

NOTES ON PRIVATE INVESTMENT IN AFRICA

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I

PRINCIPAL REGULATIONS CONCERNING PRIVATE FOREIGN INVESTMENT
IN OVERSEAS TERRITORIES IN AFRICA¹

¹This compilation is extracted from a study of the Organization for European Economic Cooperation published in December 1954, "Private U. S. Investment in Europe and the Overseas Territories." In the case of the Belgian Congo and the Trust Territory of Ruanda-Urundi supplementary reference may be made to two recent studies: a study for British investors "Economic and Commercial Conditions in the Belgian Congo and Ruanda-Urundi," (1956) and an official publication of the Belgian Ministry of Colonies "Investments in the Belgian Congo and Ruanda-Urundi--Prospects and Regulations," (1957).

BELGIAN CONGO

1. General

1.1 Formalities

The import into Belgian Congo of capital from any source is subject to the authorization of the Central Bank of the Belgian Congo and the Ruanda-Urundi.

1.2 Publicity

There has been no special publicity campaign. The Colonial Ministry and the Government of the Congo have set up a special service to provide all useful information on investment possibilities and on the legislation applicable to a specific activity.

1.3 Bilateral investment agreements

None.

2. Exchange Control

2.1 Authorization of investment

2.1.1 a) Capital (direct)

This is authorized if the genuine character of the investment is established and if the investment appears to be sufficiently stable.

2.1.1 b) Capital (portfolio)

There is no stock market in the Belgian Congo. Investment by subscribers for shares is authorized under the conditions laid down in paragraph 1.1, provided the operation is a genuine one and is not for speculative purposes.

In view of the possibilities of the money market in the Congo, the authorities give less favourable consideration to loans or the issue of bonds at short or medium term in the Metropolitan territory or foreign countries.

2.1.2 Investment in kind

Investment in the form of capital equipment is generally authorized.

2.1.3 Patents

Generally authorized.

2.2 Transfer of earnings

2.2.1 Dividends and profits

2.2.2 Interest

2.2.3 Royalties

Transfer is subject to authorization, which is granted when the operation is justified.

2.2.4 Wages and salaries

Authorization to transfer usually granted.

2.3 Repatriation of capital

2.3.1 Liquidation or sale of undertakings

2.3.2 Sale of securities (shares, bonds, etc.)

2.3.3 Repayment of loans

No formal guarantee as to the repatriation of capital is given at the time of investment, since the capital is not repatriated until an unspecified date after that on which the investment was made. All requests submitted are examined in a liberal spirit.

2.4 Disposal of capital which cannot be repatriated

2.4.1 Reinvestment

2.4.2 Current expenses

2.4.3 Transfer to another foreign national

Do not apply. (See reply to 2.3.)

3. Legal Position of Foreign Enterprises

3.1 Conditions governing the establishment of enterprises having foreign capital participation

3.1.1 Establishment and control

Congolese companies and foreign companies come under the same regime. Foreign companies may operate in the Congo without restriction.

3.1.2 Special limitations on activity

There are no special limitations on the activity of companies with foreign capital participation. There is a general system of concessions for mines, waterfalls and public services. The transfer and sub-leasing of property in the public domain, which covers a large part of the territory, is governed by special legislation.

3.2 Employment of foreigners

The regulations governing immigration are applied without discrimination.

3.3 Expropriation

Expropriation is illegal except for reasons of public utility. It is ordered by the Court and must give rise to an indemnity.

4. Fiscal System

4.1 Non-discrimination against foreign enterprises

There is no discrimination against foreigners.

4.2 Steps to encourage new investment

The fiscal regulations include various measures to encourage investment:

The profits of colonist farmers are exempt from the trade tax for the first five years;
new industrial or agricultural equipment enjoys partial or total exemption from import duty.

4.3 Agreements concerning double taxation

There are no such agreements. Double taxation with Belgium is eliminated within the field of application of the Belgian fiscal legislation governing Belgian-Colonial companies.

FRENCH OVERSEAS TERRITORIES¹

1. General

1.1 Formalities

Applications for investment must be addressed to the Exchange Control authorities of the territory in which it is proposed to invest. The local authorities deal direct with foreign investments of under 20 million francs with a participation of not more than 50 per cent of foreign capital; investment of 20-50 million francs are dealt with by the Ministry for French overseas territories and the "Caisse Centrale" of the French overseas territories; finally, for foreign investment of over 50 million francs, the competent authority is the Ministry of Finance.

