

THE CUSTOMS TARIFF AND THE DEVELOPMENT OF SECONDARY
INDUSTRY IN SOUTH AFRICA WITH SPECIAL REFERENCE TO
THE PERIOD 1924-1939.

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PREFACE

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In conformity with the regulations of the University of Natal, I hereby state that what follows is my own original work, unless specifically indicated to the contrary in the text.

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CHAPTER ONE

INTRODUCTION

During the last quarter-century, the scope of the study of South African history has been greatly enlarged. In this process, few fields of enquiry have escaped the critical examination of the professional historian or the specialist in related disciplines. The study of South Africa's economic development is no exception. Nonetheless, when reference is made to the economic history of South Africa since the mineral discoveries, much of the available literature has tended to display a conspicuous lack of balance. In almost all cases, the greatest emphasis has been placed on the discovery and development of the gold-mining industry.⁽¹⁾ While it remains true that the gold-mines constitute the 'life-blood' of the country,⁽²⁾ it would be folly to allow this to obscure the importance of other factors in South Africa's economic development. This is particularly true of the development of secondary industry, for, on occasion in the twentieth century, industry has assumed a rôle of even greater importance than than of the gold-mining industry.

In this regard, Professor C.G.W. Schumann expressed the view in 1938 that 'industrial development' has been 'the outstanding structural change in the South African economy during the past quarter-century.'⁽³⁾ Moreover, South Africa's industrialisation in the twentieth century cannot be explained in economic terms alone, for that process touched upon social and political considerations as well. In one sense, for example, it was the concrete expression of the rising tide of nationalism after Union, which became more explicit after the Nationalist-Labour Pact victory in

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1. Houghton, D.H. : The South African Economy (1967); and Houghton, D.H. and Dagut, J. : Source Material on the South African Economy: 1860-1970 (1973), 3 vols., are two noteworthy exceptions.
 2. De Kiewiet, C.W. : A History of South Africa: Social and Economic (1957), p.155.
 3. Schumann, C.G.W. : Structural Changes and Business Cycles in South Africa: 1806-1936 (1938), p.166.

1924. Seen from another viewpoint, industrialisation had a socio-political rôle to play: after 1924 there was a close link between the development of secondary industry and the attempts to solve the 'poor-white' problem, and hence with the process which was to produce the industrial colour bar in 1926.

Closely linked with industrialisation is the use made of the customs tariff as a means of support for certain industries. Any consideration of South Africa's industrialisation, particularly from the mid-twenties onward, must of necessity include an analysis of the rôle played by customs tariff protection, this being of particular importance after 1924 because the Customs Tariff Act of 1925 marked '...the inauguration of a more deliberate and purposeful policy of protection.'⁽⁴⁾

This is a subject which has received scant attention. Apart from the comprehensive, if brief, account given by M. Kooy and H.M. Robertson,⁽⁵⁾ the remaining literature tends to concentrate only on certain aspects of the related issues of customs tariffs and industrial development, rather than on the topic as a whole. For example, there are several publications which deal exclusively with the development of customs policies.⁽⁶⁾ The earliest work in this connection is the pamphlet produced by S. Evans, chairman and managing director of Crown Mines Ltd. from 1909 until his death in 1935. This work, *South Africa: Preference and Protection in British South Africa*,⁽⁷⁾ sketches the development of customs policies prior to the Union's first Customs

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4. Board of Trade and Industries : Report No.282: Investigation into the Manufacturing Industries in the Union (1945), par.327.
 5. Kooy, M. and Robertson, H.M. : The South African Board of Trade and Industries; the South African Customs Tariff and the Development of South African Industries, South African Journal of Economics, vol.34, 1966, pp.205-24.
 6. In the opinion of the writer, the works mentioned here are the most important. The bibliography at the end of the thesis, in particular the journal articles, contains a number of other less important works.
 7. Evans, S. : South Africa: Preference and Protection in British South Africa (no date, though probably 1912).

Tariff Act of 1914, and, understandably in view of the author's business affiliations, attention was devoted primarily to a critical survey of the harmful effects which high customs duties were alleged to have on the development of the gold-mining industry.

The early history of customs policies was re-examined and extended to 1923 by Dr. A.J. Bruwer,⁽⁸⁾ who was appointed chairman of the Board of Trade and Industries in 1924. His work provides a considerably more detailed account of early customs policies than does that of S. Evans, and, in making a strong plea for higher tariffs, arrives at a markedly different conclusion. A more scholarly study of the thorny problem of customs policies between 1885 and 1910 is given by Dr. J. van der Poel,⁽⁹⁾ while the development of a Customs Union during that period has received specialised treatment in a thesis by H.J.P.L. Kruger.⁽¹⁰⁾ A succinct analysis of the development of tariff policy between 1925 and 1936 is contained in *State Interference in South Africa* by Dr. F.J. van Biljon.⁽¹¹⁾ While Dr. van Biljon concedes that protective tariffs may have had a beneficial influence upon the development of secondary industry, he does not share Dr. Bruwer's uncritical enthusiasm for such a policy. The most recent survey of this topic is an article by Professor D.J.J. Botha,⁽¹²⁾ which contains an interesting summary of some of the main trends in tariff policy prior to 1936.

The above-mentioned works, concentrating as they do with customs tariffs, pay little attention to the development of secondary industry. Nor is this deficiency remedied by the more specialised works which have appeared on the subject of South Africa's industrialisation. Although several particular

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8. Bruwer, A.J. : Protection in South Africa (1923).
 9. van der Poel, J. : Railway and Customs Policies in South Africa: 1885-1910 (1933).
 10. Kruger, H.J.P.L. : Customs Unions in South Africa, unpub. M.A., University of South Africa, 1956.
 11. van Biljon, F.J. : State Interference in South Africa (1939)
 12. Botha, D.J.J. : On Tariff Policy: The Formative Years, South African Journal of Economics, vol.41, December 1973, pp.321-55.

industries have been dealt with - notably C.S. Richard's scholarly study of *The Iron and Steel Industry in South Africa*,⁽¹³⁾ and H.A.F. Barker's work on *The Economics of the Wholesale Clothing Industry of South Africa: 1907-1957*⁽¹⁴⁾ - few works have dealt with the development of secondary industry as a whole. Of the general texts, V. Bosman's *Industrial Development in South Africa* is one of the oldest.⁽¹⁵⁾ This collection of essays depicts clearly the inter-relationship that exists between the various sectors of the economy, but it too generalised to be of much use to the specialist. It was followed by the publication of G.C.R. Bosman's *The Industrialization of South Africa* in 1938.⁽¹⁶⁾ The title of the work is a misnomer because only two of the eight chapters deal with the historical development of secondary industry, and these are of a general character. A work of more recent years by Dr. A.J. Norval contains much that is of interest, with the emphasis placed on industrial development since the Second World War.⁽¹⁷⁾ As the author explains, however, 'This publication is not intended to be so much a scientific treatise...as a source of information for prospective industrialists.'⁽¹⁸⁾

Apart from the general texts already mentioned, there are a few articles which devote special attention to the development of secondary industry in South Africa. C.W. Pearsall's article on *Some Aspects of the Development of Secondary Industry in South Africa* provides a rather generalised account of industrial development between 1910/11 and 1934/35.⁽¹⁹⁾

13. Richards, C.S. : The Iron and Steel Industry in South Africa (1940).

14. Barker, H.A.F. : The Economics of the Wholesale Clothing Industry of South Africa: 1907-1957 (1961).

15. Bosman, V. : Industrial Development in South Africa (1936).

16. Bosman, G.C.R. : The Industrialization of South Africa (1938).

17. Norval, A.J. : A Quarter of a Century of Industrial Progress in South Africa (1962).

18. Ibid., p.iii.

19. Pearsall, C.W. : Some Aspects of the Development of Secondary Industry in South Africa, South African Journal of Economics, vol.5, December 1937, pp.412-22.

It nevertheless includes a particularly valuable analysis for the period between Union and the first industrial census of 1915/16, during which the development of secondary industry is difficult to gauge because of the lack of statistical data. Industrial development after the 'Great Depression' of 1929-32 has been dealt with by G.F.D. Palmer.⁽²⁰⁾ His treatment, though brief, stresses the important link that exists between the fortunes of the gold-mining industry and secondary industry, particularly after South Africa left the gold standard in December 1932.

Three other works of a more theoretical nature deserve mention. The first is Dr. S.J. Swanepoel's doctoral thesis entitled *The Protection of Industries in South Africa*.⁽²¹⁾ Apart from a brief, historical survey of tariff policy of some fifty pages, which is descriptive rather than analytical, this work is primarily an assessment of Professor G. von Haberler's work on the theory of international trade,⁽²²⁾ and its applicability to South Africa with special reference to prices, employment and wages. Dr. T.A. Du Plessis' thesis, submitted in 1965,⁽²³⁾ is a pioneering attempt to construct a model of industrial growth in South Africa, in an effort to isolate, in quantitative fashion, the real forces of economic expansion between 1916/17 and 1956/57. The third work is a thesis, submitted in 1968, by Dr. D.W. Goedhuys entitled *A Comparative Study of Tariff-Making Machinery*.⁽²⁴⁾ As the title of this work indicates, this scholarly study devotes attention to a critical, theoretical analysis of international tariff-making machinery, and contains little information of

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20. Palmer, G.F.D. : Some Aspects of the Development of Secondary Industry in South Africa since the Depression of 1929-32, South African Journal of Economics, vol.22, March 1954, pp.148-59.
21. Swanepoel, S.J. : The Protection of Industries in South Africa, unpub. D.Phil., University of Stellenbosch, 1940.
22. von Haberler, G. : The Theory of International Trade with its Applications to Commercial Policy. This work first appeared in English in 1936.
23. Du Plessis, T.A. : The Industrial Growth Pattern and the Real Forces of Economic Expansion in South Africa: 1916/17-1956/57, unpub. D.Com., University of South Africa, 1965.
24. Goedhuys, D.W. : A Comparative Study of Tariff-Making Machinery, unpub. D.Com., University of South Africa, 1968.

an historical nature.

Even though few works have specifically linked the customs tariff with the development of secondary industry in South Africa, it might be assumed that information could easily be pieced together from existing literature to provide an overall assessment of the topic. Such an assumption overlooks two things. One is that no accurate assessment is possible unless it is based upon a detailed examination of the development of particular industries. The other is that there exists a good deal of disagreement on several pertinent issues which also require specialised treatment.

Firstly, while it is generally agreed that the Customs Tariff Act of 1925 did introduce a definite policy of tariff protection, there is no agreement as to whether or not there was any tariff protection for secondary industry prior to that date. On this issue, Dr. Bruwer writes as follows:

'South Africa has passed through several distinct phases of protection. Up to the middle of the nineteenth century the South African market was protected for and by England. South Africa passed through a period of "external" protection, as it were. After England had launched upon a policy of free trade, the Cape and Natal started developing their own tariff policies, and as time went on their tariffs became instruments for protecting their industries as well as a means of yielding revenue. With the opening of the twentieth century we find South Africa - on the establishment of the general South African Customs Union - returning to a policy of protecting the interests of England in her markets, while at the same time she embarked upon a more serious policy of protecting her own industries.' (25)

For Bruwer, there did indeed exist a deliberate and purposeful policy of tariff protection prior to 1925. In this view, he was supported by L.C.A. Knowles who, while admitting that '...a policy of full-blooded protection was entered upon' in 1924, nonetheless claimed that 'in fact 1884 marks the birth-year of South African protection and corresponds to 1859 in Canadian fiscal history and to 1867 in that of Victoria.' (26)

25. Bruwer, A.J. : op. cit., p.184.

26. Knowles, L.C.A. : The Economic Development of the British Overseas Empire (1936), vol.3, pp.297,311.

M.H. De Kock, in his *Economic History of South Africa*,⁽²⁷⁾ was adamant, however, that there was no such deliberate policy. In his words:

'To make the tariff yield a large revenue by rendering virtually all imported commodities liable to taxation, *without any definite pre-determined aim at fostering the growth of local industries*, has all along been the predominating feature in the tariff policy of South African Governments. The Union Government has inherited it from the Colonial Governments and has maintained the old iniquitous tariff system in all its glory, the only important difference being that the duties have been substantially raised in many instances and that local industries have consequently received a larger measure of *incidental* protection.'⁽²⁸⁾

This view - that any benefit which secondary industry may have derived from higher duties was 'incidental' rather than deliberate - has received support in more recent years from Professor D.J.J. Botha. 'Although protective tariffs were introduced only in 1925,' he writes, 'the...revenue duties imposed previously might have had a protective effect, especially from 1906 onwards.'⁽²⁹⁾

Other authors have not only denied the existence of a policy of deliberate protection prior to 1925, but also chose to ignore the possibility of any 'incidental' protection that might have flowed from the imposition of higher duties before that date. For example, Dr. A.J. Norval, one-time chairman of the Board of Trade and Industries, referred to the Customs Tariff Act of 1925 as marking the end of 'industrial *laissez-faire*',⁽³⁰⁾ while N. Hurwitz and O. Williams saw the issue in these simple terms:

27. De Kock, M.H. : Economic History of South Africa (1924).

28. Ibid., p.317. Italics added.

29. Botha, D.J.J. : op. cit., p.332. Cf.: Board of Trade and Industries : Report No.282: op. cit., par.323. 'The first serious effort to adopt a policy of protection was made by the Government of the Cape Colony in 1906, but beyond a certain measure of protection...the aim of the tariff was primarily one of State revenue.'

30. Norval, A.J. : op. cit., p.1. Vide: van Biljon, F.J. : op. cit., p.92. For the period prior to 1925, he claimed that the customs tariff '...had no protective basis.'

'Before 1925 tariffs were used for revenue purposes, but fiscal policy after that date was directed to the protection of young and developing secondary industries.' (31)

In sharp contrast with this approach, C.W. Pearsall has adopted a more evolutionary view:

'There was a gradual tendency to enforce duties definitely to protect certain industries. That policy, starting in the eighties of the last century, becoming more marked in 1906... has from time to time been elaborated and extended' until 1924 when 'the new Government, which entered office in that year with a definite protective policy, completely recast the tariff in 1925 with that object.' (32)

This approach is subtly different from that provided by Dr. Bruwer since, unlike Bruwer, Pearsall did not see the existence of a fully-developed policy of tariff protection before the Customs Tariff Act of 1925.

Another issue that has been the subject of much debate concerns the degree of importance which the customs tariff can assume in the development of secondary industry. Most authors are willing to concede that high duties, whether protective by design or effect, can aid industrial development. This was sharply expressed by the Department of Information when it stated that 'South Africa's industrial revolution started in 1925 when protection was promised to home industries.' (33) The year-book of the *State of South Africa* for 1972 similarly claimed that:

'It was General Hertzog who broke with the idea that South Africa was predestined to remain

31. Hurwitz, N. and Williams, O. : The Economic Framework of South Africa (1962), p.113.

32. Pearsall, C.W. : op. cit., pp.413,415. Fahey, F.J. : The Customs Tariff in Relation to Industries in Bosman, V. : op. cit., p.137. 'Prior to 1925 the South African Customs Tariff was not definitely protective in character - although long before that year State fiscal policy had a marked bias in that direction.' Houghton, D.H. : op. cit., pp.112-14, also depicts the emergence of tariff protection as gradual.

33. Department of Information : An Expanding Economy (1962), p.18.

an exporter of raw materials while importing manufactured goods from highly industrialized overseas countries. In 1925 he announced his policy of protection for deserving industries. The year 1925 was, therefore, the beginning of the industrial revolution which transformed South Africa.' (34)

It is generally accepted, however, that this interpretation, which sees tariff protection as the most important factor in South Africa's industrialisation, places far too great an emphasis upon the rôle played by customs duties. I.R. Woods, echoing the opinion of Professor C.W. De Kiewiet,⁽³⁵⁾ wrote: '...the 1925 Act was neither the original nor the greatest stimulus to the country's manufacturing industry.'⁽³⁶⁾

L.H. Samuels, in his contribution to *South Africa's Changing Economy*, pointed out an elementary truth:

'South Africa enjoyed a number of advantages without which no tariff...could have conjured manufacturing industries into existence. It has ample supplies of iron ore, cheap coal and an immense variety of other raw materials. Moreover, the expansion of gold-mining and other primary activities increased the supply of capital resources and provided a growing market.' (37)

This latter point, relating to the growth of the market, was fully endorsed by Professor D.H. Houghton:

'Although protective tariffs have played some part in stimulating industrial development, the main cause has undoubtedly been the expansion of the South African market. Based initially upon the gold mines and the urban population which grew up around them, the manufacturing developments have had a cumulative effect in expanding the market, because each successful phase of industrial expansion generates more income and increases the urban population, and this in turn stimulates further development.' (38)

34. State of South Africa, 1972 Year-book, p.240.

35. De Kiewiet, C.W. : op. cit., p.263.

36. Woods, I.R. : Some Aspects of South Africa's Foreign Trade: 1910-1954, unpub. M.Com., University of Natal, 1954, p.5.

37. Samuels, L.H. : Economic Change in South Africa in South Africa's Changing Economy (1955), p.4.

38. Houghton, D.H. : op. cit., p.121.

Therefore, according to Samuels and Houghton, the initial impetus to industrialisation came from the discovery and exploitation of the mineral deposits, especially gold. And, in the words of Professor Botha, the policy of tariff protection introduced in 1925 '...merely gave a further impetus to a process already under way.'⁽³⁹⁾

Several authors have placed greater emphasis on the impact of other factors in the development of secondary industry prior to the Second World War. H.S. Mabin, for example, was of the opinion that the First World War and the 1925 tariff played the major rôle; he made no reference to either the discovery of gold or the impact of the higher gold price which followed South Africa's abandonment of the gold standard in December 1932.⁽⁴⁰⁾ Similarly, G.F.D. Palmer believed that the First World War and the policy of tariff protection after 1925 were of the greatest importance, although he also devoted space to the favourable influence of the higher price for gold in the 'thirties, since 'secondary industry in particular shared in the new prosperity.'⁽⁴¹⁾ Striking out in yet another direction, G.C.R. Bosman omitted any reference to tariff protection, claiming that the three 'major stimuli' in South Africa's industrial development prior to the Second World War were the discovery and development of the gold-mines, the First World War and the suspension of the gold standard.⁽⁴²⁾

Although customs tariff protection, particularly after 1925, may not have been the most important factor in South Africa's industrialisation, it is generally agreed that, unlike the view adopted by Bosman, the rôle of tariffs is not to be ignored but rather considered in conjunction with other factors. Having acknowledged this, when attention is narrowed down to that rôle, the question still arises: to

39. Botha, D.J.J. : op. cit., p.322.

40. Mabin, H.S. : Some Notes on the Commercial Sector of the South African Economy, South African Journal of Economics, vol.23, December 1955, p.318.

41. Palmer, G.F.D. : op. cit., p.149.

42. Bosman, G.C.R. : Markets for Industry, South African Bankers' Journal, 1953, pp.51-3.

what extent did there exist a cause-effect link between tariff protection and the development of secondary industry, especially after 1925? The dispute that has arisen over this issue constitutes a third area of disagreement.

In his work, *The Economic Development of South Africa*, published in 1936, M.H. De Kock stated:

'The effect of the revised customs tariff (of 1925) can be observed in the increase in the gross output of the factories and workshops.' (43)

In the same year, a similar view was expressed in the Report of the Customs Tariff Commission of 1934-6:

'...it is clear that a great deal of the industrial development which took place after 1925...is directly due to the stimulus given by the protective policy inaugurated in that year.' (44)

These two statements allow no other interpretation than that there was a definite cause-effect relationship between the policy of tariff protection after 1925 and the expansion of secondary industry after that date.

The inevitable question - 'Have these conclusions been proved...?' - was raised by Professor C.G.W. Schumann and he gave a negative reply. (45) Professor Schumann did not deny that there might have been a link between protective tariffs and industrial expansion, but merely pointed out that the conclusions drawn were based upon assumption rather than any proof. Elsewhere, however, Professor Schumann admitted that:

'...such proof would, however, be no easy task. For where, in problems of this nature, factors of a heterogeneous and varying character are mutually responsible for a certain result, the theoretical and statistical isolation of each factor and the quantitative determination of the

43. De Kock, M.H. : The Economic Development of South Africa (1936), p.85.

44. Report of the Customs Tariff Commission, U.G.5/1936, par.39.

45. Schumann, C.G.W. : Report of the Customs Tariff Commission: 1934-35, South African Journal of Economics, vol.4, June 1936, p.176.

relative value of each become extremely difficult.' (46)

Nonetheless, his words stood as a timely warning not to draw conclusions unless they were based upon '...a systematic attempt at a causal analysis, even though only approximate results may be expected'. (47)

This warning has largely been ignored. Several works of more recent years still insist that what appears to be logical must of necessity be fact, and that this dispenses with the need to provide any proof for the conclusions that are drawn. Dr. A. Rupert, for example, stated that tariff protection after 1925 '...was a policy of selective protection but proved so effective that production doubled itself in the thirteen years from 1925 to 1938.' (48) No evidence whatsoever was given in order to substantiate this claim. In similar vein, Dr. van Biljon came to the conclusion that:

'...protective devices have been applied consistently since 1925, and there can be no doubt that by safeguarding the internal, but particularly the inland, market for domestic manufacturers, industrialisation was facilitated. Indeed, in the ensuing decade the gross value of industrial output was almost doubled.' (49)

Even the Board of Trade and Industries, which was in a better position than any other individual for obtaining the information necessary for 'a systematic attempt at a causal analysis', thought 'it would be reasonable to *assume*...that the assured protective policy declared by the Government in 1925 has been very largely responsible for the industrial development since then.' (50)

46. Schumann, C.G.W. : Structural Changes and Business Cycles in South Africa: 1806-1936 (1938), p.177.

47. Ibid.

48. Rupert, A. : Heritage and Development in South African Industry (1963), p.3.

49. van Biljon, F.J. : op. cit., p.109.

50. Board of Trade and Industries : Report No.282: op. cit., par.340. *Italics added.* Norval, A.J. : op. cit., p.1, adopts a similar approach: '...a great deal of the industrial development which took place immediately subsequent to 1925 was a direct result of the impetus given by the protective measures applied in pursuance of the protective policy which was adopted in that year.'

Finally, the fourth and most important issue over which there is no settled opinion concerns the motives which lay behind the adoption of a 'definite and purposeful policy of tariff protection' in 1925. This issue is of vital importance since, in the absence of any significant policy change which might have altered the aims of protective tariffs, the factors which brought about that policy must stand as the criteria whereby success or failure is judged. Therefore, as a result of the lack of any common agreement on the causes which led to this policy, different authors have come to different conclusions based upon the criteria they have chosen. Or, worse still, some authors have ignored this aspect and have not arrived at any conclusion concerning the success or failure of the government's tariff policy.⁽⁵¹⁾

Of the authors who have touched upon the causes of the 1925 policy, several provide a mono-causal explanation. For example, the Transvaal Chamber of Industries stated that '...the Coalition Government under General Hertzog adopted a "Civilised Labour" policy as a corollary to its policy of encouraging the establishment of manufacturing industry in South Africa.'⁽⁵²⁾ N. Hurwitz and O. Williams elaborated upon the same approach:

'Under the new fiscal policy only those industries which complied with the Government's requirements of "civilised labour" would be granted protection. In practice this meant industry would have to employ more white labour in order to solve the Poor White problem which existed at that time.'⁽⁵³⁾

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51. Those works which include a discussion of tariff protection, but do not refer to either the aims or success of that policy include: Fahey, F.J. : op. cit.,; Bosman, G.C.R. : The Industrialization of South Africa (1938); South Africa Foundation : South Africa in the Sixties: A Socio-Economic Survey (1962); Niddrie, D.L. : South Africa: Nation or Nations (1968); Mullan, B.C. : Basic Economics as Applied in South Africa (1958); Campbell, A. : South Africa, What Now? (1947); and Richards, C.S. : The Task Before Us: With Special Reference to Industry, South African Journal of Economics, vol.12, September, 1944
52. The Transvaal Chamber of Industries: 1910-1960 (1960), p.26.
53. Hurwitz, N. and Williams, O. : op. cit., p.113. Other works which adopt a similar approach include: Swanepoel, S.J. : op. cit., p.37; MacMillan, W.M. : Complex South Africa (1930), p.107; and Frankel, S.H. : Capital Investment in Africa (1938), pp.137-8.

In a similar fashion, the Report of the Customs Tariff Commission of 1934-6 stated that '...the fact that the two major natural industries of the country employed a relatively low percentage of Europeans' was 'one of the reasons for the adoption of a policy of development of protected secondary industries....' ⁽⁵⁴⁾ Implicit in this statement, however, is the commissioners' belief that there existed other reasons for the adoption of this policy. If so, the commissioners omitted to indicate what they were.

Another mono-causal explanation is contained in the Report of the Economic and Wage Commission of 1925. On this occasion, it was claimed that 'the object and tendency of fostering manufactures is to lessen South Africa's dependence upon imported manufactures from overseas manufacturing countries' ⁽⁵⁵⁾ - an explanation that was approved of by the Cape Chamber of Industries. ⁽⁵⁶⁾ The Department of Information, on the other hand, was of the opinion that the development of the country's 'industrial potential' was 'the obvious and necessary solution' to the depression in gold-mining and agriculture after the First World War. ⁽⁵⁷⁾ Yet another single-cause explanation was given by D.M. Goodfellow in 1931:

'The whole policy is, as it has been for forty years, to regard the mining industry as a temporary industry, which will yield very high profits for a number of years and will then disappear....In consequence the State takes a very large proportion of the wealth produced by the mines and devotes it to the scientific development of agriculture, and to the promotion of a set of manufacturing industries which may hope to be at least self-supporting by the time the mines give out.' ⁽⁵⁸⁾

54. Report of the Customs Tariff Commission : op. cit., par.224.

55. Report of the Economic and Wage Commission, U.G.14/1926, par.308.

56. Cape Chamber of Endustries : Fifty Years of Cape Industry: 1904-1954 (1954), p.53.

57. Department of Information : Pillars of the South African Economy (1964), p.7.

58. Goodfellow, D.M. : An Economic History of South Africa (1931), p.255.

In this case, the development of the secondary sector via the customs tariff was seen as a step towards the substitution of manufacturing industries for the gold-mines.⁽⁵⁹⁾

Dr. A.J. Norval expressed the view that there were two distinct 'stages' in the development of tariff policy, and that the latter therefore had two rôles to fulfil:

'Initially, it was to bring about a greater diversification in the country's economy, which was predominantly agricultural and mining, with a view to creating greater opportunities for the employment of white labour. In the next stage the aim was to promote industrial development in order that industries may take the place, as the general sustainer of the economy, of the gold-mining industry, which, it was felt, will eventually play a very secondary role in the economy of the country.'⁽⁶⁰⁾

R. Horwitz, in his book entitled *The Political Economy of South Africa*, agreed with Dr. Norval that 'the White labour-employment potential was a guiding, if not determining, consideration of protectionist policy', but added that '...until 1939 the tariff protection given to secondary manufacturing was not so much the promotion of industrialization as the consequence of a virtual import prohibition to safeguard primary agriculture against foreign competition.'⁽⁶¹⁾

Other authors have taken a combination of the aforementioned views. For example, Dr. van Biljon stated that industrial protection was begun in 1925 '...in order to preserve and amplify the productive structure which had

59. Vide: Franklin, N.N. : Economics in South Africa (1948), pp.176-83.

60. Norval, A.J. : op. cit., p.123.

61. Horwitz, R. : The Political Economy of South Africa (1967), pp.247-8. A similar view was expressed by De Kock, M. H. : The Economic Development of South Africa (1936), p.85. 'The factor which was mainly responsible for the adoption of this policy of systematic protection was the opinion held in government circles that, under the peculiar physical and economic conditions prevailing in the Union, the primary industries...were incapable of furnishing an adequate livelihood to the growing European population....Consideration was also given to the fact that secondary industries in turn also provide a valuable market for the products of intensive farming'.

emerged under pressure of military exigencies';⁽⁶²⁾ in order to '...create a larger field for the employment of civilized labour';⁽⁶³⁾ and because '...the creation of alternative industries was a matter of urgency' in view of 'the authoritative prediction that the gold-mining industry would reach a peak in 1938 and thereupon decline'.⁽⁶⁴⁾ This approach achieved its fullest expression in the Third Interim Report of the Industrial and Agricultural Requirements Commission of 1941:

'The many secondary industries established in the Union from 1917 to 1920 found themselves in difficulty when world trade was resumed and prices fell. To assist these industries, a policy of tariff protection was adopted in 1925. The stimulation of further industrial expansion was also visualised.

The estimates then current showed that gold mining would decline rapidly after 1940; hence it was opportune to develop in good time the industrial resources which the country seemed to possess. Further, due to the deterioration of conditions in agriculture, the drift to the towns was increasing, but while the number of workers in the mines had hardly increased since 1912, more urban employment was provided by accelerating industrial development.'⁽⁶⁵⁾

Although this passage contains a summary of most of the existing views, it is not necessarily correct. Of greater importance, however, the Agricultural and Industrial Requirements Commission, like all of the above-mentioned works, failed to assess whether or not the policy of industrial

62. van Biljon, F.J. : op. cit., p.69.

63. Ibid., p.94.

64. Ibid., p.300.

65. Third Interim Report of the Industrial and Agricultural Requirements Commission, U.G.40/1941, section 100. Vide: Houghton, D.H. : op. cit., pp.114-5; and Botha, D.J.J. : op. cit., p.334. The Report of the Commission of Enquiry into Policy Relating to the Protection of Industry, U.G.36/1958, par.74, claimed that the 'consistent policy' since 1925 has been 'that any branch of industry that can be established on a sound economic basis with a reasonable measure of protection should be granted tariff assistance.' This statement fails to reveal why that policy was adopted in 1925.

protection had been a success in terms of the aims given.

In view of the considerable conflict of opinion that has been seen to exist, this thesis seeks to determine more precisely the role played by the customs tariff in the development of secondary industry in South Africa, with particular reference to the period 1924 to 1939. The selection of the date 1924 to commence this study is self-evident: that year saw the election of a government which introduced a definite policy of protection for secondary industry.⁽⁶⁶⁾ Nonetheless, the fact that the customs tariff of 1925 was an outgrowth of earlier tariffs, together with the disagreement on the precise nature of early tariff policy, has made it necessary to outline the development of customs tariffs and the emergence of secondary industry prior to 1925 (as is done in chapter 2). The year 1939 was chosen to conclude this study for three reasons. Firstly, several publications have already dealt with South Africa's industrial development during and after the Second World War.⁽⁶⁷⁾ Secondly, and of greater importance, the introduction of import-control during and after the Second World War, in an effort to improve the balance-of-payments position, has made it extremely difficult to analyse the part played by protective tariffs during this later period.⁽⁶⁸⁾ And, finally, the opening-up of the vast new goldfield in the Orange Free State in 1946 altered considerably the need to develop secondary industry to replace the gold-mines.⁽⁶⁹⁾

66. The Customs Tariff Act of 1925 also introduced tariff protection for agriculture, but this falls outside the scope of this thesis. Vide: van Biljon, F.J. : op. cit., chapters v and vi.

67. Vide: Norval, A.J. : op. cit.; Herd, N. : Industrial South Africa (1963); Hamer, E. : Die Industrialisierung Süd-afrikas seit dem zweiten Weltkrieg (1964); Eliovson, N. and Long, B.E. : Industrial South Africa (1956); and, on a more specialised aspect, Bell, R.T. : Industrial Decentralisation in South Africa (1973).

68. Vide: van Waasdijk, T. : The Technique and Policy of Import Control in the Union of South Africa: 1948-1952 (1952); and Venter, J.J. : Invoerbeheer in Suid-Afrika: 1939-1954, unp. M.A., Pretoria University, 1955.

69. Vide: Oppenheimer, H. : The Orange Free State Gold Fields, South African Journal of Economics, 1949.

While chapters 3 and 4 provide a general analysis of tariff policy and industrial development between 1925 and 1939, special consideration has been given to a few individual industries in order to discern more accurately the effectiveness of protective tariffs. For this reason, chapters 5, 6 and 7 examine the development of the footwear, printing and cement industries. The choice of these case-studies was influenced by three factors. Firstly, to select those industries which would show the favourable and unfavourable effects of protective tariffs, and the use made of dumping duties. Secondly, the availability of adequate statistical data.⁽⁷⁰⁾ And, finally, the avoidance of those industries which are the subject of other authors' publications.⁽⁷¹⁾ For reasons that will become apparent in the text, chapter 8 is devoted to a survey of the impact of customs duties on the gold-mining industry.

It is hoped that this detailed examination of South Africa's industrial development in relation to the customs tariff will contribute to a better understanding of South Africa's economic development prior to the Second World War.

70. For example, consideration was given to the development of the blanket industry, but statistical data for this industry is only available from 1933/34 onwards. Vide: Board of Trade and Industries : Report No.290: The South African Blanket Manufacturing Industry (1947). In the case of explosives, the industrial censuses show explosives and matches together, and no separate returns for matches are available.

71. Vide: Richards, C.S. : The Iron and Steel Industry in South Africa (1940); Meyer, F. : The Development of the Iron and Steel Industry in South Africa, South African Journal of Economics, 1952; Barker, H.A.F. : The Economics of the Wholesale Clothing Industry of South Africa: 1907-1957 (1961); Barker, H.A.F. : The Clothing Industry in South Africa, South African Journal of Economics, 1961; Cartwright, A.P. : The Dynamite Company (1964).

CHAPTER TWO

TARIFF POLICY AND THE EMERGENCE OF SECONDARY INDUSTRY PRIOR TO 1925

From the time of van Riebeeck's arrival in 1652 until the first British occupation in 1795, the trade of the Cape was controlled and, indeed, monopolised by the Dutch East India Company. At no time during these years did the question of protective duties arise, for it was never the intention of the Company to promote secondary industry. It was maintained that '...the Company is a trading unit, not a colonizing unit,'⁽¹⁾ and the Fiscals strongly opposed any suggestion for the establishment of manufacturing concerns on the ground that it would be detrimental to the Company's factories in Holland.⁽²⁾ However, the question of revenue duties did arise, particularly during the years of great financial strain in the late eighteenth century. In a sparsely populated region, as was the Cape,⁽³⁾ the most suitable method for the collection of essential revenue was by the imposition of import duties at a few ports. Accordingly, the first duties were imposed in 1678, while, in 1789, a general ad valorem duty of 5 per cent. was levied on all imported articles.⁽⁴⁾

When, in 1795, the Cape became subject to British rule, Britain was still to a large extent under the

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1. Bruwer, A.J. : op. cit., pp.29-30.
 2. De Kock, M.H. : Economic History of South Africa (1924), p.282.
 3. De Kiewiet, C.W. : A History of South Africa, Social and Economic (1941), p.30. For the year 1795, he writes: 'In the more compact western districts the population was about 13,500. Throughout the rest of the Colony was dispersed a population of seven or eight thousand, one individual to approximately ten square miles.'
 4. Theal, G.M. : History and Ethnography of South Africa before 1795 (1907-10), v.3, p.190. The tariff of 1678 imposed duties on brandy, wine, rum, tobacco, pipes, rice and sugar.

influence of 'mercantilism', whereby the colonies were to supply the mother country with foodstuffs and raw materials in return for the manufactured articles they required.⁽⁵⁾ However, the loss of the American colonies in 1783 had thoroughly discredited the old colonial policy of Britain, and, consequently, that policy was undergoing considerable change. The new policy of free trade, which was only gradually coming into the foreground, did not prevent the colonies from trading with foreign countries, but favoured a system of preferential duties for the protection of British trade and shipping. Thus, during the first half of the nineteenth century, while the duty on British goods was fixed at 5 per cent., the duty on foreign goods ranged from 10 to 15 per cent.⁽⁶⁾ These preferential duties remained in force at the Cape until 1855, when, in accordance with the prevailing ideas of free trade and navigation in Britain, the Cape abolished the entire system of imperial preference and fixed the general ad valorem rate at a moderate 7½ per cent.⁽⁷⁾

It has been argued that this duty, raised to 10 per cent. in 1864,⁽⁸⁾ provided some small measure of protection and assisted the growth of the cart and wagon-making, fruit and fish-preserving, candle-making and tanning industries that had been established at the Cape by 1872, at which

5. The term 'mercantilism', as used by Adam Smith : An Inquiry into the Nature and Causes of the Wealth of Nations (1776), (Modern Library Ed., 1937), Book IV, and Heckscher, E.F. : Mercantilism (Rev. ed., 1955), v.1, has been severely criticised in recent years. Vide: Coleman, D.C. : Revisions in Mercantilism (1969). Nonetheless, the term is still used to denote the 'enthusiasm for economic gain', and the methods whereby economies were regulated for this purpose during the sixteenth, seventeenth and eighteenth centuries. It is in this sense that the term is used here.

6. Evans, S. : op. cit., p.84. Arkin, M. : John Company at the Cape, Archives Year Book, 23, v.2, ch.1.

7. Statutes of the Cape of Good Hope (1652-1905): Act No. 1 of 1855.

8. Theal, G.M. : History of South Africa from 1795-1872 (4th ed., 1919), v.5, p.35.

date responsible government was granted.⁽⁹⁾ Similarly, it is claimed for Natal that the prosperity of the wagon-making and tanning industries was a direct result of the imposition of a general ad valorem duty of 6 per cent. in 1867.⁽¹⁰⁾ However, if protection played any part at all in the growth of these industries, it would be more accurate to claim that 'natural' protection - the cost of sea freight, insurance and dock charges - was responsible, for a close analysis of the tariffs reveals that they were revenue in character and that the limited benefits which flowed from these tariffs accrued to the agricultural sector.⁽¹¹⁾

In point of fact, even if there had been in existence a protective tariff for the promotion of secondary industry, it is debatable whether any significant degree of industrial development could have been fostered by such a tariff. Without a suitable socio-economic framework, the tariff is an impotent instrument for the development of secondary industry. By the mid-nineteenth century, the necessary initiative, skill and capital were not available to allow for the commencement of industrialisation in the sub-continent.⁽¹²⁾ Thus far industrialisation had not begun, and, indeed, it was only to begin with the general economic development of the country. In short, the establishment of secondary industry was a consequence of economic development rather than a cause of it.

9. De Kock, M.H. : op. cit., p.283. Also: Knowles, L.C.A. : The Economic Development of the British Overseas Empire (1936), v.3, pp.295-6.

10. Theal, G.M. : op. cit., p.355.

11. Knowles, L.C.A. : op. cit., p.295. In the Cape, a duty of 8d. per 100 lb. on wheat and 2/6d. per 100 lb. on flour was levied in terms of the 1864 tariff. Also: Bitensky, M.F. : The Economic Development of Natal, 1843-1885, unp. M.A., London, 1955, p.5. It is argued that the 6 per cent. duty on sugar aided the establishment of sugar refineries in Natal.

12. Houghton, D.H. : op. cit., p.114.

It was the mineral discoveries and their exploitation which began the transformation of the South African agrarian economy during the last forty years of the nineteenth century. The first fruits of the hidden mineral wealth of the sub-continent were harvested in the copper mines of O'kiep in Namaqualand in 1852; the first parcel of diamonds was sent to Europe in 1867; and the goldfields of the Rand were proclaimed in 1886. These discoveries generated the establishment of industries immediately related to mining, such as the manufacture of explosives, cement, certain branches of engineering and the production of miners' boots.⁽¹³⁾ However, the remaining years of the nineteenth century saw little general expansion in manufacturing. This was the result of the absorption of the available capital and labour by the mining industry, together with a widely dispersed population and expensive transport facilities which made large-scale manufacturing impossible due to the lack of markets.

Meanwhile, in the Cape, the reckless diamond boom of the 'seventies had given way to a slump in the early 'eighties,⁽¹⁴⁾ and the newly-established industries clamoured for protection against foreign competition. In response, the Cape government appointed a Select Committee on Colonial Agriculture and Industries in 1883. Two prominent members of the Committee were J.H. Hofmeyr, a member of the Afrikaner Bond which championed a policy of protection for agriculture and secondary industry, and J.X. Merriman, a free-trader.⁽¹⁵⁾ In its report, the Committee clearly endorsed the views of Hofmeyr. The report of the Committee asserted that it could not find '...any trace of an attempt...to promote the development of our industries,' and recommended a duty of 20 per cent. on wagons, furniture and other wood-work; 15 per cent. on boots, shoes and leather; and a

13. Ibid., p.112.

14. Schumann, C.G.W. : op. cit., pp.82-3.

15. Davenport, T.R.H. : The Afrikaner Bond: 1880-1911 (1966), pp.35-6.

system of bounties to encourage the growth of sugar, coffee and cotton.⁽¹⁶⁾ Merriman, however, was opposed to tariff protection for secondary industry on the ground that such a policy would harm the export trade in agricultural and pastoral products, which was the mainstay of the Cape's economy.⁽¹⁷⁾

The Cape government responded to the Committee's report with the tariff of 1884, which raised the general ad valorem duty from 10 to 15 per cent., while 'rated' duties on wine, spirits, corn and flour were increased.⁽¹⁸⁾ Although it provided some small measure of protection for agriculture, the tariff of 1884 was primarily a revenue-raising instrument to aid the financially-distressed Cape government. Nonetheless, the tariff of 1884 has been hailed as '...the birth-year of South African protection.'⁽¹⁹⁾ If we are to believe that 1884 does indeed mark a turning-point in South Africa's tariff history, it can only be regarded as a watershed in the development of South African agriculture, or rather it confirmed the superior position which agriculture occupied in the economy. Indeed, contemporary opinion at the Cape viewed manufacturing as only of secondary importance to mining and agriculture - a view that was to remain firmly entrenched in the minds of many for several decades.

The discovery and development of the goldfields shifted the hub of commerce away from the Cape to the Transvaal, which only served to intensify the existing rivalry between the Cape and Natal for the market of the interior. At that time, Natal was pursuing a low tariff policy in order to attract trade, while, as we have seen, the Cape was gradually raising her tariff to protect agriculture and to secure revenue.⁽²⁰⁾ In 1884,

16. Report of the Select Committee on Colonial Agriculture and Industries, 1883, Appendix II to the Votes and Proceedings of the Cape Parliament, 1883, p.4.

17. Ibid., Minority Memorandum, pp.9-10.

18. Bruwer, A.J. : op. cit., p.69. 'Rated' duties were specific duties,

19. Knowles, L.C.A. : op. cit., p.297.

20. Bruwer, A.J. : op. cit., pp.86-7.

the Cape launched a two-pronged attack designed to offset Natal's advantageous position for the trade of the Rand: firstly, a rebate was granted on goods destined for the interior equal to the difference between the Cape and Natal tariffs; and, secondly, it was decided to construct a railway-line across the Orange Free State to the goldfields so as to neutralise Natal's proximity to the inland market.⁽²¹⁾

The Orange Free State insisted that, in return for permission to build a railway line across its territory, it should receive a share of the customs levied by the Cape. This was accepted by the Cape with the formation of the first Customs Union in 1889 between the Cape and the Orange Free State.⁽²²⁾ Although representatives from Natal had attended the first customs conference in 1888, the Cape's refusal to lower the tariff from 12 to 9 per cent. forced Natal to go her separate way for another decade.⁽²³⁾ During that decade, however, the obstacles which prevented Natal from joining the Customs Union were gradually removed. The 'Country Party', which favoured a policy of protection for secondary industry, was returned to power in Natal in 1897.⁽²⁴⁾ In addition, under pressure from Delagoa Bay, which charged only 3 per cent. on goods destined for the Transvaal, the tariff of the Customs Union was reduced from 12 to 7½ per cent.⁽²⁵⁾ Finally, in 1898, Natal joined the Customs Union and the coastal colonies closed ranks against the Transvaal.

In the interim, President Kruger had formulated an exclusionist economic policy for the Transvaal. He had suffered the humiliation of British annexation of the Transvaal in 1877, and when, in 1881, the Transvaal had regained much of her lost political independence, he was

21. van der Poel, J. : Railway and Customs Policies in South Africa (1933), pp.10, 15.

22. Ibid., p.40.

23. Brookes, E.H. and Webb, C. de B. : A History of Natal (1965), p.196.

24. Ibid., p.198.

25. van der Poel, J. : op. cit., p.27.

determined to lead the Republic to economic independence as well. Thus it was against this background that the Transvaal embarked upon its concessions policy in 1881. In terms of that policy, high duties were imposed on a long list of commodities - principally, dynamite, liquor, leather, cement, iron, bricks, sugar, wool, oil, soap, candles and paper - which concessionaires had undertaken to manufacture in the Republic.⁽²⁶⁾ However, the original concessionaires were usually speculators hoping to sell their rights to others at a profit.⁽²⁷⁾ Moreover, 'manufacturing' was often a mere pretence, as much of the so-called raw materials was imported in partially-manufactured form.

After the discovery of gold in the Transvaal, the concessions policy was assailed by those private entrepreneurs who wished to engage in secondary industry, but who were prevented from doing so by the monopolistic character of that policy. Moreover, in the case of dynamite, from which the Transvaal government received a royalty, it appeared that the Volksraad used the concession as a means of deriving maximum benefit from the gold-mining industry, which was seen as a temporary phase.⁽²⁸⁾ In 1895, the Volksraad was forced to take notice of the rising tide of criticism and appointed a committee to investigate the industrial concessions. The committee found that all the concessions granted since 1881 had lapsed with the exception of those for the manufacture of dynamite, liquor, iron, leather, bricks and paper; of these, the iron and paper concessions were inoperative. The committee was opposed to the grant of exclusive rights of manufacture and recommended a scheme under which approved applicants would be allowed to establish factories which would receive tariff protection. This scheme was approved by the Volksraad in 1896, and, under it, factories for the manufacture of matches and soap had been established by

26. van Biljon, F.J. : op. cit., pp.89-90.

27. Marais, J.S. : The Fall of Kruger's Republic (1961), p.23.

28. Vide: Cartwright, A.P. : The Dynamite Company (1964), ch.5.

the time of the Anglo-Boer War.⁽²⁹⁾ Apart from the duty on such items, the tariff of the Transvaal was low - ranging from 5 to 7½ per cent. ad valorem - as a result of the opposition to high tariffs by the Uitlander population, supported by many of the Boer leaders.⁽³⁰⁾

Clearly, then, with the exception of the tariff policy followed by the Transvaal during the last two decades of the nineteenth century, the existence of intense economic and political rivalry between the four communities, though more particularly between the members of the Customs Union and the Transvaal, prevented the formulation of a protective tariff policy. Even so, protection was at no time a governing consideration with tariff-makers in the Cape and Natal. Indeed, the Cape government was actively opposed to the adoption of such a policy: Cecil John Rhodes, Prime Minister of the Cape from 1890 to 1896, declared himself definitely opposed to '...the rise of manufactories which would compete with England in the market for her products.'⁽³¹⁾ Apart from mining, agriculture was still considered the primary form of economic activity in South Africa. This is clearly revealed by the Rt. Hon. James Bryce who, in 1897, wrote:

'Such protection as exists is directed to foodstuffs in order to please the agricultural classes and to induce a wider cultivation of the soil, and the tariff on other goods is almost solely for revenue.'⁽³²⁾

Thus, by the time of the Anglo-Boer War, the diversity of economic and political interests, the scarcity of skill and capital and the dominant position occupied by the gold-mining and agricultural sectors combined to produce a severely limited secondary industry.

Despite the upheaval experienced during the Anglo-Boer War, which, unlike the First World War, did little

29. Marais, J.S. : op. cit.

30. Bruwer, A.J. : op. cit., p.80.

31. Michell, Sir L. : The Life of the Rt. Hon. C.J. Rhodes (1914), v.1, p.95.

32. Bryce, J. : Impressions of South Africa (1897), pp.444-5.

to stimulate secondary industry,⁽³³⁾ the turn of the century did witness some progress in the manufacturing sector: the years 1890 to 1910 saw a rise in the number of factories from 550 to 1,500, producing a total gross output in 1911 valued at £17,000,000.⁽³⁴⁾ There would appear to be a *prima facie* case for believing, as several authors do,⁽³⁵⁾ that some part of this development was due to the raising of duties by the Customs Union - which, after the war, embraced the Cape, Natal, the Transvaal, the Orange Free State, Southern Rhodesia, Basutoland and the Bechuanaland Protectorate - in 1903 and 1906.⁽³⁶⁾ However, with the exception of mining machinery, which was admitted practically free of duty, all other benefits which may have accrued from the 1903 tariff fell either to Empire as a result of the restoration of imperial preference, or to the agricultural sector as part of Lord Milner's reconstruction schemes.⁽³⁷⁾

It is claimed for the 1906 tariff, which raised the general ad valorem rate from 10 to 15 per cent.,⁽³⁸⁾ that it introduced 'mild protection' for a number of consumer goods - footwear, saddlery, harnessmaking, printing, blankets, soap, sugar and confectionery - with a view to stimulating local production.⁽³⁹⁾ C.G.W. Schumann, has argued, however, that much of the growth that occurred

33. Vide infra: ch.7, p.196 for the effect of the Anglo-Boer War on the infant cement industry in the Transvaal.

34. Pearsall, C.W. : Some Aspects of the Development of Secondary Industry in South Africa, South African Journal of Economics, Dec. 1937, p.412. No official statistics are available.

35. Knowles, L.C.A. : op. cit., pp.302-3; De Kock, M.H. : op. cit., pp.312, 315-6; Bruwer, A.J. : op. cit., pp.121, 124-9.

36. Swaziland joined the Customs Union in 1904. Proclamation No.4, Swaziland, 1904. Vide: Appendix 1 for the 1903 and 1906 tariff agreements.

37. Walker, E.A. : A History of Southern Africa (3rd ed., 1957), p.507. Also: Worsfold, W.B. : Reconstruction of the New Colonies under Lord Milner (1913), v.1, pp.235-242 passim. The 1903 tariff specifically raised duties on butter, wheat, flour and meat.

38. Bruwer, A.J. : op. cit., p.127.

39. van Biljon, F.J. : op. cit., p.90. Also: Houghton, D.H. : op. cit., p.114.

was rather the result of the cyclical recovery from the Anglo-Boer War.⁽⁴⁰⁾ This argument is strengthened when it is realised that approximately half of the gross output of £17,000,000 in 1911 comprised the processing of farm products for the food, drink and tobacco industries, and that the other half consisted mainly of building materials; wagons and carts; printing; explosives; matches; tanning and leather harness; some clothing; soap and candles; and a small percentage of the boots and shoes consumed.⁽⁴¹⁾ From the foregoing, it is apparent that manufacturing consisted of a few protected industries - notably, leather, timber and certain building materials - but primarily of 'sheltered' industries dependent upon the gold mines.

In the light of this evidence, the view expressed by Sir Thomas Hyslop, the Natal Treasurer, that the 1903 tariff, but more particularly that of 1906, was 'frankly protectionist' cannot have been based on a sound analysis of the issue.⁽⁴²⁾ Neither the skill nor facilities necessary for large-scale industrial response to the markets opened up by the mineral discoveries were as yet available. Moreover, such issues are never decided by economic considerations alone. Indeed, as early as August 1907, the lack of political influence on the part of manufacturers was recognised as a major handicap:

'The different positions of the importers and manufacturers in the community perhaps largely explains why no settled policy of protection has been pursued. Up to the present, commerce has been almost wholly an importing business and a few importers have been the merchant prices of the country....All their influence has hitherto been directed against a policy of protection. On the other hand, the manufacturers, as a class, have occupied a very different and less influential position.' (43)

40. Schumann, C.G.W. : op. cit., p.112.

41. Pearsall, C.W. : op. cit., p.412.

42. Evans, S. : op. cit., p.99.

43. Quoted from : Horwitz, R. : Industry's Early Struggle - The Battle for Protection, South African Industry and Trade, May 1957, p.131.

In addition, it must be borne in mind that those who were intimately concerned with the gold-mines had a vested interest in maintaining a free trade policy so as to obtain their imported requirements as cheaply as possible.⁽⁴⁴⁾

In view of a possible revision of the Customs Union's tariff in 1908, Natal appointed a commission to inquire into her tariff, and its effects upon industry, agriculture and trade. The Natal Tariff Commission complained that the tea and sugar industries were hard hit by foreign competition; that biscuit manufacturers were 'harshly treated' by the imposition of duties on wheat and flour; that the 'overberg' trade in confectionery had been practically annihilated by a bounty on confectionery in the Orange Free State; and that the jam trade had suffered from the loss of its preferential railway rate to the Transvaal, following the railway conference of 1906.⁽⁴⁵⁾ The remedy suggested in most cases was, of course, higher tariffs. At this stage, the Orange Free State was in a position where it did not matter whether the tide turned in favour of or against a higher tariff structure - if her earnings from the Cape railway diminished, she would benefit from the greater earnings of the Transvaal-Lourenco Marques line.⁽⁴⁶⁾

As the conflict of interests between the members of the Customs Union appeared to have been accentuated by the grant of responsible government to the Transvaal in 1906, the Cape feared that the pre-war isolation of the Transvaal might be revived.⁽⁴⁷⁾ Under these circumstances, the Cape also appointed a customs tariff commission, and the Transvaal soon followed suit. In the case of the Cape commission, it was maintained that, although uneconomic

44. Katzen, L. : Gold and the South African Economy (1964), pp.23-4.

45. Report of the Customs Tariff Commission, 1908, Natal Departmental Reports, 1908-9, pp.30-3, 46-7, 49, 51.

46. The railway systems of the Orange Free State and the Transvaal were amalgamated after the Anglo-Boer War.

47. De Kiewiet, C.W. : op. cit., pp.147-50.

firms might spring up under a high tariff, all industries with a fair future prospect ought to be afforded tariff protection. For this purpose, it recommended that duties be raised on carpentry and joinery work, boots and shoes, men's clothing, furniture and candles.⁽⁴⁸⁾ In addition, a number of other tariff increases were recommended for revenue purposes, for the commissioners were well aware of the importance of this source of income to the Treasury.⁽⁴⁹⁾

The Transvaal Tariff Commission reported that certain manufactures - beer, cement, earthenware, explosives and candles - already received protection, while others - joinery, soap, jam and wheat - were in need of protection from coastal competition. However, the commissioners were unable to reach unanimous decision with regard to future policy: two favoured 'moderate protection' against overseas goods only; two favoured protection against all goods, whether they were produced overseas or in the coastal colonies; while one commissioner favoured a tariff for revenue purposes alone.⁽⁵⁰⁾ The majority report expressed itself in favour of the retention of the 1906 tariff, together with a few minor alterations.⁽⁵¹⁾ The minority report, on the other hand, maintained that the Customs Union was decidedly detrimental to the economic interests of the Transvaal, and recommended the adoption of high protective duties.⁽⁵²⁾

In May 1908, a conference of the parties to the Customs Union was held in Pretoria to consider, inter alia, the revision of the customs tariff and the thorny

48. Report of the Customs Tariff Commission of the Cape of Good Hope, G.11/1908, Appendix 1 to the Votes and Proceedings of the Cape Parliament, 1908, pp.6-12, 17.

49. Ibid., p.18.

50. Report of the Customs and Industries Commission, T.G.6/1908, Annexures to the Votes and Proceedings of the Transvaal Legislative Assembly, 1908, v.2, pars.135-7, 142, 154-8.

51. Ibid., par.183.

52. Ibid., p.34, par.vii.

problem of railway rates. It became clear at the outset that it would be impossible to arrive at an understanding acceptable to all parties. Instead, the tariff issue was overshadowed by the larger issue of unification. In accordance with their pledge to ignore the tariff issue, the delegates to the National Convention, held in Durban in October 1908, did not provide for a revised schedule of tariffs, but merely legalised the continuation of the 1906 tariff. Consequently, the draft Act of Union provided that:

'...there shall be free trade throughout the Union, but until Parliament otherwise provides, the duties of Customs and Excise leviable under the laws existing in any of the Colonies at the establishment of Union shall remain in force.' (53)

Thus, apart from the exceptional protection provided for a time by the Transvaal government and a few of the duties imposed in 1906, the customs tariff played a negligible rôle in the limited development of secondary industry prior to union in 1910.

From the very outset, the new state found its path crossed by several pressing problems and desires: it had inherited a growing 'poor white' problem; there was the need to diversify the country's narrowly-based economy; and there was the desire, natural amongst all developing nations, for greater economic self-sufficiency. Not surprisingly, the Union's manufacturers vigorously argued that the encouragement of the manufacturing sector should be the cornerstone of any programme to solve or fulfil these problems and desires.⁽⁵⁴⁾ It was against this background that the Cullinan Commission was appointed in 1910 to investigate the possibility of developing local industry.

Even before the Anglo-Boer War, some of the poorer farmers had drifted to the towns, especially to Johannesburg,

53. The South Africa Act, 1909, section 136.

54. Strong, H. : The Ethics of Protection, South African Commerce and Manufacturers' Record, 1908-9, pp.778-9. Also: Young, J.P. : Free Trade versus Protection, South African Commerce and Manufacturers' Record, 1910, pp.16-7.

Their numbers were augmented as a result of the war, while, from 1910 onwards, the tendency to trek to the towns increased as successive droughts and depressed economic conditions forced many to abandon their farms.⁽⁵⁵⁾ These 'poor whites', the majority of whom were unskilled in the industrial sphere, were obliged to enter into competition with the urban African for unskilled employment. In such circumstances, with the memory of the Chamber of Mines' earlier preference for the employment of Chinese labour rather than unskilled White labour still vivid, it is not surprising that the Cullinan Commission was called upon to recommend a 'civilised labour' policy so that '...the unfair competition of the coloured worker can be put an end to at once.'⁽⁵⁶⁾ This was by no means a new suggestion, but the continuation of a policy which had evolved as a result of trade union activity, particularly on the gold-mines.⁽⁵⁷⁾

The need to diversify the economy was also put forward as a ground for the introduction of a policy of tariff protection.⁽⁵⁸⁾ During the early years of Union, there was indeed a conspicuous lack of balance in the

55. For a full discussion of the 'poor white' problem, see the Carnegie Corporation Commission : The Poor White Problem in South Africa (1932). Also: Doxey, G.V. : The Industrial Colour Bar in South Africa (1961), ch.4; Round Table : The Poor White in South Africa, v.23, 1932/33; and van der Post, A.P. : Social and Economic Aspects of the Poor White and Native Problem, Journal of the Economic Society of South Africa, v.2, no.1, February 1928.

56. Gordon, H.P. : Protection and Prosperity versus Free Trade and Industrial Ruin (1912), p.55. Also: Aitken, A. et al. : Het Tarief Problema Van Zuid-Afrika (1911), p.15. Although they disapproved of industrial protection, it was argued that if such a policy was to be introduced, protection should not be given to those industries '...die waarskynlik deur de aanwending van kaffers of kleurlingen zullen worden gedreven....'

57. Horrell, M. : South African Trade Unionism (1961), p.2.

58. Lepper, C.H. : National Prosperity: How to Attain it. The Union's Opportunity (1911), p.4; Gundelfinger, K. : Protection and Free Trade (1912), pp.6-7; Johnston, A. : Address to the Pretoria Chamber of Commerce (1912), pp.22-3.

country's economy: in 1912, agriculture and mining, together with public authorities, contributed no less than 79,8 per cent. to the national income.⁽⁵⁹⁾ However, the desire for greater diversification was intimately connected with the emergence of autarchic views, in terms of which greater economic self-sufficiency became imperative. Before the First World War, South Africa was on balance an importer of manufactured goods and foodstuffs.⁽⁶⁰⁾ It was against this so-called 'wasteful extravagance' that the President of the Johannesburg Chamber of Commerce spoke out in 1910:

'South Africa requires a policy... (to enable her) to foresake the most wasteful extravagance of exporting money to pay for what can be equally well, if not better produced at home... given the necessary intelligence, enterprise and energy.' (61)

Although such views almost always have a tendency towards chauvinism, they nonetheless play a vital rôle in the lives of all underdeveloped countries.

The Cullinan Commission had also to concern itself with the use of preferential railway rates as a means of industrial and agricultural protection.⁽⁶²⁾ In 1911, the General Manager of the Railways and Harbours clearly expressed his disapproval of such a strategy:

'In regard to preferential railway rates for South African products and manufactures, I can only reiterate... that the principle of affording protection to South African industries by these means should be abandoned... so that the railways may be relieved of an economic burden which is properly a fiscal responsibility and one that can

59. Bureau of Census and Statistics : Statistics for Fifty Years, 1910 to 1960. Vide: Appendix 2.

60. Hurwitz, N. and Williams, O. : The Economic Framework of South Africa (1962), p.113.

61. Johannesburg Commercial Year-book (1910), pp.106-7.

62. The South Africa Act, 1909. It was permissible in terms of Section 4 of the Act for preferential railway rates to be utilised as a means of industrial and agricultural protection. Vide: South Africa: Railway Rates and Road Competition, Round Table, 1929-30, p.186, for the early history of differential railway rates.

in no sense be regarded as forming part of the functions of the department concerned with the transportation service of the country.' (63)

Thus the possible restructuring of railway tariff was also a complicating factor in deciding what structure the customs tariff should take.

From the foregoing, it is clear that the task of the Commission was by no means a simple one. The commissioners were obliged to consider each of the many threads that went to make up the economic, social and political fabric of South Africa in the early twentieth century. When the Commission's report was eventually placed before Parliament in February 1912, it furnished a deep insight not only into industrial and tariff matters, but into the general state of the economy as well. The report commenced by stating that while the tariff of 1906 had claimed to be protective, it had turned out to be primarily revenue in character. It then proceeded to recommend a policy of 'adequate protection' for all 'deserving' industries - that is, protection for those industries which were considered to be beneficial to the economy and which, it was thought, could become economically viable in the foreseeable future. (64)

A majority of the commissioners favoured protection - particularly for leather-goods, building materials, timber, tobacco and confectionery - on the dual ground that it would encourage the diversification of the economy and that it would allow the country to become more of a self-sufficient economic unit. There was also a majority recommendation for the abolition of preferential railway rates - the affected industries to be compensated by the provision of increased tariff protection. Finally, in an obvious attempt to alleviate the 'poor white' problem,

63. General Manager of the Railways and Harbours : Annual Report (1911), p.21.

64. Report of the Commission on Conditions of Trade and Industries (Cullinan Commission), U.G. 10/1912 in Annexure to Votes and Proceedings of the Union House of Assembly, 1912, v.3, p.13.

it was recommended that protected industry should employ a 'fair' percentage of White labour.⁽⁶⁵⁾ A minority report was submitted by Mr. W.M. MacIntosh, who pleaded for the maintenance of the existing tariff so as not to disturb those industries that had already grown up under it,⁽⁶⁶⁾ while yet another minority report was submitted by Mr. W.A. Martin, who favoured a tariff for revenue purposes alone.⁽⁶⁷⁾

Although the majority of the commissioners expressed themselves in favour of a policy of tariff protection, they were careful to point out that such a policy was not the sole panacea for the ills of industry in particular, or the economy in general. Indeed, the majority report pointed to the immense size of the country; the high transportation costs; the lack of capital; the prevalence of industrial inefficiency; the lack of a large consuming population to permit the economies of scale; and, perhaps most important of all, the high cost of living, as the main drawbacks to industrial development. A warning was issued by the commissioners that unless these defects were rectified, the granting of protection would be largely ineffectual in developing the country's resources.⁽⁶⁸⁾

The reaction to the Commission's report was immediate and vociferous. The Association of Chambers of Commerce - a body of staunch free-traders well-represented in Parliament⁽⁶⁹⁾ - seized upon the Commission's warning to strengthen their argument that the introduction of a protective tariff policy for secondary industry would only serve to raise the already high cost of living, thereby unjustly burdening the primary sectors of agriculture and mining.⁽⁷⁰⁾ That the cost of living was already at a high

65. Ibid., p.12.

66. Ibid., Minority Report submitted by W.M. MacIntosh.

67. Ibid., Minority Report submitted by W.A. Martin.

68. Ibid., pp.113 ff.

69. Horwitz, R. : op. cit., pp.131, 133, 315.

70. Johannesburg Chamber of Commerce Year-book (1913), pp.8, 10.

level was confirmed by the Chapman Economic Commission, which reported in 1914. Although the figures provided by the Commission must be treated with caution, they nevertheless serve to illustrate the rising trend in the cost of living at that time. It estimated that the cost of living in the Witwatersrand complex in the pre-war period was approximately 30 per cent. higher than the United States of America, and approximately 40 per cent. higher than any European country. ⁽⁷¹⁾

On the other hand, the South African Manufacturers Association - a body of protectionists with negligible support in Parliament ⁽⁷²⁾ - stood firm in its support for a policy of tariff protection;

'A Protective Tariff is necessary for South Africa in order to preserve from destruction the progress already made by the people in their emancipation from importing servitude; to develop the productive activities of the soil and factory; to provide avenues of employment for the capital and brains of its people; to secure an enlarged and permanent domestic market, to effect which there is no other expedient than to promote manufacturing establishments.' ⁽⁷³⁾

Despite their position of weakness, the manufacturers of the country believed that at long last they were beginning to emerge as victors in the struggle for a policy of tariff protection for industry. ⁽⁷⁴⁾

However, the first Union Customs Tariff Act No.26 of 1914 - the direct outcome of the Cullinan Commission report - appears to have been a decisive victory for those led by J.W. Jagger, the wealthy Cape Town merchant and Member of Parliament, who stood for free trade. It was certainly a bitter disappointment for the protectionists. W.J. Laite, editor of the *South African Commerce and Manufacturers'*

71. Economic Commission Report (Chapman Commission), U.G. 12/1914, par.19, Table XII.

72. Horwitz, R. : op. cit., pp.319, 321.

73. Laite, W.J. : The Union Tariff: The Case for Manufacturers (1913), p.9.

74. South African Commerce and Manufacturers' Record, February 1914, Supplement.

Record and a staunch protectionist, wrote at the time: '...industrialists stand aghast at such a display of ineptitude and callous indifference to the needs of manufacturers,'⁽⁷⁵⁾ while the South African Manufacturers Association described the tariff as: '...a clumsy, make-shift arrangement to provide the Minister with a little additional revenue.'⁽⁷⁶⁾ Thirty years later, in 1945, the Board of Trade and Industries was to look back and comment that '...the first Union Customs Tariff Act contained quite an appreciable number of protective duties...though, in the main, the tariff had a revenue bias.'⁽⁷⁷⁾

In actual fact, the customs tariff of 1914 did not contain 'an appreciable number of protective duties'. Indeed, it incorporated only minor alterations to the tariff of 1906. A duty of 25 per cent. was imposed on bespoke tailoring, jewelry, leather manufactures (not footwear), tobacconist wares and confectionery. In addition, provision was made for the granting of rebates and the prevention of dumping. In terms of Section 6 of the Act, it was possible for the Governor-General to suspend duties or grant rebates on materials used in secondary industry. Although this can be construed as an aid to industry in that it could obtain cheaper raw materials, industry had still to apply for such aid and there was certainly no guarantee that it would succeed in obtaining it. The aim of the dumping clause, in the words of the Minister of Finance, was to obviate '...a temporary reduction (in price) for the purpose of raising the price ultimately.'⁽⁷⁸⁾ For this purpose, Section 8 of the Act stated that if the price to importers in South Africa was less than the current value for home consumption in the

75. Quoted from : Horwitz, R. : op. cit., pp.315, 317.

76. South African Commerce and Manufacturers' Record, May 1914, p.432.

77. Board of Trade and Industries : Report No.282: Investigation into Manufacturing Industries in the Union (1945), par.325.

78. Hansard : 3rd June 1914, col.1930.

country of export, then a duty equal to the difference was to be levied.⁽⁷⁹⁾ It is clear, then, that a definite and systematic policy of protection had not been adopted.

That the raising of revenue was the primary principle underlying the Act is undeniable. The Minister of Finance himself stated at the time:

'We have taxed the people through the customs...submitted to by the public as being less irksome than the direct form of taxation...because we want revenue,' (80) while, a few weeks later, he stated that '...on the whole, our tariff has from time immemorial been a tariff for revenue purposes, and I hold that our tariff will remain that....' (81)

Apart from considerable internal pressure - from the Chamber of Mines and the numerous Chambers of Commerce - working against the introduction of a protective tariff policy, it should be noted that the period from 1910 to 1914 was not a time of world movement towards higher tariffs. On the contrary, in the United States of America, one of the arch-protectionist countries at that time, numerous and substantial reductions in duty were made in 1913.⁽⁸²⁾ It is highly probable that this outlook also influenced government thinking on tariff matters.

Nevertheless, despite the lack of a protective tariff policy, it has been argued that, during the first four years of Union, there was a direct correlation between the tariff and the rise in the number of manufacturing concerns from 1,500 to 3,100.⁽⁸³⁾ It would be difficult

79. Section 7 of the Act defined the 'home consumption value' as: 'The true current value for home consumption in the open market for similar goods in the principal markets of the country from which, and at the time at which, the goods were imported....'

80. Hansard : 24th April 1914, col.1932.

81. Hansard : 28th May 1914, col.2094.

82. Dewey, D.R. : Financial History of the United States (1936), pp.488-9.

83. Niddrie, D.L. : South Africa: Nation or Nations? (1968), p.19. Official figures for net value of output for 1910 and 1914 are not available. The gross value of output for 1911 and 1915/16 are as follows: £17,000,000 (Pearsall) and £35,699,000 (Official).

indeed to disprove this assertion. In fact, the case appears to be strengthened by the evidence provided by C.G.W. Schumann that at best the economy only enjoyed 'mild prosperity' from 1910 to the first half of 1913, whereafter economic uncertainty prevailed.⁽⁸⁴⁾ However, this view is severely weakened when it is realised that much of the expansion occurred in those industries which were sheltering in the lee of the gold-mining industry - building materials, mining implements, explosives, miners' boots and certain rubber products⁽⁸⁵⁾ - and which enjoyed only a limited degree of tariff support, but considerable natural protection by way of external and internal transport costs. In short, the gold-mining industry was the 'milch-cow' of the economy upon which virtually all expansion had come to depend.

Then, in July 1914, exactly two months after the Minister of Finance had laid his tariff proposals before the House of Assembly, the First World War supervened and forced South Africa to examine critically her own resources. Initially, South Africa endured a period of recession and a minor depression in the second half of 1914 and the early months of 1915, brought about by the slump in world markets for diamonds and ostrich feathers.⁽⁸⁶⁾ However, the depressed conditions soon gave way to a major upswing towards prosperity, and South Africa was destined for a period of spectacular industrial expansion. Between the years 1915/16 and 1917/18, the number of manufacturing concerns increased by 42 per cent. from 3,638 to 5,377, as is shown in Table 2-1.⁽⁸⁷⁾ During the same period, the net value of manufacturing output rose by 46 per cent. from £13,954,000 to £20,466,000.⁽⁸⁸⁾ In gold-mining,

84. Schumann, C.G.W. : op. cit., p.112.

85. Bruwer, A.J. : op. cit., pp.141-2.

86. Schumann, C.G.W. : op. cit.

87. Table 2-1 compiled from statistics contained in: Bureau of Census and Statistics : op. cit. It should be noted that between 1915/16 and 1924/25, the number of manufacturing concerns includes both private and government firms.

88. Ibid.

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	% Change between 1 & 10
	1915/16	1916/17	1917/18	1918/19	1919/20	1920/21	1921/22	1922/23	1923/24	1924/25	
<u>of Establishments:</u>	3,638	4,777	5,337	5,287	5,961	6,077	6,143	6,069	6,107	6,182	+ 69
<u>of Workers:</u>											
All Races ('000)	89	107	117	110	125	126	120	120	124	132	+ 47
Whites Only ('000)	35	40	44	42	47	46	45	45	47	51	+ 46
Non-Whites ('000)	54	67	73	68	78	80	75	75	77	81	+ 50
<u>aries and Wages:</u>											
All Races (£m)	8	9	10	10	13	15	14	13	14	15	+ 88
Whites Only (£m)	6	7	8	7	9	11	9	9	10	11	+ 83
Non-Whites (£m)	2	2	2	3	4	4	5	4	4	4	+100
<u>Materials Used:</u>											
(£m)	21	26	32	37	48	51	37	31	33	36	+ 71
<u>ie of Output:</u>											
Gross Value (£m)	36	44	54	59	77	80	63	58	62	62	+ 72
Net Value (£m)	14	17	20	21	28	28	25	26	28	29	+107

TABLE 2-1 : 'THE DEVELOPMENT OF SECONDARY INDUSTRY IN SOUTH AFRICA: 1915/16 - 1924/25'

agriculture and stock-farming, there also occurred considerable expansion.⁽⁸⁹⁾ Many articles which had been imported in large quantities before the war were produced locally on a large scale - particularly, textiles, leather goods, furniture and dairy products.⁽⁹⁰⁾

It is true that the increase in the general ad valorem rate from 15 to 20 per cent. in 1915 was fairly substantial.⁽⁹¹⁾ Without doubt, however, the motivation which lay behind that increase was a desire to increase revenue to meet war expenditure, and not the granting of protection. H. Burton, then Minister of Finance, stated this policy clearly on more than one occasion.⁽⁹²⁾ While it is acknowledged that there is hardly a high revenue tariff in existence which is not, to some degree, a protective tariff, such incidental protection which may have been afforded in this manner was counter-balanced by the increased cost of raw materials and the higher cost of living, which were the result of the war and tariff increases.⁽⁹³⁾ Consequently, during the war-years, local industries could not look to the customs tariff for any substantial means of support.

Such phenomenal growth as occurred in secondary industry was rather due to the direct and indirect effects of the war. Firstly, the disruptive effects of the war on the supply of goods actually forced South Africa into industry; while, secondly, the existing drawbacks to industrial development, as pointed out by the Cullinan Commission in 1912, were divested of their potency as prices rose and South African markets became relatively

89. De Kock, M.H. : The Economic Development of South Africa (1936), p.74.

90. Hurwitz, N. and Williams, O. : op. cit., p.103.

91. Customs Tariff Act No.22 of 1915 : Apart from raising the general ad valorem rate from 15 to 20 per cent., substantial increases in duty were imposed on footwear, mineral oils and ale and beer.

92. Hansard : 18th March 1915, col.474. Also: Cape Times, 31st March 1916.

93. Cape Times, 31st March 1916. The Minister of Finance estimated the cost of living to have risen by 20 per cent. between 1914 and 1916.

isolated. The combined operation of these two factors created an environment conducive to the development of secondary industry: the diminution of foreign competition naturally worked in favour of local producers, while the relatively high cost structure of South African industry was cushioned by the world-wide rise in commodity prices; in addition, the effectiveness of 'freight protection' was considerable enhanced as cargo space became scarce and expensive. In short, the First World War provided the greatest stimulus to manufacturing thus far experienced.

