



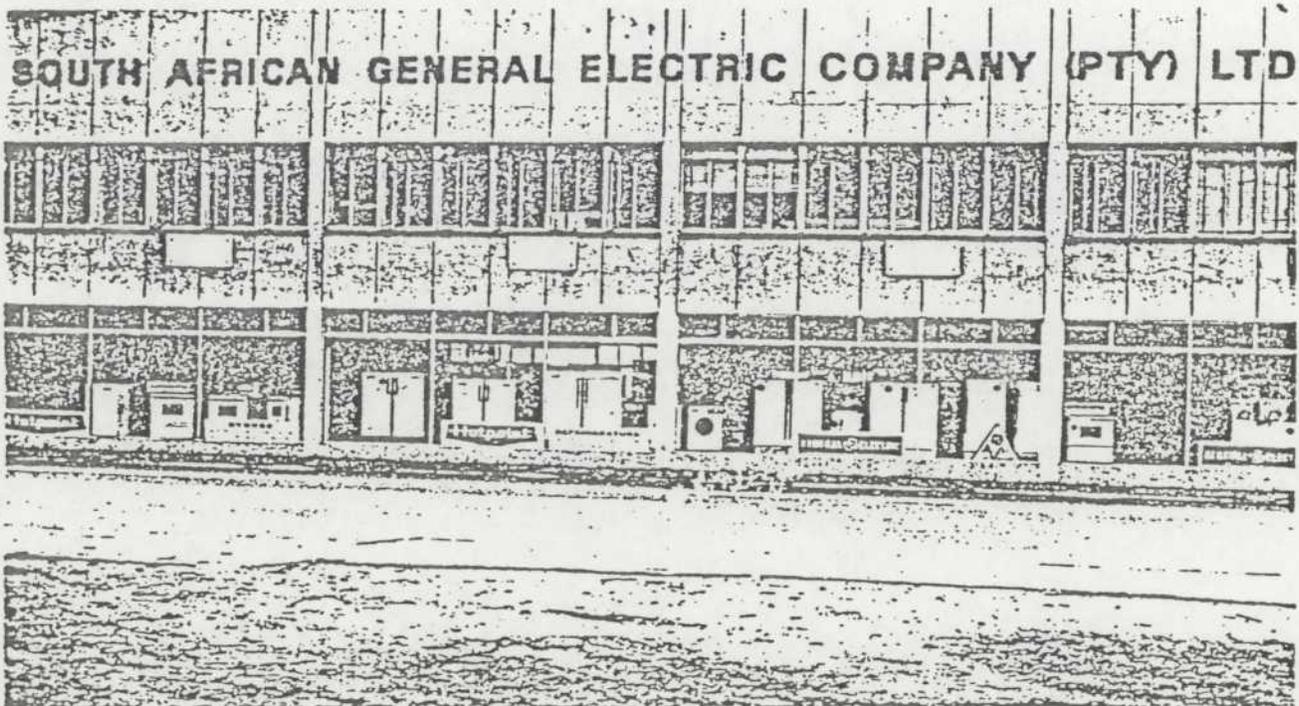
INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

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GENERAL ELECTRIC IN SOUTH AFRICA:

PARTNERS IN PROGRESS

OR



PARTNERS IN APARTHEID

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The Context.

Twenty six million people live in South Africa today, but only four million, all of them white, are citizens. Of the rest, three million men and women, classified as "Coloured" and Indian, fall into a nebulous non-citizen category, and all nineteen million Africans are considered foreigners. They were born in South Africa, grew up in South Africa, work in South Africa and will die in South Africa, but they are black, and thus classified as foreigners. Only whites have the rights of citizens in South Africa, and only whites can exercise political power and organize economic power. Africans cannot vote, buy or sell land, own factories, or mobilize their strength as workers in recognized trade unions. They have been stripped of all power. They have no control over their lives or their future.

GE's contention that it can best work for change by remaining in South Africa, "striving to enhance the position of blacks" indicates a dangerous confusion about the nature of change being called for by blacks in South Africa. The young men and women facing the guns of Soweto were not risking death to reform or improve apartheid. They want the total abolition of the system, the establishment of a new state, based on full popular participation in all aspects of its life.