As these regulations are not absolutely rigid, an application for investment may be referred to the higher authority mentioned above when, for instance:

- a) the investment affects a public service;
- b) there is some uncertainty about the economic value of the project and its effects on the balance of accounts;
- c) the investment involves the import of goods which could be used for speculative purposes.

1.2 Publicity

No special publicity measures have been taken for the moment but it is proposed to publish a booklet.

1.3 Bilateral investment agreements

No agreement.

2. Exchange Control

2.1 Authorization of investments

2.1.1 a) Capital (direct)

The main criterion for authorizing a foreign investment is its conformity with the expansion programme of the territory concerned and the absence of adverse effects on the balance of payments position.

¹This description of the French regulations concerning foreign investment is based on the legal rules in this field. The regulations are not rigidly enforced by the French authorities, and, in fact, foreign investors receive more liberal treatment.

2.1.1 b) Capital (portfolio)

No authorization is required to buy French securities on the French Stock Exchange, to subscribe for French securities quoted on the Stock Exchange or to engage in stock exchange arbitrage operations, etc.

2.1.2 Investment in kind

This form of investment is allowed in certain circumstances in order to obtain the necessary plant for the equipment of an undertaking or, possibly, raw or semi-processed materials to enable the business to be started.

2.1.3 Patents

This form of investment is allowed subject to certain reservations; in particular the patents must be directly connected with the execution of the investment project.

2.2 Transfer of earnings

2.2.1 Dividends and profits

2.2.2 Interest

2.2.3 Royalties

These transfers are freely authorized in respect of approved investments.

2.2.4 Wages and salaries

Foreign workers' remittances to their country of origin are subject to authorization. The amount transferable is determined on the basis of an estimate of normal expenditure in the locality, but the "Office des Changes" adopts a liberal policy in this connection.

2.3 Repatriation of capital

2.3.1 Liquidation or sale of undertakings

2.3.2 Sale of securities (shares, bonds, etc.)

Since 31st August 1949, new investments in free currencies (U. S. dollars, Canadian dollars and free Swiss francs) or by debiting transferable franc accounts in these currencies are entitled to unconditional re-transfer. Application for re-transfer must be made to the local "Office des Changes" and is automatically granted. It is not restricted to the amount of the initial investment but covers the proceeds of the liquidation, whatever the amount involved. In the case of other investments not benefiting under the system described above, see item 2.4.

2.3.3 Repayment of loans

The repayment of the annual instalments on loans is authorized without restriction.

2.4 Disposal of capital which cannot be repatriated

Such proceeds from the liquidation of an investment as do not benefit under the liberal system granted since 31st August 1949 to new investment in free currencies, may be credited to a "capital" account.

2.4.1 Reinvestment

2.4.1 a) Direct investment

Authorization by the "Office des Changes" is required for each new investment made from the funds held in a capital account, except in the case of investment in real estate made through a notary and, subject to certain conditions as to amount, term and interest, loans granted to residents (private individuals or companies).

2.4.1 b) Portfolio investment

No authorization is required if the investment is to be made in French securities quoted on the Stock Exchange (see item 2.1.1.b).

2.4.2 Current expenses

"Capital" accounts may be used for expenditure on tourism, costs of administering foreign assets in France (charges for safe custody of securities, taxes, insurance, maintenance or real estate.)

2.4.3 Transfer to another foreign national

The assets in "capital" accounts may be transferred to a third party provided that the transfer is made between persons residing in the same country or the same currency area.

3. Legal Position of Foreign Enterprises

3.1 Conditions governing the establishment of enterprises having foreign capital participation

3.1.1 Establishment and control

The same system is applied to French companies and foreign companies.

3.1.2 Special limitations on activity

The only restriction is that concerning foreign participation in the mining industry and in certain public services (e.g. sanitation, public health).

3.2 Employment of foreigners

The employment of foreign labor is subject to authorization. This is generally granted freely in the case of technicians required to carry out the investments.

3.3 Expropriation

The guarantee of compensation is contained in the French Constitution.