It is necessary, however, to handle the impact of the First World War on the development of secondary industry with caution. This issue can be, and has been, much exaggerated.⁽⁹⁴⁾ On the basis of nominal figures, as given in Table 2-1 and illustrated in Figure 1,⁽⁹⁵⁾ it is true that there appears to have taken place an extraordinary rate of industrial expansion during the war-years. Between 1916/17 and 1918/19, the gross value of output rose by 34,7 per cent., while the net value of output rose by 29,5 per cent. over the same period. However, when the value of output is calculated at the 1916/17 price level, as is also illustrated in Figure 1, it is clear that part of this abnormal expansion was due to the world-wide inflation of prices during the war-years. Calculated on this basis, the gross and net values of output for the same period rose by 22,6 and 17,8 per cent respectively.

This analysis is not intended to invalidate the claim that the First World War sponsored a period of spectacular industrial expansion, but merely to temper the degree of success which it supposedly achieved. Indeed, as is illustrated in Figure 2,⁽⁹⁶⁾ between 1915/16 and 1918/19,

94. Bruwer, A.J. : op. cit., pp.137-46; Bosman, G. : The Industrialization of South Africa (1938), pp.161-2; De Kock, M.H. : The Economic History of South Africa (1924), pp.290-1.

95. Figure 1 is drawn from information contained in: Bureau of Census and Statistics : op. cit. Vide: Appendix 3.

96. Ibid.

FIGURE 1 : 'VALUE OF OUTPUT FOR SECONDARY INDUSTRY: 1916/17 - 1924/25'

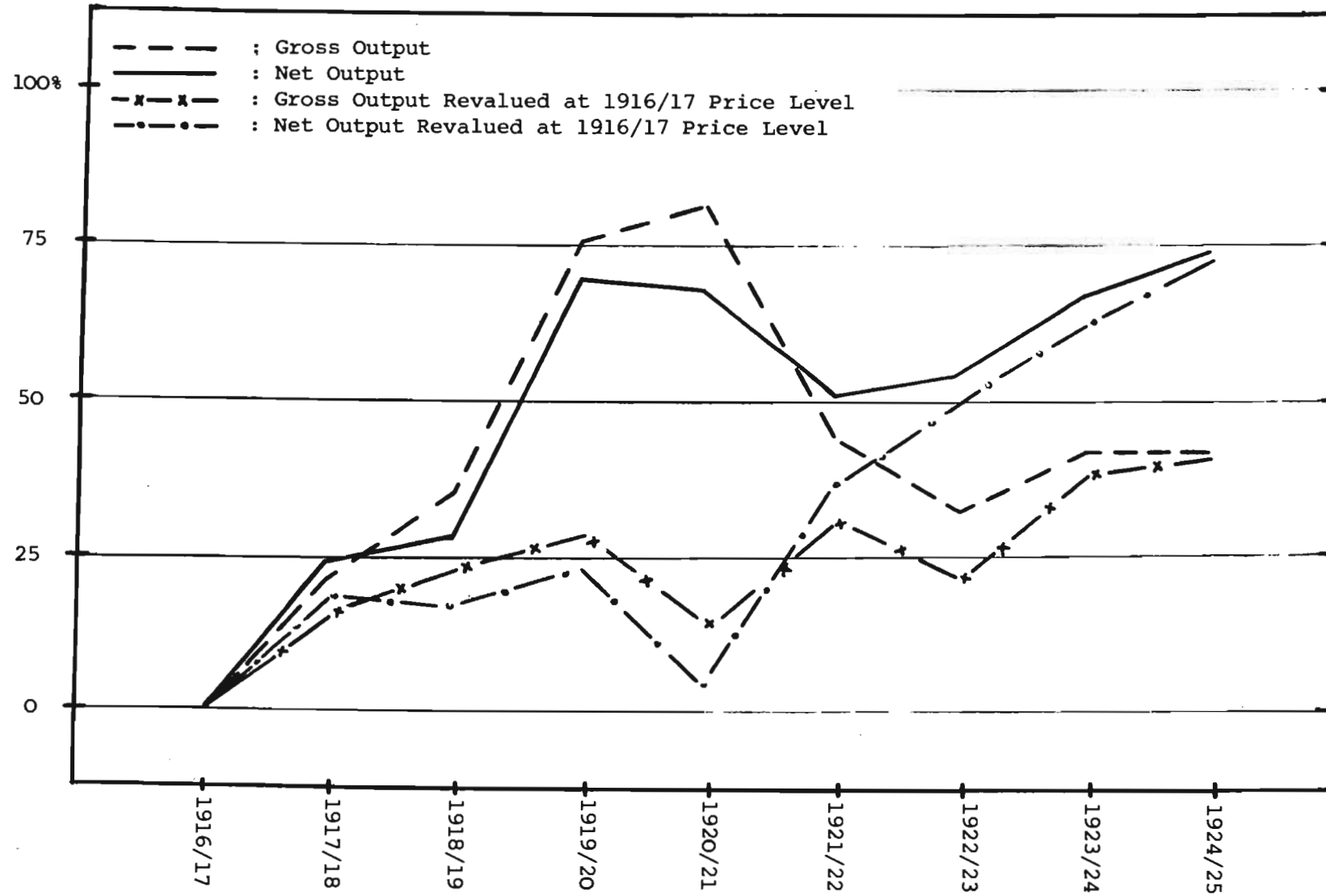
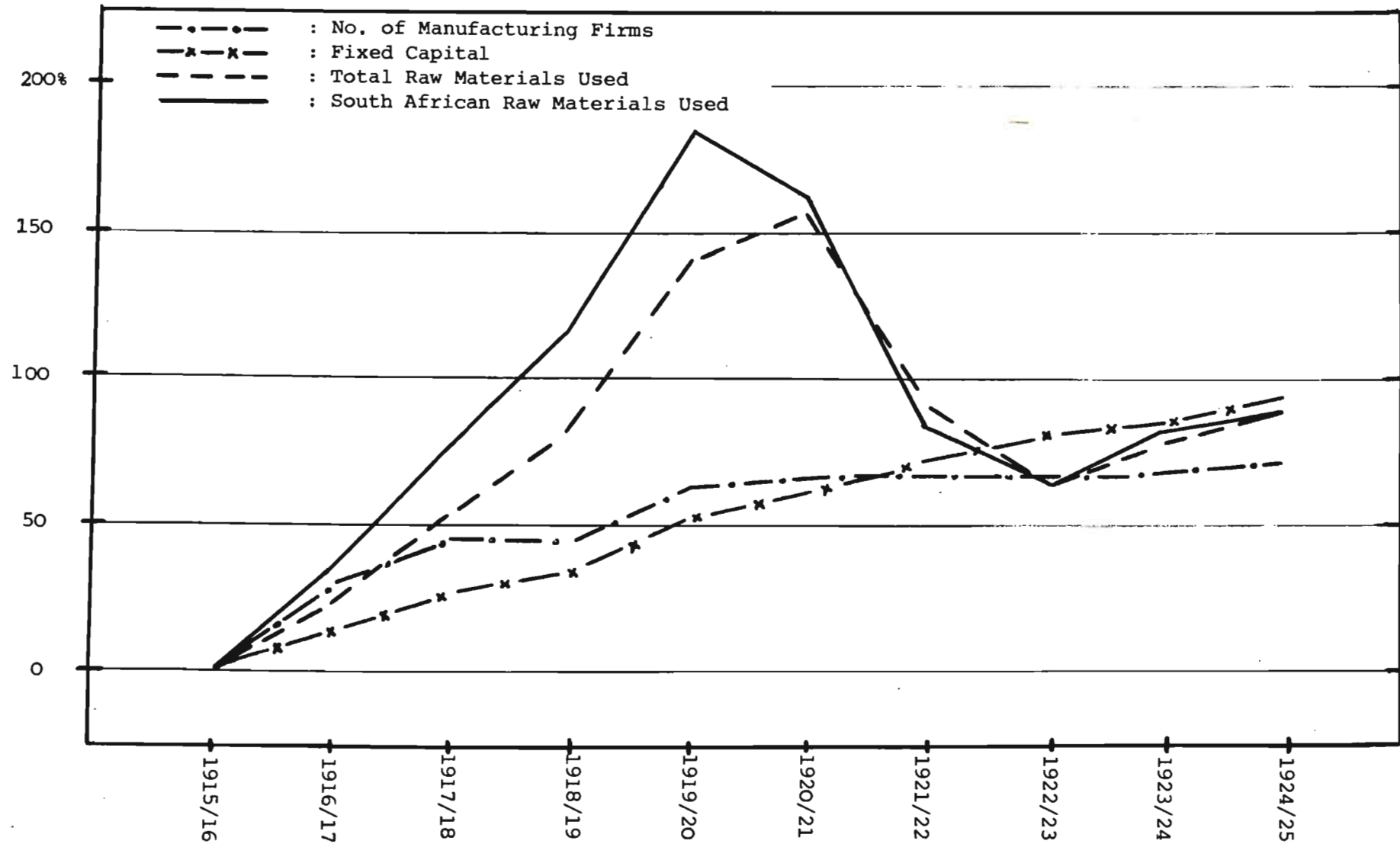


FIGURE 2 : 'THE DEVELOPMENT OF SECONDARY INDUSTRY: 1915/16 - 1924/25'



the number of manufacturing concerns rose 45,8 per cent.;⁽⁹⁷⁾ the volume of fixed capital by 35,2 per cent.; the total value of raw materials used by 83,8 per cent.; and the value of South African raw materials used by 117,9 per cent.⁽⁹⁸⁾ Moreover, the contribution of the private manufacturing sector to the national income rose from 6,7 per cent. in 1912 to 9,8 per cent. in 1918.⁽⁹⁹⁾ It is evident, therefore, that the First World War was at least partially responsible for the substantial progress made.

With changed conditions came changed outlooks, and even some of the most ardent advocates of free trade became interested in the development of local industry. In 1916, the President of the Johannesburg Chamber of Commerce, aware of the extreme difficulty in obtaining imported requirements, expressed the approval of that free-trade body for a policy of tariff protection:

'The year has been particularly favourable to all the many industries that are now springing up in various parts of the country, and upon which the successful development of which so much of the future depends....' (100)

In the same year, Mr. W.H. Dawe, President of the Transvaal Chamber of Mines, another body of staunch free-traders, expressed similar sentiments. The purpose of a protective tariff policy, he claimed, should be two-fold: to widen the avenues of employment and to broaden the basis of

97. It should be pointed out, however, that in 1916/17 the definition of a 'factory' was altered to include establishments employing 3 workers instead of 4 as before. It is not possible to calculate the impact of this on the increase in the number of manufacturing concerns.

98. These figures must be treated with caution, since the prices of foreign and local raw materials also rose during the war-years. However, a price index for raw materials is not available and, as a result, it is not possible to deflate these figures.

99. Bureau of Census and Statistics : op. cit. Vide: Appendix 2.

100. Johannesburg Commercial Year-book (1916), p.85.

taxation.⁽¹⁰¹⁾ In view of the heavier tax burden imposed on the mines during the war-years, this latter purpose was undoubtedly of vital importance to the Chamber.⁽¹⁰²⁾

In October 1916, the Union government established an Industries Advisory Board, which demonstrated the official recognition of the importance which secondary industry was beginning to assume. Then, in March 1917, the Minister of Finance announced that a fund was to be established from the budget surplus of £600,000, having as its aim:

'...the promotion of scientific and technical research in the interest of local industries. Future tariff revision will be based on information obtained in this way in order to give reasonable assistance to industries needing development without granting such undue protection as would bear unfairly on the consumers.' (103)

Accordingly, a Scientific and Technical Committee was appointed to work in 'close co-operation' with the Industries Advisory Board.⁽¹⁰⁴⁾ (In October 1918, the two amalgamated to form the Advisory Board of Industry and Science.) Thus it would appear that official opinion had also altered in the light of the difficulty of obtaining imported requirements and of the apparently favourable progress achieved by the manufacturing sector.

Nonetheless, despite the government's apparent willingness actively to promote secondary industry, a systematic policy of protection had still not been adopted by the end of the First World War. Such vacillation was decried, but the government was becoming increasingly concerned with the rapidly rising cost of living, which, in the short run at least, would have been aggravated by the introduction of such a policy. Indeed, although the

101. Ibid., p.82.

102. Frankel, S.H. : Capital Investment in Africa (1938), p.114. Frankel estimated that between March 1914, and March 1917, the tax burden on the gold-mines had increased by 35,2 per cent.

103. No Hahsard : Cape Times, 31st March 1917.

104. Official Yearbook of the Union of South Africa, No.3, p.65

government had raised certain duties on luxuries in order to secure revenue, it had also lowered duties on some essential items in an attempt to reduce the burden on consumers.⁽¹⁰⁵⁾ Moreover, the government was fully aware of the dangers it would encounter if it were to implement a protective tariff policy at a time when abnormal conditions influenced the rate of growth, and, consequently, when it would be extremely difficult to assess accurately the extent of aid required for truly economic development.

With the cessation of hostilities in 1918, those factors which had been instrumental in developing secondary industry were withdrawn. A slight setback was initially experienced, as is shown in Table 2-1, which resulted in the 'weeding-out' of the most inefficient firms. Many more firms would have collapsed were it not for the post-war boom, resulting from the release of pent-up demand, which served to cushion the impact of renewed international competition.⁽¹⁰⁶⁾ In fact, the post-war boom went further than simply rescuing many firms from imminent collapse - it allowed for a rise in the fortunes of secondary industry. Between 1918/19 and 1919/20, the number of manufacturing concerns rose from 5,287 to 5,961, while the net value of output increased from £21,367,000 to £27,946,000.⁽¹⁰⁷⁾ However, as is

105. In view of the need for revenue, Customs Tariff Act No.37 of 1916 raised duties on luxuries: perfume and medical and toilet preparations. The year 1916/17 ended with a budget surplus of £600,000, which enabled the government to use the Customs Tariff Act No.36 of 1917 in an attempt to curb the rising cost of living by lowering duties on certain essential commodities: tea, coffee and mineral oils. With the exception of the extension of the free list to include certain articles required by the tanning industry, Customs Tariff Act No.20 of 1918 merely continued the tariff of the previous year.

106. Schumann, C.G.W. : op. cit.

107. Bureau of Census and Statistics : op. cit., L-3.

illustrated in Figure 1, inflation was rampant,⁽¹⁰⁸⁾ and this should serve as a warning not to over-estimate the progress made during the post-war boom.

That some firms would certainly have collapsed in the face of renewed international competition in less prosperous circumstances was an ineluctable fact. Many firms themselves complained that the smallness of the market, together with the high cost of White labour, had given rise to a general cost structure considerably higher than that prevailing in most other countries.⁽¹⁰⁹⁾ The war had certainly sponsored a period of spectacular industrial expansion, but that expansion was not wholly of an economically well-based nature.⁽¹¹⁰⁾ Consequently, in the absence of a purposeful policy of protection as a prop for such industries, prosperous conditions were required in order to enable them to continue to function. After the war, the tempo of industrial activity in South Africa was maintained by buoyant economic conditions which continued until 1920.⁽¹¹¹⁾

In that year, 1920, the Advisory Board of Industry and Science approved in principle the adoption of a policy of protection. Expressing dissatisfaction with the prevailing tariff structure, it called on the government to bring about the necessary re-scheduling of the tariff and '...to recommend such protection as it deemed fit.'⁽¹¹²⁾ However, the government again shied away from such a line of action, claiming that '...more has been done to establish industries since the armistice than before',⁽¹¹³⁾ and that

108. Indeed, the rising cost of living was such that, despite a budget surplus of £500,000 in 1918/19, additional revenue was required to cover an increase in war bonuses, made necessary by inflation. For this purpose, Customs Tariff Act No.32 of 1919 raised revenue duties on spirits, ale and beer and medical and toilet preparations.

109. van Biljon, F.J. : op. cit., p.91.

110. Campbell, A. : South Africa: What Now? (1947), p.37.

111. Sadie, J.L. : Public Finance and the Business Cycle in South Africa, S.A.J.E., June 1946, p.132.

112. Industrial South Africa, 1920, p.410.

113. Wickham, W.G. : Report on South Africa (1921), Dept. of Overseas Trade, p.16.

it could not accede to the recommendation of the Board. It would seem that the *raison d'être* underlying the government's attitude was two-fold: the pressure exerted against the adoption of such a policy within the country, and the stand taken against the erection of high tariff barriers on the international level.

The Chamber of Mines and the Associated Chambers of Commerce - which together represented an important and powerful bloc of the government's support - once more reverted to their former stance and advocated a policy of free trade. For the Chamber of Mines, the difficulty of obtaining supplies no longer posed a threat to the gold-mines, and, consequently, it was in the interests of the Chamber to support free trade and so reduce the cost of imported requirements to a minimum.⁽¹¹⁴⁾ While the several Chambers of Commerce admitted that the encouragement of secondary industry by way of the tariff might be beneficial in that it would lead to a greater diversification of the economy, it was argued that, as such a policy was bound to force up the cost of living, the benefits would be outweighed by the increasing burden placed on consumers.⁽¹¹⁵⁾

On the international front, the London Congress of the International Chamber of Commerce reported in 1921:

'While it is recognised that each nation has the right to protect its industries by means of customs tariffs...the London Congress specifically draws the attention of the various Governments to the importance of making such tariffs moderate.'⁽¹¹⁶⁾

Thus the Union government found itself in an extremely difficult position: on the one hand, it wished to aid the development of industry, while, on the other hand, it was unable to reconcile the needs of the manufacturers with the interests of its supporters. Unwilling to alienate

114. Kooy, M. and Robertson, H.M. : The South African Board of Trade and Industries, the South African Customs Tariff and the Development of South African Industries, South African Journal of Economics, September 1966, p.212.

115. Ibid.

116. League of Nations : Commercial Policy of the Inter-War Period: International Proposals and National Policies (1942), p.21.

its supporters, the government declined to comply with the demands of the manufacturers.⁽¹¹⁷⁾

Unfortunately, the government's dilemma was to take a turn for the worst. In the last few months of 1920, the era of prosperity, which the Union had enjoyed since 1915, was giving way to a slump as the backlog in production was met and overtaken. Prices, both wholesale and retail, after their spectacular post-war rise, began their equally precipitous fall, ushering in the severe post-war world depression.⁽¹¹⁸⁾ Concurrent with the very real threat of harmful competition from countries with depreciated currencies, there occurred a period of labour disturbances as the post-war boom drew to a close. Throughout the Union, claims were made for higher wages and shorter working hours, supported by a number of strikes in several industrial centres.⁽¹¹⁹⁾ These claims, if granted, threatened to cripple the development of secondary industry by raising the cost structure even further.

To this situation must be added the decline in prosperity experienced in the gold-mining industry. Gold production had declined sharply from £51,900,000 in 1920 to £27,700,000 in 1922.⁽¹²⁰⁾ In his annual report in 1920, the chairman of the Transvaal Chamber of Mines warned that '...it must be realised that the gold-mining industry is a wasting industry,' and placed the life of the gold mines at no more than forty years.⁽¹²¹⁾ Although his view was to prove to be pessimistic, he was nonetheless successful in pointing out that South Africa had an unbalanced and highly vulnerable economy. Government

117. Customs Tariff Act No.44 of 1920 increased the duty on packaging materials, and reduced the duty on blanket products and cotton, cloth and woollen piece-goods. The Act also prohibited the importation of certain types of boots and shoes, which probably aided the local industry.

118. Sadie, J.L. : op. cit., p.141. Vide supra: Figs. 1 and 2.

119. Horrell, M. : op. cit., pp.6-8.

120. Bureau of Census and Statistics : op. cit. Cf.: Katzen, L. : op. cit., p.18.

121. Department of Information : Pillars of the South African Economy (1964), p.7.

concern was reflected by General Smuts who, in January 1921, declared: 'We must give every proper and legitimate protection to our own industries and prevent a relapse into the industrial helplessness that we were in before the War.'⁽¹²²⁾

It was against this background that, in 1921, the Board of Trade and Industries was established, on a part-time basis, with the express function of investigating ways and means of ensuring the continued survival and future expansion of local industry.⁽¹²³⁾ This task became all the more necessary in view of the world-wide movement towards higher tariffs as a result of the depression: in Australia in 1921, in the United States of America in 1922 and in India the following year.⁽¹²⁴⁾ In 1923, in response to the Board's plea for increased tariffs, the government consented to the raising of several duties - particularly on plywood, blankets and rugs, leather, rubber products, bricks and polishes.⁽¹²⁵⁾ Despite the tariff increases, welcomed by the manufacturers as '...a definite declaration of a policy of protection,'⁽¹²⁶⁾ the government still refused to commit itself openly to such a policy. Such a line of action was no doubt necessary in order to pacify manufacturers without the government incurring the disfavour of its supporters.

Thus, beginning in 1923, mild protection was administered to several local industries without the government actually sanctioning such a policy. A further dosage of

122. Quoted from: Horwitz, R. : op. cit., p.325.

123. Government Notice No.1045, 6th July 1921. The Board was established on a part-time basis under the chairmanship of Sir H. Gorges.

124. South Africa had also raised her tariffs by Customs Tariff Act No.35 of 1921 and Customs Tariff Act No.35 of 1922. However, these tariff increases - on films, spirits, tobacco and cigarettes - were not protective but revenueal in view of the post-war depression.

125. Customs Tariff Act No.23 of 1923. Also: Board of Trade and Industries : op. cit., par.326; and Bruwer, A.J. : op. cit., pp.141-2. Dumping duties were also levied on cement imported from several European countries in 1923. Vide infra: ch.7.

126. Quoted from: Horwitz, R. : op. cit., p.327.

protection was prevented by the opposition of such bodies as the Chamber of Mines, which had by then adopted a totally inflexible stand against tariff protection.⁽¹²⁷⁾ However, the considerable expansion of the manufacturing sector between 1915/16 and 1924/25, as is shown in Table 2-1, left no doubt in the minds of many that, with the necessary encouragement from the tariff, an expanding and prosperous secondary industry was possible. Although the government was being won round to this view, however, it believed that it could not openly lend support to a policy of tariff protection without jeopardising its position with its supporters. Little did the government realise that it had already lost a good deal of its support through its vacillation on this and several other issues.

When, in mid-1924, the voters were called upon to elect the party of their choice, General Smuts and his party had built up an unpopular image which extended beyond the tariff issue:

'Smuts had estranged more than half of Afrikanerdom by his "pro-British" policy. He had estranged English South African Labour by his pro-capitalist policy. He had estranged both nationalism and labour by his failure to protect white civilised labour.'⁽¹²⁸⁾

The consequence, inevitable in the circumstances, was the combination of the two major Opposition parties - the Nationalists and the Labourites - in an attempt to oust Smuts from office. Despite Smuts's belief that the Opposition parties would be unable to work together, the Nationalist-Labour Pact was swept to power after securing 81 seats out of a total of 135 in the House of Assembly.⁽¹²⁹⁾

The General Election of 1924 marks a watershed in the history of the tariff in South Africa, for the Nationalist-Labour Pact firmly supported a policy of tariff protection

127. Customs Tariff Act No.27 of 1924 introduced very few changes; it only provided for a few small reductions on certain essential commodities with a view to lessening the tax burden on consumers.

128. Kruger, D.W. : The Making of a Nation (1969), p.134.

129. Muller, C.F.J. (ed.) : 500 Years: A History of South Africa (1969), p.358.

for secondary industry. That support was motivated partly by the desire to secure new avenues of employment for the growing number of 'poor whites', and partly, in the belief that the gold-mining industry was a wasting industry, by the desire to obtain an alternative support for the economy when the gold mines were eventually depleted of ore. It was to this task that the new government turned its attention. After almost half a century of industrial progress, the protection of South Africa's secondary industry by way of the customs tariff had at last become an integral part of State policy.

CHAPTER THREE

TARIFF POLICY AND THE DEVELOPMENT OF SECONDARY INDUSTRY: 1924-31

When, in 1924, General Hertzog led the Nationalist-Labour Pact into power, the country stood on the threshold of a period of remarkable economic recovery.⁽¹⁾ Admittedly, the first signs of this upsurge towards prosperity were clearly discernible before 1924,⁽²⁾ but, it will be argued, this recovery was strongly stimulated by several measures adopted by the new administration, in particular the encouragement of secondary industry by way of the customs tariff. As already indicated, part of the motivation which lay behind the adoption of this policy was the desire to secure a well-developed secondary sector which would eventually replace the 'wasting industry' - gold-mining.⁽³⁾ It must be stressed, however, that the reasons why the government was determined actively to develop the manufacturing sector had much deeper roots. Like President Kruger, General Hertzog was determined to gain a greater degree of economic independence for his country: he was completely opposed to the domination of the mining interests which had their roots outside South Africa.⁽⁴⁾ In this regard, then, the development of the manufacturing sector was in line with the rising tide of nationalism in the Union.

There was, however, another motive - and one of greater practical importance - which can be seen in the close link that was forged between the development of

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1. Schumann, C.G.W. : op. cit., p.248. The period 1922 to 1929 is seen as a 'major upward swing' towards prosperity.
 2. Ibid. Schumann dates revival between May and August 1922; Du Plessis, J.C. : Economic Fluctuations in South Africa, 1910-1949 (1950), p.49, dates the beginning of recovery in March 1922.
 3. Houghton, D.H. : op. cit., pp.114-5.
 4. Kruger, D.W. : op. cit., p.85. Vide: Emden, P.H. : Randlords (1935).

secondary industry and the search for a solution to the growing 'poor white' problem.⁽⁵⁾ This problem, which General Smuts and his government had failed to solve,⁽⁶⁾ became the focal point of government action. However, in the dire need to provide employment for this landless class, the primary industries of agriculture and mining were unable to aid the government. Part of the reason for this was undoubtedly the tardy development of the primary sector: since the date of Union, the expansion of this sector had not even kept pace with the natural increase in the population.⁽⁷⁾ Another reason, and one which carries greater weight, was the fact that both agriculture and mining were based firmly upon the employment of Non-White labour in unskilled occupations.⁽⁸⁾ The entry of the 'poor whites' into these fields would inevitably have meant their entry into competition with Non-Whites - a concept that was unthinkable to most, if not all, of the 'poor whites'.

Thus did G.V. Doxey write: '...the uniqueness of the Poor White problem was not poverty, not its dimensions, but the state of mind which accompanied it'.⁽⁹⁾ By refusing to perform what was termed 'kaffir-work', both agriculture and mining were effectively sealed off as potential avenues of employment for unskilled Whites. There remained, however, employment in government services and in secondary

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5. Macmillan, W.M. : Poverty in South Africa (1919), pp.8-23. In 1917, the Minister of Agriculture estimated that, in 1916/17, there were 39,021 Whites living in 'absolute poverty' and 67,497 Whites living in 'less than absolute poverty' - a total for the Union of 106,518. However, as Macmillan pointed out, these figures are suspiciously exact. The Carnegie Corporation Commission : The Poor White Problem in South Africa (1932), part 1, pp.6-7, estimated that this figure had risen to about 300,000 in 1932.
 6. This is not to say that Smuts and his administration did not attempt to solve the problem. The promulgation of the Apprenticeship Act No.26 of 1922 was an attempt in this direction.
 7. De Kock, M.H. : op. cit., p.85.
 8. Doxey, G.V. : The Industrial Colour Bar in South Africa (1961), ch.4 passim.
 9. Ibid., p.77.

industry.⁽¹⁰⁾ The latter appeared to be eminently suitable, for in the gradually emerging manufacturing sector the pattern of employment was not as yet firmly fixed. However, the absorption of a larger number of Whites meant a higher total wage bill which, when combined with the prevailing low labour productivity, meant that the Union's industrial potential was internationally uncompetitive.⁽¹¹⁾ Tariff protection was, therefore, a *sine qua non* if secondary industry was to be used as a means of ameliorating the position of the 'poor whites'. The active encouragement of secondary industry after 1924 formed the pivot point around which much government planning revolved.

Before the policy of industrial protection could be implemented, however, a new matrix had to be found for the customs tariff. The structure of the customs tariff of 1914 was wholly unsuitable for the provision of tariff protection. It consisted of a single schedule divided into only six classes, which did not allow for much variation of individual duties; moreover, this inflexibility rendered it an inadequate bargaining instrument for the negotiation of tariff treaties with foreign countries.⁽¹²⁾ Consequently, careful investigation and statistical research was required in order to revise the tariff structure - a task that was considered beyond the capabilities of the existing Board of Trade and Industries, as established under Act No.28 of 1923.⁽¹³⁾

10. Various government departments did adopt a policy of substituting Whites for Non-Whites at subsidized wages. In this regard, the Economic and Wage Commission, U.G. 14/1926, par.243, reported that '...unless strict and continuous account of the results of such substitution is kept, however, the need for making the policy pay its own way may be overlooked, and an undue cost incurred in substituting Europeans in posts in which they cannot be as economical as Native labour.'

11. Doxey, G.V. : op. cit., p.67.

12. Vide: Schedule of Customs Tariff Act No.26 of 1914.

13. Government Notice No.1045, Government Gazette No.1169, 8 July 1921, provided for only one full-time member - the chairman - and a total of seven part-time members. A further disadvantage was, as noted by the Annual Report of the South African Federated Chamber of Industries (1921), that none of the members of the Board was engaged in secondary industry.

The government therefore appointed a new and permanent Board of Trade and Industries, under the chairmanship of Dr. A.J. Bruwer, which assumed office in October 1924.⁽¹⁴⁾

The functions of the new Board were all-embracing - to advise the government on the recasting and revision of the customs tariff, the payment of bounties, fiscal policy insofar as it related to industries and the prevention of dumping which unfavourably affected Union industries⁽¹⁵⁾ - but, in one important respect, they were less than those of the Board which it replaced. A year earlier, in 1923, the leader of the Labour Party, Col. F.H.P. Cresswell, had proposed an amendment to the functions of the old Board. He had asked that the old Board be obliged to report on the cost and length of time for which any protection recommended would be required, and on the grounds for believing that the industry selected would eventually become profitable without tariff assistance.⁽¹⁶⁾ While this amendment had been incorporated into the functions of the old Board, it was omitted from those of the new Board. The reason for this omission was never given. It may simply have been the enormous difficulty involved in meeting such an obligation. It might also be construed, however, as a tacit acknowledgment by the new administration that its industrial policy was to be guided by socio-political considerations rather than by economic ones. Whatever the reason, the new Board was more freely able to assist the government; and, indeed, the government lost no time in calling upon the Board to do so. In August 1924, the Minister of Finance, N.J. Havenga, requested the Board to revise and recast the customs tariff '...in order to bring it into conformity with the industrial policy of the government'.⁽¹⁷⁾

After thorough investigation, the Board produced its

14. Official Year Book of the Union of South Africa, No.8, p.573. The four full-time members under Dr. Bruwer were F.J. Fahey, M.H. De Kock, G.S.H. Rossouw and W.F. McMullen.

15. Board of Trade and Industries Act No.33 of 1924 : section 2(1)

16. Kooy, M. and Robertson, H.M. : op. cit., p.212.

17. Hansard : 29 August 1924, col.1070.

report in April 1925.⁽¹⁸⁾ With regard to the structure of the customs tariff, the Board recommended that the tariff be re-classified on a generic basis.⁽¹⁹⁾ For this purpose, it was suggested that the tariff be classified on the basis of affinity of content as well as origin. This combination of origin and content would then make it possible to group together articles of dissimilar origin but of common content. Accordingly, it was suggested that the tariff be divided into fifteen classes which, in turn, were to be divided into minimum and maximum schedules.⁽²⁰⁾ This new schedule was a marked improvement, for it allowed greater flexibility in individual duties. Moreover, the variable factor permitted the government to penalise industrialists who charged unduly high prices, while it also strengthened the government's hand in the negotiation of tariff agreements with foreign countries.

In providing aid for industry, the Board recommended that a large number of duties be increased for protective purposes.⁽²¹⁾ However, the provision of such protection was 'conditional'. It depended upon the increased employment of 'civilized labour', defined as '...the labour rendered by persons whose standard of living conforms to the standard generally recognised as tolerable from the European standpoint'.⁽²²⁾ Indeed, the Board saw as one of its main functions '...the creation of a wider field of employment for civilized labour, tariff assistance to industries being partly conditional upon good labour conditions, and on the understanding that, wherever possible, a larger proportion of civilized labour will be employed'.⁽²³⁾ To enforce this, the Governor-General was empowered to substitute the minimum duty for the protective duty where

18. Board of Trade and Industries : Report No.51: Revision of the Customs Tariff (1925).

19. Ibid., par.2.

20. Ibid., par.3.

21. Ibid., par.7.

22. Prime Minister's Circular : No.5, 31 October 1924.

23. Board of Trade and Industries : Report No.51: op. cit., par.4(e).

'unsatisfactory labour conditions' were maintained. ⁽²⁴⁾

Further 'conditional' protection was recommended by the Board, but of a different nature. It was suggested that 'suspended' duties, similar to those that were applicable in Australia, should be introduced. ⁽²⁵⁾ Such duties were only to be applied by proclamation when the local industry could prove its ability to provide, in adequate quantities, goods of reasonable quality and price. In reality, however, such a system provided no real protection at all. As one caustic critic put it:

'(Suspended duties)...are intended to offer encouragement, but no financial assistance to those industries which are in the "nascent stage" in which, according to protectionist theory, they are most in need of protection; but when they have successfully proved that protection is unnecessary, a duty is to be applied....' ⁽²⁶⁾

However, the Board did recommend additional aid of a more positive nature: it suggested that the list of articles to be admitted duty-free for industrial purposes should be extended, and that provision be made for the list to be supplemented from time to time. ⁽²⁷⁾

With regard to imperial preference, the Board expressed the belief, already stated in an earlier report, ⁽²⁸⁾ that the existing system was 'indiscriminate' in that the Union did not receive a commensurate return for the privileges granted. It was therefore recommended that the general preference of 3 per cent. on British goods be abolished and substituted by a list of specific items from Britain, Australia, Canada and New Zealand. ⁽²⁹⁾ Such preference was

24. Customs Tariff Act No.36 of 1925 : section 4.

25. Board of Trade and Industries : Report No.51: op. cit., par.9.

26. Round Table : Imperial Preference and the Customs Tariff, v.15, no.60, p.828.

27. Board of Trade and Industries : Report No.51: op. cit., par.4.

28. Board of Trade and Industries : Report No.46: South Africa and Imperial Preference (1924).

29. Board of Trade and Industries : Report No.51: op. cit., par.11.

only to be granted on a quid pro quo basis. In addition, the report proposed several recommendations concerning dumping, all of which were contained in an earlier report published in 1924.⁽³⁰⁾ It was suggested that, with the exception of wheat or flour, it would be more equitable if the basis taken in determining whether an article was being dumped was the current value for home consumption in the country of export at the date of purchase instead of the date of shipment.⁽³¹⁾ It was pointed out, however, that dumping was not necessarily detrimental to the national interests, and that such duties should only be levied where the disadvantage to local industry outweighed the advantage of a lower price to local consumers.⁽³²⁾

The Board recognised that the raising of duties in order to foster established industries and encourage new ones would tend to raise the cost of living, and, ultimately, the cost of production. Consequently, in an attempt to counteract this possible trend, the Board recommended the reduction of duties on a wide range of commodities in common use but not produced in South Africa. Finally, the revenue-raising aspect of the tariff was considered. Indeed, it could not be ignored, for customs revenue had always contributed a major share to the total revenue of the government.⁽³³⁾ It was necessary, therefore, to compensate for the loss of revenue involved in the lowering of certain duties - a task that was made all the more urgent as the financial exigencies of the time demanded an increase in State income from customs of about £400,000.⁽³⁴⁾ For this purpose, then, the Board recommended considerably higher duties on a number of luxury items.⁽³⁵⁾

30. Board of Trade and Industries : Report No.42: Dumping or Unfair Competition (1924).

31. Vide: Appendix 6.

32. Board of Trade and Industries : Report No.51: op. cit., par.15.

33. Official Year Book of the Union of South Africa : No.7, p.739. For example, on average from 1917/18 to 1922/23, receipts from customs contributed 24 per cent. to total revenue.

34. Commercial and Industrial Gazette : v.3, no.21, January 1928, p.21.

35. Board of Trade and Industries : Report No.51: op. cit., par.5

In the main, this report was accepted by the government, and it formed the basis of the Customs Tariff Act of 1925 which, at long last, introduced a deliberate and purposeful policy of tariff protection. In that year, some industries which had been refused protection previously were granted protection for the first time, while others were granted additional protection. These included furniture, bespoke clothing, certain printing products, rubber soles and heels, kaffir-sheeting, confectionery and jam.⁽³⁶⁾ Provision was also made for a long list of raw materials to be imported under rebate of duty for the manufacture of footwear, textiles, printing, furniture, iron and steel mining equipment and confectionery.⁽³⁷⁾ In addition, in an attempt to check the effect of higher duties on the cost of living, the Act provided for numerous reductions of duty on certain essential commodities, such as tea, cutlery, glassware, radios, typewriters, paper, cotton yarn and motor-car tyres.⁽³⁸⁾

It was to be expected that the introduction of a definite policy of protection would incur the disapproval of the South African Association of Chambers of Commerce - a staunch free trade body. The Association held a special conference to discuss the matter at Cape Town on the 5th May 1925. At its meeting, the Association voiced its approval of a policy of developing secondary industry, and agreed that a certain measure of protection was acceptable, and, in certain circumstances, was even necessary. Nonetheless, the tariff of 1925 was assailed on the ground that it provided for duties which the Association believed were far in excess of what could be considered necessary for the protection of local industries.⁽³⁹⁾ Although not spelt out

36. Customs Tariff Act No.36 of 1925. In terms of this Act, the following duties were raised: on furniture from 20 to 25 per cent.; on certain printing products from 30 to 40 per cent.; on rubber soles and heels from 20 to 30 per cent.; on bespoke clothing and jam from 25 to 30 per cent.; and on confectionery from 3½d. per lb. or 30 per cent. to 3½d. per lb. or 35 per cent.

37. Ibid., section 12.

38. Ibid., section 10.

39. Official Records of the South African Association of Chambers of Commerce : Report of the Congress on 5 May 1925

clearly, the Association appears to have had deep misgivings about the government's pursuit of socio-political aims via the tariff.

Sir Ernest Oppenheimer, on behalf of the mining interests who were primarily concerned with obtaining imported requirements as cheaply as possible, spoke out in support of the free-traders. He estimated that the new duties:

'...some of them protective in effect, some protective in design but not in effect, and some not protective at all, cost, directly and indirectly, the "well-to-do" artisan £50 per annum, the average farmer £25 per annum, and the average Native in European employment £2.12s.3d. per annum.' (40)

J.W. Jagger, the parliamentarian who for so long championed the cause of free trade, demanded an investigation into these figures. The Minister of Finance refused, claiming that Sir Ernest must have been wrong since, on the basis of his figures, the cost of protection amounted to more than the whole customs collection.⁽⁴¹⁾ However, without claiming accuracy for those figures, it must be pointed out that it is the very essence of protection to raise prices to the consumer by amounts that do not go to the Treasury but go to local industries.

On the other hand, it was only natural that the Federated Chamber of Industries, the official representative body of manufacturers in the Union, should support the government in its policy. At its annual convention at Cape Town in 1925, the following resolution was passed by the Chamber:

'This Convention welcomes the action of the Government in revising the customs tariff on scientific lines,...embodying within the framework of the tariff the fostering of South African industries.' (42)

The Chamber expounded the view that industries, when

40. Jagger, J.W. : The Folly of High Customs Duties (1926), p.10.

41. Hansard : 19 May 1926, col.3722.

42. South African Federated Chamber of Industries : Report of the Annual Convention of 1925, p.44.

established, act as a catalyst in the establishment of other industries, leading to the opening up of new markets, the expansion of existing ones and the creation of new employment opportunities for all race groups. While this may be true, the Chamber ignored two vitally important issues: to what extent would truly economic development be promoted by the tariff, and at what expense to the primary sector would such advancement take place? Almost ten years were to pass before these questions were fully debated.⁽⁴³⁾

Meanwhile, since late 1924, the government had committed itself to a policy of encouraging the employment of 'civilized labour' - a policy which inevitably required the payment of higher wages. That this in turn necessitated granting industries additional tariff protection is clearly revealed in the events which followed the establishment of the Wage Board. To ensure industrial peace, the Wage Act No.27 of 1925 was passed which provided for the establishment of minimum wages in industry. For this purpose, a permanent Wage Board was set up in February 1926.⁽⁴⁴⁾ Immediately after its appointment, the Wage Board launched investigations into the clothing and confectionery industries, and recommended several substantial wage increases so that White employees could maintain a 'civilized' standard of living.⁽⁴⁵⁾ This brought immediate response from the manufacturers affected by the recommendation. The payment of higher wages, they claimed, would lead to a higher cost structure, which would necessitate increased

43. Customs Tariff Commission, U.G.5/1936, which was appointed in 1934. It is true that the Mills-Clay-Martin report of the Economic and Wage Commission of 1925 also considered the policy of tariff protection. However, this was only a by-product of the labour policy in general.

44. Wage Act No.27 of 1925. Section 4(3) expressly prohibited differentiation on the basis of race or colour. However, at the time of its introduction, the Board was given the express instruction to fix wages at a level which would enable workers to maintain a 'civilized standard of living' - a term that applied only to White workers.

45. Social and Industrial Review, September 1926, contains a copy of the Wage Board's report.

protection if such industries were to survive.⁽⁴⁶⁾ And, indeed, increased protection was provided for in the tariff of that year.⁽⁴⁷⁾

The Opposition, however, was not blind to the possible effects of such action. It feared that such a policy, if extended too far, would nullify the effects of protection, and, ultimately, would cripple the development of secondary industry.⁽⁴⁸⁾ This was by no means a new fear. As early as 1908, the Transvaal Indigency Commission had reported that:

'...The cost of production with white labour in South Africa should not be artificially maintained above that which obtains in other new countries....' (49)

In August 1925, under pressure from the Opposition, the government consented to the appointment of an Economic and Wage Commission, which was entrusted with the task of making a thorough investigation into the labour position in the Union.⁽⁵⁰⁾ The report of the Commission, published in January 1926,⁽⁵¹⁾ revealed the prevailing conflict of beliefs over the issue of tariff protection and the 'civilized labour' policy. The six commissioners failed to find common ground, and were forced to publish two reports, each signed by three of the commissioners.⁽⁵²⁾

The Mills-Clay-Martin report contained a refreshingly lucid and cogently argued analysis which challenged the socio-political bias of the government's tariff policy. It expressed the view that:

46. Board of Trade and Industries : Report No.62: Customs Tariff Amendments (1926).

47. Vide infra: p. fn.

48. Hansard : 8 June 1925, cols.4128-9.

49. Transvaal Indigency Commission, T.G.13/1908, par.50.

50. Hansard : 8 June 1925, col.4130.

51. Economic and Wage Commission, U.G.14 of 1926. The six commissioners were W.H. Andrews, H. Clay, F.A.W. Lucas, J. Martin, S. Mills and K. Rood.

52. What follows does not reflect all the views expressed by the six commissioners, but only those views relevant to the policies of tariff protection and 'civilized labour'. These are contained in chapter 4 of the Mills-Clay-Martin report. and chapter 3 of the

'...the obstacles to a rapid development of manufacturing industry in South Africa are mainly two: a relatively high labour cost... and a very restricted home market.' (53)

With regard to the former 'obstacle', the commissioners argued that it was being aggravated by the government's 'civilized labour' policy. Indeed, J.H. Hofmeyr, had pointed out in his evidence that:

'...a policy of providing employment which, at the same time, has the effect of driving up costs, is in danger of defeating its own object.' (54)

Moreover, attention was drawn to the fact that where protection handicapped other industries by imposing additional costs upon them it may in fact lead to a reduction in the openings for White employment. (55)

Referring to the efficacy of tariff protection, the Mills-Clay-Martin report denounced such a policy on the ground that it diverted labour, capital and skill into less economic avenues of employment, and, as a result, did not contribute to the total wealth of the country. (56) If such a policy were to be abandoned, the commissioners claimed, there need be no fear for the continued development of manufacturing industry. It would develop as the South African market developed, with the 'considerable advantage of closer proximity to the consumer and the natural protection provided by the cost of transportation for competitive imports'. (57) The commissioners also drew attention to the fact that such a policy, by attempting to lessen South Africa's reliance upon imported manufactures, exerted a harmful effect upon agricultural exports. Such countries were the chief markets for the Union's agricultural exports, and, in so far as protection was successful in eliminating their manufactures, it lessened their capacity to pay for

53. Economic and Wage Commission : op. cit., Report of Commissioners Mills, Clay and Martin, par.292.

54. Ibid., par.202.

55. Ibid., par.214.

56. Ibid., par.202.

57. Ibid., par.213.

South African agricultural exports. (58)

On the basis of the evidence before it, the commissioners came to the conclusion that, ideally, the policy of protection should be abandoned. However, it was recognised that several industries had already been established which were heavily dependent upon tariff protection for their continued existence, and this made the abandonment of protection impracticable. Consequently, the commissioners confined themselves to an appeal to the government to allow the implementation of its 'civilized labour' policy to be guided by economic as well as social and political considerations. In short, in order to prevent the establishment of high-cost industries, wages should only be paid in accordance with the capacity of the particular industry. (59)

The Andrews-Lucas-Rood report, on the other hand, paid scant attention to the policy of tariff protection, but championed the cause of 'civilized labour'. The commissioners argued that the Union was faced with a choice between two labour policies - the importation of increasing numbers of low-paid Non-White workers, or the organisation of industrial development on the basis of the increased employment of well-paid White workers. With regard to the former alternative, the commissioners put forward the view that:

'When the number of natives available for industry ceases to be sufficient...the Union basing its industry on the employment of low-paid native labourers will be faced with the prospect of an expansion of industry becoming impossible unless there is importation of large numbers of unskilled workers from India or China.' (60)

Such importation of unskilled Non-White workers would lower, so the commissioners claimed, the unskilled rates of pay; and since unskilled Whites were forced to compete for such low rates of pay, their already low standard of living

58. Ibid., par.198.

59. Ibid., par.214.

60. Economic and Wage Commission : op. cit., Report of Commissioners Andrews, Lucas and Rood, par.187.

would be depressed even further. (61)

The latter alternative was seen by the commissioners as the only feasible policy. Indeed, to them it was the bulwark upon which White survival in the sub-continent depended. In support of this policy, an emotive plea was issued:

'To maintain white civilization in South Africa the white workers must receive a civilized wage....At his present level it is, therefore, necessary to help the white to be as efficient as possible, and at the same time to help the native rise in the scale of civilization....Any other policy will involve an increase in the native preponderance over white, and the gradual elimination of whites from all but the professional and supervisory posts.' (62)

The government, in considering the two reports, chose to ignore the criticism levelled against two of its cardinal policies. In 1924 the government had pledged itself to the policies of industrial protection and 'civilized labour', and, despite the stinging attack upon those policies by the Mills-Clay-Martin report, it firmly adhered to them.

After the general revision of the tariff in 1925, the Board of Trade and Industries had received a large number of applications for new and increased protective duties, particularly from those industries affected by the Wage Board's recommendations. Consequently, the Board drew up a report proposing several amendments to the customs tariff which was presented to the government in March 1926. (63) The government accepted this report and incorporated the amendments into the Customs Tariff Act of 1926. In terms of this Act, an added measure of protection was afforded to several local manufacturers as higher duties were imposed on felt, ready-made clothing, soda crystals and sodium carbonate, earthenware pipes and spirits. Conscious of the need to prevent a rise in the cost of living, several reductions of duty were also

61. Ibid., pars.131-2.

62. Ibid., par.187.

63. Board of Trade and Industries : Report No.62: op. cit.

provided for on tea, coir yarn, infants' food and waxed paper. (64)

Riding on the crest of a world boom, the Union was experiencing a 'major upward swing'. (65) Concurrently, secondary industry was achieving substantial progress as is evidenced in Table 3-1. (66) Although the number of manufacturing concerns did not increase materially between 1924/25 and 1926/27, Figures 3 and 4 illustrate the fact that considerable expansion per manufacturing unit took place. (67) Thus, during that period, while the number of firms increased by only 0,2 per cent., the volume of fixed capital invested in secondary industry rose by 10,2 per cent. Concurrently, the value of total raw materials used and South African raw materials used increased by 19,6 and 32,4 per cent. respectively. Finally, the gross and net values of putput per firm increased by 17,4 and 15,8 per cent. respectively. (68) In view of this progress, there were very few demands for tariff increases in 1927, and the Board of Trade and Industries recommended only a few minor alterations to the tariff in that year. (69)

South Africa was not alone in making upward adjustments

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64. Customs Tariff Act No.34 of 1926. In terms of this Act, the following duties were raised: on felt from 3 to 20 per cent.; on ready-made clothing from 15 to 20 per cent.; on soda crystals and sodium bicarbonate from 2/- to 3/6d. per 100 lb.; on earthenware pipes from 5 to 25 per cent.; and on spirits from £1.17.6d. to £1.19.0. per proof gallon.
65. Schumann, C.G.W. : op. cit., p.248. Also: Du Plessis, J.C. : op. cit., p.49.
66. Table 3-1 drawn up from information contained in: Bureau of Census and Statistics : op. cit., L-3.
67. Figures 3 and 4 drawn from information contained in: Bureau of Census and Statistics : op. cit., L-3.
68. Vide: Appendix 4.
69. Board of Trade and Industries : Report Nos.79, 80 : Customs Tariff Amendments (1927). On the basis of these reports, Customs Tariff Act No.24 of 1927 was drawn up. In terms of that Act, the only alterations to the tariff were the placing of cotton yarn and gummed paper on the duty-free list, and the imposition of a 'suspended' duty on barley.

	Column 1	Column 2	Column 3	Column 4	Column 5	Cols. 1 & 5	Column 6	Column 7	Column 8	Column 9	Cols. 6 & 9
	1924/25	1925/26	1926/27	1927/28	1928/29	%	1929/30	1930/31	1931/32	1932/33	%
<u>No. of Establishments:</u>	6,009	5,957	6,012	6,162	6,238	+ 4	6,472			6,543	+ 1
<u>No. of Workers:</u>											
All Races ('000)	115	121	127	132	141	+23	142	STATISTICS NOT AVAILABLE	STATISTICS NOT AVAILABLE	133	- 6
Whites Only ('000)	41	44	47	50	54	+32	55			57	+ 4
Non-Whites ('000)	74	77	80	82	87	+18	88			76	-14
<u>Salaries and Wages:</u>											
All Races (£m)	11	12	13	14	15	+36	16			13	-19
Whites Only (£m)	7	8	9	9	10	+43	11			10	- 9
Non-Whites (£m)	4	4	4	5	5	+25	5			3	-40
<u>Cost of Materials Used:</u>											
(£m)	31	35	37	42	45	+45	42			35	-17
<u>Value of Output:</u>											
Gross Value (£m)	57	64	67	76	81	+43	78			67	-14
Net Value (£m)	25	27	29	31	34	+36	34			31	- 9

TABLE 3-1 : 'THE DEVELOPMENT OF SECONDARY INDUSTRY IN SOUTH AFRICA: 1924/25 - 1932/33'

FIGURE 3 : 'THE DEVELOPMENT OF SOUTH AFRICAN SECONDARY INDUSTRY: 1924/25 - 1932/33'

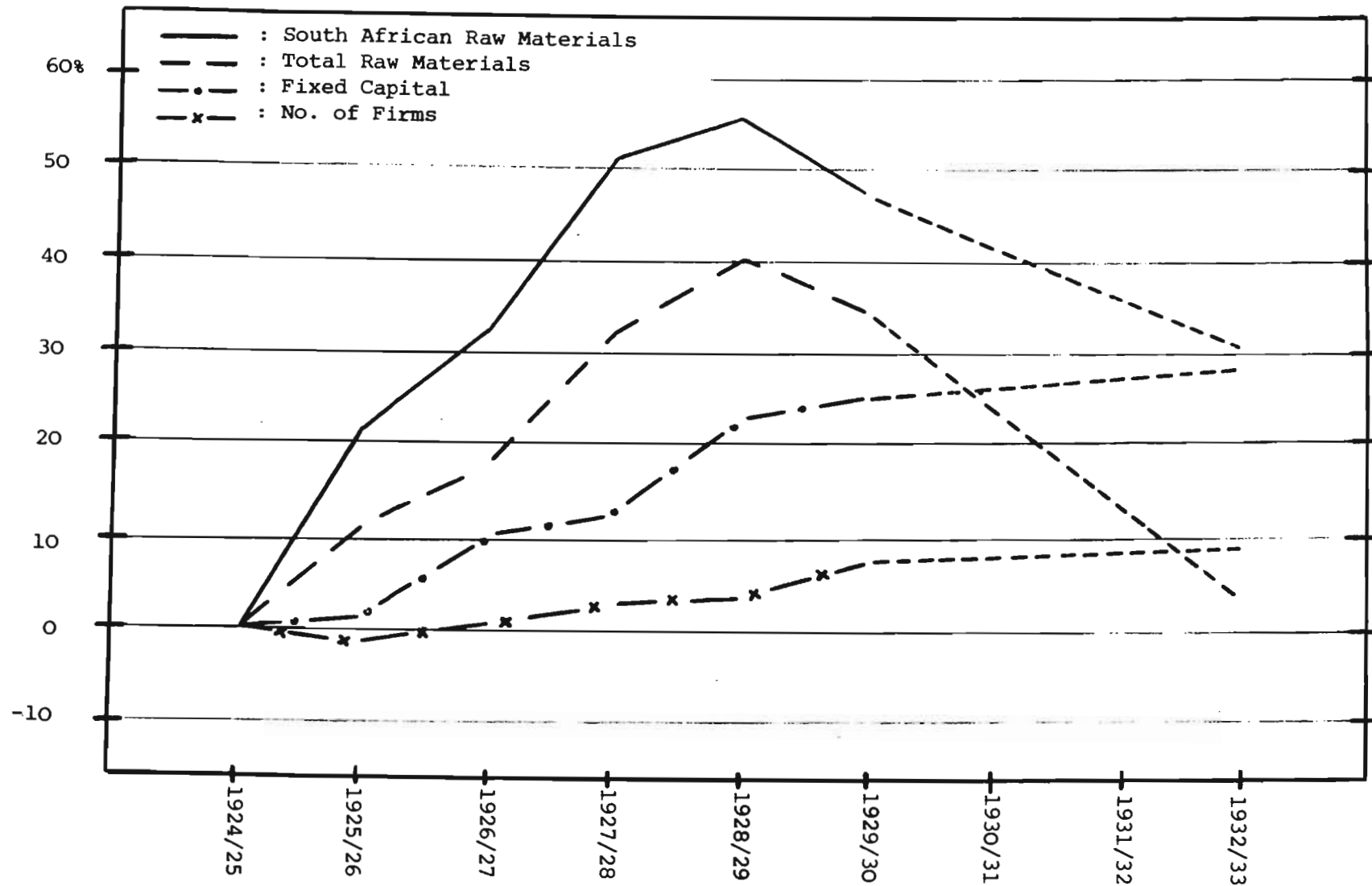
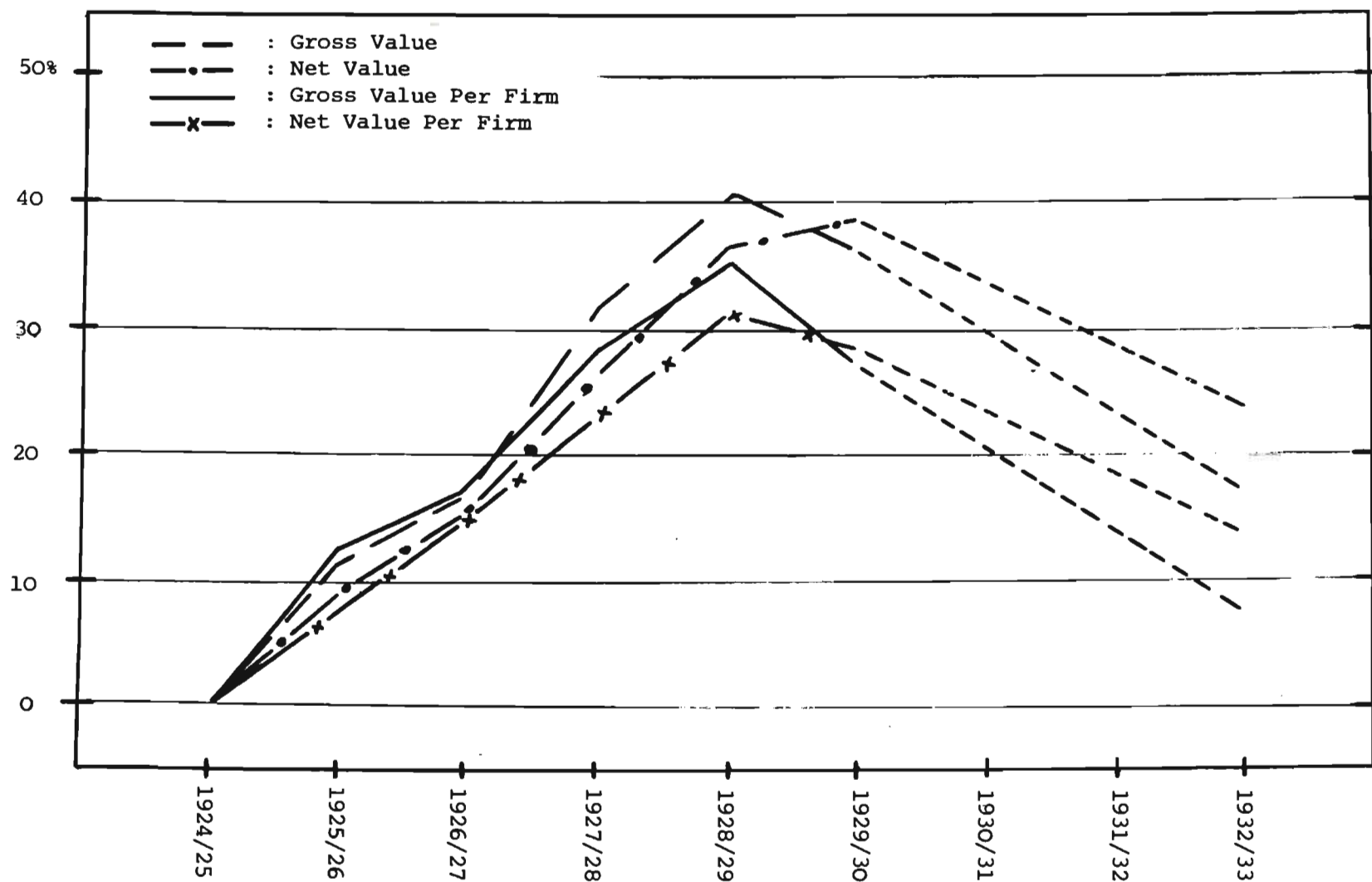


FIGURE 4 : 'PERCENTAGE GROWTH IN THE VALUE OF SOUTH AFRICAN MANUFACTURING OUTPUT: 1924/25 - 1932/33'



to her tariff. As already stated, this was a time of world-wide movement towards higher tariffs, and the Union was merely falling into line with the growing tendency towards protection in other countries.⁽⁷⁰⁾ In view of the resultant rigidity imposed on international trade, an international economic conference was called to discuss the matter in Geneva in May 1927. At that conference, it was recommended that:

'(a) nations should refrain from making frequent changes in their tariffs on account of the instability which such changes cause in trading relations;

(b) that both direct and indirect subsidies should not be utilised as they merely constitute palliatives and not cures; and

(c) that excessive dumping duties should not be imposed for they may have more far-reaching effects than is intended.'⁽⁷¹⁾

As will be seen, however, these pleas fell on deaf ears, particularly after the commencement of the 'Great Depression' in 1929.

It is true that South Africa did not materially alter her tariff in 1927, 1928 and 1929, but it was the period of prosperity which did away with the need for substantially higher tariffs, and not the recommendations of the Geneva conference.⁽⁷²⁾ It is interesting to note that the Minister of Finance, N.J. Havenga, stated at the time that:

'...secondary industries should receive no more than the minimum tariff assistance which will enable them to absorb that section of the increasing population which cannot find employment in the primary industries and elsewhere.'⁽⁷³⁾

This statement appears not only to have confirmed the rôle played by the tariff in social planning by the government, but also that the government was keeping a watchful eye on

70. Lewis, W.A. : Economic Survey, 1919-1939 (1949), p.48, Table V. Vide supra: ch.2, p.51.

71. International Economic Conference : Customs Tariffs and Commercial Treaties (1927), Resolutions.

72. Schumann, C.G.W. : op. cit., p.248. Du Plessis, J.C., op. cit., p.49, however, argues there was a recession from February 1928 to February 1929.

73. Hansard : 4 April 1928, col.2824.

the tariff level. Nonetheless, this statement clearly indicated that the government was prepared to grant additional protection where it was considered necessary. As this was not necessary in 1928 and 1929, only a few minor alterations were made to the customs tariff in those years. ⁽⁷⁴⁾

During 1928 and the early months of 1929, as the Union continued to experience buoyant economic conditions, secondary industry continued to prosper. Figure 5 illustrates the growing contribution of the manufacturing sector to the national income, from 11,9 per cent. or £28,000,000 in 1925 to 14,1 per cent. or £38,200,000 in 1929. The figures for primary industry during the same period provide a strong contrast: the contribution from mining increased from £39,800,000 to £45,000,000, but its share fell slightly from 16,9 to 16,6 per cent.; while the contribution from agriculture fell from £50,800,000 (21,6 per cent.) to £46,600,000 (17,2 per cent.). ⁽⁷⁵⁾ To be more specific with regard to secondary industry, Figures 3 and 4 illustrate that from 1924/25 to 1928/29, while the number of firms showed an increase of only 4 per cent., fixed capital invested rose by 22,7 per cent., the value of total raw materials by 40,4 per cent., the value of South African raw materials by 56 per cent., and the gross and net values of output rose by 40,7 and 36,6 per cent. respectively.

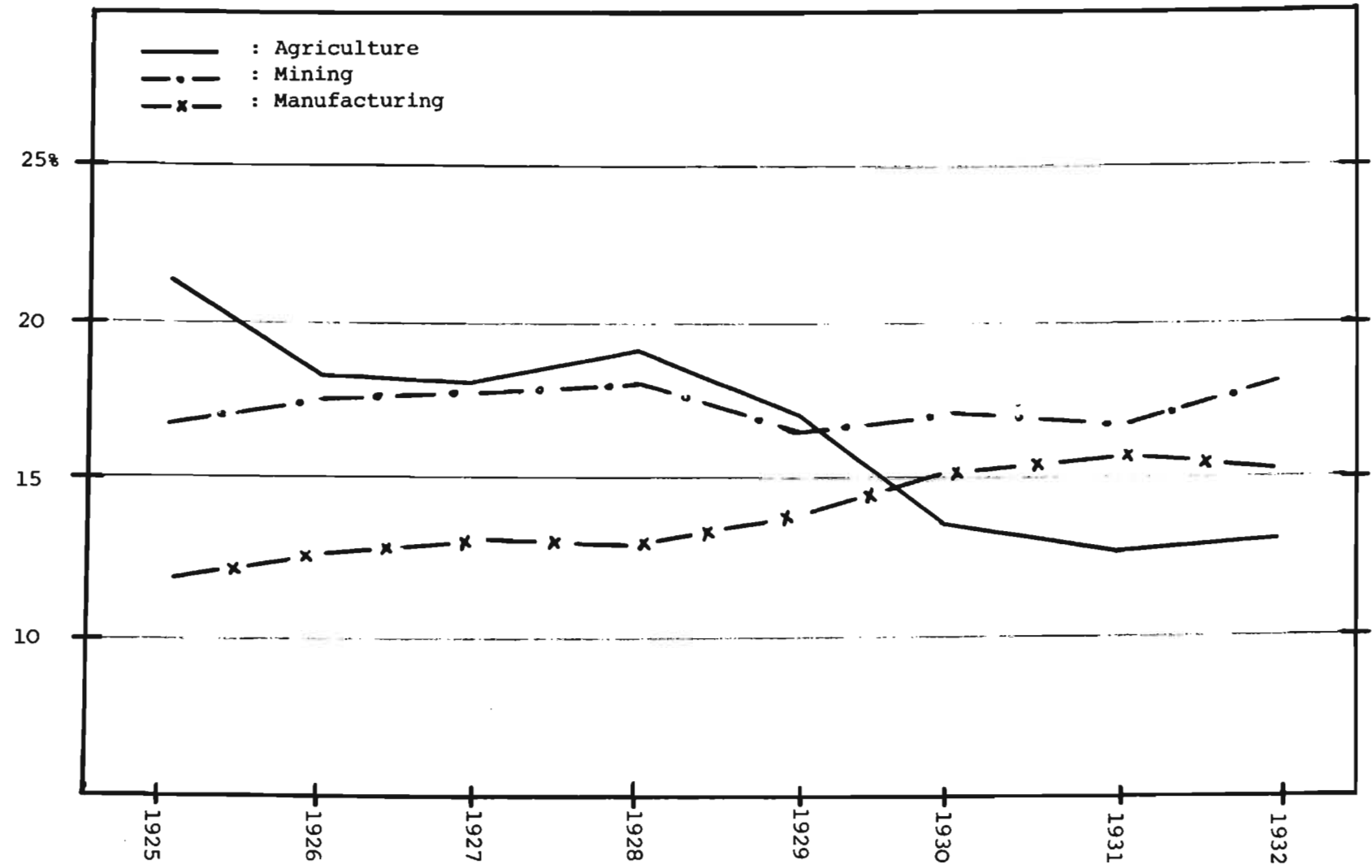
The contribution of the principal industrial groups to this growth is shown in Table 3-2. ⁽⁷⁶⁾ During the period 1924/25 and 1928/29, the most spectacular progress was made by the textile and clothing industries (Group B), the net

74. Customs Tariff Act No.19 of 1928. In terms of this Act, the only significant alterations to the tariff were the raising of duties on cigars and cigarettes, and the placing of hemp, iron-castings and shovel-plates on the duty-free list. Customs Tariff Act No.31 of 1929 provided for the raising of duty on condensed milk, and the placing of miners' safety hats and chain on the duty-free list.

75. Bureau of Census and Statistics : op. cit. Vide: Appendix 2.

76. Table 3-2 compiled from information contained in: Bureau of Census and Statistics : op. cit. Vide: Appendix 5.

FIGURE 5 : 'PERCENTAGE CONTRIBUTION OF PRIMARY AND SECONDARY INDUSTRY TO THE NATIONAL INCOME: 1925 - 1932'



	1924/25	1925/26	1926/27	1927/28	1928/29	1929/30	1930/31	1931/32	1932/33
(A) <u>Food, Beverages and Tobacco</u> (1,2,3):									
Employment ('000)	32,5	33,8	33,7	34,7	36,9	36,7			34,5
Net Output (£m)	8,0	8,5	9,4	10,0	10,8	10,5			10,3
(B) <u>Textiles and Wearing Apparel</u> (4,5):									
Employment ('000)	12,8	13,8	15,7	16,8	18,4	18,8			24,2
Net Output (£m)	2,0	2,4	2,6	2,9	3,2	3,4			3,8
(C) <u>Wooden Products and Furniture</u> (6,7):									
Employment ('000)	9,0	9,8	10,2	10,5	11,4	11,2			8,4
Net Output (£m)	1,7	2,0	2,0	2,1	2,3	2,4			1,6
(D) <u>Paper Products and Printing</u> (8,9):									
Employment ('000)	7,4	7,9	8,6	8,9	9,3	9,4			9,1
Net Output (£m)	2,8	3,0	3,3	3,6	3,8	4,0			3,3
(E) <u>Leather and Leather Products</u> (10):									
Employment ('000)	2,7	2,8	2,8	2,8	2,8	2,6			2,3
Net Output (£m)	,5	,5	,5	,5	,5	,5			,4
(F) <u>Chemicals</u> (12,13):									
Employment ('000)	9,8	10,3	10,7	10,7	10,5	10,6			8,6
Net Output (£m)	3,0	3,3	3,3	3,5	3,6	3,7			3,5
(G) <u>Metal Products and Machinery</u> (15-19):									
Employment ('000)	21,1	22,4	24,1	26,0	27,3	28,1			25,8
Net Output (£m)	4,3	4,5	4,5	5,6	6,1	6,0			5,0
(H) <u>All Groups</u> (1-21):									
Employment ('000)	114,9	120,9	126,9	132,2	140,7	141,6			132,5
Net Output (£m)	24,7	26,8	28,7	31,3	33,8	34,2			30,7

STATISTICS NOT AVAILABLE

STATISTICS NOT AVAILABLE

TABLE 3-2 : 'CONTRIBUTION OF PRINCIPAL INDUSTRIAL GROUPS : 1924/25 - 1932/33'

value of output of which rose by 60 per cent. Considerable progress was also achieved in the production of metal products and machinery (Group G), paper and printing (Group D), wooden products and furniture (Group C) and food, beverages and tobacco (Group A), the net value of outputs of which rose by 42, 36, 35 and 31 per cent. respectively. The net value of output in the chemicals industry (Group F) registered an increase of 19 per cent., while that for leather and leather products (Group E) appears to have remained stationary throughout.⁽⁷⁷⁾ It remains to be pointed out that those industrial groups which achieved the most substantial progress had also received the greatest assistance from the tariff.⁽⁷⁸⁾ While it is not possible to prove conclusively that there was a direct correlation between the two, it is not unreasonable to suppose that the aid provided by the tariff was at least partially responsible for the progress made.

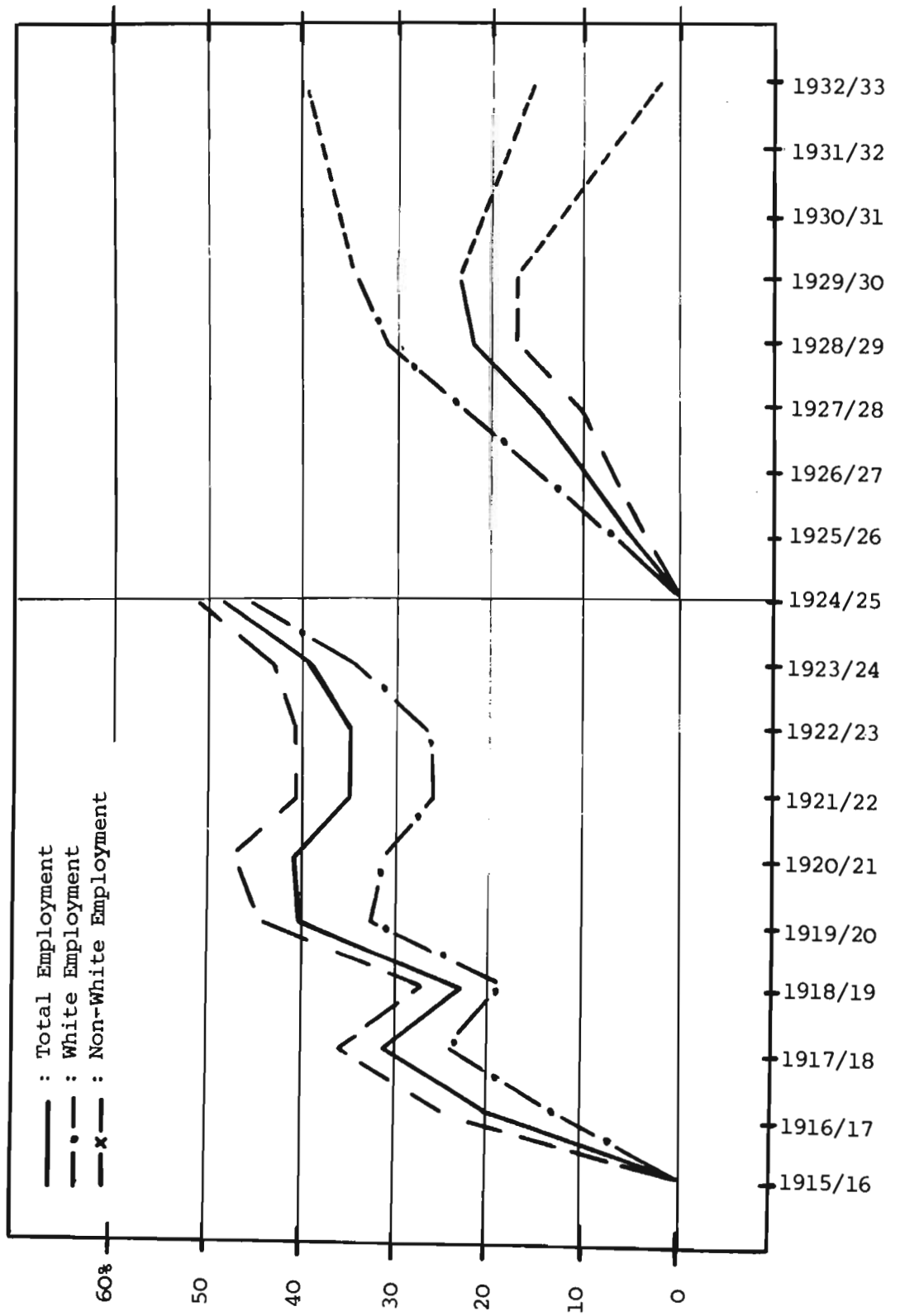
Finally, the implementation of the 'civilized labour' policy in secondary industry had achieved notable success. Figure 6 illustrates a sharp contrast in the employment levels of Whites and Non-Whites between 1915/16 and 1924/25 and between 1924/25 and 1928/29.⁽⁷⁹⁾ During the first period, before the adoption of a 'civilized labour' policy, every year witnessed a more rapid increase in the level of

77. It should be pointed out that these figures are not severely affected by inflation. Indeed, between 1924 and 1929, inflation was mild, averaging between 5½ to 6 per cent. per annum.

78. Vide: footnotes 36, 64, 69 and 74.

79. Figure 6 drawn from information contained in: Bureau of Census and Statistics : op. cit. It must be pointed out that prior to 1924/25, the number of establishments, and therefore the total number employed, included both private and government concerns. After 1925, a distinction was drawn between the two and only private concerns were included. For this reason, it was necessary to divide Figure 6 into two parts. Unfortunately, it is not possible to calculate to what extent employment in government concerns prior to 1924/25 affected the pattern of employment in private concerns.

