 144

> "The timing and pace of an economy's development have been determined by: (1) the success of its export sector, and (2) the characteristics of the export industry and the disproportion of income received from the export sector".
> 199

Probably the most forceful models are those which assume that the role of trade is that of an "engine of growth", a phase coined by D.H. Robertson[200] and subsequently taken up by Nurkse. A.R. Nurkse's conclusions were based on eighteenth century expansion. Still, he was able to identify the major effects of trade (in primary goods).

> "It gave, first of all, comparatively advantageous employment to any increase occurring in the labour force or capital stock. Secondly, it may have tended to stir up dormant or idle resources and to draw them into economic activity for export production. Thirdly, it could help by attracting to those areas a part of the increase in capital and labour that was going on in the dominant centres of growth".
> 201

Nurkse was also conscious that the exports of raw materials as stimulus for growth was more applicable to the nineteenth century than to the twentieth. He identified five major reasons; (1) the concentration of industrial production in the growing economies is shifting away from industries where the raw material content of finished products is high to industries where it is low; (2) income elasticity for many agricultural commodities tends to be low; (3) agrarian protectionism; (4) increased

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199. North, D.C., The Economic Growth of the United States 1790-1860, Englewood Cliffs, Prentice-Hall Inc., 1961, p. 1.

200. Robertson, D.H., "The Future of International Trade", The Economic Journal, Vol. XLVIII, No. 1, 1938, p. 5.

201. Nurkse, R., Equilibrium and Growth in the World Economy, Cambridge, Harvard University Press, 1961, p. 304.

economy in the use of raw materials and (5) the increased availability of synthetics.[202]

The above examination of growth and development models is not intended to be, in any way, a complete study. The only thing that has been attempted is to show that most major models concerned with growth or development give foreign trade an important position in economic development. Statistical evidence compiled in the last decade tends to support such theoretical models.

In one study, conducted by R.F. Emery using calculations of multiple correlation and simple least squares regression equations for fifty countries on their per capita real G.N.P., exports and earnings on current account, for the period 1953-1963, discovered that:

> "the data indicated that a country increases its per capita real G.N.P. about 1 per cent for every 2 1/2 per cent boost in its exports".[203]

Maizels in his survey of the Overseas Sterling area, was less positive about the relationship between exports and development.

> "there does seem to have been a general positive correlation between exports and G.D.P. growth rates of the countries depicted... However, the relationship is clearly not a close one: while it is true that the four countries with the highest growth rate of G.D.P., were also in the top export growth group, it is likewise true that India and Ceylon, with low exports growth rates, achieved much the same rate of G.D.P. growth as Malya, Malawi, Australia and Tanzania, all with a very much higher rate of export growth".[204]

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202. Nurkse, R., Patterns of Trade and Development, Stockholm, Almquist, 1959, p. 23.

203. Emery, R.F., "The Relation of Exports and Economic Growth", Kyklos, Vol. XX, 1967, p. 478.

204. Maizels, A., Exports and Economic Growth of Developing Countries, Cambridge, The University Press, 1968, p. 44.

In Myint's study of five Asian countries it was found that the nations which followed an outward looking policy, (export expansion) i.e. the Philippines, Thailand and Malaya, had a far greater increase in aggregate real material product over the pre-war level, 101%, 91% and 64% respectively, compared to Indonesia and Burma (inward looking countries) which each generated only an 11% increase.[205]

It would seem, then, that there is rather general agreement both theoretically and statistically that an increase in exports is a stimulus to economic growth. The theories and models differ widely both in their assumptions and in the particular ramifications which such expansion has for an economy. Some propose straightforward economic growth, some deal with enclavism, some speculate on the development of dual economies. In particular cases probably all are likely to hold true. What is important is that exports generate economic development. In theory then, economic development could be a simple matter of increasing exports. Unfortunately, although exports, if managed correctly can provide the needed impetus to stimulate economic development, it is not always possible for developing nations to expand their exports sufficiently.

Beyond all the intrinsic linkage effects which exports can produce, the primary function of exports, as seen in theory today, is to generate the necessary foreign exchange to cover the cost of essential imports. These imports are usually classified as either investment, capital goods, intermediate goods, or basic consumer goods. The main problem is that it is difficult to increase the value of exports to provide funds for the purchase of enough imports to generate growth. In most cases, for an economy to expand,

205. Myint, H., "The Inward and Outward Looking Countries of Southeast Asia", The Malayan Economic Review, Vol. XII, No. 1, 1967, p. 5.

a certain rate of investment must be generated each year. This can be done, theoretically, in two ways, savings out of earnings or the creation of an excess of exports (foreign exchange holdings increases) over and above the required imports of intermediate or consumption goods. The excess, of course, is used to purchase capital goods or for investment.

There are generally two major problems in generating an export surplus. The first is usually considered an administrative problem, although it is tied somewhat to culture, tradition and motivation. Fortunately, or unfortunately, it is really a problem which can be solved only in the political sphere. This is the case where a nation is able to generate a substantial increase in exports, but the resulting funds are essentially squandered on unproductive consumer goods. What is lacking, essentially, is the motivation on the part of the populace to forego today's consumption for the benefits of the future. This case is similar to the closed economy problem of generating savings out of income. This type of problem can be solved by a number of methods available to the government. Probably the most intrinsically pleasing would be the creation of a "normal conscience" of restraint. This would be similar to attempting to stimulate savings or anti-hoarding campaigns in closed economies. Another similarity would be bond drives during wartime in this and other western countries. On the whole, the solution demands an active public commitment toward policies of development.

An alternate policy for the control of unproductive imports is through the use of tariffs and foreign exchange controls. There are many methods which can be used, from the extreme of state purchasing agents, zero quotas and prohibitive tariffs to the more general dual or multiple exchange rate policies and selective tariffs. In any case, the success of such methods is tied directly to the political motivation, skill and/or power of the state.

The state must have the ability either to create the needed development nationalism or to enforce its will upon the population. Of course, such ability has seldom been manifest in developing nations to date, as governments as well as the economy are usually in the developing stage.

The other, more serious, problem is what has become commonly known in the literature as the foreign trade gap.

One of the best treatments of the foreign exchange gap in the literature is found in the two gap model devised by Chenery and Strout.[206] The main thrust of their model is to show the extent of foreign assistance necessary to generate perpetual growth. In constructing their model, they initially set up a closed economy model to illustrate the "savings gap" which could be alleviated through foreign assistance. In essence, the savings gap is the difference between the investment needed to increase output so that "self-sustaining growth" can take place and the saving limit which can be attained.

> The savings limit is designed to include not only the marginal propensity to save but the government's ability to increase the total savings by changes in the tax structure and by other policies". [207]

The gap, therefore, equals the difference between savings generated and the needed investment for a sustained rate of growth. This gap, according to Chenery and Strout, would have to be filled by foreign investment and aid.

Modifying the model to an open economy situation complicates the problem. First, exports must exceed imports or the gap between rate of growth, as expressed in the closed model by savings, and the necessary self-

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206. Chenery, H.B., and Strout, A.M., "Foreign Assistance and Economic Development", The American Economic Review, Vol. LVI, No. 4, Pt. 1, pp. 679-733.

207. Ibid. p. 686.

sustaining investment will widen. This is due to the fact that imports demand foreign exchange generated by exports if they are to be purchased. There is obviously some minimum level of exports necessary to maintain an economy at its existing level.

> "This import requirement results from the relatively inelastic demand for a large proportion of manufactured goods currently imported - particularly intermediate goods and investment goods - arising from the lack of domestic supply and their necessity in production". 208

If exports cannot even generate this minimum import requirement, then the economy must either regress or foreign assistance must make up the difference. Such a situation can arise even if the savings rate has reached a position where it is generating a sufficient level of investment to allow for sustained growth, if savings go unutilized, or more typically, utilized in an inefficient manner.

The more usual case of trade gap, however, is where exports do exceed imports but where this excess is not large enough to cover the savings investment gap. In such a position, then, as indicated by Chenery and Strout, the gap should be filled by foreign assistance.

From the statistical evidence presented as support for their theory, Chenery and Strout draw three important conclusions which bear repeating.

> "This breakdown shows the quantitative significance of three factors that have been discussed previously in general terms.
>
> (1) At higher growth rates the savings ~~limit~~ tends to become more important... Under most assumptions, as to the other parameters, a rise in the growth rate from the historical average of 4.4 per cent to the upper limit average of about 6 per cent increases the

208. Ibid. p. 689.

number of countries in which savings limit is controlling by 50 per cent or more.

(2) The savings limit is increasingly dominated over time by the trade limit under historical conditions of internal performance. This result points to the need for more import substitution unless export prospects can be drastically improved.

(3) A 40 per cent increase in the assumed rates of growth of exports removes the trade limit in only four to six of the 50 countries under most assumptions. Unrealistically large increases in exports would be required to reduce greatly the importance of the balance of payments limitation by 1975". 209

Chenery and Strout's ex post examination of data concerning trade in the undeveloped world portrayed a rather grim picture. It would appear that most nations would not be able to attain positions of sustained growth without massive inputs of foreign assistance. Since the 1964 article, however, there does appear to be some evidence - certainly not conclusive evidence - that some nations have begun to be able to escape the gap problem.

In general, the trading characteristics of developing countries can be divided into two basic types; nations that follow practices of import substitution and those which cannot. These two policies have markedly different effects upon a nation's development.

The policy of import substitution is relatively simple. As seen in the Chenery and Strout model above, the trade gap develops because there is too little value differentiation between exports and imports. If a developing nation finds itself unable to expand exports sufficiently, one way to close the export gap is to make prohibitive the importation of unnecessary goods - usually consumption goods. By following such a policy, of course, foreign exchange is saved. Secondly, such a policy usually gives rise to

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209. Ibid. p. 719.

industries to feed the "starved" home market. In fact, the importation of machinery to allow the setting up of these local industries often uses up much of the supposedly saved foreign exchange. Import substitution has become a standard part of development theory. In the 1950's, especially in South America, such policies were followed with what appeared to be great success. Unfortunately,

> "In the conviction that the demand for their traditional exports grows too slowly to be a satisfactory motor for growth, many countries turn to industrialization through import substitution as an alternative. This policy is usually carried out by the imposition of high import duties, and in many cases yields initial success. After a certain time, however, imports are squeezed to a minimum and further substitution of domestic production for imports become extremely difficult. At this point, the rate of growth of the industrial sector and of the economy slows down unless manufactured goods can be made into export goods. Export sales prove well-nigh impossible, however, since the cost of domestically produced manufactured goods is substantially above world market prices".
> [210]

However, import substitution may yet be a viable policy for nations with large populations like India and Brazil,[211] where large and potentially larger domestic markets exist. In such cases, unit cost of production may be lowered sufficiently so that such industrial goods may eventually compete on

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210. Schydlowsky, D.M., "From Import Substitution to Export Promotion for Semi-Grown-Up Industries: A Policy Proposal", The Journal of Development Studies, Vol. 3, No. 4, 1966, p. 405.

211. Humphrey, D.B., "Note on Import Substitution: The Case of Brazil", The Journal of Development Studies, Vol. 3, No. 1, 1966, pp. 76-86.

the world market. Without an extensive internal market though, the policy seems extremely limited.[212]

The problem of primary exports is a problem for the majority of developing countries. Primary products generally face inelastic demand functions. Therefore, a nation which attempts to increase supply will receive a reduction in revenue. Secondly, with the advent of synthetics, many of the national products face a long term decreasing demand function (except oil), further tending to decrease export values. Finally, the instability of markets for primary export products causes disruptive fluctuations in many developing economies, which severely deters the process of growth.

If the dubious policies of import substitution are not available to small developing countries due to small population, the primary product markets are not conducive to expansion, or primary products for export do not really exist (the Bantu Homeland case), what, then, are the prospects for development? There is increasing evidence that the export of manufactured products may provide a possible solution for some of these nations.

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212. Note: In Southern Africa both South Africa and Rhodesia have followed policies of import substitution. South Africa has followed the policy to reach a point of self sufficiency as she fears international sanctions. The industrial boom in the late 1950's and throughout the 1960's may be attributed to such policies. The present economic slump may indicate that the market for import substitution may be rapidly reaching the saturation point. If industrial growth slows considerably, the ramifications for South Africa will be serious. Rhodesia was forced to follow import substitution policies because she fell under international sanctions in 1965. Instead of the expected economic collapse of Rhodesia, the economy experienced some general transitional hardships, but generally boomed in secondary industry. How long the boom will survive has yet to be calculated.

"There are, of course, many variations in policies among countries, and no classification can be clear-cut at a given moment for an individual country over a period of time. Yet, the combination of industrialization, domestic finance, exchange rate and protection policies, suggest that some countries such as Brazil and Argentina, have had a predominantly inward orientation during much of the postwar period. And many smaller countries - with a greater degree of monetary stability, less emphasis on industrialization oriented toward their domestic markets, and more emphasis on agricultural and mineral production for export - have had a predominately outward orientation. Some smaller countries with outward orientation are industrializing without building a heavy industry complex and are experiencing a rapid increase in export of manufactures".
213

In a study conducted by Naya, comparing the changing export patterns of fifteen Asian developing countries, it was found that:

"... there is a distinctive difference in competitive effects: those countries with fast rising exports (Taiwan, Thailand, Philippines) show positive competitive effects; countries with relatively stagnant exports (Burma, Ceylon, Pakistan, Indonesia, and India) negative effects".
214

The survey further revealed that,

"In contrast to the varied performance of primary exports, the rapid rise in exports of manufactures common to almost all countries is very encouraging. Some groups of manufactured goods have grown at rates even higher than the relevant import growth of the D.C.'s (developed countries), indicating positive competitive effects. It is interesting to note that those countries with expanding primary products tend to perform better in manufactured exports as

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213. De Bries, B.D., "The Export Experience of Developing Countries", World Bank Staff Occasional Papers, No. 3, Baltimore, The Johns Hopkins Press, 1967, p. 13.

214. Naya, S., "Variation in Export Growth Among Developing Asian Countries", The Economic Record, Vol. 44, No. 4, 1968, p. 483.

> well. Examination of commodity detail shows that a large proportion of manufactured exports is what may be called relatively labour intensive, and thus suitable to the factor endowments of this region, e.g. textile products, footwear, plywood, leather. It is significant that these exports have expanded rapidly despite the relatively high import protection (especially high effective rates of protection) generally accorded by the D.C.'s in commodity items of this type".[215]

Between 1956 - 1957 and 1964 - 1965, of the fifteen countries, the four countries experiencing the highest percentage growth rates of exports were South Korea, 528.20%[216]; Taiwan, 231.20%; Cambodia, 117.09% and Hong Kong, 97.30%.[217]

Another study done by Kojima, although somewhat dated, showed the beginning of a trend.

> "Firstly, exports of manufactured and semi-manufactured goods remain at a very low level; secondly, they have recently, however, been expanding at a rapid rate, particularly since 1959, and thirdly, growing major export commodities were light manufactured goods such as textiles, leather, wood and paper manufactures.
>
> The total exports of manufactured and semi-manufactured goods from developing countries in 1961 amounted to approximately $4,000 million, equivalent to about the exports of manufactured goods from Japan. This is equal to 14.4 per cent of the total exports of these countries, which is far smaller than the corresponding share of manufactures in the total exports of developed countries and centrally planned economies. Exports of manufactures and

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215. Ibid. p. 488.

216. Note - The extremely high figure for South Korea can be attributed to its extremely small base at the end of the civil war.

217. Ibid. p. 489.

> semi-manufactures are not only small in relation to total export trade of the developing countries, but also account for a very limited share, as low as 5.5 per cent in total world trade. The low level of exports of manufactures from developing countries becomes even lower if base metals, accounting for $1,400 million or 4.9 per cent of the total exports of the countries are excluded - metal exports reflect a relatively limited amount of processing".[218]

Exports of manufactured products were found to have increased some 43% between 1958 to 1961 compared to a slower increase of 8 per cent for primary products.[219] (Of course, the small base for manufactured goods makes the growth more spectacular in relative terms). The study also found that increases in the export of established products, such as processed agricultural products and base metals (especially non-ferrous) and refined fuels, experienced the smallest incidence of growth of manufactured goods. Chemicals, which were increasing as a percentage of imports to developed countries, did not show an increase in imports from developing countries. Only in light manufactures was there a significant increase.

> "One is light manufactures which experienced fairly rapid increase in imports of developed countries (i.e. 97 per cent) more rapid increase in exports from developed countries, and increased in the share from 6.5 per cent to 8.3 per cent. Light manufactures are an important import in developed countries and account for a third of the total manufactured exports. Therefore, market opportunities for exports of light manufactures from developing countries have broadened fairly rapidly".[220]

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218. Kojima, K., "Trends in Exports of Manufactured and Semi-Manufactured Goods from Developing Countries", <u>Hitotsubashi Journal of Economics</u>, Vol. 8, No. 1, 1967, PP. 1-3.

219. <u>Ibid</u>. p. 3.

220. <u>Ibid</u>. p. 14.

In the three classifications of light manufacturing used by Kojima, Textile Yarn and Thread (1), Textile Fabrics (2), and Other Light Manufactures (3) Hong Kong was found among the leading producers of all three, South Korea in number one exclusively and Taiwan in number three exclusively.

Murakami in his article examining the markets for manufactured products of developing countries accepts the proposition that trade in manufactured products is a successful way to promote development.

> "In the light of these shortcomings of industrialization which derive from the policy of import substitution, the significance of a different approach to industrialization is widely recognized. It has been felt that export-oriented industrialization is desireable and necessary to overcome the above-mentioned defects (of import substitution) and to put the industrialization process on a firm footing. Furthermore, in some countries, production for export markets may be the only way to start industrial development, since development would doubtless be prevented from the outset by the limitations of the domestic market, if they were to attempt to base industrialization on their own markets". 221

Using a sample of thirteen countries from Asia and Latin America, Murakami examined the export market of developing countries. From his data he discovered first that between 1962 and 1965 both the amount and the selection of exported manufactures had increased.

> "... expansion in miscellaneous manufactured goods helps to account for this trend too. But in 1965, judging from the increase in the number of items included in basic manufactures and miscellaneous manufactured goods, rapid expansion of exports in these categories must have been contributed by an increase in the number of newly emerging export items". 222

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221. Murakami, A., "Two Aspects of the Export of Manufactured Goods from Developing Countries", The Developing Economies, Vol. VI, No. 3, 1968, p. 265.

222. Ibid. p. 268.

What Murakami was really interested in, though, was which products can be sold in what markets. He therefore divided the market into two groups, developed countries and developing countries. He found that the exports to both markets were expanding but that the market in the developing countries was expanding at the faster rate. He also found rather distinct product variations in the market, though, of course, these were not universal.

> "Conclusions which can be derived from the case study in the previous section are as follows: (1) Manufactured exports from developing countries are divided into two main categories. The one consists of traditional, handicraft and specific manufactures, material dependent manufactures and early established labour intensive light manufactures, These are exported largely to developed countries. The other includes newly-emergent light manufactures requiring a higher degree of processing, intermediate and basic metal manufactures and, machinery and transport equipment. These find their markets in developing countries. (2) Of these two categories, the former, at present, occupies an extremely large share of total manufactured exports from developing countries, but recently, export of the latter has increased at a rapid pace, expanding its share of the total". 223

An expanding market, then, does exist, although little inference can be made as to either its ultimate size or its future rate of expansion, as it differs to such an extent from product to product.

It is also interesting to note that indications are that the market has hardly been scratched. In 1964, exports from the developing to the developed countries amounted to some U.S. $5.5 billion, or less than 5% of total world exports of manufactures. The national composition of these exports is also noteworthy. In the mid 1960's, ten countries provided nearly three quarters of such exports, Hong Kong 26.5%, India 18.6%, Israel 5.8%, Mexico 5.3%, Iran 3.2%, Philippines 3.0%, Pakistan 2.7%, Taiwan 2.8%,

223. Ibid. p. 278.

Argentina 1.7% and Brazil 1.37%.[224] Of these ten countries it is significant that two, Hong Kong and Taiwan, have neither a strong natural resource base nor a large domestic market.[225]

It is unfortunate that cross national studies are not more up to date, as it would appear that the manufactured exports of developing countries have continued to increase since the mid 1960's. Therefore, it will be informative to examine a few nations in detail to ascertain what has taken place more currently.

Before proceeding to the selection of the nations to be examined, however, three further points which have arisen out of the cross national studies should be discussed.

First, nations which have tended to diversify their production of light manufactures have been more successful. Such diversification isolates their economic growth from the reaction of developed countries when they find their markets flooded. By not "putting all one's eggs in the same basket", the process of industrialization is also protected from the effect of outside economic forces (i.e. taste changes, new innovations in production or substitution, increased competition from other products, etc.).

> "Thus, a structural condition for success in expanding exports is a combination of a relatively small share in markets for major exports and the existence of a diversified export package reflected in a relatively large minor export component".[226]

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224. Cutazar, W.Z. and Franks, A., The Less Developed Countries in World Trade, London, The Overseas Development Institute Ltd., 1967, p. 73.

225. Note - This criteria also applies to Israel but it, of course, has special advantages.

226. De Bries, B.D., op. cit. p. 44.

The second point is tied to the first. The economy must be flexible enough to transfer or extend production into what appear to be new or increasing markets. Of course, this must be tied to good marketing techniques so that, if possible, such trends may be anticipated.

> "On the balance it would seem that a combination of small world market shares and the key characteristics of export minded policy argue well for a country's chance of cashing in on the potentials of rapidly growing commodity markets. But there remains, of course, room for special situations - and, it might be added, luck".[227]

Finally, the problem of resource base must be dealt with. It was long speculated that a developing country's prospects were tied to its comparative advantage in raw materials. In other words, a nation's particular raw material should be exploited to the fullest, and processed as far as possible. For those nations who possessed few industrial raw materials, future prospects were painted fairly grimly, regardless of pure theory analysis which claims each nation has a comparative advantage in some commodities. Evidence now suggests that raw material natural resources are not necessary to the process of development, and, in fact, concentrating on a particular resource is even detrimental.

> "The countries which have had success with industrialization under outward orientation have not entered into production of intermediate goods (e.g. steel), but have relied on imports of industrial raw materials and intermediate products for the production (and export) of finished goods, including labor-intensive capital goods. Where such a strategy of industrialization is induced by the scarcity of natural resources, an initial obstacle to development has been turned into an economic advantage".[228]

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227. Ibid. p. 30.

228. Ibid. p. 56.

In deciding which nations to examine in detail, out of the dozen or so nations which follow the practices of outward orientation in manufactures, it should be possible to select some with conditions similar to those of the Bantu Homelands of South Africa. As most of the nations which follow a policy of export promotion of manufactures have been so doing for a number of years, and are, in actual fact, on the development road, the standard economic indicators, such as G.N.P., G.D.P., G.N.I., (capital etc.) would prove of little use, given their poor comparability over time. Instead, nations which have characteristics similar to the Bantu Homelands will be examined.

Four states seem to have conditions similar to those of the Homelands; Taiwan, Hong Kong, South Korea and Singapore. With the possible exception of South Korea these states have populations too small for any effective attempt at import substitution.[229] Similarly, none have an important exportable natural resource, or a large natural resource base. All must import a large proportion of the resources they turn into manufactured products. All have had access to foreign capital and/or aid in varying degrees. All have excess population which could not be as productively employed in the agricultural sector.[230] They are, of course, at different stages of development. Taiwan is probably the furthest along the road, having followed export oriented policies for more than a decade. Hong Kong, the industrial leader of the four for a long time, has concentrated on textile production and has only recently begun to follow Taiwan's example of diversification. South Korea was also a late starter, not really concentrating on the program until the mid 1960's. Singapore did not begin

229. Note - U.N. 1969 estimates Taiwan 14,300,000, Hong Kong 2,992,846, South Korea 31,790,000, Singapore 2,050,000.

230. Note - Of course in Singapore and Hong Kong the agricultural sector is insignificant.

following such policies until her break with Malaysia in 1965.

Although the similarities of these nations to the Bantu Homelands can easily be identified, so also can the differences. All four Asian nations have access to the sea. Certainly, much of Singapore's and Hong Kong's advantage comes from their strategic location. The Bantu Homelands for the most part are land locked. Yet, South Africa itself lies on a well travelled shipping route, especially since the closure of the Suez Canal. It would appear, though, that location near or on a sea coast area is more important for the importation of raw materials than the shipping of light manufactures. Many of the Homelands lie on or near the trans-shipment routes out of the raw material producing areas of South Africa, and in this way are strategically located.

The other major difference is one of culture. Asians, and especially Chinese, have a reputation as successful businessmen, promoters, craftsmen and, in general, entrepreneurs. Bantu culture does not generally stress this. Still, in South Africa there is, as in nowhere else in Africa, a long tradition of detribalization and adaptation to the factory system. At least part of the cultural transition has been made. The problem of entrepreneurship was noted in chapter two. Hopefully the entrepreneural ability of White South Africans can be utilized until there are sufficient trained Bantu. The problems of cultural differences are one of the major difficulties in development economics; one of those non-quantifiable variables. But they are no greater a problem in the Bantu Homelands than in most other areas.

As pointed out above, there has as yet been no detailed examination of export oriented developing economies, and certainly no international comparison of the nations identified as having conditions similar to the Homelands. It was therefore necessary, for the purposes of this paper, to examine the economies of Taiwan, Hong Kong, South Korea and Singapore in depth to attempt to discern the magnitude of their success. The economies were also examined in an attempt to isolate conditions present in Asia and not in the Homelands which might deter Homeland development. As this lengthy digression would detract from the focus of the thesis, it is relegated to Appendix I. The findings are summarized below.

What must be made clear initially is that little can be said with any assurance about the long term prospects for the expansion of these four economies following the policies of export promotion and production. Any drastic change in the importing regulations of the developed nations could seriously hinder economic expansion in the economies of these four states.

On the other hand, the results over the last decade have been impressive. Exports from Taiwan have increased from U.S. $174 million in 1960 to U.S. $1,561.7 million in 1970. From 1965 to 1970 Hong Kong's exports have increased from U.S. $1,042 million to U.S. $2,243 million, while in the same period the exports of South Korea have increased from U.S. $175 million to U.S. $835 million. Late starter Singapore had a less impressive but significant 73.1 per cent increase in exports for the period 1964–1970. Exports have been growing at a higher rate than G.N.P. in each of the economies.

In all four economies, manufactures have made up the bulk of the increase in exports. By 1970, industrial exports had increased to 80 per cent of all Taiwan's exports, and to over 55 per cent in Hong Kong. In South Korea miscellaneous manufactured goods exports alone represented 42.2 per cent of total export value. For Singapore the figures are less meaningful due to the stagnation of her traditional export market. Manufactures represent 47 per cent of Singapore's exports. In all cases, light manufactured goods have formed the overwhelming percentage of the increase in industrial exports.

Along with the massive increase in exports there has been a corresponding increase in imports to the economies. This has consisted largely of raw materials to supply the export industries and the capital equipment necessary to expand production. Only Taiwan and South Korea, as yet, have been able to relatively decrease their current account deficit. Given the longer period Taiwan has been following the policy of promoting exports, this may indicate a trend. In any case, the current account deficits have not been a burden in view of the large influx of investment capital into the states during the period. This has easily offset the deficits on current accounts.

Although it would be presumptuous to suggest on the basis of incomplete evidence that there is a definite causal relationship between export manufactures and a general increase in the standard of living in our four cases, there does appear to be a definite correlation between the two. Before the change of policy in Taiwan in 1961, the G.N.P. per capita had remained relatively stable. From 1963 to 1970 per capita income increased from U.S. $147 to U.S. $293. In 1971 the average income in Hong Kong was estimated at U.S. $800 per year. In Korea between 1962 and 1970 per capita income has more than doubled from U.S. $96 to U.S. $223.

Also, there has been a tremendous increase in employment in manufacturing during the period in which the countries have followed positive export policies. In Hong Kong, by the end of the sixties, in the clothing, textiles, electronics, appliances and plastics industries, the labour force totaled 296,000 with an additional 26,000 vacancies which could not be filled.

In Singapore, employment in manufacturing increased from 25,000 in 1960 to 87,000 in 1969. Pioneer firms, those established for the purpose of export manufacturing, have provided 35,000 of these positions.

In other words, there has been a recognizable increase in production, income and employment in the four economies studied.

Some general trends can be discerned or suppositions affirmed from the detailed examination of these economies. Diversified production is one keynote of success. A detailed examination of Korea's exports, on a product by product basis, revealed significant yearly fluctuations, even though the general trend was upward. Obviously, concentration in any specific line of products could have meant a crippling of the Korean economy. This is further indicated by the effect of pressure exerted by the U.S. on imports of Hong Kong made textiles. With its own producers threatened, the U.S. took measures which have severely curbed the expansion of that sector of Hong Kong's economy.

In other words, diversification is necessary for two reasons, first to isolate the economy from the fluctuations of product markets, and to prevent a flooding of the market for certain commodities already produced in the developed nations. It also seems safe to suggest that whenever possible the production of new products should be encouraged, so that workers in the developed countries' industries cannot be directly threatened.

It also seems that both the capital and the import markets must be allowed to operate freely. The first, it appears, attracts investors, by giving the impression of stability, freedom of movement and a minimum of bureaucracy. Imports must be allowed freedom of entry on a competitive basis so that the exported products may also compete. Finally, it must be noted that diversified production of exportable light manufactured goods can aid considerably in satisfying the local market, thereby limiting consumer imports and saving foreign exchange.

As pointed out before, this short examination of Taiwan, Hong Kong, South Korea and Singapore, is in no way complete. These economies are still beset by many problems, but they do seem to be having greater success than most nations attempting development by following alternate means. (Appendix I presents a more detailed examination of the four economies and should be consulted for sources).

In this chapter there has been an attempt to present briefly evidence which shows a relationship between exports and development, both on a theoretical level and through the examination of case studies. For obvious reasons of brevity, there has been no attempt at in depth examinations of the internal ramifications of such policies. That was not the purpose of the chapter.