4. Fiscal system

4.1 Non-discrimination against foreign enterprises

Generally speaking, there is no discrimination against foreigners. In certain areas of French North Africa a special tax may be levied on the shares of foreign companies not officially quoted on the Stock Exchange.

4.2 Steps to encourage new investment

In some territories, particularly those south of the Sahara, fiscal privileges are granted for new investments contributing to the improvement of the local standard of living.

4.3 Agreements concerning double taxation

The agreement concluded between France and the United States also applies to the overseas territories proper (not, therefore, to Morocco or Tunisia).

PORTUGUESE OVERSEAS TERRITORIES

1. General

1.1 Formalities

In principle, the formalities to be complied with for the investment of capital are identical whether the capital is Portuguese or foreign; in the latter case, however, prior authorization must be obtained for the transfer of foreign exchange and this is automatically granted in the case of dollars. In certain cases, covered by special legislation (see paragraph 3), the establishment of foreign enterprises is governed by a Decree of the Ministry for the overseas territories.

1.2 Publicity

No publicity effort has been made so far to attract American capital to the Portuguese overseas territories. The banks of issue in the overseas territories and the economic departments of the Ministry for the overseas territories are in a position to supply investors with any information required, on request.

1.3 Bilateral investment agreements

No such agreements have as yet been concluded.

2. Exchange Control

2.1 Authorization of investment

2.1.1 a) Capital (direct)

Any foreign exchange transaction involving the import of foreign capital is subject to prior authorisation. In the case of dollars, however, this authorization is in practice automatically granted, the only control exercised being to verify the legitimacy of the investment and the transfer.

2.1.1 b) Capital (portfolio)

Same system as for direct investments.

2.1.2 Investment in kind

There are no restrictions in respect of the dollar area, but prior authorization is necessary because foreign trade operations have to be formally registered and importers have to make the relevant payments in foreign exchange.

2.1.3 Patents

There are no restrictions; the use of patents and the transfer of the foreign exchange required to pay for their use are always authorized provided proper evidence is supplied.

2.2 Transfer of earnings

2.2.1 Dividends and profits

2.2.2 Interest

2.2.3 Royalties

2.2.4 Wages and salaries

Authorization is necessary, but is always granted when proof is given of the legitimacy of the transfer.

2.3 Repatriation of capital

2.3.1 Liquidation or sale of undertakings

2.3.2 Sale of securities (shares, bonds, etc.)

2.3.3 Repayment of loans

The transfer of foreign exchange is subject to the prior approval of the exchange control authorities; this is always granted if the transaction is shown to be legitimate.

2.4 Disposal of capital which cannot be repatriated

2.4.1 Reinvestment

2.4.2 Current expenses

2.4.3 Transfer to another foreign national

There is no capital which cannot be repatriated.

3. Legal Position of Foreign Enterprises

3.1 Conditions governing the establishment of enterprises having foreign capital participation

3.1.1 Establishment and control

3.1.2 Special limitations on activity

Companies with head offices situated abroad must, like Portuguese companies, comply with the rules laid down in the Commercial Code and the respective legislation, since the establishment of foreign limited liability companies is subject to a special authorization from the central Government.

Furthermore, under the Decree No. 26,509 of 11th April 1936, the authorization of the Ministry for overseas territories is necessary for the transfer of an operating licence, the letting or transfer of industrial establishments to foreigners or to

civil or commercial companies on the Board of Directors of which there is no Portuguese majority or in which Portuguese capital has no majority. In addition, Decree No. 28,088 of 24th November 1937 enacts that one half of the capital of share companies formed to operate land concessions shall be Portuguese; it also provides that the execution of certain legal acts in favour of individuals or corporate bodies of foreign nationality shall be subject to prior authorization of the Ministry for overseas territories whenever such acts refer to real estate in the overseas territories.

Law No. 2,066 of 27th June 1953 enacts that the following rights, among others, shall not be granted to individuals or corporations, either Portuguese or foreign: "the ownership of land or exclusive mining prospecting rights, with the right to sub-contract to other enterprises." Further, within the boundaries of coastal towns and in the areas reserved for their natural development (except Macao) land concessions or sub-concessions cannot be granted to foreigners without the approval of the Cabinet.

3.2 Employment of foreigners

There are no general regulations on this question, except as regards the entry of foreigners into the overseas territories and their residence there, which are subject to the authorization of the Governor concerned or the Ministry for the overseas territories.

