

JOHANNESBURG - FINANCIAL CENTRE OF AFRICA?

by

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ADDRESS:

JOHANNESBURG - FINANCIAL CENTRE OF AFRICA?

- by A. Martin

I would draw your attention to a significant difference in the title of my subject today, and the titles of the seven other addresses which you will hear in this symposium - it concludes with a question mark! It is difficult for me to decide whether this is a typographical error, or an expression of genuine doubt on the part of your organisers that Johannesburg could not be the financial centre of Africa. There is yet another curiosity in the title. Two of the addresses deal specifically with the Johannesburg scene, three with Johannesburg in the South African context, while a further two place Johannesburg in the world picture. Only in the sphere of finance are Johannesburg and Africa equated.

Having pointed to this apparent anomaly let me say that, perhaps unconsciously, Mr. Woodhouse has laid his finger on a remarkable fact. He has, in setting out the headings for this examination of Johannesburg, made an admission of the quite astonishing way in which money transcends natural boundaries. In many cases, of course, the money is merely following trade. It is the trading between nations which tends to ignore or circumvent ideological barriers and makes a mockery of the pious statements of politicians. Over the past two years in particular we have had the supreme example of the Rhodesian economy continuing to survive in the face of a sanctions edict from the highest international authority. In view of these facts concerning money and trade, it is not therefore without significance that while Johannesburg as a Mecca for African Sportsmen, is nothing more than a fanciful conjecture, Johannesburg, Financial Centre of Africa is a possibility worthy of practical examination.

Before coming to the main theme, it would be well to be completely certain that Johannesburg is indeed the financial centre of the Republic and is likely to remain so. Historically, this position is unchallenged as the early concentration of mining enterprise here inevitably resulted in a parallel development of a financial, investment, and industrial complex which is unlikely to have any rivals. In passing, the position of the Johannesburg Stock Exchange is a good example of the way in which Johannesburg-based institutions have gathered strength as South Africa has developed. It is now 10 years since its last rival in Johannesburg wound up - or perhaps I should say wound down - and 37 years since the last Stock Exchange outside Johannesburg closed its doors. (That was the Pietermaritzburg Exchange). This concentration of share-dealing on one trading floor is curious as it has no counterpart in, for example, Canada, Australia, or New Zealand. On the whole it seems beneficial, as one strong institution bringing together all buyers and sellers who seek a market, is likely to be able to run its affairs from a position of unrivalled authority.

It may seem odd - but it is a tribute to the theme of this symposium - that we remain the Johannesburg Stock Exchange. Why not the South African Stock Exchange? Such a change would be in line with the recent decision by the mining industry to rename its governing council the South African Chamber of Mines. In clinging to the title 'Johannesburg' we are following general world practice among Stock Exchanges and we will not readily make any change. Indeed, with the name 'South Africa' in disrepute in certain areas, there may well be advantages, from the international aspect, of remaining linked in our title with this city.

It seems pertinent here to examine the extent to which this Stock Exchange has an international flavour. There are two yardsticks for this measurement. First, the extent to which our South African listed companies enjoy listings elsewhere. At present, certain South African companies have their shares listed in London, New York, Paris and Brussels. Trading in these shares undoubtedly takes place elsewhere, particularly in Europe, without official listing. Second, it is of interest to examine our present official list, and to determine to what extent we represent other countries. In the first place the total market capitalization of ordinary shares listed on the Johannesburg Stock Exchange is approximately R12 thousand million. By market capitalization I mean the worth of issued shares at current market prices. Of this immense total, rather more than R800 million (or $6\frac{1}{2}$ per cent) is accounted for by companies registered in the United Kingdom, while one Canadian company accounts for roughly R8 million. The African contingent is split up as follows :

ZAMBIA	R 463 million.
RHODESIA	R 86 million.
SOUTH WEST AFRICA ...	R 74 million.
SWAZILAND	R 8 million.

Source of registration is, of course, in some cases a poor guide to the operations of the company concerned. Many of the United Kingdom based companies are wholly engaged in South African ventures. However, a number of the shares of companies in neighbouring countries are listed in Johannesburg. Zambia is perhaps the best example, as those of her companies listed in Johannesburg undoubtedly represent a major portion of the Zambian economy. It is also of passing interest that there is no stock exchange in Zambia and little or no trading in shares.