There is little disagreement in pure theory that increases in exports can bring about a measure of increased welfare. In the literature, however, there is a great deal of discussion of the problems which developing nations of the world have in finding both marketable products and the markets for goods which they have the ability to produce. In the case studies presented, it would seem obvious that, at least in some countries, industrial products can be produced to compete in the world market. There is also evidence that by following such a policy, first, employment is generated and secondly, the standard of living will eventually begin to rise. The evidence would also suggest that following an export growth pattern causes more rapid growth.

"In the sixties, world exports (with the exception of the Communist countries) increased at an average yearly rate of 9.5%, while exports of the developing countries grew by only 7.2%. In the latter category, Asian countries, with a rate of 6.3%, performed worse than average. There are, however, large differences between the countries in the region. In contrast to the high growth rates of the countries in the Far East (Republic of Korea, Taiwan and Hong Kong), the average annual growth rate of Southeast Asia was a low 2.9% and the growth rate of the Indian subcontinent (India, Pakistan, Ceylon) was not much higher (3.9%). 231

"The difference in the conomic development of the advanced countries and the less developed countries is too obvious to be overlooked, but there are also very important differences between the various developing countries. During the sixties, the average yearly rate of economic growth in Taiwan, the Republic of Korea and Singapore exceeded 8%, while that of Indonesia and Burma remained below 3%. One of the factors responsible for the differences in the growth rate is the degree of industrialization". (See Table XI) 232

The export market base, it would appear, may not be the most secure road toward development. Markets remain dependent on the needs and goodwill of the importing nations. It has been illustrated that, rather than concentrating on a few products for export which can easily flood the market, diversification into many products is likely to be more profitable. It also appears that such a policy can be successful without a capital goods industry, or a large or varied raw materials base. In our four case studies, imports of raw materials formed the basis of the export industry.

Beyond these brief remarks, little can be observed from the superficial examination of the theory and practice of exporting for

231. "Asia's Development in the Seventies", Fuji Bank Bulletin, Vol. XXIII, No. 7, July 1972, p. 115.

232. Ibid. p. 114.

development. This type of ex post examination is of little use in the problem to be examined. What is important is that, under certain conditions, manufactured products from developing countries are able to compete in the markets of the world, both in the developed and developing countries. If the products can be sold, then, employment will be generated and the process of development is likely to progress. Export examination had established these suppositions with a degree of certainty.

Although export oriented industrialization may provide the method for developing the Homelands, what would the effect of such a policy mean to South Africa as a whole? Would conditions be created which could be detrimental to either the entire national economy and the aims and desires of the Afrikaner people?

CHAPTER IV - WHITE SOUTH AFRICA AND EXPORT MANUFACTURING IN THE BANTU HOMELANDS

> "The fact has not been lost on the white trade unions, who are a major source of pressure against the policy, because they fear 'unfair' competition from low-wage industries ("Hongkongs") whether on the borders or in the Bantustans". [233]

There is a concensus of world opinion that the Republic of South Africa will not carry out its policy of Separate Development because it is not in their interest to do so. Such speculation is advanced because it is felt that this development would mean the demise of the privileged economic position of the white population. Certainly there is little criticism in the vein of "They will not institute Separate Development because it will bring about the political demise of the white population" (except from the verkrampt sectors of the Afrikaner population). Instead, political separate development is criticised for the very fact that it is going to perpetuate white pre-eminence. This criticism is certainly correct for the White designated areas of the Republic. Undoubtedly this is the driving motivation behind the plan. But what would be the consequences of successful Bantu industrialization? Would it mean the demise of the White population's economic livelihood as suggested by those who doubt the program's sincerity? There is little evidence to back this view.[234] Still, if it has any validity, it is unlikely that Separate Development will be allowed to succeed. It is

233. Lipton, M., "Independent Bantustans", International Affairs, Vol. 48, No. 1, 1972, p. 15.

234. See Spooner, F.P., South African Predicament, London, J. Cape, 1960

therefore necessary to take a long term look at the ramifications of a successful policy of light industrialization in the Homelands for the economy of the Republic as a whole.

Although the economy of the Republic is always touted as being strong, virile and stable, this is somewhat of a short term illusion. There are long term problems which are ever looming on the horizon. Although, for the moment the picture appears rosy, the present economic structure of South Africa is existing on borrowed time.

Three major problems beset the economy. First, there are the long term consequences of the continued policy of import substitution. Secondly, the ever-increasing number of work-age Bantu who enter the labour force every year. The final problem is the possible exhaustion of the gold fields. These three are tied together forming a gloomy prospect for the Republic's economy if the present course is not altered.

As alluded to above, the long term process of import substitution has produced an artificial boom in the South African economy since World War II. But now nearly all that can be produced by import substitution, in an economic manner, has been produced at home; much of it, as pointed out before, due to the government's fear of international sanctions. But this policy also produced a real growth rate that often reached eight per cent in the 1950's and 1960's.

Since 1969 or 1970 this rate of growth has slowed considerably, and the economy has been suffering mild inflation. Whether this is a result of the inevitable slow down, which follows once near complete self-sufficiency in manufactured goods has been achieved, cannot be determined as yet. In any event, the slow down must come in the near future. It can be averted for the short term if the government increases the tariffs on heavy capital goods and mining equipment, but producing such goods for the limited South African market provides no long term solution.

This artificial boom has created jobs for the Bantu within the manufacturing sector, and has been largely able to offset the ever-increasing numbers who enter the work force each year, thus helping to stabilize, somewhat, the political climate. Without the increase in jobs so generated, the spectre of millions of young unemployed Bantu, frustrated on the reserves, becomes a reality, and a dangerous political problem for the government. As the growth of the economy begins to falter just such a spectre can be envisioned for the future.

Adding to this problem is that of the gold mines. South Africa is the world's largest producer of gold. It is mined productively only because of the inexpensive labour which the surrounding African nations, as well as the Homelands, provide. If labour, recruited only in South Africa, were used, the mines would be forced to close, but labour from the Lesotho, Mozambique and Malawi will work cheaper. These gold mines provide the back bone of the South African economy.

Most of the mines, except for the relatively new ones in the Free State fields, are being worked at enormous depths, up to two miles below the surface. Throughout the late sixties and until 1972, the prospect for the future of these mines appeared grim. There are large known reserves still in existence which are between 5,000 to 10,000 feet and beyond the reach of commercial exploitation in the foreseeable future.[235]

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235. Kaplan, Op. cit., p. 560 .

> "In 1966 South Africa's Chamber of Mines predicted that, if the domestic cost level continued to rise at the rate of the preceding two years, gold production would decline after about 1970, in the absence of any unforeseen changes in the other variables involved; the international gold price; the valuation of South Africa's currency; new ore discoveries; labour productivity; and technological advance".
> [236]

This decline in production was evidenced through 1972.[237]

This was before the rapid increase in the price of gold evidenced in the first half of 1973. Although much of the increase in the price of gold may be attributed to speculative demand and the instability of the international money market, barring a mass dumping of gold on the free market from various government stockpiles,[238] the price of gold, at least over the short run, is likely to stabilize at a price high enough to allow for profitable operation of gold mines which have been marginal, withdrawn from production or undeveloped.[239]

In South Africa the large mining operations are making active plans to exploit certain of the known low grade deposits. But this expansion will be limited in nature.[240] As these are developments which will demand a large capital commitment and will not produce for at least two years, there is considerable hedging on the part of producers. Other nations are likely to increase low grade production in this period also, which is likely to drive the price down. There are two other considerations which may exclude any

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236. Ibid., p. 261.

237. "Gold", International Currency Review, Vol. 5, No. 2, 1973, p. 53.

238. "The Gold Rush", The Economist, Vol. 247, No. 6769, p. 91.

239. "Golds Glitter Grows", Financial World, Vol. 139, No. 12, 1973, p. 14.

240. "A New Gold Era", Supplement to Mining Journal, April 27, 1973, p. 13.

large expansion of the South African gold industry. Since the recent increase in the gold price, there has been a twenty-five per cent increase in the Bantu wage rate. This will substantially decrease the expected profit from the increase in the price of gold. White wage increases are also expected to follow.[241] Secondly, the South African government realizes that gold represents a most valuable natural resource. As a result, instead of allowing a substantial increase in production, it is more likely to use its ability to set the grade of ore mined to force the companies to refine lower grade ores, thus lengthening the productive life of the mines.[242] Just how long the life of the mines will be extended cannot be predicted until the price of gold stabilizes. If, over the long term, South Africa's gold production begins to decline, the effect on the economy could be extensive. There has been much speculation as to the consequences. One thing is certain, the fall in gold production will have adverse effects upon South Africa's foreign exchange balance. Certainly large reserves have been built up, but even they are not inexhaustible.

South Africa's natural advantage in gold production has proved to be a windfall gain to the economic expansion of the economy and the standard of living. Even with tight exchange controls and a government committed to self-sufficiency, South Africa has never been able to effect a positive balance on her current accounts. She is primarily an importer of capital goods and luxury consumer goods. Gold has provided the means to cover the

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241. Ibid. p. 15.

242. Ball, C.J.W., "Impact of Rising Gold Price in Production", Euromoney, March 1973, p. 59.

continuing deficit on current accounts.[243] If there is a decline in gold production, two major problems will be manifest.

First, there will be a decline in employment opportunities for Bantu labour. This will have a twofold effect upon the South African economy. The direct decline of employment will further worsen the population pressure upon the Reserves. Secondly, as foreign migrant labourers are phased out it will cause severe economic depression for the nations on South Africa's borders. As South Africa is the largest supplier of consumer goods to these areas, the decline of purchasing power will undoubtedly have adverse effects upon certain sectors of the South African economy.

The second result of the decline in gold production will be a lack of foreign exchange to purchase the capital equipment needed to keep the economy expanding. Such a slowdown will further add to the Bantu labour problem.

There will also be considerable "ripple effect" as a result of the slow down in gold production. The loss of gold production itself will not be as severely felt as the loss of income to those who service the industry, and those in the tertiary sector who depend upon the wage package of the estimated 420,000[244] workers of all races.

The problem of falling foreign exchange revenue can be partially offset by increased activity in other mining activities. South Africa has large deposits of most commercial minerals which have, until lately, remained virtually untapped. With expanding technology and an impending shortage of some minerals on the world market, some of these deposits are already being

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243. State of South Africa, 1970, Johannesburg, Da Gama Publishers, 1970, pp. 150-151.

244. Ibid., p. 140.

developed. Japan is becoming a major buyer of South African raw materials, and the Republic's vast coal reserves present inviting prospects for the future.

Unfortunately, the possible expansion of alternate mining ventures will not solve the problem of Bantu employment. The new mines demand capital intensive techniques, such as strip mining, to be profitable. In view of the strong political force of the mine workers' union, the chance of the Bantu moving up the skilled labour ladder in this industry seems remote.

The yearly sales value of output in Rands per worker in gold mining is already far lower than that of the newer mining products, i.e. Gold R1,851, compared to Manganese R2,900, Chrome R2,225 and Copper R12,425.[245] In the iron mining industry the ratio of white workers to non-white is approximately 5 to 3, while in gold mining the ratio is 1 to 9,[246] indicating the more capital intensive nature of the iron mines with the resultant indication of higher skill levels. Therefore, even if some of the foreign exchange problems, created by the eventual decline of the gold mining industry can be overcome, the labour problem will not disappear.

Even if the government chose to ignore the mounting labour problems on the Reserves, being the supplier of raw materials for foreign producers of secondary manufactured products is not the best long-term position for a nation. This appears especially valid when the inexpensive labour, the technology and the capital is available to compete on the world market. It would seem a much more economically sound policy to reap the benefits of increased value added by carrying the processing to the final product stage at home. By following such a policy on a large scale, it would hopefully cure

245. Ibid., pp. 140-141

246. Loc. cit.

the long term ills of the South African economy. Such a policy would allow the manufacturing sector of the economy to continue to expand instead of being trapped behind its own tariff barriers. As the sector expands, the Bantu employment problem would be reduced. Furthermore, current account deficits could be lowered. Such diversification of exports would also help remove the South African economy from its dependence upon world market prices for her various primary products. Gold is probably the most dependable raw material export possible. This stability has aided the continued expansion of the South African economy. Increasing dependence on other primary products is not likely to provide similar security.

Therefore, it would appear that following such a policy of export oriented production would serve the economy of South Africa as a whole, not just the interests of Separate Development.

If it appears that the economy of South Africa, as a whole, would benefit from a policy of light industrialization in the Homelands, what special interest groups appear to be threatened, and what are the consequences likely to be if the policy were carried out?

Three groups can be identified, so far, as having been vocally opposed to Bantu Industrialization: the trade unions, the current producers of light manufactured goods, and the white farm population. Of these the White Trade Unions have been the most violent in their opposition. The problem lies with the perceived influx of skilled workers into the protected ranks of White guaranteed occupations.

Although there is formal legislated job reservation in South Africa, it appears to be minimal, with many of the categories protected for defence reasons.

> "... there is still the phenomenon of reserved jobs. 24 occupations are reserved by law primarily for Whites. But in some cases, even coloured workers are protected from African competition. According to an estimate by the Ministry of Labour, some 3 p.c. of the labour market is protected in this way".
> 247

The main protection is derived from union-management agreements. This system of protected employment has satisfied the White Unions. As the South African economy has expanded, however, the supply of skilled workers generated by the White community has not kept pace with the demand. Employers have attempted various means of alleviating these problems, one of which is to secure from the government more lenient policies toward the employment of skilled and semi-skilled Bantu in the border industries areas as one of the inducements to locating there. Even with these concessions, which the White unions perceive as inroads on their privileged position;

> "There were an estimated 65,000 vacant whites-only jobs in 1970. A total of 100,000 nonwhite workers were registered as unemployed and many more were not registered".
> 248

It hardly appears that there is any immediate danger to the livelihood of any white union worker, although there might be some individual juggling between occupations. It would seem that the unions may be looking to the long run, feeling that any crack in the barrier is likely to lead to a flood which cannot be slowed. Such fears it would seem are unfounded, given the government's past record of protecting its less fortunate Whites from competition with less expensive Bantu labour.

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247. Barnouin, B., "The Labour Situation in South Africa", Intereconomics, No. 10, 1972, p. 313.

248. Hoagland, J., South Africa; Civilizations in Conflict. Boston, Houghton Mifflin, 1972, p. 206.

To date, the government has remained firm in its policy of allowing increased numbers of skilled Bantu workers employment in the Border industries, although existing white workers are being protected. This was made clear in the White Paper in the Report by the Inter-Departmental Committee on the Decentralization of Industries (the Riekert Committee) released in June 1970.

> "Items (d) and (e) imply that the Government not only will sanction, but apparently wishes to see, a gradual lifting or upward shift of the industrial colour bar. By encouraging Whites to acquire additional skills and to fill more skilled occupations, an increasing number of previously reserved jobs would be made available to non-Whites. This, however, is placed in perspective in other sections of the White Paper. It is Government policy that the non-White national groups should, in their own areas, and for the purposes of serving their own people, to an increasing extent undertake work of a more advanced nature. Africans are still not to be granted equal opportunity in the border areas the use of Black labour here will 'be subject to less restriction than in the metropolitan areas' with the provision 'that the position of the White workers (must not) be undermined'".
> [249]

As far as the Homelands themselves are concerned, there appears to be no position which a Black cannot attain as long as he is not in a position to supervise a White. To date, the government appears willing to stand by this commitment. In October, 1971, the government faced down the powerful, and vote-packing, Mineworkers Union which had refused to train or allow Africans to do skilled jobs in the copper, chrome and platinum mines of the Transvaal Homelands. Africans are now allowed into these previously White only positions.[250]

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249. Diamond, C.R., "White Paper on the Riekert Committee Report - An Appraisal", The South African Journal of Economics, Vol. 40, No. 1, March 1972, p. 48.

250. Lipton, op. cit., p. 15

But what, in effect, do the White workers risk if an industrialization policy were carried out in the Bantu Homelands, except for some mild displacement in a few industries? As pointed out, South Africa's existing light industries are small, serving the local market. Initially at least, the industries located in the Homelands would be labour intensive and, of necessity, requiring a low level of skills for the majority of workers. Of the products examined in chapter five, few are produced in any quantity at present, and the dislocation of workers would be minimal. If the scheme were successful and its scope broadened, some industries, and workers, would no doubt be displaced. Fortunately, the government is already committed to retraining programs so that displaced workers could be easily relocated in industries where a job shortage is evidenced. The emphasis on retraining has already been laid out in the White Paper in the Riekert Committee Report.

> "Upgrading of semi-skilled White workers by means of training within industry (such as the Journeyman Recognition Scheme operating in the metal and engineering industries), by the creation of special external facilities for this through existing channels such as under the Training of Artisans Act, by the expansion of trade schools and technical college facilities and by the acceleration of training programs for apprentices".
> 251

Those processes which are largely capital intensive will be likely to remain in the White sector of the economy and even expand to supply the growing industries in the Homelands, thus providing more job opportunities for the more skilled White labour force.

It would appear, then, that a policy of light industrialization in the Homelands would help resolve the problem of the shortage of skilled labour

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251. Diamond, op. cit. p. 47.

by allowing Bantu to fill those posts in the labour intensive industries located there. It would also bring more balance into the economy by locating those industries requiring unskilled workers where there is a surplus, while channelling more skilled White workers into the capital intensive industries of the White areas.

As for the businessmen, who currently operate light manufacturing plants making the products selected for development in the Homelands, a number of options are available to them. The government could provide subsidies for re-location if the terms of entry into the Homelands were acceptable to the existing owners. Using this option, the first hand knowledge of the industrialist would not be lost. If this was not agreeable, other forms of compensation could be considered, such as outright purchase of the threatened concern by the government or capital advancement for retooling of the factory toward a new line of products. As pointed out before, the government, in selecting products for production in the Homelands, should make sure that such competition is minimized. In the short run, at least, few firms would be affected and compensation would be well within the means of the government.

The final group likely to feel threatened by the success of industrialization in the Homelands are the farmers. White farmers are accustomed to large quantities of inexpensive Bantu agricultural labour. These workers are the poorest paid of all Bantu labourers and live under the most adverse conditions. As a result, South African agriculture has remained relatively inefficient, and labour intensive compared to most western economies. They are also the most loyal supporters of the Nationalist Party. If they perceive that sufficient employment will be generated in the Reserves so that their supply of labour is threatened, they will no doubt exert considerable political pressure on the government to slow down the process.

For the immediate future, however, there is little likelihood that the policy will create any pressure upon the labour market, except possibly in those areas which happen to be near the growth points. In any event, it would be of more benefit to the government to help further mechanize agriculture than to protect one of the worst evils of the economic system.

Finally, the scope of the effect of such an industrialization policy must be examined in the context of the long run changes likely in the makeup of the South African economy.

Assuming that the policy does succeed, what would be the long term ramifications for the structure of the South African economy? What exactly is the scale of success likely to be? This can only be measured in terms of what it has meant to other light industrial producers. For the Homelands, at the moment, the most important thing is the generation of employment. By 1972, South Korea had a manufacturing labour force of 1,105,000;[252] Taiwan - 835,000, an increase of 200,000 in six years.[253] In the first three years of operation Singapore's Pioneer industries had provided over 35,000 new manufacturing jobs.[254] If South Africa could generate similar rates of growth in the Homelands, the results would be satisfactory. Even though the direct jobs created would not be sufficient to reduce unemployment, if the conservative figure of three jobs in the tertiary sector for each one created in industry can be accepted, then the natural increase could be accommodated. As far as a reversal of the urban flow - in other words, a return of the people to the Homelands from the city, such success cannot be counted upon. The best that can be hoped for would be a stabilization of the situation.

252. Korea Annual, 1972, Soeul, Hapdong News Agency; 1972, p. 209.
253. China Yearbook, 1971-72, Taipei, Free China Press, 1972, pp. 418-419.
254. Singapore Year Book, 1969, Singapore, Ministry of Culture, 1970, p. 145.

The other variables, such as increased standard of living, improved working conditions, and a self-growing economy, should follow later as they did in Japan and as they appear to have done in Hong Kong. Success, in the initial stage, can only mean employment, for population pressure is the chronic problem of the Reserves today. The program will not bring overnight equality for the Bantu in terms of wages or standard of living. It will not produce a highly skilled and technical labour force immediately or in a decade. Development is a much longer process. Societies do not change easily, nor do attitudes. The Homelands, politically independent or not, will be economically dependent on the Republic for a long time to come. The policy cannot provide the solution to South Africa's problems in the short run, nor is it the brilliant light which will make separate development a glowing success. The best it can be is the key to economic development. If successful, the policy will provide an alternative for the Homeland Bantu. No longer will he face only one choice, to leave the Reserve and become a second class citizen in White South Africa. The industries in the Homelands will provide him with the opportunity to increase his skill level, to test his managerial ability, and to live in normal relations with his family. Idealistic, yes, but at least the Bantu will have the chance to make his own mistakes, to solve his own problems and, hopefully, prove himself. One thing is certain, success will not be handed to him on a silver platter. No matter how consciously the White South Africans would wish to see the policy succeed, psychologically he will expect, if not subconsciously want, it to fail. In short, a concerted effort toward a policy of export oriented manufacturing will at least provide South Africa's Bantu with an opportunity similar to that of other peoples who have emerged from colonialism in Africa and elsewhere. If the present economic policies are followed, the Homelands have no hope of success, with the eventual prospect of a racial bloodbath no one can win. If the policy of light industrialization is followed, and succeeds, the Bantu peoples may have a headstart on their African neighbors and may be able to move more quickly forward along the road of development. Just what course such development is likely to take is impossible to foresee.

Idealistically, one could envision a long term integration and specialization of the economies within some future South African union. If the Homelands can establish themselves as a firm industrial base, acquire the skills and make the cultural transition, then the prospects appear bright. The Homelands could move from the production of inexpensive labour competitive products into more sophisticated and capital intensive consumer goods, as has Japan. The White Republic could become the technical heartland of the area, producing the hardware and capital intensive products to supply the consumer industries of the Homelands. The Republic would also provide much of the raw materials and foodstuffs to the Homeland's industries.

In the long run, as incomes in the Homelands increase, the Republic would be forced to increase the wages of the Bantu it continued to employ, to remain competitive. If the standards of living can be brought closer together, then, hopefully, genuine co-operation, similar to that of Western Europe, could be realized. The identities of the various nations would be respected and the barriers of petty Apartheid policy reduced. If the Germans, French, Italians, Dutch, Belgians, British, Irish and Danish can, if not overcome their prejudices, at least co-operate as economic partners, there is no reason why, in time, this cannot happen in South Africa. As long as the disparities of income are great and the opportunities for employment non-existent, economic pressures will keep South Africa in a state of tension far worse than that generated by a denial of electoral or citizenship rights. In this, the political structure is irrelevant. A radical change of government tomorrow, which by some miracle erased the machinery of Apartheid and its attitudes, could not solve the economic problems. Except for a few Bantu with skills or education, the majority would remain poor. Any attempt to drastically increase their standard of living, even through income redistribution away from the Whites, would wreck the South African economy. Her exports depend upon cheap labour. Her agricultural production depends upon the skills of White farmers and their level of technology, however inefficient. Redistribution of the land to Bantu peasants is no solution. The land is not suitable for mass peasant cultivation by the Bantus, given their present farming methods and attitudes. The future, therefore, lies in industrialization, primarily light industrialization. Whether they are located in the Homelands or not is of little economic consequence to production. They are not "place bound" industries. Therefore, there seems little rationale for locating such industry away from the Homelands with all the problems of a grand scale migration. It would be sound policy, even for a government not committed to the policy of separate development, to locate such industries in, or near, the Homelands to prevent the problems of mass migration and sprawling urbanization which plague the developing world.

What is important to this study, now that the policy of export oriented industrialization has been examined in detail, is to establish whether, ex ante, the Bantu Homelands of South Africa would be able to sell their products on competitive world markets.

CHAPTER V - THE POSSIBILITY OF MANUFACTURE EXPORT AS A METHOD FOR THE ECONOMIC DEVELOPMENT OF THE BANTU HOMELANDS

> "The trend in industrialized countries toward more complicated capital-intensive production may, however, open up the market for simple, cheap, mass-produced commodities (the kind Japan used to produce but is now abandoning for those developing countries that are able to produce them). To enter this market, Africa must be able to compete against Taiwan, mainland China, Hong Kong and India...".[255]

As pointed out in Chapter three, there does appear to be a good correlation between the ability to export manufactured products and movement toward economic development. At least four Asian nations appear to be making significant progress and have certainly been able to penetrate the markets of developed countries. This has been done in spite of the barriers of developed nations' tariff structures which fall heaviest on, and discriminate most against manufactured goods. These Asian nations, out of necessity, are beginning to achieve success, contrary to the predictions of many economists. Yet these countries are concentrated in one area. There are few shining success stories from the rest of the developing world, especially Africa. From Latin America and the Caribbean a few countries: Puerto Rico, Jamaica and Brazil, have begun to follow similar export patterns, but none from Africa.

What are the reasons why African countries have not moved toward industrialization in general, much less industrialization for export? Most economists who have examined the lack of African industrialization, have

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255. Kamarck, A.M., The Economics of African Development, New York, Frederick A. Praeger, 1967, p. 155.

placed the blame on institutional factors. Therefore, before going on to discuss the possibilities for Bantu Homeland development through export industrialization, it is necessary to examine these institutional factors which are thought to apply generally in Africa, to determine whether they are likely to prohibit industrialization in the Homelands also.

Philip, in one of the few comprehensive articles[256] on the subject, identifies the major factors:

(1) African people have practically no experience in any form of production except agriculture, and primitive agriculture at that. Therefore, there is a gap in their immediate ability to psychologically accept industrial technology.

(2) The existing transportation networks, of the Colonial era, are not set up to service industry, but for the purpose of moving agricultural products and raw materials to overseas shipment points.

(3) Given the technical and industrial head start of the developed countries, it is hard to conceive of African industries being able to compete effectively with existing industries in the U.S. or Europe.

(4) The market for industrial goods in Africa is small.

(5) As yet African labour forces tend to be unstable. There is a continual movement from the country to the city and back again, which prevents companies from attempting to upgrade the skill level of their workers.

(6) Lack of education, especially technical education.

(7) The extended family, common to much of Africa, with its obligations of extended support by those members who prosper, tends to limit entrepreneurship.

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256. Philip, K., "Muligheder for Industriel Vdvikling I Tropisk Afrika", Nationalkonomisk Tidsskrift, Vol. 104, Nos. 5-6, 1966 (Possibilities for Industrial Development in Tropical Africa).

These will be dealt with in turn. It is true that in many areas in Africa, there is no history of work outside agriculture. In South Africa, of course, this is not the case, as there is a long history of Africans working in industrial endeavours, first extractive and then manufacturing. As pointed out in chapter 2, the Bantu male has little tradition of peasant agriculture, and the transition to industrial routine appears to have been fairly easy. Unlike many nations in Africa, the Bantu Homelands should be able to draw upon a labour force with a certain amount of industrial experience, while following a policy of industralization.

As far as transportation is concerned, the Bantu Homelands are not saddled with a transportation system which is colonial in nature and inadequate for the needs of industrialization. The reserves were never treated as colonies as far as production was concerned. They were simply ignored and, instead of colonial transport system, virtually no transportation system exists. South Africa as a whole, however, has the most advanced transport system on the continent, and it is organized to service an industrial state. To date, the Homeland's industrial growth points have all been located so that they have easy access to this existing network. With continued good planning for additional growth points, the problems of transportation can be kept to a minimum by continued integration with the existing South African network.

The problem of late industrialization seems not to be insurmountable in light of the evidence presented in chapter 3 concerning newly industrializing nations in Asia.

The problem of limited African markets must be examined in the light of its assumptions. The local South African market, especially the Bantu market, given its present low wage bill, could not initially support large scale industrialization. If, on the other hand, the market for African industrial goods is presumed limited to African consumers because the products which could be produced would not meet European or North American standards of quality, then the argument has little validity for the Homelands. White South Africa certainly possesses the technological skill and ability to enforce the quality control which would be acceptable to advanced markets. As it appears that, initially, industries in the Homelands will, of necessity, have to employ both White managers and technicians, such quality control will be automatically built in. As the Bantu are trained to take over these positions, such skills should be internalized as a natural process.

In South Africa, it would seem, there is ample evidence that the Bantu labour force would become stable if it were allowed to do so. Already there are between three and five million Bantu permanently employed in White Industry. Obviously, many of the problems faced by the Nationalist Government would disappear if the Bantu labour force wished to remain migrant in nature. Quite obviously it does not, or the government would not be forced to repatriate large numbers each year to the Homelands through the mechanisms of influx control. Large numbers of employees remain with the same employers for many years. Certainly, a great percentage of the workers still make the journey back to the Homelands each year, but this is obviously a response to the government's ban on the emigration of wives and families to the urban industrial centres. Industries located in the Homelands and not subjected to such regulations would no doubt attract permanent labour forces. With a permanent labour force come all the advantages of upgrading skills and training programs which repay a company's investment in long service employees.

As for the lack of education, especially the lack of technical education needed to run a factory, no one would deny that there is a shortage of such skilled people in South Africa, although this is beginning to change as Bantu have begun moving into the semi-skilled and skilled labour field, especially in the border industries. But the shortage of the educated and experienced may not be as serious as it appears on the surface for, as Philip aptly points out:

> "If you have a factory with 1000 workmen, then it is hardly necessary to have more than 10 men who really understand what is going on, whereas if you have 1000 men working on 500 farms, then it is necessary that all 500 farmers have a thorough knowledge of modern farming". [257]

Again, this shortage, where it does exist in the Homelands, can initially be overcome by the use of trained whites, although it is obvious that more emphasis should be given to the formal training of more Bantu technicians.