3.3 Expropriation

Confiscation, in the strict sense of the term, is prohibited by the Portuguese Constitution. The legislation governing expropriation for public utility purposes provides for equitable and just compensation.

Law No. 2,066 of 27th June 1953 enacts that, in the overseas territories, "concessions by the Government, or by local government bodies, granted within their legitimate sphere, even if they are to be operated with foreign capital, shall always be subject to conditions enabling them to be nationalised if necessary and safe-guarding certain other requirements of the national economy."

4. Fiscal System

4.1 Non-discrimination against foreign enterprises

There is no discrimination against foreigners.

4.2 Steps to encourage new investment

In the case of industrial enterprises engaged in processing raw materials producing in a particular overseas province, Decree No. 26,509 of 11th April 1936 provides that the Ministry for the overseas territories can grant all or some of the following exemptions:

- a) from taxes or rates on land or property to be used for industrial purposes, for periods of three years, the exemptions being renewable;
- b) from taxes on profits and dividends, also for three-yearly periods, renewable;
- c) from import duties on machinery and plant.

Decree No. 37,817 provides for exemption from import duties on materials imported for industries which are of major economic importance and are expensive to instal, for the exploitation of mines, etc.

- 4.3 Agreements concerning double taxation
None.

BRITISH OVERSEAS TERRITORIES

1. General

1.1 Formalities

Requests for American private investment should be addressed to the local exchange control authorities, who either decide on their own initiative, or refer the matter to the Colonial Office in London.

1.2 Publicity

The Governments of the British overseas territories are conscious of the need for a greater publicity effort, and are adopting measures in this field.

1.3 Bilateral investment agreements

None.

2. Exchange Control

2.1 Authorization of investment

2.1.1 a) Capital (direct)

The same general criteria as for American investment in the United Kingdom are applied. To be approved, a project should be of benefit to the economy of the territory or to the Sterling Area, either because it will earn or save hard currency or because it is a valuable addition to the country's industrial efficiency. Long-term projects which contribute to the development of the territory's natural resources are of particular interest.

2.1.1 b) Capital (portfolio)

A general permission is given for the investment of U.S. dollars and-or sterling from an American account in Scheduled Territory securities which are quoted on a recognised security market in the Scheduled Territories. Any subsequent sale, however, would be allowed only for reinvestment or credit to blocked account.

2.1.2 Investment in kind

An import licence is necessary; it is given provided that the equipment is essential to the carrying out of the investment and cannot be obtained, under reasonable terms, from a Sterling Area country.

2.1.3 Patents

No information available.

2.2 Transfer of earnings

2.2.1 Dividends and profits

2.2.2 Interest

The transfer of current dividends and income from foreign investment has always been allowed freely, provided it can be shown that they have been earned and that proper provision has been made for local taxation.

2.2.3 Royalties

Payments under **pre-war royalty agreements** and under post-war agreements with OEEC countries are allowed freely. Payments under post-war agreements to countries outside the Scheduled Territories other than OEEC countries are considered on their merits and are allowed provided that (a) they are not unreasonably high, and (b) it can be established that the licensing agreement will result in benefit to the economy of the Colony or the Sterling Area, e.g., by foreign currency earnings or savings, or by the acquisition of valuable industrial techniques or "know-how."

2.2.4 Wages and salaries

Foreign workers temporarily employed in a Colony (say up to four years) may obtain permission to open a non-resident banking account in a Scheduled Territory currency and to credit to these accounts the net earnings paid over by their employers. Funds standing to the credit of such accounts may be used in the Scheduled Territories or transferred without formality to the holder's country of normal residence. Permission is given for loans to be made to the non-resident, if required, to assist him in buying a house for his own or his family's occupation on the understanding that he intends to sell the house upon departure. Funds equivalent to the amount which he brought into the Scheduled Territories towards the purchase of the house will upon sale at departure be eligible for credit to his non-resident account.

2.3 Repatriation of capital

2.3.1 Liquidation or sale of undertakings

The capital proceeds, including capital gains, from the sale of approved American investments made in the British Dependencies after 1st January, 1950, can be transferred freely.

2.3.2 Sale of securities (shares, bonds, etc.)

An authorization is needed. See, however, 2.4.3 below.

