RECENT DEVELOPMENTS IN THE SANCTIONS DEBATE: FOREIGN ATTACKS AND SOUTH AFRICAN RESPONSES

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1. Boycotts in International Relations

BY A BOYCOTT we mean the refusal of persons to deal with one or more other persons. The purpose of a boycott is generally to use economic pressure to punish, or induce abandonment of a course of action. Likewise, an international boycott refers to the refusal of citizens of a state to trade, or enter into economic relations with the citizens of another state, in order to manifest resentment or bring about pressure. Boycotts, therefore, are penalties which relate specifically to acts which the international community condemns. They are a 'conformity-inducing modality', designed to make a *code of conduct* effective.

Designed to substitute economic pressure for actual war, the mere threat of a boycott should, in its most economical application, be sufficient to induce the target country to alter its policy and comply with the standards of the international community. This, however, is not borne out by historical experience: Non-compliance is the typical response. The 'Classical Boycott' in European economic history is the Continental Blockade which was set up by Napoleon in the decrees of Berlin (21 November 1806) and Milan (17 December 1807).

Unable to invade Britain, Napoleon tried to expose her to a state of overproduction by closing the whole of Europe to British goods. He hoped that British merchandise would soon accumulate at British docks, that factories would have to close, and that the unemployed workmen would overthrow the government and force it to yield to his demands. As the British Isles were declared under blockade, all commerce and correspondence with them was forbidden, and all British property on the Continent was declared subject to seizure. No vessel could enter any European port if it had touched at a British port first.

The Continental Blockade brought forth model examples of commercial ingenuity in finding ways and means to bypass the detrimental consequences of Napoleon's Edicts. In particular, Holstein became a central region for the deposit of British goods, whence they were smuggled across the border at a cost of not more than 40 per cent. Bribery was rife, for French agents readily sold certificates stating a false origin for the goods. France was also not successful in boycotting British imports and in spite of earlier political tensions, commerce and trade established itself btween Britain and the USA. Great Britain had gained in economic strength when, after some years, the Blockade had come to an end.

During both World Wars, several trade boycotts were imposed from time to time, without, however, bringing about the desired result. Writing on the effectiveness of the blockade during World War I, W.K. Hancock maintains that 'it was not the blockade which drove the Germans to the verge of starvation ... but their own mistake of withdrawing too much labour from agriculture'. In the case of the Second World War, Nazi Germany's armament production peaked in the second quarter of 1944 in spite of the persistent economic boycott at the time. It was not the cutting-off of Germany's trade links which ultimately led to her surrender, but the incursion of troops.

The most astonishing example of survival potential under sanctions is Rhodesia. When sanctions were first imposed by Britain, immediately after the *Unilateral Declaration of Independence* (UDI) in 1965, it was thought that this would quickly bring the economic activity of the country to a halt. After all, the odds were strongly against Rhodesia:

nearly half of her gross national product was exchanged with the rest of the world; her production capacity and her exports consisted mainly of tobacco and a few minerals (chrome, asbestos and nickel); and the country seemed to lack the economic maturity necessary to adjust the productive structure to new conditions.

Yet, as time went by, the Rhodesian regime had a chance to absorb each shock as it came. After UDI, Rhodesia's real GDP rose at an annual rate of 5.3 per cent for ten years. Moreover, the indices of mineral and manufacturing production doubled between 1965 and 1977.

If Rhodesia eventually surrenders to UN demands, this will probably not be due to the imposition of economic sanctions, but rather because of war costs which are too heavy to bear.

2. Sanctions and Calls for Sanctions against South Africa

THE SOUTH African situation has been the focal point of the debate over sanctions for many years. In recent years, United Nations agencies, churches and church associations, some trade union bodies and some Western governments have either demanded sanctions, or intimated the possibility of such a demand. An arms embargo has already been effective for a number of years, but there is now a real possibility that it could be extended to a general oil embargo. Andrew Young, Ambassador of the United States to the United Nations, is on record as having suggested that taxes paid by subsidiaries of UN multinational corporations should not in future serve as credits against US income taxes, which are payable by head offices of multinational companies.