FIGURE 6 : 'EMPLOYMENT IN SOUTH AFRICAN SECONDARY INDUSTRY; 1924/25 - 1932/33'



Non-White employment than that of Whites; that is, Non-White employment rose by 50,1 per cent., while White employment rose by 45,3 per cent. During the second period, however, the increase in White employment outstripped that of Non-White employment by 31,6 per cent. to 17,2 per cent. It must be acknowledged, however, that certain legislative measures were also responsible for the greater use made of White labour,⁽⁸⁰⁾ but this does not detract from the considerable success achieved in the implementation of that policy in secondary industry.

As the year 1929 drew to a close, matters were to take a turn for the worse for an economic depression of unprecedented severity was threatening the world. In October of that year, through what J.M. Keynes termed 'the self-justification of expectations', there occurred a collapse of share prices on the New York stock exchange, and within the year the depression struck. The prices of some of South Africa's major agricultural exports - wool, maize, hides, sugar, tobacco, cotton and wattle - had already begun to decline in 1928.⁽⁸¹⁾ The collapse of the American market brought about an immediate fall in the price of diamonds, and, together with the prevailing slump in agricultural prices, the Union's export trade was heavily affected.⁽⁸²⁾ Between 1929 and 1930, the value of exports fell from £98,000,000 to £83,000,000, while, during the same period, the value of imports declined from £83,000,000 to £65,000,000.⁽⁸³⁾ To make matters worse, the most severe drought in the history of the country occurred shortly afterwards.⁽⁸⁴⁾

In view of the world depression, it is not surprising that the plea for lower tariffs, made at the Geneva Conference

80. For example, the Apprenticeship Act No.26 of 1922, the Industrial Conciliation Act No.11 of 1924 and the Wage Act No.27 of 1925.

81. Standard Bank of South Africa : Monthly Review, June 1929.

82. Katzen, L. : op. cit., p.77.

83. Official Year Book of the Union of South Africa, No.13, 1930-31, p.535.

84. Hofmeyr, J.H. and Cope, J.P. : South Africa (2nd ed., 1952), pp.231-3.

of 1927, fell on deaf ears. In the midst of economic chaos, many governments rushed to the aid of their industries. Indeed, since late 1929, high protective tariffs had been introduced in Germany, France, Australia, Britain, the United States and Italy, while in Roumania, Norway, Hungary and Finland, upward tariff revisions of a more moderate nature had been drawn up.⁽⁸⁵⁾ The whole world contributed to what the League of Nations described as:

'...the destruction of free competition in the international market and the substitution for it of a series of sheltered but inevitably weak producers for domestic markets.' (86)

In these developments, South Africa was no exception. She, too, provided increased aid for her industries, although, as will be seen, the Union was able to escape the most rigorous effects of the slump.

In South Africa, as was the case in most other countries, the depression severely affected investment, employment and output. Total net national income decline from £270,500,000 in 1929 to £217,100,000 in 1932 - a fall of 19 per cent.,⁽⁸⁷⁾ while the General Index of Employment fell from an average of 1,239 in 1929 to 1,081 in 1932 - a fall of 12 per cent.⁽⁸⁸⁾ However, the burden of the depression was not evenly distributed throughout the economy. Agriculture was severely depressed: Figure 5 illustrates the sharp fall in the contribution of agriculture to the national income from £46,400,000 in 1929 to £28,900,000 in 1932.⁽⁸⁹⁾ During the same period, while the contribution of mining declined slightly, the contribution of gold-mining alone rose from

85. League of Nations : Commercial Policies in the Inter-War Period (1942), p.21.

86. League of Nations : World Economic Survey, 1931-2, p.287.

87. Bureau of Census and Statistics : op. cit., S-3. Vide: Appendix 2.

88. Du Plessis, J.C. : op. cit., p.72.

89. Bureau of Census and Statistics : op. cit., S-3. Vide: Appendix 2.

£44,229,000 to £49,098,000.⁽⁹⁰⁾ With the price of gold fixed and other prices falling, it was the gold-mining industry which was responsible for the relative mildness of the depression in South Africa. As can be seen from Table 3-3,⁽⁹¹⁾ secondary industry in the Union compared favourably with most other countries during the depression.

TABLE 3-3
INDUSTRIAL PRODUCTION: 1929-32
(Base Year: 1929-100)

<u>Country</u>	<u>1932</u>
U.S.S.R.	... 183
Japan	... 98
Norway	... 93
South Africa	... 90
Sweden	... 89
Holland	... 84
U.K.	... 84
Roumania	... 82
Hungary	... 82
France	... 72
Belgium	... 69
Italy	... 67
Czechkoslovakia	... 64
Polland	... 63
Canada	... 58
Germany	... 53
U.S.A.	... 53

The initial impact of the depression upon secondary industry in the Union was slight. For the period 1928/29 to 1929/30, Table 3-1 and Figure 3 indicate continued expansion, although the value of raw materials used and the gross value of output both registered a slight decrease. Table 3-2 provides further evidence of continued growth in most of the principal industrial groups. The net value of

90. Katzen, L. : op. cit., p.81, Table 29. The slight decline in the mining industry as a whole was due to the depressed state of the diamond-mining industry. Diamond exports fell from £12,074,000 in 1929 to £1,955,000 in 1932.

91. League of Nations : op. cit., p.172.

output in the textile and clothing industries (Group B), paper and printing industries (Group D), wooden products and furniture (Group C) and chemicals industry (Group F) rose by 6, 5, 3 and 2,7 per cent. respectively. The food, beverages and tobacco industries (Group A) and metal products and machinery (Group G) registered a decline of 3 and 1,6 per cent. respectively in the net value of output, while that for leather and leather products (Group E) remained stationary.

Although the stabilizing influence of the gold-mining industry was largely responsible for checking the full impact of the depression upon secondary industry in the Union, other factors - tariff protection and the use of preferential railway rates - must also be considered. In an effort to keep expenditure down to the level of rapidly dwindling revenue, the government cancelled tax remissions of former years and instituted a campaign of rigid economy.⁽⁹²⁾ Nevertheless, revenue continued to fall, and at a faster rate than the fall in expenditure.⁽⁹³⁾ Consequently, great pressure was exerted on the government to manipulate the tariff so as to yield greater revenue. At the same time, there were numerous frantic appeals for increased protection in the face of increased foreign competition.⁽⁹⁴⁾ Reluctant to impose a greater burden upon consumers by substantially raising revenue duties, the government agreed to increase protective duties only in that year. Accordingly, the Customs Tariff Act of 1930 provided for a substantially

92. Unfortunately, one of these economy measures involved not taking the Industrial and Agricultural Census between 1930/31 and 1931/32, which accounts for the lack of data in the tables and figures for this period.

93. Official Year Book of the Union of South Africa, No.15, 1932/33, p.739:

	<u>Revenue</u>		<u>Expenditure</u>
1928/29	£35,688,272	...	£34,066,888
1929/30	35,721,263	...	35,759,695
1930/31	33,482,685	...	35,737,200
1931/32	32,757,472	...	34,540,454
1932/33	33,441,869	...	33,863,962

94. Board of Trade and Industries : Report No.88: Customs Tariff Amendments (1930).

increased measure of assistance for the manufacture of clothing, certain types of footwear, sugar, salt and condensed milk.⁽⁹⁵⁾

In addition, the assistance to local industries was enhanced by the use of preferential railway rates, which Professor Frankel had shown not only existed but had actually increased in number, despite the plea for the abandonment of this policy in 1911.⁽⁹⁶⁾ The immediate reaction to Frankel's revelations was the appointment of a departmental Railway Tariffs Inquiry Commission, which issued its report in 1930.⁽⁹⁷⁾ The system of 'nearest port' rates - in terms of which the minimum ton-mile rate for the distance from the place of sale to the nearest port was to be charged if that distance was less than the distance from the place of production to the place of sale⁽⁹⁸⁾ - was upheld by the Commission as being superior to customs duties. It was argued that such duties would have to be unduly high to protect inland manufacturers selling in coastal markets. The government accepted this report, and, in so doing, permitted the Railway Administration to continue to aid the government in carrying out its protectionist policy.

It would not appear to be unreasonable to suppose that the increased assistance provided by the customs tariff of 1930, together with the use of preferential railway rates, contributed to the relative mildness of the depression in the Union's secondary sector. This view is supported by the evidence contained in Table 3-2. Of all

95. Customs Tariff Act No.32 of 1930. In terms of this Act, the following duties were raised: on ready-made suits from 20 to 25 per cent.; on shirts and pyjamas from 15 to 20 per cent.; on women's footwear from 30 per cent. to a minimum of 30 per cent. or 3/6d. per pair; on sugar from 8/- to 12/- per 100 lb.; on salt from 9d. per 100 lb. to 20 per cent. or 1/3d. per 100 lb.; while a 'suspended' duty of 2/6d. per 100 lb. was levied on condensed milk.

96. Frankel, S.H. ; The Railway Rate Policy in South Africa (1928), pp.201-2. Vide supra : ch.2, p.

97. Report of the Railway Tariffs Inquiry Commission, U.G. No.56 of 1929.

98. Official Railway Tariff Book : Clause 253.

the principal industrial groups, the textile and clothing industries (Group B) was the only one to expand during the course of the depression. In addition, the leather and leather products industries (Group E) registered one of the smallest declines in the net value of output. It was more than mere co-incidence that these two groups received substantially increased tariff support in 1930. This conclusion, however, requires qualification. The anti-cyclical expansion of the gold-mining industry still remained the major stabilising factor in the economy; and the extent to which increased duties contributed to the costs of gold-mining so it inhibited the expansion of that industry thereby diminishing its stabilising effect. In other words, although the purpose of higher duties was the promotion of the secondary sector's interests, the effect may have been partially self-defeating.⁽⁹⁹⁾

By late 1930, secondary industry had fared well, sufficiently well, it seemed, that it was not considered necessary to raise protective duties in early 1931.⁽¹⁰⁰⁾ The same could not be said for agriculture and government revenue. The contribution of the former to the national income had declined sharply from £46,400,000 in 1929 to £35,200,000 in 1930.⁽¹⁰¹⁾ With regard to the latter, there had occurred so severe a contraction in customs revenue - from £9,300,564 in 1928/29 to £7,379,643 in 1930/31⁽¹⁰²⁾ - that the government was forced to resort to the customs tariff in an effort to raise the necessary funds. Accordingly, the Customs Tariff Act of 1931 provided for many increases in revenue duties on petrol, tea, chicory, lard, cutlery, glassware, wool, yarn, haberdashery and drapery, and threads

99. Vide infra : ch.8 where the effect of protective duties on the gold-mining industry is dealt with at length.

100. Palmer, G.F.D. : Some Aspects of the Development of Secondary Industry in South Africa since the Depression of 1929-1932, South African Journal of Economics, v.22, March 1954, pp.148-9.

101. Bureau of Census and Statistics : op. cit. Vide: Appendix 2.

102. Official Year Book of the Union of South Africa, No.14, 1931/32, p.709.

and millinery. (103) Thus far, secondary industry had escaped the worst effects of the depression. From 1931 onwards, however, this relative immunity was to disappear as the world depression worsened.

103. Customs Tariff Act No.44 of 1931. In terms of that Act, the following duties were raised: on yarn from 20 per cent. to 10d. per lb.; on petrol from 3d. to 6d. per gallon; on tea, in packets of 10 lb. or less, from 4d. to 6d. per lb.; on tea, in bulk, from 2d. to 4d. per lb.; on chicory from 2d. to 3d. per lb.; on lard from 1½d. to 2½d. per lb.; on cutlery and glassware from 10 to 20 per cent.; on millinery, haberdashery and drapery from 15 to 20 per cent.; and on wool and threads from 5 to 10 per cent.

CHAPTER FOUR

TARIFF POLICY AND THE DEVELOPMENT OF SECONDARY INDUSTRY: 1931-1939

A new and far more critical phase began with the financial crisis in Austria and Germany in the early months of 1931.⁽¹⁾ During the remainder of that year, the crisis worsened as 'the infection of its disorders' spread rapidly to Great Britain, the United States, France, Holland and Switzerland.⁽²⁾ Towards the end of that year, the British economy found itself in dire straits: not only did her visible exports decline from an annual average of £863,000,000 in 1921-29 to £493,000,000 in 1930-33, but so did her earnings from insurance and shipping services which, for so many years, had been the salvation of the British balance-of-payments position.⁽³⁾ To make matters worse, foreigners had begun withdrawing money from Britain in the form of gold as their confidence in the ability of the Labour Government to handle the situation declined.⁽⁴⁾ On September 20th 1931, a newly formed national government in Britain decided to abandon the gold standard and to reduce the value of the pound sterling by 30 per cent. Before the end of 1931, fourteen countries had followed Britain in abandoning gold, and another eleven did so the following year.⁽⁵⁾

It was this crisis and the Union's reaction to it, rather than the preceding two years of depression, which

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1. Ashworth, W. : The International Economy Since 1850 (1952), pp.237-40. Vide: Williams, D. : The 1931 Financial Crisis, Yorkshire Bulletin of Economic and Social Research, XV, 1963, who argues that the crisis was essentially one of confidence.
 2. Hodson, H.V. : Slump and Recovery, 1929-1937 (1938), p.66.
 3. Aldcroft, D.H. and Richardson, H.W. : The British Economy, 1870-1939 (1969), Table 1, p.4. Also: Johnston, W., Whyman, J. and Wykes, G. : Economic and Social History of Twentieth Century Britain (1967), p.112.
 4. Pollard, S. : The Development of the British Economy, 1914-1950 (1962), p.227.
 5. Lewis, W.A. : op. cit., pp.64-5.

severely harmed the South African economy.⁽⁶⁾ As the foremost gold-producing country in the world, South Africa resisted the depreciation in terms of gold. The reason for this decision was based partly upon the belief that anything which brought nearer a general abandonment of the gold standard would be against the interests of the gold-mining industry; and, in Mr. Havenga's words, partly because:

'...there is a grave risk in a small country like South Africa with a small population, where a small section can exert strong political pressure, that if you once slip your anchor it will be practically impossible to stop what we call inflation.'⁽⁷⁾

In addition to the above, reference must be made to the rising tide of nationalism, as is evidenced by the Balfour Declaration of 1926 and the Statute of Westminster in 1931. Seen in this context, the government's refusal to abandon the gold standard was also a defiant gesture of political independency by the Nationalists.⁽⁸⁾ The inevitable result of the Union's refusal to follow suit was the placing of the South African currency at a premium over those currencies which had been depreciated, thereby severely restricting South Africa's export trade.⁽⁹⁾ At the same time, those countries with depreciated currencies could export to the Union at lower prices, and, consequently, provided severe competition for local manufacturers in South Africa.⁽¹⁰⁾

In the light of these circumstances, then, it was necessary for the government to take direct action. It launched a programme with two immediate aims: firstly, the encouragement of the export trade, particularly the export of farm produce, and, secondly, the provision of combative

6. Schumann, C.G.W. : The World Depression, South Africa and the Gold Standard (1932), pp.53-4. Vide: Ravenscroft, A.P. : The Course of the Depression in South Africa, unp. M.A., University of South Africa, 1938.

7. Quoted from Hodson, H.V. : op. cit., p.275.

8. Kruger, D.W. : op. cit., chs.9, 10 passim.

9. Official Year Book of the Union of South Africa, No.14, 1931/32, p.542.

10. Industrial and Commercial South Africa, February 1931, p.57. For example, local tanners complained that the depreciated Australian currency offset the benefit of tariff protection,

measures against dumping. With regard to the former, the Export Subsidies Act of 1931 was promulgated.⁽¹¹⁾ This Act provided for the levying of an additional customs duty - known as a 'primage' duty - of 5 per cent. on all goods imported into the Union, with a few minor exceptions. The proceeds of the 'primage' duty were then to be used, at the discretion of the Minister of Finance, to subsidise the export of primary products.⁽¹²⁾ Such subsidy was not to exceed 10 per cent. except in the case of fresh fruit and eggs which, if need be, could receive up to 15 per cent.⁽¹³⁾ With regard to dumping, the government imposed exchange dumping duties in December 1931 on a long list of articles from several countries which had depreciated their currencies, and whose exports competed with South African manufactures.⁽¹⁴⁾

However, this system of 'primage' duties and export duties was not successful in bridging the depreciation gap between the Union and those countries which had pegged the external value of their currencies to sterling.⁽¹⁵⁾ Consequently, in January 1932, the subsidy on wool and mohair was raised from 10 to 25 per cent., that on fresh fruit and eggs from 15 to 20 per cent., while the subsidy on frozen meat exported from the Union was doubled from 10 to 20 per cent.⁽¹⁶⁾ The existing exchange dumping duties were also found to be inadequate. In both India and Japan,

11. Export Subsidies Act No.49 of 1931.

12. The proceeds of the 'primage' duty were to be paid into the Consolidated Revenue Fund, and credited to the Export Subsidies Account.

13. Export Subsidies Act No.49 of 1931 : section 4.

14. Government Notice No.1934, Government Gazette Extraordinary No.1995, 12 December 1931.

15. Woods, I.R. : Some Aspects of South Africa's Foreign Trade, 1910-1954: An Analysis of the Import and Export Statistics, Unp. M.Com. thesis, University of Natal (Durban), 1954, p.9. He criticised the system of 'primage' duties and export bounties as '...just another one of those "salvage" policies which had become fashionable during the early 'thirties for offsetting differences in the severity and timing of the depression'.

16. Government Gazette Extraordinary : 12 January 1932.

manufacturing industries were able to take advantage of a great surplus of low-paid labour from the over-populated countryside, and, aided by their depreciated currencies, were able to export goods at amazingly low prices to the markets of the world.⁽¹⁷⁾ In an attempt to solve this problem, a proclamation was issued in February 1932, in terms of which a long list of commodities from these countries were subjected to heavy dumping duties.⁽¹⁸⁾

Despite these measures, the early months of 1932 saw both government revenue and secondary industry in a sorry state of affairs. Union revenue had fallen from £30,501,650 in 1929 to £27,040,895 in 1932,⁽¹⁹⁾ while the contribution of the manufacturing sector to the national income declined over the same period from £38,200,000 to £33,500,000.⁽²⁰⁾ Figure 3 (p.70) illustrates that net investment in manufacturing was only marginally above zero between 1930/31 and 1932/33, while, by the latter date, the value of total raw materials used had fallen to only 3,5 per cent. above the 1924/25 level. Figure 4 (p.71) reflects a similar pattern: by 1932/33, the gross and net values of output per firm stood at only 8,- and 13,9 per cent. respectively above the 1924/25 level. Although Figure 6 (p.77) shows the level of White employment in 1932/33 at 39,8 per cent. above the 1924/25 level, that for Non-White employment had fallen back to 8,1 per cent.⁽²¹⁾

Table 3-2 (p.75) provides further evidence of the contraction experienced by the principal industrial groups between 1929/30 and 1932/33. With the exception of the textile and clothing industries (Group B), in which the net value of output actually rose by 11,8 per cent., all other

17. Official Year Book of the Union of South Africa, No.14, 1931/32, p.542.

18. Government Gazette Extraordinary : 22 February 1932.

19. Official Year Book of the Union of South Africa, No.15, 1932/33, p.739.

20. Bureau of Census and Statistics : op. cit., S-3. Vide: Appendix 2.

21. As pointed out earlier, it must always be borne in mind that a number of legislative measures also played a part in promoting the employment of 'civilized labour' in secondary industry.

groups registered a substantial decline. The net value of output for the wooden products and furniture industries (Group C), the leather and leather products industry (Group E), the paper and printing industries (Group D) and the metal products and machinery industries (Group G) fell by 33, 20, 18 and 17 per cent. respectively. The chemicals industries (Group F) and the food, beverages and tobacco industries (Group A) fared slightly better - the net value of output fell only slightly by 5 and 2 per cent. respectively.

It was against this background of severe international competition and dwindling revenue that, in early 1932, the Minister of Finance declared that the government was:

'...forced by the present financial stringency to impose burdens which at first sight may appear intolerable, but on inspection will prove in the aggregate to be less than the benefits accruing to importers from the exchange.' (22)

Accordingly, the Customs Tariff Act of 1932 made provision for a number of increased duties. In addition to the 'primage' duty of 5 per cent., a surtax of 7½ per cent. was levied on all imports; the funds raised by this surtax were not to be used for the subsidisation of primary exports but to enhance government revenue.⁽²³⁾ Clearly, while providing the government with additional revenue, the surtax also served to increase the degree of protection offered to local manufacturers. The Act also provided for several increases in protective duties on cement, certain items of clothing and footwear, ridging and guttering.⁽²⁴⁾

22. Hansard : 23 March 1932, col.2623.

23. In accordance with the various customs agreements, however, this special surtax was not to be charged on goods manufactured in Northern and Southern Rhodesia, Swaziland, Basutoland, Macambique and the Bechuanaland Protectorate.

24. Customs Tariff Act No.27 of 1932. In terms of this Act, duties were raised on sugar from 12/6d. to 16/- per 100 lb.; cement from 1/3d. to 2/6d. per 400 lb.; men's shirts on which a minimum duty of 1/- each was levied; children's footwear from 30 per cent. to a minimum of 30 per cent. or 1/- per pair; men's footwear from 30 per cent. to a minimum of 30 per cent. or 3/6d. per pair; and ridging and guttering from 20 to 25 per cent.

Meanwhile, controversy raged over South Africa's adherence to the gold standard. General Hertzog and his Minister of Finance were adamant that South Africa could withstand the onslaught on gold. With the worsening of the economic situation, however, the government lost a good deal of popular support.⁽²⁵⁾ The Opposition took advantage of the situation, claiming that the malaise would subside if the government would only abandon the gold standard.⁽²⁶⁾ In that year, 1932, a Select Committee was set up to investigate the question. Its report clearly favoured the retention of the gold standard on the grounds that the balance-of-payments position was essentially sound, that devaluation would result in a rise in prices, and that the abandonment of the gold standard by the foremost gold-producing country would lead to the elimination of gold as an instrument of international trade.⁽²⁷⁾ With this support, the government refused to reconsider its position.

In July 1932, while the controversy raged on, the Minister of Finance, Mr. Havenga attended the Imperial Economic Conference in Ottawa. For a long time, the Conservative Party in Britain had cherished the ambition of uniting the Empire more firmly by way of imperial preference. Being primarily an exporter of manufactured goods, Britain wanted freer access to the markets of member countries. The member countries, however, were themselves keenly interested in developing their own manufacturing industries. These objectives conflicted and appeared to be irreconcilable. They could only be realised in part if the member countries raised the duties on foreign goods, while leaving them more moderate, though still protective, on British goods. And, in essence, this was the policy

25. Vickers, B.C. : Natal and the Provincial Councils, 1929-32, unpub. M.A., University of Natal (Durban), 1970, p.98. Natal, for example, blamed the country's economic ills on the government's policy of economic independence. As a consequence, a devolution movement began in Natal which, for a time, threatened to tear the fabric of Union apart.

26. Hansard : 28 January 1932, cols.425-7.

27. Report of the Select Committee on the Gold Standard, S.C.9 of 1932, par.119.

that was eventually adopted.⁽²⁸⁾ In this way, then, the member countries were able to recast the preferential instrument into a system of mutual aid during world-wide conditions of adversity.⁽²⁹⁾

Towards the end of that year, the controversy over the gold standard was reaching a climax. On December 16th 1932, Tielman Roos, and Appellate Division judge and a former Nationalist Cabinet Minister, announced his resignation from the Bench. Thereupon he demanded the formation of a national government which would pledge itself to the abandonment of the gold standard. His actions had cataclysmic effects for South Africa. In anticipation of an imminent abandonment of the gold standard, there took place a tremendous flight from the South African currency, and, concurrently, there occurred a great upsurge in speculation.⁽³⁰⁾ On December 27th 1932, as a result of the tremendous economic and political pressure, the Minister of Finance was forced to announce that South Africa was leaving the gold standard, and was attaching her currency to sterling at the former pound-for-pound rate.⁽³¹⁾

The consequences of this decision were to be profound. Economically, the devaluation of the currency exerted a

28. Ellsworth, P.T. : The International Economy (3rd ed., 1964), p.417. During the Parliamentary session of 1933, the Ottawa Agreement Bill was passed into law as Act No.8 of 1933.

29. Frankel, S.H. : The Future of the British Commonwealth of Nations: Economic and Financial Aspects, South African Journal of Economics, v.6, December 1938, p.386, in which a New Zealand delegate to the Ottawa Conference is quoted: '...the idea behind Ottawa was to try and strengthen the internal structure of the Empire economically vis-a-vis the rest of the world'. Hodson, H.V. : op. cit., pp.164-72, contains a succinct analysis of that meeting. See also: Rossouw, G.S.H. : The Problem of Imperial Preference, South African Journal of Economics, v.14, September 1946.

30. Katzen, L. : op. cit., p.83, estimates the flight of capital out of South Africa at between £2,000,000 and £3,000,000.

31. Condliffe, J.B. : The Reconstruction of World Trade, A Survey of International Economic Relations (1940), p.318. Bruwer, A.J. : South Africa: A Case for a National Gold and Banking Policy (1957), pp.113-4, contains a brief but interesting account of the reaction to devaluation in South Africa.

benign influence as the prosperity of the gold-mining sector carried other sectors of the economy forward. Despite the setback experienced by secondary industry during the depression, though more particularly after 1931, a solid manufacturing base had been built into the Union's economy between 1925 and 1932. Upon this base, secondary industry was poised for the 'industrial breakthrough' that was to come in the 'thirties.⁽³²⁾ Politically, the devaluation of the currency was partially responsible for a change in government. A few months after devaluation, the major political parties - the National Party and the South African Party - formed a coalition government.⁽³³⁾ During the 'thirties, then, the political arena was to be freed from much of the party-political strife - the result, in part, of the delicate balance of power between the two major parties - which had characterised the 'twenties. All the energies of the new administration could be directed towards the progress of the country.

Despite the difficulty experienced in establishing causal connections between sets of economic phenomena, it is generally accepted that the increase in the price of gold - from 85/- to 120/- per fine ounce - was primarily responsible for the period of subsequent economic prosperity.⁽³⁴⁾ As a result of the increase in the price of gold, a substantially lower grade of ore could be mined and still show profits, so that existing gold-mines, some of which were on the verge of closure, gained a new lease of life. Several old mines could be re-opened and new ones were started, while deep-level working made

32. Houghton, D.H. and Dagut, J. : Source Material on the South African Economy, 1860-1970 (1973), v.3, p.108.

33. Kruger, D.W. : op. cit., pp.162-6.

34. Bosman, G.C.R. : The Industrialization of South Africa (1938), p.206, and Cole, M.M. : South Africa (1961), p.393. Both argue that the abandonment of the gold standard led directly to revival. Schumann, C.G.W. : op. cit., pp.245, 248, 252, and Du Plessis, J.C. : op. cit., p.49, however, both agree that revival began before December 1932. Nonetheless, they also stress that devaluation played the major rôle in accelerating revival.

available further millions of tons of ore.⁽³⁵⁾ The multiplier effect of the increased investment in, and income from, gold-mining was chiefly evident in urban development. A protracted building boom ensued with the rate of construction double that during the 1929 peak. Associated growth also occurred in those industries supplying mine requirements, building supplies and household materials, and by reciprocal action in other industries, in trade and transport.⁽³⁶⁾

Those who had lost their jobs during the depression were soon re-absorbed, and a further increase in employment was made possible by the continued large-scale migration of Whites from rural to urban areas, perhaps provoked as much by the continuing agricultural depression as by the expanding opportunities for employment in secondary industry.⁽³⁷⁾ Moreover, wholesale prices increased only slightly in 1933, while retail prices actually fell. Nor did prices increase with each increase in the price of gold.⁽³⁸⁾ The price level remained remarkably constant throughout this period, rising only slightly during the latter half of the 'thirties.⁽³⁹⁾ Clearly, then, the fears of those who had opposed the abandonment of the gold standard were proved to be unjustified.

Nonetheless, in spite of the tremendous upsurge which

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35. Frankel, S.H. : Capital Investment in Africa (1938), p.83. For some years, actual gold output did not increase as the average grade was reduced from 6,5 to 4,5 dwt. per ton milled. However, far larger tonnages were mined, and the same gold output was worth two-thirds more than before.
36. Palmer, G.F.D. : op. cit., p.140.
37. Van Der Horst, S.T. : The Economics of Decentralization of Industry, South African Journal of Economics, v.33, March 1965, p.17.
38. Andrews, H.T., et al. : South Africa in the Sixties: A Socio-Economic Survey (1962), p.8. In 1934, after the United States devalued the dollar, the price of gold was fixed at \$35 an ounce. Concurrent exchange adjustments raised the sterling price of gold from 120/- to 142/- per fine ounce.
39. Du Plessis, J.C. : op. cit., pp.72-4. Also: Bureau of Census and Statistics : op. cit., H-15, H-23.

took place in the gold-mining industry between 1932 and 1933, as can be seen in Figure 7,⁽⁴⁰⁾ there was a small budget deficit of just over £440,000 for the financial year ending in March 1933.⁽⁴¹⁾ Nevertheless, the expectation of prosperity engendered by the gold-mining industry allowed for the repeal of the 'primage' and surtax duties in that year.⁽⁴²⁾ Moreover, since the government had decided to obtain a substantial share of increased mining income through the imposition of special direct taxation, the Minister of Finance was able to refrain from imposing higher revenue duties in the customs tariff of that year.⁽⁴³⁾ Therefore, the tariff alterations made in 1933 were entirely for the benefit of local industry. Several increased protective duties were levied for the benefit of those industries producing footwear, building materials and preserved foodstuffs, while additional aid was provided to the clothing industry by reducing duties on several imported raw materials.⁽⁴⁴⁾

In extending the assistance provided by the tariff, the Union was simply following the world-wide upward revision in tariffs.⁽⁴⁵⁾ In this regard, the World Monetary and

40. Figure 7 drawn from information contained in: Bureau of Census and Statistics : op. cit. Vide: Appendix 2.

41. Official Year Book of the Union of South Africa, No.17, 1934/35, p.787.

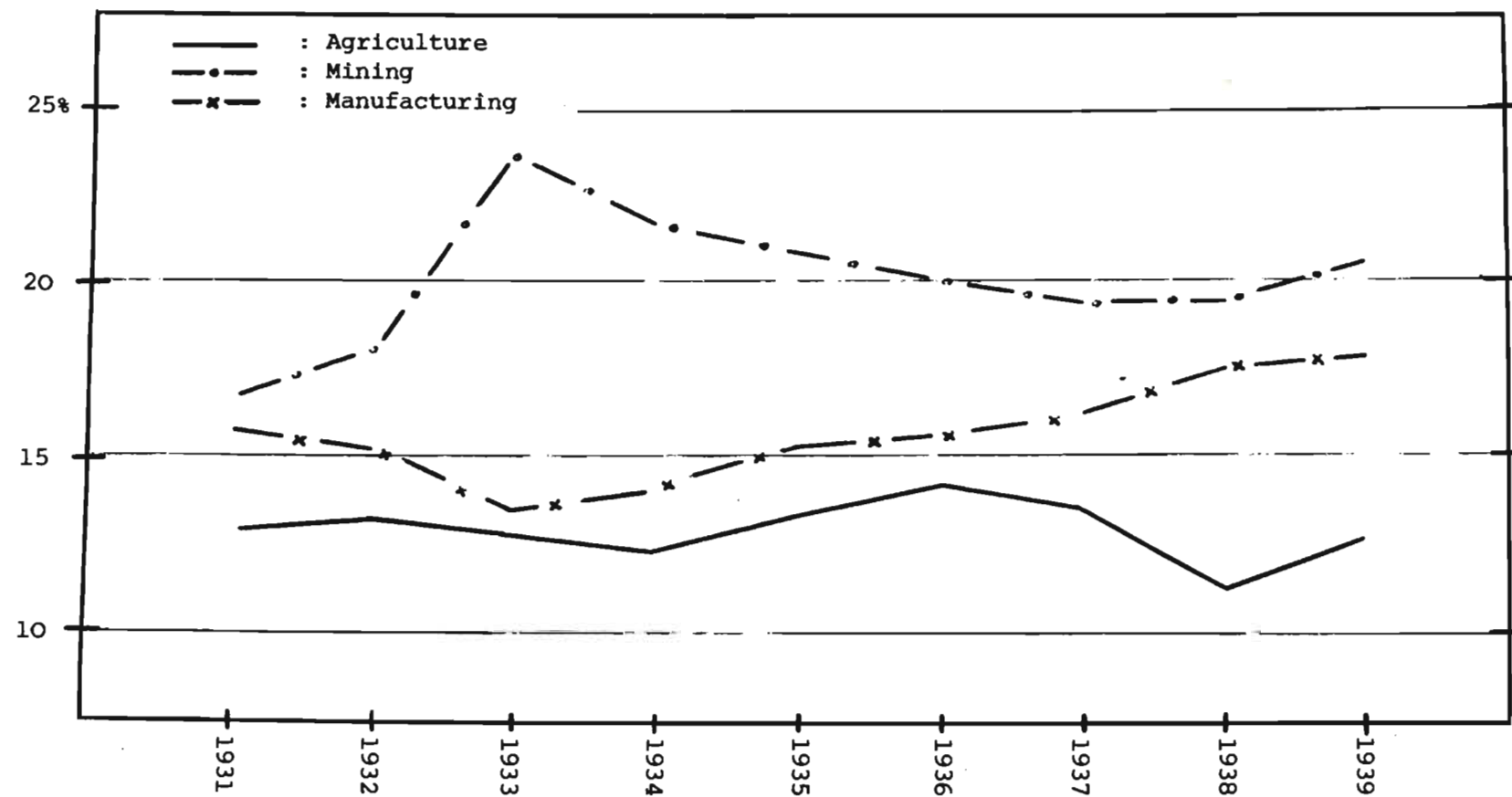
42. Customs Surtax Cancellation Act No.4 of 1933. The Act came into effect on 21 January 1933. The export subsidy was retained until its abolition in three stages from 1935 to 1937.

43. Excess Profits Duty Act No.33 of 1933. Vide: Kotze, Sir R. : The Excess Profits Tax on Gold and Some of its Implications, South African Journal of Economics, v.1, June 1933, p.300.

44. Customs Tariff Act No.8 of 1933. In terms of this Act, duties were raised on canvas footwear from 2/- to 2/6d. per pair; wooden shingles from 20 to 30 per cent.; sprayers, sprinklers, asphalt and bitumen from 3 to 10 per cent.; and tinned fish and tinned meat from 2d. and 1½d. per lb. to 2½d. and 1½d. per lb., respectively. Duties were lowered on rayon from 15 per cent. to 3d. per yard; and yarns for carpets and rugs from 10d. to 10 per cent.

45. Pollard, S. : op. cit., pp.192-3.

FIGURE 7 : 'PERCENTAGE CONTRIBUTION OF PRIMARY AND SECONDARY INDUSTRY TO THE NATIONAL INCOME: 1931 - 1939'



Economic Conference, held in mid-1933, commented:

'We have passed the stage when we have started to neglect trade. It is being made the catspaw in the game of national ambition....The people's need and demand is greater than ever, which is one of the fundamentals of trade recovery. But no matter what the need or anxiety of the individual may be, it is ruthlessly beset by limitations coming from the rigorous restrictions imposed by the policies of governments. The negation of trade has already brought the world to a condition of distraction which, if pursued, must eventually bring consequences of the direst severity....' (46)

While this may be seen as an early prediction of the world war that was to come later in the 'thirties, the advice offered was ignored. Meanwhile, during the second half of 1933, secondary industry in the Union began to recover from the depression as investment funds flowed back into the country. By the end of 1933, the banks' cash-in-hand plus balances with the Reserve Bank amounted to over £29,000,000 compared with just less than £7,000,000 at the end of 1932. (47)

Table 4-1 and Figures 8 and 9 provide evidence of the recovery made in secondary industry between 1932/33 and 1933/34. (48) During that period, the number of manufacturing firms rose by 10,5 per cent., while the value of total raw materials used increased by 27,4 per cent. Furthermore, the gross and net values of output rose by 22,5 and 18,2 per cent. respectively. It would be unwise, however, to exaggerate the extent of the recovery made, for '...the slight increase in activity which appeared...was completely over-shadowed by the repercussions which the increase in the price of gold had on secondary industry'. (49) Indeed, despite the tremendous inflow of foreign capital after 1932, the investment of fixed capital in secondary industry

46. World Monetary and Economic Conference, June/July 1933, p.98.

47. Woods, I.R. : op. cit., p.9.

48. Table 4-1 and Figures 8 and 9 were drawn up from information contained in: Bureau of Census and Statistics : op. cit. Vide: Appendix 4.

49. Palmer, G.F.D. : op. cit., p.149.

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	% Change between 1 & 7
	1932/33	1933/34	1934/35	1935/36	1936/37	1937/38	1938/39	
<u>No. of Establishments:</u>	6,543	7,232	7,636	8,152	8,416	8,581	8,614	+ 32
<u>No. of Workers:</u>								
All Races ('000)	133	160	182	206	224	232	236	+ 78,2
Whites Only ('000)	57	69	77	85	91	93	93	+ 61,4
Non-Whites ('000)	76	91	105	121	133	139	143	+ 88,2
<u>Salaries and Wages:</u>								
All Races (£m)	13	16	19	22	25	27	28	+115,4
Whites Only (£m)	10	12	14	16	18	19	20	+100
Non-Whites (£m)	3	4	5	6	7	8	8	+166,7
<u>Cost of Materials Used:</u>								
(£m)	35	44	50	56	66	70	73	+108,6
<u>Value of Output:</u>								
Gross Value (£m)	67	82	95	108	126	134	141	+110,5
Net Value (£m)	31	36	43	50	57	61	64	+108,8

TABLE 4-1 : 'THE DEVELOPMENT OF SECONDARY INDUSTRY IN SOUTH AFRICA: 1932/33 - 1938/39'

FIGURE 8 : 'THE DEVELOPMENT OF SECONDARY INDUSTRY IN SOUTH AFRICA: 1932/33 - 1938/39'

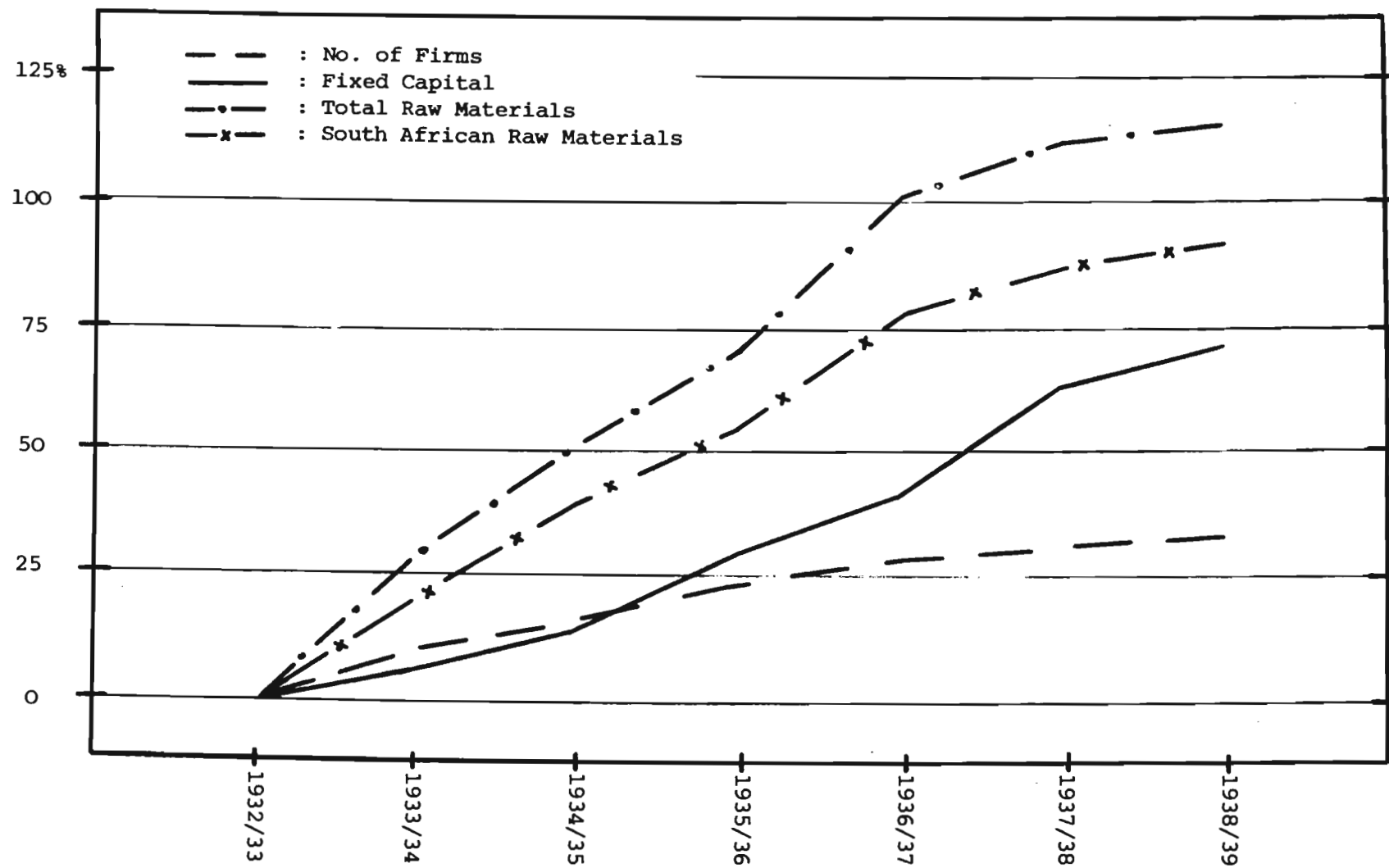
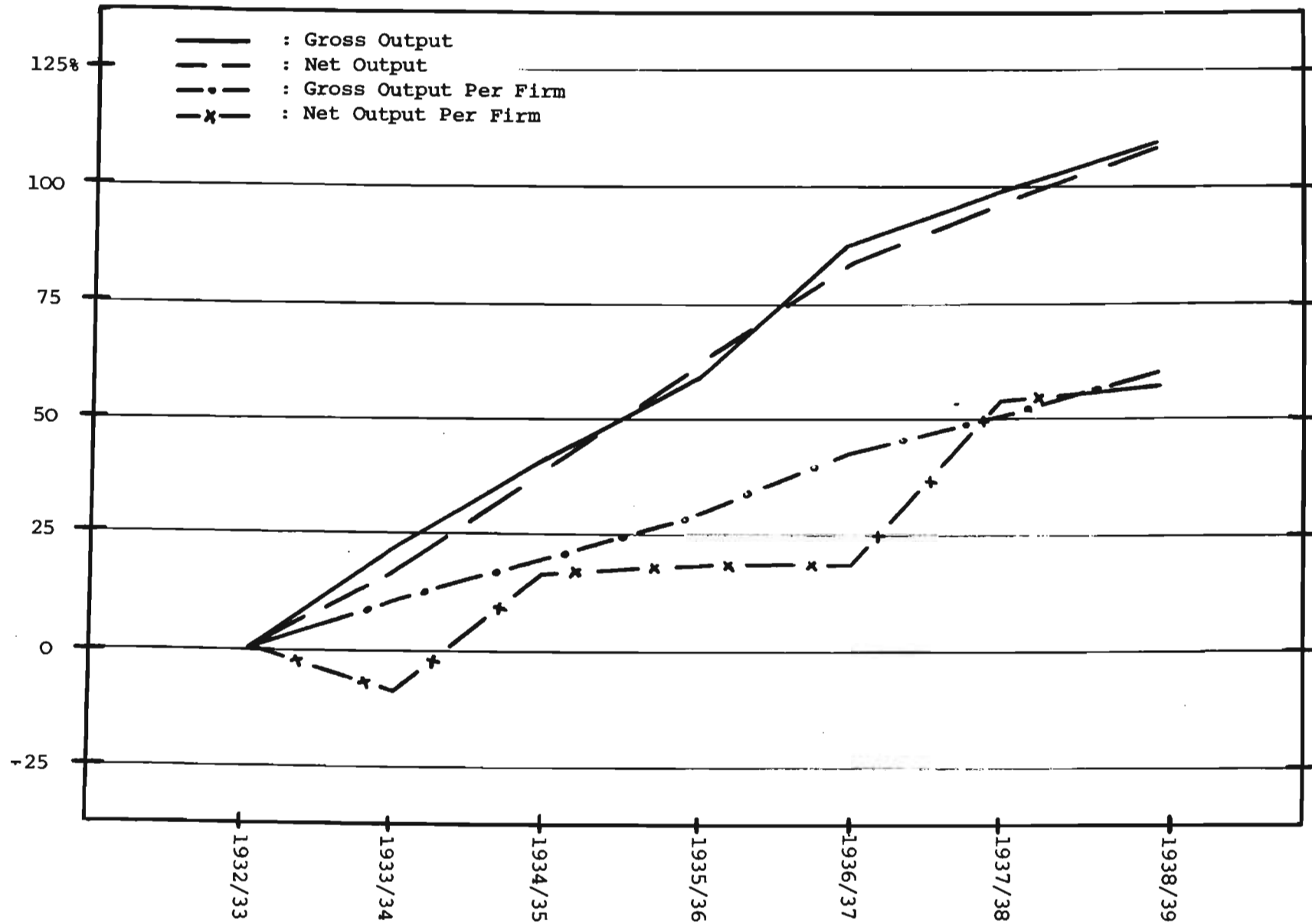


FIGURE 9 : 'THE DEVELOPMENT OF SECONDARY INDUSTRY IN SOUTH AFRICA: 1932/33 - 1938/39'



rose by only 6,5 per cent. between 1932/33 and 1933/34. Furthermore, it must be noted that the net value of output per firm during the same period actually fell by 4,3 per cent. The available evidence suggests that, with regard to secondary industry, firm recovery only really began in 1934, although recovery in the other sectors of the economy began at an earlier date.⁽⁵⁰⁾

At the beginning of 1934, then, secondary industry in the Union was firmly on the road to recovery. Thereafter, it was no longer necessary for the government to devise policies of survival for local manufacturing industries, but could concentrate on affording deserving local industries protection in what it considered to be the most efficacious manner. For the financial year ending March 1934, the Minister of Finance was able to announce a budget surplus of £4,500,000.⁽⁵¹⁾ This surplus, which accrued largely from the taxation of the gold-mining industry,⁽⁵²⁾ was instrumental in allowing the government to provide for numerous reductions of duty in the customs tariff of that year.⁽⁵³⁾ While such reductions were primarily in the interests of consumers, they were probably of some benefit to local producers as well. Several duties on imported raw materials were lowered, while the greater purchasing power resulting from lower duties in general probably redounded, in part at least, to the benefit of local industries.⁽⁵⁴⁾ Further assistance was also incorporated into the tariff by the imposition of higher duties on plywood, sodium carbonate,

50. Schumann, C.G.W. : op. cit., p.248, and Du Plessis, J.C. : op. cit., p.49. Both authors date the beginning of recovery in July 1932.

51. Official Year Book of the Union of South Africa, No.16, 1933/34, p.766.

52. Frankel, S.H. : op. cit., p.114. According to the statistics provided by Professor Frankel, total government revenue from gold-mining rose from £4,265,000 in 1932 to £13,205,000 in 1934.

53. Customs Tariff Act No.40 of 1934. In terms of this Act, duties were reduced on tea, plate-glass, plywood, wire gauze and bronze and copper fittings for windows.

54. This is, of course, based on the assumption that the reductions in duty are passed on to the consumers.

machine bottle-brushes and certain preserved foodstuffs. (55)

The 1934 tariff marks a slight shift in tariff policy in that greater emphasis was placed on lower duties as a means of assisting local industries. At the time of introducing this tariff, the Minister of Finance declared that it was the government's desire to bring about further tariff reductions on the grounds that they proved to be the most satisfactory method of providing industries with the necessary raw materials at low cost, and that they enabled the government to keep a firm check on the cost of living. The Minister added, however, that any attempt to reduce duties was confronted with two major obstacles: on the one hand, to select those articles on which any reduction in duty would be passed on to the consuming public, and, on the other hand, to select those articles on which any reduction in duty would not injure local manufacturers, (56) Thus, in making these reductions, it was not the aim of government to reduce the preferential margin enjoyed by local industries but rather to advance their interests.

The Minister also stated that the government's policy of tariff protection, begun in 1925, had been in operation for nine years and that the time had come to determine:

'...to what extent industries justified the sacrifices made to establish them on a firm footing and in what degree it is necessary and desirable to continue giving them the support which they have received in the past.' (57)

In other words, the government considered that the time was ripe for a critical review of the policy and effects of tariff protection, with a view to determining whether or not that policy had, in fact, been successful in encouraging the establishment and development of secondary industries,

55. Customs Tariff Act No.40 of 1934. In terms of this Act, duties were raised on plywood from 20 to 25 per cent.; on sodium carbonate (common washing soda) from 2/- to 3/6d. per 100 lb.; machine bottle-brushes from 3 to 25 per cent.; and preserved tomatoes, cucumbers and cabbage from 20 per cent. to 2½d. per lb.

56. Hansard : 10 April 1934, col.1998.

57. Ibid., cols.1963, 1999.

and whether the price paid thus far for that policy was justified as an investment in the future.⁽⁵⁸⁾ Accordingly, in September 1934, the government appointed a Customs Tariff Commission, under the chairmanship of Dr. J.E. Holloway, which handed its report to the government in early 1936.⁽⁵⁹⁾

Meanwhile, during the remainder of 1934 and early 1935, secondary industry continued to flourish under the stimulus of general prosperity, as can be seen from Table 4-1 and Figures 8 and 9. During that period, the gross and net values of output had fully recovered from the depression, and had slightly overtaken the pre-depression peak level. Similarly, between 1934 and 1935, the contribution of the manufacturing sector to the national income matched and overtook the record £39,100,000 contributed in 1930.⁽⁶⁰⁾ Furthermore, Table 4-2 reveals that, while all the principal industrial groups shared in this expansion, the lead was taken by the metal products and machinery industries (Group G), the wooden products and furniture industries (Group C) and the textile and clothing industries (Group B).⁽⁶¹⁾ Finally, Iscor commenced production in March 1934.⁽⁶²⁾

In this expansion, however, there emerged certain characteristics which provided a striking contrast to the development which had taken place between 1924/25 and 1932/33. Unlike the period prior to the depression, the

58. It is not clear why the government decided to appoint a commission of enquiry at this particular point in time. As it came soon after the formation of the United Party, however, it is interesting to speculate whether or not this was an attempt to placate members of the South African Party who opposed a protective tariff policy.

59. Government Notice No.1278, Government Gazette No.2221, 7 September 1934. The other members of the Commission were M.J.M. Horak, J.D. Heddon, J.G. Hirsch, H.J. Laite, J.J. McMenamin, J.C. Rabie, Professor C.S. Richards and F.J. Fahey.

60. Bureau of Census and Statistics : op. cit., S-3. Vide: Appendix 2.

61. Table 4-2 drawn up from information contained in: Bureau of Census and Statistics : op. cit., L-6 to L-26.

62. Richards, C.S. : The Iron and Steel Corporation in South Africa (1940), p.133.

	1932/33	1933/34	1934/35	1935/36	1936/37	1937/38	1938/39	Percentage Change 1932/33-1938/39
(A) <u>Food, Beverages and Tobacco</u> (1,2,3):								
Employment ('000)	34,5	37,0	39,9	43,3	45,1	46,8	47,8	+ 38,6
Net Output (£m)	10,3	10,8	11,5	12,7	14,3	14,6	16,1	+ 56,3
(B) <u>Textiles and Wearing Apparel</u> (4,5):								
Employment ('000)	24,2	30,3	33,5	35,5	37,8	37,5	38,1	+ 57,4
Net Output (£m)	3,8	4,6	5,4	5,9	6,4	6,6	7,2	+ 85,0
(C) <u>Wood Products and Furniture</u> (6,7):								
Employment ('000)	8,4	10,7	12,8	15,4	17,1	18,2	18,3	+117,9
Net Output (£m)	1,6	2,2	2,7	3,4	3,8	4,0	4,0	+150,0
(D) <u>Paper and Printing Products</u> (8,9):								
Employment ('000)	9,1	9,8	10,4	11,2	12,2	12,9	13,8	+ 51,6
Net Output (£m)	3,3	3,8	4,0	4,6	5,1	5,4	5,5	+ 66,7
(E) <u>Leather and Leather Products</u> (10):								
Employment ('000)	2,3	2,6	2,7	2,8	2,9	2,8	3,0	+ 30,4
Net Output (£m)	,4	,5	,5	,5	,5	,5	,7	+ 75,0
(F) <u>Chemicals</u> (12,13):								
Employment ('000)	8,6	10,3	11,4	12,9	14,1	14,5	15,8	+ 83,7
Net Output (£m)	3,5	3,9	3,9	4,3	4,9	5,6	6,1	+ 74,3
(G) <u>Metal Products and Machinery</u> (15-19):								
Employment ('000)	25,8	33,3	40,8	49,5	56,5	59,0	56,4	+118,6
Net Output (£m)	5,0	7,1	10,0	12,4	14,8	16,5	16,5	+230,0
(H) <u>All Groups</u> (1-21):								
Employment ('000)	132,5	159,6	181,8	206,4	224,0	232,1	236,1	+ 78,2
Net Output (£m)	30,7	36,4	42,6	49,5	56,7	60,7	64,1	+108,8

TABLE 4-2 : 'EMPLOYMENT AND NET OUTPUT IN THE PRINCIPAL INDUSTRIAL GROUPS : 1932/33 - 1938/39'

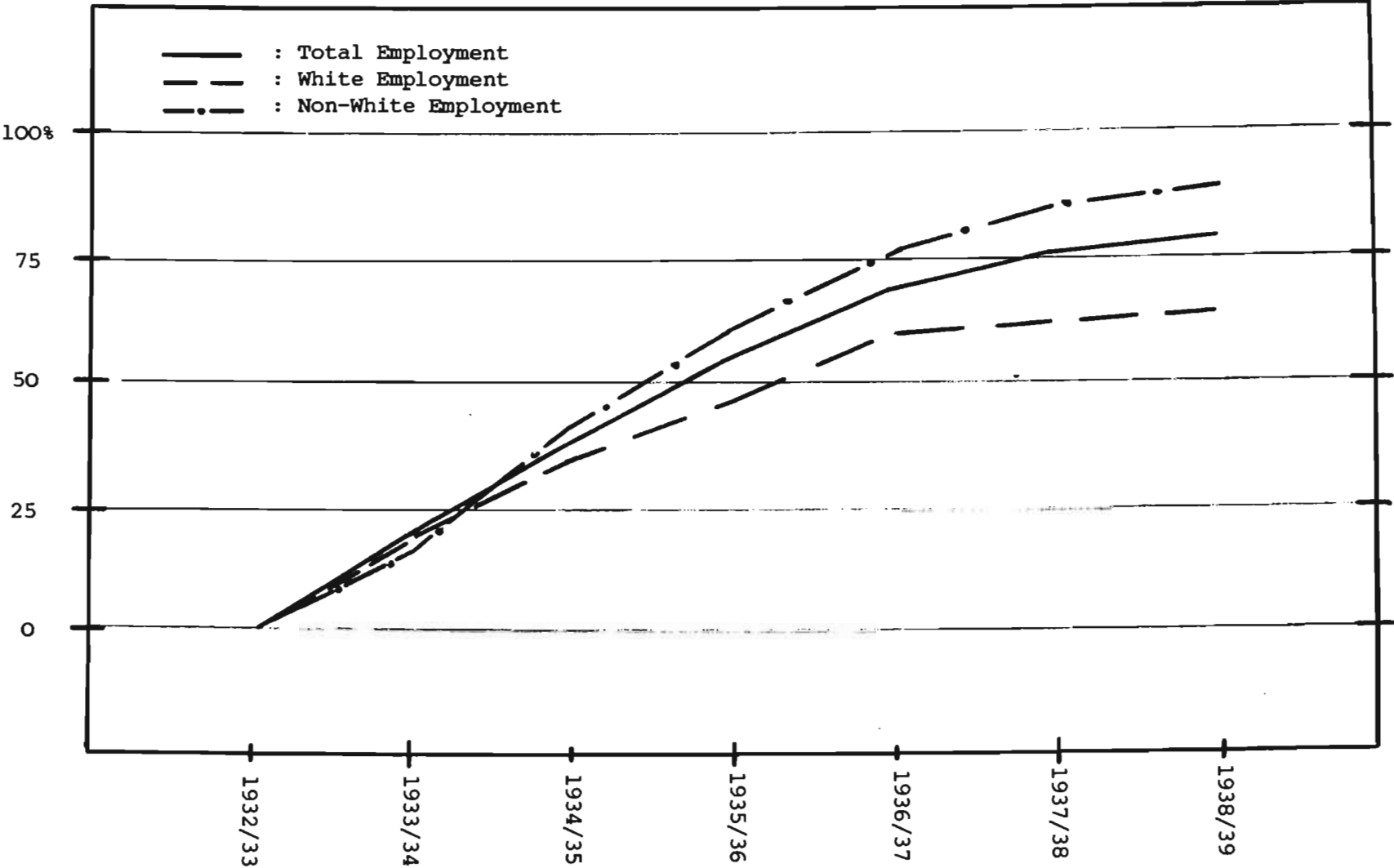
total value of raw materials used rose at a faster rate than the value of South African raw materials used after 1933/34, as can be seen in Figure 8. Thus, South Africa had reached a stage in the development of her manufacturing industries where expansion depended upon the absorption of greater quantities of imported raw materials. As will be seen, this proved to be a major problem for future development. In addition, Figure 10 illustrates that, in contrast to the period 1924/25 to 1932/33, the employment of Non-White labour increased at a faster rate than that of White labour after 1933/34.⁽⁶³⁾ In other words, the implementation of the 'civilized labour' policy appears to have achieved considerably less success during the 'thirties. It must be borne in mind, however, that the pressure exerted upon manufacturers to employ more 'civilized labour' was probably eased as employment opportunities as a whole increased.

Early in 1935, the clash of interests between South Africa and Southern Rhodesia, which had been brewing for some years, reached a climax. A customs agreement between the two countries had been in force for some thirty years, in terms of which duties were not to be charged on the goods traded by these countries.⁽⁶⁴⁾ However, the cattle and tobacco farmers of the Union were insistent in their demand for restrictions against the importation of cattle and tobacco from Southern Rhodesia. At the same time, a strong demand was made by secondary industry in Southern Rhodesia for protection against Union products. As a result, a conference was held between the two countries to try and settle the dispute. However, as South Africa was unable to offer satisfactory terms, an agreement could not be reached, and Southern Rhodesia broke away from the

63. Figure 10 drawn up from information contained in: Bureau of Census and Statistics : op. cit., L-3.

64. Knowles, L.C.A. : op. cit., p.301. Although Southern Rhodesia had been a member of the Customs Union since 1903, trade relations were formalised into a customs agreement in 1930. This agreement was renounced by Southern Rhodesia in 1933, leading to the conference of 1935.

FIGURE 10 : 'EMPLOYMENT IN SOUTH AFRICAN SECONDARY INDUSTRY: 1932/33 - 1938/39'



Customs Union. (65)

It became apparent then that the Union's customs tariff, based on the two-column system, was inadequate in providing South Africa with sufficient discretionary power with regard to concluding customs agreements. In this regard, it was stated by the Minister of Finance that:

'...the great diversity of restrictions and quotas, under which international trade suffers, ...makes it necessary to change the structure of the Union tariff in order to facilitate the entry of our products into the markets of other countries.' (66)

Accordingly, the Customs Tariff Act of 1935 attempted to enhance the Union's bargaining position vis-a-vis those nations with which South Africa wished to conclude trade agreements. In terms of that Act, the two-column tariff was abolished and a three-column tariff was introduced. (67) The object of this modification was to enable the government to grant most-favoured-nation treatment to non-Commonwealth countries under the intermediate tariff, without affecting the preferential margin to Britain and the member countries of the Empire.

Thus, the old minimum and maximum tariff columns became the new minimum and intermediate columns, while the third or new maximum column, at a higher level of duties, could be applied by Government Notice with the object of discriminating against those countries with which the Union had no trade agreements. In actual fact, these maximum duties were applicable only to a limited number of goods - hats and caps, cotton and woollen piece-goods and knitted rayon piece-goods. (68) These goods were exempted from the

65. Kelly, T.H. : South Africa's Foreign Trade, 1933-53, South African Journal of Economics, v.22, March 1954, p.89. Also: Kelly, T.H. : The Transition to Customs Union in Southern Africa, South African Journal of Economics, v.22, March 1954, pp.273-4; and De Kock, M.H. : The Economic Development of South Africa (1936), pp.91-2.

66. Hansard : 20 February 1935, col.1838.

67. Official Year Book of the Union of South Africa, No.17, 1934/35, p.617, contains the schedule of the Customs Tariff Act of 1935.

68. Proclamation No.138, Government Gazette No.2288, 19 July 1935.

higher duty if they were imported from a large number of foreign countries to which the Union, under temporary agreements or treaties of long standing, was obliged to grant most-favoured-nation treatment. Similarly, these goods were also exempt from the maximum duties if imported from Britain, Canada, Australia and India. However, when imported from such countries as the United States, with which no agreement was in existence at that time, the goods in question had to bear the maximum duty.

In addition, the customs tariff of 1935 made provision for numerous reductions in duty, all of which were revenue duties.⁽⁶⁹⁾ Further assistance to local industries, either by way of higher protective duties or lower duties on raw materials, was not provided for as the government was awaiting the report of the Customs Tariff Commission. During the remainder of 1935, although secondary industry continued to prosper, the rate of expansion appears to have slowed down somewhat.⁽⁷⁰⁾ There existed a considerable degree of uncertainty in the industrial and commercial community, which tended to hamper industrial development. The minor recession experienced during late 1934 and early 1935 was undoubtedly the primary cause, though uncertainty as to the recommendations contained in the report of the Customs Tariff Commission may also have played a part.⁽⁷¹⁾

The report of this Commission was finally published in early 1936.⁽⁷²⁾ It should be pointed out that the task of the Commission was an extremely difficult one. It can never be proved conclusively that the tariff has, in fact, aided economic development, for it is impossible to calculate

69. Customs Tariff Act No.44 of 1935. In terms of this Act, duties were reduced on lace, threads, weir recorders, bicycles, cutlery, typewriters, glassware, dyes, wax containers and clocks and watches. Duties were raised for revenue purposes on cigars and dessicated coconut.

70. This is particularly evident in Figure 9, which indicates a levelling out of the gross and net outputs per firm in 1934/35. Table 4-2 substantiates this view.

71. Schumann, C.G.W. : op. cit., p.248, dates this minor recession from the end of 1934 until mid-1935. Du Plessis : op. cit., p.49, dates it from mid-1935.

72. Report of the Customs Tariff Commission : U.G. No.5 of 1936,

what development would have taken place without the tariff. Nevertheless, the Commission's report proved to be a lucid and critical analysis of the government's policy of tariff protection, shedding light on certain matters which were of crucial importance to the economic and social balance of the country. It approached its task in a practical manner, leaving in abeyance, as far as was possible, political ideology. Not only did the Commission attempt to establish the validity or otherwise of the policy in question, but it also sought to determine its effects - both social and economic - upon all sectors of the economy. In view of the difficulties involved, this was no mean achievement.

With regard to whether or not the government's protective policy had been directly responsible for the growth thus far experienced in secondary industry, the commissioners reported that:

'...while the sheltered and non-protected industries developed with the general development of the country, it is clear that a great deal of the industrial development which took place after 1925 is directly due to the stimulus given by the protectionist policy inaugurated in that year....' (73)

The commissioners declared, however, that they did not wish to be understood as advancing the view that no alternative development of the country's resources was possible. Indeed, as will be seen, the Commission rejected the existing policy of protection as the best means of stimulating the most economic development of resources.

The Commission made a bold attempt to establish the magnitude of protected secondary industry. It estimated the gross value of production (excluding those industries processing agricultural products) at £35,648,000 for the year 1933. Of this amount, it was calculated that £19,305,000 or 54.14 per cent. was dependent upon protective duties. On the basis of the latter figure, the Commission then calculated that the minimum excess cost over free imports - that is, the amount by which the prices of local production exceeded those of free imports - was £3,214,000, or 19.9 per cent.

73. Ibid., par.39.

of the value of production dependent upon protective duties. This burden, concluded the Commission, exerted a strong downward pressure upon the purchasing power of all consumers, thereby contributing to the bane of the economy, the smallness of the South African market. (74)

One of the primary reasons for the adoption of a policy of tariff protection, explained the Commission, was the difficulty of securing employment for a larger number of Whites '...on account of the fact that the two major natural industries of the country employed a relatively low percentage of Whites and offered only slight employment for women'. (75) Therefore, quite apart from the merits or demerits of the 'civilized labour' policy, one of the criteria by which the success or otherwise of the protective tariff policy must be measured, is the degree to which secondary industry has absorbed a greater number of Whites. In this regard, the Commission estimated that, for 1933, the ratio of Whites to total employees in all classes covered by the Industrial Census was 41,9 to 100, while in fully protected secondary industry the ratio was 57 to 100. Therefore, using the 'civilized labour' policy as a gauge, the Commission was forced to the conclusion that a significant degree of success had been achieved by the protective tariff policy. (76)

However, the Commission was much impressed by the evidence of the Chamber of Mines that a reduction in mine-working costs, through the abolition of protective duties, would generate additional employment for Whites in substantial numbers on the gold-mines. In his evidence, Mr. Gremmill of the Chamber stated;

'...owing to the freedom of duties on a large part of the materials used by the mines, protection can have had only a slight direct effect on the cost of production. (The Chamber is,) however, emphatically of the opinion that indirectly, in its effects on the level of prices, it materially influenced the cost of gold production through the

74. Ibid., Annexure 3.

75. Ibid., par.224.

76. Ibid., par.37.

general wage level.' (77)

Nonetheless, the majority of the nine commissioners did not believe that the increase in employment which would be engendered by gold-mining through the abolition of protective duties, would outweigh the increase in employment which had been brought about in secondary industry by the tariff. (78)

This is not to say that the commissioners were not aware of the central rôle played by the gold-mining industry in the economy. Indeed, it was stressed by the Commission that economic development in South Africa was all too dependent upon gold-mining: ,

'It was represented to us in evidence...that it is necessary in this country to develop secondary industries to take the place of the gold mining industry when it finally disappears.... (However,) we desire to emphasize strongly that if secondary industries are to take the place of the gold mining industry they must themselves become economic. The fulfilment of this condition is essential; for otherwise when the gold mining industry does disappear the resulting adverse effect on the country's economy will be much greater than if secondary industries had not been developed at all.' (79)

Clearly, then, while the commissioners believed that the policy of protection had stimulated the development of secondary industry, it did not believe that such expansion as occurred was of a truly economic nature.

The primary reason for this, explained the Commission, was that the implementation of this policy had been guided by social rather than economic considerations. (80) Therefore, a majority of the commissioners favoured a reduction of protection since;

'...the high cost of production in South Africa is a most serious handicap to the Union's economic competitive position.... (Thus,) one of the main requirements of the country is to reduce its level of costs and for this purpose one of the

77. Ibid., par.215.

78. Ibid., par.225.

79. Ibid., par.232.

80. Ibid., par.126.

first essentials is to reduce the cost of protection.' (81)

On the other hand, however, the Commission was compelled to point out that:

'...the evidence which we have received is nearly unanimous on the point that the wage rates payable to European labour in South Africa are much higher than those paid in countries which compete in the South African market, and for this reason, protection is an essential condition for the continued existence of local industry.' (82)

The majority of the commissioners therefore found themselves condemning tariff protection on the ground that it raised the general cost structure, and thus exerted a constricting effect upon economic development; while, at the same time, they were obliged to admit that protection was necessary in order to maintain the existing industrial structure.

Therefore, rather than advocate the abolition of protection, which they felt was sure to leave in its wake industrial ruin, the commissioners recommended that only 'moderate' protection be afforded to local industries. It was also suggested that '25 per cent. ad valorem should be regarded for general purposes as the limit of moderate protection'. (83) In advocating 'moderate' protection, the commissioners warned against an undesirable effect:

'...an unfortunate effect of the assistance granted by the Government has been to weaken the initiative of some industrialists and to make them less prone to take the business risks ordinarily inherent in all business enterprise. ...A number of industrialists applied for increased duties on the ground that there *might possibly* be increased imports of competing products in the future.' (84)

As a result, the Commission qualified its support for 'moderate' protection by stating that such protection should only be granted '...as a temporary aid until a profitable

81. Ibid., pars.163, 205(8).

82. Ibid., par.122.

83. Ibid., par.397.

84. Ibid., pars.233-4.

stage is reached justifying the withdrawal of all protection'.⁽⁸⁵⁾ It is evident, then, that the commissioners invoked the infant-industry argument in support of tariff protection. Whether all the industries then receiving protection could be justly described as 'infants'; and, if so, whether such 'infants' were ever willing to shed their 'swaddling clothes' are two important issues which will be examined in the following chapters.

The majority section of the Commission consisted of five members, while the minority section, which was responsible for several dissenting paragraphs, comprised four members.⁽⁸⁶⁾ This latter section disagreed with the majority view on, inter alia, two important issues: that South Africa had reached the limit of protection she could reasonably bear, and that the imposition of protective duties was responsible for the high wage structure in industry which diminished South Africa's industrial competitiveness.⁽⁸⁷⁾ It was argued that these views had not been proved conclusively by the evidence before the Commission. However, it must be pointed out that, with regard to the first of these objections, conclusive proof can never be found. All that can be done is the formulation of a considered opinion. In the case of the second objection, if it is accepted that the policy of tariff protection was at least partially responsible for the degree of success achieved in the implementation of the 'civilized labour' policy in secondary industry, then that policy was also partially responsible for the relatively high wage structure to be found in the manufacturing sector. For the absorption of Whites in preference to Non-Whites inevitably meant the payment of wages which were from 70 to 85 per cent. above

85. Ibid., par.141.

86. Ibid., par.16. The members of the majority section were Dr. J.E. Holloway, M.J.M. Horak, J.D. Heddon, J.G. Hirsch and Professor C.S. Richards. The members of the minority section were F.J. Fahey, H.J. Laite, J.J. McMenamin and J.C. Rabie.

87. Ibid., par.724. They objected to other findings - that wage regulation damaged labour relations and that protection had weakened the initiative of industrialists - but these are of relatively little importance.

the unskilled rates of pay. (88)

The government accepted the majority report, and, in drawing up the Customs Tariff Act of 1936, gave effect to most of the recommendations contained therein. As it was no longer considered necessary to continue to provide aid for the production of bricks and blasting compounds, the protective duties on these items were abolished. However, the government was wary of further reducing protective duties. Indeed, the Act actually brought into effect a number of increased duties in order to stimulate the production of footwear, boxes and shooks, feathers and additional preserved foodstuffs. Further aid was provided by the reduction of duties on a number of raw materials such as dyed flock, tools and rubber cables, while duties were also reduced on certain essential items in an attempt to control the cost of living. (89)

In terms of that Act, provision was also made for the strengthening of the Union's combative measures against dumping. Complaints had been lodged against the existing system on the ground that the competition which occurred between the commencement of dumping and the imposition of a countervailing duty was detrimental to local producers. (90) Consequently, it was made possible to levy freight and exchange dumping duties in respect of foods shipped to the Union prior to the date of proclamation of the duty. This modification did away with the old system of giving six weeks' notice to the countries from which dumping occurred.

88. Industrial Legislation Commission : U.G. No.37 of 1935, pp.15-6.

89. Customs Tariff Act No.25 of 1936. In terms of this Act, the duty on bricks and blasting compounds of 25 per cent. and 2d. per lb. were abolished. Duties were raised on rubber soles from 30 per cent. to 9d. per lb.; boxes and shooks from 20 per cent. to £3 per standard; preserved beans and peas from 20 per cent. to 2½d. per lb.; while feathers were taken off the free list and a duty of 6d. per lb. imposed. Duties were lowered on dyed flock and hardware from 20 to 15 per cent.; while the duty of 20 per cent. on rubber cables was abolished and placed on the free list. Further reductions affected infants' food, waxes and greases, clocks and watches, stationery, musical instruments and other items.

90. Van Biljon, F.J. : op. cit., p.107.

Prior notice was still retained on ordinary, bounty and sales dumping.⁽⁹¹⁾

With regard to the dumping of iron and steel products, it was decided that a special type of dumping duty was necessary, because immediately after production was commenced at the Iscor works in 1934, the International Steel Cartel inaugurated a systematic dumping campaign. Thus, for example, heavy rails were consistently exported to the Union at lower prices than light rails with adverse results to the new local industry.⁽⁹²⁾ Moreover, it proved impossible to impose a dumping duty on Belgian steel, since, in the absence of a domestic demand in Belgium, no comparative domestic price could be determined for the purpose of establishing that dumping was actually being practised.⁽⁹³⁾ For this purpose, it was provided that average world prices including insurance and freight - known as the c.i.f. price - at the harbours of the Union were to be taken where the foreign domestic price could not be determined.⁽⁹⁴⁾ If, after notification of these average c.i.f. world prices, specified iron and steel products were imported into the Union at lower c.i.f. prices, then a duty equal to the difference was to be levied.

In that way, the prices of imported iron and steel goods of different kinds were raised to pre-determined levels, representing the average c.i.f. world price, and Iscor was assured of an adequate share of the local market for iron and steel goods. C.i.f. prices at South African ports of entry were notified in pursuance of this scheme on March 1st 1937. Owing to the international steel boom which had meanwhile supervened, however, world prices had reached a substantially higher level, so that, for the time being,

91. Customs Tariff Act No.25 of 1936 : sections 15(e)(i), 15(7).

92. Richards, C.S. : op. cit., p.134.

93. Vide supra: ch.2, p.38, fn.79.

94. Customs Tariff Act No.25 of 1936 : section 9.

no special c.i.f. duties were actually levied.⁽⁹⁵⁾ It is interesting to note that since Iscor only catered for the inland market, an incidental result which was to flow from the imposition of c.i.f. duties was that the coastal consumers of iron and steel products were burdened with an additional 'cost' in order to protect an inland industry in which they had no direct interest.⁽⁹⁶⁾

The favourable financial position in which the government found itself in 1937 made it possible to bring about further reductions in duties in the customs tariff of that year.⁽⁹⁷⁾ It should be pointed out, however, that such reductions were made almost exclusively on revenue duties, since it was not the policy of the government to reduce protective duties unless the industries concerned could afford to abandon them. Indeed, since 1934, reductions in duty were always made on items on which revenue duties were levied, except in the case of raw materials and building bricks and explosives. Consequently, with a view to checking the gradual rise in prices, and in line with the policy of 'moderation' advocated by the Customs Tariff Commission, the tariff of that year did not affect protective duties but reduced a considerable number of revenue duties.⁽⁹⁸⁾

Once again, in 1938, the government authorised the reduction of duties, all of which were revenue duties, while

95. Government Notice No.327 of 1937, (as amended by Government Notices Nos.459 and 540 of 1937), determined the first c.i.f. prices for iron and steel products. Norval, A.J. : A Quarter Century of Industrial Progress in South Africa (1962), pp.14, 120, criticised c.i.f. duties as '...a cumbersome and impractical method of protecting an industry,' and pointed out that the scheme had not been in operation after the outbreak of the Second World War.