2.3.3 Repayment of loans

Same as 2.3.1.

2.4 Disposal of capital which cannot be repatriated

2.4.1 Reinvestment

2.4.2 Current expenses

2.4.3 Transfer to another foreign national

Capital invested prior to 1950 may be liquidated only in the form of "security sterling." This can be reinvested, however, in quoted securities maturing in not less than ten years from the date of purchase, and the proceeds can be drawn on maturity. Sale to another resident of the American Account Area or to a resident of Canada is permitted without restriction.

3. Legal Position of Foreign Enterprises

3.1 Conditions governing the establishment of enterprises having foreign capital participation

3.1.1 Establishment and Control

There are no general restrictions on the proportion of foreign capital participation. In cases where residents participate, however, it may be required that they hold a reasonable proportion (relative to their total investment) of the equity shares or of the voting strength of the company to be formed. Further permission might be refused if the result of the investment would be to remove financial control of a company or business from resident to non-resident hands.

3.1.2 Special limitations on activity

No information available.

3.2 Employment of foreigners

There is usually no objection from the authorities to the employment of foreign labour if qualified indigenous persons are not available.

3.3 Expropriation

Legislation relating to acquisition of private property for public purposes invariably provides for fair compensation.

4. Fiscal System

4.1 Non-discrimination against foreign enterprises

There is no fiscal discrimination against foreign companies.

4.2 Steps to encourage new investment

See paragraph 1.2. above. Conditions vary between territories, but among the inducements given to new investment are allowances in respect of expenditure on plant and machinery, the clearing of land, housing, and in some territories, tax holidays for pioneer industries.

4.3 Agreements concerning double taxation

None.

II

NOTE ON U.S. PRIVATE INVESTMENT IN ALLOVERSEAS TERRITORIES, 1945-1952

Investment of private U. S. capital in all the overseas territories (not only African) of the five European metropolitan countries with overseas holdings has been on a modest scale. In the period since the end of the war until the end of 1952 the transfer of new private long term capital from the United States has totalled about \$229 million, an annual average of about \$32 million. In addition, reinvested earnings totalled in the same period about \$195 million, an annual average of about \$28 million. The reverse flow of earnings on private investment from the overseas territories to the United States averaged approximately \$82 million annually. In short, there was a net outflow annually of approximately \$22 million to the United States.

The principal field for private U.S. investment in these territories since the end of the war has been in the petroleum industry. About one-half of the investment in the petroleum industry in this period is accounted for by re-investment of non-repatriated earnings.

In a recent address (October 16, 1957) to a Princeton University Conference on "Emerging Sub-Sahara Africa" the Deputy Assistant Secretary of State for African Affairs estimated that:¹ "The book value of our investments on the continent [Africa] totals approximately \$500 million--not a very impressive figure but growing nevertheless."

Joseph Palmer 2d, "The Problems and Prospects of Sub-Sahara Africa: A United States Point of View," The Department of State Bulletin, Vol. XXXVII, No. 963, (December 9, 1957) p. 930.

III

SOME MANPOWER PROBLEMS OF PRIVATE INVESTORS IN AFRICAA. LABOR FORCE: RECRUITMENT AND TURNOVER

Perhaps one of the most difficult problems encountered by direct investors in Africa requiring a working force of any size is the recruitment of labor and the large degree of turnover in the labor force. The part-time urban or concession (mining, plantation, etc.) dweller and part-time rural dweller is a phenomenon characteristic of many African territories.

Frequently in the past the temporary laborer signed up for a formal tour of duty for about two years in connection with a mining enterprise, and then returned to his tribal area. He might have subsequently agreed to another formal tour of duty. Increasingly, the pattern is an informal flow of unskilled industrial, manual, and household labor to urban, commercial and industrial centers, and mining areas without fixed contract periods, interspersed with irregular periods of return to the rural areas to cultivate family-occupied land. The social and economic instability as well as the instability in the industrial labor force created by this dual type of life--rural and urban--with a foot in two places, ordinarily with dependents at home and the male adults away, presents serious problems for investors in many areas of Africa.