Specific restrictions on exports to the Republic of South Africa and Namibia were imposed by the Bureau of Trade Regulations of the US Department of Commerce on 16 February, 1978. In the preamble of the relevant regulations it is said that 'these regulations are intended to further US foreign policy regarding the preservation of human rights by denying access to US-origin commodities and technical data by the military and police entities of the Republic of South Africa and Namibia'.

Note the absence of any clear legal definition regarding the imposition, the possible strengthening, or the withdrawal of the boycott. Indeed, it is difficult for the South African authorities exactly to know what is needed in order to bring about a reversal of the 16 February 1978 Regulation.

3. The Costs of a Boycott against South Africa

IT IS obvious that an economic boycott is costly, both for the countries actively imposing it, and for those which are being boycotted. According to calculations submitted by the Confederation of British Industries, it has been submitted that a trade boycott against South Africa would increase Britain's unemployment by about 75,000 people. Moreover, with exports to South Africa valued at more than £600 million p.a., one of Britian's most prosperous overseas markets would have to be sacrificed. One recent estimate is that ICL alone would have to lay off 900 British workers if a boycott against South Africa were imposed. Within Great Britain as a whole, it would probably be difficult to bring about an equitable apportionment among different parliamentary constituencies of the costs of a possible boycott against South Africa. In the absence of such apportionment, it can be expected that members of parliament whose constituencies will suffer from boycott action will strongly oppose its imposition. To be sure, they will be opposed by ideologists whose personal career prospects might improve if they were instrumental in initiating a boycott. The outcome of this 'game' is uncertain, but the greater the geographical cluster of work places which depend on South African trade, the more articulate is the opposition against the imposition of a boycott likely to be.

For Germany it has been estimated that a boycott would cost the country about 80,000 work places and for the EEC as a whole I would think that 250,000 work places are at stake. *Regarding the imposition of boycotts in general one must consider the likelihood that* once a boycott has been imposed against South Africa, it will also have to be imposed against other so-called non-democratic countries. In this regard, the Swedish case is of interest. In June 1978 Swedish firms employed only 4,470 workers in South Africa, of whom some 50% were Blacks. Only some 1,100 Swedish work places depended on the 'South African connection'. It was felt that a boycott against South Africa would soon be extended to a boycott of South American countries and that this would severely damage Swedish interests.

The present address, however, does not concern itself with the costs to foreign countries of an economic boycott. The main emphasis is on the South African situation.

In order to quantify the disadvantages of a possible investment and/or trade boycott against South Africa, a 52 pole input-output model was designed, capable of assessing the consequences of boycotts on the gross domestic product, employment, and disposable incomes.

Using 1976 data, we found that a *50% investment boycott* would have decreased South Africa's GDP by about 1.7% and in terms of the increase in unemployment, the result would have been as follows:

Table 1

Increase in South African Unemployment following a Hypothetical 50% Foreign Investment Boycott, 1976 Data

Increase in White unemployment	27,344 workers
Increase in Coloured unemployment	9,820 workers
Increase in Asian unemployment	1,958 workers
Increase in Black unemployment	51,789 workers
Total increase in unemployment	90,911 workers

In 1976, foreign capital inflows to South Africa were valued at R1,000 million which, in accordance with our model, was responsible for the creation of about 182,000 work places. The validity of the assumptions made has to some extent, been tested through the economic events which have since taken place. In 1977, the long-term capital inflow to South Africa was only R211 million, but together with the repayment of short-term foreign debt and an increase in other short-term capital, there was a substantial net outflow of capital of no less than R875 million. As a consequence, the real gross national product increased by only about 1 per cent, and with a population growth of between 2 and 3 per cent, per capita incomes declined. It has been estimated that during the first three months of 1977, unemployment in South Africa increased by about 1,000 persons per work day, but during the latter half of the year, the employment situation seemed to have stabilised to a certain degree.

Because of the tightly woven net of trade relations between South Africa and the rest of the world, a *trade boycott* would affect South Africa more severely than an investment boycott. In 1976, a 20 per cent trade boycott would have decreased South Africa's exports by about R1,478 million and this would have increased the country's unemployment by about 90,000 Whites and 343,000 Non-Whites. Of the Non-Whites, foreign migrants would be hardest hit. All in all, incomes would have fallen by R1 billion. A hypothetical 50 per cent export boycott would have been accompanied by inconceivable hardship. Some 1.1 million persons would have become unemployed, and the very poorest affected most severely. In fact, more than half a million Blacks presently employed in mining and agriculture would have joined the ranks of the 'industrial reserve army'. The decline in income payments would have been about R2.6 billion. Whites and Non-Whites alike would have been thrown into distress.

