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September 5, 1979

Please reply to:  
2150 Guardian Bldg.  
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TO ALL REGENTS:

SUBJECT: SOUTH AFRICA

The issue of investment in companies doing business in South Africa should be on the agenda in September in accordance with President Smith's assurances at the March meeting. I hope that we can discuss this issue between ourselves before the meeting, and hopefully again arrive at a consensus in the matter.

For your convenience I am enclosing the following:

1. Report of SACFA dated July 3, 1979.
2. A one page document entitled "Revisions of the SACFA Report to the Regents" given to Bob Nederlander and me by Kate Rubin, Debbie Duke and Bob Stechic at a meeting held at the students' request. The underlining and marginal notes are my attempt to analyze the issues which they present.
3. A copy of our March 16, 1978 resolution, with revisions indicating my preliminary thoughts as to appropriate amendments.

I am also enclosing a copy of an article from the current New Republic, which places this issue in a broad context of student activism in the 1980's.

Following the sequence of the SACFA Report, the following issues are presented. For convenience I am stating my preliminary thinking in parentheses following each issue.

1. Should corporate expansion in South Africa trigger divestment?

(No. We rejected this in 1978. If corporate presence is helpful, corporate expansion is helpful).

2. Should U of M attend and speak at shareholder meetings?

(No. We rejected this in 1978. Not only is this expensive, but we risk having other persons mis-state our position).

3. Should we consider compliance before placing a stock on the approved list?

(Yes. This question is most conveniently determined in connection with the study of the corporation for investment purposes. This represents a change in my view from the one time we faced the issue last year).

4. Should we include bonds as well as stocks?

(Yes. There is perhaps a strong argument for bonds as they involve corporate investment without any voice in corporate affairs).

5. Should we require an annual "Sullivan Principles Summary Report" or equivalent?

(No. The government provides enough forms for corporations and people to fill out every year without having these things come from the private sector. I think our intent was that the corporations should report to their shareholders and to the public via the media their progress in achieving the goals of the Sullivan Principles).

6. Should we establish a U of M South African Investments Committee; and if so how should it be selected, and what authority should it have?

(I do not think a committee should be appointed. If the matter is important to us, these questions should be brought to us by our financial and investment personnel, and we should make the decisions. A standing committee would seem to provoke continuous discussion of this issue. This is what the coalition wants, but we have many more urgent matters to consider).

7. Should we discontinue doing business with banks who make or renew loans to South Africa, without any exceptions as to purpose?

(No. If the loans are for the benefit of the oppressed they should be encouraged rather than discouraged. Furthermore, our policy speaks only to deposits, and not to borrowing money ourselves).

8. Should we include loans to government agencies and government owned corporations as well as to the government itself?

(No. Loans to schools, colleges, energy corporations, etc. benefit the total population, including the victims of apartheid.

My views on the students proposed revisions are generally included in the foregoing or in the proposed amendments.

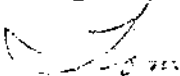
I suggest that we discuss this issue at the September meeting and hopefully take some action. We must be patient, but we should also be firm that once the issue is decided that we do not intend to review the same month after month.

One thing that the SACFA Report did not discuss, although it was specifically suggested in my motion in March, are the changes which are taking place in South Africa. I am sure we have all heard about the Wiehahn Commission Report, which has been substantially accepted by the government, and which appears to adopt as government policy some of the Sullivan Principles, such as unionization, elimination of job reservations, equal pay for equal work, etc. At an Africaans Student Convention held this summer, the students took a strong position against apartheid. From such developments it appears to me that there is more, not less, hope for a peaceful resolution of this problem.

The Rockefeller Foundation Study Commission created in August may provide a tremendous amount of data in early 1981 concerning policy options available for dealing with issues confronting the United States and South Africa. This report may be significant, and I would not make any radical changes in our course pending receipt of such data.

I will attempt to touch base with you personally or by phone at the game or over the weekend. If we can advise staff early next week, an appropriate agenda item can be written for the book.

Very truly yours,



Thomas A. Roach

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Encls.