Finally, there is the problem of the extended family system. In theory, as any member of the family becomes better off, he will be beset with an influx of less affluent relatives whom he must, by custom, support and provide for. This phenomenon tends to discourage entrepreneural spirit, as any gains which provide incentive are quickly dissipated. There is evidence, however that among the urban Bantu this custom is beginning to break down.[258] It is therefore possible to perceive that, after a certain period of time,

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257. (translated by J. Hou) "Har man en fabrik med 1000 arbejdere er det vel stringt taget ikke nodvendigt, at mere end 10 af de beskaeftigede virkelig forstar, hvad der foregar. Har man derimod 1000 mand beskaeftiget i f. eks. 500 landbrug, skal gerne samtlige 500 selvstaegdige landmaend have nogen forstaelse for, hvordan moderne landbrug drives". Ibid. p. 220.

258. See: Mayer, P., Townsmen or Tribesmen, Cape Town, Oxford University Press, 1961, and Powdermaker, H., Copper Town in Changing Africa, New York, Harper and Row, 1962.

this change would also come about among the Bantu who would reside in the industrial townships of the Homelands, as they become subject to the detribalizing effects of the urban environment. This process may take longer in the Homelands as the pull of the tribal environment may be closer at hand. In the long run, most Bantu working in the urban industrial sector, will no doubt alter their life styles to conform to the change in their environment.

Finally, one other question must be examined. If such industrial expansion is possible, why has it not been attempted by white industries in South Africa? The answer appears fairly simple; there has been little incentive. Industrialization in South Africa has followed the classic pattern of import substitution, although for reasons which, it would appear, are divergent from those normally expounded. The industrialization process in South Africa has been undertaken behind heavy tariff walls and in terms of scale factors is extremely inefficient. Only through the availability of cheap labour are South African industries viable economic entities at all. Few, or no scale factors can be achieved serving a market of at the most four million persons. But such inefficiency is tolerated, in fact encouraged, by the government, as it wishes to achieve a greater measure of self sufficiency. The Nationalist government has very good reason to promote self sufficiency. Since World War II, world criticism against South Africa has mounted, and with such criticism has inevitably come the very real threat of international sanctions. Therefore, the South African government has moved to protect itself by providing incentives to home production so that, if sanctions do come, the dislocations to the economy will be minimal. As with most protected (infant) industries, wherever they are found in the world, few have had the incentive or the ability to "grow up".

If the institutional drawbacks to development can be, if not dismissed, at least considered minimal in comparison with the rest of Africa, the possibilities for industrial development should exist in the context of international markets. But to say that the possibility exists is not particularly helpful, although such pronouncements often seem to be the result of much work in development research. It would seem that there is a need to examine at least some of these possibilities in depth.

Unfortunately, in economic theory, there seems to be a dearth of literature upon which to establish a criterion as to what light or non place-bound industries should be examined and whether they would be profitable or competitive if situated in a particular area. Location theory is one of the few attempts to present a cohesive body of theory which can be used to solve these problems. But in the type of study being attempted here, location theory seems to have little merit as it is largely based on distance (transportation cost factors). It would seem obvious that transportation costs and the distance from the market carry much less weight when one is deciding whether to set up a plant producing light manufactured products in Hong Kong or Detroit, than say Pittsburg or Detroit, or even Hong Kong or Portugal. If transport were the only criteria there would be no plants in Hong Kong serving the markets of the U.S. industrial heartland. Certainly, transportation costs will still play a role, but a minor role relative to the other factors of production.

The theories of international trade, on the other hand, do not lend themselves easily to this type of analysis either. There are two reasons for this. First, the theories of international trade are concerned with explaining international trade, not with examining business opportunities. Such trade theories deal with their problems on a macro-level. For a nation wishing to embark on an industrialization program, such a macro approach is not too useful because specific industries or products must be considered. Secondly, because trade theory is based on comparison, it uses ex post data and concerns itself little with ex ante conditions. Certainly, some projection can be made, but these must be based on past data. In other words, trade theory would find it difficult, if not impossible, to make projections on the trading capabilities of industries centred in the Homelands. As yet virtually no industries, and certainly no industries which are trade oriented, exist.

If such work is beyond the constraints of existing economic theory certainly some form of criteria must exist which can be utilized by members of the business community when they decide to invest and establish a plant or factory in whatever location. The criterion usually employed is whether or not a venture will be profitable. One location will be more profitable than another, this is obvious. What makes a location profitable, is poorly documented. There are good reasons for this. Although there are certain economic criteria which can be examined in a general sense, especially comparison with similar operations in the particular area, the actual estimate of success is usually established through personal knowledge of the productive process involved by the individual decision maker. This knowledge is used so that various factors can be weighed and counter weighed, and the decision made through a process of finite detailed knowledge and a range of visible indicators. As such, these decisions are a combination of scientific process and experience. For most firms no hard scientific evaluation criteria have evolved, although the visible indicators have become less subjective through the expanded information and evaluation made possible by the use of computer technology.

What is needed, then, for the purposes of establishing an industrialization program by any nation, is a method by which, at least the infinite number of possible products which could be produced, can be reduced to a manageable number, and that at least some initial possibility of profitability indicated. At this point, those who have been directly involved in the investment, production and marketing of such individual products would have to be employed or consulted so that further investigation could be undertaken and a decision made based on the technical expertise of such specialists.

It would seem, then, that the establishment of such a selection process should be undertaken in two steps, first, the selection of industries to be examined, and then an examination of those industries selected, using available economic indicators.

The process of selecting particular industries could be attempted from many directions. This could be done by examining the resources of South Africa in detail and applying that knowledge to the selection of certain industries which would be likely to be competitive. But such an approach says little about markets. A second tactic might be to examine the potential markets for new products which could be introduced, so that, initially, the industry could operate without competition. But such an approach is even more speculative than the first. Finally, existing markets could be explored and then the selected industries examined to determine the competitive position of firms located in the Homelands compared with that of already existing producers. This last approach will be utilized here.

To examine the market for imported manufactured goods, it is logical that one should start with import data. Fortunately, the United States, the largest market for imported manufactures, provides detailed import data. The best disaggregation of this data is provided by the Bureau of the Census, U.S. Department of Commerce, in a publication[259] which provides a breakdown for each year of import products on a Standard Industrial Classification (S.I.C.) base, by quantity and value for specific world areas. This particular index is a combination of the S.I.C. base and the Tariff Schedule of the United States Annotated (T.S.U.S.A.), and provides approximately 2,400 separate product classifications. These are given in an eight digit code, the first four digits derived from the S.I.C. four digit classifications, the fifth and sixth digits derived from either the S.I.C. or T.S.U.S.A. classification codes. The need for differentiation comes from the fact that S.I.C. classifications are, in some cases, too broad to accommodate the disaggregate form of the T.S.U.S.A. classifications from which they are drawn. The original conversion to the S.I.C. base is designed to make the comparison with domestic production codes easier. In general, in this index, the numerical fifth digits belong to the S.I.C. classification, while letters indicate product disaggregations to T.S.U.S.A. The seventh and eighth digits conform to sub-classifications of the S.I.C. code (for complete details of classification scheme see Appendix II).

From the approximately 2,400 entries given in the tables, it is first necessary to arrive at some manageable number of entries to examine in detail. The tables in the USFTI are all coded by digital code in order. Therefore, starting with a standard Industrial Classification Manual,[260] at the four

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259. U.S. Foreign Trade Imports S.I.C.-Based Products, Annual, General and Consumption, Quantity and Value, World Area, U.S. Department of Commerce, Bureau of the Census, (referred to hereafter as USFTI).

260. Standard Industrial Classification Manual, 1972, Office of Management and Budget, Executive Office of the President, U.S. Government Printing Office, 1972, 4101-0066.

digit level an attempt can be made to identify all those classifications which could be considered light manufactured products. The only exception being textile products which, in view of the Asian countries' long technical supremacy and saturation of the market, would probably not provide a viable outlet for Homeland products. The code numbers to be investigated as established from the S.I.C. Manual, then, were by number group:

25 --------- Furniture and Fixtures;

284 --------- Soap, Detergents and Cleaning Preparations, Perfume, Cosmetics and Other Toilet Preparations;

30 --------- Rubber and Miscellaneous Plastic Products;

31 --------- Leather and Leather Products;

32 --------- Stone, Clay, Glass and Concrete Products;

34 --------- Fabricated Metal Products, Except Machinery and Transportation Equipment;

36 --------- Electrical and Electronic Machinery, Equipment and Supplies;

37 --------- Transportation Equipment;

38 --------- Measuring, Analysing and Controlling Instruments; Photographic, Medical and Optical Goods, Watches and Clocks;

39 --------- Miscellaneous Manufacturing Industries.

By using these broad general classifications from the two or three initial digits of the S.I.C. code without reference to the remaining five or six digits, and reference to the product key given in USFTI, it is hoped that a fair survey of the market could be obtained. Without reference to the full eight digit disaggregate product key, no product could be rejected because it was not suited to South African conditions in the opinion of the author. All products listed in USFTI by eight digit classification, falling within general headings given above, were investigated.

Fortunately, the USFTI 1970 tables provide a general breakdown of import values by geographical area. One of these geographical areas is Asia n.e.c., which is stated to contain Burma, Thailand, South Vietnam, Laos, Cambodia, Malaysia, Singapore, Indonesia, Philippines, Macao, Republic of Korea, Hong Kong, Republic of China (Taiwan) and the Nansei Islands. This section contains the nations investigated in detail in Chapter 3 which were found to be successful exporters of light manufactured products, i.e. Singapore, Republic of Korea, Hong Kong and the Republic of China. The other nations listed in this group, with the possible exception of Macao and the Philippines for a few products, are not significant exporters of such goods. Therefore, the data provided from this classification should provide a fairly accurate representation of the export performance of our four countries. As these four countries are underdeveloped and deriving much of their comparative advantage from the use of relatively inexpensive labour, they are no doubt the nations with which industries, established in the Bantu Homelands, will have to compete if they wish to crack the export market. As pointed out in Chapter 2, the only resource available to the Homelands to exploit is inexpensive labour. If it can be established that the Homeland industries could effectively compete with those of our Asian case studies, then such an industrialization program should have a fair chance of success.

Therefore, it is necessary to identify those products with which our Asian case studies have had the most success, and which markets, for those products, allow for the greatest further expansion. Using the tables provided in USFTI and investigating all eight digital classifications under the general headings listed above, it was found that in 1970 some 260 products were listed under the heading of Asian, n.e.c. These are listed in the first column of Table XII by their eight digit classification number. The dollar value of these imports is listed in column two.

As pointed out in Chapter 3, the largest increase in exports of manufactured products has probably taken place since 1965. Therefore, the figures for 1965 should be compared with those of 1970. If the large increase had taken place before 1965, and had then slumped, it would point to a saturation of the market and indicate that such products should not be considered in any case.

Unfortunately, the USFTI publication of 1965 figures is not directly comparable to those presented for 1970. In the 1965 publication the classification Asia n.e.c. does not exist. Instead there is a more general classification which includes some thirty-three Asian nations (see Appendix III) listed as Asia - excluding North Vietnam, Mainland China, Outer Mongolia and Japan, but including all the nations listed in Asia n.e.c. of the 1970 classification. The creation of the new segregated area for 1970 would indicate a significant increase in exports from those areas in the five year period. A closer examination of the nations included in the 1965 classification indicates that, with the exception of Israel and India, none of the nations listed was a major exporter of manufactured products. Therefore, a comparison with the 1965 figures should still prove valid. If the increases for the smaller area classification of 1970 compared to the larger 1965 base are significant, it should only amplify their success. Therefore, the import figures for 1965 are listed in column three of Table XII.

There are still some problems with statistical comparison due to the changing nature of the data presented by USFTI. Thirty-eight of the eight digit classification numbers presented in the 1970 tables are not shown in the 1965 publication. One could speculate that these products were not imported in 1965, but the USFTI indicates no reason why they have been added in 1970.

Therefore, they have been removed from direct comparison, leaving a total of 222 products. Those classifications which did not exist in 1965 have been indicated by a (?) in column 3 - Table XII, and an X in column 4 to indicate their removal from comparison.

A further statistical problem arises because, although the classification appeared in 1965, no entry appears under Asia, excluding ... for 1965, while an entry does appear for Asia n.e.c. in 1970. This again should indicate a significant increase in imports since 1965, but, for reasons of consistency, they have also been eliminated from comparison. There are thirty of these products and they are indicated by a (00) in column 3, Table XII and an (X) in column 5 to indicate their removal from consideration. This leaves a total of 192 products for direct comparison.

As it is beyond the constraints of this paper to investigate all 192 products, it would seem logical to select a criterion so that those products which have the best chance at future market success can be identified. Therefore, ten products will be selected from the 192 and investigated in depth as to their ability to compete against existing producers.

The logical point to commence selection, it would seem, would be to identify and remove those products which have faced a decreasing import market for the five year period. Such industries obviously are losing their competitive position. These have been identified in column 6 of Table XII, and total 37 in number. It would seem significant that only 37 of the 192 industries showed any decline. This helps confirm the evidence presented in chapter 3, that a wide range of light manufactured products from our Asian case studies have been able to penetrate the developed markets, overcoming the problems of price and quality. From a closer examination of the figures, it was found that in twelve of these cases (code numbers 311.140 40, 319 900

40, 342 500 40, 343 200 00, 345 210 30, 384 100 20, 386 11A 40, 391 1X8 00, 391 300 10, 393 140 50, 396 200 00, and 396 300 40), there was a wholly unrealistic decline which demanded further investigation. By checking back to the 1970 USFTI tables, it was found that this excess could be accounted for in the area classifications for "Asia, exclusive of Asia n.e.c.", but which included the nations presented "in Asia except ..." in the 1965 data. In other words, these products are marketed by countries falling outside the 1970 Asia n.e.c. classification. Unfortunately, due to this inconsistency, it is impossible to ascertain whether, in fact, the nations of Asia n.e.c. have increased their exports of these products and they must be removed from comparison. A further five products did not even reach a $5,000 import value in 1965 and have since declined, indicating that they never were competitive products. The removal of 37 products leaves 155.

At this point, given the number of products, the selective process must become somewhat arbitrary, although hopefully backed by logic. Column 7 of Table XII denotes those imported products which did not achieve sales valued at $100,000 in the year 1970. One cannot be so bold as to suggest that an industry earning less than $100,000 of sales in a year is not a viable undertaking. Obviously, there are innumerable undertakings with sales of $100,000 per annum in all parts of the world. But, for the purposes of this paper, an attempt is being made to establish those products which have the best chance of success, and a larger volume of sales would indicate, in a general sense, a better chance of success. Of course, the inclusion of those products which are just over $100,000, and the exclusion of those just under is entirely arbitrary and undertaken for the sake of convenience. There are 60 products excluded by this criteria, leaving a remainder of 95.

Obviously, increase in market size is probably the best way of establishing a criteria for success of a product entering the market. Those products which have been showing the greatest growth will be those which are competing most effectively, either through the creation of new markets or encroaching on the old. This increase can be handled in two ways however, either as a relative increase, as expressed in a percentage rate of increase, or as an absolute increase in dollar terms. A percentage increase has the advantage of illustrating which products have improved their position most dramatically compared to the base year. Unfortunately, with the present data, such a measure would lead to distortions due to the exceedingly small 1965 base figure of many products leading to thousandfold percentage increases for products which are as yet ~~not that~~ important, and which, in the future, could not hope to duplicate the success indicated by relative figures. Therefore, absolute dollar value increase will be used. These provide an accurate indication of growth which is probably more realistic to a potential producer. An increase of three hundred per cent may be impressive, but an increase of $12,000,000 in the size of the market is an impressive indication of growth, no matter what the size of the market is. These absolute increases are shown in column 8 of Table XII.

It is interesting to note that only 10 of the 95 products showed an increase of less than $100,000 for the five year period. Forty-nine showed an increase of $100,000 to $1,000,000, and thirty-six showed an increase of a million or more. Such evidence is interesting because it further reinforces the evidence put forward in chapter 3 concerning the increase of exports to developed markets. As the group which has evidenced a growth greater than one million constitute the fastest growing markets, they will be investigated in further detail. These are presented in table XIII, along with the full definition number.

As noted in chapter 3, success in exporting depended largely on the needs and goodwill of the importing nation. When the market of the importing nation becomes swamped or domestic production is threatened, political pressure is brought to bear in the form of tariffs and quotas. The products, therefore, which have won only a small part of the market would be most likely to succeed. Therefore, the Asia n.e.c. import figures (column 2, Table XIII) are compared to the total U.S. import figures (column 3, Table XIII) to determine the relative share of the 1970 market. The percentage figures are presented in column 4 of Table XIII.

Before continuing, it should be noted that eight products carry the designation G in column 3 of Table XIII. When compiling the total import figures, the industrial product key was examined for the first time. There, eight classification numbers carried the notation that they represented catchall categories for products not elsewhere listed under the particular section. As they do not represent specific comparable products, they have been removed from consideration. Being such catchall classifications probably accounts for their size.

From the remaining products, those which have secured less than one third of the market were selected for further examination. These are listed in Table XIV. As a final defining criterion, so that the remaining fifteen products could be narrowed to the ten to be examined in detail, the growth of the total import market was examined. The products with the greatest likelihood of success can be identified as those which have captured the smallest percentage of the most rapidly growing markets. Therefore, in columns 3 and 4 of Table XIV, the total 1970 and 1965 U.S. imports are compared and the absolute difference tabulated in column 5. From these, the largest ten have been selected and indicated in column 6. The product denotations are listed below Table XIV matched against their identification numbers.

The products to be examined in detail, then, are:

1. Footwear manufactured from rubber or plastic.
2. Mens', Youths', and Boys' Shoes.
3. Luggage.
4. Leather Handbags.
5. Flat goods of leather - i.e., billfolds, key cases, belts, watch straps... and including leather covered jewel boxes.
6. Sewing machines.
7. Electrical switches.
8. Clock mechanisms.
9. Stainless steel cutlery.
10. Baseball and Softball Gloves and Mitts.

Having established these industries as the ones most likely to expand in the United States market, a counter check should be provided. This is necessary because a number of factors, political rather than economic, might make the American market easily accessible to some countries but not to others. In the cases of Taiwan and South Korea, this could certainly be the case, given the heavy U.S. commitment to the political stability of those countries. If, on the other hand, products from our case studies have been able to gain entrance and expand in other developed markets, then, our selection can be re-affirmed.

The largest developed market outside the U.S. is the European Economic Community (E.E.C.) if taken as a block. Also, given the E.E.C.'s high tariff barriers against manufactured goods, penetration of that market could indicate success elsewhere. Unfortunately, the E.E.C. does not publish data easily comparable to that of the U.S. The trade statistics provided by the United Nations are more comparable.[261] The format of the United Nations' data is even more useful than that of the U.S., as nation by nation export figures are provided. On the other hand, the disaggregation of the product data is not as detailed as that of the U.S. figures utilized. Still, the classifications are similar enough to be generally compared. The United Nations utilizes a commodity code, titled the Standard International Trade Classification, (SITC) which operates on a similar number code, increasing digit disaggregation system to the American S.I.C. Many of the classifications are similar at the five digit stage; unfortunately, the U.N. trade figures are only presented at the three digit, or sometimes four digit level of disaggregation. By cross checking SITC classification against our S.I.C. selected products, an approximate comparison has been attained. The results are presented in Table XV.

Although product 7, the electrical circuiting devices, could be identified in the five digit SITC classifications, the three digit classifications, presented in the trade statistics, included a multitude of products which made any comparison invalid. As for the baseball equipment of product 10, there is no European market.

SITC classification 851 is denoted as footwear and the five digit disaggregation contains all the products listed under our previous S.I.C.-base-selected products 1 and 2. Although other footwear is included in the general 851 classification, given the type of production likely in our case nations, the comparison can be made with some degree of safety.

261. Commodity Trade Statistics, 1970 and 1965, Statistical Papers, Series D., Department of Economic and Social Affairs, Statistics Office of the United Nations, United Nations, New York.

SITC classification 831 is listed as Travel Goods, Handbags, Wallets, Purses, Pocketbooks, etc., which seems to correspond directly to our S.I.C. products 3, 4 and 5.

SITC classification 717.3 "sewing machines" corresponds directly to our S.I.C. product 6.

SITC - 864.2 - Clocks and Clock Parts corresponds quite closely to the S.I.C. product 8.

Finally, SITC 696, cutlery, although broader than S.I.C. product 9, certainly contains it. One would think it highly unlikely that one line of cutlery would be produced for the U.S. market and another for the European.

As can be seen from Table XV, exports into the E.E.C. market of each of the selected products more than doubled from the period 1965 to 1970, although the scale of the market appears considerably less than that of the U.S. Considering the lower costs and higher tariffs of the E.E.C., this is not surprising. Still, considerable progress ~~has~~ been made. It is interesting to note that, in the case of sewing machines, South Korea's market declined, probably due to rapid expansion of the Hong Kong produced line. This would indicate that in at least one case the market was not controlled by existing suppliers and that competitive market entry was possible. Therefore, although the products selected may not be the best products to consider if one wishes to expand into the E.E.C. market, certainly those markets are expanding.

Having ascertained from a market point of view those products which are the most likely to provide for future expansion of imports, it is necessary to attempt to discover whether such products can be produced in the Bantu Areas of South Africa on a competitive basis with our four case economies, Hong Kong, Taiwan, Singapore and South Korea. Probably the logical place to start would be a comparison of the finished product prices of such goods between the five economies. Unfortunately, however, this not possible for two reasons. First, South Africa does not produce all of these products at the present time, and secondly, she exports none of them in any significant quantity. As already pointed out, the economy of South Africa is not geared to the production of exportable manufactured goods for various reasons. Therefore, where production does exist in the products selected, it is inefficient because economies of scale cannot be achieved in serving the limited South African market.

If no final costs can be meaningfully identified, then the costs of production must be identified and compared. International cost comparisons, particularly on a product by product basis, are virtually impossible, according to theory, given the problems of ascertaining the relative worth of various national currencies. This is certainly true when one is attempting to compare similar goods produced for internal consumption by different nations. For exports, on the other hand, such problems need not hold true. The cost of a product, when it reaches a foreign market, must be a function of the cost of its inputs plus the cost of transporting the article. The market is competitive and the price of the product must be such that it covers the cost of its inputs plus transportation. Unless there are problems of dual exchange rates or government enforced currency evaluation as in the Soviet Union, costs should be directly comparable. Fortunately, our four case study economies are open economies. Their currencies are relatively stable, (although the Korean Won is sometimes considered over-valued.) The South African Rand is one of the strongest currencies in the world. For the five year period, 1965-1970, the currencies inflated only marginally; Hong Kong 7.1%, South Korea 15%, China nil, Singapore 2% and

South Africa less than 1%. Such stability certainly aids international comparison.

What then are the costs of production which will affect the price of a product received in a foreign market? Four can be identified -- labour, capital, raw materials and transportation. Economic theory traditionally deals with the first two when attempting to estimate the production function of various economies, the cost of transportation figures heavily in location theory. In many cases, however, the cost of raw materials is often ignored. This is probably true for the following reasons, (a) in intra-national comparisons raw materials can be considered homogeneous, or if they cannot, the difference in price is established through transportation costs, as in location theory, (b) the cost of raw materials is often only a fraction of total production costs. When one is considering production through techniques of labour intensity, i.e. inexpensive labour, the cost of raw materials should come to assume greater importance in the price of the final product. As the wage component decreases the other components must increase in significance. Therefore, it would appear that any examination of product costs must take into consideration the cost of raw materials as well as the traditional indicators.

Ideally, one should like to proceed from this point and construct some form of per unit input cost ratio whereby the importance of each factor of production could be calculated as a percentage of the whole, and then the costs determined on a per unit basis. Unfortunately, the data for such a survey do not exist. Secondly, even though such a measure would be ideal, it is doubtful if there is such specific uniformity in the productive process from nation to nation, as they attempt to best utilize their particular scarce resources. Therefore, the usefulness of such finite measures is extremely limited even if the data were readily available. Instead, some general economic indicators must be utilized.

This will be conducted in two parts below. First, an analysis of those cost factors which are common to all manufactured goods will be examined for all five areas in a cross national comparison. Secondly, the cost of the major raw material inputs of the various selected products will be examined on a bi-lateral basis, with the largest present producer of that product. When such a comparison is completed, the competitive position of the Bantu Areas of the Republic, although it may not be precisely defined, at least will be clearly indicated.

Those costs which would affect the price of all light manufactured goods reaching a foreign market can be identified as (1) the wage package, (2) the expected return on investment, (3) the cost of fuel or public utilities, (4) the tax rate, and (5) the cost of transportation to the market. One might also wish to include the cost of physical overhead, i.e. rent and maintenance of physical structures, plant and equipment. Any meaningful measure of this is determined largely by the individual plant, and any broad comparison would suffer from this constraint. Beyond this, physical overhead can be varied in all five nations if such considerations were paramount in the cost structures of industry. All provide facilities which are grouped together in what could be loosely called industrial parks. This is done for a number of reasons. First, the provision of industrial services should be far more economical if the location of industry is centralized, and in developing countries with scanty infrastructure and limited resources, such considerations are of primary importance. Secondly, in a nation where little industrialization has taken place, the concentration of productive activity promotes greater business efficiency.

By concentrating managerial talent in a particular area, the flow of information between enterprises is increased and, in many cases, the complementary needs of different factories can be satisfied, thus removing some of the risk involved in establishing a factory in an isolated area. Another consideration is the growing worldwide concern for the quality of life which has made the further mixing of residential and industrial areas unacceptable. Finally, the spectre of foreign ownership in developing countries is often a contentious political issue. By locating industrial parks, which are often largely populated by foreign firms, in segregated areas, an outward manifestation of control is provided. Further, these industrial sites are only available on a lease basis (Bantu Homelands, Hong Kong, Singapore), or firms are encouraged to lease rather than buy (South Korea, Taiwan), a policy which again allows at least the formal assertion of sovereignty.

As the governments provide these sites, rental rates are negotiable, depending upon how valuable the industry is expected to be to the national economy. In South Africa, in some cases even the physical structures will be provided by the respective development corporations. In Singapore, presently a policy is being implemented which prevents companies which will not guarantee a certain percentage of exports from acquiring land in new industrial sites. It would, therefore, appear that much of the cost of overhead can be varied significantly depending upon the particular circumstances. If these charges affect adversely the competitive position of a producer, then it should be within the power of the particular government to reduce them. If they were too high it would be self-defeating to government policy. As the government administers such sites directly, these costs are probably far easier to manipulate than the other factors of production which are priced in the world market, or are somewhat inflexible for political reasons, e.g. wage rates may be set by various governments but it is unlikely they could be significantly reduced. As far as the initial acquisition of capital equipment and its replacement (actual as opposed to accounting depreciation rates), all five nations have extremely liberal tariff policies regarding such goods, which allow effective pricing on the world market. This should, in theory, remove any significant price differential for such producer goods.

Of all the costs of production, probably the most important is the wage package. It is thought that the largest inducement to plant location, in those parts of the world which are not known as industrial centres, is the inexpensive cost of labour. This has become especially true in the last decade, as wages in almost all industrial nations have been increasing at unparalleled rates. Increasing productivity, due to ever increasing capital and technological improvements, has allowed for growth in most industries. But for others, those for which there has been no massive increase in technology and which have therefore remained relatively labour intensive, there have been two options. Lobbying for tariff protection, which has been successful in many cases, is one. The other has been to seek out the areas which have low wages and begin production there. In many instances, production overseas has been the result of the invention of new labour intensive products (especially in electronics and textiles), rather than the production of established products. If one is going to compete with existing low cost labour producers, one must have comparable wage rates. Average wage rates of industrial plants for each of our study areas are available for either 1970 or 1971. These are provided by the U.N.'s International Labour Organization. The original figures are provided in the currencies of the nation involved and the author has converted these to U.S. $ at the official exchange rate for ease of comparison. No figures are provided for the reserve areas exclusively but wages are known to be lower in these areas than in the rest of South Africa as they are not subject to the Industrial Conciliation Act's minimum wage regulations. To the author's knowledge, there are no figures available as to the average wage rate in the Homelands, or by how much they differ from the national average. Therefore, the average has been reduced a conservative 10% from the given figures of R44 per month to R40 per month. The average monthly wage bill for the five areas computed in U.S. $ is, therefore, respectively; Bantu Areas of South Africa U.S. $56.00 per month, Hong Kong U.S. $78.54 per month, South Korea U.S. $47.00 per month, Singapore U.S. $61.32 per month, and Taiwan U.S. $36.00 per month. Alternate figures are available for South Africa, Singapore, South Korea and Hong Kong, and, although not directly comparable, can provide a measure of magnitude. In manufacturing endeavours, African wages were reported at an average low of U.S. $18.80[262] to an average high of U.S. $66.00[263] per month. In a 1971 survey of Hong Kong[264] the lowest wage rate average reported for unskilled workers was U.S. $1.11 per day or U.S. $27.75 per month (computed on a 25-day-month), while top wages in the skilled labour class were computed at U.S. $6.65 per day or $166.25 per month. In a similar study in Singapore, the highest wage reported was U.S.$4.25 per day for a skilled labourer (lathe operator) or $106.25 per month, while the lowest unskilled position was

262. Horrel, M., A Survey of Race Relations in South Africa, 1969, op. cit. p. 72.

263. McFadden, W.J., "Establishing A Business in Southern Africa" Overseas Business Reports (OBR 70-50) U.S. Department of Commerce, September 1970, p. 13.

264. Dornheim, A.R., Keller, M.A., "Establishing a Business in Hong Kong", Overseas Business Reports, (OBR. 72-018) U.S. Department of Commerce, June 1972, p. 14.

reported at U.S. $1.00 per day, or $25.00 per month.[265] Figures for Korea are available for 1967 but their average appears much lower than the 1971 average figures reported above. Production workers with high school or above education, probably classified as skilled, averaged $32.00 per month, while those with little or no schooling were given monthly averages of $11.50.[266] In the period 1960-1965, the Korean wage index increased 82.1 points[267] and with the industrial expansion of the late 1960's, the wage figure presented for 1970 does not appear unreasonable.

It would appear, then, that the Bantu Areas of South Africa have a distinct advantage in the wage rates over Hong Kong and Singapore, seem on a par with South Korea and may be at a disadvantage in relation to Taiwan. In any case, given the nebulous quality of the data, no distinct advantage can be construed. On the other hand, the wage rates in the Bantu Areas appear to be similar enough to those of successful export manufacturing nations, so that production in the Homelands cannot be directly ruled out on wage costs alone.