The following excerpt from a case study of Firestone operations in Liberia recently published provides a compact description of the range of problems.¹

In a country like Liberia where the bulk of the population still lives in a largely self-sufficient tribal society, the recruitment of

¹Taylor, W. C. The Firestone Operations in Liberia, Fifth Case Study in an NPA Series on United States Business Performance Abroad, National Planning Association, 1956.

labor cannot be left to the automatic operation of market forces. This was even more true 30 years ago when Firestone first came to Liberia.

The labor recruitment problem faced by Firestone was common during the 19th and early 20th centuries as large-scale mining, plantation, and manufacturing activities were introduced into many under-developed countries. There were few incentives to induce people living in self-sufficient village units to leave their homes and seek work at wages. In keeping with the standards of those times, various methods were tried to entice or, more often, to compel the necessary numbers of workers to leave their ancestral homes and occupations. These ranged from such forceful measures as impressment and various forms of debtor servitude to changes in land systems and taxation designed to create a need for earning money to pay rent, interest, or taxes. These devices for ensuring an adequate labor supply caused much hardship and their injustice is still remembered in many Asian, African, and Latin American countries.

From the beginning, the Firestone Company was resolved that it would not obtain its labor through any form of compulsion, direct or indirect, and that the Liberians who worked on its plantations would do so of their own free will and out of a desire to improve their economic and social conditions. Harvey S. Firestone, Jr., immediately after the Planting Agreement was ratified, wrote a letter to President King stating the Company's recruitment policy, which read in part:

Such labor so employed shall be free to bargain for its terms and conditions of employment with the Company and shall be free to sever its employment with the Company at its own will and convenience.

We desire to point out to the Government again that the success of our development in Liberia is largely dependent upon the organization of a permanent and contented labor force. This can only be done through free and unrestricted employment and upon terms and conditions which are agreeable to the laborers themselves.

Such a policy could only be carried out by providing positive and constructive inducements for people to seek work on the plantations. Over the years, Firestone has paid the highest prevailing wage in the country for each category of skilled and unskilled labor. In addition to paying the direct taxes for which its workers are liable while in the Company's employ, it has provided free and steadily improved housing, health facilities, and educational opportunities; and it has regularly sold food and other household items to its workers at subsidized prices considerably below both the local market and the cost to the Company. Other advantages of working at Firestone have been added in more recent years, such as Company-financed retirement pensions, paid vacations, and service awards.

Another important condition insisted upon from the beginning by Firestone was that it would pay wages in cash directly to each worker. No tribal chieftain, recruiting agent, Liberian government official, or

any other person would be permitted to serve as an intermediary in payments owed by the Company to its workers. This unwavering Firestone policy successfully prevented the appearance in Liberia of practices--all too prevalent in many other underdeveloped countries then and subsequently--by which such intermediaries retained for themselves a greater or lesser share of workers' incomes.

However, Firestone soon discovered that, though Liberians might be attracted to work on the plantations, they often could not leave their native villages without the prior permission of their town, clan, or tribal chiefs. The chiefs were reluctant to consent because they did not wish to lose the unpaid labor and other services which each able-bodied male owed by immemorial tribal custom. Thus, Firestone was forced to develop a system of compensating the chiefs for lost labor and services.

At present, each paramount chief received 15¢ per man per month during the rice-growing season from January through June, and 10¢ per man per month from July through December, or a total of \$1.50 per man per year. In 1955, the total of such payments to the chiefs was over \$90,000. In addition, a regular scale of nonmonetary gifts from Firestone to the paramount, clan, and occasionally town chiefs has also evolved. This "Paramount Chiefs Assistance Plan," as it is called, was developed with the full knowledge and consent of the Liberian government, and has also been adopted by other foreign companies operating in the country.

In order to apportion the flow of labor from each area to the size of the local population, Firestone uses a system of allotments or quotas which have been accepted by the paramount chiefs and agreed to by the Liberian government. However, some chiefs do not always meet their quotas while others sometimes exceed them. A Firestone recruiting agent makes regular trips through the tribal areas negotiating quotas with and making payments to the chiefs. He arranges for transportation of the workers--and their families, if they wish--to the plantations at the Company's expense.