Turning to the Government, Public Utility, and Municipal Loans section of our market we find that the total nominal value of listed stock is approximately R $4\frac{1}{2}$ thousand million. Of this total R282 million, or just over 6 per cent, represents countries outside South Africa.

Thus there is a useful representation of both the ordinary shares and the fixed interest stock of neighbouring countries listed on the Johannesburg Stock Exchange. Many of these listings originated before politics complicated the situation, and my task now is to examine the possibilities of an extension to these links. In fact, can we seriously look for a succession of steps which will lead, in the fullness of time, to the emergence of Johannesburg as the 'Financial centre of Africa'?

There are certain basic limitations to our field of enquiry. As a result of geographical dispositions, much of Africa has had little association with South Africa throughout history.

North Africa is much closer to Europe and countries such as Algeria have close economic links with the original colonial power. Equally, the colonial links in both East and West Africa are still powerful bonds. In this context, however, it is of interest to note that the Bank of West Africa - a powerful institution in that area - is now controlled by The Standard Bank Limited, which also operates here, in Southern Africa, through The Standard Bank of South Africa Limited. Incidentally the investment in the Bank of West Africa appears to be proving a most profitable one for the Standard Bank.

Apart from geography and the historic links with European countries there is the simple fact that a number of African countries are not emerging as capitalist societies. It would be difficult for South Africa to forge links of a financial nature with a country such as Tanzania, which is engaged in the wholesale nationalisation of major institutions such as banks and the like. Our prospects for financial leadership must, therefore, be largely confined to Central and Southern Africa and certain areas in East Africa and to those countries which appear to share common beliefs in the merit of private enterprise, and the role which it plays in an essentially capitalist economy. Within this context what are the prospects?

It becomes immediately apparent that I am about to engage in some political speculation. I must indicate the extent to which a deep seated distaste for South Africa and all its works could be overcome by developments in trade, finance and investment.

In a recent address to the Institute of Directors in London, Mr. Harry Oppenheimer made a point which is, I feel, at the heart of this problem. The newly independent African states have to depend to a very large extent on grants and loans from foreign governments. This aid is politically inspired and is no substitute for private investment. It follows that these new states will not achieve full economic independence until they can also count on private investors whose motives are purely economic and in no way political. Mr. Oppenheimer went on to stress how only private investment can be free of the taint of neo-colonialism; and further, that private investment brings with it greater initiative, originality, and know-how than does public investment. However, the essential condition remains that private investment will only take place if a favourable atmosphere is created. I suggest that this favourable atmosphere will indeed emerge through time, if only in isolated areas where more enlightened governments develop. Indeed there are countries - and Zambia is a good example - where a government sympathetic to South Africa can scarcely be said to exist but where, by and large, the exploitation of the natural resources remains in the hands of the companies which operated in the colonial era. Many South African companies still trade profitably in Zambia. Likewise in Malawi there are encouraging signs of a desire to place economic well-being above ideology. However, there are clearly immense problems to be overcome even in a situation where stable conditions exist, and an economy emerges which is capable of rising above a subsistence level.

First and foremost there is a natural desire in a young country to avoid a situation where industry is foreign owned, and commerce and trade are foreign dominated. Even in the oldest economies of all, in Europe, there is at this moment a very real fear of domination by American business expansion.

This expansion, apart from all other factors, can succeed because of the vast sums available in the United States for research and development in new projects. If this apprehension exists in the highly advanced societies of the old world, how much more acute is the problem likely to become in Africa? Indeed, it is a situation which will call for new thinking and new techniques by South African business and industrial leaders if useful advances are to be made.

Remarkably enough there are two excellent examples of what can be done to achieve a harmonious business relationship with African states. The first is the operation of the Williamson Mine in Tanzania, in which the Government of Tanzania has a half share. The second concerns the Rembrandt Group - headed by Anton Rupert who is also the Chairman of the Board of Trustees of the National Development and Management Foundation. This company conducts its operations in ostensibly hostile countries on a basis of 'partnership', with strong local representation on its boards of directors. In fact, here in South Africa itself we have perhaps the best example of all in the operations of the two major British-based banks. These banks have operated for many years with local boards until, in one case only a month or two ago, a completely South African company emerged. Substitute South Africa for Britain as the originating force, and you have a pattern which could well be followed in a penetration of at least Southern Africa by South African business interests.