At this point, the delicate problem of productivity must be discussed. Wage rates mean little if productivity is extremely high or low, and in Africa productivity is generally considered low.[268] Unfortunately, such measurements can be completely arbitrary. One thought comes to mind

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265. Hillson, L.M., "Basic Data on the Economy of Singapore", Overseas Business Reports, (OBR 67-7), U.S. Department of Commerce, February 1967, p. 15.

266. Clare, K.C. (et al), Area Handbook for the Republic of Korea Washington, U.S. Government Printing Office, 1969, p. 432.

267. Loc. cit.

268. See "Onproduktiewe Bantoe-Arbied" SABRA Newsletter, Vol. 17, No. 58, May/June 1966. and Veljoen, S.P. "Higher Productivity and Higher Wages of Native Labour in South Africa", The South African Journal of Economics, Vol. 29, No. 1, 1961.

immediately when considering productivity in South Africa and in Asia. Although productivity may be a function of many things such as nutrition, education level, conditions of work[269] and motivation[270], it is also a function of capital. The more capital intensive an industry is, the more productive will be the workers. But beyond a pure correlation between productivity and capital, the type of plant equipped by such capital will have a direct bearing on a worker's productivity. This ties in with the elemental economic concepts of division of labour and economies of scale. As pointed out above, although South Africa's industries may be heavily capitalized, they are inefficient. The tariff policies conducive to self sufficiency allow scales of plant which cater to an extremely small market and are unable to compete on the world market. Under such conditions worker productivity is bound to appear low, simply because the scale of plant is inefficient. It is interesting to note that labour in Asia was considered inefficient until large scale production units were established. To assume that the productivity of the Bantu worker is lower than that of the Asian, on grounds other than those directly determined by the productive process itself, would be extremely dangerous as it would necessarily have to be based on subjective personal bias.

One of the basic necessities of light industry is the provision of power for its machinery. In this day and age this is almost universally provided by electricity, whereas in other forms of industrial endeavour coal

269. See: The Human Factors of Productivity in Africa, A Preliminary Survey, Inter-African Labour Institute, Luanda, Commission for Technical Co-operation in Africa South of the Sahara, 1960.

270. See: Moore, W.E., Feldman, A.S., Labor Commitment and Social Change in Developing Areas, New York, Social Science Research Council, 1960.

or petroleum products still provide a certain amount of the basic fuel requirements. In the cost of electrical energy South Africa has a distinct advantage over her proposed Asian competitors. South Africa's abundant and easily exploitable coal reserves provide a very competitive thermal fuel, while in Singapore and Hong Kong all such fuel must be imported. As a result, the cost per unit of electrical power in South Africa is just over 60% of her nearest competitor, Taiwan. The comparative costs for industrial users in each area are respectively, Hong Kong, U.S. $.0169/kwh, South Korea, U.S. $.0167/kwh, Singapore, U.S. $.0121/kwh, Taiwan U.S. $.0102/kwh,[271] and South Africa U.S. $.0062/kwh.[272] In the future, rates are expected to decrease even further in the Transvaal, when the Republic begins drawing power from the Cabora Bassa scheme upon its completion in 1974 or 1975.

As far as return to investment is concerned, it is very difficult to find hard data. Certainly, expected return on investment must be built into the cost of manufactured goods in the market place. Unless an investor can be assured of a return on his investment greater than or equal to that which he can obtain in other endeavours, he will not invest. This expected profit must be built into the final cost of the goods. Unfortunately, the estimates of return on capital are not available with any sort of reliability and the sources may be questioned. The average return on investment in manufacturing in South Africa is reported as 24%.[273] For Hong Kong, no absolute figure is available,

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271. Electric Power in Asia and the Far East, 1969 Economic Commission For Asia and the Far East, New York, United Nations, 1972, p. 81

272. McFadden, op. cit. p. 16

273. Industrialization, foreign capital and forced labour in South Africa, unit on apartheid, Department of Political and Security Council Affairs, New York, United Nations, 1970, Table C-14.

"The return on capital investment in Hong Kong is often 15 to 30 per cent". [274]

but it would appear comparable to that of South Africa. Returns to investment in Taiwan were reported to be as high as 30%.[275] The figures for Singapore are more varied, and although they may rise as high as 30%, the average appears to be between 15 - 20 percent.[276] These figures may be a little low, given the capital movements from Taiwan and especially Hong Kong.[277] The figures available for South Korea appear far too low when compared to the figures presented for other areas. The only estimate available, presented in a study by Sue Hee Kim, reported a profit of approximately 10%.[278] With such a low profit margin it is difficult to perceive any flow of investment to South Korea, while other profit opportunities are available in nearby areas. The influx of foreign investment over the last few years would have gone elsewhere. Therefore, although the figure presented for South Korea would indicate a lower percentage of final price going to repay capital, it appears to be arbitrarily low.

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274. Pillai, M.P.N., "Economic Survey", The Far East and Australia 1972, London, Europa Publications Ltd., 1972, p. 773.

275. Schrieber, J.C., U.S. Corporate Investment in Taiwan, Cambridge, University Press of Cambridge, 1970, p. 91.

276. Hughes, H., Sing Y.P., Foreign Investment and Industrialization in Singapore, Madison, The University of Wisconsin Press, 1969, p. 202.

277. Koh Taing Yin, "Economic Survey - Singapore", in The Far East and Australia 1972, Europa Publishers Ltd., 1972, p. 600

278. Seung Hee Kim, Foreign Capital for Economic Development, A Korean Case Study, New York, Praeger, 1970, p. 57.

The rate of taxation would also hold a two fold spur to industrialization. First, low taxation rates help to attract manufacturers, and secondly, low taxation rates should improve the competitive position of the product.

Except for Hong Kong all nations have a similar tax structure on profits. Hong Kong has a 15% across the Board profit tax, no exemptions and no initial incentives. The Republic of South Africa has a seven year tax holiday followed by an across the board 40% tax. South Korea, Singapore and Taiwan also provide five-year initial profit tax holidays. South Korea provides a further 50% tax waiver for an additional three year period. The standard tax rate is 32%. Singapore, it appears, provides the largest incentives with the first five years gratis, a further ten years at 4%, whereupon the total tax rate equals 40%. Taiwan, like South Africa, has no further tax holiday beyond the initial five year forgiveness period. The Taiwan tax rate on industrial profit is between 35-40%, depending upon the size and type of operation.

It would appear that both in the rate of taxation and in tax incentives, South Africa's policies lag behind all of her potential competitors, although over the long term, if investments can be seen as a stream of income, Hong Kong has an advantage. At the present rate, South Africa is more or less equal to South Korea, Singapore and Taiwan with regards to long term rate. As extra incentives can be easily legislated, South Africa should provide special concessions for the Bantu Areas in order to make them competitive, before embarking upon any process of export industrialization.

The final general indicator of cost is the price of transhipment. Although sea rates are known to be especially inexpensive compared to other forms of transportation, the cost of such transport can add considerably to the cost of manufactured goods. This, of course, depends upon the goods themselves. Low value goods, which have a high weight content, in some cases, find the costs of shipping prohibitive. On the other hand, goods from our select list such as sewing machines, which have a high initial value, are little affected by the costs of shipping.

To facilitate the examination of costs, then, it is necessary to compare the shipping rates from our test countries to the major world markets, i.e. North America and the E.C.M. Therefore, ten major routes must be identified: South Africa to Europe, South Africa to the East or Gulf coasts of the United States, Taiwan, Singapore, South Korea and Hong Kong to the west coast of the United States, and Taiwan, Singapore, South Korea and Hong Kong to Europe.

Unfortunately, a product by product break down of the rates is not possible, partially because of the variability in the weight and size of each individual product, and partially because of the constant fluctuations in the rates. Ideal data is just not available. Most light industrial products are moved on ships which are on what is known as "liner service". Liner service ships are on regular routes with specific delivery dates at particular ports. These charge rates are determined on space/weight ratios, and are standardized for various products, although they may change from week to week as determined by the shipping conference. These shipping conferences are actually cartels which operate as price fixing organizations for all the major world shipping routes. As they operate as monopolies, they fear international regulation and competition from the "tramp" trade. Their rates are available only to those shipping companies who belong to the conferences.[280]

280. Heaver, T.D., The Structure of Liner Conference Rates, An Occasional Working Paper, The Centre for Transportation Studies U.B.C. p. 1

For the local Pacific conference, only current prices could be ascertained, as data on past rates, which are sometimes changed weekly, are not retained. Therefore, no long term average could be obtained. As for the other conferences, the data, in all likelihood, would or could not be provided.

As a result, an alternate estimate had to be obtained. If liner rates were unavailable, there is well published data on tramp shipping rates.[281] Chartering Annual presents data on all tramp charters under major commodity groupings plus time charters. Time charters are usually contracts for ships hired by the liner companies to supplement their liner trade.

> "Various considerations may prompt a liner company to resort to chartering suitable tonnage on a time charter basis. In times of heavy cargo offerings, the owner tonnage may not be sufficient to cope with the requirements of the berth, so that additional tonnage is required. Another reason may be that on account of high costs for new building, shipowners may prefer to postpone ordering new tonnage. Casualties to their own ships resulting in a temporary shortage of tonnage may also necessitate the chartering of suitable vessels on a time charter basis".
> [282]

The time chartering rates, therefore, should provide a basis which would reflect the approximate cost of shipping along our pre-selected routes. This data is provided in Table XVI which presents a five year average derived from Chartering Annuals 1968-1972 inclusive. The averages are derived from over fifty examples in the Singapore - E.C.M. case ports compared to only twelve examples for the South Korea-E.C.M. figure. The figure for Hong Kong - U.S.A. cannot be used for the sake of analysis because only one such charter

281. See: Chartering Annual 1972, 1971, ...Maritime Research Inc. New York.

282. Bes, J., Chartering and Shipping Terms (5th ed.) Helversum, Netherlands, H.C. De Boer Jr., 1960, p. 123.

was reported over the five year period. The rates for each individual charter vary, of course, due to many factors including the supply of cargo, the demand for ships, the type of cargo, the speed and tonnage of the ship and the season. Therefore, the estimates provided cannot be used except as approximate orders of magnitude. It can be seen from the table that the prices generally reflect the distances involved, although the Singapore rates may be slightly low as she is a major port of call, and therefore, has a good supply of charter vessels, while South Korea is not a major port of call. This reduced supply of ships could be an indication of the relatively higher rates.

It can be seen from the table that South Africa has a distinct advantage in the European trade and a healthy margin for the North American market. The shipping costs from Cape to Europe are less than fifty per cent of those from Singapore. This would indicate that, for those goods where shipping costs add considerably to the price, and where time is a factor, South Africa should concentrate on the European market, for competition from the Asian countries would not be so severe. As for the U.S.A., the east coast market could, it would appear, be easily penetrated. Little more can be assumed from this data due to its generalized nature.

Now that the general indicators of cost have been identified, it is necessary to examine the products individually in order to ascertain the important costs of production which result from the acquisition of raw materials. Instead of doing multi-national comparisons, comparisons in this section will be bi-lateral between South Africa and the largest producer of the article from our four case studies.

As production data on consumption of raw materials by industry is not available for our Asian case studies and only in a limited way for South

Africa, it has been necessary to rely on U.S. data to identify the most important raw material inputs. The United States Census of Manufacturers[283] provides detailed breakdowns of raw material inputs for various products by price and volume. By using the S.I.C. based classification numbers, nine of the ten products were identified in the Census of Manufacturers. Product ten, baseball gloves, could not be identified in this manner as the S.I.C. breakdown was not detailed enough.

From the commodities consumed tables for each of our identified products, the top five valued inputs were identified. In each case the total was more than fifty per cent of the total input raw materials costs if the packaging and shipping materials were not included. In the case of product five (flat goods of leather and other materials) only three major product inputs could be identified, but these equalled more than 70% of the input costs by value. In the case of product 8 (Clock movements), although the inputs could be identified their value was so slight as to be considered inconsequential. Therefore, product 8 has not been included in this section of the analysis. As for product 10 (baseball gloves), which could not be identified in the Census of Manufacturers, two major inputs have been identified as obvious (finished leather and cotton fabric). These are, no doubt, the most significant inputs to product 10.

Once these input factors had been identified, an attempt was made to ascertain the costs of these inputs in the nations where production is presently taking place and compare these costs to those in South Africa. Where possible, prices were obtained from a variety of publications from the producer countries or South Africa, industry publications for the selected

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283. U.S. Bureau of the Census, Census of Manufacturers, 1967, U.S. Government Printing Office, Washington, D.C., 1971, also editions 1963 and 1958.

products or industry publications for the selected inputs. All data collected were current to the last three years. In some cases, such as metal products, excellent data was available from South Africa and the possible competitor countries. For other inputs, the data was not as available or as accurate. In the cases where no alternate source could be located, U.N. trade data was utilized. Detailed breakdowns are provided by product in two publications, World Trade Annual[284] and Commodity Trade Statistics.[285] In most cases import data costs were used, and always the minimum figure available. This would indicate, one would suspect, costs competitive with local producers. Import costs could not be significantly higher than that of the home producer, because no one would purchase such imports. In a few cases, export prices were used when no import data was available, indicating, as in the case of cotton fabric, that Hong Kong and South Korea were not importers but exporters of cotton fabric. Where possible, trade figures were cross-checked against the directly available data. No significant differences were found, and in no case was the price relationship between two nations altered, although, in some cases, the magnitude differed considerably. In other words, in no case did trade data present, for example, an input cheaper in Hong Kong than South Africa when the alternate data presented that input cheaper in South Africa than Hong Kong. In all cases where direct data was available, it was used in preference to trade data.

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284. World Trade Annual 1970, Statistical Office of the United Nations, New York, Walker and Co., 1972.

285. Commodity Trade Statistics, 1970, 1969, Statistical Papers, Series D, Department of Economic and Social Affairs, Statistics Office of the United Nations, United Nations, New York.

This raw material data is presented in Tables XVII-XXV. The results follow a pattern which could be expected from non-statistical examination. South Africa enjoys a distinct price advantage in those raw materials which it produces. The largest advantage is evidenced in the prices of leather inputs. This is to be expected because South African agriculture places a heavy emphasis on the production of cattle. Much of the production of hides comes from the Homelands themselves, where the Bantu have discovered the economic value of animal skins even if they ~~will not~~ produce cattle on a commercial basis. On the other hand, none of the Asian nations are known as cattle producing areas, so almost all leather must be imported.

South Africa also has a price advantage for all metal products except aluminum sheets, which can be secured at less cost in Hong Kong. This also is to be expected as South Africa has abundant quantities of iron and copper plus the ability to refine these products.

As can be expected too, South Africa is disadvantaged in some of the synthetic plastic products, cotton fabrics, prefabricated parts of shoes and small electric motors. All of these products are partially finished or finished goods which are produced mainly in the Asian nations at present. Therefore, our case study countries could be expected to have the advantage in this area, as they are taking advantage of economies of scale already.

On a product by product basis, then, it would appear that the Homelands:

(1) Should not attempt to compete with Hong Kong in the production of rubber or plastic footwear at present. South Africa enjoys a resource advantage in only one of the raw material inputs, Rubber Processing Chemicals. The cost disadvantage of both Cotton Fabric ($2,230/ton in South Africa, $1,647/ton in Hong Kong) and Synthetic Rubber ($538/ton in South

Africa, $261/ton in Hong Kong) would be likely to make any competition impossible. It is also unlikely that Hong Kong's long predominance in the synthetic shoe industry could be matched in the early period. Even though the Homelands do have a slight shipping, wage and power cost advantage, it is doubtful if it could overcome Hong Kong's resource cost advantage, combined with the productivity advantage accruing from experienced production:

(2) Should attempt to enter the leather Mens, Youths and Boys Footwear market, mainly because of its commanding advantage in the price of both Upper and Soling Leather, while not attempting to enter the synthetic sector of the market in view of Hong Kong's price advantage in synthetic materials. Although a price disadvantage remains as far as cotton fabric is concerned, cotton fabric is far less important as an input than in product 1. Given the wage, electrical power and transportation advantage of the Homelands over Hong Kong, a competitive leather shoe could be brought to market:

(3) Should attempt to enter into the production of luggage for export, again concentrating on lines which feature leather, even though leather is a far less important commodity as an input to this industry - being fifth on the list. Although a distinct advantage in synthetic materials appears available in South Africa, such a distinct advantage in coated, impregnated or laminated plastics seems unlikely, given Hong Kong's long history of plastics production. The huge advantage may be a result of faulty statistics:

(4) Should attempt to enter the leather handbag and flat goods market, products 4 and 5, again mainly because of the advantage in the cost of Leather, although the other variables could figure more prominently than in products 2 and 3. As these goods are of low value, the shipping rate could be far more important in the final delivered price. Also, the production of

these items requires a low level of skill which should allow the Homelands to utilize their labour cost advantage:

(5) Should investigate very closely the advisability of entering sewing machine production in competition with Taiwan. Although a price advantage for South Africa in all the metal product inputs is evidenced, only in the more minor aluminum product does the advantage become significant. The electric motors are only slightly more expensive in South Africa (\$240/gross) than in Taiwan (\$219/gross). Even though this slight raw material advantage does exist in South Africa, success in the sewing machine market can not be ensured. As sewing machines are a relatively high value item, the shipping cost advantage will be of little significance. South Africa also, as pointed out above, may be at a slight wage cost disadvantage in relation to Taiwan. Therefore, whether any distinct advantage can be assured for Homeland production of sewing machines is doubtful:

(6) Should attempt to enter production of light electrical fixtures in direct competition with Singapore. South Africa enjoys a price advantage for all raw material inputs. The Homelands also have a labour cost advantage over Singapore. The light weight and low value of the goods would not allow South Africa to take advantage of its shipping cost advantage:

(7) Should not attempt to enter the clock movements market in competition with Hong Kong, because no raw materials advantage can be identified, which leaves only the general indicators. As the production of clock mechanisms probably demands a high level of skills, to reach such an initial level of expertise may be beyond the ability of Bantu labour, and the Homelands labour cost advantage could not be exploited:

(8) Should attempt to enter the cutlery market in competition with Hong Kong. South Africa enjoys an input cost advantage in all five major

inputs. Cutlery is a relatively low value - high weight item, which would allow full advantage of the transportation advantage to be utilized. The skill level for this product is also fairly low, which would allow the Homelands to take full advantage of their lower labour costs. This industry is the most electricity intensive of the group and this advantage could be utilized to the fullest:

(9) Should examine the baseball glove market more fully before any tentative recommendations could be made. The only meaningful advantage South Africa has for this product is the shipping cost of a low value good. The leather cost advantage is almost offset by the cost of cotton fabric, and without the Census of Manufacturers data on their relative importance, little can be assumed. No labour cost advantage can be identified.

This is about all that can be recommended from this examination of the ten identified products. Given the constraints on the data, any further speculation would be presumptuous. It must be stressed that the above is only a preliminary examination and any attempt to implement such a program would be contingent upon a detailed survey by persons knowledgeable in the industries.

Beyond these specific products some general trends can be identified. First, no absolute advantage in the production of light manufactures can be identified for the Homelands of the Republic. Anything they accomplish will be accomplished under a high degree of competition. But just as important, one cannot identify any distinct disadvantage in the production of manufactures. Just as our four case study countries are busily establishing themselves as manufacturing nations, in fierce competition with each other, there appears no reason why the Homelands could not also participate.

From the data presented, there are certain areas where the

Homelands have a distinct advantage over their Asian counterparts, and in these areas the concentration of effort should take place. Firstly, in those industries which have a relatively high electricity usage, the Homelands have a distinct advantage. Secondly, where shipping costs figure significantly in the final value of the product, South Africa will have a distinct advantage, especially in the European market. Thirdly, in those light manufactured products, where metal products are a significant percentage of the input costs, South Africa will have an advantage.

Obviously, the ten products discussed above are not the basis upon which to transform the reserves into industrial Homelands. These industries, even with optimum success could not provide the jobs necessary to solve the immediate problems of the smallest homeland. Instead, they provide an insight into the possible industries in which expansion might take place. Certainly, a much wider range of products must be identified as possible to produce, or at least be examined, to determine whether they should not be produced. Hopefully, this examination would provide a starting point and a methodology which could be followed by those interested in the development of light industry for export in any nation. Certainly, if governments or research organizations were interested, far better data could be collected from on the spot interviews with those directly involved. Surveys could be made far more comprehensive and market analysis carried out more professionally.

In conclusion, one can only say that, given the conditions in South Africa and the evidence presented here, it would be worthwhile to further examine the possibility of light manufactures for export by industries to be established in the Homelands. All the evidence points to more than an even chance for the success of such ventures.

CHAPTER VI - CONCLUSION

> "... the rich green hills break down. They fall to the valley below, and falling change their nature. For they grow red and bare; they cannot hold the rain and the mist, and the streams are dry in the kloofs. Too many cattle feed upon the grass, and too many fires have burned it... It is not kept, or guarded or cared for, it no longer keeps men, guards men, cares for men...
>
> The great red hills stand desolate, and the earth has torn away like flesh. The lightning flashes over them, the dead streams come to life, full of red blood earth. Down in the valleys women scratch the soil that is left, and the maize hardly reaches the height of a man. There are valleys of old men and old women, of mothers and children. The men are away, the young men and the girls are away. The soil cannot keep them any more".
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> 286

Alan Paton's words still provide an accurate and moving description of the economic life in the Bantu Homelands after twenty-five years have passed. The Homelands continue to be economic backwaters where subsistence is wrested from the eroded and worn out land by those who are unfit, unable or, in some cases, unwilling to enter the modern sector of the South African economy. But conditions have not remained static; great changes have taken place over the interval of twenty-five years. In 1948 the year that Paton was writing, the Nationalist Party was elected to govern South Africa. Its political platform was based, in part, upon a solution to South Africa's racial problems. The name coined for this policy was Apartheid. In 1948, the policy had not been defined; today it is a refined and polished doctrine which covers all aspects of life. Apartheid has economic aspects. This thesis has attempted to analyse in detail one of these aspects, the economic

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286. Paton, A., Cry, the Beloved Country, New York, Charles Scribner's Sons, 1950, pp. 3-4.

development of the Bantu Homelands. The analysis has been carried out in two parts; an evaluation of past and present economic development in the Homelands and the examination of one alternate policy, development through manufactures for export, which appears to have been a successful policy for some states which faced economic conditions similar to those found in the Homelands.

What, then, can be discerned from the information presented? The conclusions of this thesis are summarized below:

1. There appears to be a positive commitment by the Nationalist Party Government of the Republic of South Africa, and at least acquiescence by the majority of the White electorate, towards the implementation of the policy of Separate Development. This approach to the problems facing the Republic is motivated by self-interest.

2. The attitude of the Bantu population toward the policy of Separate Development is largely negative, but there does appear to be sufficient Bantu support for the policy to allow its implementation to progress.

3. The development policies initiated under the auspices of Separate Development have not been sufficiently funded to make significant progress evident. This has not been a result of bad faith, but rather, political constraints which have largely disappeared. As a result, the pace of political development has speeded up considerably, while more funding and incentives are being made available for economic development.

4. The pace of economic development to date has not been sufficient to provide employment for the rapidly increasing numbers of Bantu entering the labour force.

5. The economic policies initiated by the government are ill-conceived. Each individual project, considered on its own merit, may be economically

sound in the case of industry or economically necessary in the case of agriculture, but, taken as a whole, they do not provide the means of initiating self-sustaining economic growth. This would be true even if sufficient funds had been provided in the past or are provided in the future. The policies are ill-conceived because the economic future of the Republic has not been accurately assessed, and those involved in planning have not considered the long term goals in specific form. Those involved seem too wrapped up in implementing projects to perceive the long term effects of the development policy.

6. There does appear to be an alternate policy possible for areas like the Homelands which have an insufficient resource base in the traditional sense. The policy places its concentration on the expansion of exportable light manufactured products rather than on balanced growth or the creation of a heavy industry base.

7. This type of development is less secure than some alternate policies because of its dependence upon foreign economies. This lack of security can be somewhat alleviated by diversifying the products produced. This policy of export production may not provide the method for best utilizing the scarce resources available for development in many nations, but for areas such as the cases discussed in Appendix I or the Homelands where few resources are available, it can provide a viable and successful alternative.

8. The market for light manufactured products ~~is~~ increasing, especially in the developing countries. Opportunities are still available if a competitive product can be produced.

9. It appears, on a comparison of costs of inputs for selected groups of light manufactured products, that some products competitive with those produced by our four selected Asian countries could be manufactured in the

Homelands. There is no absolute advantage available to any of the products investigated, but the majority of the products appear to be competitive.

10. The results are inconclusive. Before any action could be undertaken, further investigation would be necessary by persons competent both in the marketing and production of the particular products. This thesis can only indicate a starting position. Of course, a much wider range of products would be necessary before a base for economic development could be created.

11. It is in the long-term best interest of the South African economy to pursue a policy of industrialization in the Homelands.

Hopefully, this thesis has been able to sort out some of the mystery surrounding the policies of Separate Development and provide a reference for those who may wish to undertake further studies in this area.

APPENDIX I - MANUFACTURED EXPORTS AND ECONOMIC DEVELOPMENT IN TAIWAN, HONG KONG, SOUTH KOREA AND SINGAPORE

Taiwan is the most successful of our four case studies. In a recent survey of the Taiwan economy from 1952-1967, Kuo-shu Liang identifies four distinct periods in that nation's economic development since its severance from the mainland.

> "For examining the pattern of growth attribution, the period of years 1953-1967 is divided into four sub periods: 1953-55, 1955-60, 1960-65 and 1965-67. These subperiods correspond to early aid, middle aid, late aid and the post aid period".[1]

The four periods can be conveniently contracted to two for our purposes, as the Taiwan government did not follow vigorous policies towards promoting manufactured exports until after 1960.

> "The extension of exports to a wide range of manufactured products began only after 1960. The expansion and diversification of exports are, to a considerable extent, a matter of economic environments and policies. The timely simplification and unification of foreign exchange rates, effected between 1958 and 1961, coupled with various export promotion schemes, have stimulated the manufactures concerned to be more export oriented".[2]

Lin, in another study, covering the same basic period, describes the economy and the economic development prospects for Taiwan in language which fits the description of the Bantu Homelands almost perfectly.

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1. Liang, K., "Taiwan's Industrial Development and Foreign Trade in Manufactures", Economic Review The International Commercial Bank of China, No. 145, January-February, 1972, p. 2.

2. Ibid. p. 10.

> "The choice of an appropriate production pattern is particularly necessary for an economy like Taiwan, which has limited endowment of natural resources, notably arable land and minerals; and which is faced with severe population pressure despite a comparatively small total population. In these circumstances, the maintenance of traditional agricultural exports is hampered by the growing need to provide an expanding food supply, and there are only restricted opportunities for establishing industries based on the exploitation of locally available natural resources. In addition, the scope for advantageous import substitution for intermediate products, capital equipment and consumer durables is restricted by the small scale of home demand, since modern techniques frequently require very large-scale production of such goods for efficiency. This situation points toward the development of a production pattern that can take advantage of the abundant and well-trained labour supply,[3] rather than one based primarily on climatic factors favourable to the production of certain stable export crops for which world demand increases very little".[4]

Lin also divides the development of Taiwan into two segments, 1952-60 and 1960-1967. Before 1960, Taiwan practiced policies of import substitution with an extensive network of tariffs, multiple exchange rates and a highly over-valued currency exchange rate. By 1961, 90 to 95 per cent of domestic demand was being met by home produced goods in such products as Taiwan's limited technology could provide. Products demanding a higher degree of technology were still imported.

Although an appreciable amount of growth had taken place (G.N.P. increase of 49.6%, 1952-60).

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3. South Africa's Bantu Labour is not as well trained as the labour force in Taiwan.

4. Lin, K.C.Y., "Industrial Development and Change in the Structure of Foreign Trade. The Experience of the Republic of China in Taiwan, 1946-66", International Monetary Fund, Staff Papers, Vol. XV. 1968, p. 291.

> "towards the end of the 1950's it was becoming apparent that import substitution alone could not sustain indefinitely a high rate of manufacturing growth in such a small economy because, while the domestic market for simple manufactures was easily saturated, effective domestic demand for more sophisticated durable consumer goods and certain intermediate products was not large enough to justify their local production".[5]

Caught in an increasingly inflationary economy, a decrease in domestic demand and ensuing business failures combined with low capacity utilization in the industrial sector,[6] the government was forced to radically alter its development policies.

Consequently, strong anti-inflationary measures were implemented and the exchange rate and tariff structure were also reformed. Policies to encourage exports were introduced. The result was a greatly stimulated take-off of the Taiwan economy through a process of competition in the production of manufactured goods.

> "Average annual rates of increase, in percentages during the two periods were as follows:

	1952-60	1960-66
Gross National Product	6.2	9.3
Average Per Capita Income	3.6	6.3
Manufacturing Production	13.0	15.3
Exports, other than sugar and rice	16.6	31.5

> By 1963-1965, exports of goods and services amounted to 18 1/2 per cent of G.N.P., compared with 7 1/2 per cent in 1952-1954 and imports had risen somewhat less, to 19 1/2 per cent of G.N.P., against 13 1/2 per cent".[7]

5. <u>Ibid</u>. p. 303
6. "...industrial surveys for 1958-60 indicated that many plants producing simple manufactures such as woollen textiles, plywood, paper, rubber goods, soap, iron rods and bars, insulated wires, sewing machines and electric fans were operating at only 40 per cent to 70 per cent of capacity", <u>Ibid</u>. p. 303.
7. <u>Ibid</u>. p. 292

The stimulus provided by the government to promote exports included a whole range of instruments. These included corporate income tax holidays, rebates of custom and excise duties, low interest export loans, the selective use of export earnings to the purpose of importing raw materials and replacement equipment, assistance in the acquisition and development of urban plant sites and a wide range of information from marketing to feasibility studies.