Having discussed the 'pure' consequences of a hypothetical investment and trade boycott, let us look now at the available countervailing measures. As an export boycott would reduce the available gold and foreign exchange reserves, import restrictions would have to be imposed sooner or later. The resulting reduction in South African imports would, in all probability, be directed so as to damage countries which were instrumental in, or gave actual support to, the imposition of the boycott. It is of course true that the costs of transferring former export capacities to local market production cannot be evaluated with certainty: Empirically, we know little about the substitution elasticities of different production processes. It must also be borne in mind that when import substitution remains incomplete, certain costs will have to be borne by the consumer.

Moreover, it would seem unlikely that South Africa's exports could be successfully boycotted. If a foreign vessel travelling the Indian Ocean falls into distress, South Africa will render assistance and repair services. (Each year, between 16,000 and 20,000 ships call at South African ports for supplies and repairs.) This produces an export income which, by its very nature, cannot be subject to a boycott. Similar considerations are valid for the sale of gold and diamonds. These goods are easily transportable, and foreign countries could hardly succeed in boycotting them. We should also note that foreign countries are highly dependent on South Africa's chrome, uranium and platinum supplies. In the case of these and some other raw materials, South Africa holds a monopolistic position. This means that if, because of boycotts, a certain fraction of the annual production cannot be sold on world markets, prices will rise. Moreover, the implementation of boycotts would be a signal to the world that certain raw materials, currently supplied by South Africa, would become scarce. With this expectation, price increases would spread even further. Possibly, demand would become more inelastic, and if this happened, South Africa's income from the export of raw materials would increase even if the quantity supplied were reduced.

South Africa is determined to overcome the possible adverse effects of trade sanctions by means of a heavily subsidised import substitution programme. Useful quantitative information about the import substitution potential of the South African economy is contained in a research report, published in June 1977, and issued by the *Afrikaanse Handelsinstituut*, the *South African Federated Chamber of Industries* and the *Steel and Engineering Industries Federation of South Africa*. This comprehensive study came to the conclusion that the potential for import replacement (where additional and new capacity would first have to be developed over the next 3 to 4 years) is R473 million, whilst the potential for import displacement (where capacity already exists in the South African economy to produce goods) is approximately R610 million.

The report states that in terms of the 1975 import structure, at least 10.9 per cent, and at most 17.4 per cent, would be replaced by 1980, whilst up to 18 per cent of imports could be displaced. The calculations were done on the assumption of constant unit production costs.

One of the main factors to have militated against advances in import substitution has been the lack of short-term capital. In recent years the South African purchaser of capital equipment could borrow money at an effective interest rate of between 4 and 8 per cent with deferred payment over several years overseas, as compared with cash or progress payments if the product was produced locally. Surely, in the case of a boycott imposition, this rather 'technical' impediment would no longer apply.

Regarding computer production, the local manufacture of visual display units is currently being tested. With recent technological advances, South Africa would probably be able to produce its own computers, but the cost structure would be higher than in the USA or Great Britain. (In India, where ICL has a small computer factory, the cost structure is 35 per cent higher than in Britain, despite cheap labour.)

It would seem that at present, South African policy makers hold open the options of both export promotion and import substitution. Following the *Reynders Commission Report* some years ago, the country has embarked on a successful export drive, and this has recently contributed to many small and medium South African firms successfully establishing themselves on export markets. At the same time, the country seems to have kept open the 'back-door' of import substitution, as is evidenced by the following measures:— the imposition of a 15 per cent import surcharge in 1977, recently reduced to 12.5 per cent; the preference given to local tenders; the refusal of import permits when local suppliers are available; and other measures designed to prevent foreign countries from using dumping practices on South African markets. Hence, it would seem that South Africa does not at present rely entirely on the maintenance of free trade: her efforts to promote import substitution policies have been too great.