Now, what are the stumbling blocks to such a concept? Initially there is a natural reluctance by South Africans to venture into troubled waters, particularly when business conditions here remain buoyant. I am reminded, in this context, of the remarks of the Chairman, speaking to the Association of Motor Manufacturers in Britain, shortly after Sharpeville. "You may decide to curtail your operations in South Africa", he said, "but I warn you that you will only do so to the encouragement of your competitors who will have no such scruples". It will be a sorry situation if we allow opportunities in Africa to go by default simply because we in South Africa are more sensitive than others to the difficulties elsewhere on the continent.

Our lack of diplomatic representation in African countries is, of course, a major stumbling block. Only last year, and shortly before his death, that great American friend of South Africa, Clarence B. Randall, said to us here at the Stock Exchange that he regarded the failure to establish diplomatic relations in Africa as our greatest handicap with the outside world. His words were "I don't expect you to have any trade with Kenya until you have exchanged ambassadors". Fortunately there are encouraging signs that this situation is recognised by our government and that further progress in the exchange of diplomatic missions can be expected.

Yet another problem is presented by our fiscal policies and particularly the severe exchange control which has been in operation for the past six or seven years. Broadly, these controls have their origin in the need to conserve local capital for local ventures. At government level there are distinct signs that this policy is becoming more flexible - funds for dam construction to the North appear to be available, for instance. It is to be hoped that we may not be far from the point where the local investor will be able to contribute similarly to new ventures in neighbouring states.

Consider the situation of Botswana where a large scale mineral search is in progress. It will be a tragedy if the exploitation of a worth-while mineral proposition there is financed not from the Republic but from other countries. There are certainly no capital funds in Botswana capable of financing a large scale mining venture and the South African capital market seems the obvious source. In the mining sense, the South African capital market is particularly well qualified as even small investors have the experience to enable them to assess the hazards - and the opportunities - of mining exploration and development.

There are two further points which deserve attention on this subject of the attitude of the South African government towards investment elsewhere in Africa. There have been statements recently that a major rise in the gold price would be followed by an offer by South Africa to provide loan capital to under-developed African countries. I understand that these statements were made without authority, and that no official policy on this point has been formulated. At the same time it seems likely that a situation could easily emerge in the future where it will be in South Africa's best interests to make some positive move towards redressing the immense gap between the standard of living here and the standards elsewhere in Africa.

The period of prosperity following a gold price rise might provide the opportunity. Consider the following figures of the Gross Domestic Product per head of the population relating to the countries concerned (these figures are for 1965).

SOUTH AFRICA	R 441.00
ZAMBIA	R 175.00
RHODESIA	R 178.00
GHANA	R 173.00
NIGERIA	R 73.00
KENYA	R 61.00
TANZANIA	R 52.00

Now if we decide to help African states how do we go about it? Let us start by defining where we go about it. Clearly the initial effort will be towards our immediate neighbours Botswana, Swaziland and Lesotho, where reasonably stable and so far, friendly states are emerging. Angola and Mozambique are in a different category, being overseas provinces of Portugal, but the importance of these areas developing with much more virile economies than they possess today seems likely to place them in a category where it would be in our best interests to offer South African aid. Beyond these countries it is impossible to see at the moment.

And now we come to the question of how South Africa's wealth and - in the event of a major gold price rise, immense wealth - can be used elsewhere in Africa. The experience of countries such as America in giving aid to under-developed nations has not been a happy one in the post-war era. It may have bolstered economies and saved some from falling under Communist influence, but it can scarcely be said to have made friends for the donors. Britain's aid to Zambia has not prevented outbursts of the "toothless bulldog" variety. Much money which was designed to improve economies has either ended up in politicians' pockets or, at best, in presidential places! If Johannesburg has any future as a financial centre in the African as opposed to the South African scene, then it will not arise through any government aid policy on the lines of the grants which many countries have received in recent years from the United States and Britain.