Aided by these policies, the total value of exports has increased from U.S. $174 million in 1960 to U.S. $495 million in 1965 to U.S. $1,561.7 million in 1970.[8] Exports out of G.N.I. have increased from 14.5 per cent in 1960 to 20 per cent in 1965 to 37 per cent in 1970. Per capita income has also increased from U.S. $145 in 1963 to U.S. $293 in 1970, or a 102% increase. This is combined with only a 7.3 per cent increase in the wholesale price index for the same period.[9]

Exports have also become more diversified in nature. In 1953, export of food and kindred products accounted for 93.82 per cent of Taiwan's total exports, miscellaneous manufactures only 4% and textiles, etc., less than one per cent. By 1965, exports of food items had fallen to 37.13 per cent, miscellaneous manufactures had climbed to 4.89 per cent and textile and related products to 22.43 per cent.[10] In 1971, these percentages showed a further relative decrease of agricultural products as a percentage to less than 20 per cent, while miscellaneous manufactures climbed to over 10 per cent and textiles and related products reached 29 per cent.[11]

8. "Economic Indicators of the Republic of China", Economic Review, The International Commercial Bank of China, No. 145, January–February 1972.
9. Loc. cit.
10. Liang, op. cit., table 2.
11. "A Brief Report on Taiwan's Economy of 1971", Economic Review, The International Commercial Bank of China, No. 146, March–April 1972, Table 6

> "Industrial exports registered the biggest gain of 41% over 1970. Their share in total exports rose to 80%. Exports of agricultural and processed agricultural products also gained but their rates of increase were not so fast.
>
> Industrial exports totaled U.S. $1,717 million in value. 'Fabrics, knitted and crocheted goods apparel and accessories' valued at U.S. $620 million, and accounting for 29% of total exports, again showed the greatest gain, up by 45% from 1970, largely as a result of the vast increase in export of garments to the U.S.A. The second largest item was electrical equipment and supplies increase of which consisted mainly of television sets, radios and electronic parts and components. Two other leading exports of the year were 'lumber, leather, paper and rubber products and plywood', ranking third and fourth in importance".[12]

General manufactures showed a 48.9 per cent increase between 1970 and 1971.[13]

It would appear, also, that the gains in Taiwan's economy have been, to a great extent, determined by the ability to import raw materials and capital goods. Raw materials have consistently increased as a percentage of imports from 20% in 1956 to 21% in 1960 when export orientation began, to 28% in 1964[14] and to approximately 60% in 1971.[15] Imports of capital goods furnished about 33% of total imports[16] in 1971 compared to 11% in 1953 and 24% in 1965.[17]

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12. Ibid. p. 3
13. Ibid. Table 6.
14. Lin, op. cit. Table 6
15. "A brief report on Taiwan's economy of 1971, op. cit. Table 7
16. "Capital goods showed the largest increase up by 37% from 1970. Together with raw materials, which too gained substantially, they accounted for close to 93% of total imports". Ibid. p. 4.
17. Liang, op. cit. Table 2

It would appear, then, that Taiwan has been able to close the trade gap. The value of its exports has exceeded the cost of imports and the favourable balance has been used to finance the import of capital goods. United States aid has been steadily declining since 1965, and has ceased altogether. (See Table XXVI) Thus, it would seem that Taiwan has been able to circumvent the gap problem and, in reality in only ten years, is on the way to self-perpetuating growth.

Two other points must be noted. It would seem very important that a wide range of products be exported. Firstly, because, besides providing for external markets, the production of competitive industrial consumer goods serves to satisfy domestic demand, thereby cutting down the importation of consumer goods. Secondly, a diversification of products has prevented Taiwan from incurring the ire of industrial countries via the lobbying of protected industries. As long as Taiwan's share of a growing domestic market does not endanger foreign domestic production, exports seem to be able to rise.

> "Taiwan's ability to expand further into international markets depends upon two basic factors. The first, which is partly beyond its control, is a willingness of importing countries to permit a growing volume of goods from the Republic which directly or indirectly compete with their own industries, some such difficulties have already been encountered in exporting textiles and canned mushrooms and asparagus. Success here, most likely, implied the export of a variety of products, none of which would have too great an impact on any one market".
> 18

Hong Kong, our second case study, is one of the smallest autonomous economic entities in the world. With a population of just over four million, jammed into the small area of 398.4 square miles, it represents

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18. Perkins, M.F., "Taiwan: Development that Works", <u>Finance and Development</u>, Vol. IV, No. 3, 1967, p.173.

one of the most vigorous economies in the world. Only recently has Hong Kong become a manufacturing centre of note, although it has a long history of commercial activity. As it is located at the mouth of one of the main river systems of south China and close to Canton, the main south China city and distribution centre, Hong Kong, since its inception as a British Colony in 1843, has been a natural entrepot area for South China. Goods being trans-shipped in and out of China were unloaded, unpacked, sometimes processed, repacked and reloaded in Hong Kong. The victory of the Communists in mainland China and the emphasis of the new government on self-sufficiency rapidly changed this.

> "In 1950, Hong Kong's exports to China were valued at U.S. $256 million, and imports from China at 150 million. In 1965, the export figure fell to 12 million, imports from China to Hong Kong, however, rose to $406 million".
> [19]

This, combined with the influx of refugees which pushed Hong Kong's population from 650,000 in 1945 to over four million in 1970,[20] demanded that the economy adapt or the population starve. Industrialization appeared to be the only outlet. From modest beginnings, Hong Kong has blossomed into a major Asian manufacturing centre.

> "Textiles and garments were introduced in the 1930's by Japanese and Chinese entrepreneurs, aiming to circumvent the Imperial Preference Agreement and capture some of the Lanchashire textile markets. Before World War II, a rubber shoe industry and electric flashlight production had also established themselves... The plastic flower industry grew up in the 1950's, providing a cottage industry for the

19. Sutu, H., "Industrialization in Hong Kong", California Management Review, Vol. XI, No. 1, 1968, p. 85.

20. Pellai, M.P.N., "Economic Survey", The Far East and Australia 1972, London, Europa Publications Ltd., 1972, p. 770.

> boat people and the village women. Upon it was superimposed a much larger plastic toy industry in the 1960's, so that Hong Kong now ranks with Japan, Germany and the United States in world toy trade. Cheap transistor radios arrived about 1960 but in 1965 high precision micro-circuits and components for instruments and computers started up, and within five years became one of Hong Kong's principal industries that spilled over into Taiwan and Seoul to become a leading source of industrial growth in those metropolises. Knitted goods in the early 1960's elaborated into wigs, a supergrowth industry; and high style gowns as well.
>
> In 1962, a clique in the Chamber of Commerce got together to do something about the cutrate, cheapskate, pandering image that Hong Kong had created for itself. Industrial promotion shifted thereafter to high quality and more sophisticated manufactures... Watch-making, jewellery, even cameras, were promoted successfully. They are now in a rising curve of exports".[21]

Textiles still remain the largest export commodity. In 1969, textiles constituted 22.8% of industrial production — a drop from 27.5% in 1962. Footwear and garments constituted another 20%. Since 1962 however, the production of miscellaneous manufactured goods has grown from 12.6% to 20.8% (See Table XXVII). As for the value of exports, steady growth has been manifest since the mid 1960's. In 1965, the value of exports was U.S. $1,042 million, by 1970 this had reached U.S. $2,243 million (1967 U.S. $1,218 million, 16.9% increase; 1968 U.S. $1,530 million, 25.8% increase, 1969 U.S. $1,912 million, 24.8% increase).[22] In 1970 textiles and clothing goods carried an export value of U.S. $760 million but miscellaneous manufactured articles reached U.S. $437 million.[23] Although a favourable balance on current account has yet to be achieved (i.e. value of imports in 1970 was U.S. $3256 million), this is of no particular worry to Hong Kong as invisible

21. Meier, R.L., The Performance of Cities: An Assessment of Hong Kong and Its Future, Centre for Planning and Development Research, Berkley, Institute of Urban & Regional Development, University of California, 1970, pp. 12-13.
22. Compiled from Far Eastern Economic Review Yearbooks 1971 and 1972.
23. Ibid.

exports counteract the deficit. Tourism, shipping, service charges and capital inflow easily make up the balance. In general, however, through the use of an export economic base and high raw material imports Hong Kong has been able to not only survive but to provide an improved standard of living for her people. In a 1958 study of the economy of Hong Kong, Szczepanik wrote:

> "There is, therefore, a great inequality in distribution of income in Hong Kong. The bulk of the population is living on earningsnot exceeding H.K. $300 (U.S. $54) per month per household. According to my estimate this section of the population constitutes 95 per cent of the total population and it is receiving only 60 per cent of the national income".[24]

The 1971 estimate of per capita income was considerably higher

> "Towards the end of 1971 per capita annual income in Hong Kong was estimated at U.S. $800 while the index of real average daily wages, including fringe benefits, stood in March 1971 at 146.3 (March 1964=100). In September 1970, this index had been 135.2 and in March 1970, 132.2. Hong Kong's Consumer price index, on the other hand, recorded a one point increase in the 12 months to the end of September 1971".[25]

In fact, Hong Kong has developed to such a point that there were fears in 1971 that the E.E.C. would declare Hong Kong a developed country not subject to tariff preferences.[26] Although the re-classification did not take place, it is obvious that Hong Kong is steadily progressing.

In fact, development has progressed to the point that there is a labour shortage in Hong Kong (See Table XXVIII), with the expected result

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24. Szczepanik, E., The Economic Growth of Hong Kong, London, Oxford University Press, 1958, p. 13.

25. Far Eastern Economic Review Yearbook, 1972, op. cit. pp. 164-165.

26. Far Eastern Economic Review Yearbook. 1971, op. cit. p. 158.

that wages have begun to rise, further increasing the standard of living.

Such development has not been without its problems. Again the rule of the need to diversify is pointed out. The heavy concentration on textiles and clothing has penetrated deeply, especially into the U.S. market. As a result, the U.S. has forced Hong Kong to enforce "voluntary" export restrictions.[27] It would appear that expansion of textiles has reached a plateau. But as yet Hong Kong has not found difficulty in diversifying.

Probably the best summation of future prospects for Hong Kong was made by the colony's Financial Secretary, Phillip Haddon-Cave.

> "Apart from the danger of increasing restrictions on world trade, there are other difficulties Hong Kong must face in coming years. We are now no longer with Japan, alone in the export of textiles and other consumer goods to the advanced countries on a large scale. Instead, we are facing increased competition from countries such as Taiwan, South Korea, and Singapore in Asia, Jugoslavia, Portugal and Spain in Europe, and Mexico and Brazil in Latin America. Some of these countries, particularly Taiwan and South Korea, have lower wages and costs than Hong Kong: all except Singapore have considerably larger populations. The factors in Hong Kong's favour are, in general, the better quality of our products, the longer commercial experience of our industrialists and merchants, the more flexible economic and fiscal system in which they operate. But these can be diminishing assets unless they are cultivated by more technical training and education, higher productivity, better design and better marketing techniques".[28]

The Republic of Korea, the largest of our four cases proves interesting because its estimated 30,000,000 population left the door open both to policies of import substitution and export promotion. For the last decade, however, economic policy has become more outward looking — with a

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27. Far Eastern Economic Review Yearbook. 1972, op. cit. p. 161.

28. Pellai, op. cit. p. 776.

heavy concentration on manufactures. This can easily be seen from Table XXIX, which presents data for the decade 1961 - 1970. Total exports have increased over 2,000 per cent during the decade. The value of miscellaneous manufactured goods exports has increased an unparalleled amount from a mere U.S. $791,000 in 1961 to U.S. $352,497,000 in 1970 to become the largest commodity group export -- equalling 42.2 per cent of total export value.[29] Table XXX shows the export composition by industry. Total manufactures represented 79.0% of exports in 1969. The diversity of the manufacturing industry is well illustrated by Table XXXI. The flexibility of Korean industry is illustrated by the year by year fluctuation in its major export items. Although there is a general upward trend, individual products show large year by year fluctuations, with some products losing their export market, while others appear to gain access. Such diversification obviously insulates the economy as a whole from a general downturn in a particular market. Although, as yet, the Korean economy has not been able to close the import-export gap, the gap has been decreasing. In 1961, exports were covering only 12.7% of total imports, by 1966 this had increased to 34.9%, and in 1970 increased to 43.3% (See Table XXXII). More important is the composition of exports.

> "Along with the industrial progress, commodity exports increased by about 42 per cent annually during 1962-1969, accompanied by a structural improvement in the composition of exports according to commodity groups. Up to 1962, primary products such as agricultural and marine products, and mineral ores constituted the major export items. Since 1962 exports of manufactured goods have been increased sharply accounting for 79 percent of total commodity exports in 1969".[30]

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29. Korea Annual 1971, Seoul, Hapdong News Agency, 1971, p. 175.

30. Industry in Korea 1970, The Korean Development Bank, Seoul, 1970.

Due to Korea's relatively large population, exports have not yet taken a paramount place in the generation of G.N.P. being only 14.3% in 1969. Yet, export demand was obviously a pull upon the rest of the economy, stimulating activity.

> "The dependence of total production on export demand more than doubled between 1963 and 1966. Agriculture, forestry, fisheries, and manufacturing had larger relative increases, whereas mining, which is a sector most dependant on exports, showed a lower rate of increase. By 1966, both mining and textiles derived roughly one-fourth of their total demand from exports, light manufacturing and metal products nearly 15% and the rest of manufacturing was around 10 per cent". (See Table XXXIII) 31

The stimulus to exports was obviously tied directly to the liberalization of import restrictions.

> "Exports not only substantially stimulated demand for manufactures but also earned the foreign exchange to buy more imports.
>
> Furthermore, the government removed all taxes and restriction on imports of intermediate goods that were to be used to produce exports. Thus, the import constraint was effectively removed for those industries that were supplying the export markets, and they were able to expand production up to the limits of export plus domestic demand or of their available productive capacity.
>
> As has already been indicated, there was much unused capacity in manufacturing at the beginning of the rapid growth period, especially in the light manufacturing industries that also depended heavily on imported raw materials. Beginning about 1963, many of these industries found that they could effectively compete in world markets. They had idle capacity and were given unrestricted access to imports. These conditions were the basis for the rapid growth that followed". 32

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31. Cole, D.C., Lyman, P.N., Korean Development, Cambridge, Harvard University Press, 1971, pp. 159-160.

32. Ibid. p. 161.

Table XXXIV shows the changing import components of the manufacturing sector. Again, there is a general upward trend, especially among those products which are experiencing rapid export growth (except textiles).

In South Korea it is harder to speculate whether growth has depended upon exports. With her larger population and, therefore, larger local market, as yet exports have not played such an easily perceivable role in development. There are indications that exports are a major cause, but the evidence is much less definite. Certainly, without the foreign exchange generated, the importation of equipment and machines would have been severely restricted. In 1969, South Korea imported 593.5 million dollars worth of machinery (General Machinery $306.3 million, Electrical Machinery $104.6 million, and Transport $182.5 million), far out-stripping domestic production.[33]

> "Although the total demand for machinery increased from $220 million in 1963 to $856 million in 1968, a growth of nearly 4 times, the portion of domestic production dropped from 47.5 per cent in 1963 to 37.7 per cent in 1968. The import growth rate was higher than that of domestic production because of the inability of domestic manufacturing to meet the widely diversified demand, as well as because of the rapid development as a whole.
>
> Imports increased from $115.5 million in 1963 to $533.1 million in 1968, a rise of nearly 5 times, while production grew from $104.6 million to $323 million, only about 3 times. The items whose inputs increased rapidly were metal working machinery, textile machinery, machines for special industries such as mining, heating and cooling equipment, pumps and centrifuges and mechanical handling equipment, in the general machinery sector, generators, electricity distributing equipment, tele-communications apparatus in the electrical machinery sector; and rolling stock,

33. Industry in Korea, <u>op. cit.</u>, Table 3, p. 76.

automobiles and ships in the transport machinery sector".[34]

The importation of machine tools has also increased considerably, from $1,492,000 in 1965 to $10,296,000 in 1968. Without the expansion of exports, little of such increase of productive facilities could have been undertaken. There also seems to be a strong correlation between the growth of G.N.P. and increase in exports. Assuredly, correlation cannot explain causation but certainly there is a definite relationship (See Table XXXV).

Finally, the Korean per capita G.N.P. in dollars increased from $76.1 to $96.1 in the period 1953-1962, or about twenty per cent, while in the period 1962-1970, when exports were growing rapidly, G.N.P. per capital increased from $96.1 to $223.3 or over 225 per cent.[35]

In Korea, the tie between exports and growth is probably not as strong as in the previous cases. Still, in light of the examples from theory presented above, the link is probably stronger than one could verify with any measure of assurance.

Singapore, the smallest of our cases, is also the newest to attempt development through a process of export oriented production. The Republic of Singapore was launched by her withdrawal from the Malaysian federation in 1965. The new nation had little choice in the development policies to follow. With a population of 2,110,500 (1971) and an area of only 224.5 square miles, Singapore had neither the population for even the facade of self-sufficiency nor a hinterland from which natural resources could be

34. Ibid. p. 76.

35. Compiled from Korea Annual 1971, op. cit. table p. 136.

drawn. But Singapore, like Hong Kong, has some special advantages. It is strategically located at one of the transportation crossroads of the world and has a long history of entrepot trade in raw materials. But, as the market for traditional raw materials declined and Singapore's neighbors in their drive for development attemped to undertake themselves the simplified process of first stage processing, a new strategy for development had to be devised. Although an Economic Development Board was set up in 1961, little in the way of export promotion was attempted until 1965 and the establishment of an independent government. It must be added that the new administration has made development through exports one of its major tenets, and has done all in its power to stimulate foreign investment and ease export procedures. The public sector is active in providing all the necessary infrastructure such as fully serviced industrial parks, improved transportation links, updated port facilities and education for the populace. Labour costs are strictly controlled, partially as a forced savings measure and partially as an attraction to industry. Although the results of the program in its six years of operation are not yet conclusive, it has produced interesting results. It would appear that the foundation of industrial growth is still being built. The pure rise in exports is less useful in the Singapore case because, although exports increased some 73.1% from 1964-70, there has been a general slow growth or stagnation in most traditional exports, while the "pioneer industries" have all increased production at faster rates (See Table XXXVI). In Table XXXVII, the effect of the pioneer industries is more easily noticeable.

"To encourage the manufacture of products not previously made locally, or made only in small quantities, Pioneer Certificates are issued to enterprises making products declared pioneer...".
36

"The firms in production cover a wide range of industries, such as condensed milk and sterilized milk plants, flour mills, chewing gum and chocolate factories, industrial alcohol distilling, textile mills and garment factories, veneer and plywood plants, industrial paper bag making, refrigerator and scooter assembly plants, leather tannery, sugar refinery, iron and steel mill, shipbuilding and repairing, and factories producing industrial chemicals, gourmet powder, soap and toilet preparations, pharmaceuticals, tire cement, cement additives, steel tubes, wire, prefabricated steel building forms, metal louvre windows, metal containers, steel furniture, electric cables and T.V. aerials, electric bulbs and zip fasteners".
37

As such, pioneer industries qualify for low cost loans, industrial sites and easing of export and import restrictions. It would also appear that the government is following policies which discriminate against enterprises wishing to produce only for the home market.

"There are forces at work which can maintain the momentum of Singapore's export drive. The man who wants to manufacture solely for the home market will get short shift from the EDB (Economic Development Board) which has planned the industrialization drive, and only those with high export ratios will be allowed to settle on new industrial sites".
38

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36. Singapore, Fact and Figures 1966, Singapore, Ministry of Culture, 1966, p. 29.

37. Singapore, Facts and Figures, 1967, Singapore, Ministry of Culture, 1967, p. 30.

38. Morgan, J., "How to Improve on Success", Far Eastern Economic Review, Vol. LXXIII, No. 32, 1971, p. 35.

> "Incentives offered to investors are designed to make them inject as much capital for as long as possible. While neighboring Malaysia is satisfied with a firm which gets its money back in four or five years, usually on the basis of a protected home market, Singapore demands its funds come to stay - and profit - in a highly competitive market. Nobody will survive by selling goods from Singapore factories to Singaporeans; the new combines entering the Republic today - Plessey, Philips, Siemens and Rollie - must export or die.
>
> Export ability usually is inbuilt since most of the firms will be selling to themselves, thus satisfying the Republic's stipulation that investors should have ready markets in their investment packages. If Watchmaker Timex ceased production in Singapore, thousands of workers would be thrown out of jobs in the company's plants in the United States, Britain and Germany"
> 39.

There are also indications that the Singapore government is considering legislation which, due to Singapore's shortage of suitable industrial land, would force a minimum of a fifteen per cent export market guarantee before an investment permit is issued. Investors, however, do not feel there is any problem with the export guarantee. In fact, conditions in Singapore appear very lucrative. Singapore has had a large and growing unfavourable trade balance on current account which has increased from U.S. $242 million in 1964 to U.S. $980 million in 1970. The balance has been largely counteracted by massive capital inflow.

> "The overall balance remained in fine shape. In his March 8 budget speech, Finance Minister Hon Sui Sen said official overseas assets had risen from S $2,279 million (U.S. $813 million) in 1968 to S $3,556 million (U.S. $1,270 million) at the end of 1970. The main causes of the deficit had been rapid decline in rubber prices between 1969 and 1970 and the decline in West Malaysia's imports from Singapore. That this had occurred without greater dislocation of the economy was something of a triumph...

39. Morgan, J., "We Did It Our Way", Far Eastern Economic Review, Vol. LXXIII No. 35, 1971, p. 33.

> But these figures mask the real progress made by Singapore's direct exporting in recent years. Once the Republic provided only an entrepot port but by last year Singapore made goods accounting for exports valued at S $1,708 million - almost treble the 1968 figure. This provides a clue to Singapore's export strategy: if the investment succeeds, sales can look after themselves. Hon argues that current account deficit is financed largely by capital inflow needed to strengthen Singapore's manufacturing base. In 1970, gross fixed capital formation increased by a massive 41% to reach S $1,403 million. Not surprisingly, exports rose by about 20% last year". 40

The new investment in industrial enterprises can be seen from the rapid increases in the value of industrial imports. Imports of industrial machinery increased in value from U.S. $18,020,000 in 1966 to U.S. $105,857,000 in 1970.

Singapore, then, has begun its attempt at industrialization by formally encouraging foreign investment which carries an export bias. Certainly, it is far too early to draw any definite conclusions as to the success of the scheme, but with the evidence previously presented and the cases examined, there seems little reason why Singapore cannot follow the lead.

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40. Morgan, J., "We Did It Our Way", Far Eastern Economic Review, Vol. LXXIII, No. 35, 1971, p. 33

APPENDIX II

THE PRODUCT CLASSIFICATIONS USED IN THIS THESIS - AN EXPLANATION OF ITS DERIVATION

For the purpose of relating import statistics to production data compiled under the SIC system, the 5-digit product classes of the Numerical List of Manufactured Products, 1967 Census of Manufactures (MC67-1) were used as the starting point for manufactured products. The 4-digit industries of the SIC sub-divided into 5-digit homogeneous classes of commodities were used as the starting point for non-manufactured products. However, in relating the TSUSA classifications to such an SIC-based output product classification there were instances where overlaps in these two classification systems made it necessary to assign some TSUSA commodity numbers to SIC-based output product classifications on the basis of judgement.

TSUSA commodity numbers often include items which should be classified in two or more SIC output product codes. In cases where a judgement could be made that the TSUSA classification could be assigned to the SIC output product code in which its principal content appeared to belong without significantly overcounting the classification to which it was assigned or significantly undercounting others in which it partly belonged, such an assignment was made. Where it appeared that assigning the entire content to a single SIC output product code would seriously distort the import data under one or more such codes, the output product codes (or those principally affected, if more than two were involved) were combined for purposes of this presentation and the TSUSA number was assigned to the combination. This method of dealing with cases where a direct match could not be made has minimized distortion of the import data under individual SIC output product codes.

Combinations of output product codes are identified in separate tables in this report entitled "Principal Differences Between the SIC-Based Output and Import Product Codes". In the import product numbering system, a sixth digit was used to identify combinations of 5-digit codes: "0" indicating no combination and the letters A through E representing combinations crossing various levels of the SIC structure. When all of the 5-digit output commodity classes of a 4-digit industry group were combined, the fifth and sixth digits are "XX".

The seventh and eighth digits are further subdivisions of the 6-digit code. Such subdivisions have been made to yield import classifications comparable to output commodity classifications within the framework of the SIC. The SIC-based 8-digit import classes have been selected on the basis of the availability of comparable output data from published government sources.

The descriptions used in this report reflect as closely as possible the actual TSUSA content of the 8-digit item. However, they are necessarily abbreviated and therefore do not contain all of the qualifying information necessary to define clearly the commodity for which statistics are shown. For complete definitions of the individual SIC-based import product classifications, reference should be made to the definitions of the TSUSA classifications included. Tables showing the correlation between the TSUSA classifications and the S.I.C.-based import product codes are contained in the publication U.S. Foreign Trade Statistics Classifications and Cross-Classifications.

APPENDIX III

NATIONS INCLUDED IN ASIA (EXCLUDING NORTH VIET-NAM, MAINLAND CHINA, OUTER MONGOLIA, NORTH KOREA, AND JAPAN)

Syrian Arab Republic
Lebanon
Iraq
Iran
Israel

Jordan
Gaza Strip
Kuwait
Saudi Arabia
Arabia Peninsula States, n.e.c.

Aden
Bahrain
Afghanistan
India
Goa, Damao, and Diu

Pakistan
Nepal
Ceylon
Burma
Thailand

South Viet-Nam
Laos
Cambodia
Malaysia
Singapore
Indonesia

Philippines
Macao
Southern and Southeastern Asia, n.e.c.
Korea, Republic of
Hong Kong

Taiwan (Formosa)
Nansei and Nanpo Islands, n.e.c.

TABLE I

TOMLINSON COMMISSIONS PROPOSED EXPENDITURE FOR THE DEVELOPMENT OF THE BANTU HOMELANDS (THE FIRST TEN YEARS)

Agricultural Development		
Soil Reclamation	Ł27,400,000	
Credit facilities for Native farmers	3,000,000	
Sugar-cane planting (30,000 acres every five years-until 100,000 planted)	370,000	
Fibre production (30,000 morgen)	116,000	
Irrigation	3,000,000	
Forestry Development	3,000,000	
Subtotal		Ł36,886,000
Mining Development (Fund for prospecting and development)		1,000,000
Industrial Development (Fund)	25,000,000	
Tertiary Development (Fund for financing)	5,000,000	
		30,000,000
Urban Development		
Layout of towns and villages to accommodate 700,000 persons (water supplies, housing loans)		12,000,000
Basic Facilities		
Railways (120 miles of railway in Maputaland, Zululand and as connecting links)	5,600,000	
Roads	2,230,000	
Electricity (Fund to make good to Escom shortages)	5,000,000	
Unspecified	170,000	
		13,000,000
Health (new hospitals, clinics, etc.)		5,000,000
Welfare (welfare and information including training clergymen)		3,600,000
Education (3 polytechnic schools, at least one agricultural college, one university college, four development schools. Figure does not include primary and secondary school buildings)		3,000,000
Total		Ł104,486,000

TABLE II

COMPARISON BETWEEN THE TOMLINSON COMMISSION AND GOVERNMENT ESTIMATES OF DEVELOPMENT, FIRST TEN YEAR PERIOD

Agricultural Development	Tomlinson	Government
Soil Reclamation	Ł27,400,000	Ł15,000,000
Credit	3,000,000	--
Other	6,486,000	3,500,000
	36,866,000	18,500,000
Forestry Development	3,000,000	--
Mining Development	1,000,000	--
Secondary and Tertiary	30,000,000	--
Urban Development	12,000,000	3,000,000
Provision of Basic Facilities	13,000.000	5,000,000
Health Services	5,000,000	3,000,000
Educational Facilities	3,000,000	--
Welfare Services	3,600,000	1,500,000
Total	Ł104,000,000	Ł29,000,000

TABLE III

ANALYSIS OF SOIL CONSERVATION WORKS COMPLETED IN THE BANTU HOMELANDS BY THE END OF 1952

Areas	Total Extent		Total Area Stabilised		No. of Years required from 1953 to complete Stabilisation at existing Tempo
	Morgen	%	Morgen	%	
Total Bantu Areas-					
Released Areas	4,700,000	29.0	1,085,000	23.0	33
Scheduled Areas	11,650,000	71.0	447,000	3.8	245
TOTAL	16,350,000	100.0	1,532,000	9.4	245
Northern Areas -					
Released Areas	2,800,000	65.0	489,000	17.0	33
Scheduled Areas	1,500,000	35.0	68,100	4.5	147
TOTAL	4,300,000	100.0	557,100	13.0	147
Natal-					
Released Areas	154,000	4.6	63,000	41.0	10
Scheduled Areas	3,172,000	95.4	116,800	3.7	183
TOTAL	3,326,000	100.0	179,800	5.4	183
Transkei-					
Released Areas	143,000	3.4	140,000	98.0	1
Scheduled Areas	4,064,000	96.6	113,000	2.8	245
TOTAL	4,207,000	100.0	253,000	6.0	245
Ciskei-					
Released Areas	83,000	8.5	51,000	61.0	4
Scheduled Areas	885,000	91.5	25,700	2.9	234
TOTAL	968,000	100.0	76,700	7.9	234
Western Areas-					
Released Areas	1,500,000	42.5	333,000	22.0	25
Scheduled Areas	2,000,000	57.5	157,000	7.8	82
TOTAL	3,500,000	100.0	490,000	14.0	82

Source: Tomlinson Commission data.