96. Van Biljon, F.J. : op. cit., p.108.

97. Official Year Book of the Union of South Africa, No.19, 1938, p.565, gives a budget surplus for the financial year ending March 1937 of £5,041,868.

98. Customs Tariff Act No.52 of 1937. In terms of this Act, duties were reduced on waxed or oiled paper, charcoal gas producers, transit oil, cinema films, clocks and watches, baths, bicycles, typewriters and glassware.

protective duties remained unaltered.⁽⁹⁹⁾ In view of the many tariff reductions made by the government since 1934, there might appear to be a *prima facie* case for believing that the Union government was actively supporting what the League of Nations described as '...the breaking down of excessive barriers to trade, so that its movement may be less hampered and its volume increased'.⁽¹⁰⁰⁾ However, the action taken by the government the following year provides conclusive evidence against this view. As a result of the slight but rather general industrial depression in late 1938 and early 1939, many pleas were made for increased protective duties and other forms of state assistance.⁽¹⁰¹⁾ In order to test the validity of these pleas, a Tariff Committee - comprising officials of the Department of Customs and Excise and the Department of Commerce and Industries - was set up to make the necessary investigation.⁽¹⁰²⁾

It was on the basis of their report, submitted in early 1939, that the Customs Tariff Act of 1939 was drawn up. In accordance with their recommendations, increased protective duties were applied on certain items of clothing and building materials, while aluminium and platinum producers also received assistance.⁽¹⁰³⁾ The Tariff Committee's recommendation for an overhaul of the tariff schedules was also adopted in that year. As a result, a substantial number of ad valorem duties were converted to specific duties. It is not quite clear whether this was simply an administrative

99. Customs Tariff Act No.17 of 1938. In terms of this Act, duties were reduced on, inter alia, petrol, paraffin, rock-drill spares, bicycles, cash registers and typewriters.

100. League of Nations : Economic Committee Document, E.911.

101. Du Plessis, J.C. : op. cit., p.49.

102. Government Notice No.193 of 1939.

103. Customs Tariff Act No.39 of 1939. In terms of this Act, duties were raised on coir mats from 25 per cent. to 3d. per square foot; shirts from 20 per cent. or 1/- each to 25 per cent. or 1/9d. each; ladies hats from 20 per cent. to 4/- per dozen; and alder or birch plywood from 15 to 20 per cent. Aluminium powder and platinum, in ingot, bar or sheet, were all placed on the free list and the duty of 15 per cent. abolished.

move, since, for some time, there had been complaints from the German government that the imposition of ad valorem duties placed German goods at a disadvantage in the South African market.⁽¹⁰⁴⁾ It is interesting to note, however, that the imposition of specific duties enabled the government to tax a commodity at an exorbitant ad valorem rate, without making it appear to the public to be such a high duty.⁽¹⁰⁵⁾

By 1939, as the storm-clouds began to gather in Europe, secondary industry in the Union had achieved notable progress. The contribution of that sector to the national income had more than doubled between 1932 and 1939 from £33,500,000 to £69,700,000, to become the second most important sector in the economy after mining.⁽¹⁰⁶⁾ The number of firms had increased over the same period by 32 per cent. from 6,543 to 8,614, while the investment of fixed capital in those firms rose by 72,5 per cent. By 1938/39, total employment numbered 236,000 persons of all races earning a total wage bill of £28,000,000, which represented an increase of 78,2 and 115,4 per cent. respectively over the 1932/33 figures. The net value of total output rose during that period by 108,7 per cent. from £30,700,000 to £64,068,000. Furthermore, Table 4-2 shows that, in this development, a leading rôle was played by the metal products and machinery industries (Group G), the wooden products and furniture industries (Group C) and the textile and clothing industries (Group B). In view of the foregoing, it is not surprising that this expansion has come to be described as an 'industrial breakthrough'.⁽¹⁰⁷⁾

As substantial as this progress undoubtedly was, however,

104. Kelly, T.H. : South Africa's Foreign Trade, 1933-1953, South African Journal of Economics, March 1954, p.89.

105. For example, in 1931, the duty on petrol was raised from 3d. to 6d. per gallon. In that same year, South Africa imported 66,942,846 gallons of petrol valued at £1,128,291. That is, each gallon of petrol cost approximately 4d. As a result, the specific duty of 6d. per gallon actually represented an ad valorem duty of 150 per cent.

106. Bureau of Census and Statistics : op.cit., S-3. Vide: Appendix 2.

107. Houghton, D.H. and Dagut, J. : op. cit., p.108.

it must be pointed out that secondary industry on the eve of the Second World War was nonetheless vulnerable. Figure 8 illustrates the growing extent to which manufacturing in the Union had become reliant upon imported raw materials. As the Union exported only a small fraction of its manufacturing output, continued growth in secondary industry was therefore dependent upon the prosperity of the gold-mines, for they provided the foreign exchange necessary for the purchase of essential raw materials. In this regard, Professor Frankel has stated:

'Although 50 per cent. of all raw materials used in manufacturing industry still had to be imported before the war, manufacturing industry did not supply more than 2.5 per cent. of the Union's total exports. For every £100 of goods imported by manufacturing industry (exclusive of imported machinery and equipment), only 7.6 per cent. of the goods were exported by the manufacturing sector.' (108)

The Union could only have produced these imported raw materials, if at all, at higher costs. To have done so, would have meant a rise in the cost structure of those industries on which the Union had pledged its future.

Thus, there emerges a somewhat paradoxical picture of industrial development in the 'thirties. While, statistically, there does indeed appear to have been an 'industrial breakthrough' in the South African economy, the development of secondary industry was heavily reliant upon the continued existence of the gold-mining industry. It is, of course, true that there always exists a relationship of interdependence between the various sectors of an economy. However, this particular relationship was of a distinctly different nature. The manufacturing sector was a parasite, feeding upon the very sector which, so it was planned, it eventually was to replace. This observation does not detract from the fact that very substantial progress was made. By the time the Second World War broke out, a solid manufacturing base had been built which contributed to the diversification of the

108. Frankel, S.H. : An Analysis of the Growth of the National Income of the Union of South Africa in the Period of Prosperity before the War, South African Journal of Economics, v.12, June 1944, p.131.

economy. Nonetheless, the fact remains that, in a very real sense, South Africa still possessed a narrowly-based economy.

CHAPTER FIVE

THE FOOTWEAR INDUSTRY

South Africa's industrial development, though originating with the beginning of European settlement, has been concentrated in the twentieth century.⁽¹⁾ This fact is well-illustrated by the case of the footwear industry.⁽²⁾

Throughout the Dutch East India Company's tenure at the Cape, '...the footwear requirements of the servants and the soldiers of the Company, and the requirements of those burghers settled near or around Cape Town, were supplied from Holland through the Company's stores.'⁽³⁾ In the outlying districts, the production of 'dried skin shoes' by individual families was exclusively for personal consumption.⁽⁴⁾ As a result, D.M. Pasques de Chavonnes reported to the Council of Seventeen in 1716 that there were no openings for boot and shoe workers.⁽⁵⁾ This situation appears to have remained unchanged throughout the remainder of the eighteenth century, for the same view

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1. Kuschke, G.S.J. : Industrial Development in South Africa (1962), p.2. Also: Goodfellow, D.M. : A Modern Economic History of South Africa (1931), p.25; and Bosman, G.C.R. : The Industrialization of South Africa (1938), pp.5-6.
 2. Schauder, H. : An Economic History of the Boot and Shoe Industry in South Africa, South African Journal of South Africa, December 1935, p.502. 'We may look for the origin of the boot and shoe industry in the earliest days of European settlement in the sub-continent, but the traces we find bear but a faint imprint of ancestral relation to later development.'
 3. Lipschitz, G. : Methods and Policies of the Distribution of Footwear in South Africa, unp. M.Com., Rhodes, 1947, pp.3-4.
 4. Barrow, J. : Travels into the Interior of Southern Africa (1804), vol.2, p.116.
 5. The Reports of Chavonnes and His Council, and of Van Imhoff, on the Cape, Van Riebeeck Society, vol.1, p.108. It was his view that, with regard to leather workers, there only existed openings for two saddlers and harness-makers.

was echoed some seventy years later by O.F. Mentzel.⁽⁶⁾ The reasons for such limited development are not far to seek. The Cape lacked an adequate local market to warrant the establishment of footwear manufacture on a substantial scale. Even had this retardative factor been overcome, it nonetheless remains doubtful if any significant progress would have been made, for the Fiscals were opposed to the establishment of those industries which would compete with factories in Holland.⁽⁷⁾

Little change was experienced in secondary industry during the brief Batavian regime. This was the result of deliberate policy rather than, as some have suggested, because the Batavian period 'was so short.'⁽⁸⁾ Although Commissioner-General De Mist claimed to be in favour of furthering the establishment of local industry,⁽⁹⁾ he merely considered those which had already been established, such as saltpans, saw-mills, wagon-makers' workshops and tanneries.⁽¹⁰⁾ Manufactures were regarded by De Mist as being of 'less importance' to the Cape. Those manufactures already being produced were '...solely for internal trade, with no prospects of ever supplying an external market - to which the Motherland will not lightly give consent.'⁽¹¹⁾ Although no significant change in commercial policy became evident during the early years of British administration, the arrival of the 1820 settlers marked the beginning of local footwear production as an article of exchange. Skilled craftsmen among these concentrated solely on the production

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6. Mentzel, O.F. : A Geographical and Topographical Description of the Cape of Good Hope (1785), Van Riebeeck Society, vol.6, p.83.
 7. De Kock, M.H. : Economic History of South Africa (1924), p.282.
 8. De Kiewiet, C.W. : op. cit., pp.33-4; and Houghton, D.H. : op. cit., p.10. Cf. Whiting Spilhaus, M. : South Africa in the Making, 1652-1806 (1966), pp.314-21.
 9. Although De Mist distinguished between 'industries' and 'manufactures', the difference does not appear to be between primary and secondary industry, but rather between heavy and light industry.
 10. The Memorandum of Commissary J.A. De Mist (1802), Van Riebeeck Society, vol.3, pp.245-50.
 11. Ibid., p.250.

of high-quality boots and shoes from leather supplied by local tanners - a pattern which characterised the commercial production of footwear throughout the remainder of the nineteenth century.⁽¹²⁾

During those years, British commercial policy was undergoing change towards a more liberal approach to international trade. However, by the time Britain's free-trade policy came to full fruition, the economic structure of the South African sub-continent had itself undergone considerable change. The shift away from an agrarian economy was initiated by the discovery and exploitation of diamonds in the 1860's, and was carried further by the opening-up of the Witwatersrand gold-mines in the 1880's. Initially, these developments did little to expand the secondary sector, for the newly-attracted skill and capital was absorbed by the mining industry.⁽¹³⁾ Nonetheless, by gradually expanding the size of the South African market, and by continuing to attract a substantial volume of capital and skilled labour, the discovery and exploitation of the mineral deposits laid the foundations for the rapid industrialisation that was to come in the twentieth century.

Meanwhile, the exceptional expansion of the 1870's - based on diamonds, wool and ostrich feathers - had given way to a slump in the early 1880's.⁽¹⁴⁾ So severe was the 'diamond crisis' that, in 1883, the Cape government appointed a Select Committee to inquire into the depressed condition of agriculture and industry.⁽¹⁵⁾ The Committee's report affords us an interesting insight into the state of the footwear industry at that time, for it was concentrated at the Cape, particularly at Cape Town, Port Elizabeth, Wellington and Kimberley.⁽¹⁶⁾ It was argued in evidence

12. Schauder, H. : op. cit., pp.506-7.

13. Gilbert, D.W. : The Economic Effects of the Gold Discoveries upon South Africa: 1886-1910, Quarterly Journal of Economics, vol. XLVII, August 1933, pp.595-6.

14. Schumann, C.G.W. : op. cit., pp.81-2; and Knowles, L.C.A. : op. cit., p.296.

15. Vide supra: ch.2, p.22.

16. Schauder, H. : op. cit., pp.511, 518; Office of Census and Statistics : Special Report No.137 : The Leather Industries, 1916/17 - 1936/37 (1939), p.21.

before the Committee that while the local industry was able to compete with high-quality imports, the absence of low-grade footwear production on a commercial scale in South Africa had resulted in 'shoddy importations' under-selling the higher-priced local product.⁽¹⁷⁾ This view was reiterated in the early 1890's.⁽¹⁸⁾ The Select Committee of 1883 was sympathetic to the problems of the local footwear industry, and recommended the raising of the duty on boots and shoes from 10 to 15 per cent. ad valorem.⁽¹⁹⁾ This recommendation was accepted by the Cape government, and the higher duty was incorporated in the customs tariff of 1884.⁽²⁰⁾

Events immediately following the Anglo-Boer War,⁽²¹⁾ brought about a reversal in the production pattern which had characterised the local footwear industry. In 1903/4, East Coast Fever, an infectious cattle disease, struck the local tanning industry severely.⁽²²⁾ As a result, local footwear

17. Report of the Select Committee on Colonial Agriculture and Industries, 1883, Appendix II to the Votes and Proceedings of the Cape Parliament, 1883, p.9.

18. In 1891, the Legislative Council of the Cape appointed a Select Committee to inquire into the promotion and encouragement of industry (Appendix II to the Votes and Proceedings of the Cape Parliament, 1891). Its report again expressed the view that the local industry could not compete against low-grade imports.

19. Report of the Select Committee on Colonial Agriculture and Industries, 1883 : op. cit., pp.4-6.

20. Evans, S. : op. cit., p.84; Bruwer, A.J. : op. cit., pp.295-6.

21. The lack of data make it impossible to calculate the effect of the Anglo-Boer War on the local footwear industry. Schauder, H. : op. cit., p.516, however, has written: 'The coming of the Boer War brought to the (footwear) manufacturers of the Cape a short-lived war boom. They suffered to a certain extent by the disturbance and lost some of their markets, but this was more than counter-balanced by the increased war-time demand for many leather manufactures....'

22. Hyatt, S.P. : The Old Transport Road (1914), pp.297-8. In 1904, for example, over 14,000 animals died from East Coast Fever in the Transvaal alone. Knowles, L.C.A. : op. cit., pp.141-2, points out that this followed the outbreak of rinderpest, a highly contagious cattle disease, in 1896-8.

manufacturers were forced to become increasingly reliant upon imported leather. The foothold gained by foreign leather suppliers, in particular the Argentine and Australia, was maintained thereafter, despite the rapid recovery of the local tanning industry in 1904.⁽²³⁾ Furthermore, the early twentieth century witnessed the rapid mechanisation of foreign footwear manufacture, which made possible a substantially lower price for imported boots and shoes of a high quality.⁽²⁴⁾ Neither the duty of 10 per cent. adopted by the Customs Union in 1903, which was considerably lower than the duty which had been applicable at the Cape after 1884, nor the raising of that duty to 15 per cent. in 1906, provided sufficient protection against severe international competition.⁽²⁵⁾ Consequently, the local industry was compelled to turn its attention to the production of low-grade footwear, such as miners' boots and 'veldschoens'.⁽²⁶⁾

Thus the Cullinan Commission of 1912 reported, inter alia, that the local footwear industry tended to concentrate on '...the production of lower grades of footwear', and 'imported approximately 50 per cent. of its raw materials'. Nonetheless, the view was also expressed that the local industry enjoyed a position of 'considerable prosperity', and that further expansion could be expected provided higher duties were not imposed on imported leather.⁽²⁷⁾ The Commission's report hastened to point out, however, that the ability of the local market to absorb a greater volume

23. Report of the Select Committee on the Tanning Industry Appendix II to the Votes and Proceedings of the Cape Parliament, 1904.

24. Board of Trade and Industries : Report No.294 : The Leather Industry (1947), p.105. This was particularly true of footwear manufacturers in Britain and the United States of America.

25. Evans, S. : op. cit., p.100. Vide: Appendix I for the duties applicable in terms of the Customs Union Conventions of 1903 and 1906.

26. Report of the Commission on Conditions of Trade and Industries (Cullinan Commission), U.G. 10/1912 in Annexure to the Votes and Proceedings of the Union House of Assembly, 1912, vol.3, p.69.

27. Ibid., p.132.

of low-grade footwear was severely limited, and that further expansion could only be achieved if the local industry could attain a greater share of the local market for high-quality boots and shoes.⁽²⁸⁾ In order to attain this end, the Commission recommended an increase in the ad valorem rate from 15 to 25 per cent. on all leather footwear.⁽²⁹⁾ Despite this recommendation, the existing duty was maintained until 1915, when it was raised to 20 per cent.⁽³⁰⁾

Meanwhile, the First World War had begun to disrupt the normal pattern of trade, and was to provide the first major stimulus in the development of the local footwear industry. High freight rates and the difficulty experienced in obtaining imported footwear provided the local industry with additional protection.⁽³¹⁾ Of this period, H. Schauder has written:

'When war broke out in 1914, South Africa was still dependent upon importation for the major portion of its better-quality boots and shoes.... By the end of the war period South African manufacturers were supplying a very large proportion of South African needs in medium-grade of footwear and a certain amount even of the higher grades.' (32)

The lack of complete statistical data make it impossible to determine fully the accuracy of this statement.⁽³³⁾ However, Table 5-1 does provide information for the years 1916/17 to 1918/19.⁽³⁴⁾ During that period, the number of pairs of

28. Ibid., p.72.

29. Ibid., p.12.

30. Customs Tariff Act No.22 of 1915, which raised the general ad valorem rate from 15 to 20 per cent., with the exception of infants' footwear. In 1925, a duty of 12 per cent. was levied on this class of footwear and was still in force by 1939.

31. Vide supra: ch.2, pp.41-2.

32. Schauder, H. : op. cit., p.523.

33. The first industrial census was taken for 1915/16 (U.G. 14/1918), but detailed information on the footwear industry was only collected from 1916/17 onwards.

34. Table 5-1 was drawn up from data contained in: Office of Census and Statistics : Census of Industrial Establishments, 1925/26 (U.G. 32/1928), pp.50-1; and Special Report No.137 : op. cit., pp.1, 4, 7, 11, 15.

	1916/17	1917/18	1918/19	1919/20	1920/21	1921/22	1922/23	1923/24	1924/25
<u>No. of Establishments:</u>	104	120	138	147	146	148	137	131	133
<u>Value of Plant, Machinery and Tools:</u> (£'000)	87	95	142	193	266	241	275	275	336
<u>No. of Employees:</u>									
All Races	2,388	2,644	3,399	3,630	2,954	3,283	4,066	4,432	4,712
Whites	1,202	1,324	1,678	1,838	1,509	1,711	2,287	2,552	2,884
Non-Whites	1,286	1,320	1,731	1,792	1,445	1,572	1,779	1,880	1,828
<u>Salaries and Wages:</u>									
All Races (£'000)	129	161	239	302	278	305	358	400	426
Whites (£'000)	76	99	152	196	185	202	244	281	302
Non-Whites (£'000)	53	62	87	106	93	103	114	119	124
<u>Value of Materials Used:</u>									
Total (£'000)	499	636	865	1,116	779	738	802	926	992
South African (£'000)	388	485	654	805	539	486	508	556	577
Imported (£'000)	111	151	211	311	240	252	294	370	415
<u>Output - Quantity ('000 prs)</u>									
Total	NO STATISTICS AVAILABLE	1,666	1,948	2,165	1,506	1,827	2,381	2,782	3,098
Boots and Shoes		1,291	1,630	1,807	1,308	1,572	2,115	2,351	2,662
Slippers		24	26	43	42	24	42	20	20
Veldschoens		351	292	315	156	231	224	411	416
<u>Output - Gross Value (£'000)</u>									
Total		901	1,180	1,510	1,044	1,111	1,398	1,575	1,611
Boots and Shoes		742	1,061	1,384	978	1,025	1,321	1,445	1,471
Slippers		52	10	15	8	14	7	8	8
Veldschoens		107	109	111	58	72	70	122	132

NOTE: These statistics include government undertakings and repairing establishments.

TABLE 5-1 : 'THE FOOTWEAR INDUSTRY: 1916/17 - 1924/25'

boots and shoes, which included both medium- and high-grade leather footwear, appears to have risen considerably. At the same time, the production of slippers and 'veldschoens' was maintained at a fairly stable level. Therefore, during the First World War, the local industry was able to win back some of the ground lost at the turn of the century.

With the cessation of hostilities in 1918, those factors which had been instrumental in encouraging the expansion of local industry were withdrawn. However, the post-war boom - which resulted from the release of pent-up demand - served to cushion the impact of renewed international competition.⁽³⁵⁾ Indeed, Table 5-1 shows that the local footwear industry continued to expand throughout 1919 and much of 1920: between 1918/19 and 1919/20, the total volume of footwear produced in the Union rose by 11,1 per cent., while the gross value of that production increased by 27,9 per cent.⁽³⁶⁾ In the last few months of 1920, the tide began to turn; the post-war boom was giving way to a slump as the backlog in production was met and overtaken.⁽³⁷⁾ As was the case with secondary industry as a whole, the footwear industry experienced considerable contraction: between 1919/20 and 1920/21, both the quantity and gross value of locally-produced footwear shrank by

35. Schumann, C.G.W. : op. cit., pp.244, 248; Du Plessis, J.C. : op. cit., p.50.

36. These figures indicate that, in general, footwear prices were rising between 1918/19 and 1919/20. This was certainly true of boots and shoes - the quantity produced rose by 10,9 per cent., while the gross value increased by 30,4 per cent., indicating a sharp rise in price. In the case of slippers and 'veldschoens', however, there occurred a fall in price: the number and gross value of slippers produced rose by 65,4 and 50 per cent. respectively; while the number and gross value of 'veldschoens' produced rose by 7,9 and 1,8 per cent. respectively.

37. Schumann, C.G.W. : op. cit., p.248; Du Plessis, J.C. : op. cit., p.48. Both date the beginning of the 'major downward swing' from May-July 1920.

30,4 and 30,1 per cent. respectively,⁽³⁸⁾ while the value of footwear exports dropped off sharply after 1920/21.⁽³⁹⁾

The post-war depression was severe in its effects upon the local footwear industry, so severe that the Advisory Board of Industry and Science appointed a Committee of Inquiry to consider what assistance, if any, ought to be provided.⁽⁴⁰⁾ The Committee's report, submitted in February 1921, recommended the imposition of an additional duty of 20 per cent. on boots and shoes, with a minimum duty of 2/6d., 1/6d. and 1/- per pair on men's, women's and children's footwear respectively. Further assistance was recommended by allowing the free importation of certain types of leather required by local footwear manufacturers. In addition, a call was made for making the permissive dumping clause compulsory.⁽⁴¹⁾ This report marks a step towards the adoption of a definite policy of tariff protection in South Africa since, for the first time, a government body gave its unqualified support for such a policy. As will be seen, however, the government was not of the same opinion.

The publication of this report presented the government with a clear, but difficult, choice. It could either refuse to provide tariff assistance, thereby allowing a process of readjustment to take place which would result in a further contraction of the local industry;⁽⁴²⁾ or it could intervene

38. These figures indicate a slight fall in price, which is not completely accurate. The quantity and gross value of boots/shoes and slippers fell by 27,8 and 30 per cent., and by ,5 and 46,7 per cent. respectively, indicating that prices did fall. With regard to 'veldschoens', however, the number and gross value fell by 50 and 46,5 per cent. respectively, indicating a slight rise in price.

39. Vide infra: p.133, Table 5-2.

40. Report of the Advisory Board of Industry and Science (A.L. 1921).

41. Ibid., p.3.

42. Of course, the industry already received tariff assistance in the form of the 20 per cent. ad valorem duty. It was argued, however, that this aid was insufficient to counteract the effects of the post-war depression.

to assist the industry against severe foreign competition. The issue turned on whether or not a definite policy of tariff protection was to be adopted. Opposition members of Parliament championed the cause of the local footwear manufacturers, and demanded the implementation of the Committee's tariff proposals.⁽⁴³⁾ On the other hand, those proposals were vigorously opposed by the Chamber of Mines and the several Chambers of Commerce on the ground that such a course of action was bound to aggravate the already high cost of living.⁽⁴⁴⁾ In April 1921, the government decided to refuse to implement the Committee's recommendations, the reason given by the Minister of Finance being that the increased assistance would '...have the effect of preventing the drop in the cost of living'.⁽⁴⁵⁾

Local manufacturers, however, refused to accept the government's decision, and a deputation immediately left for Cape Town to urge the Minister to reconsider his decision.⁽⁴⁶⁾ Shortly thereafter, in May 1921, the Minister of Finance announced that it had been decided to extend further aid to the footwear industry in the Union.⁽⁴⁷⁾ To this end, a proclamation was issued which prohibited the importation into the Union, except under permit given only under special circumstances, of boots and shoes below certain fixed minimum prices according to the type of footwear.⁽⁴⁸⁾ That the government did reconsider its earlier decision must not be construed as a complete reversal of the policy hitherto followed. It did not signify the adoption of a policy of tariff protection. It was rather the product of a government '...searching for a formula which would avoid open tariff increases and yet save the industry from partial extinction.'⁽⁴⁹⁾

43. No Hansard. Cape Times : 6 April 1921.

44. Kooy, M. and Robertson, H.M. : op. cit., p.212.

45. No Hansard. Cape Times : 28 April 1921.

46. Ibid., 5 May 1921.

47. Ibid., 7 May 1921.

48. Government Proclamation No.84, 12 May 1921, Government Gazette Extraordinary No.1149.

49. Schauder, H. : op. cit., p.530.

The Act under which the licensing system was introduced - the Public Welfare and Moratorium Act⁽⁵⁰⁾ - was due to expire in June 1922. For this reason, the government requested the Board of Trade and Industries to inquire into and recommend future policy.⁽⁵¹⁾ Although three separate reports were submitted in March 1922, the members of the Board generally agreed that the licensing system should be abolished. They could not reach agreement, however, on what, if anything, ought to be substituted. It was the majority view that an ad valorem duty of 25 per cent., together with the free importation of high-grade upper leathers, should be introduced. On the other hand, individual members argued that the local footwear industry should have recovered sufficiently from the post-war depression to be able to withstand foreign competition; and that, in any event, it was wrong for the entire population to be penalised for the benefit of a relatively small local industry.⁽⁵²⁾ Unwilling to commit itself to either course of action, the government sought yet another compromise. In April 1922, it announced that the licensing system would continue to operate for a further year.⁽⁵³⁾

This line of action rescued the government from its dilemma: while desiring to assist the local industry, it feared the political backlash it might incur if it sanctioned the adoption of a policy of tariff protection. The relief granted was only temporary, however, and in early 1923 it was necessary to decide once more on the fate of the licensing system. On this occasion, not only did the Board of Trade and Industries again advocate the abolition of this system, but it was also able to reach agreement on future policy. It was recommended that the duty on footwear

50. Public Welfare and Moratorium Act No.1 of 1914, as amended by Act No.37 of 1917, sec.3(1). This Act, as amended, empowered the Governor-General to regulate prices and to restrict imports and exports in accordance with military needs.

51. No Hansard. Cape Times : 7 May 1921.

52. Board of Trade and Industries : Report No.8: Boot and Shoe Schedule (1922).

53. To this end, the Imports Regulation Act No.13 of 1922 was enacted, and became operative as from 1 July 1922.

be raised from 20 to 30 per cent., with a rebate of 3 per cent. in favour of Britain and reciprocating Dominions. However, this higher duty was to be retained for only five years, until March 1928, whereafter it was to be reduced by $2\frac{1}{2}$ per cent. per annum until it again reached the existing level of 20 per cent. It was also recommended that provision be made for the free admission of certain classes of high-grade leather and other materials required for the manufacture of boots and shoes.⁽⁵⁴⁾ Here, then, was the 'formula' that the government had been searching for: to be able to assist the local industry without committing itself to a more stable form of protection. The government therefore accepted the Board's report, and its recommendations were incorporated into the customs tariff of that year.⁽⁵⁵⁾

Meanwhile, since the end of the post-war depression in mid-1922,⁽⁵⁶⁾ the footwear industry in the Union experienced noteworthy expansion as can be seen in Table 5-1. Although the number of firms declined by 8,9 per cent. between 1920/21 and 1924/25, there occurred considerable expansion per unit. The value of machinery, plant and tools rose by 48,6 per cent., while total employment and salaries and wages increased by 59,5 and 53,2 per cent. respectively.⁽⁵⁷⁾ During that same period, the total volume and gross value of output produced rose by 105,7 and 54,3 per cent.

54. Board of Trade and Industries : Report No.13: The Footwear Industry (1923); also: Board of Trade and Industries : Report No.294: op. cit., p.104.

55. Customs Tariff Act No.23 of 1923. Vide Supra: ch.2, p.51. Also: Board of Trade and Industries : Report No.282: op. cit., par.326.

56. Schumann, C.G.W. : op. cit., p.248; Du Plessis, J.C. : op. cit., p.48.

57. It is interesting to note that during this period, before the 'civilized labour' policy was introduced, White employment rose by 91,1 per cent. while that of Non-Whites increased by only 2,7 per cent. It must be pointed out, however, that these statistics include those employed in government undertakings and repairing establishments, and therefore need not reflect the employment pattern in private industry.

respectively, a fact which appears to indicate that rising production was accompanied by falling prices. On closer inspection, however, this view requires modification. In the case of boots and shoes and 'veldschoens', the fall in price was partially due to the production of lower grades of footwear;⁽⁵⁸⁾ while the price of slippers actually increased. Although these years were ones of 'moderate prosperity',⁽⁵⁹⁾ which exerted a benign influence upon the local industry, it is not unreasonable to suppose that the embargo instituted in 1921 was also responsible for the expansion achieved.⁽⁶⁰⁾

This growth was accompanied, however, by a growing dependence upon imported raw materials - a development that severely weakened the ability of secondary industry to replace the gold-mines when they were depleted of ore.⁽⁶¹⁾ Between 1920/21 and 1924/25, the value of all raw materials used rose by 27,3 per cent., from £779,000 to £992,000. The value of South African raw materials used, however, increased by only 7,1 per cent., from £539,000 to £577,000, while the value of imported raw materials used rose by 72,9 per cent., from £240,000 to £415,000. This development would not have presented any problem, providing the local footwear industry exported a sufficient volume of its output so as to earn the foreign exchange with which to purchase essential raw materials. As can be seen from Table 5-2,⁽⁶²⁾ this was not the case. The growing unfavourable balance between the value of imported raw materials and the value of exports

58. Board of Trade and Industries : Report No.294: op. cit., p.104.

59. Schumann, C.G.W. : op. cit., p.248; Du Plessis, J.C. : op. cit., p.48. Both authors date this period of 'moderate prosperity' from mid-1922 to the first half of 1924.

60. Whether or not this is a reasonable supposition will be examined in greater detail later in this chapter.

61. Vide supra: ch.3, p.54.

62. Table 5-2 was drawn up from data contained in: Office of Census and Statistics : Census of Industrial Establishments, 1925/26 (U.G. 32/1928), pp.50-1; Special Report No.137 : op. cit., p.11; and the Annual Statement of Trade and Shipping of the Union of South Africa for the years 1917 to 1925.

rendered the local footwear industry increasingly dependent upon primary industry - particularly gold-mining - to earn the necessary foreign exchange. This was to become an acute problem in the future.

TABLE 5-2

	<u>Value of Imported</u> <u>Raw Materials</u> (£'000)				<u>Value of Footwear</u> <u>Exports</u> (£'000)	
1916/17	...	111	...	...	...	50
1917/18	...	151	...	...	...	60
1918/19	...	211	...	...	...	51
1919/20	...	311	...	...	...	63
1920/21	...	240	...	...	...	83
1921/22	...	252	...	...	...	40
1922/23	...	294	...	...	...	19
1923/24	...	370	...	...	...	11
1924/25	...	415	...	...	...	3

Notes: (1) Exports include imports re-exported.
(2) The figures for the first column are calculated on the basis of a financial year; those for the second column, a calendar year.

Despite the election victory of the Nationalist-Labour Pact in 1924 - a victory achieved partly as a result of the Pact's support for a policy of tariff protection for secondary industry⁽⁶³⁾ - the Customs Tariff Act of 1925 reaffirmed the earlier decision to reduce the duty on footwear after 1928.⁽⁶⁴⁾ Nonetheless, that Act also provided an increased measure of assistance: the free admission of certain upper and lining leather,⁽⁶⁵⁾ and the abolition

63. Houghton, D.H. : op. cit., pp.114-5; Kruger, D.W. : op. cit., pp.138, 142.

64. Customs Tariff Act No.36 of 1925 : sec.13.

65. Ibid., Item 338.

of the preferential rebate of 3 per cent. to Britain and reciprocating Dominions.⁽⁶⁶⁾ Thereafter, the tariff on footwear remained unchanged until 1928. In that year, the government was requested to reconsider its decision to begin reducing the duty on footwear, whereupon the Board of Trade and Industries was asked to report on the matter.⁽⁶⁷⁾ The Board's recommendations were almost a foregone conclusion, because the Board had been reconstituted and persons sympathetic to the government's industrial policy appointed to it.⁽⁶⁸⁾

The Board's report, submitted in March 1928, expressed the view that:

'...the boot and shoe industry in the Union has amply justified the various forms of tariff assistance granted to it, and has done much to demonstrate conclusively to the Government the great employment value of the well-established and well-conducted secondary industries, especially from the point of view of civilized labour.'⁽⁶⁹⁾

According to Table 5-1, this was indeed the case: between 1916/17 and 1924/25, White and Non-White employment rose by 140,2 and 42,1 per cent. respectively.⁽⁷⁰⁾ This trend

66. This meant that the duty on shoes, other than infants' footwear, was 30 per cent. ad valorem in the case of all importations.

67. Board of Trade and Industries : Report No.51: op. cit., par.12, stated with regard to the five year limit: '...this should not be reconsidered unless the Board has ample proof by 1928 that labour conditions in the boot and shoe industry...have been considerably improved.' It was on this ground that a reconsideration was requested in 1928.

68. Vide supra: ch.3, p.57. The new chairman, Dr. A.J. Bruwer, published a book in 1923 entitled 'Protection in South Africa', which carried a strong plea for tariff protection.

69. Board of Trade and Industries : Report No.88: Customs Tariff Amendments (1928), p.3.

70. For the years 1924/25 to 1927/28, on the basis of the new census which included only private industry, White and Non-White employment rose by 13,9 and 14,5 per cent. respectively, which was probably not satisfactory. However, total employment was rising more rapidly in the footwear industry than in secondary industry as a whole. In view of the existing unemployment, this was an important factor. Vide: Cape Times : 6 April 1921.

contrasted strongly with that for secondary industry as a whole.⁽⁷¹⁾ The report concluded that the industry had reached a 'critical' stage in its development, and therefore recommended that the reduction in duty should not be implemented.⁽⁷²⁾ In view of the importance attached to the 'civilized labour' policy, and of the need to increase employment in general, it is not surprising that the government accepted this recommendation and repealed the relevant provision in that year.⁽⁷³⁾

During the latter part of the 'twenties, until the 'Great Depression' which began in 1929, the local footwear industry continued to witness noteworthy expansion. While the number of firms continued to contract between 1924/25 and 1929/30, by 23 per cent., there occurred nonetheless considerable expansion per unit, as can be seen in Table 5-3.⁽⁷⁴⁾ By comparison, the value of machinery, plant and tools rose by 9,5 per cent., while total employment and salaries/wages increased by 21,2 and 42,0 per cent. respectively. During those years, the total volume and gross value of output produced rose by 34,8 and 42,6 per cent. respectively, which appears to indicate that the rise in production was accompanied by a rise in price. While this is true for average prices, it is not so for all types of footwear. The price of boots and shoes appears to have risen sharply, but the price of slippers and 'veldschoens' fell slightly. Although this period was part of a 'major upward swing' from 1922 to 1929,⁽⁷⁵⁾ it is again not

71. Between 1916/17 and 1924/25, White and Non-White employment in secondary industry as a whole increased by 27,7 and 20,2 per cent. respectively.

72. Board of Trade and Industries : Report No.88: op. cit., pp.4-6.

73. Customs Tariff Act No.19 of 1928 : Item 251.

74. Table 5-3 was drawn up from data contained in: Office of Census and Statistics : Census of Industrial Establishments for 1925/26 (U.G. 32/1928) pp.50-1; 1927/28 (U.G. 18/1930) p.47; 1933/34 (U.G. 34/1936) p.47; 1937/38 (U.G. 21/1941) p.53; 1941/42 (U.G. 20/1945) p.75. Also: Special Report No.137 : op. cit., pp.1, 4, 7, 11, 15.

75. Schumann, C.G.W. : op. cit., p.248; Du Plessis, J.C. : op. cit., p.48.

	1924/25	1925/26	1926/27	1927/28	1928/29	1929/30	1930/32	1932/33	1933/34	1934/35	1935/36	1936/37	1937/38	1938/39
<u>No. of Establishments:</u>	74	76	73	71	57	57	NO STATISTICS AVAILABLE	57	74	76	81	82	82	83
<u>Value of Plant, Machinery and Tools: (£'000)</u>	327	323	348	382	373	358		408	419	462	514	553	555	594
<u>No. of Employees:</u>														
All Races	4,417	4,862	4,937	5,044	4,957	5,017		6,554	7,573	8,685	9,381	10,108	10,072	10,555
Whites	2,772	2,993	3,110	3,160	3,123	3,261		4,653	5,635	6,427	6,754	6,975	6,789	6,830
Non-Whites	1,645	1,869	1,827	1,884	1,834	1,756		1,901	1,938	2,258	2,627	3,133	3,283	3,725
<u>Salaries and Wages:</u>														
All Races (£'000)	402	444	489	514	541	571		687	771	896	989	1,063	1,086	1,194
Whites (£'000)	292	321	356	373	393	423		541	614	715	790	845	838	898
Non-Whites (£'000)	110	123	133	141	148	148		146	157	181	199	218	248	296
<u>Value of Materials Used:</u>														
Total (£'000)	959	1,117	1,198	1,283	1,387	1,294		1,221	1,438	1,681	1,809	1,995	1,900	2,149
South African (£'000)	558	660	667	729	789	693		600	618	787	841	898	844	935
Imported (£'000)	401	457	531	554	598	601		621	820	894	968	1,097	1,056	1,214
<u>Output - Quantity ('000 prs.)</u>														
Total	3,072	3,479	3,756	3,766	4,034	4,141		5,470	7,170	8,847	10,438	11,383	10,497	11,954
Boots and Shoes	2,644	2,963	3,205	3,136	3,386	3,511		4,565	6,201	7,535	8,667	9,669	8,768	9,838
Slippers	20	15	14	8	15	20		319	423	870	1,200	1,125	1,106	1,396
Veldschoens	408	501	537	622	633	610		568	546	422	571	589	623	720
<u>Output - Gross Value (£'000)</u>														
Total	1,599	1,847	1,996	2,118	2,320	2,281		2,288	2,452	2,110	3,417	3,705	3,693	4,042
Boots and Shoes	1,461	1,696	1,830	1,905	2,106	2,082		2,092	2,250	1,854	3,099	3,390	3,377	3,689
Slippers	8	5	5	3	6	7		36	45	119	142	124	119	133
Veldschoens	130	146	161	210	208	192		160	157	137	176	191	197	220

NOTE: These statistics refer to private establishments only, and exclude repairing firms.

TABLE 5-3 : 'THE FOOTWEAR INDUSTRY: 1924/25 - 1938/39'

unreasonable to suppose that the assistance provided by the tariff played at least some part in this expansion.

Table 5-3 further reveals that not only did the footwear industry in the Union withstand the onslaught of the depression, but that it continued to expand during those years. Indeed, between 1929/30 and 1932/33, the only declines registered were in Non-White wages,⁽⁷⁶⁾ the value of South African raw materials used and the volume of 'veldschoens' produced. Concurrent with this general expansion during the depression, a number of amendments were introduced into the customs tariff. With the onset of the depression in 1929, repeated representations were made by footwear manufacturers for the imposition of specific duties as an alternative to the ad valorem duties so as to counter competition from low-priced foreign footwear.⁽⁷⁷⁾ In 1930, the government responded by imposing a rated duty of 3/6d. per pair on women's and maid's satin and other fabric shoes.⁽⁷⁸⁾ In this way, the local industry was afforded protection from its main competitor - mass-produced, low-priced women's footwear from Czechoslovakia.⁽⁷⁹⁾ In 1932, the alternative specific duty was also imposed on women's, maids's, men's and youth's leather footwear, while an alternative specific duty of 1/- per pair was imposed on children's shoes.⁽⁸⁰⁾ Since that date, no alterations in the tariff on leather footwear had been introduced by the time the Second World War broke out in 1939.

Meanwhile, during 1930/31, exceptionally large quantities

76. The Census of Industrial Establishments for these years indicate a slight increase in the employment of Non-White female labour over Non-White male labour. This would partially account for the fall in the total wage bill for Non-White labour.

77. Board of Trade and Industries : Report No.108: Further Customs Tariff Amendments (1930). Vide: Department of Census and Statistics : Census of Industrial Establishments, U.G. 44/1930, pp.xii-xiii.

78. Customs Tariff Act No.32 of 1930. Vide supra: ch.3, pp.81-2.

79. Department of Census and Statistics : Census of Industrial Establishments, U.G. 18/1930, p.xvii.

80. Customs Tariff Act No.27 of 1932. Vide supra: ch.4, p.89.

of cheap, rubber-soled shoes with canvas uppers were imported into the Union, primarily from Japan. Imports of this type of footwear increased from approximately 600,000 pairs in 1928, to just less than 2,000,000 pairs in 1930, to 5,500,000 pairs in 1931.⁽⁸¹⁾ As a result, South African manufacturers complained that a large proportion of these imports was displacing the cheaper varieties of locally-produced leather footwear. In spite of the fact that rubber-soled, canvas shoes were not produced in the Union, the Board of Trade and Industries was of the opinion that excessive imports of this type of footwear constituted a serious menace to the local leather footwear industry.⁽⁸²⁾ To counter this, a specific duty of 2/- per pair was imposed in 1932 as an alternative to the 20 per cent. ad valorem duty.⁽⁸³⁾ Owing to the considerable increase in the importation of rope-soled, canvas footwear thereafter, the same specific duty was made applicable to this class of footwear in 1934.⁽⁸⁴⁾

In that same year, 1934, a Customs Tariff Commission was appointed to report and advise the government in its policy of tariff protection.⁽⁸⁵⁾ In their report, submitted in 1936, the members of the Commission made numerous reference to the development of the local footwear industry. Referring to the object of the specific duty on canvas footwear, a majority of the commissioners pointed out that its purpose had been to protect the lower grades of leather footwear, for which canvas shoes were being substituted. The commissioners pointed out, however, that it had largely failed in this purpose, since the imposition of the duty had led to the local production of canvas footwear.⁽⁸⁶⁾ This duty had therefore become a protective duty upon canvas

81. Report of the Customs Tariff Commission: U.G. 5 of 1936, p.77, par.643.

82. Board of Trade and Industries : Report No.294: op. cit., p.105, par.231.

83. Customs Tariff Act No.27 of 1932. Vide supra: ch.3, p.89.

84. Customs Tariff Act No.40 of 1934. Vide supra: ch.4, pp.100-1.

85. Report of the Customs Tariff Commission: U.G. 5 of 1936.

86. Ibid., par.640.

rather than leather footwear - a duty that was considered by the commissioners to be excessive for this purpose, even though it was an 'infant industry'.⁽⁸⁷⁾ On the recommendation of the Commission, the specific duty on canvas footwear was reduced in 1936 to a minimum duty of 6d. and an intermediate and maximum duty of 1/6d.⁽⁸⁸⁾ From that date until the outbreak of war in 1939, no change was introduced in the duty on canvas footwear.

Side by side with these developments in the 'thirties went the continued expansion of the footwear industry in the Union. As can be seen in Table 5-3, each succeeding year between 1932/33 and 1938/39 witnessed an increase - with the exception of 1937/38, a period of recession.⁽⁸⁹⁾ For the first time since the census was begun, the increase in the number of firms outstripped the increase in the value of machinery, plant and tools by 45,6 and 24,1 per cent. respectively. During that same period, total employment and salaries/wages rose by 61,1 and 76,7 per cent. respectively. The total volume and gross value of output produced continued to rise, during these years by 118,5 and 76,7 per cent. respectively, indicating that rising production in the 'thirties was accompanied by a fall in prices. While this appears to be true in the case of boots and shoes and slippers, the price of 'veldschoens' appears to have risen slightly.

Looking at the period 1924/25 to 1938/39 as a whole, the single most outstanding characteristic was the expansion per unit that was achieved. During those years, the number of footwear firms increased by a mere 12,2 per cent., from 74 to 83, whereas the value of machinery, plant and tools rose by 81,7 per cent., from £327,000 to £594,000. The total number of employees engaged by those firms increased by 138,9 per cent., from 4,417 to 10,555, and their total earnings rose by 179 per cent., from £402,000 to £1,086,000. The production of all types of footwear rose sharply, by

87. Ibid., par.641.

88. Customs Tariff Act No.25 of 1936. Vide supra: ch.4, p.113.

89. Du Plessis, J.C. : op. cit., p.50.

289,1 per cent. from 3,072,000 to 11,954,000 pairs, while the gross value of that output increased by 152,7 per cent., from £1,599,000 to £4,042,000. Thus, for the period under review in this study - 1925 to 1939 - it is clear that, in the statistical sense at least, the expansion of the South African footwear industry was impressive. It remains to be seen what influence, both favourable and unfavourable, the tariff exerted in this development.

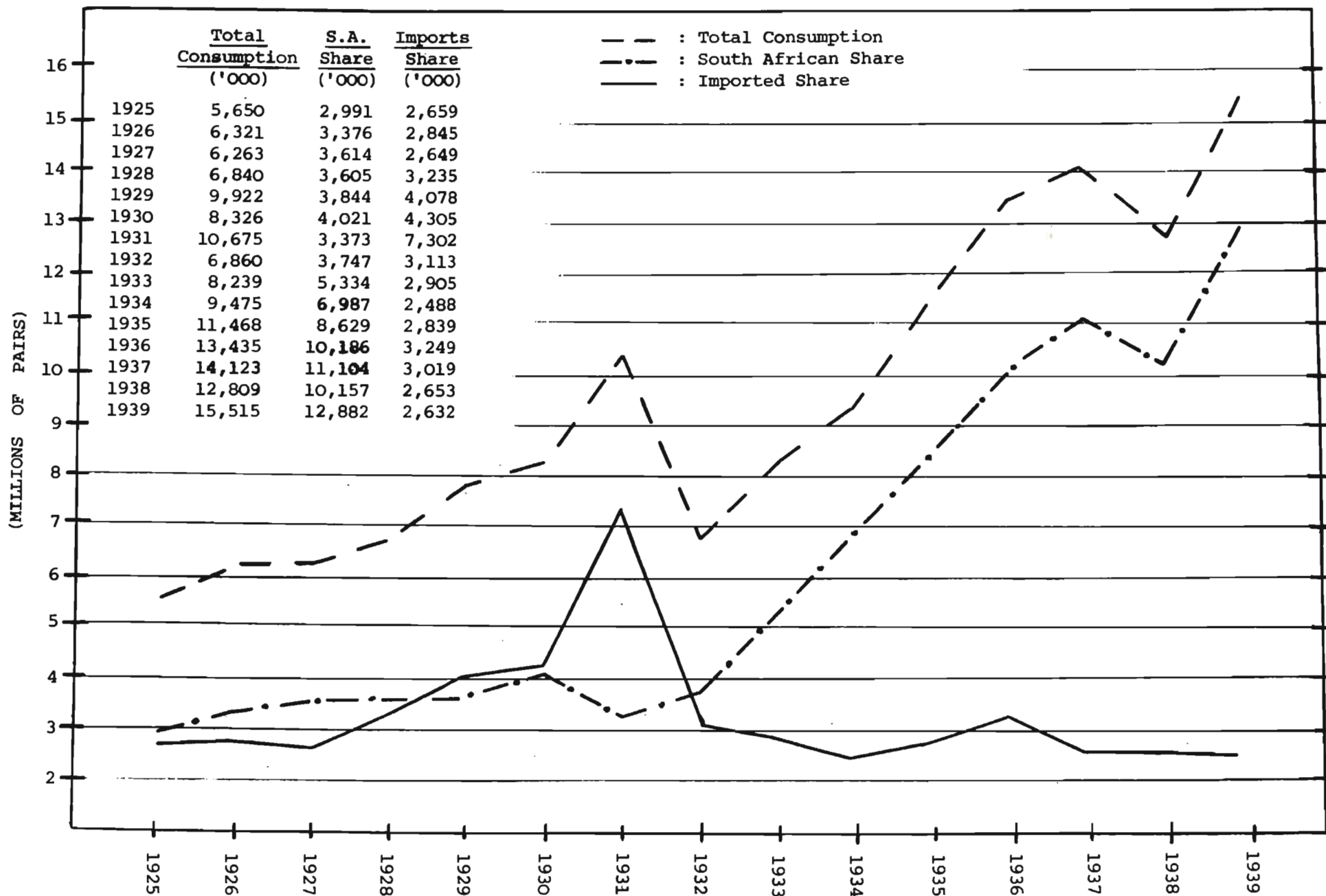
In attempting an evaluation of any policy of tariff protection, the extent to which the aims of that policy are fulfilled must serve as the criterion whereby success or failure is judged. For the South African footwear industry, the aims were clear-cut: an expansion of domestic output so that the degree of dependency on imported footwear was reduced; the broadening of the base of secondary industry in the Union; and a greater absorption of 'civilized labour' into that industry. In terms of these aims, then, to what extent was the protective tariff policy a success?⁽⁹⁰⁾ While a cause-effect link between the tariff and the development of the footwear industry cannot be drawn with any certainty, some tentative conclusions may be gathered from the available evidence.

According to Figure 11,⁽⁹¹⁾ total footwear consumption in the Union between 1925 and 1939 increased by 171,4 per cent., from 5,650,000 to 15,515,000 pairs. During that same period, the volume of South African footwear consumed rose by 330,8 per cent., from 2,991,000 to 12,882,000 pairs, while its share in total consumption increased from 52,9 per

90. It must be pointed out that the policy of customs tariff protection had, by the Second World War, only been in operation for fifteen years, which is arguably too short a period of time to gauge the success or failure of this policy. In this regard, Taussig, F.W. : Some Aspects of the Tariff Question (1915), p.21, has written: '...the length of time to be allowed for the experiment should not be too brief. Ten years are not enough; twenty years may be reasonably extended; thirty years are not necessarily unreasonable....'

91. Figure 11 drawn up from data contained in: Board of Trade and Industries : Report No.294: op. cit., p.134; and the Annual Statement of Trade and Shipping of the Union of South Africa for the years 1925 to 1939.

FIGURE 11 : 'SOUTH AFRICAN AND IMPORTED SHARE IN FOOTWEAR CONSUMPTION: 1925 - 39'



cent. in 1925 to 83 per cent. in 1939. Concurrently, the volume of imported footwear declined slightly by 1 per cent., from 2,659,000 to 2,632,000 pairs, while its share of the South African market fell from 47,1 to 17 per cent. This trend only became clear after 1932, that is, after upward revisions were made to the tariff on footwear in 1930 and 1932.

Table 5-4 reveals a similar pattern.⁽⁹²⁾ In the case of canvas footwear and slippers, the period from 1925 until the end of the depression in 1932/33 witnessed an increase in imports as a percentage of South African output. From 1932 onwards, imports as a percentage of South African output declined until the outbreak of the Second World War. The reversal of this trend appears to have come during the early 1930's; it is more than mere coincidence that upward tariff adjustments were made in those generally depressed years. In the case of leather footwear, unlike canvas footwear and slippers, the period 1925 to 1939 saw a continual decline in imports as a percentage of South African output. This discrepancy is perhaps explained by the fact that, as outlined earlier in this chapter, this class of footwear had enjoyed considerable protection in one form or another since 1921.⁽⁹³⁾ It would appear, therefore, that there is a strong case for believing that the customs tariff played at least some part in encouraging the expansion of the local footwear industry between 1925 and 1939.

To what extent was the second aim - the implementation of the 'civilized labour' policy - achieved by the footwear industry between 1924/25 and 1938/39? Figure 12 illustrates the fact that between 1924/25 and 1927/28 Non-White employment rose at a slightly faster rate than White employment, whereafter the trend reversed itself.⁽⁹⁴⁾ From 1928/29

92. Table 5-4 drawn up from information contained in: Board of Trade and Industries : Report No.294: op. cit., p.134.

93. The licensing system was in operation from 1921 to 1923, whereafter a 30 per cent. ad valorem duty was imposed.

94. Figure 12 drawn up from data contained in: Office of Census and Statistics : Census of Industrial Establishments for 1925/26, 1927/28, 1933/34, 1937/38 and 1941/42.

	TOTAL FOOTWEAR			LEATHER FOOTWEAR			CANVAS FOOTWEAR			SLIPPERS		
	South African	Imports	Imports As A % of S.A. Output	South African	Imports	Imports As A % of S.A. Output	South African	Imports	Imports As A % of S.A. Output	South African	Imports	Imports As A % of S.A. Output
1925	3,072	2,659	86,6%	3,052	2,086	68,3%		435		20	138	
1926	3,480	2,845	81,8	3,465	2,267	65,4		391		15	187	
1927	3,757	2,649	70,5	3,743	2,076	55,5		447		14	126	
1928	3,767	3,235	85,9	3,758	2,334	62,1		609		9	292	
1929	4,034	4,078	101,1	4,019	2,535	63,1		1,095		15	448	
1930	4,141	4,305	104,0	4,121	1,931	46,9		1,922		20	452	
1931	3,530	7,302	206,9	3,500	1,460	41,7		5,361		30	481	
1932	3,840	3,113	81,1	3,700	1,029	27,8		1,697		140	387	276,4%
1933	5,470	2,905	53,1	4,870	1,102	22,6	281	1,434	512,1%	319	369	115,6
1934	7,170	2,488	34,7	5,226	1,128	21,6	1,521	825	54,2	423	535	127,4
1935	8,846	2,839	32,1	6,154	1,261	20,5	1,823	1,169	64,1	869	409	47,1
1936	10,458	3,249	31,1	6,646	1,415	21,3	2,592	1,335	51,5	1,220	499	40,9
1937	11,383	3,019	26,5	6,978	1,553	22,3	3,280	1,108	33,8	1,125	358	31,8
1938	10,497	2,653	25,3	6,830	1,404	20,6	2,561	952	37,2	1,106	297	26,9
1939	13,233	2,632	19,9	8,010	1,329	16,6	3,538	1,018	28,8	1,685	285	16,9

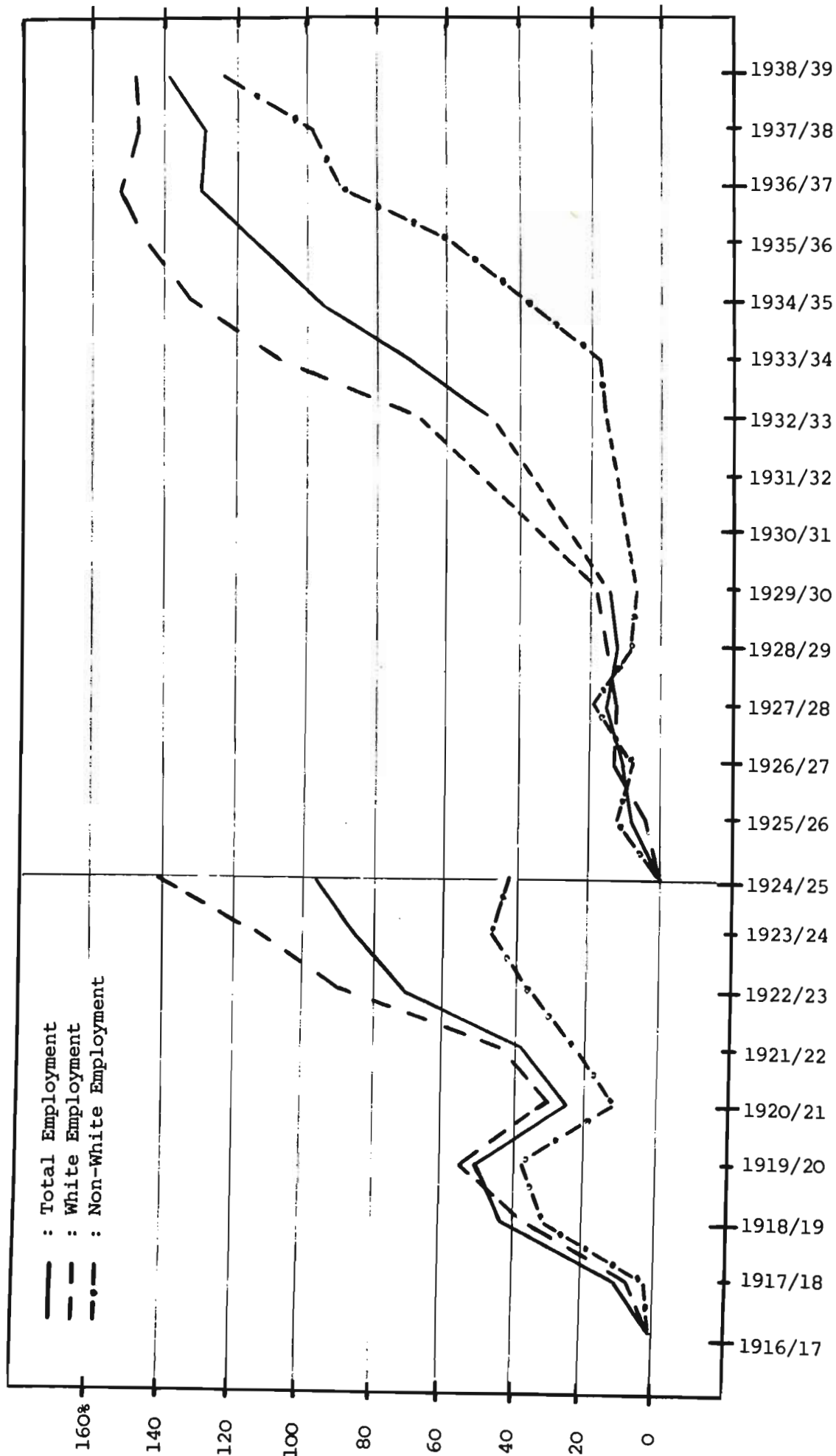
NOTES: (a) 'Leather Footwear' includes veldschoens.

(b) Local production of canvas footwear only began in 1933.

(c) In the case of slippers, the proportion of local production to imports only became significant after 1932.

TABLE 5-4 : 'SOUTH AFRICAN AND IMPORTED FOOTWEAR: 1925 - 1939' (In Thousands of Pairs)

FIGURE 12 : 'EMPLOYMENT IN THE FOOTWEAR INDUSTRY: 1916/17 - 1938/39'



onwards, the employment of Whites increased at a faster rate than that of Non-Whites, reaching a peak in 1934/35 and tapering off after 1936/37. For the period as a whole, White employment rose from 2,772 to 6,830, or by 146,5 per cent., while Non-White employment increased from 1,645 to 3,725, or by 126,4 per cent.⁽⁹⁵⁾ It appears that, as is indicated in Figure 12, this trend in the White/Non-White employment pattern was merely a continuation of the trend that existed before 1924, that is, before the introduction of the 'civilized labour' policy. However, the figures for 1916/17 to 1924/25 include those employed in government undertakings and repairing establishments, and therefore cannot serve as a guide to the employment pattern in private industry during those years.⁽⁹⁶⁾ While no definite conclusion can be reached on this point, there would appear to be some validity in the assertion that the 'civilized labour' policy was implemented with some success.

Alongside these positive achievements, however, must be placed the negative influences which, it will be argued, the tariff exerted upon the footwear industry.⁽⁹⁷⁾ It was claimed by footwear manufacturers that the expansion experienced between 1924/25 and 1938/39 was accompanied by a fall in footwear prices.⁽⁹⁸⁾ Table 5-5, which depicts

95. For secondary industry as a whole: between 1924/24 and 1938/39, White and Non-White employment rose by 128,0 and 93,1 per cent. respectively. Employment in the footwear industry therefore increased at a faster rate than that in secondary industry.

96. Unfortunately, the White/Non-White employment pattern in government undertakings and repairing establishments is not known.

97. The term 'positive' does not indicate approval or disapproval of the aims concerned, merely that those aims were at least partially achieved during the period under review.

98. On the basis of Table 5-3, boots and shoes, slippers and 'veldschoens' fell in price by 33,1, 76 and 3,9 per cent. respectively. However, after 1932/33, boots and shoes included footwear with canvas uppers, which reduced the average price of all boots and shoes considerably; this cheaper grade has been eliminated from Table 5-5. In the case of slippers, the fall in price reflected the fall in quality in order to compete with imported, rubber-soled shoes.

the trend in the average price of all types of leather footwear, indicates that this was indeed the case.⁽⁹⁹⁾ Between 1924/25 and 1938/39, the average price fell from 11/1d. to 10/- per pair, or by 9,8 per cent. When note is taken, however, of the extent to which the general level of prices fell during this period, the decline in the price of leather footwear was not at all remarkable.⁽¹⁰⁰⁾ The general price index registered a decline of 21,4 per cent., while the indexes for South African goods and imported goods fell by 21,3 and 24,5 per cent. respectively. Admittedly, it is difficult to arrive at a definite conclusion in this regard because of changes in the quality and types of shoes manufactured locally. Nonetheless, it seems clear that the price of locally-manufactured leather footwear did not fall to the same extent as did prices in general.

TABLE 5-5			
Leather Footwear			
Year	Pairs ('000s)	Value (£'000)	Average Price Per Pair
1924/25	2,644	1,461	11/1d.
1925/26	2,963	1,696	11/5d.
1926/27	3,206	1,830	11/5d.
1927/28	3,136	1,905	12/2d.
1928/29	3,276	1,976	11/10d.
1929/30	3,511	2,032	11/7d.
1930/32	NO STATISTICS AVAILABLE		
1932/33	4,284	2,062	9/8d.
1933/34	4,680	2,286	9/9d.
1934/35	5,712	2,693	9/5d.
1935/36	6,075	2,897	9/6d.
1936/37	6,389	3,137	9/10d.
1937/38	6,207	3,170	10/3d.
1938/39	6,848	3,438	10/-

99. Table 5-5 drawn up from data contained in: Board of Trade and Industries : Report No.294: op. cit., p.135 and Table XV.

100. Official Year Book of the Union of South Africa: No.9 of 1926/27, p.256; and No.22 of 1941, p.269.

	1914	1924	1939	% Decline
General Index	1000	1450	1139	21,4
S.A. Goods	1000	1353	1065	21,3
Imported Goods	1000	1692	1278	24,5

The failure to reduce footwear prices to a greater extent does not appear to have been due to the lack of suitable equipment. Indeed, the Customs Tariff Commission of 1934/36 expressed the view that the industry was '...working with the most up-to-date technical equipment'.⁽¹⁰¹⁾ In similar vein, the Board of Trade and Industries reported in 1939 that the larger factories were '...equipped with the most modern plant'.⁽¹⁰²⁾ Even the smaller factories, though usually established with little capital, could hire the necessary machines from the British United Machinery Company.⁽¹⁰³⁾ Instead, it is suggested that attention be paid to the growth in the number of small factories and their relative inefficiency. It should be pointed out that, once established, the small firms were not easily eliminated by the larger factories - competition was based on variety, fashion and the period of credit granted rather than on the basis of price.⁽¹⁰⁴⁾ According to the available statistics, contained in Table 5-6,⁽¹⁰⁵⁾ the number of small factories rose considerably after the upward revisions to the tariff in 1930 and 1932.

Between 1929/30 and 1936/37, the number of firms with an output of less than £5,000 per annum increased by 78.6 per cent., from 18 to 25. Similarly, the number of large firms with an output of more than £50,000 per annum increased by 80 per cent., from 15 to 27. The number of medium-sized firms - those with an output ranging from £5,000 to £50,000 per annum - remained fairly stable, rising by only 7.1 per cent. from 28 to 30. It will also be noted that the gross value of output per employee was considerably lower in the case of the small firms, ranging from 30 to 40 per cent. below that of the largest firms. If it is argued,

101. Report of the Customs Tariff Commission : op. cit., par.636.

102. Board of Trade and Industries : Report No.246: Inquiry into the Leather Industry (1939), p.18.

103. Ibid., p.13.

104. Ibid., p.16. One witness stated that '...you often find that you are not selling shoes but terms'.

105. Table 5-6 drawn up from data contained in: Office of Census and Statistics : Special Report No.123 : The Leather Industries, 1916/17-1935/36, p.18; and Special Report No.137: op. cit., p.18.

	<u>No. of Firms</u>	<u>Gross Value of Output</u>	<u>Gross Value of Output Per Employee</u>
<u>1929/30</u>			
.....£5,000	14	£ 30,728	£ 258
£5,000 - £20,000	18	147,210	346
£20,000--£50,000	10	362,883	462
£50,000-£100,000	6	448,451	492
£100,000.....	9	1,316,701	475
<u>1934/35</u>			
.....£5,000	18	£ 32,596	£ 225
£5,000 - £20,000	21	216,624	316
£20,000--£50,000	16	539,168	299
£50,000-£100,000	14	1,021,121	389
£100,000.....	7	1,321,668	386
<u>1935/36</u>			
.....£5,000	26	£ 44,616	£ 228
£5,000 - £20,000	16	193,071	295
£20,000--£50,000	16	574,774	366
£50,000-£100,000	13	938,067	365
£100,000.....	10	1,688,593	385
<u>1936/37</u>			
.....£5,000	25	£ 44,124	£ 239
£5,000 - £20,000	17	208,662	306
£20,000--£50,000	13	499,799	330
£50,000-£100,000	16	1,177,248	364
£100,000.....	11	1,803,398	401

TABLE 5-6 : 'CLASSIFICATION ACCORDING TO VALUE OF OUTPUT'

as is the case here, that the tariff aided the expansion of the footwear industry in general, then it follows that it also encouraged the establishment of the smaller, less efficient firms. It was admitted by the large footwear manufacturers that the small size of the South African market made it extremely difficult for them to reap the economies of scale.⁽¹⁰⁶⁾ Thus, since these smaller firms were not easily eliminated, they simply acted as a drag upon the footwear industry as a whole.

Reference to Table 5-6 also reveals that the gross value of output per employee tended to fall for all classes of firms, thereby indicating a lowering of productive efficiency throughout the industry. This view is confirmed by Table 5-7.⁽¹⁰⁷⁾ According to these statistics, value added per employee rose between 1916/17 and 1924/25 by 60,7 per cent., or by an average of 7,6 per cent. per annum. Between 1924/25 and 1938/39, however, value added per employee increased by only 13,9 per cent., or by an average of 1,6 per cent. per annum. It is interesting to note that this downward trend became particularly evident after the 'Great Depression', that is, after a greater degree of protection was incorporated into the tariff. It would appear, therefore, that the tariff was instrumental in allowing a greater degree of inefficiency to permeate the entire industry.

Finally, while it is true that the expansion of the footwear industry did broaden the base of secondary industry in the Union, that base was nevertheless an extremely vulnerable one. As can be seen in Table 5-3, as the footwear industry expanded, so it became increasingly dependent upon imported supplies of raw materials.⁽¹⁰⁸⁾ This in

106. Board of Trade and Industries : Report No.246: op. cit., p.14.

107. Table 5-7 drawn up from data contained in: Office of Census and Statistics : Census of Industrial Establishments for 1925/26, 1927/28, 1933/34, 1937/38, 1941/42; and Board of Trade and Industries : Report No.294: op. cit., p.136.

108. Between 1924/25 and 1938/39, the value of South African raw materials used rose by 67,7 per cent., while imported raw materials increased by 202,7 per cent. In other words, imported raw materials rose from 42 per cent. of total raw materials in 1924/25 to 57 per cent. in 1938/39.

	<u>Value Added</u> <u>To Materials</u>	<u>Total</u> <u>Employees</u>	<u>Value Added</u> <u>Per Employee</u>
1916/17	£ 227,833	2,388	£ 99
1917/18	329,377	2,644	124
1918/19	426,810	3,399	125
1919/20	558,228	3,630	154
1920/21	411,863	2,954	139
1921/22	512,099	3,283	156
1922/23	711,161	4,066	175
1923/24	755,888	4,432	171
1924/25	748,892	4,712	159
1924/25	696,915	4,417	158
1925/26	788,098	4,862	162
1926/27	843,416	4,937	171
1927/28	870,098	5,044	173
1928/29	961,016	4,957	193
1929/30	1,011,818	5,017	202
1930/32	NO STATISTICS AVAILABLE		
1932/33	1,109,326	6,554	169
1933/34	1,217,795	7,573	162
1934/35	1,449,482	8,685	168
1935/36	1,630,145	9,381	174
1936/37	1,738,553	10,108	173
1937/38	1,815,443	10,072	180
1938/39	1,902,657	10,555	180

TABLE 5-7 : 'VALUE ADDED PER EMPLOYEE: 1916/17 - 1938/39'

itself would not have constituted a problem, providing the footwear industry exported a sufficient volume of its output in order to earn the foreign exchange with which to purchase imported raw materials. As is shown in Table 5-8, however, this was not the case.⁽¹⁰⁹⁾ Between 1924/25 and 1938/39, the value of imported raw materials increased from £401,000 to £1,214,000, while the total value of footwear exports from the Union rose from £2,000 to £51,000. Consequently, the deficit in foreign exchange earnings required to finance imported raw materials also increased - from £399,000 to £1,163,000. Thus, as considerable as the expansion of the local footwear industry was during these years, that expansion was reliant upon the continued prosperity of the primary sector.

<u>TABLE 5-8</u>					
	<u>Value of Imported Raw Materials</u> (£'000)		<u>Value of Footwear Exports</u> (£'000)		
1924/25	...	401	...	...	2
1925/26	...	457	...	...	2
1926/27	...	531	...	...	1
1927/28	...	554	...	...	2
1928/29	...	598	...	...	1
1929/30	...	601	...	...	1
1930/32	NO STATISTICS AVAILABLE				
1932/33	...	621	...	...	3
1933/34	...	820	...	...	2
1934/35	...	894	...	...	3
1935/36	...	968	...	...	48
1936/37	...	1,097	...	...	45
1937/38	...	1,056	...	...	42
1938/39	...	1,214	...	...	51

Notes: (1) Exports include imports re-exported.
(2) First column is a financial year; the second column a calendar year.

109. Table 5-8 drawn up from data contained in: Office of Census and Statistics : Census of Industrial Establishments for 1925/26, 1927/28, 1933/34, 1937/38, 1941/42; the Annual Statement of Trade and Shipping of the Union of South Africa for 1925 to 1939; and Special Report No. 137 : op. cit., p.11.

It must be noted, however, that if the considerable expansion of the footwear industry prior to 1939 had not taken place - that is, if South Africa had been reliant upon foreign suppliers for the bulk of her boot and shoe requirements - then the primary sector would have been responsible for providing the foreign exchange necessary to purchase the finished products of foreign footwear manufacturers; and such goods would, of course, have been more expensive than the cost of imported raw materials for local footwear manufacture. In other words, the expansion of the local footwear industry prior to 1939 did lessen the degree of dependency upon the primary sector, particularly the gold-mines. Nonetheless, the fact remains that the footwear industry's expansion was dependent upon the very industry which, so it was planned, it eventually was to replace. To what extent the customs tariff, particularly protective duties, burdened the gold-mines, and thereby reduced its potential as an earner of foreign exchange, will be examined in a later chapter. (110).

In conclusion, then, there would appear to be a presumption in favour of the belief that tariff assistance stimulated, in part at least, the expansion of the South African footwear industry - that it lessened the dependency upon imports, broadened the base of the secondary sector, and that it widened the avenues of employment, particularly for 'civilized labour'. This is not to say that some other synthesis of means to ends could not have improved the position beyond that supposedly achieved by the tariff. Indeed, it appears that the tariff imposed limitations as well. By encouraging the growth in the number of small, less efficient establishments, by making it possible to exist with a lower level of productive efficiency, and by remaining dependent upon the primary sector, so did the tariff hamper the development of the footwear industry. It is doubtful, however, whether these factors should be considered as 'costs' against which must be weighed the 'benefits' which presumably flowed from the tariff. It is impossible to evaluate 'costs' when a policy is motivated by socio-political as well as by economic aims.

110. Vide infra: ch.8.

CHAPTER SIX

THE PRINTING INDUSTRY

In any modern community, the printing industry constitutes a vital service industry without which advancement is stifled.⁽¹⁾ Indeed, it has been argued that, so close is the connection between the expansion of the printing industry and the development of the community which it serves, the degree of specialisation within the printing industry '...may almost be used as a gauge of the degree of economic progress in an area'.⁽²⁾ This is a telling comment, for it will be argued that the gradual expansion of the South African economy prior to the Second World War, rather than the tariff, was directly responsible for the growth experienced by the local printing industry. This does not preclude the existence of an indirect link between the tariff and the development of the printing industry. In other words, it is possible, if not probable, that as customs tariff protection aided the expansion of other secondary industries, so the printing industry - based upon rendering services to industry and commerce - expanded as well.

In South Africa, the printing industry can justly claim to be one of the oldest industries.⁽³⁾ The early days of

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1. The printing industry includes the following sections: (a) printing, bookbinding and stationery; (b) packaging, for example, paper bags, cardboard boxes and mounts; (c) engraving, lithography and process blocks; (d) stereotyping, stencil-cutting and type-setting; and (e) rubber stamps. Sections (c) and (d) represent the firms rendering services to the printing industry and their turnover is largely duplicated in the turnover of sections (a) and (b), while section (e) only became significant after the Second World War. For the purposes of this chapter, therefore, the printing industry refers to sections (a) and (b) only.
 2. Katzen, M.F. : The Growth and Structure of Industry in Greater Durban, 1924/25-1953/54, unpub. Ph.D., University of Natal (Durban), 1962, p.103.
 3. Board of Trade and Industries : Report No.353: The Printing Industry (1955), p.237. 'The industry is one of the very oldest in the Union. It was established at the Cape before tariffs were known and the foundations of the industry were laid throughout the Union before the first world war.'