Some new formula must be devised and here lies an immense challenge. The challenge is to allow South African entrepreneurs an opportunity to enter markets in African countries with a good deal more optimism than they exhibit at present. One hears only too often of a South African company with a subsidiary to the North which, the chairman confides ... "We would sell if we could get our money out!" Often this statement has no bearing on profitability but is based on (a) fear for the future and (b) a desire to concentrate on a buoyant local economy.

Let me try to set out ways in which a South African government could help to create a climate where South African business know-how could be moved safely and profitably to a neighbouring country. The selected country would be one with full diplomatic representation, and one which desired the entry of industrial concerns or of companies exploiting either agricultural or mineral resources. The South African government might help financially with the establishment of an Industrial Development Corporation. Similarly a Mining Development Corporation might be formed.

There is an abundance of South African know-how in these fields. Under the aegis of these bodies South African entry would be facilitated and the conditions for local participation - even government participation - would be laid down. Now this is no more than the germ of an idea and I cannot pretend that the difficulties are anything but formidable. The end result would appear to be very worth-while, however, and any extension of South African business and commercial interests can only be to the advantage of all.

I have strayed a long way from Johannesburg and the theme of this symposium, but I feel that it has been a necessary deviation as this city can never be a financial centre of more than South Africa unless some very radical changes come about. If these changes do occur then I have not the slightest doubt that Johannesburg will play its part to the full. Here we have a fully developed Stock Exchange, and here are centred the institutions which can marshal the funds for worth-while ventures beyond our borders.

I have two final thoughts to leave with you. These concern what I might describe as the revised thinking which will be necessary if Johannesburg is to remain a leading financial centre and become in time the financial centre in Africa. I have always been impressed by the way in which London, over more than two centuries, came to dominate so many sectors of world finance and trade. There are a hundred examples of this and in our own stock exchange world, the Stock Exchange London remains by far the most international in outlook. In trade this dominance remains true even today. If you want to see where Karakul is produced you must go either to South West Africa or to Afganistan. If you want to see where it is bought and sold you must go to The Hudson Bay Company, Beaver House, Great Trinity Lane, London E.C.4. There is a challenge here for us. We must work to create a situation where Johannesburg will be the place to come to if you want to learn about investment in Africa.

I believe that we must be ready to help Africa. This will not be easy and there will be many rebuffs. We at the Stock Exchange experienced a small one a little while ago when we read that Mr. Arthur Wina was considering the establishment

of a Zambian Stock Exchange. We wrote to him offering our assistance but so far we have had no reply. I believe South Africans must persist, however, in all attempts which can help to forge links with Africa. From these links will come mutual understanding of the special problems which each country has to face and the goodwill that is automatically generated by any type of co-operation. Understanding and goodwill are powerful bridge builders, and I would like to think that South Africans will be ready to offer these to Africa when the first tentative moves are made towards us.

Finally, there will, I think be universal acceptance of the view that Johannesburg is indeed the financial centre of South Africa. Not the least of its substantial claims to becoming the financial centre of at least half of the African continent rest on the vitality of this Stock Exchange. A modern stock exchange must be seen as a symptom of a developed and sophisticated economy, providing effective machinery for the formulation of new capital. With the exception of a minor exchange in Rhodesia, the Johannesburg Stock Exchange has no challengers and its sphere of influence and importance must inevitably grow.

January 11, 1968.

FIXED INTEREST STOCK OF FOREIGN COUNTRIES
LISTED ON THE JOHANNESBURG STOCK
EXCHANGE

<u>C O U N T R Y</u>	<u>T Y P E</u>		<u>TOTAL</u> <u>FOREIGN MARKET</u> <u>VALUE</u>
<u>UNITED KINGDOM</u>			
THE STANDARD BANK U.K.	Bank		R117,955,530.00
S.A. BREWERIES LIMITED			5,460,000.00
<u>ZAMBIA</u>			
	Governmental	R4,539,368.00	
		2,655,180.00	
		3,318,513.00	
		3,731,826.00	
		5,110,647.00	
		4,483,687.00	
		4,394,171.00	
		960,000.00	
		960,000.00	
		2,350,000.00	
		<hr/>	R 32,503,392.00
<u>ZHODESIA</u>			
	Governmental	R7,518,000.00	
		4,576,200.00	
		5,519,240.00	
		6,573,738.00	
		3,846,382.00	
		4,804,209.00	
		5,461,779.00	
		7,325,521.00	
		6,294,334.00	
		6,168,669.00	
		970,000.00	
		960,000.00	
		3,532,000.00	
		2,113,240.00	
		2,678,280.00	
		8,684,920.00	
		6,863,720.00	
		5,263,200.00	
		<hr/>	R 89,153,432.00
<u>ZLAWI</u>			
	Governmental	R1,356,244.00	
		785,374.00	
		971,145.00	
		1,126,929.00	
		1,495,764.00	
		1,321,914.00	
		1,286,211.00	
		<hr/>	R 8,343,581.00