TABLE IV

AREA PLANNED UNDER SOIL CONSERVATION SCHEMES, SCHEDULED AREAS ONLY 1960-1968

Year	Total Area Morgen	Already Planned Morgen	% Planned	Planned for Given Year
1968	13,093,697	7,054,570	53.80	403,035
1967	13,065,338	6,633,358	50.77	307,607
1966	13,017,031	5,381,186	41.05	576,500
1965	12,953,900	4,804,686	37.09	554,973
	(12,953,900)	(7,057,451)	(54.49)	(711,945)
1964	12,953,900	4,804,686	37.09	554,973
1963	12,544,586	5,750,865	45.84	669,015
1962	12,507,924	5,081,950	40.63	848,487
1961	12,578,784	4,233,463	33.66	557,723
1960	12,509,207	3,675,740	28.47	112,787

Note For Tables IV through IX there is a distinct break in the sets of figures and an overlapping between 1960-63. The Soil Conservation Board changed its frame of reference in 1963 - extrapolating back only three years.

Source All figures for Tables IV through IX have been compiled from the Annual Reports of the Soil Conservation Board between 1951 and 1969.

TABLE V

AREA PLANNED UNDER SOIL CONSERVATION SCHEMES, SCHEDULED AND RELEASED AREAS, 1956-1963

Year	Total Area Morgen	Already Planned Morgen	% Planned	Planned for Given Year
1963	16,874,200	7,210,169	42.73	881,315
1962	16,829,727	6,366,991	37.38	1,067,624
1961	16,899,698	5,261,319	30.1	687,648
1960	17,220,185	4,611,719	26.8	354,065
1959	17,134,715	4,257,654	24.8	472,016
1958	16,668,034	3,785,638	22.6	596,310
1957	16,668,034	3,416,271	20.4	1,056,353
1956			14.2	518,130

TABLE VI

SOIL BANKS AND CONTOURS COMPLETED PER YEAR IN MILES

Year	Scheduled Areas Only	Scheduled and Released Areas
1969	852	
1968	1,045	
1967	1,363	
1966	1,180	
1965	1,463	
1964	1,404	
1963	1,043	1,297
1962	2,100	2,396
1961	570	756
1960		571
1959		332
1958		412
1957		371
1956		301
1955		197
1954		413
1953		424

TABLE VII

GRASS STRIPS PLANTED PER YEAR IN MILES

Year	Scheduled Areas Only	Scheduled and Released Areas
1969	1,937	
1968	2,076	
1967	4,300	
1966	5,931	
1965	4,845	
1964	5,659	
1963	8,547	11,257
1962	5,856	9,528
1961	3,185	10,218
1960		5,828
1959		23,671
1958		26,648
1957		29,630
1956		13,275
1955		4,934
1954		5,719
1953		9,471
1952		5,500
1951		3,074

TABLE VIII

MILES OF FENCING COMPLETED PER YEAR

Year	Scheduled Areas Only	Scheduled and Released Areas
1969	2,704	
1968	1,654	
1967	3,356	
1966	3,053	
1965	4,543	
1964	6,025	
1963	3,627	5,877
1962	4,315	5,927
1961	1,881	3,128
1960		1,501
1959		1,524
1958		506
1957		622
1956		645
1955		556
1954		496
1953		1,306*
1952		950*
1951		808*

* Note These figures are significantly higher and cannot be used for trend analysis. The criteria for these figures was for all fencing erected by the service - not just those for stock control.

TABLE IX

DAMS COMPLETED PER YEAR

Year	Scheduled Areas Only	Scheduled and Released Areas
1966	37	
1965	21	
1964	36	
1963	146	253
1962	141	188
1961	211	169
1960		181
1959		169
1958		141
1957		347
1956		159
1955		174

TABLE X

SOUTH AFRICA'S EXPORTS

Product	%	Value and destinations
Mineral Products		1970: R234m, 1971: R248m (+6%)
Iron ore	13	Japan 92%, Netherlands 7%, Others 1%
Manganese ore	9	Japan 33%, Netherlands 21%, France 21%, Others 25%
Antimony concentrates	6	U.K. 47%, U.S.A. 37%, Others 16%
Chrome ore	4	U.S.A. 36%, Japan 26%, Germany 14%, U.K. 10%, Others 14%
Copper ore	3	Japan 96%, Others 4%
Asbestos	16	Not available
Residual fuel oils	21	Ships and aircraft stores 100%
Other	28	
TOTAL	100	EUROPE 32%, ASIA 28%, AMERICA 9%, AFRICA 7%, OTHER 24%
Precious Stones		1970: R215m, 1971: R234m (+9%)
Unworked diamonds	51	U.K. 91%, U.S.A. 7%, Belgium 1%, Others 1%
Cut diamonds	27	Belgium 47%, Hong Kong 28%, U.S.A. 8%, U.K. 8%, Others 9%
Industrial diamonds	13	U.K. 93%, Others 7%
Other	9	
TOTAL	100	EUROPE 86%, ASIA 9%, AMERICA 5%
Base Metal Products		1970: R262m, 1971: R223m (-15%)
Unrefined copper	22	U.S.A. 38%, Japan 33%, Germany 12%, Belgium 12%, Others 5%
Refined copper	22	Germany 53%, U.K. 32%, Spain 6%, Italy 4%, Others 5%
Ferro-manganese	7	U.S.A. 48%, U.K. 9%, Italy 9%, Germany 9% Others 25%
Ferro-chromium	5	U.S.A. 22%, Canada 20%, U.K. 16%, Germany 12%, Others 30%
Pig iron	5	Japan 97%, Others 3%
Other iron and steel	24	Mainly Africa
Unwrought lead	4	Italy 43%, U.S.A. 22%, U.K. 16%, Others 29%
Unwrought nickel	4	U.K. 26%, Italy 22%, Netherlands 21%, Japan 12%, Others 19%
Other	7	
TOTAL	100	EUROPE 45%, AFRICA 23%, AMERICA 19%, ASIA 12%, OTHER 1%

TABLE X - (Continued)

Vegetable Products		1970: R148m, 1971: R154m (+4%)
White maize	21	Japan 35%, Mexico 31%, U.S.A. 9%, Venezuela 8%, Others 17%
Yellow maize	15	U.K. 50%, Japan 31%, Italy 6%, Others 13%
Oranges and grapefruit	19	U.K. 40%, France 21%, Germany 12%, Others 27%
Apples	13	U.K. 55%, Belgium 17%, Germany 11%, Others 17%
Grapes	6	U.K. 48%, Germany 20%, Sweden 10%, Others 22%
Shelled groundnuts	7	Netherlands 24%, France 18%, Germany 16%, U.K. 12%, Others 30%
Other	19	
TOTAL	100	EUROPE 68%, ASIA 21%, OTHER 11%
Prepared Foodstuffs		1970: R152m, 1971: R149m (-2%)
Unrefined sugar	31	Japan 46%, Canada 29%, U.S.A. 14%, U.K. 11%
Preserved fruit	28	U.K. 71%, Germany 10%, Others 19%
Preserved pilchards	4	U.K. 41%, U.S.A. 32%, Belgium 9%, Others 18%
Unmanufactured tobacco	6	Not available
Fortified wine	1	U.K. 72%, Canada 18%, Others 10%
Other	30	
TOTAL	100	EUROPE 47%, AMERICA 21%, ASIA 20%, OTHER 12%
Machinery		1970: R84m, 1971: R98m (+17%)
TOTAL		AFRICA 78%, EUROPE 13%, OTHER 9%
Textile Articles		1970: R96m, 1971: R73m (-24%)
Raw wool	59	Japan 25%, France 18%, Germany 17%, U.K. 13%, Others 37%
Wool tops	10	U.K. 50%, Belgium 13%, Greece 12%, Germany 9%, Others 16%
Scoured wool	7	Germany 29%, U.K. 17%, Italy 12%, U.S.A. 7%, Others 35%
Angora hair	6	U.K. 43%, Spain 17%, Italy 16%, Japan 9%, Others 15%
Continuous artificial fibres	3	U.S.A. 66%, Brazil 6%, Hong Kong 3%, Others 25%
Other	15	
TOTAL	100	EUROPE 62%, ASIA 14%, AMERICA 12%, AFRICA 12%
Chemical Products		1970: R59m, 1971: R64m (+8%)
Vanadium oxide and pentoxide	20	Japan 20%, Germany 18%, U.K. 17%, Others 45%
Wattle tanning extract	11	U.K. 23%, Japan 21%, Italy 11%, Others 45%
Other	69	
TOTAL	100	AFRICA 60%, EUROPE 20%, OTHER 20%

TABLE X - (Continued)

Animal Products		1970: R34m, 1971: R43m (+26%)
Beef	38	U.K. 51%, Greece 11%, Ships' stores 6%, Others 32%
Rock lobster	21	U.S.A. 90%, France 4%, Others 6%
Other	41	
TOTAL	100	EUROPE 42%, AFRICA 22%, AMERICA 20%, OTHER 16%
Paper Products		1970: R33m, 1971: R38m (+15%)
Chemical wood pulp	48	U.K. 69%, U.S.A. 29%, Others 2%
Soda and sulphate wood pulp	21	Italy 20%, Japan 14%, Korea 12%, Others [illegible]
Hardboard	8	U.K. 46%, U.S.A. 21%, Others 33%
Other	23	
TOTAL	100	EUROPE 52%, AFRICA 23%, OTHER 25%
Hides and Skins		1970: R40m, 1971: R37m (-8%)
Karakul pelts	41	U.K. 97%, Germany 3%
Sheepskins	32	Italy 22%, France 20%, Germany 16%, U.K. 16%, Others 26%
Bovine hides	17	Italy 70%, Spain 8%, Others 22%
Other	10	
TOTAL	100	EUROPE 91%, OTHER 9%
Vehicles and Parts		1970: R28m, 1971: R35m (+25%)
TOTAL		AFRICA 70%, EUROPE 17%, OTHERS 13%
Plastics and Rubber		1970: R12m, 1971: R12m (No change)
TOTAL		AFRICA 94%, OTHER 6%
Animal and Vegetable Fats and Oils		1970: R9m, 1971: R9m (No change)
Groundnut oil	41	Hong Kong 47%, Australia 17%, U.K. 11%, Others 25%
Fish body oil	36	U.K. 98%, Others 2%
Other	23	
TOTAL	100	EUROPE 50%, ASIA 33%, OTHER 17%
Stone, Cement and Glass Articles		1970: R9m, 1971: R9m (No change)
TOTAL		AFRICA 84%, OTHER 16%

TABLE X - (Continued)

Miscellaneous Goods	1970: R12m, 1971: R13m (+8%)
TOTAL	AFRICA 53%, EUROPE 22%, OTHER 25%
Unclassified Goods	1970: R112m, 1971: R91m (-19%)
TOTAL	EUROPE 58%, ASIA 12%, AMERICA 11%, OTHER 19%
All Merchandise Exports	1970: R1538m, 1971: R1530m (-1%)
TOTAL	EUROPE 50%, AFRICA 19%, ASIA 14%, AMERICA 11%, OTHER 6%

Note: Destinations of category totals are for 1971, of individual items for 1970

Source: Dept. of Customs and Excise, South Africa

TABLE XI

COMPARISON OF ASIAN DEVELOPMENT

Country	Population Mid 1971 (Millions)	Area 1000 Km^2	G.N.P. Billion $	Per Capita G.N.P. $	Average Yearly Rate of Economic Growth (Percent)
Republic of Korea	32	93	8.1	253	8.4(a)
Taiwan	14*	36	5.4	388	10.0(a)
Hong Kong	4	1	1.6	453	—
South Vietnam	18	171	3.5	201	4.5(d)
Laos	3	237	0.2	67	—
Cambodia	7	181	0.9	146	—
Thailand	36	514	5.6	160	7.8(a)
Philippines	38	300	8.2	230	4.6(a)
Malaysia	11*	332	3.8	355	5.9(c)
Singapore	2	0.6	1.8	878	14.8(e)
Indonesia	125*	1,492	10.0	86	2.6(a)
Burma	28	687	2.1	78	1.3(b)
India	550	3,268	43.3	85	3.3(a)
Pakistan	117	947	13.9	127	5.6(a)
Ceylon	13	66	2.1	170	4.8(a)
Nepal	11	141	0.8	75	—
Japan	105	370	196.1	1,896	11.1(f)
China	787*	9,561	75.0*	95*	2.4(f)*
Australia	13	7,687	33.0	2,629	5.2(e)
U.S.A.	207	9,363	941.1	4,741	4.0(1)

(1) Data marked with an asterisk (*) are estimates.

(2) "Average yearly rates of economic growth" is compiled for different periods - (a) 1960-1962, (b) 1960-1967, (c) 1960-1966, (d) 1962-1967, (e) 1966-1969, (f) 1960-1970.

Source: Fiji Bank Bulletin, July 1972.

TABLE XII

PRODUCT SELECTION TABLE 1

Column Key:
1. Classification Number
2. U.S. Imports from Asia, nec. Countries 1970, U.S. $
3. U.S. Imports from Asia, nec. Countries 1965, U.S. $
4. Denotes Removal of Products not classified in 1965
5. Denotes Removal of Products classified but not reported for Asia, nec, 1965
6. Denotes Products which did not increase 1965-1970
7. Denotes those Products which sales did not reach U.S. $100,000 in 1970
8. Column 2 minus Column 3, Absolute Increase 1965-1970
9. Denotes Products with less than U.S. $1,000,000 increase 1965-1970

1	2	3	4	5	6	7	8	9
251 51A 00	10,180	304				X		
259 900 00	14,390,120	3,777,504					612,623	X
284 168 00	13,922	15,213			X			
240 00	9,861	(00)		X				
300 45	2,326	(00)		X				
420 00	2,307	8,397			X			
45A 00	12,791	1,765				X		
301 110 00	399,011	?	X					
120 00	22,879	?	X					
130 20	1,100	?	X					
30	698,229	?	X					
40	9,359	?	X					
70	92,877	?	X					
140 20	493,625	?	X					
40	170,829	46,322					124,507	X
302 100 00	57,897,727	11,501,856					46,395,871	
306 920 00	41,096	4, 86				X		
930 00	57,154	12,776				X		
970 00	301,599	95,765					205,834	X
307 940 00	900,135	160,002					740,133	X
970 00	244,179	57,741					186,438	X
980 10	1,175	(00)		X				
30	1,853,841	535,615					1,318,729	
40	45,198	6,103				X		
50	198,640	90,717					107,923	X

TABLE XII - (Continued)

1	2	3	4	5	6	7	8	
60	18,653	2,192				X		
70	85,667,561	12,460,716					73,206,[illegible]	
311 11A 00	193,770	117,917					75,85[illegible]	
140 40	8,624	5,976,326			X			
313 100 00	79,806	7,155				X		
314 11A 00	1,762,617	650,115					1,112,462	
14A 00	921,157	1,342,353			X			
170 00	39,843	5,515				X		
200 00	608,651	22,036					586,615	X
315 100 40	4,921,518	4,127,910					793,608	X
316 100 00	7,566,481	528,923					7,037,538	
317 100 20	4,975,750	1,289,167					3,686,683	
60	22,544,655	12,296,070					10,248,588	
200 00	4,159,367	2,033,353					2,126,014	
319 900 40	12,083	66,806			X			
60	207,087	46,369					160,718	X
342 110 10	61,726	22,056				X		
20	14,065	7,594				X		
30	97,909	36,414				X		
40	57,315	3,139				X		
50	197,100	55,315					141,785	X
320 20	67,527	3,949				X		
30	2,180	?	X					
40	29,012	4,525				X		
33A 10	154,394	97,210					57,184	X
20	185,281	23,292					161,989	X
30	277,721	163,722					133,999	X
40	285,931	8,345					277,582	X
70	2,691,495	2,122,457					569,038	X
500 00	378	?	X					
30	680	33,338			X			
40	2,848	(00)		X				
930 00	13,385	5,115				X		
95A 10	1,329,918	324,527					1,005,391	
20	577,487	263,313					314,174	X
30	3,027	(00)		X				
40	1,393,304	599,960					793,344	X
343 200 00	2,410	122,727			X			
3XO 00	2,721,424	19,065					2,702,359	
344 1XB 20	320	11,574			X			

[illegible] XII - (Continued)

		3	4	5	6	7	8	9
	[illegible]	28,846					287,354	X
	[illegible]	15,663			X			
	[illegible]21	31,803					78,816	X
	[illegible],041	38,861				X		
	[illegible],079	837,090					862,807	X
[illegible]	23,665	86,084			X			
[illegible]	321	3,363			X			
[illegible]	243	1,091			X			
45	6,433	4,360				X		
50	38,531	9,237				X		
346 110 00	246,283	193,457					58,826	X
130 00	1,453	?	X					
160 00	3,357	(00)		X				
348 110 20	453,432	29,871					423,561	X
190 35	129,439	?	X					
40	5,116	312				X		
349 1XC 00	13,871	19,834			X			
300 40	5,892	(00)		X				
43A 00	114,213	?	X					
450 10	226,438	?	X					
30	3,046	?	X					
40	171,513	?	X					
700 20	16,030	5,508				X		
900 20	2,426	456				X		
30	5,066	8,142			X			
50	11,414,552	5,420,167					5,994,385	
361 13A 00	536,819	117,129					419,690	X
2XC 20	5,972	7,883			X			
40	4,483	(00)		X				
60	3,022,961	836,174					2,168,787	
362 110 00	372,105	278,135					93,970	X
12A 00	2,494	2,587			X			
160 00	1,164,212	100,001					1,064,211	
320 00	263	(00)		X				
33A 00	17,342	(00)		X				
363 400 00	922	?	X					
420 00	14,724	383				X		
500 10	226,634	(00)		X				
20	27,947	5,716				X		
600 20	61,572	(00)		X				

TABLE XII - (Continued)

1			2	3	4	5	6	7	8	9
		40	1,150,165	85,361					1,064,804	
		60	22,284	(00)		X				
	930	10	6,749	2,142				X		
		30	649,812	97,136					552,676	X
		40	2,063	(00)		X				
		60	419,143	6,546					412,597	X
		90	381,363	209,918					171,445	X
364	100	30	2,518	713				X		
		40	242,133	217,048					25,085	X
		50	1,856,432	890,192					1,008,551	
		60	402,140	330,020					72,120	X
		70	75,131	35,934				X		
	21A	00	29,154	36,384			X			
	26A	10	1,898,743	650,075					1,248,668	
		20	1,829,009	1,582,353					246,656	X
364	26A	30	1,250,305	1,754,201			X			
	264	40	1,099,100	369,707					729,393	X
	265	50	315,135	110,530					204,605	X
	270	00	316,121	343,689			X			
	300	20	472	(00)		X				
		40	1,363,900	(00)		X				
		60	2,673,731	195,056					2,478,675	
	420	00	42,123	(00)		X				
365	110	20	92,998,221	30,040,441					62,957,780	
		40	728,609	21,250					707,359	X
		60	155,381	?	X					
	120	15	36,091,786	?	X					
		25	4,393,344	?	X					
	14A	20	79,558	?	X					
		35	1,894,115	?	X					
		40	1,805	?	X					
		50	665,886	?	X					
		60	30,952	?	X					
		70	587,554	?	X					
	200	20	14,210	(00)		X				
366	1XX	20	140,777	8,327					132,450	X
	21A	00	30,647,621	14,990,820					15,656,801	
367	100	00	53,490	(00)		X				
	200	00	12,994	(00)		X				
	300	00	463,089	(00)		X				

TABLE XII - (Continued)

1	2	3	4	5	6	7	8	9
410 00	50,693,109	?	X					
420 00	25,502,827	?	X					
490 01	10,938,718	?	X					
920 01	3,821,754	768,305					3,534,449	
950 20	1,739	5,062			X			
30	13,444,363	?	X					
369 1XX 00	13,751	41,753			X			
200 00	4,648,816	3,589,673					1,059,143	
300 00	6,503	(00)		X				
45A 00	139,826	3,915					135,911	X
920 20	12,346,651	1,567,183					10,779,468	
40	31,440,696	7,167,649					24,273,047	
375 100 30	1,013,442	126,880					886,562	
381 110 00	53,574	10,752				X		
120 00	23,814	13,013				X		
130 40	115,870	12,761					103,109	X
382 168 20	19,563	1,132				X		
60	24,464	561				X		
90	33,453	12,782				X		
383 1X0 50	1,258,053	764,747					493,306	X
383 1X0 60	259,081	184,039					75,042	X
384 100 20	13,260	269,785			X			
30	112,007	19,832					92,175	X
240 00	650	(00)		X				
30	577	1,095			X			
385 120 00	4,667	?	X					
13A 20	508,635	?	X					
30	73,566	?	X					
40	445,346	?	X					
386 11A 10	3,006,946	1,200,517					1,806,429	
30	7,850	4,476				X		
40	11,109	144,944			X			
60	99,474	29,448				X		
130 10	1,221,219	44,248					1,176,971	
20	639	1,888			X			
40	571	(00)		X				
60	35,799	7,696				X		
150 30	4,526	(00)		X				
160 00	12,200	(00)		X				
387 110 10	69,210	(00)		X				

TABLE XII - (Continued)

1	2	3	4	5	6	7	8	9
20	151,912	28,166					123,746	X
30	2,339,284	31,252					2,308,032	
40	20,518	(00)		X				
14A 10	376,203	440,120			X			
20	75,925	53,243				X		
30	111,581	7,107					103,474	X
40	24,287	1,959				X		
200 00	1,382,236	834,320					547,916	X
391 1X8 00	86,724	821,570			X			
300 10	167,735	52,212,775			X			
30	8,820,607	9,626,580			X			
410 00	29,355	97,692			X			
420 60	9,221,879	1,306,008					7,915,871	
393 110 00	2,237	1,230				X		
120 20	550	282				X		
40	4,571	431				X		
140 11	4,196	1,283				X		
15	14,347	799				X		
20	576,960	300,958					276,002	X
30	6,617	5,110				X		
40	65,268	51,212				X		
50	3,257	42,414			X			
394 100 00	50,482,315	15,517,171					34,965,144	
200 10	23,519,576	3,224,438					20,295,138	
20	1,273,154	770,991					502,163	X
394 100 30	8,297,262	3,255,145					5,042,117	
40	844,700	209,676				X		
300 10	46,393	(00)		X				
30	27,396	41,027			X			
910 10	170,595	634					169,961	X
20	144,626	21,151					123,475	X
30	589,997	25,749					564,248	X
40	1,248,930	289,174					959,756	X
920 10	35,396	837				X		
20	195,798	28,911					166,887	X
930 20	5,425,538	252,419					5,173,119	
30	39,943	?	X					
60	2,060	2,945			X			
70	479,231	44,049					435,182	X
80	2,345,029	426,635					1,918,394	

TABLE XII - (Continued)

1	2	3	4	5	6	7	8	9
90	4,971,462	709,924					4,261,538	
395 100 10	10,245	1,975				X		
30	158,916	749					158,167	X
210 10	53,373	8,689				X		
20	23,993	22,500				X		
300 00	95,916	52,053				X		
396 100 00	17,466,480	959,320					16,507,160	
200 00	3,742,010	33,724,738			X			
300 10	99,713	2,567				X		
30	22,667	6,244				X		
40	128,598	413,416			X			
50	36,787	19,205				X		
410 00	6,505	776				X		
420 10	360,332	165,044					195,288	X
50	4,068	1,175				X		
60	98,800	29,248				X		
80	7,084	2,698				X		
90	8,490	3,750				X		
95	148,329	5,327					143,002	X
399 120 20	7,646	(00)		X				
13A 10	499,725	106,784					392,841	X
20	92,239	21,357				X		
30	503,628	142,260					362,168	X
92	804,478	29,092					775,386	X
320 00	13,723	9,206				X		
399 620 00	33,723	?	X					
920 00	3,351,340	590,667					2,760,673	
930 00	1,496	?	X					
940 00	2,134,261	?	X					
990 00	6,890,614	?	X					
10	190,148,736	21,846,308					168,302,428	
20	27,420	22,952				X		
30	282,503	403,558			X			
40	1,307,637	252,007					55,603	X
399 990 90	2,363,022	4,391,490			X			
	Total No.	260	-38	-30	-37	-60	95	59

TABLE XIII

PRODUCT SELECTION TABLE 2

Classification	$ 1970	$ Total U.S. Imports 1970	%
302 100 00	57,897,727	179,995,780	32.2
307 980 30	1,853,841	G	
307 980 70	85,667,561	G	
314 11A 00	1,762,617	117,381,100	1.5
316 100 00	7,566,481	24,203,174	31.3
317 100 20	4,975,750	26,720,891	18.6
317 100 60	22,544,655	38,927,670	57.9
317 200 00	4,159,367	27,492,244	15.1
342 95A 10	1,319,918	3,196,674	41.7
343 3X0 00	2,721,424	9,155,462	29.7
349 900 50	11,414,552	G	
361 2XC 60	3,022,961	16,506,075	18.3
362 160 00	1,164,212	G	
363 600 40	1,150,165	74,302,966	1.5
364 100 50	1,856,432	G	
364 26A 00	1,898,743	G	
360 300 60	2,673,731	92,791,694	2.9
365 110 20	92,998,221	G	
366 21A 00	30,647,621	G	
367 920 01	3,821,754	33,222,721	11.5
369 200 00	4,648,816	11,102,492	41.9
369 920 00	12,346,651	25,457,760	48.5
369 920 40	31,440,696	G	
386 11A 10	1,200,517	G	
386 130 10	1,221,219	19,227,073	6.3
387 110 30	2,339,284	16,340,793	14.3
391 420 60	9,221,879	47,697,464	19.3
394 100 00	50,482,315	144,868,345	34.8
394 200 10	23,519,576	44,841,467	52.4
394 200 30	8,297,262	15,151,056	54.8
394 930 20	5,425,538	20,972,900	25.9
394 930 80	2,345,029	13,195,575	17.8
394 930 90	4,971,462	G	
396 100 00	17,466,480	47,539,719	36.7
399 920 00	3,351,340	10,069,347	33.3
399 990 10	190,148,736	195,477,577	97.2

TABLE XIV

PRODUCT SELECTION TABLE 3

Class	%	1971 Total U.S. Imports	1965 Total U.S. Imports	DIF	No.
302 110 00	32.2	179,995,780	60,999,093	118,996,707	1
314 11A 00	1.5	117,381,100	46,430,794	70,950,306	2
316 100 00	31.3	24,203,174	11,864,490	12,338,684	3
317 100 20	18.6	26,720,891	11,279,490	15,441,401	4
317 200 20	15.1	27,492,244	14,986,396	13,505,784	5
343 3X0 00	29.7	9,155,462	3,520,484	5,634,978	
361 13A 60	18.3	16,506,075	12,029,798	4,476,277	
363 600 40	1.5	74,302,966	54,770,639	19,532,327	6
364 300 60	2.9	92,791,694	29,317,568	63,474,126	7
367 920 01	11.5	33,272,721	24,525,477	8,697,244	
386 130 10	6.3	19,227,073	13,795,174	5,431,899	
387 110 30	14.3	16,340,793	6,065,620	10,275,170	8
391 420 60	19.3	47,677,464	13,215,419	34,482,045	9
394 930 20	25.9	20,972,900	1,274,417	19,698,493	10
394 930 80	17.8	13,195,575	5,808,670	7,386,905	

Key

1. 302 110 00 – Footwear, Rubber or Plastic
2. 314 11A 00 – Mens, 'Youths' and Boys Footwear – except House Slippers and Rubber and Plastic Footwear.
3. 316 110 00 – Luggage of Leather Material, Plastic and Other Material
4. 317 110 20 – Leather Handbags
5. 317 200 00 – Flat Goods of Leather – and Other Materials, including Wooden Jewel Boxes
6. 363 600 40 – Sewing Machines
7. 364 300 60 – Electric Apparatus for making Breaking ecr Electrical Circuits
8. 387 110 30 – Clock Movements
9. 391 420 60 – Knives, Forks, Spoons with Stainless Steel Handles
10. 394 930 80 – Baseball and Softball Gloves and Mitts

TABLE XV

EXPORTS TO E.E.C. OF PREVIOUSLY SELECTED PRODUCTS BY HONG KONG, TAIWAN, SOUTH KOREA AND SINGAPORE

	U.S. $ 1970	U.S. $ 1965
SITC 851 - Footwear - Products 1 and 2		
Hong Kong	8,263,000	4,154,000
Taiwan	2,053,000	60,000 app.
South Korea	106,000	50,000 app.
Singapore	347,000	30,000 app.
Total	10,769,000	4,294,000
SITC 831 - Travel Goods; Handbags, Wallets, Purses, Pocketbooks, Products 3, 4, 5.		
Hong Kong	2,876,000	942,000
Taiwan	475,000	100,000 app.
South Korea	100,000 app.	00
Singapore	00	00
Total	3,451,000	1,042,000
SITC 717.3 - Sewing Machines - Product 6		
Hong Kong	00	00
Taiwan	808,000	00
South Korea	210,000	353,000
Singapore	00	00
Total	1,018,000	353,000
SITC 864.2 - Clocks, Clock Parts, Product 8		
Hong Kong	42,000	00
Taiwan	00	00
South Korea	00	00
Singapore	00	00
Total	42,000	00
SITC 696 - Cutlery - Product 9		
Hong Kong	886,000	215,000
Taiwan	116,000	00
South Korea	50,000 app.	50,000 app.
Singapore	00	00
Total	1,052,000	265,000

Product 10 not comparable

Note - Those totals indicate the maximum possible figure when complete data are not provided. Estimates are arrived at through a subtraction process necessary when the figures are not reported directly.

Source - United Nations Trade Statistics

TABLE XVI

TIME CHARTER SHIPPING RATES

Route	Rate
South African ports to E.C.M. ports	$ 1.10/bale
Taiwan ports to E.C.M. ports	$ 3.68/bale
South Korea to E.C.M. ports	$ 4.64/bale
Singapore to E.C.M. ports	$ 2.63/bale
Hong Kong to E.C.M. ports	$ 4.45/bale
South Africa to East or Gulf Coast U.S.A.	$ 1.55/bale
Taiwan to West Coast U.S.A.	$ 2.58/bale
South Korea to West Coast U.S.A.	$ 4.06/bale
Singapore to West Coast U.S.A.	$ 2.18/bale
Hong Kong to West Coast U.S.A.	$ 5.00/bale*

* Based on only one estimate.