European settlement at the Cape were characterised by a bitter struggle to establish an independent press. During the period of the Dutch East India Company's rule at the Cape, until its last years 'when it was enfeebled by maladministration and the rising tide of colonial self-consciousness',⁽⁴⁾ no printing press was permitted, though not for the lack of asking.⁽⁵⁾ The first known printing at the Cape was executed by J.C. Ritter, a Hollander, who arrived at the Cape in 1794 to superintend the printing press which the Council of Policy had decided to establish in the previous year.⁽⁶⁾ The British Occupation in 1795 did not herald a change in outlook; when H.H. Smith, an English printer, arrived at the Cape in 1799, his hopes of establishing himself as an independent printer were not realised, since the British authorities viewed the idea with considerable alarm.⁽⁷⁾ It was only in 1800 that the first commercial printer was permitted, and then only for a limited purpose - the firm of Walker and Robertson was authorised to print the *Kaapsche Stads Courant en Afrikaansche Berigter* on behalf of the government.⁽⁸⁾

Although Commissioner De Mist, reporting from the Cape to the Batavian government in 1802, recommended that '...a printing press would be of universal benefit to the

4. Varley, D.H. : A Short History of the Newspaper Press in South Africa, 1652-1952 (1952), p.2.

5. Wilmot, A. and Chase, J.C. : History of the Colony of the Cape of Good Hope (1869), pp.198-9. In the famous 'Memoriel' of 1779, for example, the disaffected burghers petitioned the Governor for, inter alia, a press and a printer, so that placaten or official ordinances could be widely distributed and the government's intentions made plain. See also: Varley, D.H. : South African Reading in Earlier Days (1958), p.4; and Spilhaus, M.W. : op. cit., p.111.

6. Board of Trade and Industries : Report No.353: op. cit., p.16; and Varley, D.H. : A Short History of the Newspaper Press in South Africa, 1652-1952, pp.3,5.

7. Board of Trade and Industries : Report No.353: op. cit., p.16.

8. Varley, D.H. : op. cit., p.5; and Spilhaus, M.W. : op. cit., pp.281,296, who points out that the Governor, Major-General Francis Dundas, doubted the wisdom of even this severely limited move.

community',⁽⁹⁾ no independent commercial printing or publishing was undertaken until 1824.⁽¹⁰⁾ In that year, G. Greig and T. Pringle printed, in the face of considerable opposition from the Governor, Lord Charles Somerset, two independent publications known as *The South African Commercial Advertiser* and *The South African Journal*.⁽¹¹⁾ The great controversy over the freedom of the press at the Cape raged round these two journals and their editors, and for many years printing and publishing remained hazardous occupations.⁽¹²⁾ Eventually, a limited freedom of the press was established by an ordinance of the Cape government in April 1829.⁽¹³⁾ Thereafter, a boom in newspaper publication saw the establishment of the *Zuid-Afrikaan* in 1830, the first paper to reflect Dutch-speaking sentiment at the Cape, and *The Graham's Town Journal* in 1831, which, for more than eighty years, was the mouthpiece of the colonists of the Eastern Province.⁽¹⁴⁾

In the interior, the spread of printing was initially stimulated by the absence of effective communications. In order to overcome this problem, almost every village had its own press. For example, small and rudimentary presses were established in such places as Kuruman in 1830, Fort Peddie in 1840, Genadenal in 1861, Emtwaku in 1865 and Alice

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9. The Memorandum of Commissary J.A. De Mist : op. cit., p.203.
 10. Varley, D.H. : op. cit., p.8.
 11. Board of Trade and Industries : Report No.353: op. cit., p.16; and Varley, D.H. : op. cit., pp.9,10.
 12. This period has been related by Robinson, A.M.L. : None Daring to Make us Afraid - A Study of the English Periodical Literature at the Cape from 1824 to 1834 (1962); and Gunter, C.F.G. : Die eerste nuusblaaie aan die Kaap (1800-1833) en die stryd vir die vryheid van die pers, unp. M.A., University of South Africa, 1930.
 13. Varley, D.H. : op. cit., pp.11,14. It was not until 1859 that all limitations were finally removed.
 14. Harington, A.L. : The Graham's Town Journal - Its Founding, Early History and Influence, South African Historical Journal, No.1, November 1969, pp.22-5. Other important newspapers which made their appearance at the Cape included the Cape Frontier Times in 1840, Het Kaapsche Grensblad in 1844, the Eastern Province Herald in 1845 and Het Cradocksche Nieuwsblad in 1861.

in 1877.⁽¹⁵⁾ These local news-sheets were soon overtaken by the larger newspapers, which came in the wake of established European settlement. In 1844, *De Natalier*, a small four-page weekly, was printed in Pietermaritzburg, and was succeeded by the *Natal Witness* in 1846.⁽¹⁶⁾ These were followed by the *Friend of the Sovereignty and Bloemfontein Gazette* in 1850, the *Natal Mercury* in Durban in 1852, *De Oude Emigrant* in Potchefstroom in 1859, *De Republikein* in Pretoria in 1864, and *De Volksstem* in 1873.⁽¹⁷⁾ Thereafter, during the last quarter of the nineteenth century, there took place a number of amalgamations; for example, the Argus Printing and Publishing Company was formed in 1888, to take over the *Cape Argus* (1857) and the *Johannesburg Star* (1887). This company was later to become the largest newspaper group in South Africa.⁽¹⁸⁾

This considerable expansion of newspaper printing and publishing - which was by far the most important activity of the printing industry in what was still an essentially agricultural community - was largely sponsored by the tremendous pace in the world-wide development in communications. In 1860, the year in which the penny-post was established, the first telegraphic land line was laid between Cape Town and Simonstown. Thereafter, the telegraph was extended inland to Grahamstown in 1864 and to Kimberley and Bloemfontein in 1876. Three years later, in 1879, the Zanzibar cable was extended to Durban, while the first direct cable line between Cape Town and Durban was completed in 1899.⁽¹⁹⁾ These developments undoubtedly facilitated the rapid expansion of newspaper publishing activities, especially on the diamond-fields and on the Witwatersrand gold-fields,

15. Board of Trade and Industries : Report No.353: op. cit., pp.16-17.

16. Katzen, M.F. : op. cit., p.105.

17. Varley, D.H. : op. cit., pp.20-21.

18. The history of the Argus Printing and Publishing Company has been well-documented in : Rosenthal, E. : Today's News Today: The Story of the Argus Company (1956), condensed by L.E. Neame.

19. De Kock, M.H. : The Economic Development of South Africa (1936), p.47; and Bosman, G.C.R. : op. cit., pp.13-14.

where a whole crop of newspapers had appeared by the turn of the century.⁽²⁰⁾

Meanwhile, another important feature in the development of the local printing industry was the formation of the South African Typographical Union. Although the union was not officially formed until 1898, an organisation of printing employees had been established at Cape Town as early as 1881/2.⁽²¹⁾ The early activities of the local associations of printers, and of the South African Typographical Union after it was formed, involved attempts to restrict apprenticeship, to limit immigration of printers, to oppose piece-work, to lay down complements for the manning of printing machines and to persuade the government to impose prohibitive duties on imported printed matter.⁽²²⁾ The emergence and development of this organisation was therefore to exert a marked effect upon the cost of printing and, hence, upon the fortunes of the industry in South Africa.

The years between the end of the Anglo-Boer War and the beginning of the First World War witnessed the commencement of specialisation in the printing industry. Until the turn of the century, job printing and newspaper printing were usually carried out '...in the same works on the same type of equipment by the same employees'.⁽²³⁾ The first discernible change in this pattern appears to have followed the introduction of the type-setting machine in 1889.⁽²⁴⁾ This machine, which demanded a much larger capital investment than before, soon became vital to newspaper production;

20. Board of Trade and Industries : Report No.353: op. cit., p.18.

21. Horrell, M. : op. cit., p.1. For the history of the union, vide: Musson, A.E. : The Typographical Association (1954); and Downes, A.J. : Printers' Saga, Being a History of the South African Typographical Union (1952). The latter is regarded as the official history of the union, and all sources of information for the present chapter have been taken from it.

22. Downes, A.J. : op. cit., pp.21,22,81-86.

23. Board of Trade and Industries : Report No.353: op. cit., p.21.

24. Board of Trade and Industries : Report No.353: op. cit., p.18; and Downes, A.J. : op. cit., pp.74-76.

the jobbing printer, however, could not justify its installation and still depended upon the hand-set type.⁽²⁵⁾

Consequently, it became increasingly difficult to carry on jobbing and newspaper printing within the same establishment, and a number of independent job printing firms emerged. This development was facilitated by the growth of commerce and industry in the larger urban centres, which provided an increasing market for job printing.⁽²⁶⁾

Apart from the exceptional protection granted for a time by the Transvaal Republican government,⁽²⁷⁾ the printing industry in South Africa did not enjoy any significant degree of tariff protection before 1906. In the case of packaging, this sector was unimportant and remained so until the First World War.⁽²⁸⁾ With regard to newspaper printing, there was no real need for protection against overseas competition because the natural protection enjoyed by this sector - 'a compound of convenience, transport cost and the time element'⁽²⁹⁾ - was, and is, extraordinarily high. The same degree of natural protection was not enjoyed by the printing and stationery sector. For this reason, the 1906 Customs Union agreement imposed a duty of 22 per cent. on certain classes of printed matter, mainly stationery, and a duty of 22 per cent. or 2d. per lb. on advertising

25. Katzen, M.F. : op. cit., p.104.

26. Board of Trade and Industries : Report No.353: op. cit., p.21, no.2, defines job-printing as 'A term generally used in the industry to describe the variegated output of the average commercial printing firm, used in a sense that excludes newspapers, periodicals, books or other similar forms of specialised printing.'

27. Marais, J.S. : op. cit., p.23. Printing products formed part of President Kruger's concessions policy of 1881, in terms of which importations were virtually prohibited in the case of certain items. According to Marais, however, the printing concession had lapsed by the mid-1890's. Vide supra; ch.2, pp.24-6.

28. Katzen, M.F. : op. cit., p.104.

29. Board of Trade and Industries : Report No.353: op. cit., p.24.

matter such as show-cards, labels, price-lists and catalogues.⁽³⁰⁾ In consequence, it appears that certain types of printing, previously executed overseas, began to be commissioned in South Africa.⁽³¹⁾ These duties were incorporated, unaltered, into the Union's first customs tariff in 1914.⁽³²⁾

It must be pointed out, however, that a large number of the best-known firms engaged in printing and stationery had been established and had secured their position before receiving the tariff protection provided by the customs union in 1906.⁽³³⁾ In other words, the expansion achieved by the date of union had resulted from the economic development of the sub-continent in general rather than the tariff in particular. In this regard, the Board of Trade and Industries stated that '...the early South African infant (printing) industry may not have been nurtured on the specialised tariff foods of a later era but of its lustfulness and purposeful growth there can be no doubt whatever'.⁽³⁴⁾ Out of small beginnings, then, the South African printing industry had achieved considerable expansion by the time the First World War broke out in 1914. This is

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30. Kruger, H.J.P.L. : Customs Unions in South Africa, unp. M.A., University of South Africa, 1956, pp.119-20, expressed the view that '...the various members of the customs union found it necessary to secure larger revenue from customs during the depression' of 1903-9. While this may be true, the duty of 22 per cent. ad valorem probably did have protective effects. Vide: Appendix 1.
31. Report of the Commission on Conditions of Trade and Industries : op. cit., p.76.
32. Customs Tariff Act No.26 of 1914: sec.53,53(c). In terms of section 193, a duty of 17 per cent. was imposed on looseleaf covers, binders and letter or document files; while section 176 provided for the importation of newspapers free of duty.
33. Bruwer, A.J. : op. cit., p.127, expressed the view that the general ad valorem duty of 10 per cent. adopted by the customs union in 1903 could hardly be considered protective in its effects. For this reason, the duty of 1906 is regarded as marking the beginning of tariff protection for the printing industry in South Africa.
34. Board of Trade and Industries : Report No.353: op. cit., p.24.

evident from the fact that no less than 910 journeymen were registered with the South African Typographical Union in 1910: 388 in the Transvaal, 328 in the Cape, 160 in Natal and 34 in the Orange Free State.⁽³⁵⁾ In 1912, the Cullinan Commission estimated that the printing industry provided employment for a total of 3,266 persons: 1,235 in the Transvaal, 1,176 in the Cape, 455 in Natal and 400 in the Orange Free State.⁽³⁶⁾

'The First World War,' claimed the Board of Trade and Industries, 'undoubtedly stimulated the volume and variety of work undertaken' by the printing industry in South Africa.⁽³⁷⁾ Table 6-1 indicates that this was indeed the case.⁽³⁸⁾ Between 1915/16 and 1918/19, the number of establishments increased by 19,9 per cent., while the value of land and buildings and of machinery, plant and tools rose by 21,7 and 14,6 per cent. respectively.⁽³⁹⁾ At the same time, the total number of employees increased by 28,2 per cent. - that of White by 25 per cent. and that of Non-Whites by 35,1 per cent., a pattern which conformed to that which characterised secondary industry as a whole during this period.⁽⁴⁰⁾ Final proof of the war-time expansion is provided by the figures for the value of production, which

35. South African Typographical Union : Registration of Journeymen, December 1910.

36. Report of the Commission on Conditions of Trade and Industries : op. cit., p.76.

37. Board of Trade and Industries : Report No.353: op. cit., p.25.

38. Table 6-1 drawn up from data contained in: Office of Census and Statistics : Census of Industrial Establishments for 1915/16 (U.G.14/1918), 1916/17 (U.G.51/1918), 1917/18 (U.G.17/1920) and Board of Trade and Industries : Report No.353: op. cit., Schedule D, pp.1-2. Table 6-1 includes government undertakings and railway workshops.

39. It should be pointed out that the figure of 21,7 per cent. is somewhat inflated since not all the land and buildings were owned by the occupier. See, for example, Office of Census and Statistics : Census of Industrial Establishments for 1915/16 (U.G.14/1918), p.27.

40. Vide supra: ch.2, Table 2-1, which shows that total employment increased by 23,6 per cent. between 1915/16 and 1918/19, while White and Non-White employment rose by 20,0 and 25,9 per cent. respectively.

	1915/16	1916/17	1917/18	1918/19	1919/20	1920/21	1921/22	1922/23	1923/24	1924/25
<u>No. of Establishments:</u>	231	260	282	277	286	288	297	300	305	317
<u>Value of Land and Buildings:</u> (£'000)	617	660	667	751	786	882	997	1,050	1,099	1,194
<u>Value of Machinery, Plant and Tools:</u> (£'000)	548	602	609	628	680	786	946	990	1,058	1,148
<u>No. of Employees:</u>										
All Races	5,061	5,675	5,989	6,486	7,040	7,113	7,127	6,934	7,451	7,705
Whites	3,590	3,962	4,098	4,498	4,862	4,743	4,670	4,641	5,027	5,305
Non-Whites	1,471	1,713	1,891	1,988	2,178	2,370	2,457	2,293	2,424	2,400
<u>Salaries and Wages:</u>										
All Races (£'000)	653	739	809	920	1,182	1,464	1,462	1,433	1,500	1,538
Whites (£'000)	579	653	707	806	1,020	1,258	1,257	1,235	1,301	1,328
Non-Whites (£'000)	74	87	102	114	162	206	205	198	199	210
<u>Raw Materials Used:</u>										
Total (£'000)	432	626	800	1,017	1,335	1,549	1,297	1,050	1,016	1,063
South African (£'000)	-	5	5	4	7	8	7	6	6	5
Imported (£'000)	432	621	795	1,013	1,328	1,541	1,290	1,044	1,010	1,058
<u>Output:</u>										
Gross Value (£'000)	1,356	1,942	2,321	2,715	3,565	4,257	4,033	3,766	3,824	3,976

TABLE 6-1 : 'PRINTING INDUSTRY: 1915/16 - 1924/25'

rose by 100,2 per cent. during this four-year period. Even when an annual rate of inflation of about 5 per cent. is taken into account, this nonetheless represents a substantial increase.⁽⁴¹⁾ It is interesting to note that, when a comparison is made between Tables 6-2 and 6-3,⁽⁴²⁾ which together constitute Table 6-1, it is clear that the packaging section of the industry achieved the greatest expansion. This appears to have been due to the war-time shortage of tinplate, as a result of which various dry foodstuffs began to be packed in cardboard containers for the first time.⁽⁴³⁾

Although the termination of hostilities in 1918 brought with it the removal of the protective aegis provided by the war, the printing industry did not experience any sudden change. As was the case with secondary industry in general and the footwear industry in particular, the printing industry continued to expand during the brief post-war boom led by agriculture.⁽⁴⁴⁾ As is shown in Table 6-1, the total number of firms rose by 3,3 per cent. between 1918/19 and 1919/20, while the total gross value of production increased by 31,3 per cent. In this immediate post-war development, there appears to have taken place a reversal in the relative expansion of the component parts of the industry compared

41. Department of Census and Statistics : Statistics for Fifty Years, H-23, provides the weighted average index of retail prices for the following years:

(1938 - 100)		
1914	...	81,4
1915	...	85,5
1916	...	90,8
1917	...	99,6
1918	...	106,4

42. Tables 6-2 and 6-3 drawn up from data contained in n.(38) above. In the case of the printing, bookbinding and stationery section, the figures include government undertakings and railway workshops. It appears from the Census of Industrial Establishments for 1924/24 (U.G.41/1927), p.10, that the figures for the packaging section refer to private concerns only.

43. South African Commerce and Manufacturers' Record : April 1918, p.148.

44. Schumann, C.G.W. : op. cit., pp.244,248; Du Plessis, J.C. : op. cit., p.50.

	1915/16	1916/17	1917/18	1918/19	1919/20	1920/21	1921/22	1922/23	1923/24	1924/25
<u>No. of Establishments:</u>	222	248	270	265	273	276	281	284	290	298
<u>Value of Land and Buildings:</u> (£'000)	609	642	645	728	750	840	930	990	1,042	1,134
<u>Value of Machinery, Plant and Tools:</u> (£'000)	544	593	600	616	667	766	916	956	1,022	1,109
<u>No. of Employees:</u>										
All Races	4,908	5,386	5,633	6,070	6,572	6,693	6,492	6,510	6,943	7,208
Whites	3,567	3,914	4,039	4,441	4,714	4,603	4,514	4,474	4,823	5,100
Non-Whites	1,341	1,472	1,594	1,629	1,858	2,090	1,978	2,036	2,120	2,108
<u>Salaries and Wages:</u>										
All Races (£'000)	647	726	792	899	1,153	1,435	1,423	1,397	1,458	1,494
Whites (£'000)	577	647	701	799	1,008	1,245	1,237	1,216	1,277	1,302
Non-Whites (£'000)	70	79	91	100	145	190	186	181	181	192
<u>Raw Materials Used:</u>										
Total (£'000)	417	584	734	948	1,245	1,460	1,206	972	939	980
South African (£'000)	-	5	5	4	7	8	7	6	6	5
Imported (£'000)	417	579	729	944	1,238	1,452	1,199	966	933	975
<u>Output:</u>										
Gross Value (£'000)	1,329	1,873	2,212	2,596	3,419	4,114	3,875	3,633	3,679	3,817

TABLE 6-2 : 'PRINTING, BOOKBINDING AND STATIONERY SECTOR: 1915/16 - 1924/25'

	1915/16	1916/17	1917/18	1918/19	1919/20	1920/21	1921/22	1922/23	1923/24	1924/25
<u>No. of Establishments:</u>	9	12	12	12	13	12	16	16	15	19
<u>Value of Land and Buildings:</u> (£'000)	8	18	22	23	36	42	67	60	57	60
<u>Value of Machinery, Plant and Tools:</u> (£'000)	4	9	9	12	13	20	30	34	36	39
<u>No. of Employees:</u>										
All Races	153	289	356	416	468	420	635	424	508	497
Whites	23	48	59	57	148	140	156	167	204	205
Non-Whites	130	241	297	359	320	280	479	257	304	292
<u>Salaries and Wages:</u>										
All Races (£'000)	6	13	17	21	29	29	39	36	42	44
Whites (£'000)	2	5	6	7	12	13	20	19	24	26
Non-Whites (£'000)	4	8	11	14	17	16	19	17	18	18
<u>Raw Materials Used:</u>										
Total (£'000)	15	42	66	69	90	89	91	78	77	83
South African (£'000)	-	-	-	-	-	-	-	-	-	-
Imported (£'000)	15	42	66	69	90	89	91	78	77	83
<u>Output:</u>										
Gross Value (£'000)	27	60	109	119	146	143	158	133	145	159

TABLE 6-3 : 'PACKAGING SECTOR: 1915/16 - 1924/25'

with their performance during the war-years. In the case of printing, bookbinding and stationery, Table 6-2 shows that the number of firms and total value of output rose by 3 and 31,7 per cent. respectively. In the case of the packaging section, however, Table 6-3 shows that while the number of firms increased by 8,3 per cent., the value of output increased by only 22,7 per cent. ⁽⁴⁵⁾

This reversal appears to have been due to the fact that cardboard packaging materials, which had now replaced tinplate, were not protected by the 22 per cent. duty imposed on imported stationery in 1906. Indeed, as imported supplies of such materials became available, so the position in the packaging section of the industry became worse. Between 1919/20 and 1920/21, Tables 6-2 and 6-3 show that the value of production in the printing, bookbinding and stationery section rose by 20,3 per cent., while that in the packaging section fell by 2,1 per cent. In March 1920, in response to this situation, the government raised the duties on several of the products of the packaging section: paper bags, cardboard boxed and cartons. ⁽⁴⁶⁾ Notwithstanding the above, however, the printing industry as a whole did not suffer during 1921 as did secondary industry in general and the footwear industry in particular. Indeed, Table 6-1 indicates that between 1919/20 and 1920/21 the value of production for the printing industry as a whole rose by 19,4 per cent. ⁽⁴⁷⁾

45. Department of Census and Statistics : op. cit., H-23, provides the weighted average index of retail prices for the following years:

	(1938 - 100)
1919 ...	117,7
1920 ...	145,8

In other words, there occurred a 28,1 per cent. jump in prices, which obviously lessened the extent of the real expansion achieved.

46. Customs Tariff Act No.44 of 1920. In terms of sections 53, 53(c), a duty of 25 per cent. ad valorem on printed paper bags, cardboard boxes and 'other printed matter'; sec.193 provided for a 20 per cent. duty on unprinted paper bags, looseleaf covers, binders and letter or document files; while sec.176 admitted newspapers free of duty.

47. Vide supra: ch.2, Table 2-1, which shows that the gross value of production for secondary industry as a whole rose by only 3,9 per cent. between 1919/20 and 1920/21; ch.5, Table 5-1, shows that over the same period, the gross value of production in the footwear industry fell by 30,8 per cent.

Nonetheless, if the printing industry did not experience the severe contraction which characterised the development of secondary industry during the post-war depression, neither did it enjoy a period of considerable expansion between 1920/21 and 1924/25 as, for example, was the case with the footwear industry. During those years, as is shown in Table 6-1, the number of establishments, the value of land and buildings and the value of machinery, plant and tools increased by 10,1 per cent., 35,4 per cent. and 46,1 per cent. respectively. The total number of employees rose by 8,3 per cent. - that of Whites by 11,8 per cent. and that of Non-Whites by 1,3 per cent. Over the same period, however, the value of materials used and the value of output fell by 31,4 and 6,6 per cent. respectively. Thus did the Board of Trade and Industries report in 1925 that '...various printing and bookbinding firms are not...working anywhere near their full capacity'.⁽⁴⁸⁾

This retarded growth was partly a reflection of the general depression in trade and industry, despite the fact that these were years of 'moderate prosperity' for the economy as a whole.⁽⁴⁹⁾ Between 1920/21 and 1924/25, the net value of output for secondary industry as a whole rose by only 3,6 per cent.⁽⁵⁰⁾ Perhaps the primary reason, however, was the substantial increase in wages that was granted to printing employees in 1920. In November 1919, the Newspaper Press Union, the Federation of Master Printers and the South African Typographical Union established a National Industrial Council. Within a few months, in May 1920, the Council decided to raise all scales of pay as a result of the increase in the cost of living.⁽⁵¹⁾ At the

48. Board of Trade and Industries : Report No.51: op. cit., p.71.

49. Schumann, C.G.W. : op. cit.; Du Plessis, J.C. : op. cit., pp.48-9.

50. Vide supra: ch.2, Table 2-1.

51. Downes, A.J. : op. cit., pp.344-7, indicates that there may have been an element of compulsion involved in the granting of higher wages. In 1919 there took place a strike of printing employees in Durban, in which higher wages were conceded by the newspapers but not by the jobbing printers.

coastal centres, increases in wages of between 30 and 40 per cent. were granted, while a 20 per cent. increase was agreed to on the Witwatersrand.⁽⁵²⁾ Moreover, the Council also decided to link the basic wage with the cost-of-living index for food, fuel, light and rent, and to adjust the wage quarterly for movements in the index greater than 5 per cent.⁽⁵³⁾ The sharp rise in the cost of labour, argued M.F. Katzen, led to an increase in the prices of the printing industry's products, which resulted in a decline in orders.⁽⁵⁴⁾

Another feature which characterised the development of the printing industry during those years was the growing dependence of the industry upon imported raw materials. From the beginning of the twentieth century, it had often been suggested that a local paper-making industry based on the use of South African raw materials such as tambookie grass, wattle or bagasse - could be successfully established.⁽⁵⁵⁾ Due to the smallness of its population, however, the Union provided a very limited market for paper.⁽⁵⁶⁾ This effectively prevented the early emergence of a local paper-making industry, particularly since paper could be landed very cheaply from Canada or Scandinavia.⁽⁵⁷⁾ This explains why the first paper-mill in the Union, established near

52. The difference in percentage increase must not be taken to mean that higher wages were being paid at the coastal areas. The Board of Trade and Industries : Report No.353: op. cit., p.26, indicates that according to the wage scales laid down in 1919, weekly wages at the coastal centres ranged from £6.10.0 to £7.0.0, while in the interior, weekly wages ranged from £7.10.0 to £8.0.0.

53. Board of Trade and Industries : Report No.353: op. cit., p.26.

54. Katzen, M.F. : op. cit., p.106; Board of Trade and Industries : op. cit., p.29.

55. South African Commerce and Manufacturers' Record : September 1911, p.426; Ibid., October 1911, p.460; Industrial South Africa : February 1921, p.67; Ibid., September 1921, p.390; Industrial and Commercial South Africa : November 1927, p.607.

56. Katzen, M.F. : op. cit., p.104.

57. South African Commerce and Manufacturers' Record : October 1911, p.460.

Johannesburg by the Premier Paper Company in 1919, had a relatively small capacity.⁽⁵⁸⁾ In short, then, the local printing industry was heavily dependent upon external sources of supply for its raw materials.

The crux of the problem, as is shown in Table 6-4,⁽⁵⁹⁾ was that, while the value of imported raw materials rose sharply, the value of exports remained at an extremely low level. In this way, then, the printing industry became increasingly reliant upon the foreign exchange earnings of the primary sector, particularly the gold-mines. It must be acknowledged that, in the absence of a local printing industry, the primary sector would have been responsible for providing the foreign exchange with which to purchase the finished goods of foreign printing industries; and such goods would, of course, have been more expensive than imported raw materials. In other words, the economy's dependence upon the primary sector was lessened to some extent by the development of a printing industry in South Africa.⁽⁶⁰⁾ Nonetheless, the fact remains that there still existed a link of dependency between the printing industry and the primary sector.

58. Board of Trade and Industries : Report No.353: op. cit., pp.131-6, The Premier Paper Company concentrated on the production of the cheaper grades of paper, such as wrapping papers of various types, ticket paper and envelope paper.

59. Table 6-4 drawn from data contained in the Census of Industrial Establishments for 1915/16 (U.G.14/1918), 1916/17 (U.G.51/1918), 1917/18 (U.G.17/1920); Board of Trade and Industries : Report No.353: op. cit., Schedule D, p.1; and the Annual Statement of Trade and Shipping for the Union of South Africa for the years 1915 to 1925.

60. The extent to which customs duties, particularly protective duties, burdened the gold-mining industry, and thereby reduced its potential as an earner of foreign exchange, is examined in ch.8.

TABLE 6-4

	<u>Value of Imported</u> <u>Raw Materials</u> (£'000)			<u>Value of Exports</u> (£'000)	
1915/16	...	432	...	...	13
1916/17	...	621	...	...	23
1917/18	...	795	...	...	29
1918/19	...	1,013	...	...	52
1919/20	...	1,328	...	...	50
1920/21	...	1,541	...	...	79
1921/22	...	1,290	...	...	44
1922/23	...	1,044	...	...	37
1923/24	...	1,010	...	...	30
1924/25	...	1,058	...	...	32

Notes: (a) Exports include imports re-exported.

(b) The figures for the first column are calculated on the basis of a financial year; those for the second column, a calendar year.

In October 1924, the Board of Trade and Industries was requested by the Minister of Finance to recast the customs tariff with a view to increasing the protection granted to 'deserving' secondary industry.⁽⁶¹⁾ In view of the fall in the demand for the products of the local printing industry, which appears to have been primarily the result of higher prices, it is perhaps not surprising that the Board recommended substantial increased in the duties on 'printed, ruled, lithographed and embossed matter' ranging from 30 to 40 per cent. in an attempt to restrict foreign competition.⁽⁶²⁾ What is surprising, however, was the reasoning which lay

61. Hansard : 29 August 1924, col.1070.

62. Customs Tariff Act No.36 of 1925. In terms of sections 282(a) and 285(a), a duty of 30 per cent. was imposed on cardboard boxes and printed paper bags; sec.282(b) provided for a duty of 1½d. per lb. on unprinted paper bags; sec.293(b) imposed a duty of 40 per cent. or 6d. per lb. on printed matter such as advertising; and sec.297(a) provided for a duty of 40 per cent. on looseleaf covers, binders and letter or document files.

behind this decision. In its report, the Board argued that greater protection was required because '...the printing industry has been in a severely depressed condition since 1920', because the industry '...affords employment to an unusually large proportion of Europeans' and because '...the rate of wages compares very favourably with other industries'.⁽⁶³⁾

That the printing industry experienced a depressed demand for its products during the early 1920's is undeniable, but it has already been established that this was due - in part at least - to the considerable wage increases that were granted in 1920. Thus, to grant a greater degree of protection in order to permit a 'favourable' wage structure was simply to increase the very burdens which partially inhibited the growth of the industry. It is true that the industry employed an 'unusually large proportion of Europeans'. According to Table 6-1, the ratio of Whites to Non-Whites in the printing industry was 2,2:1 in 1924/25, while the ratio for secondary industry as a whole was 1:1,8. Nonetheless, consideration should also have been given to the extent to which White employment actually increased. If this is done, it will be seen that, between 1915/16 and 1924/25, the number of Whites employed in the printing industry rose by 34 per cent., compared with 46 per cent. for secondary industry as a whole.⁽⁶⁴⁾ Despite these weaknesses in the case for higher tariffs, the suggested increases in duty were incorporated into the customs tariff of 1925, and only a few minor alterations of duty in respect of printed matter were made between 1925 and 1939.⁽⁶⁵⁾

63. Board of Trade and Industries : Report No.51: op. cit., p.71.

64. Vide supra: ch.2, Table 2-1.

65. Customs Tariff Act No.35 of 1926. In terms of sec.282(b), the duty on unprinted paper bags was raised from 1½d. to 1¾d. per lb.; sec.295(a) imposed a duty of 15 per cent. on blotting, carbon, waxed, oiled and wallpaper; while sec.296(j) reduced the duty on pocket books from 25 to 20 per cent. Customs Tariff Act No.24 of 1927, sec.295(a), removed the duty of 15 per cent. on gummed paper. Customs Tariff Act No.19 of 1928, sec.291(b), reduced the duty on duplicating ink from 30 to 20 per cent. Customs Tariff Act No.25 of 1936, sec.295(a), reduced the duty on blotting, carbon and wallpaper from 15 to 10 per cent.; while sec.297(b) reduced the duty on certain types of stationery from 20 to 15 per cent. Finally, Customs Tariff Act No.52 of 1937, sec.295(b), removed the 15 per cent. duty on waxed and oiled paper.

It is interesting to note that an attempt was made in another direction to increase the degree of protection enjoyed by this industry. In February 1927, the government introduced the Imprint Bill to the House of Assembly.⁽⁶⁶⁾ The object of this Bill was to make compulsory the marking of all printed matter with an imprint indicating the country of origin. The Minister considered that such an imprint would reinforce the sentiment which persuaded people to support local industry.⁽⁶⁷⁾ The argument was that such a measure would reduce the tendency for work to be printed overseas and imported into the Union bearing no indication that it had not been printed locally. Precedents for such a measure, both within the Union in the form of provincial imprint ordinances, and outside in countries such as the United States of America, were quoted in support of the Bill.⁽⁶⁸⁾ The Bill was strongly opposed, however, mainly on the ground that it would be impractical to compel printers in other countries to imprint all work destined for South Africa. The general trend of opinion in the House was that the printing industry was sufficiently protected, and that even if further protection were thought necessary this was not the best way to give it.⁽⁶⁹⁾ In addition, there was strong opposition to the Bill on the ground that the development of the Afrikaans language and literature was particularly dependent upon the import of books from Holland. Although the Minister succeeded in having the Bill referred to a select committee, the matter was not raised again.⁽⁷⁰⁾

Meanwhile, the second half of the 1920's witnessed a period of sustained progress in the printing industry, as

66. Hansard : 1 February 1927, col.29.

67. Hansard : 18 February 1927, col.484.

68. Ibid., cols.485,489,493.

69. Ibid., cols.489,490.

70. Ibid., col.494. Board of Trade and Industries : Report No.353: op. cit., p.32, states that although this matter was not raised again. '...this measure is one which the industry has continued, and continues, to advocate'.

can be seen in Table 6-5.⁽⁷¹⁾ Between 1924/25 and 1929/30, the total number of firms increased by 16,4 per cent., while the value of land and buildings and the value of machinery, plant and tools rose by 37,8 and 42,1 per cent. respectively. At the same time, the total number of employees increased by 26,5 per cent. - that of Whites by 29,1 per cent. and that of Non-Whites by 1,1 per cent., a marked reversal of the employment pattern which characterised the industry prior to 1924/25. Furthermore, the value of output rose by 41,9 per cent., a fact which indicates considerable expansion per unit. When reference is made to Tables 6-6 and 6-7,⁽⁷²⁾ it is clear that the growth experienced was largely due to the expansion achieved in the packaging section of the industry - that section which accounted for approximately 5 per cent. only of the industry's total output. It is interesting to note that, while the printing, bookbinding and stationery section appeared to be implementing the 'civilized labour' policy with some success, this was not the case in the packaging section: between 1924/25 and 1929/30, the employment of Whites and Non-Whites in the former rose by 26,9 and 9,1 per cent. respectively, while in the case of the latter it rose by 81,5 and 105,1 per cent. respectively.

It was inevitable that the depression of the early 'thirties, which resulted in a general decline in demand, should have an adverse effect upon the printing industry. Unfortunately, no industrial census was undertaken in the years 1930 and 1931, but between 1929/30 and 1932/33, when the next census was taken, the gross output of the printing had fallen by 15,6 per cent. from £5,392,000 to £4,550,000, as can be seen in Table 6-5. Since the employment figures show that the industry was beginning to recover by 1933, it is probable that the annual value of output in 1930 and

71. Table 6-5 was compiled from data contained in the Census of Industrial Establishments for 1925/26 (U.G.32/1928), 1927/28 (U.G.18/1930), 1933/34, (U.G.34/1936), 1937/38 (U.G.21/1941) and 1941/42 (U.G.20/1945; and Board of Trade and Industries : Report No.353: op. cit., Schedule D, p.1.

72. Tables 6-6 and 6-7 drawn up from data as in n.(71) above.

	1924/25	1925/26	1926/27	1927/28	1928/29	1929/30	1930/32	1932/33	1933/34	1934/35	1935/36	1936/37	1937/38	1938/39
<u>No. of Establishments:</u>	311	325	335	342	357	362	NO STATISTICS AVAILABLE	381	417	431	438	434	439	437
<u>Value of Land and Buildings:</u> (£'000)	1,180	1,264	1,355	1,439	1,546	1,626		1,686	1,794	1,834	1,922	2,169	2,421	2,600
<u>Value of Machinery, Plant and Tools:</u> (£'000)	1,109	1,213	1,294	1,392	1,471	1,576		1,533	1,543	1,616	1,852	1,901	2,057	2,176
<u>No. of Employees:</u>														
All Races	7,308	7,806	8,492	8,749	9,917	9,244		8,879	9,590	10,157	10,913	11,779	12,476	12,673
Whites	4,950	5,354	5,910	6,057	6,403	6,391		6,141	6,620	7,006	7,511	7,948	8,409	8,408
Non-Whites	2,358	2,452	2,582	2,692	2,794	2,385		2,738	2,970	3,151	3,402	3,831	4,067	4,265
<u>Salaries and Wages:</u>														
All Races (£'000)	1,441	1,557	1,730	1,803	1,903	1,972		1,738	1,907	2,066	2,286	2,533	2,786	2,797
Whites (£'000)	1,233	1,337	1,481	1,545	1,633	1,695		1,508	1,652	1,794	1,979	2,190	2,407	2,388
Non-Whites (£'000)	208	220	247	258	270	277		230	255	272	307	343	379	409
<u>Raw Materials Used:</u>														
Total (£'000)	1,005	1,109	1,262	1,340	1,394	1,443		1,244	1,467	1,632	1,849	2,201	2,422	2,346
South African (£'000)	4	5	9	11	13	16		12	16	22	39	53	69	54
Imported (£'000)	1,001	1,104	1,253	1,329	1,381	1,427		1,232	1,451	1,610	1,810	2,148	2,353	2,292
<u>Output:</u>														
Gross Value (£'000)	3,799	4,132	4,550	4,906	5,196	5,392		4,550	5,230	5,636	6,387	7,189	7,728	7,696

NOTE: The above figures refer to private establishments only.

TABLE 6-5 : 'PRINTING INDUSTRY: 1924/25 - 1938/39'

	1924/25	1925/26	1926/27	1927/28	1928/29	1929/30	1930/32	1932/33	1933/34	1934/35	1935/36	1936/37	1937/38	1938/39
<u>No. of Establishments:</u>	292	306	315	323	336	339	NO STATISTICS AVAILABLE	354	384	397	402	395	403	399
<u>Value of Land and Buildings:</u> (£'000)	1,120	1,203	1,289	1,375	1,447	1,520		1,563	1,638	1,622	1,748	1,951	2,217	2,379
<u>Value of Machinery, Plant and Tools:</u> (£'000)	1,070	1,168	1,252	1,340	1,380	1,479		1,401	1,395	1,450	1,671	1,707	1,858	2,379
<u>No. of Employees:</u>														
All Races	6,811	7,318	7,980	8,170	8,262	8,273		7,783	8,248	8,673	9,407	10,061	10,716	10,787
Whites	4,754	5,141	5,684	5,794	6,032	6,019		5,738	6,100	6,970	7,326	7,326	7,791	7,722
Non-Whites	2,066	2,177	2,296	2,376	2,230	2,254		2,045	2,148	2,211	2,437	2,735	2,925	3,065
<u>Salaries and Wages:</u>														
All Races (£'000)	1,397	1,511	1,677	1,743	1,813	1,869		1,626	1,766	1,898	2,103	2,333	2,575	2,551
Whites (£'000)	1,207	1,311	1,451	1,508	1,582	1,634		1,439	1,566	1,687	1,866	2,068	2,282	2,246
Non-Whites (£'000)	190	200	226	235	231	235		187	200	211	237	265	293	305
<u>Raw Materials Used:</u>														
Total (£'000)	922	1,011	1,143	1,206	1,223	1,266		984	1,098	1,216	1,419	1,643	1,846	1,745
South African (£'000)	4	5	6	7	7	7		5	5	4	17	27	38	33
Imported (£'000)	918	1,006	1,137	1,199	1,216	1,259		979	1,093	1,212	1,402	1,616	1,808	1,712
<u>Output:</u>														
Gross Value (£'000)	3,640	3,968	4,347	4,676	4,863	5,029		4,066	4,572	4,920	5,604	6,176	6,714	6,595

NOTE: The above figures refer to private establishments only.

TABLE 6-6 : 'PRINTING, BOOKBINDING AND STATIONERY SECTOR: 1924/25 - 1938/39'

	1924/25	1925/26	1926/27	1927/28	1928/29	1929/30	1930/32	1932/33	1933/34	1934/35	1935/36	1936/37	1937/38	1938/39
<u>No. of Establishments:</u>	19	19	20	19	21	23	NO STATISTICS AVAILABLE	27	33	34	36	39	36	38
<u>Value of Land and Buildings:</u> (£'000)	60	61	66	64	99	106		123	156	172	174	218	204	221
<u>Value of Machinery, Plant and Tools:</u> (£'000)	39	45	42	52	91	97		132	148	166	181	194	199	247
<u>No. of Employees:</u>														
All Races	497	488	512	579	935	971		1,096	1,342	1,484	1,506	1,718	1,760	1,886
Whites	205	213	226	263	371	372		403	520	544	541	622	618	686
Non-Whites	292	275	286	316	564	599		693	822	940	965	1,096	1,142	1,200
<u>Salaries and Wages:</u>														
All Races (£'000)	44	46	53	60	90	103		112	141	168	183	200	211	246
Whites (£'000)	26	26	30	37	51	61		69	86	107	113	122	125	142
Non-Whites (£'000)	18	20	21	23	39	42		43	55	61	70	78	86	104
<u>Raw Materials Used:</u>														
Total (£'000)	83	98	119	134	171	177		260	369	416	430	558	576	601
South African (£'000)	-	-	3	4	6	9		7	11	18	22	26	31	21
Imported (£'000)	83	98	116	130	165	168		253	358	398	408	532	545	580
<u>Output:</u>														
Gross Value (£'000)	159	164	203	230	333	363		484	658	716	783	1,013	1,014	1,101

NOTE: The above figures refer to private establishments only.

TABLE 6-7 : 'PACKAGING SECTOR: 1924/25 - 1938/39'

1931 was well below £4,000,000.⁽⁷³⁾ It is clear from Tables 6-6 and 6-7, however, that while the output of the printing, bookbinding and stationery section declined by £963,000 between 1929/30 and 1932/33, the output of the packaging section increased by £121,000, indicating that the latter section was less vulnerable to the effects of the depression.⁽⁷⁴⁾ The number of establishments actually increased during the years 1929/30 and 1932/33 from 339 to 354 in the case of the printing, bookbinding and stationery section, and from 23 to 27 in the case of the packaging section; and there were corresponding slight increases in the investment in land and buildings from £1,520,000 to £1,563,000 and from £106,000 to £123,000 respectively. Thus the structure of the industry as a whole does not appear to have been greatly affected by the 'Great Depression'.

After 1932/33, there occurred a period of rapid expansion as more stable conditions returned and the economy entered into a 'major upward swing'.⁽⁷⁵⁾ It was to be expected that the printing industry, as a service industry, would also benefit from this renewed expansion. Moreover, as was pointed out by the Customs Tariff Commission of 1934/36, the printing industry was in an improved position

73. Downes, A.J. : op. cit., Part VI, provides the following figures for the number of unemployed Grade 1 journeymen:

November 1930	...	150
June 1931	...	240
January 1932	...	300
August 1932	...	500
January 1933	...	451
April 1934	...	250

It appears from these figures that the trough of the depression, with regard to unemployment, was reached in August 1932, when most firms were working short time.

74. Board of Trade and Industries : Report No.353: op. cit., p.34, concurs with this view.

75. Schumann, C.G.W. : op. cit., p.248, dates this 'major upward swing' from July/September 1932 to the end of 1936, whereas Du Plessis, J.C. : op. cit., p.49, argues that the end came in 1935, and Sadie, J.L. : A Note on the Business Cycle in South Africa, South African Journal of Economics, March 1946, p.70, sees it ending in 1937.

technically to take full advantage of the situation.⁽⁷⁶⁾ Between 1932/33 and 1938/39, the total number of printing establishments increased by 12,8 per cent., while the value of land and buildings and the value of machinery, plant and tools rose by 54,2 and 41,9 per cent. respectively. At the same time, the gross value of production increased by 69,1 per cent., a fact which indicates considerable expansion per unit. In this development, the greatest expansion was achieved by the packaging section. Indeed, the rapid increase of 127,3 per cent. in the gross value of packaging section's output represents an increase of more than treble the 37,6 per cent. increase in the output of the printing, bookbinding and stationery section.

Looking at the period 1924/25 to 1938/39 as a whole, then, it is abundantly clear that the printing industry did experience considerable expansion during those years. The total number of firms rose by 40,5 per cent. from 133 to 437, while the value of land and buildings increased by 120,3 per cent. from £1,180,000 to £2,600,000, and the value of machinery, plant and tools by 96,2 per cent. from £1,109,000 to £2,176,000. During that same period, the total number of employees rose by 73,4 per cent. from 7,308 to 12,673, while their total earnings increased by 94,1 per cent. from £1,441,000 to £2,797,000. Finally, the gross value of production more than doubled during those years: it rose by 102,6 per cent. from £3,799,000 to £7,696,000. It should be pointed out that the percentage of the printing industry's contribution to the total value of manufacturing output fell from approximately 14,6 per cent. in 1924/24 to 11,7 per cent. in 1938/39.⁽⁷⁷⁾ This is attributable, however, to the emergence of relatively new industries - such as chemicals -

76. Report of the Customs Tariff Commission : U.G.5 of 1936, p.84, which reported that by the mid-thirties, and in sharp contrast to the 'twenties, '...some of the (printing) concerns in South Africa have the most up-to-date equipment and use the most up-to-date processes for their work'. It is not clear when this re-equipping took place, though it probably occurred in the early 1930's.

77. Department of Census and Statistics : op. cit., L-3, L-13.

and should not be construed as an adverse reflection upon the performance of the printing industry. Indeed, the Board of Trade and Industries referred to the developments between the two World Wars as marking '...the industrial revolution in the printing industry'.⁽⁷⁸⁾

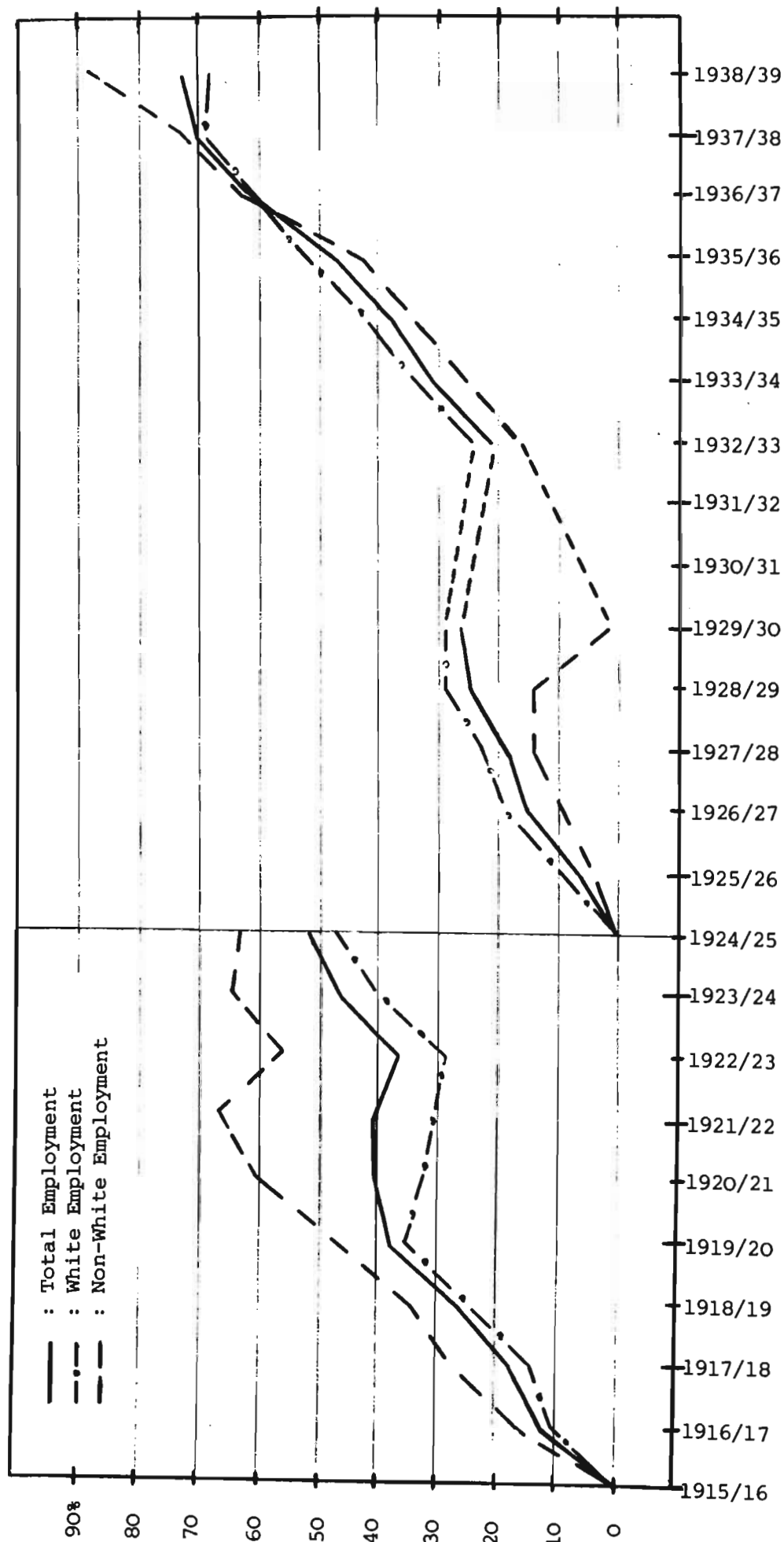
In attempting to assess the impact of the policy of tariff protection on the printing industry in the Union, the necessary first step is to try and determine to what extent the broad aims of that policy were achieved. Did the printing industry implement the 'civilized labour' policy with any degree of success, and did that industry contribute to broadening the basis of the secondary sector thereby lessening South Africa's dependency upon imports?

Turning to the first of these criteria, Figure 13 illustrates that between 1924/25 and 1938/39 White and Non-White employment in the printing industry rose by 69,8 and 87,2 per cent. respectively.⁽⁷⁹⁾ Although this would appear to indicate a poor response to the 'civilized labour' policy, upon closer inspection this is not the case. Between 1924/25 and 1936/37, the employment of White labour increased at a faster rate than that of Non-White labour, which, as is shown in Figure 13, was a marked reversal of the employment pattern which characterised the industry prior to that date. It was only after 1936/37 that this trend again reversed itself. Consequently, there does appear to exist at least some justification, albeit limited, for believing that some success was achieved in this regard. It should be pointed out, however, that the industry's performance with regard to employment may be construed as unsatisfactory in another respect. White and Non-White employment in the printing industry rose by 69,8 and 87,2 per cent. respectively between 1924/25 and 1938/39. During that same period, White and

78. Board of Trade and Industries : Report No.353: op. cit., p.25.

79. Figure 13 drawn from data contained in the Census of Industrial Establishments for 1915/16 (U.G.14/1918), 1916/17 (U.G.51/1918), 1917/18 (U.G.17/1920), 1925/26 (U.G.32/1928), 1927/28 (U.G.18/1930), 1933/34 (U.G.34/1936), 1937/38 (U.G.21/1941), 1941/42 (U.G.20/1945); and Board of Trade and Industries : Report No.353: op. cit., Schedule D, pp.1-2.

FIGURE 13 : 'EMPLOYMENT IN THE PRINTING INDUSTRY: 1915/16 - 1938/39'



Non-White employment in secondary industry as a whole increased by 128 and 93,1 per cent. respectively.⁽⁸⁰⁾ In other words, the absorption of labour - particularly that of Whites - was considerably below the national average.

Turning to the second criterion, did the printing industry expand the base of the secondary sector between 1924/25 and 1938/39? Table 6-8 shows that during this period the gross value of production in the printing industry rose by 102,6 per cent. from £3,799,000 to £7,696,000, while the value of competing imports increased by a mere 5,4 per cent. from £571,000 to £602,000.⁽⁸¹⁾ Furthermore, Table 6-8 also reveals that, on trend, imports expressed as a percentage of South African output fell between 1915/16 - the date of the first industrial census - and 1938/39 from 33 to 7,8 per cent. It is clear, therefore, that the development of the local printing industry did expand the secondary sector, and that this development took the form of import substitution. It is not axiomatic, however, that there existed a causal connection between the tariff and the expansion of the printing industry. It is to this question - was there a cause-effect relationship between means and ends? - that our attention must now be turned.

It will be noticed from the various tables that, throughout the period under review, there were no periods of short, sharp expansion as was the case with the footwear industry. Indeed, one of the outstanding characteristics of the printing industry was the steadiness of its growth. This very stability raises doubts as to the importance of the protective tariff. Instead, it is suggested that attention should be paid to the natural protection enjoyed by the industry which is, and always has been, considerable.⁽⁸²⁾

80. Vide supra: ch.3, Table 3-1; and ch.4, Table 4-1.

81. Table 6-8 drawn up from information contained in the Annual Statement of Trade and Shipping for the Union of South Africa from 1915 to 1939, and the Census of Industrial Establishments for the same years. Imports include all items considered competitive, including 10 per cent. of 'books, printed music, newspapers', as suggested by the Board of Trade and Industries: Report No.353: op. cit., p.226.

82. What follows is a consideration of the natural protection enjoyed by the printing industry prior to the Second World War. A similar situation still exists to-day.

TABLE 6-8

	<u>Imports</u> (£'000)	<u>S.A.</u> <u>Output</u> (£'000)	<u>Imports as a %</u> <u>of S.A. Output</u>
1915/16	444	1,356	33,0%
1916/17	592	1,942	30,5
1917/18	679	2,321	28,3
1918/19	682	2,715	25,1
1919/20	682	3,565	19,1
1920/21	1,197	4,257	28,4
1921/22	799	4,033	19,8
1922/23	652	3,766	17,3
1923/24	673	3,824	17,6
1924/25	571	3,976	14,4
1924/25	571	3,799	15,0
1925/26	520	4,132	12,6
1926/27	561	4,550	12,6
1927/28	555	4,906	11,3
1928/29	582	5,196	11,2
1929/30	634	5,392	11,7
1930/32	NO STATISTICS AVAILABLE		
1932/33	300	4,550	6,6
1933/34	399	5,230	7,6
1934/35	497	5,636	8,8
1935/36	546	6,387	8,5
1936/37	646	7,189	8,9
1937/38	621	7,728	8,0
1938/39	602	7,696	7,8

The newspaper firms, for example, enjoyed almost complete natural protection, since it was obviously quite impractical for a local newspaper to be printed outside South Africa. The competitive energies of the principal newspapers were directed mainly against each other, and even this area of competition was limited. The quantity of newspapers imported into the Union between 1924/25 and 1938/39 was negligible,⁽⁸³⁾ and in any event they should not be regarded as competitive with local dailies since most were purchased in addition to, rather than as substitutes for, the local paper. For this reason, then, there appears to be no justification whatsoever for the imposition of the 40 per cent. ad valorem duty on newspapers in 1925.

Similarly, although the jobbing printers enjoyed a lesser degree of natural protection, and had to meet substantially stronger internal competition, the natural protection they did enjoy was not inconsiderable. The reason for this lies in the fact that those firms which absorbed large quantities of commercial print usually carried low stocks and purchased print irregularly as circumstances dictated.⁽⁸⁴⁾ Consequently, those firms came to rely heavily upon rapid deliveries from local sources which had the result of virtually eliminating foreign competition. The packaging section, too, enjoyed considerable natural protection as the relative cheapness of the product was offset by its bulk.⁽⁸⁵⁾

83. It is not possible to provide an exact figure since such items fall within the general category of 'books, printed music, newspapers, etc.'. It appears, however, from the Annual Statement of Trade and Shipping for the Union of South Africa and the Board of Trade and Industries : Report No.353: op. cit., p.237, that the value of imported newspapers probably ranged from £5,000 to £15,000 per annum during the period under review.

84. Board of Trade and Industries : Report No.353: op. cit., p.237.

85. It will be remembered, however, that the packaging section did experience considerable contraction between 1919/20 and 1920/21 as imported supplies became available once more. This tends to indicate that this section was at least partially vulnerable to external competition.

Turning to the manufacture of stationery, the natural protection they enjoyed was considerable because of the bulk and weight of stationery; but it was probably less than that of the jobbing printers or the packaging section, because the time element was of much less importance. Nonetheless, the Board of Trade and Industries was of the opinion that '...though stationery imports may well be encouraged by a reduction of the duties, the local firms have built up an exceptionally strong market position, particularly in certain proprietary brands which have become household names in the Union.' (86)

Thus, the industry as a whole, could not justify the high level of tariff protection on the ground that it was exposed to severe international competition due to the lack of natural protection. Instead, the industry based its claim primarily upon two factors: the comparatively higher cost of capital equipment in South Africa, and the considerably higher wages it was compelled to pay. (87) The Federation of Master Printers stated in evidence before the Customs Tariff Commission of 1934/36 that in 1924 '...plant was more or less obsolete', but that by the mid-thirties many of the printing concerns '...have the most up-to-date equipment and use the most up-to-date processes' and that this was '...entirely due to protection'. (88) It is curious that in spite of increased technical efficiency, the industry could not do with less protection than before. It was argued, however, that the high cost of capital equipment made the continuance of protection necessary - a defence which has only limited validity. Capital equipment was more expensive in South Africa than in the countries which manufactured it -

86. Board of Trade and Industries : Report No.353: op. cit., p.238.

87. Ibid., p.237-9. In this regard, the Board pointed out that 'It is hardly necessary to labour the point that whatever the...grounds may be on which the industry claims justification for its protection, the "infant industry" argument cannot be used. The industry is one of the very oldest in the Union. It was established at the Cape before tariffs were known and the foundations of the industry were laid throughout the Union before the first world war.'

88. Report of the Customs Tariff Commission : U.G.5 of 1936, p.84.

Germany, Britain, the United States of America and France. (89)
Nonetheless, the considerable natural protection which the industry enjoyed on many of its products should have provided more than adequate compensation for this factor.

With regard to high wages, it is of fundamental importance to understand at the outset that a high national level of real wages cannot be maintained by a generally high level of tariff protection. Indeed, the only guarantee of a high national income - and therefore of a high national level of real wages - is a high national level of productivity per employee. Such a high level of productivity is more likely to be retarded rather than promoted by the indiscriminate use of tariff protection. In this regard, the Board of Trade and Industries has stated:

'The effect of such a policy would be a general rise in money wages, particularly in those industries which enjoyed inelastic conditions of demand, followed by a general rise in costs and prices, which might so disturb the natural balance and economies of the genuinely economic industries in the country that the national income would be reduced, or its rate of increase severely retarded.' (90)

In other words, while both real and money wages might rise in those industries which tariff protection placed in a position to exploit the market, this would be offset by a fall in the real income of the remainder of the community, particularly the primary sector.

It is possible that, as a matter of policy, the government might use the tariff to bring about a redistribution of income so that a sectional wage level is above the average for the community. It is necessary, however, to distinguish between wage rates and wage costs. It does not automatically follow that a high wage rate will inevitably translate itself into a high wage cost. The crucial variable in this regard is that of labour productivity. The Board of Trade and Industries made this significant remark with reference to the printing industry:

'Both employers and employees have succeeded,

89. Board of Trade and Industries : Report No.353: op. cit., p.239.

90. Ibid., pp.239-40.

behind the barrier of high tariff protection granted in 1925, in creating a highly restrictive industrial structure, which has in its turn permitted the creation of exceptional supply, wage and working conditions resulting in high printing costs. A powerful trade union has achieved a position in which it has been able to make excessive demands in relation to the productivity of its members, and to impose serious restrictions on the initiative of management.' (91)

In short, it is argued that the protective tariff structure played some part in retarding the productivity of labour within the printing industry. And since that industry enjoyed an inelastic demand for many of its products, it was able to pass on the higher costs to the consumer.

This view is substantiated by Table 6-9.⁽⁹²⁾ Between 1915/16 and 1924/25, value added per employee rose by an annual average of 13,9 per cent. Between 1924/25 and 1938/39, however, value added per employee had slumped to an annual average of 2,2 per cent. - a level so low as to be completely unsatisfactory. This was particularly true of the printing, bookbinding and stationery section: between 1915/16 and 1924/25, value added per employee increased by an annual average of 11,5 per cent., while this fell to 1,8 per cent. between 1924/25 and 1938/39. The position was better in the packaging section: prior to 1924/25, value added per employee rose by an annual average of 7,8 per cent.; between 1924/25 and 1938/39, however, value added per employee increased by an annual average of 9,3 per cent. Nonetheless, the fact remains that for the printing industry as a whole, productivity had fallen sharply. In this way, then, did the tariff ultimately create greater burdens for the consuming public to carry.

A further criticism which may be levelled against the protective tariff policy in relation to the printing industry is the multiplicity of small firms. According to Table

91. Ibid., p.241.

92. Table 6-9 drawn up from data contained in the Census of Industrial Establishments for the years 1915/16 to 1938/39, and the Board of Trade and Industries : Report No.353: op. cit., Schedule D, pp.1,4,5.

	<u>Printing Industry</u>		<u>Printing, Bookbinding and Stationery Sector</u>		<u>Packaging Sector</u>	
	<u>Value Added To Materials</u>	<u>Value Added Per Employee</u>	<u>Value Added To Materials</u>	<u>Value Added Per Employee</u>	<u>Value Added To Materials</u>	<u>Value Added Per Employee</u>
1915/16	£ 925,000	£183	£ 912,000	£186	£ 13,000	£ 85
1916/17	1,317,000	232	1,289,000	239	28,000	97
1917/18	1,522,000	254	1,479,000	263	43,000	121
1918/19	1,698,000	262	1,648,000	271	50,000	120
1919/20	2,230,000	317	2,174,000	331	56,000	119
1920/21	2,708,000	386	2,654,000	397	54,000	128
1921/22	2,737,000	384	2,669,000	411	68,000	107
1922/23	2,716,000	392	2,661,000	409	55,000	129
1923/24	2,808,000	377	2,740,000	393	68,000	134
1924/25	2,793,000	363	2,718,000	399	75,000	151
1925/26	3,022,000	386	2,956,000	404	66,000	135
1925/27	3,288,000	387	3,204,000	402	84,000	164
1927/28	3,566,000	408	3,470,000	425	96,000	166
1928/29	3,802,000	413	3,640,000	441	162,000	173
1929/30	3,948,000	427	3,762,000	455	186,000	192
1930/32	NO STATISTICS AVAILABLE		NO STATISTICS AVAILABLE		NO STATISTICS AVAILABLE	
1932/33	3,306,000	373	3,082,000	196	224,000	213
1933/34	3,763,000	392	3,474,000	421	289,000	215
1934/35	4,004,000	394	3,703,000	427	301,000	203
1925/26	4,538,000	408	4,185,000	445	353,000	234
1936/37	4,988,000	404	4,533,000	451	455,000	265
1937/38	5,305,000	425	4,867,000	454	438,000	249
1938/39	5,349,000	422	4,850,000	449	499,000	265

TABLE 6-9 : 'VALUE ADDED PER EMPLOYEE IN THE PRINTING INDUSTRY: 1915/16 - 1938/39'

6-10, ⁽⁹³⁾ the number of small printing establishments employing up to 10 hands increased by 34,3 per cent. between 1915/16 and 1924/25, and by 47,8 per cent. between 1924/25 and 1938/39. During the same periods, the number of medium-sized firms - those employing between 11 and 100 hands - rose by 34 and 43,1 per cent. respectively. Finally, the number of large firms employing more than 100 hands increased by 50 and 100 per cent. respectively. If it is argued by those in favour of a protective tariff policy that the tariff aided the expansion of the printing industry in general, then it follows that higher duties also served to encourage the establishment of the smaller firms as well. Since several of the largest printing firms complained that the proliferation of small printing establishments '...makes it impossible to achieve the economies obtained by mass mechanised manufacture', ⁽⁹⁴⁾ the growth in the number of smaller firms acted as a drag upon the printing industry as a whole.

Finally, on the eve of the Second World War, the printing industry was still heavily reliant upon imported supplies of raw materials - despite the establishment of the Enstra mill, near Springs, by the South African Pulp and Paper Industries in 1936, and the South African Board Mills factory at Umgeni, Durban, in 1938. ⁽⁹⁵⁾ Indeed, while the expansion of the local industry did lessen South Africa's dependency upon the importation of the finished goods of foreign printing concerns, ⁽⁹⁶⁾ its dependency upon the

93. Table 6-10 drawn up from information as contained in n.(92) above,

94. Board of Trade and Industries : Report No.353: op. cit., p.238.

95. Katzen, M.F. : op. cit., p.104. The Enstra mill concentrated on the production of printing papers, printers' board and covers. The South African Board Mills factory produced various types of paper board, such as chipboard, rigid boxboard, leatherboard, ceilingboard liners, milk cartonboard and ticket-board.

96. According to Table 6-8, the value of imports of printing products, expressed as a percentage of the value of South African output, fell from 15 per cent. in 1924/25 to 7,8 per cent. in 1938/39.

	Under 4 Hands	4 Hands	5 - 10 Hands	11-20 Hands	21-50 Hands	51-100 Hands	101-200 Hands	201-300 Hands	301-400 Hands	401-500 Hands	501 Hands And Over
1915/16	18	20	96	51	35	11	10	-	-	-	-
1916/17	32	22	114	55	34	15	11	-	-	-	-
1917/18	31	24	126	54	40	14	10	-	-	-	-
1918/19	19	29	109	60	43	20	9	-	-	-	-
1919/20	19	16	114	70	42	17	15	-	-	-	-
1920/21	15	23	121	59	49	17	9	1	2	-	-
1921/22	16	17	133	63	48	19	7	2	2	-	-
1922/23	15	22	138	65	40	18	11	1	2	-	-
1923/24	17	28	132	57	54	16	11	1	2	-	-
1924/25	20	27	133	69	44	17	12	2	1	-	-
1925/26	22	23	143	69	48	19	14	1	1	-	-
1926/27	23	25	139	76	50	19	13	4	1	-	-
1927/28	24	24	148	74	56	16	13	4	1	-	-
1928/29	28	23	150	77	61	16	16	4	1	-	-
1929/30	23	35	148	81	58	17	16	4	1	-	-
1930/32					NO	STATISTICS	AVAILABLE				
1932/33	47	50	151	64	59	13	12	7	1	-	-
1933/34	59	45	166	77	59	16	13	5	2	-	-
1934/35	64	40	168	82	64	20	11	7	2	-	-
1935/36	56	43	179	88	61	24	11	7	2	-	1
1936/37	54	42	161	91	70	26	13	6	2	1	1
1937/38	56	37	171	83	75	26	16	8	1	1	1
1938/39	58	38	170	85	77	24	18	8	2	1	1

TABLE 6-10 : 'CLASSIFICATION OF PRINTING FIRMS ACCORDING TO THE NUMBER OF HANDS EMPLOYED'

importation of raw materials grew, as can be seen in Table 6-5.⁽⁹⁷⁾ This would not have constituted a problem, provided the printing industry exported a sufficient volume of its output in order to earn the necessary foreign exchange with which to pay for imported raw materials. As is shown in Table 6-11,⁽⁹⁸⁾ this was not the case. Between 1924/25 and 1938/39, the value of imported raw materials rose from £1,001,000 to £2,292,000, while the total value of exports increased from £32,000 to £148,000. As a result, the deficit in foreign exchange also rose - from £969,000 in 1924/25 to £2,144,000 in 1938/39. Thus, the local printing industry, rather than develop as a substitute for the gold-mining industry, remained dependent upon its continued existence.

TABLE 6-11					
	Value of Imported Raw Materials (£'000)			Value of Exports (£'000)	
1924/25	...	1,001	...	...	32
1925/26	...	1,104	...	...	38
1926/27	...	1,253	...	...	45
1927/28	...	1,329	...	...	49
1928/29	...	1,381	...	...	40
1929/30	...	1,427	...	...	52
1930/32					
1932/33	...	1,232	...	...	68
1933/34	...	1,451	...	...	27
1934/35	...	1,610	...	...	26
1935/36	...	1,810	...	...	119
1936/37	...	2,148	...	...	113
1937/38	...	2,353	...	...	137
1938/39	...	2,292	...	...	148
Notes: (a) Exports include imports re-exported.					
(b) Figures for the first column based on a financial year; those for the second, a calendar year.					

97. Between 1924/25 and 1938/39, the value of South African raw materials rose from £4,000 to £54,000, while imported raw materials increased from £1,001,000 to £2,292,000.

98. Table 6-11 drawn up from data contained in the Census of Industrial Establishments from 1924/25 to 1938/39; Board of Trade and Industries : Report No.353: op. cit., Schedule D. p.1; and the Annual Statement of the Trade and Shipping for the Union of South Africa for the years 1924 to 1939.

The ineluctable conclusion which emerges, therefore, is that there existed no real justification for the policy of high tariff protection that was pursued in relation to the printing industry after 1925. On the one hand, in view of the considerable natural protection the industry enjoyed, it is extremely doubtful what positive role the tariff played. On the other hand, to make matters worse, certain negative influences emanated from the tariff. It appears from the foregoing analysis that, by making it possible for a larger number of smaller firms to establish themselves, the tariff merely served to make specialisation - and therefore the economies of scale - a more difficult objective to achieve. Above all, however, the tariff imposed an unreasonable burden upon the public, 'whose interests,' claimed the Board of Trade and Industries, 'have largely been neglected in the past.'⁽⁹⁹⁾ The question which ultimately arises is not 'Was such a policy justified?', but 'Why was such a policy ever implemented?' The answer to the latter question appears to lie in the sphere of socio-political ideology rather than in the field of economics.

99. Board of Trade and Industries : Report No.353: op. cit., p.243.

CHAPTER SEVEN

THE CEMENT INDUSTRY

The cement industry in South Africa grew with the gold-mining industry in the Transvaal, and is therefore of more recent origin than either the footwear or printing industries which have been examined in the preceding chapters. Following the proclamation of the gold-fields as public diggings in September 1886, there began an influx of diggers with the result that the township of Johannesburg was founded in October of that year.⁽¹⁾ The 'spectacular mining boom' of 1886-89,⁽²⁾ together with the sharp rise in the population of Johannesburg, sponsored a period of rapid construction.⁽³⁾ This, in turn, established a ready demand for cement which, in the absence of a local supply, had to be imported.⁽⁴⁾

Imported cement was, however, an expensive commodity. Although in Europe at that time, a 400-lb. cask of cement cost less than 10/-,⁽⁵⁾ upon arrival at Cape Town, Port Elizabeth or Durban, the price had risen to between 15/- and £1 per cask.⁽⁶⁾ To reach the Witwatersrand, it had to

-
1. Jacobsson, D. : Fifty Golden Years of the Rand: 1886-1936 (1936), pp.161-9, contains an excellent, brief account of the growth from Ferreira's Camp to Johannesburg.
 2. Schumann, C.G.W. : op. cit., p.87.
 3. Jacobsson, D. : op. cit., p.170. Within a year of October 1886, Johannesburg had a White population of 3,000, which rose to over 25,000 within four years. As a result, '...building went on night and day.'
 4. FitzPatrick, P. : South African Memories (1932), p.72. Referring to the period prior to the granting of the cement concession to E. Lippert, he writes: '...no cement was made in South Africa.'
 5. Cartwright, A.P. : A History of the Pretoria Portland Cement Company Limited (1968), p.7. Cement is measured in terms of either a bag (94 lbs.), a cask (400 lbs.) or a ton (2,000 lbs.).
 6. Hatch, F.H. and Chalmers, J.A. : The Gold Mines of the Rand, Being a Description of the Witwatersrand Mining Industry of the South African Republic (1895), p.245. They estimated the cost of sea freight from Europe to South Africa at between £2-10-0d. and £3-2-6d. per ton.

make a rail journey from either Durban to Ladysmith or from Cape Town to Kimberley, and from there move on to Johannesburg by ox-wagon at very heavy cost.⁽⁷⁾ In 1889, the average cost of transporting goods from the coast to Johannesburg was '...about £30 a ton, of which £8 was railage freight and the balance consisting of charges for waggon transport, including loading, off-loading and agency'.⁽⁸⁾ This meant that, in the late 1880's the price of imported cement on the Witwatersrand ranged from £5-10-0d. to £6 per cask, or roughly twelve times its original cost in Europe.⁽⁹⁾

By this time, President Kruger had established his policy of industrial concessions.⁽¹⁰⁾ In this connection, E. Lippert, a German immigrant and cousin of Alfred Beit, believed that if cement could be manufactured in the Transvaal at a reasonable price, the cement concession would be a 'highly profitable thing'.⁽¹¹⁾ Having satisfied himself that abundant supplies of limestone were available within reasonable distance of Pretoria,⁽¹²⁾ Lippert began negotiations with the Transvaal government for the right to set up a cement factory. His formal application was made, and approved, in 1888. This concession, which gave him the sole right to produce cement, was limited to three years with the condition that renewal would be granted if the factory had commenced production by that time.⁽¹³⁾ In support of

7. De Kiewiet, C.W. : op. cit., p.283. Johannesburg was connected with the Cape railway system in 1892, followed by the Delagoa Bay line in 1894 and the Natal line in 1895.

8. Hatch, F.H. and Chalmers, J.A. : op. cit., p.244.

9. FitzPatrick, P. : op. cit., p.72. He refers to the cost of imported cement on the Witwatersrand in the late 1880's as between £10 and £15 per cask. It is thought that FitzPatrick was writing of the Zuid-Afrikaansche 'pond', which was approximately half the value of the pound sterling. Vide: Arndt, E.H.D. : Banking and Currency Development in South Africa (1928), p.119.

10. Vide supra: ch.2, pp.24-6.

11. FitzPatrick, P. : op. cit., p.72.

12. Cartwright, A.P. : op. cit., p.8. Considerable quantities of limestone were found at Vaalboschspruit and at Rhenosterspruit.