<u>C O U N T R Y</u>	<u>T Y P E</u>		<u>TOTAL FOREIGN MARKET VALUE</u>
<u>BULAWAYO</u>	Municipals	R1,172,400.00	
		856,200.00	
		2,028,250.00	
		1,152,900.00	
		1,606,600.00	
		1,482,900.00	
		1,258,050.00	
		1,245,450.00	
			R 10,802,750.00
<u>WELLO</u>	Municipals		R 296,620.00
<u>ELISBURY</u>	Municipals	R 856,200.00	
		385,850.00	
		749,600.00	
		963,000.00	
		3,025,200.00	
		1,256,100.00	
		1,617,850.00	
		2,805,600.00	
		415,100.00	
		1,603,200.00	
		1,245,450.00	
		1,272,750.00	
		974,640.00	
		R 17,170,540.00	
TOTAL FOREIGN MARKET VALUE =			<u>R281,685,845.00</u>
TOTAL LOCAL MARKET VALUE =			R4,240,933,155.00
TOTAL FOREIGN " " +			281,685,845.00
TOTAL MARKET VALUE OF ALL FIXED INTEREST STOCK.			<u>R4,522,619,000.00</u>

MARKET CAPITALIZATION OF SHARES LISTED ON THE JOHANNESBURG
STOCK EXCHANGE IN COMPANIES REGISTERED OUTSIDE SOUTH AFRICA

January 11, 1968

<u>NAME OF COMPANY</u>	<u>TYPE</u>	<u>ISSUED CAPITAL R000's</u>	<u>ISSUED SHARES</u>	<u>CURRENT PRICE</u>	<u>MARKET CAPITALIZATION R</u>
<u>LONDON</u>					
BARCLAYS BANK D.C.O.	Bank	48,000	24,000,000	476	114,240,000.00
CHARTER CONSOLIDATED LTD. (U.K. AND S.A.)	Financial A.	48,916	92,832,866	425	415,789,680.50
CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA LIMITED	Financial A. Ordin. Pref.	27,000 6,000	15,790,179	455	71,845,314.45
EAST RAND CONSOLIDATED LTD.	Financial A.	2,076	10,378,200	36	3,736,152.00
FALCON MINES LIMITED	Mining C.	998	1,997,172	115	2,296,747.80
GRIQUALAND EXPLORATION & FINANCE COMPANY LTD.	Mining D.	550	2,200,000	310	6,820,000.00
HENDERSON'S TRANSVAAL ESTATES LIMITED	Financial A.	2,395	5,988,699	120	7,186,438.80
LUIPAARDSVLEI ESTATES & GOLD MINING COMPANY LTD.	Mining C.	993,822	4,969,100	53	2,633,623.00
OCEANA DEVELOPMENT COMPANY LTD.	Financial A.	264	527,284	126	664,377.84
SOUTH AFRICAN BREWERIES LTD. (U.K. AND S.A.)	Industrial A. Ordin. Pref.	22,439 2,054	13,473,120	810	109,132,272.00
SOUTH AFRICAN DISTILLERIES AND WINES LIMITED	Industrial A. Ordin. Pref.	6,600 1,500	3,300,000	370	12,210,000.00
THE STANDARD BANK LIMITED	Bank	35,744	17,872,050	385	68,807,392.50
TOTAL UNITED KINGDOM MARKET CAPITALIZATION-----					<u>R815,261,998.89</u>