The basic rate of pay for unskilled labor is 30¢ per day, and each tapper earns an extra 3¢ per day provided he has not missed more than four potential working days during the month. Additional pay averaging 50¢ is provided for weeding tasks on a piece-rate basis. Headmen earn 50¢ to \$1.50 per day and overseers 75¢ to \$2.50 per day depending on length of service. In addition, both headmen and overseers receive the same "turnout bonus" of 10 percent as do the tappers. They also are given a "tapping bonus" of from \$2 to \$4 per month based upon the divisional superintendent's inspection of the condition of randomly selected trees in their areas. Finally, headmen and overseers may be given an extra bonus of from 10¢ to 20¢ per day based on the divisional superintendent's appraisal of the general quality of their work performance.

Skilled and semiskilled workers--called "classified employees"--serve in a wide variety of occupations. These include: factory machine operators and maintenance and repair men, carpenters, painters, masons, electricians, draftsmen, auto mechanics, chauffeurs and truck drivers, janitors, seamen of various types, and such office personnel as typists, bookkeepers, and accounts clerks, office machine operators, shipping and file clerks, secretarial employees, and messengers. Their pay scales are similarly varied and usually have minimum entrance and maximum rates for each category. These range from 35¢ to \$2.00 per day for the more common skills to \$1.50 to \$4.50 per day for the rarer skills and for supervisory personnel. Some employees receive monthly salaries in excess of \$200. In general, the range of per diem rates is higher for office employees and skilled mechanics than for drivers, janitors, and seamen.

Classified employees work a 48-hour week with time and a half paid for overtime. Virtually all classified workers are initially recruited from among the unskilled field hands and are trained by Firestone for their jobs. A small number have previously worked at their trades in Monrovia and in other foreign concessions or are ex-Firestone employees who have left skilled plantation jobs for one reason or another and later return to them.

All regular Firestone employees are covered by workmen's compensation which provides scheduled payments for injuries, loss or permanent impairment of parts of the body, and death. Payments under this plan during 1955 totalled approximately \$3,500. The small size of this payment in relation to the large number of employees is not the result of any inadequacy in the plan. By and large, plantation work is not dangerous. Most compensated injuries were received in motor vehicle accidents.

All classified employees and divisional headmen and overseers are eligible to participate in the pension retirement system. Tappers and other unskilled field workers are not covered because they never remain long enough on the plantations to reach retirement age. Those who do remain have long since been promoted to supervisory or skilled positions. The entire cost of the retirement plan is borne by the Company. Employees are eligible for retirement after 30 years of service with Firestone or any of its subsidiary companies at 40 percent of their monthly wages at the time of retirement. Retirement may be granted after 25 years of service upon Company approval. At present, there are 14 retired employees living on their Firestone pensions; 75 employees have between 26 and 30 years service; 93 have between 21 and 25 years; and 495 have between 15 and 20 years. Hence, payments under the retirement plan will grow substantially in future years.

Since the start of operations, grievance machinery has been available. Naturally, as the skills and responsibilities of the Liberians have developed, this machinery has been adjusted to meet new situations. In essence, the grievance machinery as it now exists is similar to that developed in the overseas operations of other American companies.

As far as its Liberian labor is concerned, Firestone has persistently faced one basic difficulty which has improved only slowly over the years. This is the problem of labor turnover, greatest among the unskilled workers but by no means negligible among its classified employees. The turnover in field labor is now about 30 per cent per year, but was formerly even larger. However, only 20 percent of the unskilled workers newly employed each year have never before worked for Firestone.

The usual practice seems to be for a young man approaching marriageable age to leave his tribal home and work for Firestone--or for one of the other foreign concessions--until he has saved the purchase price of a wife. This usually takes two years. Thereafter, he will return to the Firestone plantations--again usually for two-year periods--whenever he wants to accumulate another relatively sizeable amount of cash, generally to buy a second wife, build a house, start a commercial farm, purchase a truck, or acquire some other material benefit for himself and his family.

Only about one-third of the unskilled labor and about two-thirds of the classified employees are permanently settled on the plantations. The remainder work intermittently for Firestone, returning to their tribal homes for greater or lesser periods. This situation reflects the fact that the tribal way of life is still the most congenial for large numbers of the Liberian people. Firestone has been trying to make a more civilized and economically remunerative way of life more attractive to the tribal people. But the pull of the tribal society is still very strong and its essentially noneconomic rewards are still prized more highly than are better food, housing, and consumers' goods and greater opportunities for personal advancement.