13. FitzPatrick, P. : op. cit., pp.72-3.

this concession, a specific duty of £1 per cask was imposed on all cement imported into the Transvaal.⁽¹⁴⁾

Cement in transit to the Transvaal through Natal had, since 1867, been subject to a revenue duty of 6 per cent. ad valorem.⁽¹⁵⁾ The Cape had also imposed a similar revenue duty on cement in 1884.⁽¹⁶⁾ When the Cape and the Orange Free State formed a Customs Union in 1889, the ad valorem duty on cement was converted to a specific duty of 2/- per cask - an arrangement that was extended to Natal when she joined the Customs Union in 1898.⁽¹⁷⁾ In view of the considerable natural protection enjoyed by the infant-industry in the Transvaal - ranging from £5 to £5-10-0d. per cask in the late 1880's⁽¹⁸⁾ - and the adverse effect upon the cost structure of the gold-mining industry which flowed from the imposition of the protective duty of £1 per cask, it is not surprising that Percy FitzPatrick - then in the employ of H. Eckstein and Company - viewed the situation as 'truly outrageous'.⁽¹⁹⁾

Favourable as conditions might appear to have been for the establishment of a cement factory in the Transvaal, its early history was not a story of success. In August 1890, the *Johannesburg Star* reported '...the formal opening of the splendid and complete works of the South African Brick and Cement Factory' at Pretoria by President Kruger.⁽²⁰⁾ In reality, however, conditions at the factory were neither 'complete' nor 'splendid'. Although the factory produced its first samples of cement in 1890, it did not commence production until 1892, at which date it was taken over by H. Eckstein and Company and registered as *De Eerste Cement Fabrieken*

14. Knowles, L.C.A. : op. cit., p.300.

15. Vide supra: ch.2, p.21,

16. Vide supra: ch.2, p.23.

17. Kruger, H.J.P.L. : op. cit., pp.231-2.

18. Based on ocean freight, railage, wagon transport and other costs given by Hatch, J.H. and Chalmers, J.A. : op. cit., pp.244-5.

19. FitzPatrick, P. : op. cit., p.73.

20. Star : Monday, 4 August 1890.

Beperkt.⁽²¹⁾ The 'formal opening' of 1890 thus appears to have been a ruse to stimulate the condition necessary for the renewal of the concession.

Moreover, the Transvaal factory, despite its advantages, found it difficult to compete with imported cement. The price of locally-produced cement in the early 1890's fluctuated between £1-7-6d. and £1-13-0d. per cask.⁽²²⁾ Nonetheless, both the mining industry and local building contractors continued to rely heavily upon the use of imported cement rather than the local product.⁽²³⁾ One reason for this appears to have been the fact that the price of imported cement was considerably reduced. The local plant - comprising ring-ovens, grinding machinery, engines and boilers - had been ordered from Germany at a time when far-reaching changes were being made in the process of cement-making, particularly in Britain, Denmark and the United States.⁽²⁴⁾ As a result, while H. Eckstein and Company continued to rely upon managers '...who had a blind faith in the German ring-ovens',⁽²⁵⁾ the rotary kiln, an English patented invention, halved the cost of the first process of cement-making. At the same time, ball-mills were being used in Europe to grind the clinker in the final process at half the cost of the old-fashioned 'champagne-stones'.⁽²⁶⁾

Meanwhile, the completion of the rail links between the coastal centres and the Witwatersrand brought about a sharp fall in the extent of internal freight protection to

21. Cartwright, A.P. : The Corner House (1965), p.112. The cement concession was not renewed, so that there was no legal restriction on the establishment of a cement factory in the Transvaal after 1890.

22. Cartwright, A.P. : A History of the Pretoria Portland Cement Company Limited, p.2. An illustration of the ledger of De Eerste Cement Fabrieken Beperkt for 1892, from which wholesale prices have been derived.

23. Hatch, F.H. and Chalmers, J.A. : op. cit., p.245.

24. Cartwright, A.P. : op. cit., p.9.

25. Ibid., p.12.

26. Ibid., p.13.

between £1-7-0d. and £1-16-8d. per cask in 1895.⁽²⁷⁾

Furthermore, as a result of the recommendations made by the committee appointed by the Volksraad to investigate the concessions policy in 1895, the protective duty on cement was lowered to 12/- per cask in 1896.⁽²⁸⁾ Thus, as a consequence of improved technology, lower freight charges and a considerably reduced duty, the average price of imported cement on the Witwatersrand during the second half of the 1890's had fallen to about £2-6-5d. per cask.⁽²⁹⁾

The fact that locally-manufactured cement enjoyed a price advantage of between 13/- and 19/- per cask, was outweighed by the unreliability of local cement.⁽³⁰⁾ A.P. Cartwright refers to '...the prejudice of engineers and mine managers against the local product.'⁽³¹⁾ That prejudice was well-founded. As Cartwright goes on to state:

'For the first twelve years of its life the company simply could not turn out cement of a consistent quality. One batch would be first-class. The next would be an entirely different

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27. Hatch, F.H. and Chalmers, J.A. : op. cit., p.245, contains the following table on the cost of transporting 3rd class goods, including mining materials, by railway in 1895:

<u>Route</u>	<u>Per Ton</u>	<u>Per 100 lbs.</u>
Cape Town to Johannesburg	£9-3-4d.	9/2d.
Port Elizabeth to Johannesburg	£7-3-4d.	7/2d.
Grahamstown to Johannesburg	£6-16-8d.	6/10d.
East London to Johannesburg	£6-15-0d.	6/9d.

28. Knowles, L.C.A. : op. cit., p.300; Cartwright, A.P. : op. cit., pp.11-12.

29. Based on the following table, compiled from: Hatch, J.H. and Chalmers, J.A. : op. cit., p.247; Witwatersrand Chamber of Mines : Seventh Annual Report for 1895 (1896), p.189; and Morgan, B.H. : Report of the Engineering Trades of South Africa (1902), p.86.

1894	...	12,033 casks at £2-13-4d. per cask.
1895	...	25,521 casks at £1-19-1d. per cask.
1898	...	22,693 casks at £1-17-10d. per cask.
1901	...	2,253 casks at £2-15-5d. per cask.

30. Cf. FitzPatrick's evidence in the Report and Proceedings of the Industrial Commission of Inquiry, 1897, pp. 68-9: '...the quality of local cement is sufficiently good to compete with that imported.'

31. Cartwright, A.P. : op. cit., p.12.

product, a cement that set far too quickly or failed to set at all.' (32)

This problem proved to be the major obstacle to progress, and was not solved until the re-organisation of the factory in the early years of the twentieth century.

Despite its disruptive effects, the Anglo-Boer War stimulated the development of the local cement industry. During the war, the British Army built some 3,000 block-houses, the cement for which was provided by the Transvaal factory.⁽³³⁾ Following the conclusion of the war in 1902, the firm was renamed the *First Portland Cement Company*.⁽³⁴⁾ It was well-positioned to take advantage of the post-war prospects, particularly as the customs conference of March 1903 agreed that imported cement was to be subjected to a duty of 10 per cent. ad valorem. Three years later, in March 1906, the second post-war customs convention was held in Pietermaritzburg. On that occasion, the duty on cement was converted to a specific duty of 1/3d. per cask, with an imperial preference of 3d. per cask.⁽³⁵⁾ This duty was incorporated, unaltered, into the Union's first customs tariff in 1914.⁽³⁶⁾

Under conditions of production where an outmoded technology had resulted in a comparatively high cost structure, the reduction in the customs duty from at least 12/- per cask in 1896⁽³⁷⁾ to 1/3d. per cask in 1906 further exposed the industry to external competition. By 1906, however, certain changes had taken place which were to strengthen the competitive position of the Transvaal factory. In August 1904, E. Davidson, an American with expert knowledge of the most up-to-date methods of cement manufacture, was appointed manager of the company.⁽³⁸⁾ The following

32. Ibid.

33. Worsfold, W.B. : op. cit., pp.455-8.

34. Cartwright, A.P. : op. cit., p.14.

35. Vide: Appendix 1.

36. Customs Tariff Act No.26 of 1914.

37. Imported cement also paid a duty at the port of entry, so that the total duty was higher than 12/-.

38. Cartwright, A.P. : op. cit., pp.14-16.

month, in September 1904, a fire at the Pretoria factory destroyed practically all the machinery used in the initial and finishing stages of cement manufacturing. In replacing this machinery, it was possible to install more modern equipment, and the £7,000 paid out by the insurance companies helped to meet the cost of a rotary kiln.⁽³⁹⁾ Within two years, Davidson had re-organised the factory, and from 1906 onwards the company operated under considerably improved conditions. In 1908, the company changed its name for the third and final time to the *Pretoria Portland Cement Company*.⁽⁴⁰⁾

In view of the growing profitability of this company - it produced its first net profit of £19,839 in 1906⁽⁴¹⁾ - it was only a matter of time before local competitors would appear on the scene. The establishment of other cement factories in the interior was also spurred on by the fact that, such were the improvements introduced by Davidson since 1906, imported cement could compete only in the coastal areas; beyond that region lay a sheltered market protected by the railway rates into the interior.⁽⁴²⁾ In a letter to H.C. Boyd, the chairman of the company, Davidson predicted in 1909 that '...this competition will undoubtedly come within the next two or three years....'⁽⁴³⁾ His forecast proved remarkably accurate. In 1913, White's *South African Portland Cement Company* was floated.⁽⁴⁴⁾

The establishment of this new factory did not, as Boyd had feared, lead to over-production. The temporary slump at the beginning of the First World War soon gave way to a building boom.⁽⁴⁵⁾ As cargo space became scarce and freight rates soared, so the importation of cement declined and the South African factories began to work overtime.⁽⁴⁶⁾ To meet

39. *Ibid.*, pp.16-18.

40. *The Corner House* : A pamphlet issued by the Corner House in 1965, p.8.

41. Cartwright, A.P. : *op. cit.*, p.20.

42. *Industrial South Africa*, November 1921, p.94.

43. Quoted in Cartwright, A.P. : *op. cit.*, p.23.

44. *The Corner House* : *op. cit.*, p.9. The factory was located in the Orange Free State.

45. Schumann, G.C.W. : *op. cit.*, pp.239-40, 244.

46. Cartwright, A.P. : *op. cit.*, p.24.

increased demands in 1915, the *Pretoria Portland Cement Company* opened a new plant in the Marico district of the western Transvaal. This factory, called *Slurry*, produced its first cement in November 1916.⁽⁴⁷⁾ The stimulating effect of the First World War upon the development of the local cement industry is shown by the data contained in Table 7-1.⁽⁴⁸⁾ Statistics of the cement industry alone are not available, and Table 7-1 refers to 'Cement and Modelling in Cement and Plaster'. However, since the value of 'modelling' appears to have constituted only about 10 per cent. of the value of the whole class, this Table still serves as a guide to the development of the local cement industry.⁽⁴⁹⁾ With this qualification in mind, it may be concluded that, between 1915/16 and 1918/19, the total number of employees increased by 56,9 per cent.: that of Whites by 50,3 per cent. and that of Non-Whites by 58,2 per cent. Concurrently, the gross value of output almost doubled: it rose by 96,3 per cent., from £270,000 to £530,000. This war-time expansion was also accompanied by a sharp increase in the value added per employee, which rose from £202 in 1915/16 to £263 in 1918/19.

When hostilities ended in 1918, those favourable factors which had sponsored the advance of secondary industry during the war-years were removed.⁽⁵⁰⁾

Nevertheless, as was the case with secondary industry in general and the footwear and printing industries in particular, the cement industry continued to expand. Table 7-1 shows that between 1918/19 and 1920/21 the total number of employees increased by 85,9 per cent.: that of Whites by 52,4 per cent. and that of Non-Whites by 92,1 per cent. Over that same three-year period, the gross value of output

47. The Corner House : op. cit., p.8. 'Slurry' is the name given to the mixture of raw materials when the 'wet process' is used to manufacture cement.

48. Table 7-1 compiled from the Census of Industrial Establishments for 1915/16 (U.G.14/1918); 1916/17 (U.G.51/1918); 1917/18 (U.G.17/1920); and 1924/25 (U.G.41/1927).

49. Census of Industrial Establishments : 1927/28 (U.G.18/1930), pp.36,41. The gross output of the entire class was £1,318,000; that of modelling alone was £120,912. Unfortunately, no other industrial census provides separate figures.

50. Vide supra: ch.2, pp.47-8.

	1915/16	1916/17	1917/18	1918/19	1919/20	1920/21	1921/22	1922/23	1923/24	1924/25
<u>No. of Establishments:</u>	15 (3)	19 (3)	23 (3)	18 (3)	27 (3)	28 (3)	24 (4)	29 (4)	28 (4)	33 (4)
<u>Value of Land and Buildings:</u> (£)	97,832	93,362	108,649	143,170	129,914	154,099	157,978	293,104	295,780	309,519
<u>Value of Machinery, Plant and Tools:</u> (£)	331,021	444,851	507,557	540,016	541,490	486,870	501,114	851,968	804,489	822,658
<u>No. of Employees:</u>										
All Races	914	1,268	1,434	1,434	2,081	2,665	2,143	2,111	2,505	2,931
Whites	151	187	230	227	289	346	260	300	325	343
Non-Whites	763	1,081	1,204	1,207	1,792	2,319	1,883	1,811	2,180	2,588
<u>Salaries and Wages:</u>										
All Races (£)	58,350	71,034	110,053	123,693	171,279	221,430	172,106	183,130	196,178	222,281
Whites (£)	35,863	41,565	69,160	75,545	92,664	123,140	86,236	102,190	101,491	107,327
Non-Whites (£)	22,487	29,469	40,893	48,148	786,615	98,290	85,870	80,940	94,687	114,954
<u>Raw Materials Used:</u>										
Total (£)	85,097	84,427	110,067	152,301	259,165	339,792	194,593	177,933	207,203	237,507
South African (£)	54,142	55,563	69,351	92,794	142,912	189,136	124,370	94,528	100,521	112,968
Imported (£)	30,955	28,864	40,716	59,507	116,253	150,656	70,223	83,405	106,682	124,539
<u>Output:</u>										
Gross Value (£)	270,129	339,132	477,107	529,615	816,497	1,127,927	756,767	807,803	1,055,909	1,030,934
<u>Value Added to Materials:</u> (£)	185,032	254,885	367,040	377,314	557,332	788,135	562,174	629,870	848,706	793,427
<u>Value Added Per Employee:</u> (£)	202	205	256	263	268	296	262	298	339	271

NOTE: With regard to 'No. of Establishments', the figure in brackets indicates the number of cement factories.

TABLE 7-1 : 'CEMENT, AND MODELLING IN CEMENT AND PLASTER: 1915/16 - 1924/25'

more than doubled itself: it rose by 112,8 per cent., from £530,000 to £1,128,000, while value added per employee increased from £263 to £296. This rate of expansion, which outstripped that achieved by the footwear and printing industries,⁽⁵¹⁾ was partly due to the post-war boom.⁽⁵²⁾ Another factor, and one of greater immediate effect, was the prolonged construction boom which lasted until 1920/21. According to Table 7-2, the gross value of output for the construction industry increased by 138,3 per cent. between 1918/19 and 1920/21.⁽⁵³⁾ Thus, the fortunes of the construction industry and the cement industry were inextricably intertwined, and, as a consequence, the former played some part in dictating the pace at which the latter was to develop.

TABLE 7-2					
<u>Construction Industry - Gross Value of Output</u>					
<u>1918/19 - 1938/39</u>					
	(£'000)				(£'000)
1918/19 ...	£4,120		1928/29 ...		£ 7,808
1919/20 ...	7,620		1929/30 ...		8,205
1920/21 ...	9,820		1930/31 ...		---
1921/22 ...	8,171		1931/32 ...		---
1922/23 ...	8,575		1932/33 ...		3,597
1923/24 ...	9,245		1933/34 ...		6,139
1924/25 ...	9,391		1934/35 ...		9,674
1924/25 ...	5,923		1935/36 ...		12,396
1925/26 ...	6,634		1936/37 ...		15,117
1926/27 ...	7,249		1937/38 ...		16,261
1927/28 ...	7,677		1938/39 ...		15,573

51. Between 1918/19 and 1920/21, the gross value of the footwear industry's output fell by 11,5 per cent., while that of the printing industry rose by 56,8 per cent. over the same period.

52. Schumann, G.C.W. : op. cit., pp.244,248; Du Plessis, J.A. : op. cit., p.50.

53. Table 7-2 compiled from the Department of Census and Statistics : Statistics for Fifty Years: 1910-1960. L-29.

After 1920/21, the cement industry experienced a period of short, sharp contraction. Table 7-1 shows that, between 1920/21 and 1921/22, the total number of employees fell by 19,6 per cent.; that of Whites by 24,8 per cent. and that of Non-Whites by 18,8 per cent. At the same time, the gross value of output fell by 32,8 per cent., from £1,128,000 to £757,000, while value added per employee fell from £296 to £262.⁽⁵⁴⁾ The position was aggravated by the opening-up of a new factory in 1922 - at De Hoek, near Piketberg, in the north-western Cape.⁽⁵⁵⁾ This meant that the four factories then in existence were operating at a level considerably below full capacity. This set-back may be partly attributed to the post-war depression which had begun in the last few months of 1920.⁽⁵⁶⁾ This, in turn, was reflected in the contraction which took place in the construction industry. Table 7-2 shows that the gross value of output of the construction industry fell by 16,8 per cent. between 1920/21 and 1921/22, and this had the effect of depressing the total demand for cement in South Africa.

While local cement manufacturers were willing to concede that the declining activity in the construction industry was part of the cause of their problems, they argued that the crux of the issue was that imported cement was replacing local cement in the South African market.⁽⁵⁷⁾ Official statistics lend support to this view. After the First World War, and particularly in 1920 and 1921, the importation of cement reached record levels.⁽⁵⁸⁾ In view of the slackening-

54. It will be noticed that, according to Table 7-1, the number of Non-White employees and Non-White wages continued to fall in 1922/23. In all other respects, however, the industry had begun recovering by that date.

55. Cartwright, A.P. : op. cit., p.27.

56. Schumann, G.C.W. : op. cit., p.248; Du Plessis, J. : op. cit., p.48.

57. South African Journal of Industries : vol.3, no.6, June 1920, p.481; and vol.3, no.12, December 1920, p.1081.

58. Annual Statement of the Trade and Shipping of the Union of South Africa : Value of imported cement:

1918	...	£	882	1921	...	£	80,184
1919	...		17,764	1922	...		117,419
1920	...		118,484	1923	...		117,958

off in demand, it appears that the foreign product was displacing the local product to the detriment of the local industry. This was only made possible, the manufacturers argued, because foreign suppliers indulged in the dumping of cement in the South African market.⁽⁵⁹⁾ The Union's first customs tariff in 1914 had provided that where dumping occurred - that is, where the price to importers in South Africa was less than the current value for home consumption in the country of export - a dumping duty, equal to the difference, could be levied.⁽⁶⁰⁾

In response to the complaints of the industry, a spate of dumping duties were imposed during the course of the following three years. In January and March 1923, upon the recommendation of the Board of Trade and Industries,⁽⁶¹⁾ proclamations were issued in terms of which ordinary dumping duties were imposed on cement imported from Belgium, Denmark, Holland, Norway and Britain.⁽⁶²⁾ In July of that year, freight dumping duties were levied on cement imported from Britain, Holland, Germany, Belgium, Norway, Sweden and Denmark.⁽⁶³⁾ In January of the following year, an exchange dumping duty was imposed on Belgian cement.⁽⁶⁴⁾ In addition, the Board of Trade and Industries recommended the inclusion of Germany, Canada and Mocambique in the list of countries whose cement was subject to payment of an ordinary dumping

59. Commercial and Industrial Gazette : Dumping Duties on Cement, vol.1, no.7, November 1926, pp.143-5.

60. Customs Tariff Act No.26 of 1914 : section 8.

61. Board of Trade and Industries : Report No.8: The Dumping of Cement (1923). This report was not published, but a summary is to be found in the South African Journal of Industries, vol.7, 1923.

62. Proclamation No.12, 19 January 1923, Government Gazette Extraordinary No.1288, concerned Belgian, Danish and Dutch cement; Proclamation No.19, 26 January 1923, Government Gazette No.1289, concerned Norwegian cement; and Proclamation No.44, 1 March 1923, Government Gazette Extraordinary No.1300, concerned British cement.

63. Proclamation No.141, 13 July 1923, Government Gazette No.1332.

64. Proclamation No.3, 4 January 1924, Government Gazette No.1359.

duty.⁽⁶⁵⁾ Accordingly, in April and June of 1924, proclamations were issued to that effect.⁽⁶⁶⁾ This initial spate of dumping duties came to a close in February 1925, when an ordinary dumping duty was imposed on cement imported from Sweden.⁽⁶⁷⁾

Whether or not such dumping was actually harmful, and whether the duties imposed were in fact successful in combatting dumping, are two important questions which will be raised later in this chapter. At this stage, it may be observed that the legislation itself was unsatisfactorily framed and that this made it difficult to calculate dumping duties.⁽⁶⁸⁾ For example, in terms of the Customs Tariff Act of 1914, the method whereby the domestic value for home consumption in the country of export was calculated was to accept a declaration made by the exporter. In difficult cases, the Commissioner of Customs was authorised to determine the facts.⁽⁶⁹⁾ The Department of Customs thus possessed a large measure of discretionary power, and this could lead to the imposition of duties inappropriate to the true facts of the situation.

The wide range of divergence that existed is well-illustrated in the Board of Trade and Industries' report on the dumping of British cement in 1923.⁽⁷⁰⁾ On this occasion, the *Pretoria Portland Cement Company* alleged that the domestic

65. Board of Trade and Industries : Report No.30: Cement Dumping (1924); Report No.48: The Dumping of Mocambique Cement (1924).

66. Proclamation No.70, 16 April 1924, Government Gazette Extraordinary No.1386, dealt with German cement; Proclamation No.79, 25 April 1924, Government Gazette No.1388, dealt with Canadian cement; Proclamation No.111, 2 June 1924, Government Gazette Extraordinary No.1396, dealt with Mocambique cement.

67. Proclamation No.34, 20 February 1925, Government Gazette No.1453.

68. Appendix 6 contains extracts from the relevant customs tariff acts where alterations were made with regard to the dumping clauses.

69. Customs Tariff Act No.26 of 1914 : section 9.

70. South African Journal of Industries : op. cit.

price of cement in Britain varied from 48/5d. to 55/1d. per ton. The Department of Customs calculated this price to be 42/9d. per ton. The Board of Trade, citing *The Economist*, quoted a price of between 58/- and 63/6d. per ton. On the basis of these quotations, the Board of Trade accepted the figure of 58/-, on which basis dumping duties were imposed in March 1923. However, the cement quotations in *The Economist* did not represent prices in Britain as a whole but:

'...prices in the London area, including delivery charges from the works to the site, and are subject to discount or rebates depending on the quantities taken by the consumer in a given period.' (71)

Therefore, the figures provided by *The Economist* did not conform to the current value for home consumption in the country of export as defined in the Act,⁽⁷²⁾ and should not have been used to determine the existence and extent of dumping.

The Customs Tariff Act of 1923, which amended certain dumping clauses, stipulated that, in cases of doubt, an investigating officer in the country of export was to provide a Certificate of Domestic Value.⁽⁷³⁾ While this amendment provided for the collection of more accurate evidence, too much power was placed in the hands of investigating officers. This was clearly revealed in the case of the alleged dumping of Mocambique cement in 1924. The investigating officer in Mocambique, on the basis of a single quotation for the delivery of cement from Delagoa Bay to Witbank in the eastern Transvaal, reported that the difference between this price and the domestic value for home consumption in Mocambique warranted the imposition of an ordinary dumping duty. A proclamation to that effect was issued in June 1924. In a report issued in December 1924, however, the Board of Trade admitted that '...there is no evidence that any actual transactions were put through on the basis of the quotation

71. Plant, A. : The Anti-Dumping Regulations of the South African Tariff, Journal of the Economic Society of South Africa, vol.5, no.7, 1931, p.271.

72. Customs Tariff Act No.26 of 1914 : section 7.

73. Customs Tariff Act No.23 of 1923 : section 13.

referred to.'⁽⁷⁴⁾ In other words, the importation of Mocambique cement need not necessarily have constituted dumping, in which case the dumping duty levied was unjustified. The Customs Tariff Act of 1925 attempted to rectify the situation by providing for an appeal to the Minister of Finance.⁽⁷⁵⁾ Nonetheless, the report of the investigating officer remained the primary evidence upon which the decision whether or not to impose duties was based.

The clause dealing with freight dumping also left a lot to be desired. The customs tariff of 1923 empowered the government to determine a minimum rate of freight, and to impose a freight dumping duty equal to the difference between this rate and the freight rate paid when goods are '...carried to the Union at a rate of freight which, in the opinion of the Minister of Finance, is detrimental to the production or manufacture of those goods in the Union.'⁽⁷⁶⁾ It must be pointed out that freight dumping, as defined in the Act, does not constitute dumping at all. A low freight rate does not necessarily mean that the export price of a commodity is lower than the domestic value for home consumption in the country of export. Nevertheless, in 1923, freight dumping duties were imposed on the importation of cement from seven European countries, the minimum rate of freight being fixed at 17/6d. per ton.⁽⁷⁷⁾

In its report on dumping, issued in 1924, the Board of Trade and Industries roundly criticised the use of freight dumping duties as:

'...a very arbitrary, unsatisfactory, and unsound method of assisting local industries. It is an essentially arbitrary procedure to vest in the Governor-General the fixing of a minimum rate of freight, since the determination of freight rates in general depends upon a variety of factors to be taken into consideration by shipping interests. It is also unsound on principle, because the fixing of minimum freight rates by Governmental authority is tantamount to

74. Board of Trade and Industries : Report No.48: op. cit.

75. Customs Tariff Act No.36 of 1925 : section 14.

76. Customs Tariff Act No.23 of 1923 : section 12(3).

77. Proclamation No.141, 13 July 1923, Government Gazette No.1332.

placing a premium on high freight rates, where-
as it is in the interest of the foreign trade
of any country to secure the lowest possible
shipping rates.' (78)

If freight rates fell so low as to endanger Union industries, the Board of Trade recommended that application should be made for an increase in the ordinary customs duty. Despite this display of economic perspicacity on the part of the Board, the new freight dumping clause contained in the Customs Tariff Act of 1925 made only a slight alteration to the existing clause. In terms of that Act, a duty equal to 'the difference between the net freight paid...and that which would have been payable at the rate prevailing at the date of shipment for those classes of goods usually rated for shipping purposes on the same basis' was to be levied. (79) The possibility of South Africa benefitting from low freight rates was as remote as ever.

Meanwhile, the local cement industry had witnessed several years of steady, if unspectacular, progress. According to Table 7-1, between 1921/22 and 1924/25, the total number of employees increased by 36,8 per cent.; that of Whites by 31,9 per cent. and that of Non-Whites by 37,4 per cent. During that same period, the gross value of output rose by 36,5 per cent., from £757,000 to £1,031,000, while value added per employee increased marginally from £262 to £271. This rate of expansion compared favourably with that of the printing industry during those years, but it compared unfavourably with the considerably expansion achieved by the footwear industry. (80) In part at least, this was due to the sluggish development which characterised the construction industry. Table 7-2 shows that the gross value of output of this sector rose by only 14,9 per cent. between 1921/22 and 1924/25.

78. Board of Trade and Industries : Report No.42: Dumping or Unfair Competition (1924).

79. Customs Tariff Act No.36 of 1925 : section 15.

80. Between 1921/22 and 1924/25, the gross value of the printing industry's output fell by 1,4 per cent., while that of the footwear industry increased by 45 per cent. over the same period.

Another reason for the slow progress in the cement industry was that the existing dumping legislation was not always effective against sporadic or short-term dumping. Prior to 1923, six weeks' notice of the intention to apply a dumping duty proclaimed in the Government Gazette was required.⁽⁸¹⁾ This meant, in effect, that foreign exporters had six weeks in which to rush consignments to the Union in order to avoid payment of the duty.⁽⁸²⁾ Acting in terms of the Customs Tariff Act of 1923, the government attempted to eliminate this problem by providing that such duties were to be imposed from the date of publication of the proclamation in the Gazette.⁽⁸³⁾ Nevertheless, unless the investigating officer in the country of export was able to provide information in advance, it was still impossible to prevent sporadic or short-term dumping. For example, in June 1924, an ordinary dumping duty was levied on cement imported from Mocambique. In December 1924, however, the Board of Trade and Industries reported that:

'...no dumping duty has been collected on Mocambique cement, except 13s. 9d. collected in June. It should be explained that 30,200 lbs. of cement was imported in June, of which 28,200 were cleared on the second of June before the dumping duty became operative.'⁽⁸⁴⁾

It is apparent from the foregoing, together with the sharp increase in the volume of imported cement,⁽⁸⁵⁾ that dumping duties were not always effective; and this probably contributed to the comparatively slow rate of expansion between 1921/22 and 1924/25.

Although the Nationalist-Labour Pact victory in the

81. Customs Tariff Act No.26 of 1914 : section 8(3).

82. Plant, A. : op. cit., pp.28-9. 'In six weeks it is possible to rush consignments at least ten thousand miles. The only possibility of using the legislation against sporadic shipments arose, therefore, in cases where they were likely to be intermittent, and to occur at sufficiently short intervals to warrant keeping a proclamation in force, with all the administrative expense of checking the domestic values regularly throughout.'

83. Customs Tariff Act No.23 of 1923 : section 12(4).

84. Board of Trade and Industries : Report No.48 : op. cit.

85. Vide infra: Table 7-4.

1924 election was partly due to their support for a policy of tariff protection for secondary industry, no alteration was made to the customs duty of 1/3d. per cask on cement. Nonetheless, the abolition of the imperial preference to Britain and reciprocating dominions of 3d. per cask did offer some small measure of increased support for the local industry.⁽⁸⁶⁾ On the recommendation of the Board of Trade and Industries,⁽⁸⁷⁾ the Customs Tariff Act of 1925 also embodied certain modifications with regard to the clauses dealing with dumping. In terms of that Act, the comparison between the domestic price for home consumption in the country of export and the export price was to be taken on the date of purchase rather than the date of shipment.⁽⁸⁸⁾ As a result, the existing duties required modification. In 1926, the Board of Trade reported on those alterations, and, in response to complaints, recommended the imposition of additional dumping duties.⁽⁸⁹⁾ This produced a second spate of dumping duties.

In May 1926, the freight dumping duty, imposed on cement imported from Britain, Holland, Belgium, Germany, Norway, Sweden and Denmark in 1923, was withdrawn. Concurrently, the ordinary dumping duties on Danish and Norwegian cement, levied in 1923, and on Canadian cement, levied in 1924, were also withdrawn. All other existing duties were superseded by a proclamation which imposed an ordinary dumping duty on cement from Britain, Belgium, Germany, Sweden, Yugoslavia and Mocambique. In addition, an exchange dumping duty was levied on cement from Belgium and Yugoslavia.⁽⁹⁰⁾ Later that year, the Board of Trade reported on the importation of cement from Denmark, Italy and Canada,⁽⁹¹⁾ and this resulted

86. Worsfold, W.B. : Lord Milner's Work in South Africa (1906), pp.454-6; FitzPatrick, P. : op. cit., pp.254-8.

87. Board of Trade and Industries : Report No.51: Revision of the Customs Tariff (1925).

88. Customs Tariff Act No.36 of 1925 : section 19.

89. Board of Trade and Industries : Report No.60: Dumping Duties on Cement (1926).

90. Proclamation Nos.108, 109 and 110, 28 May 1926, Government Gazette No.1556.

91. Board of Trade and Industries : Report No.70: Dumping of Cement from Denmark, Italy and Canada (1926).

in the imposition of an ordinary dumping duty on cement from those countries in October 1926.⁽⁹²⁾ In March 1927, in response to further complaints,⁽⁹³⁾ an ordinary dumping duty was re-imposed on Norwegian cement, while an exchange dumping duty was levied on cement from Poland.⁽⁹⁴⁾ This second spate of dumping duties came to a close in October 1927, when, on the recommendation of the Board of Trade,⁽⁹⁵⁾ an ordinary dumping duty was levied on cement from Esthonia.⁽⁹⁶⁾

Despite the improvements made to certain dumping clauses in 1925, the situation still remained unsatisfactory in some respects. This was particularly true of the exchange dumping duties. The Customs Tariff Act of 1922 had contained the first provision against exchange dumping. In terms of that Act, a rate of exchange was determined from time to time by the Governor-General, and the imported goods revalued on that basis; the difference between that value and the actual price charged was to be levied as an exchange dumping duty.⁽⁹⁷⁾ Differences of less than 5 per cent. were to be ignored, while the duty was limited to 50 per cent. of the value of the goods.⁽⁹⁸⁾ Since the value of the foreign currency in question tended to fluctuate, the arbitrarily selected rate of exchange did not always serve as a satisfactory basis for the calculation of exchange dumping duties.

Although the Customs Tariff Act of 1925 modified the method of calculating exchange dumping duties, it did not bring about any improvement. In terms of that Act, the

92. Proclamation No.233, 1 October 1926, Government Gazette No.1583.

93. Board of Trade and Industries : Report No.77: Dumping of Cement from Norway and Poland (1927).

94. Proclamation Nos.81 and 82, 25 March 1927, Government Gazette No.1617.

95. Board of Trade and Industries : Report No.82: Dumping of Cement from Esthonia (1927).

96. Proclamation No.283, 14 October 1927, Government Gazette No.1662.

97. Customs Tariff Act No.35 of 1922 : section 5.

98. Ibid., section 5(1).

exchange dumping duty was the difference between:

'...an export price which...is less than the export price of goods of the same class or kind imported into the Union from countries the exchange value of whose currency in relation to Union currency is not depreciated by more than 5 per centum, and from which such goods on importation are not otherwise liable to any dumping duty....' (99)

Such modiciation only served to introduce further complexity to an already complex situation. Not surprisingly, as A. Plant observed, it was often extremely difficult '...to find a country without a depreciated currency, but with a current export business to the Union in the commodity concerned, and against which no dumping duty was at the time in existence.' (100)

The difficulty involved was clearly revealed in 1926, in the case of exchange dumping duties levied on cement from Belgium and Yugoslavia. On that occasion, the Board of Trade and Industries reported that the United States was the only country which exported cement to the Union, whose currency had not been depreciated and against which no dumping duty was already in force. After obtaining a quotation for the delivery of cement from New York to the Union, the Board of Trade calculated that the difference between this value and the export price of cement from Belgium and Yugoslavia amounted to 4/9d. and 3/4d. per cask respectively. (101) Since the difference amounted to more than 5 per cent. of the value of the goods, an exchange dumping duty was proclaimed in May 1926. It must be pointed out, however, that there existed no evidence whatsoever that the United States was in fact selling cement to South Africa at the price obtained by the Board of Trade. Hence, it is quite possible that the duty imposed may not have been commensurate with the real facts of the situation. This unsatisfactory state of affairs took on even greater proportions when exchange depreciation became endemic after

99. Customs Tariff Act No.37 of 1925 : section 15(1)(b).

100. Plant, A. : op. cit., p.35.

101. Commercial and Industrial Gazette : op. cit., pp.149-151.

1929. (102)

Meanwhile, the local cement industry continued to make satisfactory progress, as is evidenced in Table 7-3. (103) Between 1924/25 and 1929/30, the total number of employees increased by 42,4 per cent.: that of Whites by 61,5 per cent. and that of Non-Whites by 39,2 per cent. This marked a reversal of the employment pattern which characterised the industry prior to 1924/25, and appears to indicate the implementation of the government's 'civilised labour' policy introduced in 1924. Over the same period, the gross value of output rose by 50,1 per cent., from £1,021,000 to £1,533,000, while value added per employee increased slightly from £273 to £281. In the midst of this expansion, the *Pretoria Portland Cement Company* established another factory, the *Eastern Province Cement Company* in Port Elizabeth, and this commenced production in 1928. (104) In part at least, this expansion was due to the growing popularity of cement blocks with building contractors. (105) In addition, the demand for cement from the gold-mines increased as deep-level mining required concrete columns in place of timber supports. (106) Yet another factor to be taken into consideration was '...the great activity in the building trade throughout the Union'. (107) And, in the words of the *Pretoria Portland Cement Company*, this increased demand was largely met

102. van Biljon, F.J. : op. cit., p.106.

103. Table 7-3 compiled from the Census of Industrial Establishments for 1925/26 (U.G.32/1928); 1927/28 (U.G.18/1930); 1933/34 (U.G.34/1936); 1937/38 (U.G.21/1941); and 1941/42 (U.G.20/1940).

104. The Corner House : op. cit., p.8.

105. Census of Industrial Establishments : 1924/25 (U.G.41/1927), p.vii : 'Brick business very slow as many building contractors are making use of cement blocks which are cheaper.'

106. Watermeyer, G.A. and Hoffenberg, S.N. : Witwatersrand Mining Practice (1932), p.435. It appears that this practice began in 1924.

107. Census of Industrial Establishments : 1927/28 (U.G.18/1930), p.vii. According to Table 7-2, the gross value of the construction industry's output increased by 38,5 per cent., from £5,923,000 in 1924/25 to £8,205,000 in 1929/30.

	1924/25	1925/26	1926/27	1927/28	1928/29	1929/30	1930/32	1932/33	1933/34	1934/35	1935/36	1936/37	1937/38	1938/39
<u>No. of Establishments:</u>	29 (4)	29 (4)	32 (4)	35 (4)	49 (5)	54 (5)	NO STATISTICS AVAILABLE	50 (5)	54 (5)	55 (5)	59 (6)	67 (6)	66 (6)	67 (6)
<u>Fixed Capital:</u> (£'000)	1,129	1,019	980	958	1,238	1,359		1,174	1,131	1,174	1,747	2,181	2,258	2,372
<u>No. of Employees:</u>														
All Races	2,889	2,622	3,193	3,399	4,337	4,114		3,190	3,836	4,608	5,530	5,204	5,240	5,464
Whites	329	339	398	461	573	551		504	538	662	780	864	885	997
Non-Whites	2,560	2,283	2,795	2,938	3,764	3,563		2,686	3,298	3,946	4,750	4,340	4,385	4,467
<u>Salaries and Wages:</u>														
All Races (£'000)	218	209	250	280	347	353		251	282	350	411	459	480	512
Whites (£'000)	105	104	121	143	171	176		140	146	183	204	250	264	278
Non-Whites (£'000)	113	105	129	137	176	177		111	136	167	207	209	216	234
<u>Raw Materials Used:</u> (£'000)	232	249	323	338	408	376		264	299	401	515	789	834	946
<u>Output:</u>														
Gross Value (£'000)	1,021	1,063	1,318	1,415	1,588	1,533		1,212	1,528	1,916	2,221	2,682	2,786	3,048
<u>Value Added to Materials:</u> (£'000)	789	814	994	1,076	1,180	1,157		948	1,229	1,515	1,707	1,893	1,952	2,102
<u>Value Added Per Employee:</u> (£)	273	310	310	316	269	281		297	320	329	309	364	373	385

NOTE: With regard to 'No. of Establishments', the figure in brackets indicates the number of cement factories.

TABLE 7-3 : 'CEMENT', AND MODELLING IN CEMENT AND PLASTER: 1924/25 - 1938/39'

from local sources due '...to the satisfactory working of dumping duties on cement imported from certain European countries.' (108)

In 1928, the Board of Trade and Industries reported that the exchange dumping duty on Belgian cement had been successful, and therefore recommended the withdrawal of the duty.⁽¹⁰⁹⁾ A proclamation to that effect was published in February of that year.⁽¹¹⁰⁾ Similarly, in May 1929, the exchange dumping duties on cement imported from Poland and Yugoslavia were also withdrawn.⁽¹¹¹⁾ These proclamations provoked a strong reaction from local cement manufacturers. With regard to the importation of Belgian cement, the *Pretoria Portland Cement Company* issued a warning in 1927/28 that '...as this overseas product is now being quoted at the port towns at prices which cannot be met by the local industry, sales of South African cement may suffer a set-back.'⁽¹¹²⁾ During the following year, this fear was confirmed: 'The Company's operations have suffered severely from the heavy importations of Belgian cement during the twelve months under review.'⁽¹¹³⁾ The low price of Belgian cement, however, did not stem from dumping, but from the greater efficiency of the cement industry in Belgium.

During the 'Great Depression' of 1929/30, the construction industry, a sensitive barometer of economic change, experienced an extremely severe contraction. Table 7-2 shows that, between 1929/30 and 1932/33, the gross value of the construction industry's output plummeted by 56,1 per cent.,

108. Census of Industrial Establishments : 1926/27 (U.G.51/1928), p.vii.

109. Board of Trade and Industries : Report No.84: Proposed Withdrawal of Exchange Dumping Duty on Belgian Cement and Asbestos Sheets (1928).

110. Proclamation No.26, 17 February 1928, Government Gazette No.1685.

111. Proclamation Nos.108 and 110, 23 May 1929, Government Gazette No.1783.

112. Census of Industrial Establishments : 1927/28 (U.G.51/1928), p.vii.

113. Census of Industrial Establishments : 1928/29 (U.G.44/1930), p.vii.

from £8,205,000 to £3,597,000. Fortunately for the local cement industry, the considerably reduced demand for cement from building contractors was partially offset by increased demand from the gold-mining industry, which expanded throughout the course of the depression.⁽¹¹⁴⁾ Moreover, it must be borne in mind that, with the exception of dumped cement, imported cement could only compete in the coastal areas. Beyond that region, the local industry was protected by railway rates. As a result, the fall in the gross value of the cement industry's output of 20,9 per cent. between 1929/30 and 1932/33 was moderate in view of the prevailing circumstances. It is evident, then, that the brunt of the depression fell upon imported cement. This view is supported by official statistics: between 1929 and 1932, the value of cement imports fell by 74,6 per cent., from £170,187 to £43,279.⁽¹¹⁵⁾

Nevertheless, local cement manufacturers remained dissatisfied. Complaints were received in 1931 that Holland was dumping cement in the local market, while it was maintained that since the withdrawal of the exchange dumping duty on Belgian cement in February 1928, the local industry was unable to compete with importations from that country.⁽¹¹⁶⁾ The only response from the government was the imposition of an ordinary dumping duty on Dutch cement in February 1931.⁽¹¹⁷⁾ The following month, disgruntled cement manufacturers made strong representations to the government for a substantially increased duty on cement. In consequence of these representations, the duty on cement was doubled from 1/3d. to 2/6d. per cask in 1932.⁽¹¹⁸⁾ In return, the local industry undertook to reduce the price of cement. This latter obligation was only reluctantly agreed to, and it

114. Katzen, L. : op. cit., pp.77-83.

115. Annual Statement of the Trade and Shipping of the Union of South Africa : 1929 and 1932.

116. Board of Trade and Industries : Report No.133: The Customs Duty on Cement (1932).

117. Proclamation No.53, 4 February 1931, Government Gazette No.1942.

118. Customs Tariff No.27 of 1932. Vide supra: ch.4, p.89.

was not until May 1934, under pressure from the government, that the companies made an all-round reduction of 1d. per bag of 94 lbs. In March 1935, a further reduction of 1d. per bag was made in the price of cement supplied to the government, the South African Railways and the coastal regions. ⁽¹¹⁹⁾

Meanwhile, the last few months of 1933 had witnessed the emergence of the South African economy from the depression. The renewed building boom, the extensive construction works undertaken by the government and the expansion of the gold-mining industry following the increase in the price of gold, all combined to produce a substantially increased demand for cement. As the level of cement importations tended to remain relatively low, ⁽¹²⁰⁾ and aided by an ordinary dumping duty on Japanese cement in December 1933, ⁽¹²¹⁾ the increased demand was largely met by the local industry. The favourable development which ensued is reflected in Table 7-3. Indeed, so rapidly did demand increase that, with all factories working to full capacity, the local industry could not meet the demand. As a result, there occurred a sharp increase in imported cement during 1935 in order to meet the shortfall in local supply. ⁽¹²²⁾ The average price of local cement in 1935 - after the price-reductions of 1934 and 1935 - was only about 2d. per bag less than that of duty-paid imported cement. ⁽¹²³⁾ Therefore,

119. Customs Tariff Commission : U.G.5 of 1936, pars.565-6.

120. Annual Statement of the Trade and Shipping of the Union of South Africa : The value of imported cement:

1932	£43,279
1933	29,025
1934	49,750

121. Proclamation No.267, 8 December 1933, Government Gazette No.2152.

122. Annual Statement of the Trade and Shipping of the Union of South Africa : The value of imported cement:

1934	£ 49,750
1935	223,180

123. Customs Tariff Commission : op. cit., Evidence, December 1934. The Dalmatia Cement Works of Yugoslavia stated in evidence that the price of cement, including duty, landed at Cape Town in 1934 was 3/3d. per bag; whereas the price of local cement in Cape Town was 3/1d. per bag in 1934.

it is evident that, since 1932, a substantial portion of the import duty of 2/6d. per cask was being passed on to local consumers.

In view of this burden, strong representations were made to the Customs Tariff Commission of 1934-36 for a reduction in the customs duty on cement.⁽¹²⁴⁾ Such a move, however, was firmly opposed by local cement manufacturers. The *Pretoria Portland Cement Company* argued that the heavy importations of cement would subside when its new factory at Jupiter, near Johannesburg, commenced production in 1936.⁽¹²⁵⁾ The commissioners agreed to the retention of the existing duty, but, in return, the cement companies had to agree to a measure of control of cement prices by the government. In terms of that agreement, the price charged for cement at coastal ports was not to exceed the price of imported cement plus the old duty of 1/3d. per cask. In addition, in the event of a variation of the coastal price, the price in the sheltered market of the interior was to be varied by the same amount.⁽¹²⁶⁾ The government accepted these recommendations - which actually amounted to a halving of the duty - and cement prices were reduced accordingly.

Between 1936 and the outbreak of the Second World War in 1939, no further changes were introduced by way of the customs duty, dumping duties or price regulation. While continuing to implement the government's 'civilised labour' policy, and sheltered by arrangements which amounted to substantial protection, the local industry continued to expand. It is evident from Table 7-3 that each successive year witnessed an increase in the gross output of the industry. Between 1932/33 and 1938/39, the total number of employees increased by 71,3 per cent.; that of Whites by 97,8 per cent. and that of Non-Whites by 66,3 per cent. During the same period, the gross value of output rose by 151 per cent., from £1,212,000 to £3,048,000, while value added per employee increased markedly from £297 to £385.

124. *Ibid.*, par.566.

125. The Corner House : *op. cit.*

126. Customs Tariff Commission : *op. cit.*, par.567.

In view of the fact that only one new factory was opened during this period, it is clear that considerable expansion per factory was also a feature of this development. The average output per factory rose from £242,400 in 1932/33 to £841,330 in 1938/39. Whether or not the customs tariff played some part in this expansion will be considered later, but there can be little doubt that the sustained building boom,⁽¹²⁷⁾ together with the expansion of the gold-mining industry,⁽¹²⁸⁾ was largely responsible for the substantial increase in demand for cement.

From the foregoing, it can be concluded that, during the period 1924/25 and 1938/39 as a whole, the local cement industry experienced spectacular growth. Its performance, judged by the rise in the gross value of output, was significantly superior to that of the footwear and printing industries.⁽¹²⁹⁾ During the period under review, the total number of employees increased by 89,2 per cent., from 2,889 to 5,464. Concurrently, the gross output of the industry rose by 198,5 per cent., from £1,021,000 to £3,048,000, while value added per employee increased from £202 to £385. The single most outstanding feature during that period was the expansion in output per factory. The average output per factory rose from £255,250 in 1924/25 to £841,330 in 1938/39. In the statistical sense at least, this expansion was impressive. It remains to be considered what influence the customs tariff had upon this development.

As was the case with the footwear and printing industries, the broad aims of the protective tariff policy - the broadening of the base of the secondary sector whereby dependence upon imports was lessened, and the implementation

127. According to Table 7-2, the gross value of the construction industry's output increased by 332,9 per cent. between 1932/33 and 1938/39, from £3,597,000 to £15,573,000.

128. Katzen, L. : op. cit., pp.18-19. The value of stores consumed by the gold mines rose by 97,8 per cent. between 1932 and 1939, from £16,142,000 to £31,942,000.

129. Between 1924/25 and 1938/39, the gross output of the footwear industry rose by 152,7 per cent., while that of the printing industry increased by 102,6 per cent. over the same period.

of the 'civilised labour' policy - must stand as the criteria whereby the failure or success of that policy is judged. According to Table 7-4,⁽¹³⁰⁾ the total consumption of cement in South Africa between 1925 and 1939 increased by 137,3 per cent., from 376,529 tons to 893,544 tons. During that same period, the volume of local cement consumed rose by 169,6 per cent., from 329,770 tons to 889,102 tons, while its share of total consumption increased from 87,6 per cent. in 1925 to 99,5 per cent. in 1939. Concurrently, the volume of imported cement consumed fell by 90,5 per cent., from 46,759 tons to 4,442 tons, while its share of the South African market fell from 12,4 per cent. in 1925 to 0,5 per cent. in 1939. It is evident, therefore, that the development of the local cement industry did enlarge the secondary sector, and this expansion also took the form of import substitution. This latter fact is of considerable importance because import substitution lessened the dependency upon the foreign exchange earnings of the gold-mines which, it was feared, were about to decline rapidly.

It is not axiomatic, however, that there existed a causal link between the tariff and the expansion of the cement industry. It is to an examination of this difficult issue that our attention must now be turned. Table 7-4 also shows imports as a percentage of local consumption. Despite the difficulty of discerning any clear-cut trend in these figures, a tentative conclusion may nonetheless be drawn. After the First World War, it appears that imports as a percentage of local consumption rose, reaching a peak in 1922. Thereafter, a downward trend is evident. It should be noted that this decline coincided with the first spate of dumping duties on imported cement. During 1925, 1926 and 1927, imports as a percentage of local consumption continued to fall, which again coincided with the second spate of dumping duties in 1926 and 1927. From

130. The figures of the number of tons of cement produced locally were forwarded by the Department of Census and Statistics, while the figures of imports were obtained from the Annual Statement of the Trade and Shipping of the Union of South Africa, 1917-1939.

TABLE 7-4

	<u>Local Production</u> (Tons)	<u>Imports</u> (Tons)	<u>Local Consumption</u> (Tons)	<u>Imports as a % of Local Consumption</u> %
1917	126,768	9,382	136,150	7,40
1918	140,768	257	141,025	,18
1919	187,661	4,105	191,766	2,14
1920	246,607	25,227	271,834	9,28
1921	198,271	22,216	220,487	10,08
1922	208,272	49,675	257,947	19,26
1923	317,097	59,508	376,605	15,80
1924	321,874	46,777	368,651	12,69
1925	329,770	46,759	376,529	12,42
1926	401,428	54,826	456,254	12,02
1927	410,557	46,342	456,899	10,16
1928	414,814	62,573	477,387	13,11
1929	398,195	105,368	503,563	20,92
1930	397,347	81,081	478,428	16,95
1931	373,336	73,453	446,789	16,44
1932	316,927	31,635	348,562	9,08
1933	341,713	22,367	364,080	6,14
1934	480,727	32,823	513,550	6,39
1935	580,978	149,733	730,711	20,49
1936	773,366	101,739	875,105	11,62
1937	811,432	82,811	894,243	9,04
1938	870,801	18,941	889,746	2,13
1939	889,102	4,442	893,544	,49

1928 to 1929, imports as a percentage of local consumption increased and remained at a relatively high level, largely due to the importation of low-priced Belgian cement. After 1931, the downward trend re-appeared and, with the exception of 1935/36, continued throughout the 'thirties. It may be more than mere coincidence that this decline became evident after the doubling of the import duty on cement in 1932. It is, therefore, not unreasonable to suppose that the customs tariff probably did play some part in the expansion of the local cement industry prior to 1939.

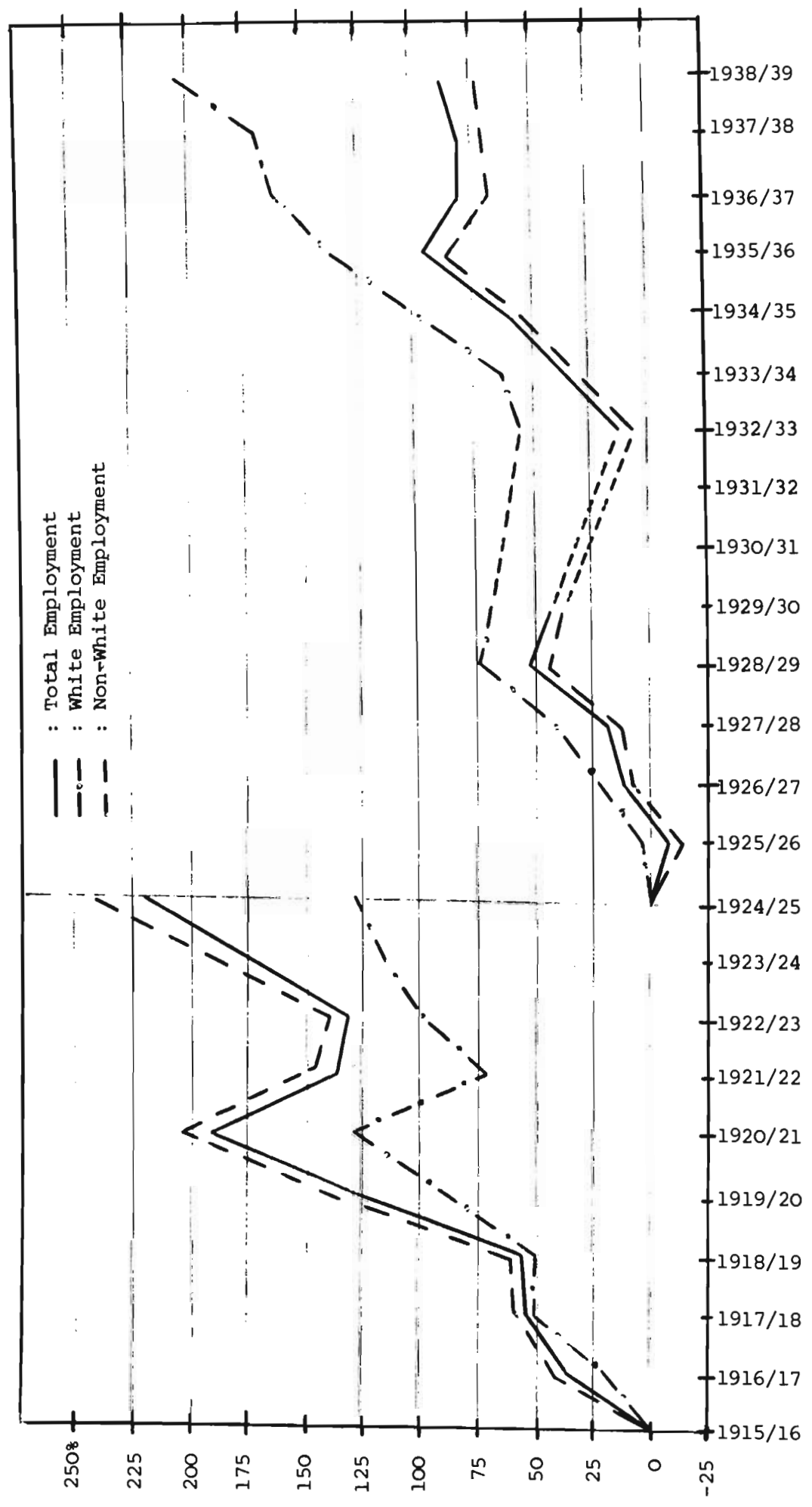
To what extent was the second aim - the implementation of the 'civilised labour' policy - achieved by the cement industry between 1924/25 and 1938/39? Figure 14 illustrates the fact that White employment rose by 203 per cent., from 329 to 997.⁽¹³¹⁾ Concurrently, the number of Non-Whites employed increased by 74,5 per cent., from 2,560 to 4,467. This trend marked a reversal of the employment pattern which had characterised the industry prior to 1924/25. Moreover, since government operations in this sphere prior to 1924/25 were at an extremely low level,⁽¹³²⁾ the trend shown in Figure 14 represents a true reflection of the employment pattern in private industry. It follows *ipso facto* that the 'civilised labour' policy was implemented with considerable success after 1924/25. Note must be taken, however, of the inordinately low proportion of Whites to Non-Whites in the industry. At no time during the period under review did White labour constitute more than 20 per cent. of the total labour force.

The above analysis, whilst it indicates that the cement industry did achieve some success in terms of the criteria adopted, also reveals several unsatisfactory features. It is clear that the industry was not a significant employer of White labour - only an additional 668 Whites found

131. Figure 14 drawn from the Census of Industrial Establishments as indicated in fn.48 and 103.

132. It is evident from Tables 7-1 and 7-3 that, in 1924/25, a total of 42 persons were employed in government undertakings, 14 Whites and 28 Non-Whites. These figures are negligible, with the result that the figures for the period prior to 1924/25 do reflect the trend in private industry.

FIGURE 14 : 'EMPLOYMENT IN THE CEMENT INDUSTRY: 1915/16 - 1938/39'



employment in this industry between 1924/25 and 1938/39⁽¹³³⁾ - and, as a result, it was unimportant from the point of view of the government's 'civilised labour' policy. In addition, Table 7-4 shows that local cement manufacturers had already captured virtually the whole of the South African market by the time the Nationalist-Labour Pact came to power in 1924. In that year, the local industry supplied 87,3 per cent. of all cement consumed, and this figure remained fairly stable throughout the remainder of the 'twenties. In consequence, it is difficult to understand why the government agreed to double the customs duty on imported cement in 1931, in which year it still supplied 83,6 per cent. of the country's requirements. The importation of Belgian cement, against which so many complaints had been voiced, had already begun to subside in 1930,⁽¹³⁴⁾ so that the need to maintain the industry's share of the local market was hardly a valid reason for action.

In view of the inability of local manufacturers to keep pace with rising demand in the mid-'thirties, and their reluctance to reduce cement prices, the higher duty resulted in higher costs for certain local consumers. Admittedly, the pledge given to the government in 1931, and more particularly the regulation of cement prices after 1936, helped to curb this problem. As is shown in Table 7-5,⁽¹³⁵⁾ the average wholesale price of local cement for

133. Between 1924/25 and 1938/39, an additional 4,108 Whites found employment in the footwear industry, and an additional 3,458 Whites were employed by the printing industry.

134. Annual Statement of the Trade and Shipping of the Union of South Africa : 1928 to 1932. The following tonnage of cement was imported from Belgium:

1928	...	...	46,527 tons.
1929	...	...	96,671 tons.
1930	...	...	70,065 tons.
1931	...	...	48,230 tons.
1932	...	...	20,483 tons.

135. The wholesale prices of local cement shown in Table 7-5 were forwarded by the Department of Census and Statistics, while the f.o.b. prices of imported cement were calculated from the Annual Statement of the Trade and Shipping of the Union of South Africa, 1931 to 1939.

the three-year period 1931-33 was 3/5d. per bag. This fell to 3/3d. per bag for the period 1934-36, and to 3/1d. per bag during 1937-39. The average f.o.b. price of imported cement for the same three-year periods was 1/4d., 1/4d. and 1/5d. per bag respectively. In other words, there occurred a reduction in the wholesale price of local cement of 4d. or 10,8 per cent. during a period when the f.o.b. price of imported cement rose by 1d. or 6,3 per cent. Moreover, this decline compares favourably with the rise of 1,8 per cent. in the general price index during this period.⁽¹³⁶⁾ Therefore, a limit was placed on the extent to which the higher duty imposed in 1932 could burden cement consumers. Nonetheless, in view of the slight advantage gained by local cement manufacturers, it remains difficult to understand why it was then considered necessary to impose a greater burden upon local consumers, which had then to be checked by price regulation.

TABLE 7-5				
F.O.B. Price of Imported Cement and Wholesale Price of Local Cement Per Bag : 1931 - 1939				
		Imported Cement		Local Cement
1931	...	1/5d.	...	3/6d.
1932	...	1/3d.	...	3/5d.
1933	...	1/3d.	...	3/4d.
1934	...	1/5d.	...	3/4d.
1935	...	1/5d.	...	3/3d.
1936	...	1/2d.	...	3/1d.
1937	...	1/3d.	...	3/1d.
1938	...	1/6d.	...	3/2d.
1939	...	1/5d.	...	3/1d.

136. Official Year Book of the Union of South Africa : No.14 (1931/32), p.215; No.22 (1941), p.269.

	1914	1931	1939	% Change
General Index	1000	1119	1139	1,8
S.A. Goods	1000	1033	1065	3,1
Imported Goods	1000	1304	1278	-2,0

With regard to dumping duties, it is extremely difficult to determine their effect upon the local cement industry in particular and the economy at large. Throughout the period under review, the Department of Customs did not publish any separate returns for the dumping duties collected. In this regard, A. Plant has written:

'It is consequently impossible to form any judgment on the effectiveness of the duties in force at any moment, or on the extent of the burden of additional taxation and higher prices which is being borne by the community in order to prevent detriment to a sectional manufacturing interest.' (137)

C.S. Richards, writing in 1939, echoed these sentiments. (138) Moreover, there was no provision in terms of which the dumping duties enforced against a particular product were to be withdrawn after a specified period unless renewed. As a result, many proclamations remained in operation when the circumstances which produced them had altered. (139) Although it is possible to argue, as A. Plant had done, (140) that this would prevent a renewal of dumping, it would also prevent local consumers from obtaining supplies at the lowest prices.

It appears from the various reports issued by the Board of Trade and Industries that the policy followed by the Board when dumping was detected - and we have already seen that legislative and administrative machinery in this regard often left a lot to be desired - was the immediate imposition of a dumping duty against the offending import. This policy gives rise to the question: is all dumping - sporadic, intermittent and continuous - necessarily harmful? In this regard, Professor G. von Haberler has written:

'In general, the outcry against dumped imports is far greater than the facts warrant....Even when imports do come in at a lower price than that

137. Plant, A. : op. cit., p.29.

138. Richards, C.S. : The Iron and Steel Industry in South Africa (1940), p.362.

139. Plant, A. : op. cit.; Richards, C.S. : op. cit.

140. Plant, A. : op. cit.

charged in the exporting country or below cost of production, the importing country is in no way injured if the cheap imports are going to continue....Dumping is harmful only when it occurs in spasms and each spasm lasts long enough to bring about a shifting of production in the importing country which must be reversed when the cheap imports cease.' (141)

In other words, long-term or continuous dumping benefits rather than harms the country receiving the dumped goods, and the imposition of a dumping duty in such a case would only serve to injure the interests of consumers. In the case of short-term or sporadic dumping, it has already been shown that more often than not the legislation is ineffective. (142) Intermittent or spasmodic dumping, in Haberler's view, is the only type of dumping injurious to the national economy and which can be effectively controlled.

A final point with regard to dumping needs to be mentioned. If all forms of dumping are frowned upon, as was the case during the period under review, then the same principle ought to be applied to local producers as well. Dumping is not confined to the international economy, but can also occur within an economy. This was certainly the case with regard to the sale of cement in South Africa. It has already been pointed out that, due to the protection conferred by railway rates, the only region in which imported cement could compete effectively was in the coastal belt. Foreign competition was usually severest in Durban, at which port the bulk of the imported cement was landed. (143) It

141. von Haberler, G. : The Theory of International Trade (1936), p.314.

142. Plant, A. : op. cit., p.39: '...the administrative difficulties in the way of arresting in time isolated consignments of casual surplus stocks which may be dumped are almost always too great to make the attempt worthwhile.' Vide supra: p.207.

143. Annual Statement of the Trade and Shipping of the Union of South Africa : 1935, 1937 and 1939.

		<u>Total Quantity</u>	<u>Quantity Landed</u>
		<u>Cement Imports</u>	<u>At Durban</u>
1935	...	149,773 tons.	86,176 tons.
1937	...	82,812 tons.	53,841 tons.
1939	...	4,442 tons.	2,565 tons.

is evident from Table 7-6 that, although the Durban market was supplied with cement from the factories located in the interior, cement prices in that market were considerably below cement prices in the Johannesburg market throughout the entire period 1924 to 1939.⁽¹⁴⁴⁾ Thus, South Africa's attitude towards dumping was Janus-faced: while the government and local cement manufacturers fulminated against foreign dumping, they condoned the use of internal dumping in order to meet foreign competition and maintain their output.

TABLE 7-6				
<u>Wholesale Prices of Cement Per Bag</u>				
<u>in Durban & Johannesburg: 1924-39</u>				
		<u>Durban</u>		<u>Johannesburg</u>
1924	...	3/11d.	...	4/6d.
1925	...	3/11d.	...	4/5d.
1926	...	3/11d.	...	4/4d.
1927	...	3/9d.	...	4/3d.
1928	...	3/9d.	...	4/2d.
1929	...	3/9d.	...	4/2d.
1930	...	3/8d.	...	4/1d.
1931	...	3/1d.	...	4/-
1932	...	3/-	...	3/9d.
1933	...	3/-	...	3/9d.
1934	...	3/-	...	3/7d.
1935	...	3/1d.	...	3/7d.
1936	...	2/11d.	...	3/6d.
1937	...	3/-	...	3/5d.
1938	...	3/-	...	3/4d.
1939	...	3/-	...	3/3d.

It is apparent that the government, through the Board of Trade and Industries, was prepared to promote the interest of cement producers without due regard for the interest of the consuming public. In arguing that, if additional pro-

144. The information contained in Table 7-6 obtained from the Department of Census and Statistics.

tection were provided, the local cement industry could '...fully satisfy the country's requirements in regard to both quality and quantity,'⁽¹⁴⁵⁾ the Board of Trade displayed scant respect for the cost structures of other industries, particularly the gold-mining industry. The introduction of price regulation after 1926 demonstrated the Board's belated recognition of this important factor. With regard to the liberal use made of dumping duties, it is clear that the Board ignored its earlier directive that such duties should only be levied after due consideration of the 'public interest'.⁽¹⁴⁶⁾ The cement industry may have achieved considerable expansion prior to the Second World War, but that expansion contributed little to the socio-political objectives of the government, while the greater interest of the national economy did not always prevail over the sectional interest of manufacturers.

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145. Board of Trade and Industries : Report No.60: op. cit.;
Commercial and Industrial Gazette : op. cit., p.144.
146. Board of Trade and Industries : Report No.51: op. cit.,
par.15.

CHAPTER EIGHT

THE CUSTOMS TARIFF AND THE GOLD-MINING INDUSTRY

'Ever since the opening up of the Rand,' stated the Third Interim Report of the Industrial and Agricultural Requirements Commission of 1941, 'the economic history of the Union is very largely a history of the gold mining industry.'⁽¹⁾ This statement, although correct in hindsight, disguises the essential instability which has characterised the development of the gold-mines. As already indicated, the view current during the early 'twenties saw the gold-mining industry as a 'wasting industry' which would 'decline rapidly after 1940'.⁽²⁾ It was partly in response to this bleak outlook that a policy of tariff protection for secondary industry was pursued with vigour after 1924. Accordingly, the pace at which the industrial resources of the country were being developed was quickened so that the manufacturing sector could replace the gold-mines when they were depleted of ore. This policy of planned substitution, and several of the problems which attended its implementation, has been touched upon in the preceding chapters.⁽³⁾ Nonetheless, of such importance was this issue during the 'twenties and 'thirties that it warrants detailed consideration here.

It has already been shown that although there may have occurred an 'industrial breakthrough' during the 'thirties, certain industries - for example, the footwear and printing industries - were reliant upon the primary sector to earn the foreign exchange with which to purchase the imported raw materials necessary for industrial expansion.⁽⁴⁾ That this situation applied to secondary industry as a whole, and not

1. Third Interim Report of the Industrial and Agricultural Requirements Commission, U.G.40/1941, par.100.

2. Ibid. Vide: Houghton, D.H. and Dagut, J. : op. cit., vol.3, p.89; and Botha, D.J.J. : op. cit., p.334.

3. Vide supra: ch.2, pp.50, 53; ch.4, pp.117-9.

4. Vide supra: ch.5, pp.132-3, 149-52; ch.6, pp.167-9, 187, 189.

to only two or three industries, is revealed by the following tables. According to Table 8-1,⁽⁵⁾ the value of imported raw materials, expressed as a percentage of the value of all raw materials used, averaged 50,2 per cent. for the period 1915/16 to 1938/39. Although a slight downward trend appears to have become evident during the 'thirties, the fact remains that, prior to the Second World War, approximately one-half of the raw materials required by secondary industry had to be imported.

The significance of this fact is shown in Table 8-2.⁽⁶⁾ While the percentage share of imported raw materials remained fairly constant, the value of that share rose sharply, from £12,291,000 in 1915/16 to £45,122,000 in 1938/39; an increase of 267,1 per cent. Over the same period, however, the value of manufactured exports remained at an extremely low level, rising from £1,688,000 in 1915/16 to only £2,899,000 in 1938/39; an increase of 71,7 per cent. It is evident, therefore, that the manufacturing sector as a whole earned only a small fraction of the foreign exchange necessary to pay for imported raw materials. In consequence, there developed a considerable foreign exchange deficit, which, according to Table 8-2, rose from £10,603,000 in 1915/16 to £42,223,000 in 1938/39; an increase of 298,3 per cent. This deficit had of necessity to be financed by other exporting industries, principally the gold-mines, which, it was feared, would soon decline.

It is evident from Table 8-3 that although gold was not the sole constituent of South Africa's export trade, it was undoubtedly the most important contributor to that

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5. Table 8-1 drawn up from information contained in:
 Department of Census and Statistics : Census of Industrial Establishments, 1925/26 (U.G.32/1928); 1927/28 (U.G.18/1930); 1933/34 (U.G.34/1936); 1937/38 (U.G.21/1941); 1941/42 (U.G.20/1945).
 6. Table 8-2 drawn up from information as is shown in fn.5, and the Annual Statement of the Trade and Shipping of the Union of South Africa for the years 1915 to 1939.

	<u>A</u>	<u>B</u>	<u>C</u>	
	<u>Value of</u> <u>Materials</u> <u>Used In</u> <u>Secondary</u> <u>Industry</u> (£'000)	<u>Value of</u> <u>Imported</u> <u>Materials</u> <u>Used</u> (£'000)	<u>Value of</u> <u>South</u> <u>African</u> <u>Materials</u> <u>Used</u> (£'000)	<u>Column B</u> <u>as a % of</u> <u>Column A</u>
1915/16	22,316	12,291	10,025	55,1
1916/17	28,024	14,292	13,732	51,0
1917/18	34,248	16,414	17,834	47,9
1918/19	41,020	19,175	21,845	46,8
1919/20	53,851	25,297	28,554	47,0
1920/21	57,965	31,513	26,452	54,4
1921/22	42,823	24,178	18,645	56,5
1922/23	37,140	20,457	16,683	55,1
1923/24	39,203	20,696	18,234	53,5
1924/25	42,292	23,253	19,039	55,0
1925/26	47,071	23,923	23,148	50,8
1926/27	50,536	25,333	25,203	50,1
1927/28	55,761	27,084	28,677	48,6
1928/29	59,243	29,568	29,568	49,9
1929/30	56,803	28,805	27,998	50,7
1930/31	-	-	-	-
1931/32	-	-	-	-
1932/33	43,738	18,780	24,958	42,9
1933/34	55,723	25,223	30,500	45,3
1934/35	66,021	31,555	34,466	47,8
1935/36	74,861	36,178	38,683	48,3
1936/37	87,515	44,933	42,582	51,3
1937/38	92,727	45,103	47,624	48,6
1938/39	94,239	45,122	49,117	48,0

TABLE 8-1 : 'RAW MATERIALS USED IN SECONDARY INDUSTRY:
1915/16 - 1938/39'

TABLE 8-2

	<u>A</u>	<u>B</u>	
	<u>Value of</u> <u>Imported</u> <u>Materials</u> <u>Used In</u> <u>Secondary</u> <u>Industry</u> (£'000)	<u>Value of</u> <u>Manufactured</u> <u>Exports</u> (£'000)	<u>Difference</u> <u>Between</u> <u>A and B</u> (£'000)
1915/16	12,291	1,688	10,603
1916/17	14,292	1,879	12,413
1917/18	16,414	2,143	14,271
1918/19	19,175	2,277	16,898
1919/20	25,297	3,032	22,265
1920/21	31,513	2,182	29,331
1921/22	24,178	2,629	21,549
1922/23	20,457	2,552	17,905
1923/24	20,696	2,793	17,903
1924/25	23,253	3,003	20,250
1925/26	23,923	2,786	21,137
1926/27	25,333	3,223	22,110
1927/28	27,084	3,742	23,342
1928/29	29,568	4,136	25,432
1929/30	28,805	3,279	25,526
1930/31	-	3,175	-
1931/32	-	1,903	-
1932/33	18,780	2,515	16,265
1933/34	25,223	2,581	22,642
1934/35	31,555	2,216	29,339
1935/36	36,178	2,692	33,486
1936/37	44,933	2,925	42,008
1937/38	45,103	2,527	42,576
1938/39	45,122	2,899	42,223

Year	Total Value of Exports (Except Re- Exports) (£'000)	Exports of Gold Including Specie (£'000)	Exports of Diamonds (£'000)	Other Mineral Exports (£'000)	Agricultural Exports (£'000)	Manufactured Exports (£'000)	Exports of:				
							Gold	Diamonds	Other Minerals	Agricul- ture	Manufac- ture
							as a % of Total Exports				
1917/18	66,581	35,312	7,063	3,810	18,253	2,143	53,1	11,6	5,7	27,4	3,2
1918/19	102,329	51,579	11,547	3,808	33,118	2,277	50,4	11,3	3,7	32,4	2,2
1919/20	93,107	46,809	11,597	5,977	25,692	3,032	50,3	12,4	6,4	27,6	3,3
1920/21	70,038	42,989	1,355	5,558	17,954	2,182	61,4	1,9	8,0	25,6	3,1
1921/22	61,735	31,845	4,387	3,438	19,436	2,629	51,6	7,0	5,6	31,5	4,3
1922/23	78,477	41,753	7,207	4,319	22,646	2,552	53,2	9,2	5,5	28,9	3,2
1923/24	82,142	44,261	7,133	4,015	23,940	2,793	53,9	8,7	4,9	29,1	3,4
1924/25	87,018	41,364	8,606	4,164	29,881	3,003	47,5	9,9	4,8	34,3	3,5
1925/26	82,597	43,223	10,733	4,517	21,338	2,786	52,3	13,0	5,5	25,8	3,4
1926/27	92,967	44,899	12,285	4,719	27,841	3,223	48,3	13,2	5,1	30,0	3,4
1927/28	92,959	44,199	8,888	4,294	31,836	3,742	47,6	9,6	4,6	34,2	4,0
1928/29	93,446	46,378	12,074	4,493	26,365	4,136	49,7	12,9	4,8	28,2	4,4
1929/30	80,031	47,522	5,482	3,860	19,888	3,279	59,4	6,9	4,8	24,8	4,1
1930/31	68,619	46,119	3,573	2,922	12,830	3,175	67,2	5,2	4,3	18,7	4,6
1931/32	67,647	48,524	1,955	1,881	13,384	1,903	71,7	2,9	2,8	19,8	2,8
1932/33	93,810	69,941	2,131	2,316	16,907	2,515	74,6	2,3	2,4	18,0	2,7
1933/34	80,238	56,216	2,816	2,509	16,116	2,581	70,1	3,5	3,1	20,1	3,2
1934/35	100,195	71,499	2,976	3,045	20,459	2,216	71,4	3,0	3,0	20,4	2,2
1935/36	112,277	82,729	3,313	3,964	19,579	2,692	73,7	3,0	3,5	17,4	2,4
1936/37	122,531	82,842	3,319	4,241	29,204	2,925	67,6	2,7	3,5	23,8	2,4
1937/38	102,874	73,307	2,387	4,106	20,547	2,527	71,2	2,3	4,0	20,0	2,5
1938/39	111,270	80,347	1,922	3,258	22,844	2,899	72,2	1,7	2,9	20,8	2,6

TABLE 8-3 : 'SOUTH AFRICAN EXPORTS: 1917/18 - 1939/39'

trade.⁽⁷⁾ Indeed, the export of gold, expressed as a percentage of total exports, averaged 60,4 per cent. for the period 1917/18 to 1938/39. Moreover, its share of the export trade was increasing, particularly during the 'thirties, so that the value of gold exports amounted to 72,2 per cent. of the value of total exports in 1938/39 compared with 53,1 per cent. in 1917/18. Thus, concluded Professor Frankel, '...expansion in manufacturing industry continued to be dependent on the foreign exchange resources obtained from other export production, particularly of mineral products.'⁽⁸⁾ Admittedly, if the very considerable expansion of the secondary sector prior to 1939 had not taken place, the primary sector would have been responsible for providing the foreign exchange with which to purchase the finished goods of foreign manufacturing industries; and such goods would, of course, have been more expensive than imported raw materials. In other words, the expansion of the secondary sector, which, in part at least, was the result of tariff protection, did lessen the degree of dependency upon the primary sector. Nevertheless, by the time war broke out in 1939, one of the major aims of the protective tariff policy had been thwarted by the very nature of the expansion experienced in secondary industry.