<u>NAME OF COMPANY</u>	<u>TYPE</u>	<u>ISSUED CAPITAL R000's</u>	<u>ISSUED SHARES</u>	<u>CURRENT PRICE</u>	<u>MARKET CAPITALIZATION R</u>
<u>RHODESIA</u>					
BEATRICE GOLD MINING COMPANY LIMITED	Financial A.	570	2,850,000	40	1,140,000.00
GENERAL CHEMICAL CORPORATION LIMITED	Industrial C.	602	1,204,800	115	1,385,520.00
M.T.D. MANGULA LIMITED	Mining D.	10,000	20,000,000	109	21,800,000.00
PREMIER, PORTLAND CEMENT (RHODESIA) LIMITED	Industrial B.	1,043	2,085,440	1480	30,864,512.00
RHODESIA CEMENT LIMITED	Industrial B.	2,400	4,800,000	80	3,840,000.00
RHODESIAN BRICK AND POTTERIES COMPANY LIMITED	Industrial B.	696	1,392,000	85	1,183,200.00
RHODESIAN CABLES LIMITED	Industrial G.	600	1,200,000	330	3,960,000.00
RHODESIAN CORPORATION LIMITED	Financial A.	2,162	6,485,218	22	1,426,747.96
RHODESIAN PULP AND PAPER INDUSTRIES LIMITED	Industrial I.	669	1,600,000	110	1,760,000.00
TEXTILE MILLS (1947) HOLDINGS LTD.	Industrial D. Ordin. Pref.	350 100	701,000	Last sale Nov. '67 at 52c.p.s.	
UNION AND RHODESIAN MINING AND FINANCE CO. LIMITED	Financial A.	1,200	6,000,000	50	3,000,000.00
WANKIE COLLIERY LIMITED	Mining A.	12,667	12,666,744	125	15,833,430.00
TOTAL RHODESIAN MARKET CAPITALIZATION-----					<u>R86,193,409.96</u>

<u>NAME OF COMPANY</u>	<u>TYPE</u>	<u>ISSUED CAPITAL R000's</u>	<u>ISSUED SHARES</u>	<u>CURRENT PRICE</u>	<u>MARKET CAPITALIZATION R</u>
<u>SOUTH WEST AFRICA</u>					
DIAMOND MINING AND UTILITY COMPANY (S.W.A.) LTD.	Mining B.	777	1,553,200	80	1,242,560.00
DIAMOND ROYALTIES AND HOLDINGS LIMITED	Mining B.	5,412	10,825,600	38	4,113,728.00
METJE AND ZIEGIER LIMITED	Industrial L. Ordin. Pref.	980 200	1,180,201	1500	17,703,015.00
OVENSTONE SOUTH WEST INVESTMENTS LIMITED	Industrial E.	1,200	2,400,000	270	6,480,000.00
SEA DIAMOND CORPORATION LIMITED	SECONDARY	1,432	14,315,000	30	4,294,500.00
SEA PRODUCTS (SOUTH WEST AFRICA) LIMITED	Financial B. Ordin. Pref.	2,100 1,460	4,200,000	345	14,490,000.00
SOUTH WEST AFRICA COMMERCIAL HOLDINGS LIMITED	Financial B. Ordin. Pref.	1,300 150	1,300,000	285	3,705,000.00
SOUTH WEST AFRICA FISHING INDUSTRIES LIMITED	Industrial E.	1,575	3,150,450	425	13,389,412.50
SUID KUNENE VISSERY BEPERK	Industrial E.	1,000	2,000,000	435	8,700,000.00
					<u>R74,118,215.50</u>
<u>SWAZILAND</u>					
SWAZILAND SUGAR MILLING COMPANY LIMITED	Industrial E.	5,394	5,394,336	150	<u>R 8,081,504.00</u>