To talk of change in any lesser terms is trivial and irrelevant, for the "problem" in South Africa is that of the dispossession of a majority black population, the total usurpation of economic, social and political power by the white minority. The "problem" is a system - the apartheid system - deliberately designed to use blacks for the creation of wealth to the whites. The primary purpose of the whole network of South African law and administration not to speak of the military is the protection of this system, which produces for the whites who benefit from it, the highest standard of living in the world, and for the blacks, who suffer under it, a life of perpetual poverty, violence and humiliation. Thus, according to a recent United Nations study, Africans, who provide over 70% of the labour force are paid only 26% of the country's total wage bill.

Many corporate representatives talk about the changes that are occurring in South Africa. There are some officially sanctioned changes occurring inside South Africa at the moment, but they are changes designed to preserve, not destroy the pyramidal structure, in which the black majority always stand at the bottom. Even a cursory glance at the continuing black/white wage gap, increasing population regimentation, endless political repression and the facade of bantustan independence should indicate the narrow parameters of such officially permitted change.

White South Africa is currently dealing with a very complex situation. Already the most highly industrialized country in Africa, it now has to adjust to internal pressures generated by continuing economic expansion and industrialization, and at the same time confront a rapidly changing situation just beyond its frontiers.

The increasing sophistication of the economy has shifted the nature of the demand for labor, and so there are announcements that black workers are to be upgraded. What this means is that a pool of totally unskilled black labor is no longer useful and is to be replaced by a pool of semi-skilled black labor. The landless, rightless non-person status of the blacks remains unchanged. Changing labor demands may even ultimately bring in their wake some measure of unionization and more permanent urbanization, but the rate and direction of all such change will be controlled by the whites minority who will move cautiously to avoid generating dangerously irreversible trends.

There are constant reminders of this truth in the South African press. The Cape Times of June 13th, 1976 (three days before the Soweto uprising) reports Deputy Minister of Bantu Education, Mr. T.N.H. Janson as saying, "The Government would train the Blacks, but it would not train them to be destroyers of the way of life in South Africa... one thing that was sure was that nobody wanted a recurrence of an Angola or Mozambique in South Africa." The June 24th Cape Times carried an assurance from Minister of Labour Marais Viljoen that "so-called white jobs now being given to Blacks would revert to the Whites if the worst came to the worst and South Africa suffered a depression...' If it becomes necessary the Government will not hesitate to take the necessary steps to give the White workers the protection to which they are entitled", he said.

The Resolution.

The 1977 resolution presented to GE, sponsored by church stockholders, requests GE's board of directors to adopt a policy that the company and any of its subsidiaries "shall cease further investment" and "terminate its present operations" in South Africa, until the South African Government has committed itself to ending apartheid and has taken meaningful steps toward the achievement of full political, legal and social rights for the majority population.

General Electric Response.

General Electric is opposing the resolution. In doing so, and generally in defending its continuing investment in South Africa - a position taken, for instance, in testimony before the Senate Foreign Relations Sub-committee on Africa in September 1976 - GE advances a consistent set of arguments. These center on contentions that "GE deplores racial discrimination in any form"; that "it is the policy of the South African General Electric Company to provide equal pay for equal work and performance. There are no separate white, colored, or black pay schedules."; that its managers in South Africa are making continuing efforts to effect changes that will enhance the position of blacks, and that the company can be most effective in its opposition to apartheid by working for change in a steady, quiet and non-public effort. The company believes that it "can do more good by remaining in South Africa and continuing to provide jobs than by withdrawing."

A Paucity of Information.

GE has consistently avoided making any full disclosure about its operation in South Africa. It has provided only scattered, non-comparative figures about wage scales, working categories, the number of white and African workers in each wage and work category, etc. It has provided no information at all on questions relating to government contracts, taxes, profits, investment and sales.