Writing on the effects of economic industrialisation through import substitution, Albert O. Hirschman maintains that an 'exuberant phase' of import substitution is likely to come about in the initial phases. The process (which, historically, has most frequently been initiated by wars and depressions) is likely to bring about industrialisation primarily in countries located at the periphery, i.e. countries which are or have been semi-industrialised. An 'easy' phase of import substitution is likely to last as long as the manufacturing process is still based on imported materials and machinery, whilst the importation of the article is firmly and effectively shut out by controls. Under these conditions, the experience of the newly established firm is likely to be most gratifying. This gives rise to an often noted exuberance and boom atmosphere, during which demand is easily overestimated. As a result, the new industry might soon find itself saddled with excess capacity once it has reached its first stage of maturity.

The problem with this kind of artificial development is that by virtue of the all-round protection, the very nature of industrial operations — their precision, the need for exact timing, punctuality, reliability, predictability and all-round rationality — is likely to suffer. Thus, the 'honeymoon phase' of import substitution will suddenly be over, and even if international markets were again opened, it would still remain unlikely that the new industries would be able to compete internationally. Their cost structure would be too high. Thus, with the increase in unit costs and an exhaustion of easy import opportunities, the import substituting process is likely to grind to a halt, and the economy is then left with a number of high-cost industrial establishments. Development economists have therefore concluded that an *alternation between market opening and market closure, or an alternation between liberalism and trade restriction, is probably the best policy mix for the growth maximisation of an economy.* In support of this thesis, Kooy and Robertson have stated that 'over the years, it may perhaps even be true that the real dynamic of industrial growth in South Africa has been, not tariff management, but an alternation of war and peace. War, more effectively than tariffs, gives an assured market, and adds to the guarantee of complete protection both additional military and enhanced civilian demands and a patriotic incentive towards increasing industrial output and capacity'. ('The South African Board of Trade and Industries ...', *The South African Journal of Economics*, Vol. 34, 1966, p.222.)

In spite of this apparent assurance, it remains to be noted that the long-term evaluation of the consequences of a possible boycott must be considered a difficult theoretical and empirical problem. This is so because, in modern economies, there is considerable interplay between the variables determining the level of economic activity. It would thus be absurd to claim that boycotts are best suited to maximise economic growth. After all, it was countries most closely committed to the principles and practice of free trade which showed the highest rates of economic growth in the post World War II years.

4. *The Effects of a Possible Boycott on the Living Standard of the Population*

LOW BLACK wages have, in the course of South Africa's history, helped to maximise the country's growth performance. Yet, round about 1970, there occurred in South Africa a reversal in wage policy inasmuch as the traditional wage-restraint policy was given up in favour of a new high-wage policy. With the manufacturing industry flourishing, the advantages of keeping Black wages down began to diminish. The main reason for the change in policy was that the manufacturing sector depends on large markets, and these are best secured under high-wage, full employment conditions. At the same time, the agricultural and mining sectors insisted that wage-restraint policies be maintained; this was accomplished by the creation of non-competing labour markets. Through the pass law system, Black mine labour continues to be prohibited from entering the urban Black labour market, which produces the situation where the Black miner earns considerably less than the Black industrial employee. This contrasts with other Western countries where the miner is usually found to head the wage scale.

Economic historians have claimed that low wage levels are typical of the early stages of industrialisation. According to Kuznets, income inequality will increase during the early stages of industrial development, become stabilised for a while, and will eventually lead to a greater degree of equality once a certain standard of economic development has been attained. Yet, no economic order is capable of avoiding wage-restraint during the early phases of economic development when the disparity between capital accumulation and labour supply is large. Neither Europe nor the socialist countries have been able to escape this 'iron law of development'. (Kuznets, 'Economic Growth and Income Inequality', *American Economic Review*, Vol. 45, 1955, p.18).

The unequal distribution of racial incomes is one of the main charges raised by the critics of South Africa. In particular, strong accusations have been put forward by the World Council of Churches (WCC) who have claimed that the economic situation of South Africa's Blacks has deteriorated appreciably in the course of industrialisation. 'Instead of development upwards there has been a development downwards. This is not only true for those who vegetate in the homelands, but also for those who had the questionable luck of finding work in the white economy'. (Ecumenical Research Exchange: *World Council of Churches*, 'Relations between Western European Countries and Southern Africa — The Responsibility of Churches in the Struggle for Justice and Liberation', Rotterdam, 1975, para. 40). It has even been asserted that South Africa's wage system is more objectionable than slavery: It is vital for a slave owner to maintain his slave's generative power, but the South African entrepreneur is devoid of such rationality. What, then, is the statistical evidence that can be used to counter these claims?