<u>NAME OF COMPANY</u>	<u>TYPE</u>	<u>ISSUED CAPITAL</u> <u>ROOO'S</u>	<u>ISSUED SHARES</u>	<u>CURRENT PRICE</u>	<u>MARKET CAPITALIZATION</u> <u>R</u>
<u>ZAMBIA</u>					
BANCROFT MINES LIMITED	Mining D. Ordin. Pref.	12,500 15,000	25,000,000	90	22,500,000.00
RHOKANA CORPORATION LIMITED	Mining D. Ordin. Pref.	50,000 1,418	24,950,342	350	87,326,197.00
ROAN SELECTION TRUST LIMITED	Financial A.	43,494	21,792,891	725	157,998,459.75
NCHANGA CONSOLIDATED COPPER MINES LIMITED	Mining D.	64,002	32,001,085	345	110,403,743.25
ZAMBIA BROKEN HILL DEVELOPMENT COMPANY LTD.	Mining D.	6,500	13,000,000	19	2,470,000.00
ZAMBIAN ANGLO AMERICAN CORP. LTD.	Financial A.	13,743	15,121,695	545	82,413,237.75
TOTAL ZAMBIAN MARKET CAPITALIZATION-----					<u><u>R463,111,637.75</u></u>
<u>CANADA</u>					
CANADIAN OVERSEAS PACKAGING INDUS- TRIES LIMITED	Financial B. C.O.P.I.	963	4,000,000	116	R <u><u>4,640,000.00</u></u>
United Kingdom					R415,261,998.89
Rhodesia					86,193,409.96
South West Africa					74,118,215.50
Swaziland					8,091,504.00
Zambia					463,111,637.75
Canada					<u><u>4,640,000.00</u></u>
TOTAL MARKET CAPITALIZATION-----					<u><u>R1,451,416,766.10</u></u>

DISCUSSION ON ADDRESS

JOHANNESBURG - FINANCIAL CENTRE OF AFRICA?

- by A. Martin.

QUESTION:

If I have followed you correctly, the major expansion beyond our borders, you would say, would be linked with the vast increase in wealth which comes from a rise in the price of gold. You seemed to base a considerable part of your address on this expansion overseas and beyond our borders with that linking. Do you think that it is inevitable?

Mr. Martin:

Yes, I do. I think that the rise in the price of gold will confer such immense benefits on this country that although these official statements which have been made are now, I believe, denied and have no official foundation, I still believe that a rise in the price of gold will produce a situation where we will be able to look beyond our own borders. This of course will undoubtedly cause tremendous debate in the local scene, where there will be great pressure to proceed with the development of the Transkei and places of this type. But I do think that this will provide the opportunity which, I imagine this Government will be very happy to grasp. I believe it will be necessary for us to condition our thinking for that situation, hence my theme that we must look for other avenues apart from straight forward direct aid which I think could be fatal.

QUESTION:

Is the Stock Exchange taking active steps to further its connections with neighbouring states? I say that because we are so whole-heartedly with you that money talks all languages and this possibly can break down barriers, political barriers, which we have at the moment. The Stock Exchange, I understand, is enjoying the bounty of business from all over the world and so perhaps is not actively taking on an immediate investigation into the conditions to help development in neighbouring territories, such as Bostwana.

Mr. Martin:

There isn't a great deal we can do except to be prepared to look with the greatest possible favour on anything which thrusts out the slightest hand towards us. I think I can tell you though that only in recent weeks, since I wrote this address, there has been a little tentative hand come out from one of these neighbouring states because of mineral development which is going on. Here is a field where, I believe personally, we must fall over backwards in order to meet this situation and do everything possible to see that S.A. interests are most fully represented in any such enterprise. I think it would be an absolute tragedy if we arrived at a situation where a

London based company with only a listing on the London Stock Exchange was engaged in a mineral operation in one of these surrounding countries. I think I can assure you that this will be very much in our thinking here. We will bend our requirements backwards in order to make quite sure that the local public here have the opportunity of participating in these ventures.

Beyond that, it is difficult to go because a Stock Exchange is, by nature, fairly far along the progression of a state towards full sophistication. There are not many stock exchanges in the world and not many stock exchanges in the New World, and I think we will be willing to help in the formation of a similar body as I have indicated with Zambia. Beyond this, we must wait for the tentative approaches to come elsewhere. It is interesting that since Lesotho achieved its independence we have had two members of the Treasury here discussing the possible listing of new loans, which they may float, and this is a most favourable and encouraging development.

QUESTION:

Mr. Chairman, Mr. Martin spoke, very rightly, about Johannesburg being the financial centre of Africa. I would like to extend that in saying that we are also the industrial and commercial centre of Africa, particularly of southern Africa. I would like to say something about the building of the bridges, which are so necessary, through trade and particularly export trade. I feel it is not the export of our products, our primary products and semi-processed products, in which our future lies, but in the export of our manufactured products. We see from the figures that these are expanding at a very satisfactory rate.