But the pieces of information provided on the question of wage scales, job training and trade unionization raise very serious questions about GE's good faith, even in the limited area of employment practices in which the Company claims it is playing so progressive a role. In addition GE has declined to sign the 6 principles signed by 12 other companies and orchestrated by Dr. Leon Sullivan, a black GM director. These parts are a weak consensus on minimum standards of decent conduct in the workplace. They pledge to work toward nonsegregation in facilities and fair wages and benefits for black workers. So far GE refuses to publicly associate themselves with the statement.

Wage Scales - Below the Poverty Datum Line.

In 1972 GE responded to questions about average monthly pay rates in its Benoni plant by breaking down figures into a number of categories: African; unskilled (\$73), semi-skilled (\$104-164), skilled (\$213). Coloured: starting rate male (\$118), female (\$63). White; unskilled (\$186) journeymen (\$281) Artisans (\$402-\$428).

Although these categories were vague, they raised some interesting questions. Why were there different rates for unskilled whites and Africans? Why were wages for Colored men and women so different? Was that pattern repeated for other groups? At the same time GE gave the number of Africans employed in each of the three categories listed, but only overall figures for white and colored employment.

By 1976, in its response to a request for information from Senator Clark and similarly in current requests for information from the church groups participating in the resolution, GE has released even less information. The relevant section of the statement to Senator Clark reads:

"Total employment of SAGE (including its majority owned subsidiaries, Reid & Mitchell, and Magnet Wires), as of July 31, 1976, was:

Blacks	1,190
Coloreds and Asiatics	116
Whites	639
Total:	<u>1,945</u>

(The majority of these workers are employed at GE's Benoni plant, near Johannesburg.)

It is the policy of the South African General Electric Company to provide equal pay for equal work and performance. There are no separate white, colored, or black pay schedules.

As of September 1, 1976, average earnings of our black employees were approximately R 192* per month, including wages, bonus' and benefits. This is an increase of 204% since 1970. (The average earnings of whites have increased by 119% during this period.)

In part, the increases of course reflect inflation - but especially with respect to blacks, they also reflect determined SAGE policy. And it should be noted and kept in mind that SAGE, in South Africa, operates in markets that are strongly competitive so that all cost factors are especially important.

The primary household subsistence level for a Benoni family of six blacks, that is, the minimum income standard to provide the necessities of life and a few other items was calculated in a study by Professor Potgieter of the University of Port Elizabeth, dated April, 1976, to be R 112.7, while a similar study by Professor Nel of University of South Africa, dated February, 1976, showed a figure of R 109.34.

The entry level earnings of unskilled workers in SAGE, including bonus', are R 125. As in the U.S. these workers tend to be young and unmarried. As indicated above, average earnings of blacks are R 192 per month.

A survey of our entry level work force indicates only a small fraction (7%) have reached or exceeded five dependents."

Several comments seem in order. GE gives no figure at all for average white wages, simply quoting the percentage increase since 1970 (119%) and contrasting that with the 204% increase for black employees (at this point it is not clear if black means colored and African, or only African). No doubt this is designed to prove GE's devotion to the principle of improving black standards. It becomes highly suspect when no base figures are given. Playing with percentage increases often conceal a multitude of sins. A quick glance at the wage figures quoted for 1972 would indicate that a 200% increase for unskilled Africans would bring their wage to \$210 a month by 1976 - little more than the white unskilled wage in 1970! Where base figures are vastly different, quoting percentage changes loses meaning. An increase from \$50 to \$100 is 100%, that from \$500 to \$600 only 20% - yet obviously the second worker would be better off than the first - and the absolute gap between their wages will have grown.

Second, it is important to note that the average monthly African wage quoted is not an actual wage figure, but includes unknown variables - like bonus and benefits. No U.S. trade union or labor expert

would accept such a combination as an accurate way to indicate wage levels.