TABLE XVII

ESTIMATES OF RAW MATERIAL COSTS

PRODUCT 1

FOOTWEAR - RUBBER OR PLASTIC

Material	South Africa	Hong Kong
Cotton Fabric	\$ 2,230/ton (metric)	\$ 1,647/ton (metric)
Synthetic Rubber (Butadiene Styrene)	\$ 538/ton (metric)	\$ 261/ton (metric)
Natural Rubber (Dry)	\$ 661/ton (metric)	\$ 646/ton (metric)
Rubber Processing Chemicals	\$ 81/ton (metric)	\$ 172/ton (metric)
Thermoplastic Resins	\$ 331/ton (metric)	\$ 309/ton (metric)

TABLE XVIII

ESTIMATES OF RAW MATERIAL COSTS

PRODUCT 2

MENS YOUTHS AND BOYS FOOTWEAR

Material	South Africa	Hong Kong
Upper Leather	$ 1,065/ton (metric)	$ 1,921/ton (metric)
Soling Leather	$ 2,900/ton (metric)	$ 4,166/ton (metric)
Prepared Parts of Footwear	$ 1,376/ton (metric)	$ 1,010/ton (metric)
Unsupported Plastic Film and Sheeting	$ 331/ton (metric)	$ 309/ton (metric)
Cotton Fabric	$ 2,230/ton (metric)	$ 1,647/ton (metric)

TABLE XIX

ESTIMATES OF RAW MATERIAL COSTS

PRODUCT 3

LUGGAGE OF LEATHER MATERIAL - PLASTIC AND OTHER MATERIALS

Material	South Africa	Hong Kong
Trunk and Luggage Hardware Including Locks	$ 875/ton (metric)	$ 1,152/ton (metric)
Coated, Impregnated Or Laminated Plastics	$ 1,333/ton (metric)	$ 3,209/ton (metric)
Rayon and Acetate	$ 716/1000 (sq. m.)	$ 1,067/1000 (sq. m.)
Unsupported Plastic Film and Sheeting	$ 331/ton (metric)	$ 309/ton (metric)
Finished Leather	$ 1,020/ton (metric)	$ 1,928/ton (metric)

TABLE XX

ESTIMATES OF RAW MATERIAL COSTS

PRODUCT 4

LEATHER HANDBAGS

Materials	South Africa	Hong Kong
Finished Leather	$ 1,020/ton (metric)	$ 1,647/ton (metric)
Coated, Impregnated or Laminated Plastics	$ 1,333/ton (metric)	$ 3,172/ton (metric)
Unsupported Plastic Film and Sheeting	$ 331/ton (metric)	$ 309/ton (metric)
Cotton Cloth	$ 2,230/ton (metric)	$ 1,647/ton (metric)
Rayon and Acetate	$ 761/1000 (sq. m.)	$ 1,067/1000 (sq. m.)

TABLE XXI

ESTIMATES OF RAW MATERIALS COSTS

PRODUCT 5

FLAT GOODS OF LEATHER AND OTHER MATERIALS

Materials	South Africa	Hong Kong
Finished Leather	$ 1,020/ton (metric)	$ 1,928/ton (metric)
Coated, Impregnated or Laminated Plastics	$ 1,333/ton (metric)	$ 3,172/ton (metric)
Unsupported Plastic Film and Sheeting	$ 331/ton (metric)	$ 309/ton (metric)

TABLE XXII

ESTIMATES OF RAW MATERIAL COSTS

PRODUCT 6

SEWING MACHINES

Materials	South Africa	Taiwan
Fractional Horsepower Electrical Motors	$ 240/gross	$ 219/gross
Alloy Steel Bars and Bar Shapes	$ 124/ton (metric)	$ 146/ton (metric)
Copper - Rod Bar and Mechanical Wire	$ 1,361/ton (metric)	$ 1,686/ton (metric)
Sheet Plate And Foil Aluminum	$ 804/ton (metric)	$ 1,163/ton (metric)
Castings Aluminum	$ 822/ton (metric)	$ 1,488/ton (metric)

TABLE XXIII

ESTIMATES OF RAW MATERIAL COSTS

PRODUCT 7

ELECTRICAL APPARATUS FOR MAKING - BREAKING

ELECTRICAL CIRCUITS

Materials	South Africa	Singapore
Copper Rod, Bar And Mechanical Wire	$ 1,820/ton (metric)	$ 2,414/ton (metric)
Sheet and Strip Carbon Steel	$ 118/ton (metric)	$ 120/ton (metric)
Copper Castings	$ 2,462/ton (metric)	$ 2,762/ton (metric)
Copper Wire Insulated	$ 1,355/ton (metric)	$ 1,756/ton (metric)
Copper Plate	$ 1,171/ton (metric)	$ 1,594/ton (metric)

TABLE XXIV

ESTIMATES OF RAW MATERIALS COSTS

PRODUCT 9

KNIVES, FORKS, SPOONS WITH STAINLESS STEEL HANDLES

Materials	South Africa	Hong Kong
Stainless Steel	$ 751/ton (metric)	$ 852/ton (metric)
Carbon Steel Sheet and Strip	$ 118/ton (metric)	$ 183/ton (metric)
Iron and Steel Forgings	$ 740/ton (metric)	$ 831/ton (metric)
Aluminum Sheets	$ 804/ton (metric)	$ 742/ton (metric)
Copper Plate Sheet and Strip	$ 1,171/ton (metric)	$ 1,388/ton (metric)

TABLE XXV

ESTIMATES OF RAW MATERIALS COSTS

PRODUCT 10

BASEBALL AND SOFTBALL GLOVES AND MITTS

Materials	South Africa	South Korea
Finished Leather	$ 1,020/ton (metric)	$ 1,840/ton (metric)
Cotton Fabric	$ 2,230/ton (metric)	$ 1,330/ton (metric)

TABLE XXVI

TAIWAN - FOREIGN TRADE

U.S. $ MILLIONS

Year	Exports	Imports	U.S. Aid	Other (Including Investment Funds)	Index of (Industrial Production 1963=100)
1954	97.8	204.2	87.8	5.9	38.8
1955	133.4	190.1	89.2	9.3	43.2
1956	130.1	118.1	96.5	17.4	45.4
1957	168.5	252.2	98.7	14.7	51.5
1958	165.5	233.8	82.3	22.8	55.4
1959	163.7	244.4	73.4	20.6	62.7
1960	174.2	252.2	90.9	18.1	71.5
1961	218.3	324.1	108.2	23.5	82.3
1962	244.4	327.5	80.1	22.8	91.6
1963	363.5	336.8	76.1	34.2	100.0
1964	469.5	410.4	39.7	36.7	119.6
1965	495.8	555.3	65.9	35.9	142.2
1966	584.2	601.1	34.3	61.2	165.0
1967	675.1	847.5	30.6	176.9	192.7
1968	841.8	1,025.9	19.8	169.1	234.0
1969	1,110.6	1,204.8	13.8	94.6	177.0
1970	1,561.7	1,527.7	.1	116.3	325.7
1971	1,135.5	1,949.7	—	135.7	394.2

Source: "Economic Indicators of the Republic of China" Economic Review, The International Commercial Bank of China, No. 146, March-April, 1972.

TABLE XXVII

HONG KONG

STRUCTURAL SHIFTS IN THE GROWTH OF MANUFACTURING AND CLOSELY RELATED ACTIVITIES (PER CENT OF TOTAL)

Activity Category	1931	1962	1966	1969
Metal Mining		0.3	0.2	0.1
Non Metal Mining	1.5	trace	trace	trace
Quarrying		0.6	0.5	0.1
Food		3.4	2.8	1.8
Beverage	14.7.	0.7	0.7	0.4
Tobacco		0.5	0.4	0.2
Textiles	13.3	27.5	26.0	22.8
Footwear and Garments		19.1	18.6	19.8
Woodworking	19.5	1.2	1.3	1.0
Furniture & Fixtures		1.1	1.1	0.9
Paper & Products	8.2	0.7	0.8	1.0
Printing & Publishing		4.2	4.3	3.2
Leather & Fur	1.2	0.1	0.1	0.1
Rubber Products	—	2.8	2.5	2.4
Chemicals & Products	2.7	1.4	1.1	0.8
Mineral Products	1.5	0.8	0.8	0.6
Basic Metal Production	—	1.1	0.9	0.6
Metal Products (not machinery)		11.1	9.1	8.2
Machinery (not electrical)	31.0	2.2	1.7	1.4
Electrical Machinery		2.7	6.6	9.4
Transport Equipment		6.0	4.6	3.2
Misc. Manufacturing	3.2	12.6	16.0	20.8
Electricity, Gas and Steam	2.6	1.1	1.1	1.1
TOTALS $HK In (000's)	76,712	255,198	346,990	537,175

Source: Meier, R.L., The Performance of Cities: An Assessment of Hong Kong and Its Future, Berkley, University of California, 1970.

TABLE XXVIII

HONG KONG'S LABOUR NEEDS

Industry	Survey Date	Work Force	Vacancies	Intraining	Yearly Needs
Clothing	March 1969	114,000	11,000	1,500	4,000
Textiles	March 1967	85,000	7,000	3,000	5,500
Electronics	March 1970	33,000	4,200	700	6,000
Electrical Appliances	Dec. 1968	14,000	1,000	700	2,000
Plastics	Aug. 1967	60,000	3,000	11,000	5,000

Source: Dion, P., "When It's Time for Brain", Far Eastern Economic Review, Vol. LXXI, No. 4, 1971, p. 30.

TABLE XXIX

SOUTH KOREA

EXPORTS AND IMPORTS BY COMMODITY GROUP IN THOUSANDS U.S. DOLLARS

EXPORTS

Year	Total	1	2	3	4	5	6	7	8	9	10
1961	40,878	8,948	184	20,958	2,209	118	550	4,004	884	791	2,232
1962	54,813	21,899	141	19,320	2,760	69	990	6,177	1,446	1,954	57
1963	86,802	18,059	250	26,187	2,579	92	904	28,115	4,067	6,401	146
1964	119,058	26,350	184	31,442	2,488	88	630	42,310	2,204	13,197	164
1965	175,082	28,190	898	37,033	1,899	71	380	66,414	5,501	34,387	209
1966	250,334	41,274	6,892	46,680	1,505	137	714	84,176	9,555	59,197	205
1967	320,229	37,928	7,019	58,005	1,772	119	2,359	101,382	14,185	97,239	219
1968	455,401	44,492	8,621	61,506	2,298	113	3,116	143,599	24,464	167,006	188
1969	622,516	50,279	14,850	73,042	4,837	68	9,754	173,826	53,219	242,235	295
1970	835,185	65,537	14,231	99,973	8,761	59	11,413	220,887	61,469	352,497	357

TABLE XXIX - (Continued)

IMPORTS

Year	Total	1	2	3	4	5	6	7	8	9	10
1961	316,142	40,128	34	68,294	27,362	3,949	61,654	39,540	42,392	5,689	32,102
1962	421,782	48,647	86	89,690	30,606	3,856	94,314	73,093	69,783	10,231	1,467
1963	560,273	120,607	326	107,074	34,377	4,781	79,980	88,328	115,569	8,033	1,198
1964	404,351	68,237	124	97,064	28,471	3,886	84,335	46,114	69,520	5,336	1,266
1965	463,442	63,505	186	110,021	31,269	3,764	103,425	70,839	73,489	6,768	177
1966	716,441	72,365	266	153,924	42,447	5,491	134,547	125,194	171,720	10,457	30
1967	996,246	94,115	783	208,473	61,607	6,945	113,043	183,720	310,195	17,221	144
1968	1,462,873	167,538	1,390	267,123	75,536	8,293	128,459	242,161	533,044	38,883	444
1969	1,087,056	87,481	1,633	273,983	110,324	5,441	119,899	215,311	235,847	37,003	136
1970	1,255,018	102,018	1,558	356,454	130,085	13,532	140,120	248,289	229,369	33,605	47

Column Key:

1. Food and live animals
2. Beverages and tobacco
3. Crudeals, inedible except fuels
4. Mineral fuels, lubricants and related materials
5. Animal and vegetable oils and fats
6. Chemicals
7. Manufactured goods classified by materials
8. Machinery and transport equipment
9. Miscellaneous manufactured articles
10. Not elsewhere listed

Source: Korea Annual 1971

TABLE XXX

SOUTH KOREA

EXPORT COMPOSITION BY INDUSTRY IN PER CENT

	1962	1963	1964	1965	1966	1967	1968	1969
Agriculture	23.0	13.3	10.4	8.7	9.5	4.7	4.3	4.2
Fisheries	22.0	15.5	19.9	13.7	14.7	15.0	10.2	9.4
Mining	28.0	19.5	18.1	15.3	13.4	11.2	8.2	7.4
Manufacturing	27.0	51.7	51.6	62.3	62.4	69.1	77.3	79.0
Heavy Industry	(2.9)	(16.3)	(7.9)	(12.6)	(8.5)	(4.5)	(4.5)	(12.0)
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
In Million Dollars	(56.7)	(84.4)	(120.9)	(180.5)	(255.8)	(358.9)	(500.4)	(702.8)
Growth Rate	32.7	48.8	43.2	49.3	41.8	40.2	39.5	40.5

Source: Industry in Korea 1970

TABLE XXXI

SOUTH KOREA

MAJOR EXPORT ITEMS $000

	1965	1966	1967	1968	1969
Electronic Equipment	1,381	2,783	2,268	3,600	7,214
Radio Receivers	1,318	2,754	2,169	3,452	5,266
T.V. Receivers	—	—	—	70	1,549
Telephones	—	6	12	5	2
Others	—	—	—	42	9
Electronic Parts and Components	412	839	4,756	15,827	34,697
Transistors	—	2	1,026	5,469	12,432
I.C.	—	—	2,873	6,439	15,115
Condensers	—	28	—	143	1,349
Resisters	—	—	—	21	17
Speakers	—	1	17	14	198
Diodes	—	—	—	3	133
Batteries	354	614	142	69	104
Memory Planes	—	—	14	2,105	4,116
T.V. Tuners	—	—	—	108	662
Others	58	194	684	1,456	571
Sewing Machines	392	708	803	309	807
Bicycles	32	153	23	N.A.	N.A.
Cement	508	227	1,350	2,549	6,881
Plate Glass	462	552	128	15	—
Tiles	14	59	99	20	1,143
Pottery and Porcelain	74	126	65	104	260
Other Ceramics	526	546	593	459	490
Raw Silk	6,794	11,632	14,873	17,954	20,754
Silk Fabrics	342	285	225	1,372	826
Cotton Fabrics	10,552	10,121	12,591	13,314	17,706
Wool Fabrics	2,228	2,153	3,963	4,519	3,137
Chemical Yarns and Fabrics	5,443	9,690	15,152	22,255	15,652
Fishing Nets and Ropes	1,463	2,405	3,236	3,510	5,329
Rubber Shoes	3,942	4,834	7,600	10,467	13,274
Tires and Tubes	980	1,384	1,618	1,715	2,102
Other Rubber Goods	156	325	338	545	681
Plywood	18,977	30,519	41,404	67,408	81,758
Leather Goods	252	987	1,185	1,932	2,618
Frozen Food	2,368	3,872	6,084	4,653	2,627
Agar Agar	2,176	2,753	5,800	1,851	1,780
Beer	—	123	6,036	5,315	4,647
Malt	—	236	360	276	—
Sugar, Refined	8,581	8,977	9,753	10,088	N.A.
Canned Marine Products	N.A.	1,689	489	322	N.A.
Canned Agricultural Products	N.A.	457	567	617	N.A.

TABLE XXXI - (Continued)

	1965	1966	1967	1968	1969
Clothing Total	20,713	33,386	59,208	112,232	115,721
Warp knitted goods	3,441	6,542	13,051	21,428	19,326
Hosiery	490	1,256	1,645	1,966	3,279
Gloves	13	35	210	N.A.	480
Underwear and outerwear	1,660	826	4,456	13,092	14,314
Sweaters	4,808	14,882	25,239	44,678	63,693
Chemical Fertilizer	—	—	1,640	1,347	7,252
Internal Combustion Engines	N.A.	994	N.A.	334	N.A.
Transformers	N.A.	412	569	693	457
Electric Fans	N.A.	7	—	13	193
Home Refrigerators	N.A.	—	—	—	381
Room Coolers	N.A.	—	—	—	26
Watt-Hour Metres	N.A.	8	91	—	—
Distributors	N.A.	227	44	6	—
Xmas Decorations - Bulbs	N.A.	914	1,226	2,700	192
Agricultural Machinery	610	686	315	914	N.A.
Motors	523	644	72	—	N.A.
Power tillers	4	11	171	96	N.A.
Weeding hoes	83	—	—	—	N.A.
Shovels	—	28	2	5	N.A.
Rakes	—	—	—	401	N.A.
Multipurpose hoes	—	3	—	—	N.A.
Parts for deisel engines	—	—	25	10	N.A.
Others	—	—	45	432	N.A.
Textile Machinery	N.A.	636	675	116	N.A.
Printing and Book Binding Machinery	N.A.	97	95	63	N.A.
Food-Processing Machinery	N.A.	4	1	3	N.A.
Construction and Mining Equipment	N.A.	4	33	127	N.A.
Heating and Cooling Equipment	N.A.	7	177	37	N.A.
Pumps and Centrifuges	N.A.	44	140	79	N.A.
Mechanical Handling Equipment	N.A.	97	585	89	N.A.
Lathes	64	58	79	26	N.A.

Source: Industry in Korea, 1970

TABLE XXXII

SOUTH KOREA

EXPORTS AND IMPORTS

U.S. $ MILLIONS

EXPORTS

Year	Commercial	Bonded Process	Others	Total
1961	36.6	—	2.2	40.9
1962	52.8	1.0	1.0	54.8
1963	76.7	4.9	5.3	86.8
1964	111.0	5.4	2.7	119.1
1965	153.4	16.3	5.3	175.1
1966	215.8	28.8	5.7	250.3
1967	259.6	49.0	10.9	320.2
1968	356.3	87.0	12.1	455.4
1969	478.9	130.7	12.9	622.5
1970	659.8	152.3	23.1	835.2

IMPORTS

Year	Commercial	Official Aid	Foreign Loans	Relief and Others	Total
1961	103.1	196.8	—	16.2	316.1
1962	179.0	218.5	4.5	19.7	421.8
1963	232.7	232.6	52.1	42.8	560.3
1964	184.5	142.6	34.6	42.6	404.4
1965	248.4	135.5	31.5	48.1	364.4
1966	401.9	153.6	108.4	62.5	716.4
1967	673.5	119.2	167.3	36.2	996.2
1968	964.4	125.7	290.6	73.1	1,462.9
1969	1,087.1	120.5	475 1	140.4	1,823.6
1970	1,255.3	110.0	400.2	114.3	1,879.7

Source: Korea Annual 1971

TABLE XXXIII

SOUTH KOREA

DEPENDENCE OF SECTORAL PRODUCTION ON THE DIRECT AND DERIVED DEMAND FOR EXPORTS IN 1963 AND 1966
(IN PER CENT)

	1963	1966
Agriculture, Forestry, and Fisheries	1.8	4.7
Mining	17.8	26.0
Manufacturing	6.6	14.8
Food, Beverages and Tobacco	3.2	7.6
Textiles	8.3	24.0
Other Light Manufacturing	6.1	15.5
Chemicals and Ceramics	3.5	9.7
Metal Products	13.5	17.1
Overhead and Services	6.3	10.3
Total	4.7	10.6

Source: Compiled from the 1963 and 1966 INPUT-OUTPUT TABLES in the Bank of Korea, Economic Statistics Yearbook, 1966 and 1969.

TABLE XXXIV

SOUTH KOREA

IMPORT COEFFICIENTS OF MANUFACTURING

DIRECT PLUS INDIRECT IMPORTS

Manufacturing Sector	1960	1966
Processed Foods	.229	.159
Beverages and Tobacco	.109	.066
Fiber Spinning	.595	.532
Textile Fabrics	.426	.387
Finished Textile Products	.358	.273
Sawmills and Plywood	.241	.561
Wood Products and Furniture	.163	.278
Paper	.280	.302
Paper Products, Printing and Publishing	.288	.190
Leather and Leather Products	.181	.177
Basic Chemicals	.259	.331
Intermediate Chemicals	.360	.331
Chemical Fertilizer	.235	.181
Finished Chemical Products	.365	.323
Coal Products	.096	.094
Cement	.149	.152
Other Ceramic, Clay and Stone Products	.201	.152
Iron and Steel	.261	.508
Steel Products	.261	.457
Nonferrous metals and Primary Products	.178	.241
Finished Metal Products	.275	.387
Machinery, except Electrical	.209	.284
Electrical Machinery	.261	.278
Transport Equipment	.232	.315
Miscellaneous Manufacturing	.260	.307

Source: Bank of Korea, Economic Statistics Year Book, 1966, 1969.

TABLE XXXV

SOUTH KOREA

RELATION OF GNP AND EXPORTS

Year	GNP (100 Million Won)	Exports (U.S. $ Million)
1956	152.44	24.5
1957	197.78	22.2
1958	207.19	16.4
1959	221.00	19.8
1960	246.69	32.8
1961	296.82	40.9
1962	348.58	54.8
1963	487.96	86.8
1964	696.79	119.1
1965	805.85	175.1
1966	1,032.04	250.3
1967	1,242.35	320.2
1968	1,575.67	455.4
1969	2,047.11	622.5
1970	2,561.95	835.2

Source: Korea Annual 1971

TABLE XXXVI

SINGAPORE

EXPORTS - MILLION SINGAPORE $

Year	Total Exports	Miscellaneous Manufactured Goods	Wood Shaped or Worked
1964	2,771.9	137.7	42.7
1965	3,041.1	153.0	50.2
1966	3,373.6	162.7	56.6
1967	3,490.5	160.5	60.2
1968	3,890.7	175.6	78.5
1969	4,740.7	212.2	108.1
1970	4,755.8	248.0	109.5
% Increase	73.1%	81.0%	160 %

Year	Petroleum Products	Industrial Machinery	Machines Non Electric	Clothing Non Fur
1964	316.6	19.2	27.8	43.9
1965	429.6	29.9	37.0	50.4
1966	591.6	34.9	40.5	50.9
1967	675.4	39.2	34.1	50.0
1968	806.7	37.5	38.3	63.5
1969	927.5	48.4	42.3	85.1
1970	818.9	60.1	48.9	94.7
% Increase	125%	260%	76%	113%

Note: 1 $ U.S. = App. 2.82 Singapore $

Source: Compiled from Monthly Digest of Statistics, Vol's VIII, IX and X, No. S.11, November 1969, '70, and '71, Department of Statistics Singapore.

TABLE XXXVII

SINGAPORE

MANUFACTURING INDUSTRY

CENSUS OF MANUFACTURING

Year	Number of Establish-ments	Employees	Value of Output	Gross Value Added	Direct Exports
			Sing. $ Million		
1959	531	25,199	388.9	142.8	N.A.
1960	548	26,697	465.6	142.1	164.3
1961	562	26,837	518.4	174.4	179.1
1962	605	27,924	660.3	201.7	217.5
1963	858	35,256	843.8	252.6	223.8
1964	930	40,224	927.9	282.5	266.4
1965	1,000	46,020	1,086.4	348.4	349.2
1966	1,123	51,272	1,325.8	415.0	404.9
1967	1,200	56,762	1,687.7	478.6	508.2
1968	1,586	72,603	2,175.8	611.8	598.5
1969	1,716	87,128	2,635.8	782.1	760.0

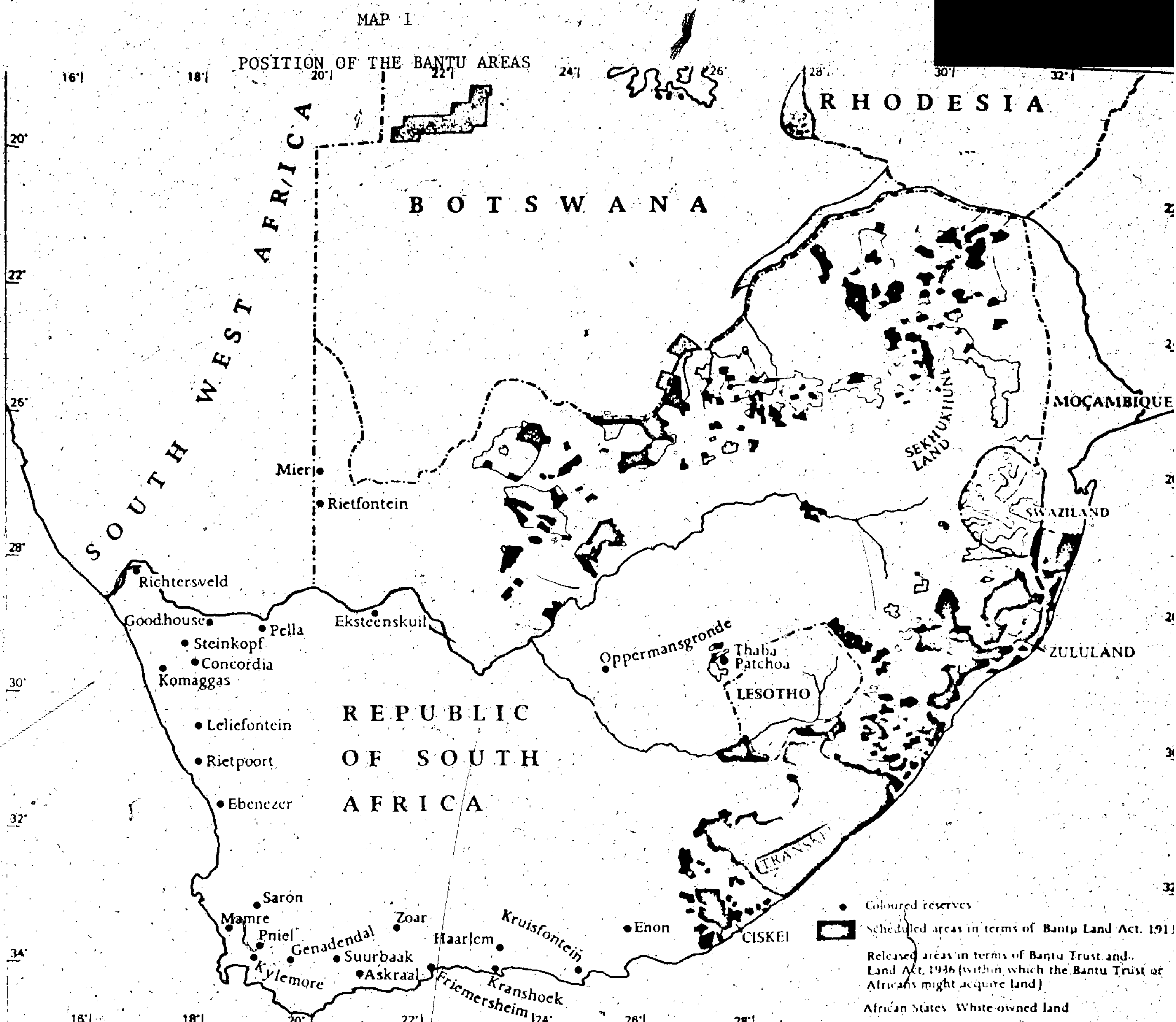
PIONEER FIRMS

1961	7	241	36	7
1962	14	968	110	23
1963	29	2,654	153	34
1964	56	5,446	220	50
1965	95	10,495	318	86
1966	111	10,881	490	119
1967	159	16,095	649	163
1968	203	20,800	1,072	249
1969	236	35,000	1,226	300

Source: Swee, G.H., Decade of Achievement, Singapore, Ministry of Culture, 1970.

MAP 1

POSITION OF THE BANTU AREAS



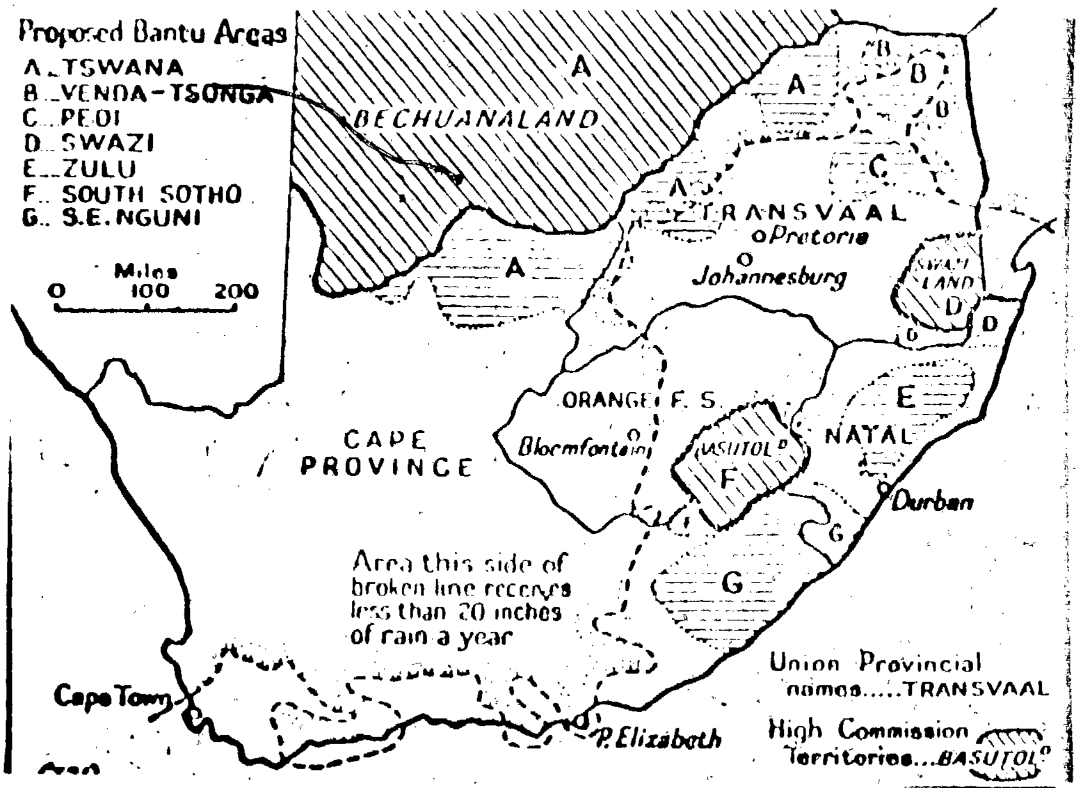
MAP 2. African and Coloured Reserves in the Republic of South Africa: White-owned land in Botswana and Swaziland

Sources: South African Institute of Race Relations: Scheduled and Released Bantu Areas, 1966 (map)
Coloured Affairs Department: Coloured Reserves, 1966 (map)
I. Schapera, *Native Land Tenure in the Bechuanaland Protectorate* (Lovedale, 1943)
H. Kuper, *The Uniform of Colour* (Johannesburg, 1947)

Source - Oxford History of South Africa, Vol. 11, p. 52.