Only the slow processes of fundamental social and economic change in the country will eventually bring about that basic shift in values which will make the tribal people prefer the benefits of civilized living to the traditional tribal society. Until then, Firestone will continue to struggle with the problem of a high labor turnover which, however, it can steadily mitigate through the constructive efforts it has been making.

B. RACE RELATIONS AND EMPLOYMENT

In territories or states with European settler populations there are serious race relations problems. One area of conflict of particular interest to the investor is to be found in the struggle of the increasingly skilled African to climb the job ladder and the resistance of European occupants of the reserved, up to now, job categories to African "intrusion." In less

intense fashion, as noted in section C below, this problem is present in some degree in most parts of Africa, irrespective of whether there is a European settler population.

The dramatic role of a U. S. company in a labor struggle involving the job competition of Europeans and Africans on the Copperbelt in the Federation of Rhodesia and Nyasaland was summarized by Representative Frances P. Bolton of the House Foreign Affairs Committee after a visit to the Copperbelt in the fall of 1955 as follows:¹

The racial problem affects every level of society in the Federation of Rhodesia and Nyasaland. It has come to somewhat of a focus in the copper-rich mining areas of Northern Rhodesia.

One mining group, with a large element of South African control, has taken a stand favoring retention of an industrial color bar. The other group, with substantial American interests, has courageously taken the opposite view, holding that Africans must advance, and that the way to bring this about is not by waiting for time-wasting strikes. Maintaining this position involved a break not only with the white mineworkers' union, but also with the other mining group. This last was a remarkable step, since the two groups had always acted together in such matters. In our opinion this group has done a great deal for the cause of future racial harmony in Africa, and news of the part played in the struggle by Americans should be more widely disseminated.

The American company which, with its British affiliates, breached the color bar in the Copperbelt is the American Metal Company, Ltd. of New York.

American Metal owns about 32 per cent of the Roan Antelope Mines with other Americans owning an additional 9 per cent of the Roan Mines. In addition, American Metal owns 51 per cent of the Rhodesian Selection Trust, with other Americans holding an additional 14 per cent in the Selection Trust. The company mentioned by Representative Bolton which resisted the American Metal Company

¹Report of Special Study Mission, Subcommittee on the Near East and Africa, Washington, July 27, 1956, 84th Congress, 2nd Session.

approach is the Anglo-American group, which despite its name, is South African in nationality.

The conflict centered around the European Miners' Union insistence on the color bar in job classification, with the senior and supervisory positions reserved for Europeans, and the pressure of the Africans for the right to fill these reserved positions. American Metal essentially interceded to oppose the European Union, and succeeded in ending the color bar in principle. A number of new opportunities were created for Africans and an intermediate field of employment was opened as a step between the formerly exclusive African and European job categories. This step has not solved the problem of African job advancement or removed racial tensions. Much remains to be done in this field. The situation is further complicated by considerable strife between two African unions on the scene, representing respectively, the daily-paid and monthly-paid African workers.

C. JOB ADVANCEMENT OF THE AFRICAN

This problem is obviously covered in the foregoing section on race relations but generally is of a different quality in areas of Africa not involved in the overall sharp racial conflict generated in territories with permanent European settler populations. It is a more universal problem of advancement of indigenous populations in employment opportunities in commercial enterprises financed and initially staffed from foreign sources.

The following excerpt from a Fortune magazine article on the largest trading company in the world, the United African Company, briefly sets out some of the currents involved.¹

¹"Unilever's Africa," Fortune, January 1948.

U. A. C. has done something to improve its relations with the natives. It has appointed a personnel manager, and has sent several of its African managers on extended trips through the United Kingdom. It has set up pensions and sick-leave benefits. For economy as well as good will it makes a policy of upgrading native personnel to managerial jobs as soon as they can handle them. In Togoland, all its staff is African. Although Africans are generally paid considerably less for the same work, most students of West African economics agree that equal pay for equal work would be a mistake. It costs the European much more than the native to live in the tropics, and a European scale for the African, besides being too far out of line with the lowest native wages, would tend to keep him out of government and business jobs that he should be trained to hold. But even when the native sees the point of this concept, which he rarely does, he naturally believes that U. A. C. abuses it. During the war, U. A. C. upgraded many Africans, and in the inevitable house-cleaning after the war some lost out. The instinctive native reaction that the company was reviving color discrimination was taken up by the [African] press.