Third, it is worth noting a manipulation of truth relating to the question of the Household Subsistence Level. The Household Subsistence Level is a measure of only the absolute necessities of life: the income needed by an African family to survive in the short term. It includes minimal food, fuel, clothing, cleaning materials, transport and housing costs. It excludes education (which is not free for Africans), medical expenses, furniture, cooking utensils, etc. It is upgraded every six months in an attempt to keep up with inflation. The PDL for Benoni quoted by Prof. Potgieter as operating during July 1976, the date at which GE quotes a starting wage of R 125, was actually R 127.44, not R 112.7. Inflation had driven it up from R 115.43 in October 1975. Thus GE workers starting work after April 1976 were earning wages below the bare level of survival. (LM 5 Dec. 1975)

In response to further questioning about its wage and employment policy, GE reported in a letter to ICCR on April 5, 1977, that average black wages as of 1/1/77 had risen to R 207 a month.

Creating More and Better Jobs.

A major GE justification for its continuing presence in South Africa rests on its claims of creating jobs, and on the "progress" towards improving the nature of those jobs.

On both counts there seems to be considerable question as to the extent of GE's actual achievement.

A. Employment figures have actually fallen considerably in the last few months, due, most probably, to the severe recession now gripping South Africa. The pattern of retrenchment is notable.

	As of 7/31/76	As of 1/1/77	% of particular group laid off.	% of all workers laid off.
Blacks	1,190	884	26	16
Colored/Asian	116	108	6.8	.4
White	639	594	7	2.3

It is clear that Africans suffered by far the largest number of dismissals. This appears closely linked to the inability of African workers to protect themselves - an issue related to the whole question of trade union rights, to which we will return presently.

B. Breaking Job Reservation - Promotion and Training.

The rapid growth of the South African economy has increased the demand for skilled labor to the point where needs can no longer be filled by white workers. It has thus been necessary to allow an increasing number of black workers to fill these positions. This is normally only done with the cooperation of the white trade unions, who have traditionally controlled access to all skilled jobs.

Johan Maree, a South African economist has described the process frequently involved:

"A white artisan's job is broken down into several semi-skilled operative jobs. Blacks are then employed as operatives while the white artisan moves up into a supervisory position. Financially, the white benefits by being paid more, while the Black operatives are paid less than the white artisan for performing the same work. This racial change in occupation is also of benefit to the employer whose wage bill is reduced."

Maree goes on to comment on the significance of these so-called improvements in black conditions of work:

"Sight must not be lost of the fact that whites are in control of the capital and the full powers of the State. It is whites who regulate the rate of change in the occupational colour bar, while Blacks remain the workers with little to say in the process. The changing colour bar is not changing the fundamental structure of the South African political economy."

General Electric's particular promotion and training programs are difficult to assess because of the random nature of the figures quoted by the Company. According to the GE:

- 1) In 1970 SAGE had no blacks in salaried or clerical positions. We now have 35 blacks in such positions, including several in management positions at Babelegi.
- 2) An additional 17 Africans are in jobs generally regarded as inside the job reservation rules under South African law. This is with the full knowledge of the Ministry of Labor. (The number was higher until a recent change in law permits Africans in one additional wage level.)
- 3) As of September 1, 1976, we have five blacks who have been recruited and trained as service technicians in the field, all of whom operate in a full service capacity in both white and black homes. That is, they are not merely assistants. These jobs were formerly performed exclusively by whites.

- 4) During 1976 nine additional blacks were upgraded into "white" positions and four blacks have been recruited into positions previously held by whites.
- 5) From January, 1975 to February, 1976, SAGE promoted 88 blacks in wage level -- with 32 of these people promoted more than one level.
- 6) From January, 1975, to September, 1976, 33 blacks were promoted or recruited to salaried status. This figure includes 6 foremen at Babelegi who report directly to the plant manager.
- 7) In the SAGE factories at Benoni, there are a total of 16 black senior team leaders and 41 black team leaders, all of whom have received thorough supervisory training, both on and off the job during 1975 and 1976.

One cannot escape the feeling that if the figures quoted really showed significant strides forward in terms of creating real equal opportunity hiring, they would be presented in a less obscure way. It is not clear in the presentation offered by GE how many of the workers described in category 1 are the same as those described in categories 5,6 and 7. At best one could be talking about some improvement in wages and or status for somewhere over 100 workers. It is impossible to assess how much of this would occur in the normal functioning of any factory as new workers come in and old ones are promoted.