Available data show that between 1935 and 1970, real average incomes in industry and construction rose by 2.4 per cent p.a. for Blacks (mostly wage earners), and by 2.3 per cent

Table 2

Employment and Wages: Selected Economic Sectors. Whites (W) and Blacks (B), 1970 to 1977

Economic Sector	Race	Number Employed 1970 (1)	Number Employed 1977 (2)	Number Employed Changes (3)	Average Earnings p.a. 1970 (4)	Average Earnings p.a. 1977 (5)	Average Earnings p.a. Changes (6)	Relative Income Gap 1970 (7)	Relative Income Gap 1977 (8)	Absolute Income Gap 1970 (9)	Absolute Income Gap 1977 Nominal (10)	Absolute Income Gap 1977 Real (11)
Mining	W	62 638	68 667	+ 9.6%	4 255	9 249	+117.4%					
	B	587 292	643 339	+ 9.5%	215	1 221	+467.9%	1:19.79	1:7.57	4 040	8 028	3 976
Industry	W	277 200	276 500	- 0.3%	3 347	7 485	+123.6%					
	B	616 500	965 900	+ 56.7%	572	1 827	+219.4%	1:5.85	1:4.10	2 775	5 658	2 802
Construction	W	59 800	56 500	- 5.5%	3 441	7 669	+122.9%					
	B	248 300	348 700	+ 40.4%	521	1 683	+223.0%	1:6.60	1:4.57	2 920	5 986	2 965
Wholesale Trade	W	75 000	82 500	+ 10.0%	3 147	5 585	+ 77.5%					
	B	78 800	90 275	+ 14.6%	621	1 319	+112.4%	1:5.07	1:4.23	2 526	4 266	2 387
Retail Trade	W	116 800	134 250	+ 14.9%	1 684	3 148	+ 86.9%					
	B	106 700	160 175	+ 50.1%	485	1 035	+113.4%	1:3.47	1:3.04	1 199	2 113	1 182
Motor Trade	W	41 300	43 875	+ 6.2%	2 852	5 275	+ 85.0%					
	B	46 600	51 200	+ 9.9%	575	1 221	+112.3%	1:4.96	1:4.32	2 277	4 054	2 191
Central Government	W	99 915	121 699	+ 21.8%	2 718	5 378	+ 97.9%					
	B	135 578	184 263	+ 35.9%	512	2 086	+307.4%	1:5.31	1:2.58	2 206	3 292	[illegible]
Provincial Government	W	91 785	116 987	+ 27.5%	2 641	5 316	+101.3%					
	B	76 010	112 739	+ 48.3%	396	1 394	+252.0%	1:5.74	1:3.81	2 245	3 922	1 943
Municipal Authority	W	44 900	57 900	+ 29.0%	2 934	7 138	+143.3%					
	B	113 600	165 700	+ 45.9%	460	1 545	+235.9%	1:6.37	1:[illegible].62	2 474	5 593	2 770
Banks	W	41 939	47 701	+ 13.7%	2 945	6 655	+126.9%					
	B	5 016	10 913	+117.6%	718	2 627	+265.9%	1:4.10	1:2.53	2 227	4 028	1 995
Insurance	W	23 669	24 300	+ 2.7%	3 769	7 541	+100.1%					
	B	3 529	9 441	+167.6%	907	2 911	+220.1%	1:4.16	1:2.59	2 862	4 630	2 293
Building Societies	W	7 431	10 923	+ 47.0%	3 138	5 764	+ 83.7%					
	B	1 402	2 713	+ 93.5%	677	2 094	+209.3%	1:4.64	1:2.75	2 461	3 670	1 818
Post	W	36 858	43 612	+ 18.3%	2 585	5 220	+103.5%					
	B	12 020	26 740	+122.5%	610	1 600	+158.9%	1:4.18	1:3.26	1 967	3 620	1 793
Electricity	W	14 204	14 000	- 1.4%	3 438	7 813	+127.3%	1:6.35	1:4.10	2 897	5 908	2 926
	B	25 571	24 700	- 3.4%	541	1 905	+252.5%					

for Whites (both salary receivers and wage earners). This did not happen smoothly. Blacks experienced sustained income improvements between 1935 and 1947; this was followed by a period of wage restraint which only ended towards the end of the 1950s; considerable real wage improvements for Blacks occurred again in the 1960s, and these were accelerated after 1970.