There is another very important factor and that is the exportation of know-how. There are consortiums exporting know-how to other countries of the world. We hear about shaft sinking in South America, tunnel driving in North America and that type of thing. I believe, with Mr. Martin, that the establishing of trade relations is most important.

This type of trade is really a two-way traffic and if we are to extend our opportunities in this direction to finance industry and commerce, we must be prepared to entertain and show those buyers from other parts of Africa what our industrial potentials are. When they come to this country they must be looked after and given treatment like any buyer, no matter of what race.

Mr. Martin:

I think this is absolutely true and I agree with you whole heartedly. I think one must only look at the initial steps being made in terms of diplomatic missions and hope that these will be extended.

As far as the sale of manufactured products is concerned, I tend to think that we must look beyond that. The opening up of S.A. itself has been a great example. We were tremendously dependent on the import of manufactured products, from Britain particularly, and those firms who have done best in Britain are those who recognised that the sooner they established manufacturing facilities in S.A. the better it would be for them.

I think the outward looking view of the S.A. manufacturer must be very similar. I think there is the great danger that if the Chinese put up a cotton ginning plant or something like that specifically designed for a certain area, it would be very difficult to answer that argument if one is merely going there and selling goods. At a very early stage, I think one would have to consider going there and making the goods, because only when you arrive at that point will you make yourself really attractive to the recipients.

QUESTION:

Mr. Martin, when the exchange control was first introduced it was largely to prohibit money from going out of S.A. Is it now not operating the other way, that we are stopping money coming into S.A.?

Mr. Martin:

When severe exchange control was introduced it was designed to prevent money from going out. That is still the situation even though I think today the authorities have an embarrassment of riches. They are embarrassed by the extent to which our reserves continue to grow inspite the liberalisation of import control. They cannot remove this at one fell swoop. It is the experience of all countries which put on exchange control is that they cannot get rid of it. But there is still every encouragement for money to come in here. After all the authorities have never prevented anyone from washing the money back to the source of origin. At the moment you can wash money back to Britain, for example, by buying shares, here and selling them in London as a non-resident and the difference is exactly the difference between the exchange rates. Over long periods one has to suffer a loss in going back to London but that avenue has always been open.

But I don't think there is anything in our exchange control actually preventing money from coming in, my worry is that it will inhibit the removal of S.A. money to neighbouring countries in order to help development there.

QUESTION:

Mr. Martin, you have indicated that there is a fear by S.A. entrepreneurs investing in neighbouring countries. You have also indicated that a very large slice of the Zambian economy is listed here. Now in the event of Zambia deciding to nationalise the copper mines, what pressure can your exchange bring to bear to prevent it?

Mr. Martin:

I should imagine very little whatsoever. Our exchange is not a political weapon of any type in this. This is a matter in which the only assurance that could be gained would be some inter-Government situation where an agreement were signed indicating that the Zambian Government would certainly set its face against nationalisation.

But let me take this a little further - the fear the businessmen have. I heard a story recently, which perturbed me somewhat, of a S.A. company which had been operating in Zambia for many years and the Zambian subsidiary, which is still headed by Europeans and South Africans who had gone up there, recently made a request to the parent company in South Africa for considerable funds for an expansion which they had in mind, at this stage beyond their local resources. Now, they sent

a delegation up there to investigate the position and they eventually came up with a scheme where by half the funds requested were going to be provided. The Zambians protested and said they were doing so well and it was a profitable proposition. The S.A. parent company said that they couldn't be expected to extend their committment in Zambia any more. The Zambians - Europeans remember - said that they had had enough of this, because in point of fact the S.A. company didn't have any investment up there. They came up there in a very small way, they didn't introduce any money, they introduced goods which were paid for in due course when there were profits to pay for them and the profits paid for the building up of the buildings.

Now this seems to me a very unsatisfactory situation and I don't think the South Africans at the head office here are on very good ground because, this is an irritation which if it irritates the Europeans in charge now, how much worse will it be when you are dealing with Africans. In other words, here is an example where the South African is on the wrong foot. He hasn't introduced any money and he has no right to fall back on this as a plea.

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