No Right to Trade Unions.

One of the most significant omissions in GE's "progress package" is any recognition of the African right to effective organization. Under the Industrial Conciliation Act Africans are not even defined as employees, and the law prevents Africans from being members of any trade union which is recognized by the government as a legal bargaining agent for the workers. Nevertheless the law, although it restricts Africans' right of strike and organization, does not prevent the formation of trade unions. Nor does it prevent companies from negotiation with such unions. Yet GE prefers to retain the system of black "liaison committees" which deprive the African workers of their right to effective collective bargaining. Liaison committees are the weakest form of employee organization and as such have been challenged by the U.S. State Department which argued for unions in a public document distributed to companies. Under such conditions a slogan of equal and fair employment practices must inevitably ring hollow in the ears of black workers in South Africa. Because black workers have no political power and no union recognition they are forced to accept white definitions of fairness.

There can be no equality of opportunity where one group of workers on the basis of color is excluded from education; is constantly subjected to the threat of arrest under a battery of

special laws which control movement; where making any complaint about the job may lead to instant dismissal, and to "endorsement out" of the town, back to the bantustan where there are no jobs. Above all, there can be no equality of opportunity where one group of workers is denied the right to effective trade union organization. Yet GE deals with the white trade union in its operations and refuses to deal with organized black workers.

Weighed in the Balance...

Such then are the contributions made by GE towards progress in South Africa. Against that must be weighed the contribution which its presence makes to the continued strength and stability of the white supremacist system.

GE manufactures a wide range of products and sells others that it imports from the United States or from subsidiaries elsewhere. According to GE:

"Local manufacture was begun in 1945 with the production of magnet wire. Manufacturing activities at Benoni, 20 miles east of Johannesburg, have been extended to include a variety of consumer products and light industrial goods produced for the South African market (calrods, capacitors, magnet wires, switchgear and controls, freezers, refrigerators, washers, housewares). SAGE provides local sales and service for steel-mill drive systems supplied by GE-U.S. and also markets locomotives assembled by Dorman Long (Africa) Ltd. as sub-contractor, with components supplied both by SAGE and by GE operations in the U.S. SAGE holds majority interests in the Reid & Mitchell (Pty.) Ltd. apparatus service shop in Johannesburg and in Magnet Wires (Pty.) Ltd., a small manufacturing facility at Babelegi."

Two areas of GE activity are particularly important in terms of effectively assisting the regime with its long term survival strategy.

A major concern of the South African Government has been the need to develop extensive industrial and military self-sufficiency: integral to such a plan is the development of a strong iron and steel industry, operating at the most efficient level of production possible. GE has supplied motor control equipment for round the clock automatic control of machinery and plant, with minimum personnel to supervise it, to ISCOR, the Government-owned iron and steel industry, as well as to other major industrial undertakings in South Africa. The capacity to provide advanced technology on a continuing basis is one of GE's major uses to South Africa.

In similar vein GE is one of the major suppliers of diesel locomotives to the state-run railway system. In 1976 GE agreed to supply 40 such units for the newly opened Sishen-Saldanha project - a project involving the opening of massive new iron mines and the construction of a special railway and port for the development of a

major new iron ore export industry. The provision of locomotives can of course be seen as a politically neutral operation. But any honest assessment of their purely economic role would recognize their capacity to increase the strength and stability of the economic system. A good transport system is fundamental to the functioning of an industrial state and, as we have seen, the growth of an industrial state in South Africa has been accompanied by greater oppression and regimentation, not by greater welfare for all. Thus strengthening the economy means strengthening white power, not black welfare. In addition, of course, there is the increasing danger that as protest and unrest increase, large scale troop and police movements will be carried out with the help of the efficient transport system.

Legitimizing Black Dispossession.

GE has made much of its recently opened plant in the Bophutatswana bantustan, pointing to this as a triumph for the policy of upgrading blacks into better jobs. By July 1976 the plant, which manufactures housewares and heaters, employed 160 blacks and 3 whites (who are in supervisory positions,) and it was hoped by GE that the whites would soon be replaced.