Marked investments in South Africa's income and employment structure occurred between 1970 and 1977. All data presently available on this period are shown in Table 2, and with the exception of agriculture and domestic workers, this can be regarded as a complete portrayal of the country's income and employment data. The analysis centres on Whites and Blacks who constitute 88 per cent of the population.

During the years 1970 to 1977, the number of Black industrial workers increased, on average, by 2.1 per cent annually. Subsequent to the 1973/4 strikes, the number of foreign Blacks was reduced by 100,000, whilst the domestic labour force grew correspondingly (Table 2, columns 1 to 3).

Changes in average incomes are shown in columns 4 to 6. In all 14 sectors, relative wage increases for Whites were lower than those for Blacks (column 6), and this applies particularly to the large employers in mining, industry and construction.

Changes in racial income differentials are shown in *relative* terms in columns 7 and 8, and as *absolute* measures in columns 9 and 11. A comparison of columns 7 and 8 reveals that in all economic sectors, a narrowing of the racial income gap occurred between 1970 and 1977. Mining was the sector where the gap narrowed most strongly; the average Black/White income disparity changed from *19.79 to 1* to: *7.57 to 1* during the period under consideration.

It should be noted that these are average data which may hide considerable occupational differences. Much of the racial income equalisation has come about, not only because South African firms have begun to implement the principle of 'equal pay for equal work' but also (and probably more importantly) because of rapid Black occupational advance, i.e. advance from lower paid jobs into higher paid jobs. Unfortunately, because of an inadequate data base, it is not possible to separate the one effect from the other.

Naturally, what matters are absolute wages, not wage differentials. After all, goods are purchased with money, not with relations. Thus, absolute wage differentials are shown in columns 9 to 11. Columns 9 and 10 show wage differentials at current prices, whilst column 11 measures wage differentials at constant (real) values.

Without exception, *nominal* racial income differentials increased in all sectors. As to *real* income differentials, we observe a slight narrowing of the racial income gap in ten sectors (including mining), and a slight widening in the other four. (The comparison between columns 9 and 11 refers). Due to a strongly progressive personal income tax, the degree of racial income equalisation is, however, considerably larger than is apparent from these data.

From the years 1969/70 to 1977, average wage improvements for the non-agricultural sectors are shown in Table 3 on page 15.

During the period 1969-77, rising prices were, in most cases, accompanied by improvements in real wages. Note that Non-Whites enjoyed better wage improvements than Whites during most years. There were three years (1972/3, 1976 and 1977) when Whites had to put up with a decrease in their real standard of living, whilst Non-Whites' real incomes continued to improve.

Income data for 1978 indicate that average pay increases to Blacks amounted to 28.1 per cent, compared with 8.2 per cent for Whites. (Data for year ending 30 June, 1978.) With an estimated inflation rate of 12 per cent, Black incomes have improved, whilst White average earnings deteriorated in absolute and relative terms.

Two factors are jointly responsible for the decrease in the White/Non-White income gap, i.e.

(i) the narrowing of the wage gap between the unskilled and the skilled occupations, and

(ii) the occupational advance of Blacks.

Note that Tables 2 and 3 depict wage disparities which hide the large occupational spectrum from say, the charwoman to the electrical engineer. Strictly speaking, Tables 2 and 3 give measures of wellbeing, rather than meaningful wage indices.

For a number of public service positions, genuine racial wage disparities are shown in Table 4. Note that the data give the highest income figures for particular occupations, net of housing subsidies, travel allowances and other possible fringe benefits. In general, Black incomes are below White incomes, whilst Coloured and Asian incomes are in between. Racial income disparities increase from top to bottom: A Black professor earns between 70 and 80 per cent of the income of his White colleague, whilst the Black school teacher earns relatively less in relation to the White teacher. (As from January 1978, the average ratio of a black to a white teacher's salary was retrospectively changed from 58 per cent to 67.1 per cent. The salary gain for Black teachers, compared with the 1974 scales, varies between 25.5 and 28 per cent, depending on the teacher's post.)