The rôle played by gold, whether in the economy at large or in the provision of foreign exchange for the imported requirements of secondary industry, was naturally conditioned by the prosperity of the gold-mines. This gives rise to the question: in what way, if at all, did tariff protection affect the development of the gold-mining

7. Table 8-3 drawn up from information contained in the Official Year Book of the Union of South Africa, Nos. 8 of 1910/25; 12 of 1929/30; 16 of 1933/34; and 20 of 1939. For gold exports for 1933 and earlier years, see Official Year Book of the Union of South Africa, No.16 of 1933/34, p.630. Exports of agricultural products include 'Exports of Animals' and 'Exports of Products and Produce from the Land'.

8. Frankel, S.H. : An Analysis of the Growth of the National Income of the Union of South Africa in the Period of Prosperity before the War, South African Journal of Economics, vol.12, June 1944, p.115.

industry? Despite all sophisticated arguments to the contrary, a policy of tariff protection can be expected to raise the price of those goods upon which duties are imposed, and, indirectly, the general level of prices and wages.⁽⁹⁾ It follows, therefore, that the tariff protection granted prior to 1939 raised the cost-structure of the gold-mining industry - a very cost-sensitive industry since additional costs could not be passed on in the form of a higher gold price.⁽¹⁰⁾ As a result, while the expansion of the secondary sector was dependent upon the continued existence of gold-mining, the protective tariff had the effect of diminishing the prosperity of the gold-mines, thereby posing a potential threat to many manufacturing industries. Tariff protection threatened the very structure which it had helped to build up. It is to this issue - the extent to which the industrial policy of the government burdened the gold-mining industry - that attention must now be turned.

Throughout its history, the gold-mining industry has been deeply concerned with working costs, for the limitations imposed by such costs were fully realised. During the 'halcyon days' of 1886-95, concern with working costs was overshadowed by the tremendous prosperity enjoyed by the outcrop-mining companies,⁽¹¹⁾ However, when deep-level

9. Laight, J.C. : Some Thoughts on the Protection of the South African Manufacturing Industry, South African Journal of Economics, vol.23, September 1955, p.213: 'Where the restriction (on imports) is in the form of a protective tariff, its whole object is to raise the price of imported goods in order to enable the domestic producer to compete in the home market, so that his final price must of necessity be higher than it would have been had he been able to compete without the aid of a duty.'

10. Prior to the First World War, the price of gold was fixed at 85/- an ounce. Apart from the premium on gold in the early 'twenties, the price remained fixed until December 1932. As a result of devaluation, the price of gold rose to 120/- per ounce. In 1934, after the United States devalued the dollar, the price of gold was fixed at \$35 an ounce. Concurrent exchange adjustments raised the sterling price of gold from 120/- to 142/- per ounce.

11. Blainey, G. : Lost Causes of the Jameson Raid, Economic History Review, vol.18, 1965, pp.352-3.

mining was begun in earnest in the late 1890's, and when it became apparent that '...the Witwatersrand gold deposits consist almost exclusively of extensive low-grade sedimentary beds',⁽¹²⁾ the need to keep working costs in check reasserted itself. Thus, 'the mines with low grade ore,' wrote W.P. Taylor, 'had the greatest incentive to devise new methods - chemical, mechanical or administrative - to reduce costs, and so increase the margin of payability.'⁽¹³⁾ This factor - the need to check working costs in order to allow the mining of lower grade ore - has been one of the most enduring features of the gold-mining industry.

Prior to the Anglo-Boer War, during which the gold-mines were closed for a brief spell, all the main grievances of the mine-owners were based on those factors which increased working costs. In this connection, G.A. Denny referred to the problems of '...untrained black labour, indifferent white labour, the remote position from sea ports, the peculiar features of the gold deposits, and the want of capital.'⁽¹⁴⁾ To this list, Dr. P.C. Grey added the 'drunkenness and desertion of African labourers',⁽¹⁵⁾ while D.W. Gilbert referred to the high cost of existing extraction methods.⁽¹⁶⁾ Of greater importance for our purposes, however, was the effect of President Kruger's concessions policy upon gold-mining costs. Certain mining stores - particularly cement, dynamite, sulphuric acid and sheet lead⁽¹⁷⁾ - bore heavy duties. Furthermore, it must be borne in mind that these items had to bear an additional duty - that charged at the port of entry prior to dispatch to the

12. Jacobson, D. : op. cit., p.94.

13. Taylor, W.P. : African Treasures (1932), p.312.

14. Denny, G.A. : The Deep-Level Mines of the Rand and their Future Development (1902), p.107.

15. Grey, P.C. : The Development of the Gold Mining Industry on the Witwatersrand: 1902-1910, unpub. Ph.D., University of South Africa, 1969, p.417.

16. Gilbert, D.W. : op. cit., pp.558-9.

17. Hatch, F.H. and Chalmers, J.A. : op. cit., p.246. In 1895, the duty on cement was 3d. per 100 lbs.; that on dynamite was 9d. per lb.; the duty on sulphuric acid was 1d. per lb.; while sheet lead bore a duty of 3d. per lb.

Transvaal.⁽¹⁸⁾ Thus, to describe the burden of duties on mining as 'unduly heavy' was not an exaggeration.⁽¹⁹⁾ Although the Industrial Commission of Inquiry of 1897 recommended improvements in all these matters,⁽²⁰⁾ very little was done. Nonetheless, the last three years prior to war witnessed a steady reduction in working costs per ton - from £1-9-6d. in 1897 to £1-7-6d. in 1899⁽²¹⁾ - largely due to the introduction of the MacArthur-Forrest cyanide process and the development of the group system of administration.⁽²²⁾

After the gold-mines resumed production in 1901, there occurred an extraordinarily sharp increase in gold production.⁽²³⁾ The scarcity of unskilled labour, however, had resulted in the increased use of machine drills in the stopes, which led to a large amount of waste being mined. This, in turn, resulted in an 'alarming drop' in grade per ton.⁽²⁴⁾ Fortunately, lower operating costs tended to compensate for the reduction in grade. The introduction of Chinese labour improved the efficiency of the unskilled labour force; the re-organisation which followed upon the 1907 miners' strike improved the efficiency of the White workers; while mining stores were made cheaper by lower railway rates and substantially reduced duties on cement

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18. Vide supra: ch.2, p.24. The Cape charged 12 per cent. on goods in transit to the Transvaal, while Natal and Lourenco Marques charged 9 and 3 per cent. respectively.
 19. Hatch, F.H. and Chamlers, J.A. : op. cit., p.246.
 20. Industrial Commission of Inquiry, 1897, Report and Proceedings, pp.446-57. Vide: Grey, P.C. : op. cit., p.417.
 21. Annual Report of the Chamber of Mines of the South African Republic, 1899, p.24.
 22. Katzen, L. : op. cit., p.25; and Martin, J. : Group Administration in the Gold Mining Industry of the Witwatersrand, Economic Journal, December 1929.
 23. The Gold Mining Industry: 1902-1923, The African World, XXI, 1923/24, pp.25-6. The number of ounces produced rose from 1,700,000 in 1902 to 7,200,000 in 1910, while the value of that output rose over the same period from £14,400,000 to £61,400,000.
 24. Grey, P.C. : op. cit., p.421.

and explosives.⁽²⁵⁾ As Dr. Grey points out, however, '...a given reduction in working costs was not always accompanied by a corresponding increase in profits; in fact, it was sometimes more than swallowed up in loss of grade.'⁽²⁶⁾ As the fields got older, it inevitably became necessary to mine increasing quantities of low grade ore, and this re-emphasized the need to keep working costs in check.

The gold-mining industry realised at an early date that customs duties constituted an important part of working costs. As early as 1904, S. Evans, of H. Eckstein and Company, had criticised Milner's customs policies on these grounds.⁽²⁷⁾ In 1911, J.G. Hamilton, President of the Transvaal Chamber of Mines, stated in his evidence before the Cullinan Commission:

'The Chamber...is opposed to the imposition of protective duties, except for the purpose of revenue, as being against the best interests of the mining industry.'⁽²⁸⁾

These sentiments were echoed in 1913 by E. Farrar, consulting mechanical engineer to the General Mining and Finance Corporation, in his evidence before the Economic Commission:

'That the mining industry has been made to bear enormous burdens is incontestable. Direct and indirect taxation through the customs, railways and profits tax...are all factors tending to discourage new mining enterprise.'⁽²⁹⁾

Fortunately for the mining industry, the government did not accept the recommendations of the Cullinan Commission, and the Union's first Customs Tariff Act of 1914 remained

25. Annual Report of the Government Mining Engineer, 1910, p.38. Vide: Appendix 1 for the duties on cement and explosives as determined by the 1903 and 1906 Customs Conventions.

26. Grey, P.C. : op. cit., p.426. Cf. Transvaal Chamber of Mines: 20th Annual Report, 1909, p.1x.

27. S. Evans to P. FitzPatrick, 30th September 1904. Vide: Duminy, A.H. and Guest, W.R. : The FitzPatrick Papers (MS.)

28. Transvaal Chamber of Mines: 22nd Annual Report, 1911, p.1.

29. Transvaal Chamber of Mines: 24th Annual Report, 1913, p.420.

primarily a revenue-raising instrument.⁽³⁰⁾

During the first four years of Union, the gold-mining industry experienced a fall in working costs per ton - from 17/7d. in 1910 to 17/1d. in 1914 - as is shown in Table 8-4.⁽³¹⁾ Those same years, however, also witnessed a fall in the average grade of ore mined, which resulted in a reduction in working profit per ton from 10/9d. in 1910 to 9/5d. in 1914. This situation was to become far more acute as a result of the First World War. During the war, the scarcity of supplies, together with the considerable over-extension of credit, combined to produce a period of rampant inflation in the Union.⁽³²⁾ The inevitable consequence of such a state of affairs soon made itself felt upon the gold-mining industry in general and the low grade mines in particular. In 1917, the Transvaal Chamber of Mines estimated that the 'increased burden' borne by the industry compared with the pre-war period was £5,000,000 or 3/6d. per ton.⁽³³⁾ In that same year, urgent representations were made to the effect that unless immediate relief was granted by the government, several low grade mines would have to close down.⁽³⁴⁾

In January 1918, the government responded with the appointment of a Select Committee of the House of Assembly, which was instructed to report on economic and labour conditions in the mining industry.⁽³⁵⁾ In his evidence before the Committee, Sir Evelyn Wallers, President of the Transvaal Chamber of Mines, stated that the Chamber favoured direct financial assistance from the government by way of

30. Vide supra: ch.2, pp.36-8.

31. Table 8-4 drawn up from information contained in the Annual Reports of the Transvaal Chamber of Mines, the Annual Reports of the Government Mining Engineer and Biccard Jeppe, C.W. : Gold Mining in South Africa (1948), p.35. For selected figures for the period prior to Union, see fn.16.

32. Arndt, E.H.D. : op. cit., pp.423-4.

33. Transvaal Chamber of Mines: 28th Annual Report, 1917, pp.60-1.

34. Ibid., p.51.

35. No Hansard. Cape Times : 31st January 1918.

<u>Year</u>	<u>Tonnage Milled</u> (^{'000})	<u>Total Output</u> (ozs.)	<u>Value Realised</u> (£'000)	<u>Average Grade</u> (Per Ton)	<u>Working Costs</u> (Per Ton)	<u>Working Profit</u> (Per Ton)	<u>White Employees</u> (^{'000})	<u>Non-White Employees</u> (^{'000})	<u>White Salaries</u> (^{'000})	<u>Non-White Wages</u> (^{'000})	<u>Stores Consumed</u> (£'000)	<u>Dividends</u> (£'000)
1910	-	7,527	31,973	6,68	17/7	10/9	25,3	196,9	-	-	-	-
1911	24,895	8,251	35,049	6,58	18/-	9/11	25,7	201,2	8,545	5,743	11,715	7,763
1912	26,607	9,109	38,092	6,79	18/8	10/2	24,7	204,1	8,196	5,966	10,311	7,960
1913	26,661	8,799	37,375	6,54	17/11	9/10	24,0	195,2	7,875	5,603	10,633	8,205
1914	26,701	8,396	35,664	6,23	17/1	9/5	21,9	178,8	7,172	5,361	10,277	8,077
1915	29,298	9,096	38,638	6,18	17/5	8/10	22,8	204,9	7,555	6,045	10,935	7,520
1916	29,451	9,297	39,491	6,28	18/1	8/7	22,9	213,0	8,034	6,268	12,321	7,098
1917	28,152	9,018	38,308	6,38	19/2	7/11	23,0	191,5	8,475	5,665	12,705	6,559
1918	25,468	8,418	35,750	6,57	21/7	6/4	23,2	186,4	8,881	5,572	12,984	5,205
1919	24,575	8,332	35,391	6,73	22/11	8/10	23,6	177,8	9,466	5,517	13,208	6,008
1920	24,662	8,158	45,606	6,58	25/8	11/1	22,7	183,4	11,356	6,014	14,364	8,276
1921	23,908	8,129	43,082	6,76	25/8	10/2	21,5	179,8	10,641	5,965	14,440	7,164
1922	20,083	7,010	32,343	6,94	23/6	8/6	14,4	169,4	5,797	5,582	11,126	5,627
1923	27,332	9,149	41,575	6,65	20/0	10/3	18,3	187,3	6,805	6,387	13,425	8,460
1924	29,135	9,575	44,739	6,53	19/7	10/11	19,1	190,0	7,323	6,386	13,779	9,558
1925	29,253	9,598	40,768	6,51	19/2	8/5	20,0	185,5	7,503	6,263	13,766	8,164
1926	30,383	9,955	42,285	6,49	19/-	8/7	20,4	192,7	7,654	6,461	14,037	8,246
1927	30,115	10,122	42,998	6,60	19/7	8/5	21,4	197,5	8,029	6,563	14,626	7,988
1928	30,992	10,354	43,982	6,55	19/9	8/1	22,2	206,4	8,360	6,879	14,952	7,980
1929	31,532	10,416	44,229	6,49	19/7	8/-	22,6	203,3	8,480	6,820	14,814	8,087
1930	32,141	10,716	45,520	6,53	19/5	8/4	22,6	211,6	8,527	7,073	15,046	8,256
1931	33,059	10,878	46,206	6,42	19/4	7/11	23,2	219,1	8,724	7,293	15,967	8,027
1932	35,623	11,559	49,098	6,33	19/-	8/3	23,9	226,5	9,066	7,553	16,142	8,379
1933	37,664	11,014	68,687	5,67	19/3	10/2	25,9	290,0	9,696	7,905	18,521	12,416
1934	40,619	10,480	72,311	4,99	19/3	15/2	29,3	261,9	11,224	8,593	22,120	14,567
1935	45,054	10,774	76,533	4,59	18/8	13/9	33,0	285,4	12,772	9,511	25,630	14,926
1936	49,107	11,336	79,495	4,40	18/6	12/4	36,4	310,0	14,330	10,587	27,097	15,514
1937	51,864	11,735	82,557	4,31	18/8	11/8	39,2	314,2	15,738	10,753	29,246	15,298
1938	55,208	12,161	86,670	4,19	18/11	11/-	41,7	329,0	17,208	11,409	31,159	15,553
1939	58,340	12,822	98,943	4,10	19/2	12/5	44,1	333,7	18,120	11,628	31,942	18,264

TABLE 8-4 : 'SELECTED STATISTICS OF THE GOLD-MINING INDUSTRY: 1910 - 1939'

a subsidy.⁽³⁶⁾ However, the Committee's report, published in April 1918, did not adopt the Chamber's suggestion. Instead, it recommended that those mines which did close down should receive assistance to enable them to continue pumping, so that they could resume operations after the war when the rate of inflation had subsided.⁽³⁷⁾ The Chamber was dissatisfied. It was argued that, as they constituted the most important economic activity of the country, the gold-mines had a 'right' to expect such assistance as would prevent the closure of low grade mines. The government, however, remained intransigent.⁽³⁸⁾ In the early months of 1919, the Chamber pointed out to the government that the expected fall in the rate of inflation had not occurred,⁽³⁹⁾ and accused the government of displaying an 'amazing indifference to the future well-being and prosperity of this great Industry'.⁽⁴⁰⁾ Soon afterwards, in June 1919, the government relented, and appointed the Low Grade Mines Commission to investigate the position of those mines working either at a loss or at a small and diminishing profit.⁽⁴¹⁾

In the following month, July 1919, the position of the low grade mines was materially altered by the ability to sell South African gold at a premium. This was made possible by the fact that, after the First World War, the only country remaining on the gold standard was the United States of America, while the value of British sterling had declined

36. Transvaal Chamber of Mines: 29th Annual Report, 1918, pp.202-10.

37. Cape Times : 17th April 1918.

38. Transvaal Chamber of Mines: 30th Annual Report, 1919, pp.214-22.

39. According to the statistics provided by the Bureau of Census and Statistics : op. cit., H-23, the problem of inflation worsened during the years 1919 and 1920 which were marked by a short post-war boom. The weighted average index of retail prices rose by 6,8 per cent. in 1918, by 11,3 per cent. in 1919 and by 28,1 per cent. in 1920.

40. Transvaal Chamber of Mines: 30th Annual Report, 1919, p.538.

41. Government Notice No.817, 20th June 1919, Government Gazette No.977.

in relation to the dollar.⁽⁴²⁾ It followed, therefore, that by transferring gold into dollars and then purchasing British sterling, an increased price in sterling was obtained for gold.⁽⁴³⁾ Until July 1919, however, the South African mines had been tied by their contract with the Bank of England, and up to that date were obliged to exchange their gold for the depreciated British currency.⁽⁴⁴⁾ Thereafter, they could, and did, sell their gold at a premium, and, as a result, many of the mines which had been in an extremely difficult position were again able to show substantial profits.

Nevertheless, the Interim Report of the Low Grade Mines Commission, published in September 1919, sounded a note of warning. It pointed out that when the price of gold returned to its former level, the low grade mines would be in a worse position than they had been in before July 1919, for the price of stores and wages had increased substantially in the meantime.⁽⁴⁵⁾ This view was echoed by Sir Evelyn Wallers, in his presidential address to the Transvaal Chamber of Mines in 1919, when he stated that '...the relief afforded by the gold premium is necessarily temporary. The problem of the low grade mines is thus not solved, but merely postponed.'⁽⁴⁶⁾ When the Low Grade Mines Commission issued its final report in April 1920, it made several recommendations calculated to reduce working costs, which, according to Table 8-4, had risen to 25/8d. per ton, reaching its highest level since the Anglo-Boer War. The most important of its recommendations was the temporary employment of Africans from north of latitude 22° south, in order to

42. South Africa left the gold standard in 1919. In 1925, in accordance with the recommendations of the Report of the Kemmerer and Vissering Commission, U.G.13 of 1925, South Africa returned to the gold standard.

43. Letcher, O. : The Gold Mines of Southern Africa (1936), p.437.

44. Arndt, E.H.D. : op. cit., p.426.

45. Interim Report of the Low Grade Mines Commission, U.G. 45/1919, pp.4-5.

46. Transvaal Chamber of Mines: 30th Annusl Report, 1919, p.64.

supplement the insufficient supply of cheap African labour.⁽⁴⁷⁾

Little, however, appears to have been done. At its annual meeting in 1920, the Transvaal Chamber of Mines pointed out that it 'has made every effort to have the recommendations of the Low Grade Mines Commission Report... brought into operation', but complained that the government 'has not imported the 5,000 tropical natives.'⁽⁴⁸⁾ After chastising the government for its failure to act, the Chamber concluded that:

'Owing to large increases in costs, following the increases in wages to mine employees...coupled with the decrease in the gold premium, a number of low grade mines found it impossible to continue operations, while others were only able to do so by adopting a policy of retrenchment.'⁽⁴⁹⁾

The position was further aggravated when the price of gold continued its downward course from the record level of 130/- per fine ounce in February 1920, to 95/- per fine ounce in December 1921.⁽⁵⁰⁾ Once again, several mines were working at a loss, while many others were operating at a very small margin of profit.⁽⁵¹⁾

In the absence of the government's willingness to render assistance to the mining industry, the Chamber of Mines felt compelled to act on its own. It feared that if working costs were not reduced, a further drop in the price of gold to 84/- per fine ounce, would render 24 of the 39 mines on the Witwatersrand unprofitable.⁽⁵²⁾ Of the two

47. Report of the Low Grade Mines Commission, U.G.34/1920, par.112.

48. Transvaal Chamber of Mines: 31st Annual Report, 1920, p.45.

49. Ibid.

50. Letcher, O. : op. cit., p.176.

51. Ibid., p.177. 'At the price of 95s.,...at least seven mines were in December, 1921, working at a loss. On the same basis of working costs, if the price of gold had fallen to its normal level (85/-), 15 other mines would fall into the same category.'

52. Wilson, F. : Labour in the South African Gold Mines, 1911-1969 (1972), p.10.

major components of working costs - stores and salaries/wages⁽⁵³⁾ - the Chamber was powerless to effect any significant economy in the cost of stores. Indeed, the Chamber viewed the establishment of the Board of Trade and Industries, in June 1921, as a step towards a policy of tariff protection, which would inevitably exert an upward pressure on the cost of mining stores.⁽⁵⁴⁾ Thus, the Chamber was forced to turn its attention to the question of salaries and wages.⁽⁵⁵⁾ Accordingly, on the 10th December 1921, the Chamber gave notice that the *status quo* agreement was to be terminated so as to allow Africans to take over certain work previously done by Whites, while severe downward adjustments were to be made in wages.⁽⁵⁶⁾ These moves, particularly the former,⁽⁵⁷⁾ were to result in a general strike in March 1922, which developed into an armed rebellion.

Meanwhile, in January 1922, the Chamber of Mines criticised the government for having established the Board of Trade and Industries. This was regarded as a definite move towards tariff protection, and the Chamber lashed out against the raising of duties for this purpose:

'...the Government cannot give the mining industry any help by protecting its product; it can only help by cheapening the cost of living

53. The Report of the Low Grade Ore Commission, U.G.16/1932, section 31, estimated that, for the year 1931, the costs of stores and salaries/wages amounted to 87,1 per cent. of total working costs.

54. Transvaal Chamber of Mines: 32nd Annual Report, 1921, p.56.

55. It should be pointed out that the Chamber of Mines believed that there existed some justification for a reduction in salaries and wages. As Wilson, F. : op. cit., p.9, points out, the general level of prices rose by almost 50 per cent. between 1917 and 1920. As a result of trade union pressure, however, White miners' wages were raised so that, in real terms, average earnings fell by only 4 per cent. between 1916 and 1921. This was in sharp contrast with the position of most other categories of White workers at that time.

56. Horrell, M. : op. cit., p.7.

57. Hessian, B. : An Investigation into the Causes of the Labour Agitation on the Witwatersrand, January to March, 1922, unpubl. M.A., University of the Witwatersrand, 1957, pp.16-21. The author argues that the alteration to the status quo agreement was the primary cause.

and the cost of materials consumed in the course of production, and...the natural effect of protective duties is exactly in the opposite direction.' (58)

The Chamber was willing to concede that '...if an industry has potential advantages in local supplies of raw materials, labour, power and proximity to markets...the Government should give it assistance in its initial stages'. Such assistance, however, should be given only by way of a system of 'diminishing bounties' which, the Chamber argued, would not raise the price of stores to the gold-mining industry. (59)

In March 1922, while the mining industry was embroiled in a strike of unprecedented dimensions, the Chamber of Mines received word that the South African Federated Chamber of Industries had requested the Board of Trade and Industries to recommend several substantial increases in duty to the government. In a tersely-worded letter, the Chamber reminded the Board of 'the deleterious effect of import duties on the cost of production of the mining industry', (60) whereupon the Chamber was requested to submit a detailed memorandum on the subject. In response, a deputation from the Gold Producers' Committee of the Transvaal Chamber of Mines met with the Board of Trade and Industries in November 1922. At that meeting, the Gold Producers' Committee claimed that the proposed tariff increases in mining supplies - shown in Section A of Table 8-5 (61) - would cost the mining industry 'not less than £500,000 per annum'. (62) Furthermore, the Committee pointed out that additional tariff increases had been proposed on many articles which were purchased by employees on the mines - shown in Section B of Table 8-5 -

58. Transvaal Chamber of Mines: 32nd Annual Report, 1921,
p.56.

59. Ibid., p.106.

60. Transvaal Chamber of Mines: 33rd Annual Report, 1922,
p.51.

61. Table 8-5 extracted from the South African Federated Chamber of Industries : Memorandum on Customs Duties (1922).

62. Transvaal Chamber of Mines: 33rd Annual Report, 1922,
p.95.

and that 'anything which increases the cost of living to those employees and necessitates the payment of a higher wage must increase the cost of production to the industry.'⁽⁶³⁾

TABLE 8-5			
Section A			
<u>Items</u>		<u>Tariff</u> <u>1922</u>	<u>Proposed</u> <u>Tariff</u>
Agricultural machinery	...	3%	... 25%
Assay litharge	...	Free	... 20
Bolts, nuts & rivets	...	3	... 25
Cages, pumps & haulage gear	...	3	... 25
Drills & drill steel	...	3	... 25
Fireclay crucibles	...	3	... 45
Fishplates & points	...	3	... 25
Gold crushing parts	...	3	... 25
Liners for tube mills	...	3	... 25
Mine trucks	...	3	... 25
Steel castings	...	3	... 25
Section B			
Brushes	...	20	... 25
Clothing	...	25	... 30
Furniture & fittings	...	20	... 33.3
Glass & glassware	...	20	... 25
Ready-made doors	...	20	... 3/- to 6/- ea.
Ready-made windows	...	20	... 25
Salt	...	20	... 4/- per lb.
Tinware	...	20	... 25

Despite the cogency of its arguments, the efforts of the Gold Producers' Committee were largely in vain. In view of the post-war depression,⁽⁶⁴⁾ and the raising of high tariff barriers in several foreign countries,⁽⁶⁵⁾ the government felt itself obliged to provide protection for those industries exposed to severe international competition. Accordingly, the Customs Tariff Act of 1923 introduced many, though not all, of the tariff increases suggested by the

63. Ibid.

64. Schumann, C.G.W. : op. cit., p.248; Du Plessis, J.C. : op. cit., p.50.

65. Vide supra: ch.2, p.51.

South African Federated Chamber of Industries.⁽⁶⁶⁾ It will be noticed from Table 8-4 that, in spite of the tariff increases, working costs per ton actually fell between 1922 and 1923, from 23/6d. to 20/-. This was made possible through the demands of the mining companies having prevailed over those of the strikers in 1922. As is shown in Table 8-4, the number of White employees fell considerably - from 21,500 in 1921 to 18,300 in 1923 - while White salaries fell even more sharply - from an average of £495 in 1921 to £378 in 1923. Those cutbacks, together with the introduction of new labour-saving devices,⁽⁶⁷⁾ enabled a substantial increase in tonnage milled and in gold output. Nonetheless, the vigilance against further tariff increases was not relaxed. Indeed, there was just beginning a bitter and protracted struggle against what was termed 'this very serious and detrimental burden.'⁽⁶⁸⁾

The election, in June 1924, of the Nationalist-Labour coalition marked the final step towards the adoption of a definite and systematic policy of tariff protection for secondary industry.⁽⁶⁹⁾ Aware that such a policy was bound to frustrate its efforts to reduce working costs, the Transvaal Chamber of Mines sought to soften the blow. Accordingly, in October of that year, when the Board of Trade and Industries was re-organised on a full-time basis,⁽⁷⁰⁾ the Chamber requested that 'at least one member with a direct knowledge of the Gold Mining Industry should be appointed to the Board', a request that was rejected by the

66. Customs Tariff Act No.23 of 1923. Of the increases proposed by the South African Federated Chamber of Industries, duties were raised on agricultural machinery; assay litharge; bolts, nuts and rivets; pumps; drill steel; liners for tube mills; steel castings; clothing; furniture and fittings; and tinware.

67. Katzen, L. : op. cit., p.25, refers to the introduction of the jack-hammer drill in place of the old hand-drill in the early 1920's.

68. Transvaal Chamber of Mines: 35th Annual Report, 1924, p.104.

69. Vide supra: ch.2, pp.52-3.

70. Board of Trade and Industries Act No.33 of 1924.

government.⁽⁷¹⁾ In December, the Gold Producers' Committee again suggested a system of 'diminishing bounties' in place of tariff protection, in order to avoid imposing 'a permanent burden on the community.' This, too, was rejected.⁽⁷²⁾ Then, in January 1925, while the Board of Trade and Industries revised the customs tariff, E.L.R. Kelsey and S.C. Mosel appeared before the Board on behalf of the Chamber of Mines. It was stated in their evidence:

'...the attitude of the Chamber is that the interest of the mining industry...is best served by free trade; and the only recommendation we can make is that all the necessities of such production should be placed upon the free list.'⁽⁷³⁾

It was of no avail, for the Customs Tariff Act of 1925 introduced higher duties on numerous items, including certain products used by the gold-mining industry.⁽⁷⁴⁾

Although Table 8-4 shows that working costs per ton continued to fall, from 20/- in 1923 to 19/- in 1926, the yield per ton also fell, thereby reducing working profit per ton from 10/3d. in 1923 to 8/7d. in 1926. This situation was further aggravated by the Lucas Award of April 1927, which raised White miners' wages by an estimated £75,000 per annum.⁽⁷⁵⁾ Higher wages, together with the burden of customs duties, estimated by Professor Fremantle at 1/4d. per ton in 1928,⁽⁷⁶⁾ was reflected in the fall in working profit per ton to 8/- in 1929 - reaching its lowest level since the end of the First World War. In the early months

71. Transvaal Chamber of Mines: 35th Annual Report, 1924, p.43.

72. Ibid., p.108.

73. Transvaal Chamber of Mines: 36th Annual Report, 1925, p.147.

74. Vide supra: ch.3, p.61; and Transvaal Chamber of Mines: 37th Annual Report, 1926, p.47. The Chamber objected, above all, to the higher duty imposed on rockdrill spares, but the government refused, until March 1931, to lower the duty.

75. Award of the Mining Industry Arbitration Board of 1927, p.108.

76. Fremantle, H.E.S. : The Effect of Indirect Taxation on our Industries, Journal of the Economic Society of South Africa, vol.1, August 1927, p.32.

of 1930, despite the fact that the level of profits had begun to recover with the general fall in prices during the 'Great Depression', Dr. Hans Pirow, the government mining engineer, provided a gloomy forecast for the future of the gold-mining industry. Although the mining companies had made 'every effort' to reduce the cost of production, Dr. Pirow maintained that, at the existing level of working costs, large quantities of low grade ore remained unpayable.⁽⁷⁷⁾ Therefore, according to his estimate, given in Table 8-6,⁽⁷⁸⁾ the value of gold output, under then existing conditions of production, was likely to fall by more than 75 per cent. within twenty years. Alarmed by the dire consequences that would inevitably result if this prognosis proved true, the government appointed the Low Grade Ore Commission in August 1930.⁽⁷⁹⁾

<u>TABLE 8-6</u>					
<u>Year</u>		<u>Estimated Value of Gold Output</u>	<u>Year</u>		<u>Estimated Value of Gold Output</u>
1930	...	£43,500,000	1940	...	£25,500,000
1931	...	42,600,000	1941	...	25,500,000
1932	...	43,800,000	1942	...	20,100,000
1933	...	42,500,000	1943	...	20,100,000
1934	...	40,700,000	1944	...	15,500,000
1935	...	39,000,000	1945	...	15,500,000
1936	...	34,250,000	1946	...	11,700,000
1937	...	34,400,000	1947	...	10,100,000
1938	...	34,400,000	1948	...	10,000,000
1939	...	27,400,000	1949	...	10,000,000

77. Official Year Book of the Union of South Africa, No.11, 1930, p.1112.

78. Table 8-6 extracted from the Official Year Book of the Union of South Africa : op. cit., p.1111.

79. Government Notice No.1497, 15th August 1930, Government Gazette No.1892. Jacobsson, D. : op. cit., pp.92-3, wrote: 'How pressing was the need for relief was shown by the fact that of the 33 producers in 1930, one was working at a loss and six at a profit of less than 2s. per ton.'

Dr. Pirow's 'disquieting' estimate was confirmed by a technical investigation carried out by the Gold Producers' Committee at the request of the Low Grade Ore Commission. The Committee found that, after adding 20 per cent. to the official 'lives' of the existing thirty-four mines, the total tonnage to be milled, under existing costs, was 335,000,000 tons. It was estimated that if working costs were reduced by 2/- per ton, an additional 112,000,000 tons could be milled, thereby lengthening the average life of the mines by 33 per cent. If working costs were reduced by 4/- per ton, then an additional 243,000,000 tons could be milled, which meant an increase of 72 per cent. in the average life of the mines. Certain technical considerations set out in the evidence submitted to the Commission indicated that an even greater tonnage than that already referred to would become available. Therefore, the Gold Producers' Committee advised the Low Grade Ore Commission that, taking into account those technical considerations, there would be an increase of at least 50 per cent. in the future average life of the gold mines if working costs were reduced by 2/- per ton; or, if working costs were reduced by 4/- per ton, the future average life of the mines would be more than doubled.⁽⁸⁰⁾ For these reasons, the Chamber of Mines called upon the Commission to regard a reduction in working costs as an urgent necessity, particularly in view of the extra burden imposed by the 'primage duty' of 5 per cent. in 1931,⁽⁸¹⁾ which, it was claimed, 'approximately doubled the duty on supplies consumed by the mines.'⁽⁸²⁾

Then, in September 1931, Britain abandoned the gold standard, and there began a storm of controversy over the question of South Africa's continued adherence to it. Initially, the Chamber of Mines favoured the retention of the gold standard, largely on the ground that, as the foremost gold-producing country in the world, it had a duty to

80. Transvaal Chamber of Mines: 43rd Annual Report, 1932,
p.57.

81. Vide supra: ch.4, p.87.

82. Transvaal Chamber of Mines: 42nd Annual Report, 1931,
pp.25-6.

stand by gold.⁽⁸³⁾ In November, however, the Chamber reversed its official policy on this issue, for it realised the benefits that would accrue to the mines, particularly the low grade mines, from a higher gold price.⁽⁸⁴⁾ In the early months of 1932, the government appointed the Select Committee on the Gold Standard, and invited the Chamber of Mines to give evidence before it in March of that year. In its evidence, the Gold Producers' Committee conceded that working costs would probably rise due to the inflation that would follow the abandonment of the gold standard, but only by between 3 and 10 per cent., that is, between £1,000,000 and £3,200,000. Using the Australian example, it was shown that if an ounce of gold realised 113/4d., and if working costs increased by 10 per cent., then an average grade of ore of 3,7 dwt. could be worked without loss, compared with the average grade of 4,5 dwt. under then existing conditions when gold fetched 85/- per fine ounce.⁽⁸⁵⁾ Thus, concluded their evidence:

'...the permanent improvement in the position of the Gold Mining Industry would not indeed be represented nearly so much by an increased profit per ton as by a lowering of the pay limit and the working of ore which under present conditions is unpayable.'⁽⁸⁶⁾

The Select Committee, however, reported in favour of retaining the gold standard, and the government remained adamant in its resolve not to link the South African currency with sterling.⁽⁸⁷⁾

Meanwhile, in March 1932, the Low Grade Ore Commission had submitted its report, which stressed the urgent need to reduce working costs in every possible respect. The commissioners pointed out that, out of a total working cost of £31,000,000 in 1931, £13,000,000 was spent on stores and £14,000,000 on salaries and wages, which together constituted

83. Ibid., p.30.

84. Ibid., pp.141-53.

85. Transvaal Chamber of Mines: 43rd Annual Report, 1932, pp.57-60.

86. Ibid., p.61.

87. Vide supra: ch.4, p.90.

87,1 per cent. of total costs,⁽⁸⁸⁾ It therefore followed that it was in these two directions that the greatest effort should be made to reduce costs. The commissioners pointed out, however, that 'the gold mines are well and efficiently managed',⁽⁸⁹⁾ and that 'the system of purchase of stores... results in an exceedingly low buying cost in which no margin exists for any economy which would affect the position of the low grade mines.'⁽⁹⁰⁾ Nonetheless, certain indirect burdens could be alleviated. In this regard, it was considered that 'the railway rates on the stores and materials necessary for the working of the gold mining industry are very high, and have a prejudicial effect upon the mining of low grade ore.'⁽⁹¹⁾ For this reason, it was recommended that a commission of inquiry should be appointed to investigate the whole railway policy of the Union.⁽⁹²⁾

With regard to salaries and wages, the commissioners stressed the need to overcome the existing scarcity of African labour. To this end, they recommended 'the immediate grant of permission to the gold mines to employ natives from north of latitude 22 degrees south'.⁽⁹³⁾ No reference was made to White wages, despite the Chamber of Mines' call for a general reduction. The Chamber had argued that since there had been a reduction of 10 per cent. in the Witwatersrand cost of living since mine wages were fixed in 1927, this justified a 10 per cent. reduction in miners' salaries and wages, which should be followed by a similar reduction throughout the Union. It was estimated by the Chamber that this would reduce working costs by at least 1/4d. per ton. The commissioners considered, however, that 'even were an incontrovertible case made for the reduction of European wages, it is not in the interest of the State as a whole to risk strikes and lock-outs or any dislocation of the gold

88. Report of the Low Grade Ore Commission, U.G.16/1932, section 31.

89. Ibid., section 45.

90. Ibid., section 54.

91. Ibid., section 132.

92. Ibid., section 137.

93. Ibid., section 48 of Appendix on the Interim Report.

mining industry at the present time.'⁽⁹⁴⁾ As commendable as this sentiment may have been, it was contradicted by the commissioners when they declared themselves to be 'opposed to the fixing of any ratio between white and native employees'.⁽⁹⁵⁾ Was this not one of the most important reasons leading up to the Rand strike of 1922?

The commissioners also gave consideration to the burden of the customs tariff on the mining industry, and stated that 'in the absence of a thorough investigation...we are unable to arrive at a conclusion as to the real effect of the tariff policy on the working of low grade ore.'⁽⁹⁶⁾ Nonetheless, it was pointed out that:

'...all gold mining operations feel the incidence of the customs tariff of the Union in its adverse effects upon the costs, not only of the machinery, appliances, materials and stores, but also of labour, services and general administration, necessary for those operations, whether they be those of equipping and developing mines or of mining ore and extracting gold. The increases in costs are due to the payment of duty on certain imported goods, to the excess cost of home-produced goods protected by the tariff above what similar goods would cost if imports were free, and to the higher cost of living than would obtain under a purely revenue tariff.'⁽⁹⁷⁾

For this reason, the Gold Producers' Committee was reported to have stated that the policy of tariff protection constituted 'one of the most serious Governmental burdens placed on the industry.'⁽⁹⁸⁾

The Gold Producers' Committee had also pointed to 'the effect of the tariff upon the inter-dependent factors of the cost of living and of salaries and wages as affecting the cost of all home-produced stores, not only of those the cost of whose production is influenced by the tariff but also of those whose costs is not so influenced.'⁽⁹⁹⁾ It was to this

94. Ibid., section 63.

95. Ibid., section 104.

96. Ibid., section 125.

97. Ibid., section 123.

98. Ibid.

99. Ibid., section 125.

effect of the tariff that the Gold Producers' Committee attached the greatest importance, and the Low Grade Ore Commission concurred with this view. Consequently, the commissioners stated that 'it is most desirable in the interests of the gold mining industry, and more particularly to the mining of greater proportions of low grade ore, that a halt be called in the grant of additional protection and that no further tariff increases be agreed to.'⁽¹⁰⁰⁾

Although the government accepted this report, and implemented many of its recommendations, it failed to keep 'the grant of additional protection' in check. In view of the effects of the depression upon secondary industry, particularly after 1931, the government felt compelled to provide further protection, as it did in the case of the footwear and cement industries in 1932.⁽¹⁰¹⁾

The Chamber of Mines was bitterly disappointed, particularly in view of the 7½ per cent. surtax imposed on all imports over and above the 'primage duty' of 5 per cent.⁽¹⁰²⁾ Fortunately, however, relief came from another quarter. Towards the end of 1932, there was renewed political agitation for the abandonment of the gold standard - a move which the government reluctantly took on December 28th 1932. By that single act, the price of gold jumped from 85/- to 120/- per fine ounce, which made it possible for the mines to work ore of a much lower grade without loss. Thus, contrary to the predictions of gloom so prevalent in the 'twenties, the gold-mining industry entered into a period of buoyant prosperity in the 'thirties. Although the years 1932 to 1939 witnessed a fall in the average grade of ore mined from 6,33 dwt. to 4,09 dwt., as is shown in Table 8-4, working profit per ton rose sharply from 8/3d. to 12/5d. as a result of the higher gold price. Therefore, while the total output of gold increased by only 11,8 per cent. between 1932 and 1939, from 11,559 to 12,822 ounces, the value of that output rose over the same period

100. Ibid., section 126.

101. Vide supra: ch.5, p.137; and ch.7, p.214.

102. Transvaal Chamber of Mines: 43rd Annual Report, 1932, p.26. Vide supra: ch.4, p.89.

by 101,5 per cent., from £49,098,000 to £98,943,000.

Despite the considerable prosperity enjoyed by the gold-mines during the 'thirties, the Chamber of Mines did not relax its determination to reduce working costs, particularly the burden of customs duties. Thus, in 1935, Mr. W. Gemmill gave evidence on this matter before the Customs Tariff Commission on behalf of the Chamber. He claimed that the same amount of additional expansion as was suggested by the Gold Producers' Committee to the Low Grade Ore Commission in 1932 could still be brought about if a 10 per cent. reduction in working costs could be obtained.⁽¹⁰³⁾ To this end, a call was made for 'the gradual relinquishment of protection', which, Mr. Gemmill claimed, would effect a reduction of 10 per cent., or 2/- per ton, in working costs.⁽¹⁰⁴⁾

In the report of the Customs Tariff Commission, published in 1936, the commissioners admitted that 'protection has removed from the sphere of profitable exploitation quantities of low grade ore.'⁽¹⁰⁵⁾ Nonetheless, it was pointed out that the expansion in mining that would follow upon the abolition of tariff protection would necessitate the employment of an additional 129,000 Africans.⁽¹⁰⁶⁾ In this connection, the commissioners quoted the report of the Departmental Committee on the Labour Resources of the Union, published in 1930, which claimed that since 1924 the supply of African labour had never been adequate. Therefore, the conclusion was reached that it would be 'idle' to base a revision of policy upon a non-existent supply of 129,000 labourers.⁽¹⁰⁷⁾ For this reason, the commissioners were not prepared to recommend the gradual elimination of the protective tariff policy, and, indeed, it was still part of the government's industrial policy when war broke out in 1939.

103. Report of the Customs Tariff Commission, U.G.5/1936 par.220.

104. Ibid., par.231.

105. Ibid., par.218.

106. Ibid., par.220.

107. Ibid., par.222.

While it is evident from the foregoing that customs duties, and particularly the higher duties imposed after 1924, increased mining costs, it is extremely difficult to provide an accurate assessment of the extent to which tariff protection burdened the gold-mining industry. Much of the difficulty lies in the fact that such a policy has both direct and indirect effects - not only does protection raise the price of protected products, but it causes a general rise in prices, thereby exerting an upward pressure on salaries and wages. Another problem is the difficulty of distinguishing between the effect of revenue and protective duties, for we are really concerned with the burden imposed by the latter. For these reasons, Dr. S.J. Swanepoel came to the conclusion that an accurate calculation of the direct and indirect effects of tariff protection is 'practically impossible'.⁽¹⁰⁸⁾

Nonetheless, various estimates have been made. Professor Fremantle estimated that the increased cost imposed on gold-mining by all duties amounted to 1/4d. per ton in 1928.⁽¹⁰⁹⁾ The Low Grade Ore Commission of 1932 reported that it was unable to determine accurately the effect of tariff policy on the gold-mines, but that it probably increased working costs by at least 1/- per ton.⁽¹¹⁰⁾ In 1935, Mr. Gemmill stated in his evidence before the Customs Tariff Commission that the elimination of tariff protection would reduce costs by 2/- per ton.⁽¹¹¹⁾

A further attempt has been made in Table 8-7 to determine the 'crude cost of protection'⁽¹¹²⁾ - that is, the excess cost which resulted from the higher prices of products upon which a duty is payable compared with the duty-free prices of those products - for the year 1939. For this purpose,

108. Swanepoel, S.J. : op. cit., p.256.

109. Fremantle, H.E.S. : op. cit., p.32.

110. Report of the Low Grade Ore Commission : op. cit., par.125.

111. Report of the Customs Tariff Commission : op. cit., par.321.

112. A term used by Brigden, J.B. et al : The Australian Tariff - An Economic Inquiry (1929), p.35.

TABLE 8-7 : 'STORES CONSUMED BY TRANSVAAL GOLD MINES IN 1939'

<u>Item</u>	<u>Value</u>	<u>Duty</u>	<u>Excess Cost</u>
Bags - canvas, jute	£ 20,921	Free	£ -
Belting	120,550	5%, Free from U.K. (2%)	2,411
Boiler Fluid	12,115	Free	-
Brake Linings	8,607	15%	1,291
Bricks, Tiles and Fireclay	56,854	Tiles 20% (6%)	3,411
Brushware	23,903	25%	5,976
Buckets	2,852	5%, Free from U.K. (2%)	71
Building Material	60,809	(12½%)	7,601
Candles (2,043,538 lbs.)	37,805	4/2d. per 100 lb. (3/- per 100 lb.)	3,065
Carbide (29,378,209)	269,149	5/- per 100 lb. (3/6d. per 100 lb.)	51,412
Castings:			
(a) Brass	42,158	15% (10%)	4,216
(b) Iron	158,567	20% (15%)	23,785
(c) Aluminium, copper, etc.	3,085	15% (10%)	309
Cement:			
(a) Bags	370,560	2/6d. per cask (3%)	11,117
(b) Casks	1	2/6d. per cask (3%)	-
(c) Fire, Quicksetting, etc.	8,093	20%	1,619
Charcoal	19	Free	-
Chemicals:			
(a) Assay & Smelting Requisites	148,964	Free	-
(b) Cyanide	619,068	Free	-
(c) Soda	49,412	Free	-
(d) All Other	98,180	15% and Rebate (7½%)	7,364

<u>Item</u>	<u>Value</u>	<u>Duty</u>	<u>Excess Cost</u>
Cloth, Canvas, etc.	£ 56,033	Free	£ -
Clothing	212,270	25% or 1/- each (20%)	42,454
Coal (2,153,206 tons)	1,305,076	3/- per ton (3%)	39,152
Coke (2,064 tons)	5,763	1/6d. per ton (1/- per ton)	103
Compressed Air	537,580	Free	-
Concrete Blocks	76,859	20% (10%)	7,686
Corduroy	13,949	Rebate on Duty	-
Electrical Machinery	2,150,103	5%, Free from U.K. (2%)	42,102
Electrical Machinery, Spares & Fittings	171,129	5%, Free from U.K. (2%)	3,423
Electrical Power and Light	3,720,547	(3%)	101,616
Explosives:			
(a) Blasting gelatine	12,928	Free	-
(b) Gelignite	2,354,659	Free	-
(c) Dynamite	78,064	Free	-
(d) Detonators	4,351	20% (10%)	435
(e) Electric Detonators	19,342	20% (10%)	1,934
(f) Safety Fuses	11,782	1½d. per lb. (10%)	1,178
(g) Capped Fuses	866,088	1½d. per lb. (10%)	86,609
(h) Lighting Torches	18,310	1½d. per lb. (10%)	1,831
Fire Appliances	10,634	Free	-
Food, Coffee, Etc. (supplied free to White Employees)	32,796	(7½%)	2,460
Food, etc. (supplied free to Coloured Employees):			
(a) Beans (17,604,312 lb.)	91,758	3/- per 100 lb. (2/-)	17,604
(b) Bread (25,970,671 lb.)	157,321	25% or 4d. per lb.	39,330

<u>Item</u>	<u>Value</u>	<u>Duty</u>	<u>Excess Cost</u>
(c) Fish	£ 22,825	Free	£ -
(d) Flour	32,514	Regulated Price (25%)	8,129
(e) Meat and Cereals for Beer	59,393	2/- per 100 lb. (25%)	14,848
(f) Meal	645,028	Regulated Price (25%)	161,257
(g) Mealies	69,680	2/- per 100 lb. (25%)	17,420
(h) Meat	970,663	4d. per lb. (25%)	242,666
(i) Peanuts:			
Shelled (2,175,933 lb.)	18,555	5/6d. per 100 lb. (4/-)	4,351
Unshelled (111,560 lb.)	738	4/9d. per 100 lb. (3/-)	167
(j) Rice, imported	18,482	Free	-
(k) Salt (3,942,531 lb.)	4,376	1/3d. per 100 lb. or 30%	1,313
(l) Sugar (6,973,213 lb.)	62,593	16/- per 100 lb.	54,346
(m) Vegetables	111,346	Free	-
(n) Groceries, coffee, milk, oil, etc.	57,056	(10%)	5,706
Foundry Requisites	1,351	5%, Free from U.K. (2%)	27
Furniture	12,869	25% (20%)	2,574
Glass	3,994	3/- to 4/- per 100 sq. ft. (20%)	798
Hose Fittings	79,531	15%	11,930
Hosing	160,127	2½d. per lb. (25%)	40,032
Hospital & Ambulance Requisites	126,197	Free	-
Instruments	34,160	Free	-
Iron	214,938	Prices Regulated by C.I.F. Price Scheme (20%)	42,988
Ironmongery:			
(a) Bolts, Nuts, etc.	192,302	3%	5,769
(b) Screws, Nails.	42,673	2/- per 100 lb. (10%)	4,267
(c) Locks, Hinges, etc.	82,753	(2%)	1,655
(d) Other	56,537	15%	8,481

<u>Item</u>	<u>Value</u>	<u>Duty</u>	<u>Excess Cost</u>
Lamps and Spares	£ 72,548	Free	£ -
Lead:			
(a) Pig (132,548 lb.)	1,567	2/- per 100 lb.	133
(b) Sheet (32,470 lb.)	708	2/- per 100 lb.	33
Leather	1,432	20%	286
Lime (235,083,448 lb.)	348,569	2/6d. per cask (3%)	10,457
Lubricants:			
(a) Oils	234,149	15%	35,123
(b) Greases, Tallow	173,781	1d. per lb. (20%)	34,756
Lubricators	22,046	5%, Free from U.K. (2%)	441
Machinery and Machine Tools	1,456,614	5%, Free from U.K. (2%)	29,132
Machinery Spares	834,882	5%, Free from U.K. (2%)	16,698
Mercury	11,375	Free	-
Metals:			
(a) Anti-friction	33,835	Free	-
(b) Other	34,164	Free	-
Motor Cycles, Bicycles and Accessories	3,121	20% U.K. 5% Preference (15%)	468
Oils:			
(a) Transformer & Switch	10,115	Free	-
(b) Fuel	92,484	20%	18,496
(c) Other	12,245	20%	2,451
Oxygen, Acetylene & Other Welding Requisites	92,106	5%, Free from U.K. (2%)	1,842
Packing	68,630	Free	-
Paint, Driers, etc.	108,419	25% (20%)	21,684
Paraffin	14,693	Free	-

<u>Item</u>	<u>Value</u>	<u>Duty</u>	<u>Excess Cost</u>
Petrol (458,108 galls.)	£ 35,077	5d. per gallon	£ 9,549
Pipe Fittings	394,769	20%	78,954
Piping:			
(a) Concrete & Earthenware	17,949	25% (Free)	-
(b) Fabric	22,583	5%, Free from U.K. (Free)	-
(c) Galvanised Iron	126,260	Prices Regulated by C.I.F. Price Scheme (20%)	25,252
(d) Iron & Steel	779,137	Prices Regulated by C.I.F. Price Scheme (20%)	155,828
Rails, Crossings, Sleepers	688,398	Prices Regulated by C.I.F. Price Scheme (20%)	137,680
Reduction Plant Spares	1,054,079	5%, Free from U.K. (2%)	21,082
Rock Drills	108,949	5%, Free from U.K. (2%)	2,179
Rock Drill Spares	556,269	5%, Free from U.K. (2%)	11,125
Rollers, Shafts, etc.	65,908	5%, Free from U.K. (2%)	1,318
Ropes:			
(a) Wire	562,647	5%	28,133
(b) Vegetable Fibre	15,178	Free	-
Rubber Valves	29,539	Free	-
Sand and Stone	91,971	Free	-
Sanitary Requisites	40,439	20%	8,088
Screening	36,836	Free	-
Soap (1,137,853 lb.)	15,297	4/9d. per 100 lb. or 25% (25%)	3,824
Stable Requisites:			
(a) Fodder	30,140	2% per 100 lb. (Free)	-
(b) Animals, Vehicles, etc.	10,826	25% (20%)	2,166

<u>Item</u>	<u>Value</u>	<u>Duty</u>	<u>Excess Cost</u>
Stationery & Printing	£ 176,908	40% (30%)	£ 53,072
Steel	1,383,247	Price Regulated by C.I.F. Price Scheme (20%)	276,650
Tamping	11,809	15%	1,771
Tar	27,232	Free	-
Timber	2,766,503	(2%)	55,330
Tools, Hand	239,623	3%, Free from U.K. (1%)	2,396
Transport and Railage	103,716	(3%)	3,112
Trucks and Spares	350,250	5%, Free from U.K. (2%)	7,006
Waste and Sweat Rags	23,648	Free	-
Water	336,436	Free	-
Wire:			
(a) Fencing, etc.	25,698	(10%)	2,570
(b) Underground Pack	32,712	3% U.K. Preference (Free)	-
Zinc and Zinc Discs	43,669	Free	-
Zinc Dust	51,136	Free	-
Sundry Articles not specified above	150,446	(5%)	7,522
	<u>£31,132,462</u>		<u>£2,207,076</u>

NOTE: The figure shown in brackets in the 'Duty' column represents the estimated percentage of excess cost.

Table 8-7 lists the mining stores purchased in 1939 and the duties payable on those stores in terms of the Customs Tariff Act of 1939. After taking into account sources of supply, an estimate of the amount of the duty shifted onto consumers and the difference between duties and the excess costs of locally-produced articles, an estimate is made of the excess cost borne by mining stores in 1939.

According to Table 8-7, the excess cost of mining stores, valued at £31,132,462 in 1939,⁽¹¹³⁾ amounted to £2,207,076 or 7.1 per cent. To this must be added the indirect cost - higher wages - for 'anything which increases the cost of living to those (mining) employees and necessitates the payment of a higher wage must increase the cost of production to the industry.'⁽¹¹⁴⁾ In his analysis on the effect of protective tariffs on employment and wages, Dr. Swanepoel arrived at the conclusion that salaries and wages were approximately 6 per cent. higher in 1936 than would have been the case if no protective duties were in operation.⁽¹¹⁵⁾ Adopting the same percentage for the year 1939, it is evident that mining salaries and wages would have amounted to only £28,963,372 instead of £29,748,268. In other words, the absence of a protective tariff policy would have resulted in a saving of £1,784,896 on the salaries and wages paid out in 1939. Taking both direct and indirect costs into account, then, it appears that the burden of tariff protection on the gold-mining industry amounted to approximately £3,991,972 in 1939, or about 1/4d. per ton milled.

It therefore emerges from the foregoing analysis that the government's industrial policy was partially self-defeating. Tariff protection was responsible, in part at

113. Transvaal Chamber of Mines: 50th Annual Report, 1939, p.117, gives the total value of stores consumed in 1939 at £31,119,534. The real total, however, of the items listed is £31,132,462. It appears that the purchase of blasting gelignite to the value of £12,928 was omitted from the total.

114. Transvaal Chamber of Mines: 33rd Annual Report, 1922, p.95.

115. Swanepoel, S.J. : op. cit., p.220.

least, for developing secondary industry to the extent that, in the 'thirties, the secondary sector became increasingly dependent upon the foreign exchange earnings of the primary sector, especially the gold-mines. Yet that same policy also burdened the mining industry - by an estimated 1/4d. per ton in 1939 - thereby diminishing its potential foreign exchange earning power. Admittedly, the great prosperity enjoyed by the mining industry during the 'thirties rendered the need to replace the gold-mines a considerably less urgent task than it had been during the 'twenties. In other words, the expansion of the gold-mines after 1932 provided a much-needed respite. Nonetheless, it was only a respite - a breathing-space which made it possible to prolong the policy of substituting secondary industry for the gold-mines, but which in no way obviated the ultimate need for such substitution. Mr. W.A. Mackenzie displayed sharp perception when, in his presidential address to the Transvaal Chamber of Mines in 1936, he declared that the 'heedless expansion of South African secondary industry' narrowed 'the scope of activities' in the gold-mining industry, and, in so doing, such expansion struck at the very foundations of the secondary sector's pillar of support. (116)

116. Transvaal Chamber of Mines: 47th Annual Report, 1936,
p.57.

CHAPTER NINE

CONCLUSION

This thesis seeks to determine the rôle of the customs tariff in the development of secondary industry in South Africa, with particular reference to the period 1924 to 1939. Its *raison d'être* lies not only in the desire to give due recognition to the importance of the secondary sector in the national economy during those years, but also in the need to clarify and, where possible, to settle the considerably conflict of opinion that has been seen to exist on several aspects of this topic. At the outset, four main areas of conflict, and the questions raised by them, were outlined.⁽¹⁾ Was there any tariff protection for secondary industry prior to 1925? What degree of importance ought to be attached to the part played by protective tariffs? Is there a presumption in favour of tariff protection having sponsored the expansion which did occur in secondary industry after 1925? And what were the precise aims of that policy, and to what extent did tariff protection achieve those aims? It now remains to consider whether this study has anything to contribute towards debates on these subjects.

With regard to the first question, it is necessary at the outset to clarify the way in which manufacturing industries acquired protection. Confusion on this issue has led to considerable conflict of opinion on the broader question of whether there was any tariff protection for secondary industry before 1925. In the first place, a distinction must be drawn between incidental and deliberate protection; that is, between the high revenue duties that were protective not by design but by effect, and those duties that were imposed with the definite aim of encouraging the development of certain industries. While the former type of protection might play a significant rôle in industrial expansion, it cannot be construed as forming any part of a conscious policy of tariff protection. Secondly, it is necessary to distinguish between the protective duties

1. Vide supra: ch.1, pp.6-17.

that were imposed in an *ad hoc* fashion, and those that formed part of a coherent and determined policy designed to encourage the development of the secondary sector. This distinction is important because the former need not necessarily signify the existence of a formally-accepted government policy of industrial protection.

On this basis, what conclusions can be drawn from the available evidence? Throughout the Dutch East India Company's tenure at the Cape, the question of protective duties did not arise for it was never the intention of the Company to promote secondary industry.⁽²⁾ This applies also to the British administration during the first-half of the nineteenth century.⁽³⁾ Even when the Cape obtained fiscal autonomy in 1855, and the general *ad valorem* rate was raised in 1864, the tariff remained a revenue-raising measure, although some protection was given to the agricultural sector.⁽⁴⁾ No duties were intended to encourage the development of secondary industry. Furthermore, there was no incidental protection which might have been provided by the higher duty. Nor was the natural protection given by external transport costs of any effect. For high duties to be protective in effect, if not by design, and for natural protection to be effective, there must be a suitable socio-economic environment, and the latter was not in evidence at the Cape by the mid-1860's.

Twenty years later, in 1884, the Cape government raised the general *ad valorem* rate. Although further assistance was provided for agriculture and a higher duty imposed on imported footwear, the 1884 tariff was primarily a determined bid to obtain greater revenue in view of the 'diamond crisis'. Seen in this context, the 1884 tariff did not mark the 'birth-year' of protection as claimed by L.C.A. Knowles.⁽⁵⁾ Agricultural protection had been provided in the earlier tariff of 1864, the only industry to receive

2. Vide supra: ch.2, p.19.

3. Vide supra: ch.2, pp.19-20.

4. Vide supra: ch.2, p.21.

5. Vide supra: ch.1, p.6; ch.2, p.23.

tariff protection being the footwear industry, and this was an exception to the more general policy of free trade. Furthermore, the formation of the Customs Union between the Cape and the Orange Free State in 1887, and the entry of Natal in 1898, owed more to concern about the lucrative transit trade to the interior than it did to a resolve to promote local manufacturing industry.⁽⁶⁾ It is, however, possible to argue that the few industries in existence in the coastal colonies did enjoy some degree of incidental and natural protection after the inland mineral discoveries of the late nineteenth century. The discovery and exploitation of diamonds and gold widened the market and attracted foreign skill and capital, thereby building the requisite infra-structure for industrialisation.⁽⁷⁾

A sharp contrast with the more generally-accepted free trade policy of the coastal colonies was the customs policy adopted in the South African Republic during the last two decades of the nineteenth century. The Transvaal government's concessions policy, introduced in 1881, and stripped of some of its monopolistic character in 1896, undoubtedly constituted a definite policy of industrial protection.⁽⁸⁾ It was thus the only policy - as distinct from protective duties administered in *ad hoc* fashion - to be introduced in South Africa before the declaration of intent by the Hertzog government in 1924. This early policy was short-lived, however, for it was brought to an abrupt end with British annexation in 1900, after which the Transvaal formed part of the enlarged Customs Union. Thereafter, despite the fact that higher duties were introduced for the benefit of certain local industries, the Customs Union agreements of 1903 and 1906 were essentially a continuation of the policy followed in the coastal colonies during the nineteenth century.⁽⁹⁾

Despite the continued adherence to the concept of free trade, it was weakening. This is evidenced by the several

6. Vide supra: ch.2, pp.24, 26.

7. Vide supra: ch.2, p.22.

8. Vide supra: ch.2, pp.25-6.

9. Vide supra: ch.2, p.28.

commissions of inquiry which were appointed to investigate this issue immediately prior to Union,⁽¹⁰⁾ and by the appointment of the Cullinan Commission immediately after it.⁽¹¹⁾ In spite of the many recommendations made by these commissions in favour of a policy of industrial protection, however, the Union's first Customs Tariff Act of 1914 remained primarily a revenue-raising measure.⁽¹²⁾ After the First World War, the Advisory Board of Industry and Science added its voice to the calls for a clearly-defined policy of tariff protection.⁽¹³⁾ However, apart from reluctantly sanctioning higher duties for the benefit of a few local industries, the government refused to commit itself to a coherent and determined policy of tariff protection.⁽¹⁴⁾

Certain industries - particularly, footwear, clothing, printing and cement⁽¹⁵⁾ - did receive tariff protection in an *ad hoc* fashion prior to 1925. It is also probable that certain industries enjoyed some degree of incidental and natural protection from the late nineteenth century onwards. Furthermore, the use made of differential railway rates also favoured local industries in the interior. But, with the exception of the tariff policy followed in the Transvaal between 1881 and 1900, a definite policy of industrial protection had not been adopted. In the words of A. Johnston, in his address to the Pretoria Chamber of Commerce in 1912, there had been 'sporadic' protection, but not '...a system of protection...as a moving principle to enable us to build up a complete system of industries in the sub-continent.'⁽¹⁶⁾

10. Vide supra: ch.2, pp.29-30.

11. Vide supra: ch.2, p.31.

12. Vide supra: ch.2, pp.36-8.

13. Vide supra: ch.2, p.48.

14. Vide supra: ch.2, p.50, fn.117; p.51, fns.124, 125.

15. Vide supra: ch.5, pp.123, 128-31; ch.6, pp.158-9, 165; ch.7, pp.192-3, 195, 202-3. It has been argued, however, that the early duties on certain items of clothing did not constitute effective protection. Vide: Barker, H.A.F. : The Economics of the Wholesale Clothing Industry of South Africa: 1907-1957, p.527.

16. Johnston, A. : Address to the Pretoria Chamber of Commerce (1912), p.22.

The implementation of the latter awaited the election of the Hertzog government in 1924. In August of that year, the new Minister of Finance, N.J. Havenga, outlined the government's 'industrial policy' which embodied a definite policy of tariff protection for secondary industry.⁽¹⁷⁾

In attempting to answer the second question - the degree of importance which ought to be attached to the rôle played by customs tariff protection - it is necessary to reiterate an elementary, though often-ignored truth: without a suitable socio-economic framework, the tariff is an impotent instrument for the development of secondary industry. The Department of Information's claim that 'South Africa's industrial revolution started in 1925 when protection was promised to home industries'⁽¹⁸⁾ is obviously incorrect, for it ignored this fundamentally important aspect of industrial development.

Important as protective tariffs may have been, particularly after 1925, they were not the only factor in South Africa's industrialisation. In this regard, Professor C.W. De Kiewiet has written:

'The original stimulus to manufacture in South Africa was not given by tariff protection. It was the discovery of diamonds and gold that first created markets in which local producers had a natural advantage....It was the Great War which gave the greatest stimulus to manufacture.'⁽¹⁹⁾

Professor De Kiewiet sees that it was the mineral discoveries, particularly that of gold, which paved the way for the transformation of the agrarian economy during the second-half of the nineteenth century. His conclusion should, however, be qualified for, apart from encouraging the establishment of certain industries immediately related to mining, the exploitation of South Africa's mineral deposits, in its immediate and direct effects, did not stimulate industrial expansion. On the contrary, through the absorption of the available manpower and investment capital, both local and

17. Vide supra: ch.3, p.57.

18. Vide supra: ch.1, p.8.

19. De Kiewiet, C.W. : op. cit., p.263.

imported, the expansion of mining initially restricted industrial development. It was rather through its long-term and indirect effects - that is, the continued expansion of the South African market and the greater attraction of capital and labour - that industrial development received its 'original stimulus'.⁽²⁰⁾

Furthermore, Professor De Kiewiet was wrong in claiming that the First World War provided the 'greatest stimulus' to industrial expansion. During the period of extraordinary industrial growth throughout the war and the post-war boom - the six years from 1915/16 to 1920/21⁽²¹⁾ - the net value of secondary industry's output doubled from £14,000,000 to £28,000,000. Over the same period, the general level of prices rose by slightly more than 50 per cent., thereby sharply reducing the real net increase from £14,000,000 to £7,000,000.⁽²²⁾ By comparison, the six-year period of rapid industrial expansion that followed South Africa's abandonment of the gold standard - from 1932/33 to 1937/38 - the net value of secondary industry's output rose by 96,8 per cent., from £31,000,000 to £61,000,000.⁽²³⁾ During this period, the general level of prices increased by only 3 per cent.⁽²⁴⁾ Therefore, the real expansion that took place between 1932/33 and 1937/38 was considerably greater than that which occurred between 1915/16 and 1920/21.

The picture is greatly complicated by the fact that a definite policy of tariff protection had already been implemented by the time South African abandoned the gold standard. These protective duties probably played some part in producing the expansion which was experienced during the 'thirties. The exact extent to which this was the case is impossible to determine. But, if, as with M. Kooy and H.M. Robertson, it is assumed that '...the *bulk* of the advance

20. Vide supra: ch.2, pp.22; ch.5, p.122.

21. The first industrial census was taken in 1915/16; therefore, complete statistics for the war-years are not available.

22. Vide supra: ch.2, pp.42-3.

23. Vide supra: ch.4, p.97.

24. Vide supra: ch.4, p.93.

made by manufacturing between 1932 and 1939 was not autonomous, but depended on the rapid expansion of gold-mining',⁽²⁵⁾ then the latter was responsible for a real net increase in the value of secondary industry's output of at least £15,000,000 between 1932/33 and 1937/38, compared with that of £7,000,000 between 1915/16 and 1920/21.

From the foregoing analysis, it may be concluded that, in its indirect and long-term effects, the discovery and exploitation of South Africa's mineral deposits provided the 'original stimulus' to manufacture. The 'greatest stimulus' to industry prior to the Second World War came from the tremendous expansion in gold-mining after devaluation in December 1932, although the First World War also sponsored a period of rapid industrial expansion. It should be pointed out that this analysis is not intended to dismiss altogether the part played by customs tariff protection but merely to place it in its correct perspective.

The third question - was there a cause-effect link between customs tariff protection and the expansion of secondary industry? - is an extremely difficult one to answer. If a policy of industrial protection is introduced, and if, over time, the secondary sector expands, it is not axiomatic that the results gained are as a consequence of the implementation of such a policy. Professor C.G.W. Schumann warned against the fallacy *post hoc, ergo propter hoc* and called for '...a systematic attempt at a causal analysis, even though only approximate results may be expected.'⁽²⁶⁾ He recognised that one can never do more than attempt to establish a presumption, based upon an analysis of individual industries, either in favour of or against tariff protection having stimulated industrial expansion.

In this thesis, a detailed examination has been made of certain industries. To what extent do these case-studies reveal a causal connection between tariff protection and industrial expansion? In the case of the footwear industry, it was noted that the gross value of output

25. Kooy, M. and Robertson, H.M. : *op. cit.*, p.219. Italics added.

26. Vide supra: ch.1, p.12.

increased by 152,7 per cent. between 1924/25 and 1938/39, and that the share of the South African footwear market of local manufacturers rose from 52,9 per cent. in 1925 to 83 per cent. in 1939. This favourable trend became clearly apparent after 1932; that is, after upward revisions were made to the duty on footwear in 1930 and 1932. A similar trend was also revealed by the more detailed analysis of the different types of footwear produced in South Africa. In these instances, there is a strong case for believing that tariff protection played some part in the expansion of the local footwear industry prior to 1939. ⁽²⁷⁾

A similar conclusion was reached in the case of the cement industry, the gross value of output of which increased by 198,5 per cent. between 1924/25 and 1938/39. During the imposition of numerous dumping duties during the 'twenties, imports, expressed as a percentage of total consumption, fell, while a steady downward trend became evident after 1931; that is, after the protective duty on cement was doubled in 1932. For these reasons, it was also concluded that the customs tariff played some part in the development of the local cement industry up to 1939. ⁽²⁸⁾

In the case of the printing industry, however, a very different picture emerges. Although, between 1924/25 and 1938/39, the gross value of output rose by 102,6 per cent., and imports, expressed as a percentage of South African output, was halved, it may be doubted whether this favourable development was due primarily to tariff protection. All sectors of the printing industry enjoyed considerable natural protection, and, being a service industry, the printing industry naturally tended to expand with the general expansion of the economy. ⁽²⁹⁾ Tariff protection probably played a considerably less significant rôle in the development of the printing industry than was the case in the footwear and cement industries. Nonetheless, there was possibly an indirect link between tariff protection and

27. Vide supra: ch.5, pp.140-2.

28. Vide supra: ch.7, pp.218-20.

29. Vide supra: ch.6, pp.180-3.

expansion. For, if tariff protection aided the expansion of other secondary industries, then the printing industry, based as it was upon rendering services to industry and commerce, benefitted as well.⁽³⁰⁾

The development of certain other industries has been examined in detail by other authors. C.S. Richards, in his scholarly study of the iron and steel industry in South Africa, believed that the imposition of minimum c.i.f. duties did serve to encourage the expansion of the local industry, although he was highly critical of this policy.⁽³¹⁾ In the case of the clothing industry, H.A.F. Barker contended that the protective duty imposed in 1925 did not constitute effective protection.⁽³²⁾ The industry received greater tariff assistance in 1930, 1931 and 1932, but such was the complexity of the industry, argued Barker, that 'the pattern of protection...does not lend itself to exact analysis.'⁽³³⁾ He favoured the belief that tariff protection did stimulate expansion, with the qualification that this was to some extent counter-acted by protective duties on imported textiles.⁽³⁴⁾

Without making a detailed analysis of every individual industry - a task that is beyond the scope of any single thesis - it is difficult to arrive at a conclusion with regard to the link between tariff protection and the expansion of the secondary sector as a whole. On the basis of the conclusions reached in the case-studies, together with those arrived at by Richards and Barker, there does appear to be a strong case for arguing that tariff protection did sponsor the expansion of the secondary sector. It must not be inferred from this that protective duties necessarily constitute the most suitable method of industrial expansion.

30. Vide supra: ch.6, p.153.

31. Richards, C.S. : op. cit., ch.12.

32. Barker, H.A.F. : op. cit.,

33. Barker, H.A.F. : The Clothing Industry in South Africa, South African Journal of Economics, vol.29, December 1961, p.255.