The bantustan policy lies at the very heart of the apartheid system. By creating bantustans, to which it will 'grant' "independence", the regime hopes to solve the whole problem of contested power and to legitimize itself internationally. Africans are to be given citizenship in their particular bantustan, each of which will occupy some fragment of the total 13% of the land that South Africa has assigned for this purpose. There is no possibility that such fragments will become economically viable - that is not part of the plan. Men will still have to come into "South Africa" to work, as migrant laborers. But becoming citizens of such a bantustan Africans will automatically sacrifice their right to South African citizenship. The choice will not be voluntary but is decreed by law. Already over 2 million Africans have been forcibly removed from urban areas, and thrown into the bantustan labor reservoirs.

The vast majority of Africans and their leaders have rejected this scheme; have called on the world to refuse to accept it. The U.N. General Assembly voted 107-0 to oppose recognition of the Transkei, one of the Bantustans, and opposed recognition by government, or investment by foreign corporations. By operating a plant inside such an area, on the naive argument that it is doing good by creating jobs, GE is making itself an accomplice of the continued political and economic dispossession of the African people. Clearly while GE argues that it is trying to be politically neutral in South Africa investment in a Bantustan involves them in a highly charged and controversial political decision.

What Price the Nuclear Bomb?

Perhaps the clearest indication of GE's total lack of concern about the implications of doing business with South Africa was shown in 1976 by a deal that failed. In May General Electric applied to the Nuclear Regulatory Commission for a license to export two boiling water nuclear reactors to the South African Electricity Supply Commission for the construction of a nuclear power station at Koeberg in the Cape. Along with this application, worth some \$200 million went a second one, for permission to export a large amount of enriched uranium, enough to run the plants for several years. GE had already approached the Export Import Bank for assistance with this project, and had apparently been able to persuade the Bank to relax its normal procedures in relation to South Africa and agree to grant the money if GE got the contract.

News of GE's involvement in the project generated strong opposition in the U.S. because of the inevitable capacity it would give South Africa to manufacture nuclear weapons. Weapons-grade plutonium is a by-product of the process of electricity manufacture in a nuclear reactor, and few people felt reassured by U.S. Administration statements that there would be adequate control exercised over the potential fuel by regular U.S. on-site inspections. GE finally lost the contract to a European consortium. What is disturbing is that it attempted to win such a contract, in the face of the terrifying implications for world peace of providing South Africa with nuclear capability. Discussions of better wages for black workers by GE management cannot disguise the insensitivity of the company to their contribution to the nuclear and strategic strength of South Africa's white minority government.

Withdrawal - Effective Action or Empty Gesture?

GE officials have argued that the withdrawal of their investment from South Africa would be an empty gesture, having no effect on the South African regime.

Such an argument ignores the present vulnerability of the South African economy. A combination of economic and political factors has shattered the dreams of a perpetual growth economy. By the end of 1976 South Africa was facing its third year of recession. The fall in the price of gold, a major source of foreign exchange, from \$174 an ounce in May 1975 to \$114 an ounce in October 1976 had reduced 1976 revenue by over \$1 billion. At the same time the price of critical imports continues to rise. Expenditures on oil in 1976 were over R 1 billion, as against \$225 million three years ago. In addition military expenditures are rising rapidly (\$860 million in 1975; \$1.6 billion in 1976; some \$2 billion in 1977). Much of that equipment is still being bought overseas. Not enough money is being earned to pay for the extra imports; thus the country is facing a serious balance of payments crisis - the deficit had risen to \$1.72 billion by December.

Pretoria has been forced to introduce severe austerity measures to counter the payments crisis including: devaluation of the Rand, higher corporate taxes, increasingly severe import restrictions, fuel conservation, forced loan levies, and most recently tight curbs on the repatriation of profits and export of capital.

The crisis has led to retrenchment by many companies, the adoption of a shorter work week and large-scale layoffs of black workers. Economists now estimate African unemployment at up to 2 million, or 20% of the economically active population.