Table 3

Income Advances in Non-Agricultural Sectors, Nominal and Real Data, Whites and Non-Whites, 1969/70 to 1977 (in per cent)

Year	CPI*	Income Advances in Non-Agricultural Sectors					
		Whites		Non-Whites		Average	
		nominal	real	nominal	real	nominal	real
1969/70	3.5	11.5	8.0	9.4	5.9	11.1	7.6
1970/71	4.6	11.3	6.7	12.4	8.0	11.5	6.9
1971/72	6.4	7.6	1.2	10.9	4.3	8.5	2.1
1972/73	8.2	7.3	–0.8	12.0	3.5	7.6	–0.6
1973/74	10.0	11.8	1.9	18.2	7.7	12.6	2.6
1974/75	14.6	15.8	1.7	26.9	11.4	19.9	5.3
1976	11.1	9.5	–1.4	16.0	4.4	12.1	0.9
1977**	11.3	7.5	–3.4	11.8	0.4	9.5	–1.6

*CPI = Consumer Price Index 1970 = 100

** First three quarters

To conclude: *All available statistical evidence suggests that between 1970 and 1977, considerable progress has been made in actually closing the racial wage gap. Unfortunately, this is a tangible improvement only for those who are gainfully employed. For the unemployed, it is of little comfort to know that a job which is not offered to him carries an improved wage.*

Table 4

Maximum Annual Remuneration of Public Service Positions

Occupations	Blacks		Whites		Coloureds and Asians	
	(1) R	(1) : (2) %	(2) R	%	(3) R	(3) : (2) %
Medical Profession (1977)						
Professor	12,870	74	17,490	100	14,850	85
Specialist	10,560	74	14,190	100	11,910	84
Pharmacist	5,820	71	8,220	100	6,900	84
Nurse (1976)	2,700	62	4,380	100	3,450	79
Teaching Profession						
University Professor (1976)	11,700	77	15,180	100	15,180	100
University Lecturer (1976)	7,740	77	10,100	100	9,729	96
High School Teacher (male, 1975)	4,050	58*	7,020	100	5,580	79
High School Teacher (female, 1975)	3,750	63	5,940	100	5,340	90
Police Administration (1976)						
Major	4,740	81	5,820	100		
Lieutenant	3,900	82	4,740	100		
Sergeant	2,100	78	2,700	100		
Prison Administration (1975)						
Warden	2,100	48	4,380	100	2,700	62
Post Office						
Postmaster, Grade III	4,725	63	7,560	100	6,237	83
Postmaster, Grade IV	3,825	63	6,120	100	5,049	83
Superintendent	3,825	63	6,120	100	5,049	83

Republic of South Africa: House of Assembly Debates (Hansard):

8 February 1978, col. 54;
4 February 1977, col. 163;
4 March 1977, col. 570;
2 February 1977, col. 102;
17 February 1977, cols. 380, 290;
18 May 1976, col. 1030.

South African Institute of Race Relations: A Survey of Race Relations in South Africa, 1975, Johannesburg, 1976, p.215.

From the vantage point of an anti-apartheid group, an economic boycott would appear to be the most effective medium to bring about change in South Africa. Such people are only concerned with the overthrow of the system, paying little attention to the post-revolutionary state. Polarisation between the races is then the obvious instrument to use to attain the desired result. To be sure, the motivation of this advocacy is easily understood. After all, the problem with South Africa is that only second-best solutions appear to be in sight. To the 'purist', the country's policies are accordingly assessed with a considerable degree of anger.

The problem with this approach is that the people who make the recommendations are not the ones who suffer the consequences of that which they wish to bring about. *Consider, for example, the situation of a Black mother with four or five children struggling to bring up her family on a meagre income. We have seen that in the event of an economic boycott, the chances of her husband becoming unemployed are considerably enhanced. In fact, I estimate that in South Africa, about 250,000 Blacks are employed by the subsidiaries of foreign multinational corporations. If an operational boycott were to be imposed on these companies, the annual Black income would drop by at least Rand 450 million.* (The average monthly wage is about R150). It is more than doubtful whether the anti-apartheid group which favours the imposition of the boycott would be in a position to raise compensatory financial aid of this order of magnitude.