34. Ibid., pp.253-7. Vide: Robson, R. : The Protection of the Cotton Industry in Australia and South Africa, South African Journal of Economics, vol.24, March 1956, pp.9-16.

Some other synthesis of means to ends could have achieved a better result than that supposedly obtained by the tariff. The only conclusion that can be drawn is that there is a presumption in favour of a cause-effect link between tariff protection and the considerable expansion of the secondary sector before the Second World War.

The fourth question to be considered relates to the precise aims of the protective tariff policy, and the extent to which tariff protection fulfilled them.

The answer to the first part of this question depends upon when such a policy was introduced. If it is accepted that, with the exception of the Transvaal policy from 1881 to 1900, a definite policy of industrial protection was first introduced by the Hertzog government in 1924, then the motives and aims of earlier protective duties do not form part of this question. In other words, the government's decision to provide certain industries with tariff protection in the early 1920's was a response to the threat of renewed international competition after the collapse of the post-war boom, and was not an important factor contributing to the policy declaration of 1924. There were three other motives of much greater importance. The first was the desire to secure wider avenues of employment for Whites, particularly the 'poor whites'. The second was the enlargement of the secondary sector, whereby the economy would be diversified and its dependence upon imports lessened. And, finally, there was a desire to have a well-developed secondary sector to replace the gold-mines which, it was thought, would soon decline.⁽³⁵⁾ In the absence of any significant policy change prior to 1939, these three motives constitute the aims, and therefore establish the criteria whereby the success or failure of that policy is judged.

Looking at the first of these criteria - the creation of greater employment opportunities, particularly for 'civilised labour' - it is apparent from Table 9-1⁽³⁶⁾ that

35. Vide supra: ch.2, pp.52-3; ch.3, pp.54-6.

36. Table 9-1 drawn up from data contained in: Bureau of Cebusus and Statistics : op. cit., L-3.

	<u>Total Employment</u>	<u>White Employment</u>	<u>Non-White Employment</u>
1915/16	88,844	35,220	53,624
1916/17	106,963	40,000	66,963
1917/18	117,262	43,836	73,426
1918/19	110,169	42,010	68,159
1919/20	124,702	46,791	77,911
1920/21	125,665	46,382	79,283
1921/22	120,074	44,507	75,567
1922/23	120,040	44,831	75,209
1923/24	124,179	47,224	76,955
1924/25	131,562	51,076	80,486
1924/25	114,876	40,791	74,085
1925/26	120,928	43,944	76,984
1926/27	126,922	47,165	79,757
1927/28	132,184	50,428	81,756
1928/29	140,689	53,698	86,991
1929/30	141,616	54,809	86,807
1930/31	-	-	-
1931/32	-	-	-
1932/33	132,503	57,047	75,456
1933/34	159,611	68,707	90,804
1934/35	181,755	77,146	104,609
1935/36	206,430	84,913	121,517
1936/37	224,014	91,375	132,639
1937/38	231,986	92,675	139,311
1938/39	236,123	93,054	143,069

TABLE 9-1 : 'EMPLOYMENT IN SECONDARY INDUSTRY:
1915/16 - 1938/39'

total employment in secondary industry increased substantially between 1924/25 and 1938/39. During that fifteen-year period, total employment rose at an annual average rate of 10,5 per cent., compared with that of 4,9 per cent. during the ten-year period from 1915/16 to 1924/25. Furthermore, the employment of Whites rose at a considerably faster rate than that of Non-Whites after 1924/25. Between 1915/16 and 1924/25, White and Non-White employment increased at an annual average rate of 4,4 and 5 per cent. respectively; whereas, between 1924/25 and 1938/39, the employment of Whites and Non-Whites rose at an annual average rate of 8,5 and 6,1 per cent. respectively. Therefore, on the basis of these figures alone, the policy of tariff protection, which was made conditional upon the implementation of the 'civilised labour' policy, achieved considerable success.

This conclusion, however, requires two important qualifications. Firstly, the above-mentioned figures relate to secondary industry as a whole whereas not all secondary industries received tariff protection. For this reason, it is misleading to ascribe the total increase in White employment to tariff protection. The Customs Tariff Commission of 1934-36, in a survey of three sheltered and seven protected industries, found that White employment was substantially higher in the protected industries than in the sheltered industries.⁽³⁷⁾ Using the same classification as the Customs Tariff Commission had employed, Dr. S.J. Swanepoel came to the conclusion that, between 1924/25 and 1935/36, White and Non-White employment in the seven protected industries rose by 198,4 and 94,3 per cent. respectively, compared with 60,7 and 56,1 per cent. respectively in the three sheltered industries.⁽³⁸⁾ Dr. Swanepoel admitted that these selected industries were not 'strictly representative' of the secondary sector as a whole, but claimed that they gave '...a fair indication of the position in all industries.'⁽³⁹⁾ This conclusion is itself subject to modification. The case-studies undertaken in this thesis

37. Vide supra: ch.4, p.109.

38. Swanepoel, S.J. : op. cit., pp.278-9.

39. Ibid., p.279.

reveal that, whereas the footwear industry was considerably successful in implementing the 'civilised labour' policy, a much less satisfactory position obtained in the printing and the cement industries.⁽⁴⁰⁾ Any generalisation regarding secondary industry as a whole is, therefore, likely to need qualification of this kind.

With regard to the second qualification, it has already been noted that the Board of Trade and Industries' policy of granting tariff protection to those industries which employed a larger number of Whites was only one of several measures designed to encourage White employment in secondary industry. In other words, attention must also be paid to the influence of the Apprenticeship Act of 1922, the Industrial Conciliation Act of 1924 and the Wage Act of 1925.⁽⁴¹⁾ If this is done, then the degree of success supposedly achieved by tariff protection is diminished even further. While tariff protection was partially responsible for increasing White employment in secondary industry, it was only one link in a complex chain designed to raise White employment levels in manufacturing industry.

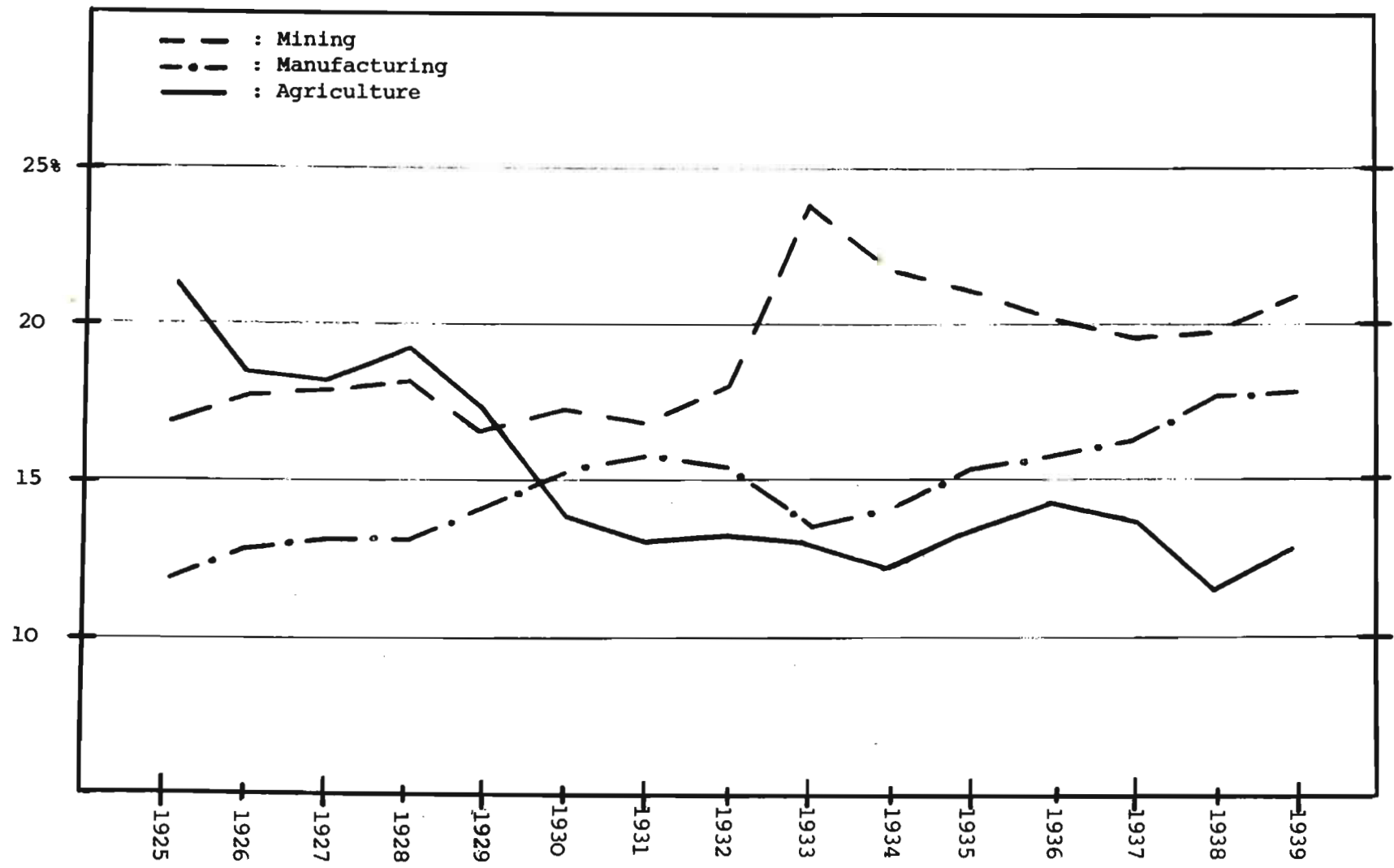
Judged in terms of the second criterion - the enlargement of the secondary sector whereby the economy was diversified and the dependency upon finished imports lessened - there is little doubt that tariff protection was successful. According to the data contained in Appendix 2, the contribution of the secondary sector to the national income rose by 148,9 per cent. between 1925 and 1939 from £28,000,000 to £69,700,000, while Figure 15 indicates that its percentage share increased over the same period from 11,9 to 17,7 per cent.⁽⁴²⁾ By comparison, the contribution of the mining sector increased by 104,8 per cent. from £39,800,000 to £81,500,000, and its percentage share rose from 16,9 to 20,6 per cent. The agricultural sector's contribution was £28,000,000 in 1925, and after several years of decline it reached the same level in 1939, although,

40. Vide supra: ch.5, pp.142, 144-5; ch.6, pp.178-80; ch.7, pp.220-2.

41. Vide supra: ch.3, p.78.

42. Figure 15 drawn up from data contained in: Bureau of Census and Statistics : op. cit., S-3.

FIGURE 15 : 'PERCENTAGE CONTRIBUTION OF PRIMARY AND SECONDARY INDUSTRY TO NATIONAL INCOME: 1925 - 1939'



as is shown in Figure 15, its percentage share had fallen from 21,6 to 12,8 per cent. If tariff protection was partially responsible for the expansion of secondary industry during those years, then it follows that it was also partly responsible for the secondary sector's increased contribution to the national income and the diversification of the economy.

It has been established that, in the case of the footwear, printing and cement industries, this expansion took the form of import substitution.⁽⁴³⁾ Table 9-2 contains data relating to three other important protected industrial groups.⁽⁴⁴⁾ In all cases, it is evident that total consumption rose between 1925 and 1939, but that, during the same period, imports, expressed as a percentage of total consumption, fell. But while the expansion of the secondary sector was characterised by import substitution, the degree of such development varied from industry to industry. Furthermore, as secondary industry expanded, the reliance upon imported raw materials increased substantially.⁽⁴⁵⁾ Therefore, whereas the dependence upon imports of finished industrial goods was diminished between 1925 and 1939, the importation of raw materials for the expansion of secondary industry rose considerably.

This leads on to a consideration of the third and final criterion - the ability of the secondary sector to replace the gold-mines which were believed to be on the verge of rapid decline. Although import substitution reduced dependence upon the primary sector, and particularly upon the gold-mines, to pay for finished industrial imports, the gold-mining industry was still a vital factor in the expansion of the secondary sector. Manufacturing industries did not export sufficient goods to earn the foreign exchange to pay for the importation of essential raw materials.⁽⁴⁶⁾ There-

43. Vide supra: ch.5, pp.142, 144-5; ch.6, pp.178-80; ch.7, pp.220-2.

44. Table 9-2 drawn up from data contained in: Bureau of Census and Statistics: op. cit., L-3; and the Annual Statement of the Trade and Shipping of the Union of South Africa for the years 1925 to 1939.

45. Vide supra: ch.4, pp.117-8.

46. Vide supra: ch.5, pp.132-3, 149, 151-2; ch.6, pp.167-9, 187, 189.

TABLE 9-2												
GROUP B : Textiles and Clothing (4,5)					GROUP C : Wooden Products and Furniture (6,7)				GROUP F : Chemicals (12,13)			
	<u>Imports</u> (£m)	<u>S.A. Output (Less Exports)</u> (£m)	<u>Total Consumption</u> (£m)	<u>Imports as a % of Total Consumption</u>	<u>Imports</u> (£'000)	<u>S.A. Output (Less Exports)</u> (£m)	<u>Total Consumption</u> (£m)	<u>Imports as a % of Total Consumption</u>	<u>Imports</u> (£m)	<u>S.A. Output (Less Exports)</u> (£m)	<u>Total Consumption</u> (£m)	<u>Imports as a % of Total Consumption</u>
1924	17,7	2,0	19,7	89,8%	115	1,7	1,8	6,4%	2,4	2,9	5,3	45,3%
1925	19,3	2,0	21,3	90,6	95	2,0	2,1	4,5	2,3	3,2	5,5	41,8
1926	19,1	2,2	21,3	89,7	85	2,0	2,1	4,0	2,5	3,1	5,6	44,6
1927	18,4	2,6	21,0	87,6	93	2,1	2,2	4,2	2,6	3,2	5,8	44,8
1928	20,5	3,0	23,5	87,2	102	2,3	2,4	4,3	2,9	3,4	6,3	46,0
1929	20,3	3,1	23,4	86,8	107	2,4	2,5	4,3	2,8	3,5	6,3	44,4
1930	16,6	-	-	-	92	-	-	-	2,6	-	-	-
1931	14,5	-	-	-	59	-	-	-	2,2	-	-	-
1932	8,6	3,7	12,3	69,9	38	1,6	1,6	2,6	1,8	3,4	5,2	34,6
1933	14,0	4,5	18,5	75,7	42	2,2	2,2	1,9	2,3	3,8	6,1	37,7
1934	15,8	5,2	21,0	75,2	67	2,7	2,8	2,4	2,9	3,8	6,7	43,3
1935	16,8	5,7	22,5	74,7	84	3,3	3,4	2,4	3,0	4,2	7,2	41,7
1936	18,5	6,2	24,7	74,9	123	3,7	3,8	3,2	3,1	4,7	7,8	39,7
1937	21,1	6,4	27,5	76,7	168	3,9	4,1	4,1	3,7	5,7	9,4	39,4
1938	18,0	7,2	25,2	71,4	129	3,9	4,0	3,2	3,6	6,0	9,6	37,5
1939	19,6	8,1	27,7	65,9	125	3,9	4,0	3,1	3,5	8,2	11,7	29,9

NOTE: GROUP C : Wooden Products and Furniture (6,7) includes Items 861, 863, 864, 867 and 868, as shown in the Annual Statement of the Trade and Shipping of the Union of South Africa.

fore, instead of replacing the gold-mines when they were depleted of ore, the secondary sector remained reliant upon them for its continued expansion. Furthermore, both directly and indirectly, the customs tariff imposed a considerable burden upon the costs of the gold-mining industry, thereby restricting the mining of lower grade ore, and, in turn, diminishing the potential foreign exchange earnings of the gold-mines.⁽⁴⁷⁾ The achievement of this objective of the tariff - the substitution of secondary industries for the gold-mines - was in fact frustrated by the tariff policy itself.

After the Second World War, the position changed considerably. By 1945, the 'poor white' problem had been largely solved, and, as a result, pressure was no longer exerted on industry to employ a larger number of Whites. Indeed, the expansion of secondary industry after the war was threatened by a shortage of both White and Non-White labour.⁽⁴⁸⁾ Agriculture, after two decades of relative stagnation, entered into a new phase of expansion, described by Professor D.H. Houghton as an 'agricultural revolution'.⁽⁴⁹⁾ Furthermore, the opening-up of the vast, new goldfields in the Orange Free State in 1946, together with the higher price for gold in 1949,⁽⁵⁰⁾ combined to give the gold-mining industry a new lease of life. The prediction that gold-mining would decline was proved unfounded,⁽⁵¹⁾ and the need for the secondary sector to replace the gold-mines lost much of its urgency. In view of these changes, the nature and scope of tariff policy was altered accordingly.

There is considerably disagreement among economic theorists on the matter of tariff protection. No attempt has been made here to enter this debate. This would lie

47. Vide supra: ch.8, pp.255-62.

48. Smith, R.H. and Byron, F.A. : The Expansion of Industry and the Supply of Labour, South African Journal of Economics, vol.9, September 1941, pp.263-4.

49. Houghton, D.H. : The South African Economy, p.62.

50. Katzen, L. : op. cit., p.29. Devaluation raised the price of gold from £8-12-6d. to £12-8-3d.

51. Vide supra: ch.8, p.248.

outside the scope of a study in economic history. Moreover, as H.E.S. Hewins argues, 'the justification of protection is not to be found in its conformity or its departure from abstract theory....It can never be assumed that the world does or ought to conform to the requirements of a purely theoretical system.'⁽⁵²⁾ Whatever the value of economic theorisation, doubt must also exist as to its particular usefulness as an analytical tool in the field of tariff protection. In this regard, Professor G. von Haberler has written:

'The policy of speeding a country's development through customs protection or other measures is a task of great difficulty and complexity. Recommending and evaluating such a policy, to say nothing of carrying it through, requires a good deal more than keen theoretical analysis. What is also needed is a vast factual knowledge, good judgment, and, above all, a sense for historical, political, and social development.'⁽⁵³⁾

For this purpose, concluded Haberler, 'Economic history has more to offer than theoretical analysis for the solution of these problems.'⁽⁵⁴⁾

52. Hewins, H.E.S. : Protection, Encyclopaedia Britannica, vol.18, p.602A.

53. von Haberler, G. : A Survey of International Trade Theory (1961), p.57.

54. Ibid., p.58.

APPENDIX 1

SELECTED EXTRACTS FROM THE CUSTOMS
UNION CONVENTIONS OF 1903 AND 1906

CUSTOMS UNION CONVENTION BETWEEN THE CAPE
COLONY, NATAL, ORANGE RIVER COLONY, TRANS-
VAAL AND SOUTHERN RHODESIA

1903

ARTICLE I

The Customs Union Convention between the Cape Colony, the Republic of the Orange Free State and the Colony of Natal, entered into in the year 1898, shall be superseded by this present Convention....

ARTICLE II

The following and none other shall, subject, to the provisions of any subsequent Article of this Convention, be the Customs Duties upon goods imported into any place within the Union....

<u>CLASS I - SPECIAL RATES</u>		£. s. d.
1. Acetic Acid, per Imperial gallon.		0. 3. 0.
2. Ale, beer and cider; per Imperial gallon. (In addition, 10 per cent. ad valorem).		0. 1. 6.
3. Animals:		
(a) Cattle for slaughter, each.		1.10. 0.
(b) Sheep for slaughter, each.		0. 5. 0.
5. Blasting compounds, per lb.		0. 0. 1½
6. Butter, butterine, margarine, ghee, and other substitutes for butter; per lb.		0. 0. 2.
7. Chicory and substitutes of coffee and chicory, per lb.		0. 0. 2.
8. Coffee:		
(a) Raw, per lb.		0. 0. 0¾
(b) Roasted, ground or mixed; per lb.		0. 0. 2.
9. Cocoa and chocolate, unsweetened; per lb.		0. 0. 1.
10. Cocoa and milk, chocolate and milk, and coffee and milk; per lb.		0. 0. 1.
11. Condensed, desiccated or preserved milk or cream; per lb.		0. 0. 0½
12. Coals, per ton of 2,000 lbs.		0. 3. 0.
13. Coke and patent fuel, per ton of 2,000 lbs.		0. 2. 0.
14. Confectionery, per lb.		0. 0. 2.

	£.	s.	d.
15. Corn and grain:			
(a) In the grain, or (b) crushed, flaked, ground, hulled, malted, pearled, split, or otherwise prepared, except oats not in the grain and bran; per 100 lbs.	0.	1.	0.
(c) Flour, wheaten, or wheaten meal; per 100 lbs.	0.	2.	0.
16. Dates, per lb.	0.	0.	0½
17. Fish, per lb.	0.	0.	1.
18. Fodder, per 100 lbs.	0.	1.	0.
19. Fruits: Preserved, of all kinds; per lb.	0.	0.	2.
20. Fruits: Dried, of all kinds; per lb.	0.	0.	2.
21. Gunpowder and other explosives suitable for use in firearms, per lb. (In addition, 10 per cent. ad valorem).	0.	0.	6.
22. Guns and gunbarrels, firearms:			
(a) Single, per barrel	1.	0.	0.
(b) Double and other, per barrel	0.15.	0.	
(In either case, in addition 10 per cent. ad valorem).			
23. Matches:			
(a) Wooden: In boxes or packages of not more than 100 matches, per gross of boxes or packages.	0.	2.	0.
In boxes containing more than 100, but not more than 200 matches; per gross of boxes or packages.	0.	4.	0.
And for every 100 additional matches, in boxes or packages; per gross of 100 matches.	0.	2.	0.
(b) Fuses, vestas or wax matches, in boxes or packages containing not more than 50; per gross of boxes or packages.	0.	2.	0.
In boxes or packages of more than 50 but not more than 100, per gross of boxes or packages.	0.	4.	0.
And for every 50 additional in boxes or packages, per gross of 50 matches.	0.	2.	0.
24. Meats, including lard, fats, soups and other similar substances used as food, per lb.	0.	0.	1.
25. Onions, not preserved; per lb.	0.	0.	0½
26. Pickles and other condiments, per lb.	0.	0.	2.

	£.	s.	d.
27. Pistols and revolvers, each. (In addition, 10 per cent. ad valorem).	0.	5.	0.
28. Soap, per lb.	0.	0.	0½
29. Spices and turmeric, per lb.	0.	0.	2.
30. Spirits:			
(a) Perfumed, per Imperial gallon.	1.	0.	0.
(b) Liqueurs, per Imperial gallon.	0.	15.	0.
(In addition, 10 per cent. ad valorem on all classes of spirits).			
31. Sugar:			
(a) Not refined, golden syrup, molasses, saccharum, and treacle; per 100 lbs.	0.	3.	6.
(b) Refined, per 100 lbs.	0.	5.	0.
32. Tea, per lb.	0.	0.	4.
33. Tobacco:			
(a) Cigars and Cigarillos, per lb. (In addition, 10 per cent. ad valorem).	0.	6.	0.
(b) Goorak or Goorakco, and Hookah mixture; per lb.	0.	6.	0.
(c) Snuff, per lb.	0.	4.	0.
(d) Cigarettes, per lb. (In addition, 10 per cent. ad valorem).	0.	4.	0.
34. Vinegar:			
(a) Of standard strength:			
(1) In bottles or other vessels of the capacity of not more than one Imperial quart, per Imperial gallon.	0.	1.	0.
(2) In larger vessels or in bulk, per Imperial gallon.	0.	0.	6.
(b) Concentrated extract or essence, per Imperial gallon.	0.	3.	0.
35. Wine:			
(a) Still wines, not exceeding 20 per cent. of proof spirit; per Imperial gallon.	0.	4.	0.
(b) Still wines, exceeding 20 per cent. but not exceeding 50 per cent. of proof spirit; per Imperial gallon.	0.	8.	0.
(c) Sparkling wines, per Imperial gallon. (In addition, 10 per cent. ad valorem on all classes of wine).	0.	12.	6.

CLASS II - MIXED AD VALOREM RATES

36. Bicycles and tricycles, per £100.	12.	10.	0.
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	£.	s.	d.
37. Blankets and sheets, or rugs, cotton or woollen, or manufactures of cotton and wool, commonly used as cotton or woollen blankets or rugs; per £100.	25.	0.	0.
40. Carriages, carts, coaches and wagons, per £100.	12.	10.	0.
41. Extracts and essences of all kinds, per £100.	25.	0.	0.
43. Medicines, per £100.	25.	0.	0.
44. Motor vehicles and motor cycles, per £100.	5.	0.	0.
45. Oils, essential or perfumed, per £100.	25.	0.	0.
46. Perfumery, cosmetics, dyes, powders and soap, per £100.	25.	0.	0.

CLASS III - AD VALOREM 2½ PER CENT.

48. Acids: nitric and sulphuric.
49. Asbestos packing and boiler composition.
50. Assay apparatus.
51. Bands and belting of all kinds for driving machinery, boiler tubes, bolting cloth and mill silk.
52. Battery cloth and baize, gauze, matting, sieving and screening for use in connection with machinery and apparatus.
53. Bolts, nuts and rivets.
54. Bottles and jars of common glass or earthenware, and bottles ordinarily used for aerated waters.
55. Chain for hauling.
56. Chimneys: metal (smokestacks).
57. Corks and bungs, and corkwood unmanufactured.
58. Cranes, elevators and shears.
59. Crucibles, cupels, cupelling furnaces, ingot moulds, retorts, and furnaces for roasting minerals.
60. Cyanide of potassium.
61. Fire escapes and fire hose and hose reels.
62. Hose: steam, suction and armoured (not including garden), for use in connection with machinery and apparatus.

63. Machinery, not elsewhere described, to be driven by cattle, electric, gas, heat, hydraulic, pneumatic, steam, water or wind power, including spare parts; and apparatus and appliances used in connection with the generating and storing of electric power or gas; electric cable or wire and the posts for carrying the same; lamp posts and their fittings.
64. Mining buckets, skips, trucks and tubs, wheeled or otherwise, for hauling on rails or wires.
65. Packing and lagging for engines, machinery and piping.
66. Pipes, piping and tubes of all kinds for gas, steam, drainage, sewerage, irrigation, water supply or pumping, not including down piping and guttering or cocks and taps.
67. Railway construction or equipment requisites as follows: rails, sleepers, fastenings for rails or sleepers, girders, iron bridge work, culvert tops, locomotives, tenders, goods wagons, carriages, trollies, engine water-tanks, turn-tables, permanent or fixed signals and weighbridges.
68. Rubber for use in connection with machinery and apparatus.
69. Tanks and vats suitable and intended for mining purposes.
70. Telegraphs and telephones: materials and instruments for use in construction and working of telegraph and telephone lines.
71. Traction engines and power lorries.
72. Tramway construction and equipment requisites as follows: rails, sleepers, fastenings for rails or sleepers, iron gates, girders, iron bridge work, culvert tops, cars, trollies, water-tanks and turn-tables.
73. Wire and wire netting for fencing; droppers, gates, hurdles, posts, standards, strainers, staples, stiles, winders, and other materials or fastenings or metal ordinarily used for agriculture, or railway fencing; and baling wire.
74. Wire rope.

CLASS IV - FREE

75. Agricultural implements and machinery, and all apparatus and plant usually and principally employed in farming operations; binding twine and harvest yarn.

76. All raw produce of South Africa, and animals bred in South Africa imported into the Union overland.
77. All animals bred and articles grown, produced or manufactured within the Union, except:
 - (a) Flour, wheaten, or wheaten meal, including pollard, manufactured from other than South African wheat.
 - (b) Spirits, beer, or blasting compounds, distilled or manufactured in the Union, should a duty be imposed under Article XVII of the Convention.
78. Ambulance materials imported by recognised associations, corps or hospitals, lawfully established for instruction or drill in first aid to the wounded.
79. Anchors and chain cables for the use of ships, tugs or lighters.
80. Animals living, except cattle and sheep for slaughter.
81. Arms, ammunition, appointments and uniforms for the Regular Military, Naval or Volunteer, Imperial or Colonial Forces of His Majesty.
82. Atlases, charts, globes and maps.
83. Bags for flour, grain, manure, produce, sugar, wool, coal and minerals, not including paper bags; and bagging and sacking in the piece.
84. Band instruments and stands, the bona-fide property of any Government belonging to the Union or of a Regular Military or Volunteer Corps, and not the property of individuals.
85. Bones, feathers, ivory, hair, hoofs, horns, shells, skins, teeth, wool and other parts of animals, birds, fishes or reptiles, not being manufactured, polished, or further prepared than dried and cleaned, but in their raw and unmanufactured state.
86. Bookbinders' requisites, consisting of boards, cloth, leather, marble paper, skin, thread, tape, vellum, webbing and wire.
87. Books and music, printed, including newspapers and periodicals, not being foreign unauthorised prints of any British or South African copyright works.
88. Borax, bromine, litharge, manganese, di-oxide and quick-silver.
89. Bottles and jars or common glass or earthenware imported full of any article liable to a rated duty.
90. Boxes empty, cardboard and wooden, put together or in pieces or shooks for packing and staves.

91. Brass and copper, and composition metal: in bars, ingots, plates and sheets; plain, including perforated, but otherwise unmanufactured.
92. Bullion, coin, specie, bank notes and other paper currency.
93. Carriages, carts, wagons and other wheeled vehicles the manufacture of South Africa, imported into the Union overland.
95. Coir, candlewick, cotton, flax, fibre, flock, hemp and jute raw, waste or unmanufactured.
96. Collodion cotton, glycerine and nitrates for manufacturing purposes.
99. Cork dust, paper shavings, sawdust, husks and other waste substances intended and suitable for use only as packing material.
100. Diagrams, designs, drawings, models and plans.
101. Diamonds and other gems or precious stones in their rough state.
102. Dye-nuts, gambier, myrobalans, sumach, valonia and other dye stuffs for leather.
103. Engravings, lithographs and photographs, and enlargements or reproductions of the same.
104. Fire clay, terra alba and fire bricks.
105. Fish, fresh and fish ova; also dried, cured or salted fish and raw fish oil of South Africa taking.
106. Fruit: fresh or green, including cocoanuts.
107. Fruit and other produce: driers or evaporators of.
108. Glue.
109. Guano and other substances, animal, mineral or vegetable, artificial or natural, suitable for use as fertilisers or manures.
110. Hair cloth and springs for furniture.
112. Iron and steel: angle, bar, channel, hoop, rod, plate, sheet or T; plain, including perforated and galvanised; rough and unmanufactured, not including corrugated sheets.
114. Lead: bar, pipe, sheet, foil and acetate of.
115. Leather: patent, enamelled, roan and morocco, and pigskin in the piece and valve hide.

117. Metal of all sorts in bars, blocks, ingots and pigs for founding, not elsewhere described.
118. Paintings, pictures, picture books and etchings.
119. Paper ordinarily used for printing books, pamphlets, newspapers and posters, or for lithographic purposes.
120. Potash and soda, carbonate, bi-carbonate, caustic, crystals and silicate.
121. Printing and lithographic inks.
122. Printing, lithographing, paper-curring, folding, numbering and perforating machines or presses, blocks, formes, fontes, plates, rollers, stones and type, and other apparatus suitable only for use in the bookbinding or printing industries.
124. Rattans, cane and bamboo: unmanufactured.
125. Resin and carbonate of ammonia.
126. Saddle-trees.
127. School furniture and requisites: being all articles certified by the Superintendent-General of Education, or any official appointed for that purpose in any Colony or Territory in the Union to be for use in any school.
128. Sculpture, including casts or models of sculpture.
129. Seeds, bulbs, plants and tubers for planting or sowing only, under such regulations as regards edible kinds as the Customs authorities may impose to safeguard the revenue against diversion into ordinary consumption.
130. Sheep-dip, sheep dipping-powders, materials suitable only for dip, and dipping tanks.
132. Sprayers and sprinklers and other apparatus for destroying pests or diseases in stock, plants or trees.
133. Sulphur and other substances for destroying pests or diseases in stock, plants or trees: and disinfectants.
134. Thread: boot and shoemakers', saddlers' and sailmakers' and seaming twine.
135. Tin and zinc: bar, plate or sheet; plain or perforated, but otherwise unmanufactured.
136. Tobacco, the produce of South Africa, imported into the Union overland.
137. Vaccine virus, toxin and serum.

- 138. Vegetables: fresh or green, but not including potatoes or onions.
- 139. Water-boring and pumping apparatus.
- 140. Wax, viz: paraffin and stearine and stearine grease ordinarily used in the manufacture of candles.
- 141. Wine presses and wine pumps.
- 142. Wood meal.
- 143. Wool; staw, hay and forage presses.

CLASS V - GENERAL AD VALOREM RATE, 10
PER CENT.

- 144. All goods, wares or merchandise not elsewhere charged with duty, and not enumerated in the Free List, and not prohibited to be imported into the Union, shall be charged with a duty of 10 per cent. ad valorem.

ARTICLE III

A rebated of Customs Duties shall be granted on any goods and articles the growth, produce or manufacture of the United Kingdom imported therefrom into the Union for consumption therein to the extent following:

- (a) In the case of goods and articles liable to Customs Duty under Class I, II or V, a rebate of 25 per cent. of any duty chargeable thereon at an ad valorem rate but of no other duty, and
- (b) In the case of goods and articles liable under Class III to duty at an ad valorem rate of 2½ per cent. ad rebate of the whole of such duty.

ARTICLE IV

A rebate similar to that for which provision is made in the last preceding Article shall be granted in like manner and under like provisions to goods and articles the growth, produce or manufacture of any British Colony, Protectorate or Possession granting equivalent reciprocal privileges to the Colonies and Territories belonging to the Union....

CUSTOMS UNION CONVENTION BETWEEN THE CAPE
OF GOOD HOPE, NATAL, ORANGE RIVER COLONY,
TRANSVAAL AND SOUTHERN RHODESIA

1906

ARTICLE I

The Customs Union Convention entered into in the year 1903 shall be superseded by this present Convention....

ARTICLE II

The following and none other shall, subject to the provisions of any subsequent Article of this Convention, be the Customs Duties upon goods imported into any place within the Union....

CUSTOMS UNION TARIFF

CLASS I - SPECIAL RATES

	Duty	Rebate upon goods from the United Kingdom and reciprocating British Colonies.
	£. s. d.	£. s. d.
1. Acetic Acid, per Imperial gallon.	0. 3. 0.	0. 0. 3.
2. Ale, beer, and cider; per Imperial gallon.	0. 2. 0.	0. 0. 1½
3. Animals:		
(a) Cattle for slaughter, each.	1.10. 0.	
(b) Sheep for slaughter, each.	0. 0. 5.	
(c) Mules and Geldings, each.	1. 0. 0.	
5. Blasting compounds, per lb.	0. 0. 2½	0. 0. 0½
6. Butter, butterine, margarine, ghee, and other substitutes for butter; per lb.	0. 0. 2½	0. 0. 0½
7. Candles, per 100 lbs.	0. 5. 0.	0. 0.10.
9. Cement, per 400 lbs.	0. 1. 3.	0. 0. 3.
10. Chicory and substitutes for coffee or chicory, including chicory root; per lb.	0. 0. 2.	
11. Clothing, secondhand, for sale, per coat, vest, or trousers; each.	0. 2. 0.	

	£. s. d.	£. s. d.
12. Coal and Patent Fuel, per ton of 2,000 lbs.	0. 3. 0.	
13. Coke, per ton of 2,000 lbs.	0. 1. 0.	
14. Cocoa:		
(a) Raw, per lb.	0. 0. 1.	
(b) Ground or manufactured, unsweetened; per lb.	0. 0. 2.	0. 0. 0½
(c) Cocoa and milk, chocolate and milk, coffee and milk; per lb.	0. 0. 2.	0. 0. 0½
(d) Cocoa butter and cocoa paste; per lb.	0. 0. 2.	0. 0. 0½
15. Coffee:		
(a) Raw, per lb.	0. 0. 0½	
(b) Roasted, ground, or mixed; per lb.	0. 0. 2.	
16. Confectionery, per lb.	0. 0. 2½	0. 0. 0¼
17. Corn and Grain:		
(a) Wheat:		
(1) In the grain, per 100 lbs.	0. 1. 2.	0. 0. 2.
(2) Ground or otherwise prepared, per 100 lbs.	0. 2. 6.	0. 0. 3.
(3) bran, wheaten; per 100 lbs.	0. 1. 2.	0. 0. 2.
(b) Barley, buckwheat, kaffir corn, maize, millet, oats, rye, beans, and peas:		
(1) In the grain, raw or malted; per 100 lbs.	0. 2. 0.	0. 0. 2.
(2) Ground or otherwise prepared, including samp; per 100 lbs.	0. 2. 9.	0. 0. 3.
(c) Rice, per 100 lbs.	0. 1. 0.	
18. Dates, per lb.	0. 0. 0½	
19. Fish, per lb.	0. 0. 1¼	0. 0. 0¼
20. Fodder, per 100 lbs.	0. 2. 0.	0. 0. 2.
21. Fruits:		
(a) Preserved, of all kinds; per lb.	0. 0. 2¼	0. 0. 0¼
(b) Dried, of all kinds; per lb.	0. 0. 2¼	0. 0. 0¼
22. Gunpowder and other explosives suitable for use in firearms, per lb.	0. 0. 6.	
(In addition, 15 per cent. ad valorem).		3% ad valorem.

	£. s. d.	£. s. d.
23. Guns and gun-barrels, firearms:		
(a) Single, per barrel.	1. 0. 0.	
(b) Double and other, per barrel.	0.15. 0.	
(In either case, in addition 15 per cent. ad valorem).		3% ad valorem.
24. Lard, including compound lard, cotoleine, buttose, and other similar substances for use as food; per lb.	0. 0. 1½	0. 0. 0½
25. Matches:		
(a) Wooden, in boxes or packages of not more than 100 matches; per gross of boxes or packages.	0. 2. 0.	
In boxes containing more than 100, but not more than 200 matches; per gross of boxes or packages.	0. 4. 0.	
And for every 100 additional matches, in boxes or packages; per gross of 100 matches.	0. 2. 0.	
(b) Fuses, vestas, or wax matches, in boxes or packages containing not more than 50; per gross of boxes or packages.	0. 2. 0.	
In boxes or packages of more than 50, but not more than 100; per gross of boxes or packages.	0. 4. 0.	
And for every 50 additional in boxes or packages, per gross of 50 matches.	0. 2. 0.	
26. Meats, fats, soups, and other similar substances used as food; per lb.	0. 0. 1½	0. 0. 0½
27. Milk, condensed, desiccated, or preserved milk or cream:		
(a) Full cream, per 100 lbs.	0. 5. 2.	0. 1. 0.
(b) Skimmed or separated, per lb.	0. 0. 6.	
28. Oils, mineral: illuminating, and burning; per Imperial gallon.	0. 0. 1.	
29. Onions and garlic, not preserved; per lb.	0. 0. 0½	
30. Pickles and other condiments, per lb.	0. 0. 2½	0. 0. 0½
31. Pills, imported in packages not for direct sale retail to the public; per lb.	1. 0. 0.	

	£.	s.	d.	£.	s.	d.
32. Pistols and Revolvers, each. (In addition, 15 per cent. ad valorem).	0.	5.	0.			3% ad valorem.
33. Potatoes, not preserved; per 100 lbs.	0.	2.	0.	0.	0.	2.
34. Soap, soap powders, and extracts; per 100 lbs.	0.	4.	9.	0.	0.	9.
35. Spices and Turmeric, per lb.	0.	0.	2½	0.	0.	0¼
36. Spirits:						
(a) Perfumed, per Imperial gallon.	1.	2.	6.			
(b) Liqueurs, per Imperial gallon.	1.	0.	0.			
37. Sugar:						
(a) Candy, loaf, castor, icing, and cube; per 100 lbs.	0.	5.	0.			
(b) Other kinds, including golden and maple syrup, molasses, saccharum, and treacle; per 100 lbs.	0.	3.	6.			
(c) Saccharine and other sweeten- ing substances in a concen- trated form; per lb.	1.	0.	0.			
38. Tea, per lb.	0.	0.	4.			
39. Tobacco:						
(a) Cigars and cigarillos, per lb. (In addition, 15 per cent. ad valorem).	0.	6.	0.			
(b) Goorak, or gooracco, and hookah mixture; per lb.	0.	6.	0.			
(c) Snuff, per lb.	0.	4.	0.			
(d) Cigaretts, per lb. (In addition, 15 per cent. ad valorem).	0.	4.	6.			
40. Vinegar:						
(a) Of standard strength:						
(1) In bottles or other vessels of the capacity or not more than one Imperial quart, per Imperial gallon.	0.	1.	1.	0.	0.	1.
(2) In larger vessels or in bulk, per Imperial gallon.	0.	0.	7.	0.	0.	1.
(b) Concentrated extract or essence of greater strength than above, per Imperial gallon.	0.	3.	3.	0.	0.	3.

£. s. d. f. s. d.

41. Wine:

- (a) Still wines, not exceeding 20 per cent. of proof spirit; per Imperial gallon. 0. 4. 0.
- (b) Still wines, exceeding 20 per cent., but not exceeding 50 per cent. of proof spirit; per Imperial gallon. 0. 8. 0.
- (c) Sparkling wines, per Imperial gallon. 0.12. 6.
(In addition, 15 per cent. ad valorem on all classes of wine.

CLASS II - MIXED RATES

42. Boots and shoes, per £100 with a minimum per pair of: 15. 0. 0.
Men's 0. 0. 9.
Women's 0. 0. 6.
Children's 0. 0. 3.
43. Printed matter:
(a) Advertising, including catalogues, price lists, almanacs, calendars, labels, posters, and show cards; per £100. 25. 0. 0.
- (b) Printed stationery and forms, boxes, cardboard, bags and paper; per £100. 25. 0. 0.
44. Vehicles:
(a) Carriages, carts, coaches, and wagons; per £100. 25. 0. 0.
- (b) Second-hand carriages, carts, coaches, and wagons; per vehicle. 10. 0. 0.

CLASS III - TWENTY-FIVE PER CENT. AD VALOREM

45. Beverages:
(a) Waters: aerated, mineral and table.
- (b) Fruit juices, cordials and syrups, not elsewhere enumerated.
- (c) All other kinds not exceeding 3 per cent. of proof spirit.
46. Biscuits, cakes, puddings and pastry.
47. Blankets and sheets, or rugs, cotton or woollen, or manufactures of cotton and wool commonly used as cotton or woollen blankets or rugs and cotton quilts,

the single article in pairs or in the piece; and coats, jackets or other apparel, made of blanketing or baize, not elsewhere enumerated.

49. Bricks, except bath.
50. Extracts and essences of all kinds for food, flavouring or perfumery, not elsewhere enumerated, including concentrated soup.
52. Harness and saddlery, not including riding saddles.
53. Medicinal preparations, not elsewhere enumerated, other than pills imported in packages not for direct sale retail to the public....
54. Oils, essential or perfumed, including eucalyptus.
55. Perfumery, cosmetics, dyes, powders and other preparations for toilet use, not elsewhere enumerated.
56. Shawls and shawling, and loin cloths.

CLASS IV - THREE PER CENT. AD VALOREM

57. Ambulance materials, imported by recognised association corps, or hospitals, lawfully established for instruction or drill in first aid to the wounded.
58. Ammonium: anhydrous, carbonate, chloride (sal-ammoniac) and nitrate: in bulk.
59. Asbestos packing and boiler compositions.
60. Assay apparatus and assay mobor.
61. Bands and belting of all kinds for driving machinery, boiler tubes, bolting cloth and mill silk.
62. Barytes and pumice: in bulk.
63. Battery cloth and baize, gauze, matting, sieving and screening, for use in connection with machinery and apparatus, including brattice cloth, but not including cocoanut matting.
64. Bolts, nuts, rivets, screws, nails and washers, and brass and iron tips and caps for boots and shoes.
65. Book-binders' requisites, consisting of boards, cloths, leather, marble paper, skin, thread, tape, vellum, webbing, wire, gold and silver leaf, parchment, imitation leather, binders' paper, and cardboard and linen board.
66. Bottles and jars of common glass or earthenware, and bottles ordinarily used for aerated waters: empty.

67. Brass and copper, and composition metal: in bars, ingots, plates and sheets, plain including perforated, but otherwise unmanufactured.
68. Calcium, carbonate, caustic, chloride, chlorate, bi-sulphite in bulk.
69. Carbonic acid gas.
70. Cement, liquid, for tube mills.
71. Chains for hauling.
72. Chimneys: metal (smoke stacks),
73. Collodion cotton and glycerine and kieselguhr: in bulk for manufacturing purposes.
74. Confectioners' requisites, namely, glucose, moulding starch, gelatine, and unsweetened dessicated cocoanut: in bulk.
75. Corks and bungs, and cork wood unmanufactured.
76. Crances, elevators and shears.
77. Crucibles, cupels, cupelling furnaces, graphite, ingot moulds, retorts and furnaces for roasting minerals.
78. Cyanide of potassium and of sodium; sulpho cyanide of potassium, sodium and calcium.
79. Disinfectants: in bulk, provided they are of a standard approved by the various Governments of the Union.
80. Emery: in bulk, emery cloth and paper, emery wheels.
81. Felt, rubberoid, uralite, and similar substances for building purposes.
82. Fire clay and terra alba.
83. Fire escapes and fire extinguishing appliances and apparatus.
84. Fruits, fresh or green, including cocoanuts.
85. Glue: in bulk.
86. Gypsum (sulphate of lime or plaster of paris); in bulk.
87. Hair-cloth and springs for furniture.
88. Hops.
89. Hose: conveying.
90. Hobs, rims, spokes, felloes, shafts, tent bows and

poles, cut or fashioned, not finished, except when for wagons and carts commonly used for the conveyance of goods.

91. India rubber, unmanufactured.
92. Iron and steel:
 - (a) Rough and rolled but otherwise unmanufactured.
 - (b) Plain, perforated, galvanised and corrugated sheets.
 - (c) Anglebar, channel, hoop, rod, plate, H., T., and similar iron or steel, not perforated or put together or worked up in any way for structural or other purposes; not elsewhere enumerated.
93. Jacks, screw and hydraulic.
95. Lead: bar, pipe, sheet, foil, and acetate of.
96. Leather: patent, enamelled, roan and morocco, and pig-skin in the piece, and valve hide.
97. Lifts: power, including the gates.
98. Machinery:
 - (a) Machinery, apparatus, appliances and implements (not including material, vehicles, mechanics' tools, domestic machines, or harness) for agricultural, manufacturing, mining, bookbinding, printing, and other industrial purposes.
 - (b) Machinery, apparatus, appliances, implements and electrical material used in connection therewith, for the generation, storage, transmission, distribution of, and lighting by, gas or electric power, but not including electroliers, hand lamps or fancy fittings.
99. Magnesium sulphate: in bulk.
100. Metal of all sorts in bars, blocks, ingots, and pigs for founding, not elsewhere described.
101. Metal shaft sets and rails, buckets, skips, trucks and tubes, wheeled or otherwise, for hauling on rails or wires.
102. Packing and lagging for engines, machinery, piping and buildings.
103. Paper: all plain paper in its original mill ream, wrapper or reels, not less in size than 16 inches by 15 inches, not including feint or ruled papers or blotting, brown, cartridge, drawing, manifold, packing or tissue papers.
104. Pipes, piping and tubes of all kinds for gas, steam, drainage, sewerage, irrigation, water supply or

pumping, including meters, cocks and taps, but not including grids, manhole covers and fittings, surface boxes, down-piping and guttering.

105. Potassium and sodium; carbonate, bi-carbonate, caustic and silicate, chlorate, chloride, bi-chromate, permanganate, red and yeelow prussiate of: in bulk.
106. Presses: wool, hay, straw and forage.
107. Printing, lighographic and ruling inks, roller composition and stamping colours and printers' bronze.
108. Railway construction or equipment requisites, as follows: Rails, sleepers, fastenings for rails or sleepers, girders, iron bridge-work, culvert tops, locomotives, tenders, ballast trucks, goods wagons, carriages trolleys, engine water-tanks, turn tables, permanent or fixed signals, weigh-bridges and railway lamps.
109. Resin: in bulk.
110. Saddle-trees.
111. School furniture and requisites: being all articles certified by the Superintendent-General of Education, or any official appointed for that purpose in any colony or territory in the Union to be for use in any school.
112. Sheep-dip, sheep-dipping powders, materials suitable only for dip and dipping tanks.
113. Slates for roofing.
114. Sprayers and sprinklers and other apparatus for destroying pests or diseases in stock, plants or trees.
115. Springs, axles, steps and other metal parts not ordinarily made in the Union, for carts, carriages, coaches, and wagons.
116. Staves, not worked further than roughly fashioned.
117. Substances for destroying pests or diseases in stock, plants or trees, sulphate of copper, arsenic and arsenious acid, arsenate of soda in bulk.
118. Tanks and vats, suitable and intended for mining purposes, and substructures for the same.
120. Thread: boot and shoe makers', saddlers', and sail-makers', and seaming twine, and binding twine and harvest yarn.
121. Tin and Zinc: bar, plate or sheet: plain or perforated, but otherwise unmanufactured.

122. Traction engines, power lorries and trailers for the same stone crushers, steam rollers and street sweeping machines.
123. Tramway construction and equipment requisites as follows: Rails, sleepers, fastenings for rails or sleepers, iron gates, girders, iron bridge-work, culvert tops, cars, trolleys, water-tanks, and turn tables.
124. Vegetables, fresh or green, but not including garlic, potatoes or onions.
125. Water-boring and pumping apparatus and pumps, not including beer pumps.
126. Wire and wire-netting for fencing: droppers, gates, hurdles, posts, standards, strainers, staples, stiles, winders, and other materials or fastenings of metal ordinarily used for agricultural or railway fencing; and baling wire.
127. Wire for making mattresses.
128. Wire rope.
129. Wood:
 - (a) Unmanufactured.
 - (b) Ceiling and flooring boards: planed, tongued and grooved.

CLASS V - FREE

130. All raw produce of South Africa, and animals bred in South Africa imported into the Union overland.
131. All animals bred and articles grown, produced or manufactured within the Union, except: Spirits, beer, or blasting compounds, distilled or manufactured within the Union, in case of the imposition of a duty or the prohibition of manufacture for sale.
132. Animals, living, not elsewhere enumerated.
134. Atlases, charts, globes and maps.
135. Bags (not including paper bags) for flour, grain, manure, local manufactures, produce, sugar, wool, coal and minerals, and bagging and sacking in the piece.
136. Band instruments and stands, the bona fide property of any military, naval or volunteer corps, and not the property of individuals.
137. Bones, feathers, greass, ivory, hair, hoofs, moss, shells, skins, teeth, wool and other parts of animals, birds, fishes or reptiles, not being manufactured,

polished or further prepared than dried or cleaned, but in their raw and unmanufactured state.

138. Books and music, printed, including newspapers and periodicals, not being foreign unauthorised prints of any British or South African copyright work, the importation of which is prohibited, not being advertising matter elsewhere enumerated.
139. Borax, bromine, litharge, manganese dioxide and quicksilver: in bulk.
140. Bottles and jars of common glass of earthenware, imported full of any article liable to a rated duty only.
141. Bullion (in the bar of sheet), coin, specie, bank notes and other paper currency.
142. Carriages, carts, wagons and other wheeled vehicles, the manufacture of South Africa, imported into the Union overland.
144. Coir, candle wick, cotton, flax, fibre, flock, hemp and jute: raw, waste or unmanufactured.
146. Cork dust, paper shavings, sawdust, husks and other waste substances, intended and suitable for use only as packing material.
148. Diagrams, designs, drawings, models and plans.
149. Diamonds and other gems, or precious stones, in their rough state.
150. Dye nuts, gambier, myrobalans, sumach, valonia, and dyestuffs for leather; and alum.
151. Engravings, lithographs and photographs, not including enlargements or reproductions of photographs, and not being labels or advertisements elsewhere enumerated.
152. Fish fry and ova.
153. Fish: fresh, dried, cured, or salted of South African taking and raw oil from fish of South African taking.
154. Guano and other substances, animal, mineral or vegetable, artificial or natural, suitable for use as fertilizers or manures.
157. Marble in the rough or sawn.
158. Nitrates except nitrate of ammonium, for manufacturing purposes or for fertilizers: in bulk.
159. Oils, palm, palm kernel, cotton seed: in bulk.

- 160. Paintings, pictures, picture books and etchings, not being advertisements or labels elsewhere enumerated.
- 161. Platinum, chloride of.
- 163. Rattans, cane and bamboo: unmanufactured.
- 164. Sculpture, being original works of art.
- 165. Seeds, bulbs, plants and tubers, for planting or sowing only, not including edible kinds of fodder.
- 167. Stone linings and pebbles for tube mills.
- 168. Sulphur: in bulk.
- 169. Sulphurous Anhydride.
- 170. Tallow.
- 171. Tobacco, the produce of South Africa, imported into the Union overland.
- 172. Vaccine virus, toxin and serum.
- 173. Wax: viz: paraffin and stearine, and stearine grease, ordinarily used in the manufacture of candles or explosives.
- 174. Wood meal and wood pulp.

CLASS VI - GENERAL AD VALOREM RATE, 15
PER CENT.

- 175. All goods, wares, and merchandise not elsewhere charged with duty, and not enumerated in the Free List, and not prohibited to be imported into the Union, shall be charged with a duty of 15 per cent. ad valorem.

ARTICLE III

A rebate of Customs duties shall be granted on any goods and articles, the growth, produce or manufacture of the United Kingdom, imported therefrom into the Union for consumption therein to the extent following:

- (a) In the case of goods and articles charged with Customs Duty under Class I, the amount shewn in the column indicating such rebate.
- (b) In the case of goods and articles charged under Classes II, III, IV, and VI three per cent. ad valorem on such goods and articles.

ARTICLE IV

A rebate similar to that for which provision is made in the last preceding Article shall be granted in like manner and under like provisions to goods and articles the growth, produce or manufacture of any British Colony, Protectorate, or Possession, granting equivalent reciprocal privileges to the Colonies and Territories belonging to the Union....

APPENDIX 2

CONTRIBUTIONS TO NATIONAL INCOME:
1912 - 1939

NATIONAL INCOME

(£ '000,000)

CENSUS YEAR (YEAR ENDED 30TH JUNE.)	AGRICULTURE	MINING	MANUFACTURING (PRIVATE)	COMMERCE	PUBLIC AUTHORITIES & OTHERS	TOTAL
1912	23,1	36,0	8,9	18,0	46,9	132,9
1918	33,9	34,7	16,4	26,6	56,3	167,9
1919	50,5	42,2	19,2	30,3	62,4	204,6
1920	51,0	51,9	26,0	40,9	73,3	243,5
1921	48,1	36,9	26,6	30,5	76,2	218,3
1922	38,3	27,7	21,7	24,5	70,5	182,7
1923	40,2	38,9	23,8	30,7	75,2	208,8
1924	42,4	43,7	26,1	32,7	80,6	225,5
1925	50,8	39,8	38,0	36,3	80,3	235,2
1926	44,7	43,2	30,7	37,6	85,8	242,0
1927	45,7	45,3	32,8	39,0	88,5	251,3
1928	53,0	50,3	35,8	42,4	92,6	274,1
1929	96,4	95,0	38,2	43,7	97,2	270,5
1930	35,2	43,8	39,1	36,7	98,4	253,2
1931	30,5	39,4	37,2	32,3	94,7	234,1
1932	28,9	39,2	33,5	25,8	89,7	217,1
1933	30,6	56,4	32,0	29,1	88,8	236,9
1934	33,1	58,4	38,2	39,3	100,3	269,3
1935	40,5	63,2	49,5,7	41,4	110,2	301,0
1936	48,2	67,3	52,8	46,7	120,6	335,6
1937	50,6	72,5	60,8	54,4	132,3	370,6
1938	42,7	73,2	65,8	51,8	138,9	372,4
1939	50,8	81,5	69,7	53,8	139,8	395,6

NATIONAL INCOME

PERCENTAGE CONTRIBUTION OF EACH SECTOR

CENSUS YEAR (YEAR ENDED 30TH JUNE.)	AGRICULTURE	MINING	MANUFACTURING (PRIVATE)	COMMERCE	PUBLIC AUTHORITIES & OTHERS	TOTAL
1912	17,4%	27,1%	6,7%	13,5%	35,3%	100%
1918	20,2	20,7	9,8	15,8	33,5	100
1919	24,7	20,6	9,4	14,8	30,5	100
1920	20,9	21,3	10,7	16,8	30,3	100
1921	22,0	16,9	12,2	14,0	34,9	100
1922	21,0	15,2	11,9	13,4	38,5	100
1923	19,3	18,6	11,4	14,7	36,0	100
1924	18,8	14,4	11,6	14,5	35,7	100
1925	21,6	16,9	11,9	15,4	34,2	100
1926	18,5	17,9	12,7	15,5	35,4	100
1927	18,2	18,0	13,1	15,5	35,2	100
1928	19,3	18,3	13,1	15,5	33,8	100
1929	17,2	16,6	14,1	16,2	35,9	100
1930	13,9	17,3	15,4	14,5	38,9	100
1931	13,0	16,8	15,9	13,8	40,5	100
1932	13,3	18,1	15,4	11,9	41,3	100
1933	12,9	23,8	13,5	12,3	37,5	100
1934	12,3	21,7	14,2	14,6	37,2	100
1935	13,5	21,0	15,2	13,7	36,6	100
1936	14,4	20,1	15,7	13,9	35,9	100
1937	13,7	19,6	16,3	14,7	35,7	100
1938	11,5	19,7	17,6	13,9	37,3	100
1939	12,8	20,6	17,7	13,6	35,3	100

APPENDIX 3

GROSS AND NET VALUES OF OUTPUT FOR
1916/17 - 1924/25 REVALUED AT
1916/17 PRICE LEVEL

GROSS VALUE OF OUTPUT, 1916/17 - 1924/25,
REVALUED AT 1916/17 PRICE LEVEL

	GROSS VALUE (£'000)	% CHANGE	G/V OF OUTPUT REVALUED AT 1916/17 PRICES	% CHANGE
1916/17	43,752	100	43,752	100
1917/18	53,689	122,7	51,541	117,8
1918/19	58,970	134,7	53,663	122,6
1919/20	76,849	175,5	56,100	128,2
1920/21	79,750	182,1	49,445	113,2
1921/22	63,258	144,5	56,932	130,1
1922/23	58,132	132,8	53,388	122,0
1923/24	62,258	142,2	60,390	137,9
1924/25	62,295	142,3	61,983	141,6

NET VALUE OF OUTPUT, 1916/17-1924/25, REVALUED
AT 1916/17 PRICE LEVEL

	NET VALUE (£'000)	% CHANGE	G/V OF OUTPUT REVALUED AT 1916/17 PRICES	% CHANGE
1916/17	16,500	100	16,500	100
1917/18	20,466	124,1	19,647	119,1
1918/19	21,367	129,5	19,444	117,8
1919/20	27,946	169,3	20,400	123,6
1920/21	27,684	167,7	17,164	104,0
1921/22	25,022	151,6	22,520	136,4
1922/23	25,614	155,2	24,845	150,6
1923/24	27,619	167,3	26,791	162,3
1924/25	28,794	174,5	28,650	173,6

APPENDIX 4

GROSS AND NET VALUES OF OUTPUT
PER FIRM : 1924/25 - 1938/39

GROSS VALUE OF OUTPUT PER FIRM: 1924/25-1938/39

	GROSS VALUE OF OUTPUT (£ '000)	NUMBER OF FIRMS	GROSS VALUE OF OUTPUT PER FIRM
1924/25	57,304	6,009	£ 9,521
1925/26	63,766	5,957	10,703
1926/27	67,219	6,012	11,181
1927/28	75,642	6,162	12,276
1928/29	80,648	6,238	12,929
1929/30	78,425	6,472	12,118
1930/31	-	-	-
1931/32	-	-	-
1932/33	67,332	6,543	10,289
1933/34	82,488	7,232	11,405
1934/35	95,373	7,636	13,188
1935/36	108,412	8,152	13,299
1936/37	126,036	8,416	14,976
1937/38	134,142	8,581	15,632
1938/39	140,587	8,614	16,321

NET VALUE OF OUTPUT PER FIRM: 1924/25-1938/39

	NET VALUE OF OUTPUT (£ '000)	NUMBER OF FIRMS	NET VALUE OF OUTPUT PER FIRM
1924/25	24,746	6,009	£ 4,118
1925/26	26,791	5,957	4,497
1926/27	28,676	6,012	4,769
1927/28	31,292	6,162	5,078
1928/29	33,776	6,238	5,415
1929/30	34,194	6,472	5,283
1930/31	-	-	-
1931/32	-	-	-
1932/33	30,700	6,543	4,692
1933/34	36,401	7,232	5,033
1934/35	42,637	7,636	5,584
1935/36	49,542	8,152	6,077
1936/37	56,743	8,416	6,743
1937/38	60,769	8,581	7,082
1938/39	64,068	8,614	7,438

APPENDIX 5

LIST OF THE MAJOR INDUSTRIAL GROUPS

The industrial census classifies private manufacturing under twenty-one major groups. They are as follows:

- Group 1. Food.
- Group 2. Beverages.
- Group 3. Tobacco.
- Group 4. Textiles.
- Group 5. Wearing apparel.
- Group 6. Wood and wood products.
- Group 7. Furniture.
- Group 8. Paper and paper products.
- Group 9. Printing and publishing.
- Group 10. Leather and leather products.
- Group 11. Rubber products.
- Group 12. Chemicals and chemical products.
- Group 13. Petroleum and coal products.
- Group 14. Non-metallic mineral products.
- Group 15. Basic metal industries.
- Group 16. Metal products.
- Group 17. Machinery.
- Group 18. Electical machinery.
- Group 19. Transport equipment.
- Group 20. Miscellaneous.
- Group 21. Laundries.

In Tables 3-2 and 4-2, certain main classes of related industries have been grouped together.

APPENDIX 6

DUMPING DUTIES; SELECTED EXTRACTS
FROM THE CUSTOMS TARIFF ACTS OF
1914, 1922, 1923 AND 1925

THE CUSTOMS TARIFF ACT NO. 26 OF 1914

*Section 7: "Definition of value on which *ad valorem* duties are to be paid."*

"For the purpose of estimating the amount of Customs duty whenever levied on goods *ad valorem*, and for the purpose of the declarations and oaths which may at any time be required by law or regulation in relation to the question of such duty, the value for purposes of duty of those goods shall be taken to be the true current value for home consumption in the open market of similar goods in the principal markets of the country from which, and at the time at which, the goods were imported, including carriage to the port of shipment and the costs of packing and packages, but not including agents' commission when such commission does not exceed 5 per cent.: Provided that in no case shall the value for purposes of duty, as in this section defined, be less than the cost of the goods to the importer at the port of shipment."

Section 8: "Dumping and Countervailing Duties."

"Anything to the contrary notwithstanding in this Act contained, the following provisions shall be in force in respect of the charging, levying, collection and payment of Customs duty:-

"(1) In the case of goods imported into the Union of a class or kind made or produced in the Union, if the export or actual selling price to an importer in the Union be less than the true current value (as defined in this Act) of the same goods when sold for home consumption in the usual and ordinary course in the country from which they were exported to the Union at the time of their exportation thereto, there may, in addition to the duties otherwise prescribed, be charged, levied, collected and paid on those goods on importation into the Union special Customs duty (or dumping duty) equal to the difference between the said selling price of the goods for export and the true current value thereof for home consumption as defined in this Act: Provided that the special Customs duty (or dumping duty) shall not in any case exceed 15 per cent. *ad valorem*.

"(2) When a bounty is granted in the country of origin on any goods of a class or kind made or produced in the Union, an additional Customs duty equal to the amount of such bounty may be charged, levied, and collected upon the importation of those goods into the Union.

"(3) The goods in respect of which there may be charged, levied and collected any special (or dumping) Customs duty under sub-section (1) or any additional Customs duty under sub-section (2) shall be from time to time determined by the Governor-General and notified by him by proclamation in the *Gazette*, together with the date as from which such his determination shall take effect: Provided that such date shall not be less than six weeks

after the publication of the proclamation."

Section 9: "Commissioner to determine values in cases of special difficulty."

"Whenever goods are imported into the Union under such circumstances or conditions as render it difficult to determine the value thereof for purposes of duty because" - (here follows list of difficult cases) - "the Commissioner may determine the value of those goods for purposes of duty, and the value so determined shall, unless otherwise provided, and subject always to the right of appeal to the Minister, be the value upon which the duty on those goods shall be computed and levied."

CUSTOMS AND EXCISE DUTIES AMENDMENT
ACT NO. 35 OF 1922

Section 5: (1) Anything to the contrary notwithstanding in the Customs Tariff Act, 1914, or any amendment thereof, or in this Act contained, the following provisions shall be in force in respect of the charging, levying, collection and payment of Customs duty:-

Where, in the case of goods imported into the Union of a class or kind produced or manufactured in the Union, the exchange value of the currency of the country of origin or export of any such goods is depreciated and, by reason of such depreciation, goods are being imported into the Union at prices which are detrimental to South African industries, the Governor-General shall, from time to time, determine the rate at which the currency of the country of origin or export of goods imported into the Union shall be converted into the currency in force in the Union, and the rate so determined shall be declared by him by proclamation in the *Gazette*. The difference between the free-on-board value of the goods as charged to the importer and the free-on-board value at the rate determined and declared as aforesaid by the Governor-General shall, in addition to the duties otherwise prescribed, be charged, levied, collected and paid on those goods on importation into the Union as a special or exchange duty: Provided that the special or exchange duty shall not in any case exceed 50 per cent. of the value so determined: Provided, further, that when the free-on-board price of a proclaimed commodity -

- (i) when invoiced in the currency of the country of export and converted into Union currency at the rate of exchange current at the time of import into the Union; or
- (ii) when invoiced in Union currency, is within 10 per cent. of the export free-on-board price of a like commodity imported into the Union from countries whose exchange rate in relation to Union currency is not depreciated, then the provisions of this paragraph shall not apply.

(2) A proclamation issued under sub-section (1) of this section shall not have force or effect until six weeks after its publication in the *Gazette*.

Section 6: Whenever any goods are being sold or offered for sale in the Union for an amount which is less than -

- (i) the price at which similar goods are sold wholesale in the principal markets of the country of their manufacture for consumption therein; added to
- (ii) the cost of packing and packages, the free-on-board charges and the cost of the freight from the port of shipment in such country to the port of entry in the Union,

and by reason of such sale or offer for sale an industry in the Union is likely to be seriously affected, the Governor-General may by proclamation in the *Gazette* declare that there shall be charged, levied, collected and paid on such goods on importation into the Union from that country, in addition to the Customs duties otherwise prescribed, a special Customs duty equal to the difference between the said price, plus the costs and charges aforesaid and the amount at which such goods from that country are being sold or offered for sale in the Union."

CUSTOMS AND EXCISE DUTIES AMENDMENT ACT NO. 23 OF 1923

Chapter III. General.

12. Paragraphs (1) and (3) of section *eight* of the Customs Tariff Act, 1914, are hereby repealed, and the following paragraphs (1), (3) and (4) are substituted therefor:-

(1) In the case of goods imported into the Union of a class or kind produced or manufactured in the Union, if the export selling price, free on board, to an importer in the Union be less than that at which the same goods are sold for home consumption in the usual and ordinary course of trade in the principal markets of the country of export, at the same time of shipment, plus the free-on-board charges, and detriment may thereby, in the opinion of the Minister of Finance, result to a Union industry, the Governor-General may, by proclamation in the *Gazette*, declare that there shall (whether or not any other Customs duty is payable thereon) be charged, levied, collected and paid on those goods on importation into the Union a special Customs duty (or dumping duty) equal to the difference between the said selling price to the importer and the price at which the goods are sold for home consumption as aforesaid, plus the free-on-board charges: Provided that the special Customs duty (or dumping duty) shall not, in any case, exceed 25 per cent. *ad valorem*.

(3) When any goods, of which the value as defined by section *seven* of this Act, or any amendment thereof, added to the marine insurance and freight charges, does not exceed £10 per ton, and which are of a kind or class produced or manufactured in the Union, have been or are being carried to the Union at a rate of freight which, in the opinion of the Minister of Finance, is detrimental to the production of manufacture of those goods in the Union, the Governor-General may, by proclamation in the *Gazette* (which may, at any time, by proclamation, be amended or withdrawn), determine a minimum rate of freight for the carriage of the goods specified from any country named in such proclamation, and there shall be charged, levied, collected and paid on those goods on importation into the Union from any country so named a special Customs duty (or dumping freight duty) equal to the difference between the net freight rate paid, or to be paid, and the rate determined as aforesaid.

(4) A proclamation issued under paragraph (1) or (3) of this section shall not have force or effect in respect of goods exported from the country named therein prior to the date of publication thereof in the *Gazette*.

13. Whenever, for the purposes of estimating the amount of Customs duty payable in respect of any goods, it is necessary, in terms of section *seven* of the Customs Tariff Act, 1914, or of any other law, to determine the true current value for home consumption in the open market of similar goods in the principal markets of the country from which and at the time at which the goods were imported, and the Commissioner has any doubt as to the correctness of the certificate of such value given by the manufacturer or supplier in the country of export, a written certificate, signed by a person in that country specially designated by the Commissioner of Customs, certifying such value shall, for the purpose of assessing the amount of Customs duty or any other duty payable on such goods and all other matters incidental to such purpose, be accepted as conclusive evidence of such value.

CUSTOMS TARIFF AND EXCISE DUTIES AMENDMENT
ACT NO. 36 OF 1925

Repeals, *inter alia*, Act 26 of 1914, Act 35 of 1922, sections 1 and 3-9, Act 23 of 1923, sections 1-4, 12-15, 17, 18.

Chapter II. Dumping.

15. (1) Whenever, after investigation and report by the Board of Trade and Industries, the Minister is satisfied that goods which are of a class of kind produced or manufactured in the Union have been or are being exported to the Union -

- (a) at an export price which is less than the domestic value thereof, plus the extra cost of packing and

packages for export, carriage to the port of shipment, and all other expenses incidental to placing the goods on board ship ready for export to the Union; or

- (b) at an export price which, owing to the depreciated exchange value of the currency of the country in which the goods were produced or manufactured or from which they were exported, is less than the export price of goods of the same class or kind imported into the Union from countries the exchange value of whose currency in relation to Union currency is not depreciated by more than five per centum, and from which such goods on importation are not otherwise liable to any dumping duty in terms of this section; or
- (c) at a rate of freight lower than the rate prevailing at the date of shipment for those classes of goods usually rated for shipping purposes on the same basis, or at ballast rates of freight, or freight free, or that by reason of the granting of rebates, refunds, or other allowances the net amount of freight payable is lower than that prevailing at the date of shipment; or
- (d) that they are being sold or offered for sale at a port of entry in the Union in the usual and ordinary course of trade for an amount which is less than the domestic value thereof, plus the extra cost of packing and packages for export, inland carriage, sea freight, insurance and all charges to that port, including landing and delivery charges and any duty (other than a dumping duty) payable under this Act or any amendment thereof; or
- (e) that a bounty has been or will be granted in respect of such goods in the country in which they were produced or manufactured or from which they were exported, by way of a bonus, rebate, subsidy or otherwise, whether granted by a Government or other authority or person; and is further of opinion that detriment may from one or more of the above causes result to an industry within the Union, and that it would be in the public interest to impose in respect of such goods a dumping duty, the Governor-General may, by proclamation in the *Gazette*, notify the class of goods and declare that one or more of the dumping duties enumerated in sub-section (2), and set forth in such proclamation, shall be levied upon goods of such class on importation into the Union from a country, or countries named in the proclamation; and from and after the date of publication of such proclamation in the *Gazette* such dumping duty or duties shall, in addition to any other duties payable thereon, be charged, levied, collected and paid on goods so notified on importation into the Union from the countries named: Provided that -
 - (i) no dumping duty or duties shall be imposed in respect of goods shipped to the Union from the

country named in the proclamation prior to the date of publication thereof in the *Gazette*, and

- (ii) such duty, or where there is more than one form of dumping, the total of such duties, shall not exceed one-half of the value of the goods for duty purposes, as defined in section *fourteen* of this Act.

(2) The dumping duties which may be imposed in terms of sub-section (1) shall be the following:-

- (a) 'ordinary' dumping duty, which shall be the difference between the export price and the domestic value plus the extra cost of packing and packages for export, carriages to the port of shipment, and all other expenses incidental to placing the goods on board ship ready for exportation to the Union; provided that such difference is greater than five per centum of the export price;
- (b) 'exchange' dumping duty, which shall be the difference between the export price of the goods in question and the export price of goods of the same class or kind imported into the Union from countries the exchange value of whose currency in relation to the Union currency is not depreciated by more than five per centum, and from which such goods on importation are not otherwise liable to any dumping duty in terms of this section;
- (c) 'freight' dumping duty, which shall be the difference between the net freight paid and the freight which would have been payable at the rate prevailing at the date of shipment, for those classes of goods usually rated for shipping purposes on the same basis; provided that such duty shall not apply to such goods of which the value for duty purposes, added to the marine insurance and freight charges, exceeds £10 per ton of 2,240 lb.;
- (d) 'sales' dumping duty, which shall be the difference between the selling price in the Union and the domestic value plus the expenses and charges set forth in paragraph (d) of sub-section (1) above;
- (e) 'bounty' dumping duty, which shall be the amount of the duty referred to in paragraph (e) of sub-section (1) above.

16. Notwithstanding anything contained in this chapter, if the Minister is of opinion that the levying, in respect of wheat or wheaten flour, of the ordinary dumping duty to which in terms of section *fifteen* it is subject would, by reason of market fluctuations, be undesirable, the Governor-General may, by proclamation in the *Gazette*, declare that in lieu of such dumping duty, there shall be levied on wheat and wheaten flour imported into the Union from a country or countries named in the proclamation special dumping duties

at such rates, to be specified in the proclamation, as in the opinion of the Minister would in the circumstances meet the object of the ordinary dumping duty; and from and after the date of publication of the proclamation in the *Gazette* such special duties shall be charged, levied, collected and paid on wheat and wheaten flour imported into the Union from the countries named therein.

19. In this chapter, unless inconsistent with the context, "export price" means the price free on board at which goods are sold by the exporter to the importer in the Union; "domestic value" means the domestic value as defined in section *fourteen* (except that for the purpose of paragraph (a) of sub-sections (1) and (2) of section *fifteen* for the words "time of exportation" shall be substituted the words "date of purchase thereof by the importer"), less any drawback of duty granted by the Government of the exporting country in respect of the goods in question on their exportation....

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 - (e) Miscellaneous
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