The economic crisis was enormously exacerbated by the impact of the June 16th Soweto uprising and the wave of unrest that swept the entire country in the second half of 1976. There was a steady overall outflow of private short term capital, amounting to \$912 by the year's end, despite some large loans from U.S. and western banks.

Foreign investors began to register their uncertainties about the security of the investment climate. At the same time the rate of profit was falling. According to the U.S. Department of Commerce, South Africa has forfeited its place near the top of the world profitability ladder. Average U.S. corporation profits on South African investment had fallen from 16% in 1970, 18.4% in 1973 to 8.7% in 1975. South Africa was beginning to lose its economic glamor.

This poses severe problems because South Africa has traditionally relied on heavy foreign investment to secure economic growth. The University of Stellenbosch Economic Research Bureau recently estimated that the country needs to attract more than \$1.3 billion in capital in 1977 alone to maintain even minimal growth. Others have placed the needs far higher. Sanlam Bank's Chairman Wassenaar forecast that R37 billion would be needed for capital investment by 1979 if the Government's Economic Development Program was to be maintained, and much of this would have to come from outside South Africa.

In this situation the South African regime needs all the help it can get, and the capital provided by U.S. corporations plays a crucial role in helping the apartheid system recover economic equilibrium. On the other hand, refusal to maintain investment inside this system could have powerful symbolic and actual effects in today's unstable situation.

Do Blacks Gain from Economic Progress?

In the final analysis GE defends its presence in South Africa with one simple argument - whatever the particular conditions of work at any one plant, overall, blacks gain from economic growth.

Books could be written refuting that argument. It is wrong because it ignores history, it is wrong because it ignores politics and it is wrong because it does not understand economics.

Enough time has gone by to show the futility of such an approach. The profound gap between white wealth and black poverty has actually widened; the gap between average white and black industrial workers' monthly pay in South Africa in 1969 was \$259. By September 1975 the gap had risen to \$463, despite wage increases, the average black industrial worker earning \$125 a month, while his white counterpart drew \$589 a month. The poverty datum line was calculated at \$149 a month for a black family living in Soweto in 1975. In other words, the average black worker was still not earning enough for his family to survive; any gains he made were eaten up by inflation.

There are often examples of the weakness in the "progress through economic growth" argument. "Reforms" which are granted by those with power can also be taken away again. In fact South Africa history shows a period in which far greater economic gains were made than are being made now by Africans - a period when considerable "progress" was made in the jobs open to blacks and the wages paid for those jobs - the four years of the Second World War. During those years African wages, responding to boom conditions and the scarcity of labor, rose dramatically. All that gain was wiped out in the post war years, while white wages continued to advance. The reason is that the war years had brought temporary shifts in the distribution of wealth, not any change in the distribution of political power.

In the past twenty years of "economic miracle" political repression has grown increasingly intense, and Prime Minister Vorster and his colleagues have made it abundantly clear that they do not intend to change their policies in the future. "There can be no black politics in a white area. We will learn to love this policy - all South Africans - and love it warts and all", said Minister of Justice, Jimmy Kruger, after the Soweto uprising. When New York Times correspondent John Burns asked Vorster, in an interview in October 1976 whether blacks would ever exercise political power in South Africa, the Prime Minister answered bluntly "I cannot foresee such a day at all."

Ultimately the argument can be summed up very briefly. A full belly is not freedom, and, to be realistic, a full belly is not even likely in South Africa until blacks do have freedom and power to shape the future and their own lives.

The Time to Withdraw is Now.

Last summer in Soweto a new stage in the struggle for South Africa liberation was begun. No one can know when it will end. But one thing is certain - there is no way that a continued U.S. corporate presence can serve any purpose except to reinforce white rule. It

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is an appropriate and fair request to make of major U.S. investors such as GE that they "cease further investment in the Republic of South Africa and terminate its present operations there as expeditiously as possible unless and until the South African Government has committed itself to ending the legally enforced form of racism called apartheid and has taken meaningful steps toward the achievement of full political, legal and social rights for the majority population."