It has been documented that Black income and employment standards have improved rapidly in relation to those of Whites during the 1970s. One factor which initiated this change was the high rate of foreign capital inflow during the early 1970s. In fact, my estimate is that *per se*, the South African economy is capable of generating about 2 to 3% real economic growth p.a., whilst with a foreign capital inflow of about R1,000 million p.a., this can be increased to about 6 or 7 per cent. Exactly this is what is needed to provide income and employment for an additional 200,000 Blacks who enter the labour market each year. *The real problem of the South African economy today, is not that Black wage levels are low in many sectors, but that the economy is incapable of generating the approximately 200,000 work places which are needed to absorb those who seek work every year.*

To be sure, one of the many factors which initiated change has been the pressures put on the South African subsidiaries of multinational corporations by their overseas head offices and government, for better employment conditions of Black staff. Unfortunately, it is possible, although it cannot be documented accurately, that the formulation and the enforcement of stringent personnel practices has in some measure, caused an actual destruction of work places. The reason for this is that the many codes of conduct imposed on the subsidiaries of multinational corporations operating in South Africa are only concerned with those persons who are *gainfully employed* at a particular moment in time. *For those who are unemployed, there is little concern.*

Nevertheless, it would be wrong to argue that the codes of conduct which have been imposed on subsidiaries of multinational corporations are solely instrumental in widening the dualism of the labour market, i.e. the gulf between those who are employed and those who are not. In this regard, the proposals of the *Wiehahn Commission of Enquiry into Labour Matters* are currently anxiously awaited by South African labour economists. Until the present day, legislation under s 24(2) and s 77 of the *Industrial Conciliation Act* allows racial work reservation to persist where it counts most: the shop floor. Although not widely known, the colour bar is still more pervasively practised through the provisions contained in the 100 or so existing industrial council agreements. These often stipulate that certain jobs are reserved for workers who are eligible for membership of registered trade unions, thus effectively excluding Blacks.

The major problem to be faced in these and similar instances, is that the South African labour market fails to bring about a 'natural equilibrium' between its different segments. To be sure, if the forces which work towards the establishment of equilibrium conditions were of a similar strength to those which operate in the labour markets of racially homogeneous societies, such as Switzerland and Germany, no special 'code of conduct' would be required. The market itself would bring about a maximum satisfaction to all participants. But in a racially determined system, market forces cannot work 'naturally'.

Against this background, the ineligibility of Blacks for membership of registered trade unions must be considered as the most grievous part of occupational discrimination in South Africa. If Blacks were granted membership rights of trade unions which are parties of industrial councils, closed-shop clauses would automatically become meaningless. Inasmuch as the various codes of conduct stipulate that employers should ensure that Black employees are free to form or to join trade unions, they can prepare the ground for the *de jure* recognition of Black trade unionism. Under existing circumstances, this will probably be preceded by the *de facto* existence, and recognition of, (unregistered) Black trade union associations. From this basis, a liberalisation of the country's labour market is currently emerging.

It has been reported that companies which are prepared to negotiate with non-registered Black trade unions have occasionally been penalised through the withdrawal of import permits, reductions in the value of government contracts, or similar punitive measures. In highly competitive markets this is a real danger for the firms concerned. A possible counter-action open to multinational corporations would be for them to form a 'united front' in this matter. By collectively disseminating information on repressive practices, if and when they occur, such companies could bring about pressure for change.

The strength of the forces which work towards the establishment of a sizeable Black middle class in South Africa was documented earlier. It was argued that much of the progress that has taken place was the outcome of a particular constellation of favourable forces, including rapid economic growth, pressure from overseas on the subsidiaries of multinational corporations, and fortuitous events such as the rapid increase in the price of gold after 1972.

The quest is now for the institutionalisation of a more liberal relationship between Black and White South Africans. *With their considerable economic leverage, the South African subsidiaries of multinational corporations are one of the few major power groups left who forcefully initiate this process of change where it counts most, i.e. at the shop floor. Much would be lost if they were compelled to withdraw from the scene as a consequence of an international boycott.*