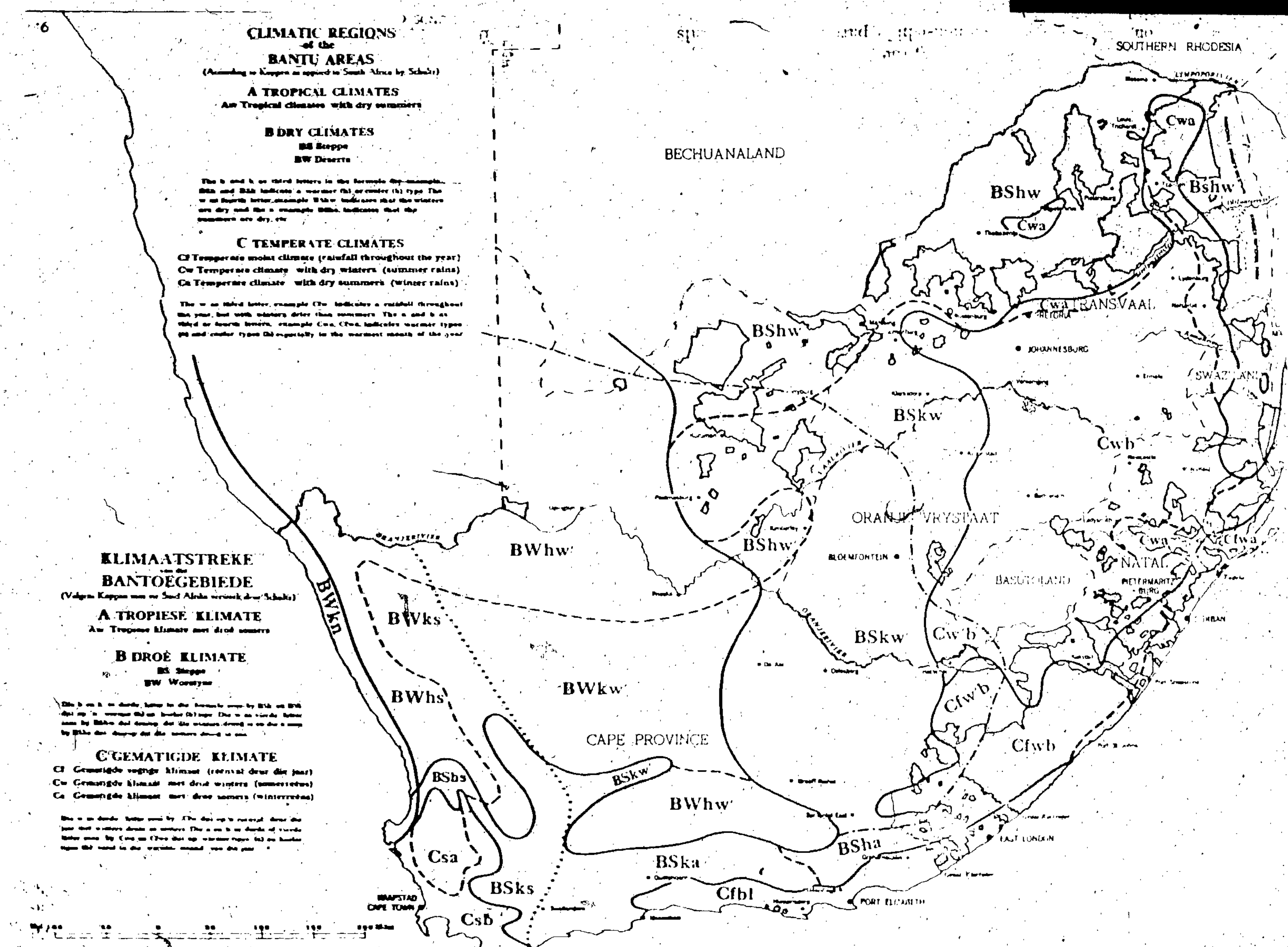
MAP 2

PROPOSED BANTU AREAS



MAP 3

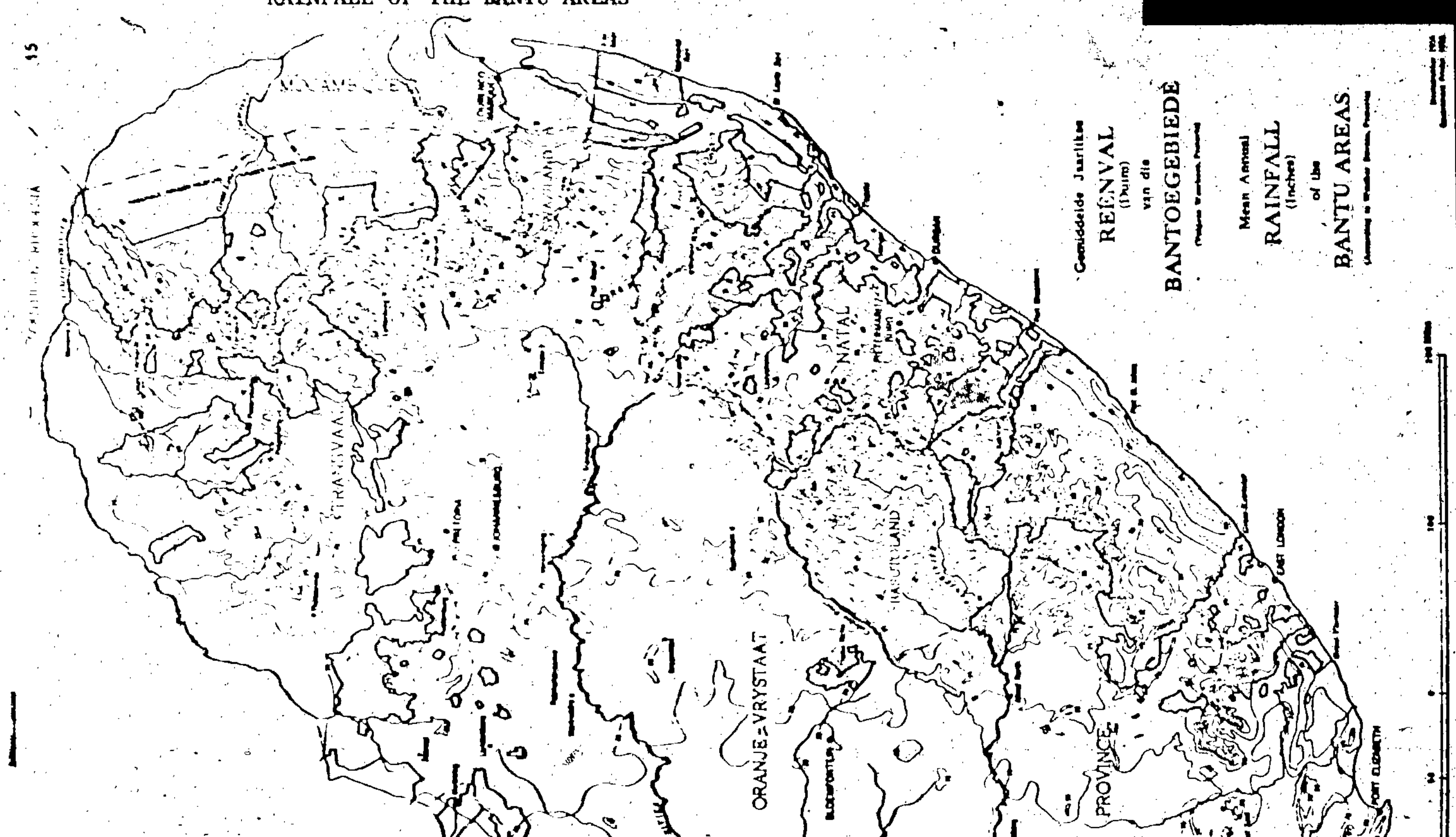
CLIMATIC REGIONS OF THE BANTU AREAS



Source - Tomlinson - Map 16

MAP 4

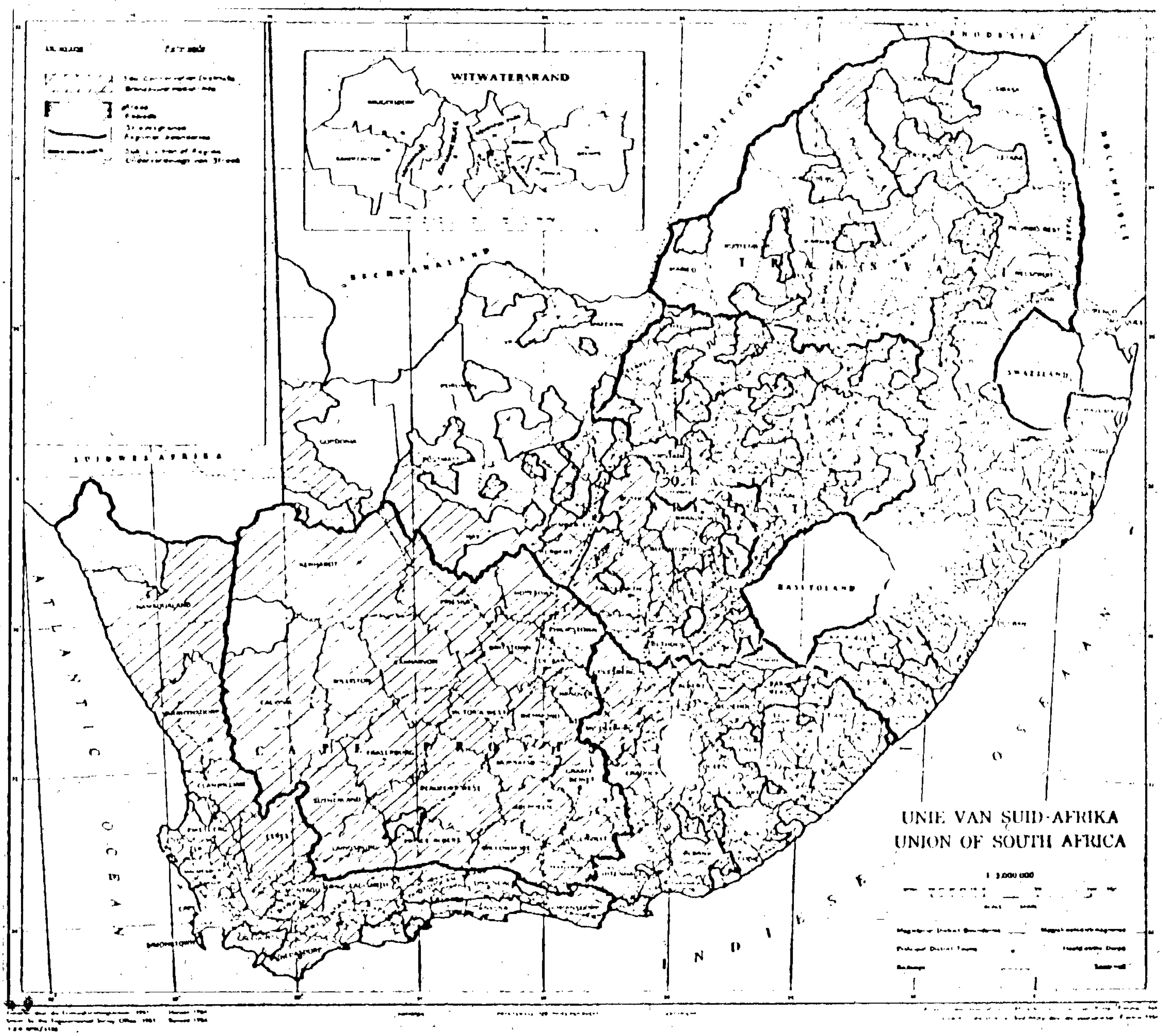
RAINFALL OF THE BANTU AREAS



Source - Tomlinson - Map 15

MAP 5

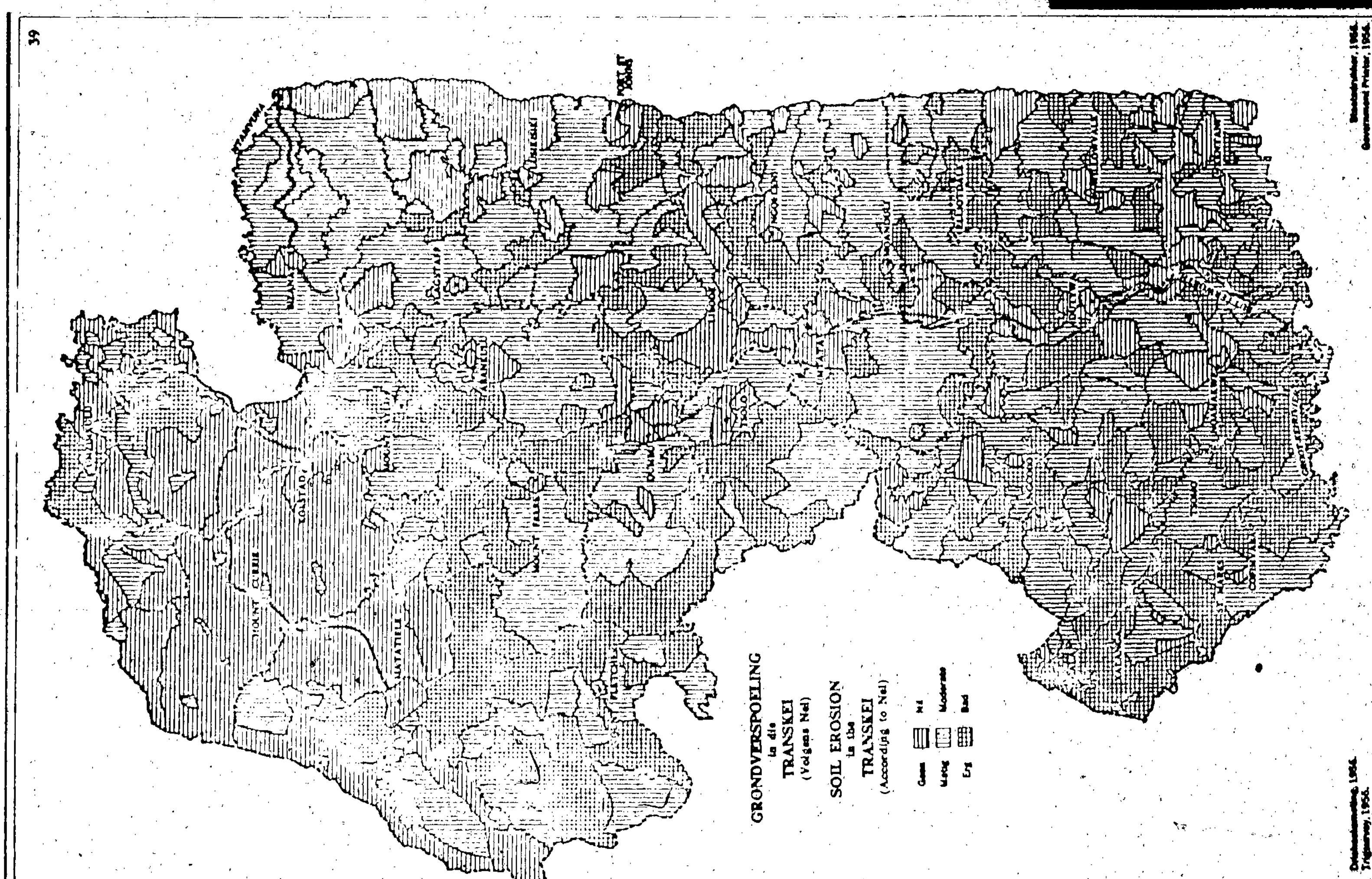
SOIL CONSERVATION DISTRICTS AND SOIL CONSERVATION AREAS



Source - 8th Annual Report of the Soil Conservation Board, 1955

MAP 6

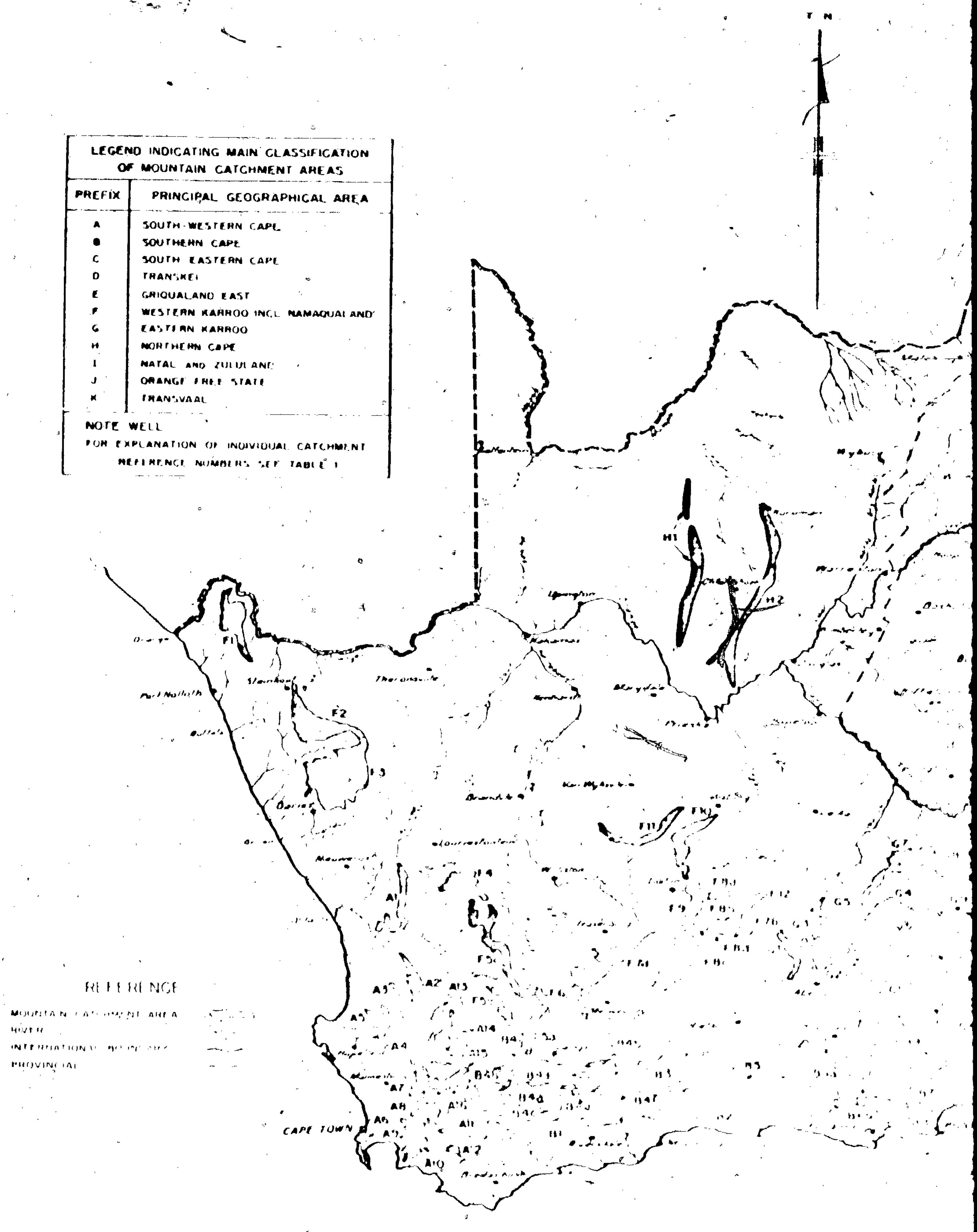
SOIL EROSION IN THE TRANSKEI



Source - Tomlinson - Map 39

MAP 7

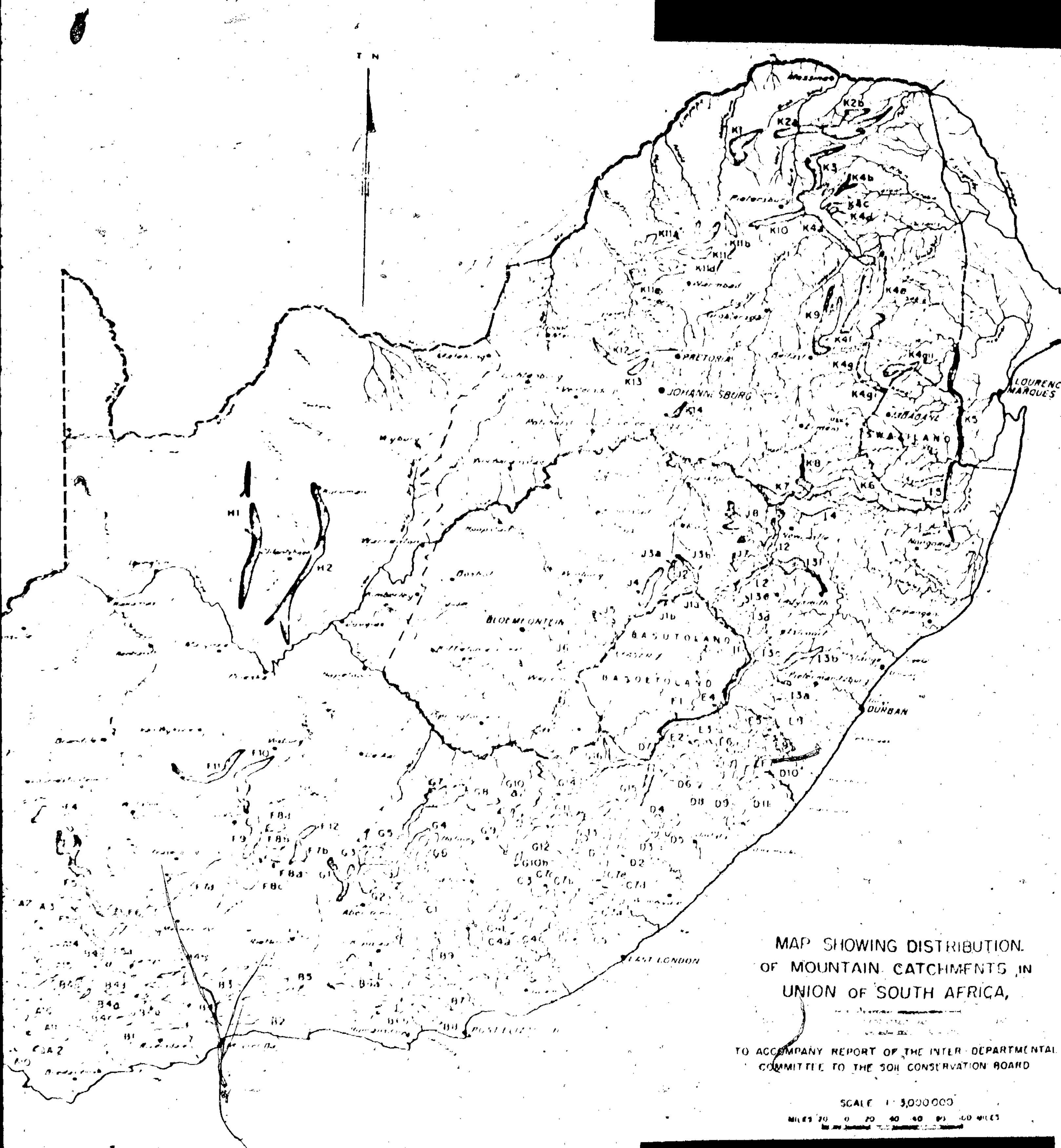
DISTRIBUTION OF MOUNTAIN CATCHMENTS IN SOUTH AFRICA



2 of 2

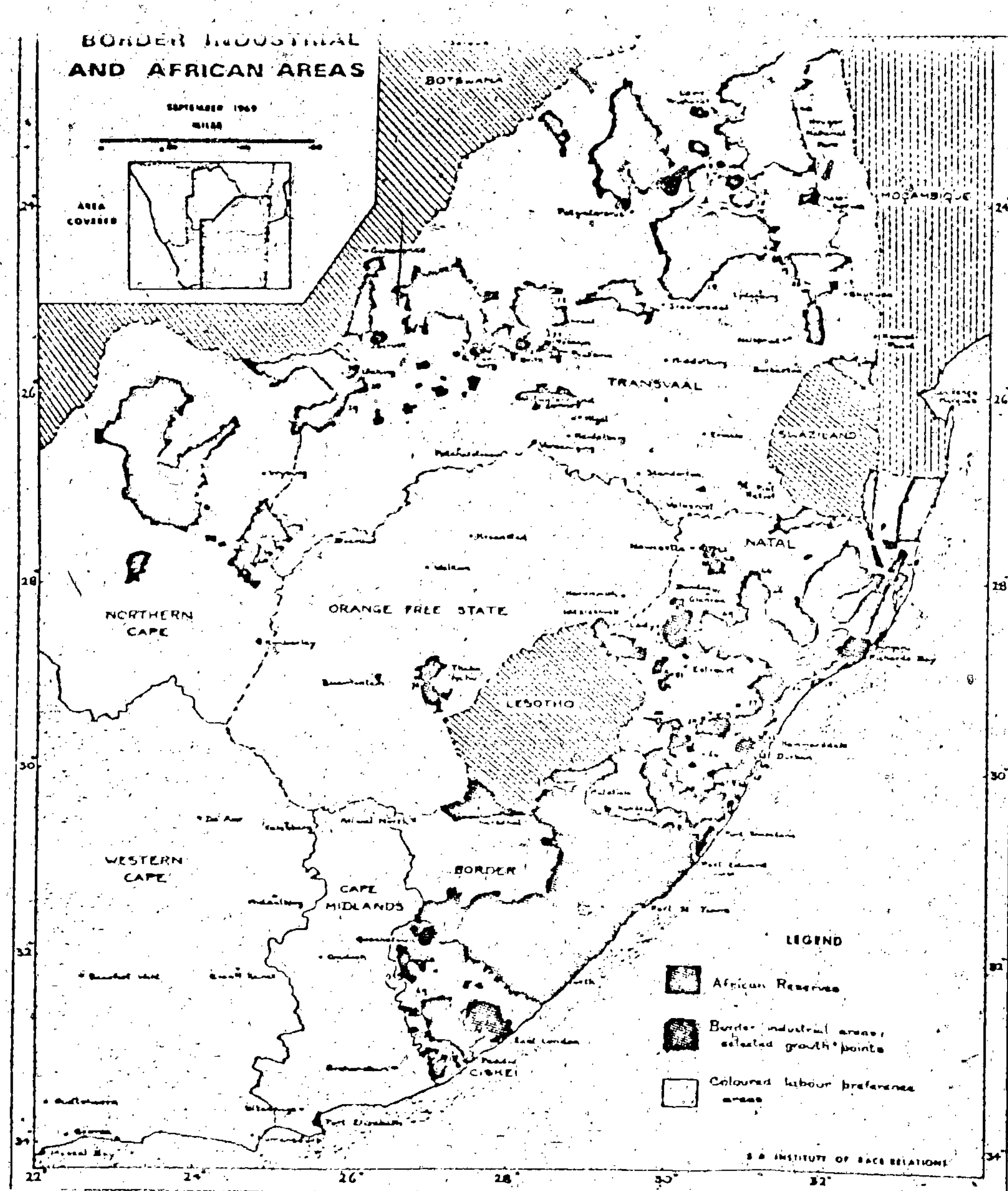
MAP 7

OF MOUNTAIN CATCHMENTS IN
SOUTH AFRICA



MAP 8

BORDER INDUSTRIAL AND AFRICAN AREAS



KEY TO TOWNSHIPS
REPRESENTED BY NUMBERS

57 Appelbosch
20 Arthurseat
19 Bourke's Luck
61 Dalmeny
21 Dinglaydale
36 Elandsdoring
18 Elandsfontein
10 Ga Kopane
34 Ga Rankuwe
29 Gelukspan
54 Gezinsela
25 Hlogotlou
67 Ilinge
59 Imbali
28 Itsoseng (de Hoop)
26 Kabokwini
69 Kayaletu
1 Khathutshelo
64 Kwa Makuta
13 Lenyenye
12 Letsitele
49 Limehill (Uitval and Vergelegen)
23 London
15 Lorraine
33 Mabopane
42 Madadeni
65 Magabeni
38 Magogong
8 Mahwelereng
39 Majaneng
2 Makwarela (Sibasa)
66 Mandeni
9 Mankweng
53 Mankweng
16 Marathong
24 Matlala
72 Mdantsane
70 Mnzetha
14 Muetradime
44 Mondhlo
27 Montshiwa
37 Mothibistad
58 Mpophomeni
62 Mpumalanga
47 Maung Nhloge
17 Namakgale
6 Nanedi
60 Ndaleni
41 Ncotshane
52 Ngwelezane
11 Nkowankowa
48 Nondweni
46 Orange Fountain
43 Osizweni
40 Pampierstad
50 Plateau
63 Sada
8 Sebayeng
30 Selonsted
73 Seloshshe
4 Senwamokgope
7 Seshego (Moletsi)
3 Shayandima
35 Sjambok
45 Somkele
56 Sundumbili
32 Temba Leboneng
31 Thlabane
22 Thulamahashe
63 Umlazi
48 Vulandondo
51 Wembezi
71 Zwelitshe

Source - Horrel, M., The African Reserves of South Africa, 1969

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