

THE REGENTS OF THE UNIVERSITY OF MICHIGAN

February 28, 1978



DEANE BAKER, ANN ARBOR
PAUL W. BROWN, PETOSKEY
GERALD R. DUNN, LANSING
DAVID LARO, FLINT
ROBERT E. NEDERLANDER, BIRMINGHAM
SARAH GODDARD POWER, ANN ARBOR
THOMAS A. ROACH, DETROIT
JAMES L. WATERS, MUSKEGON
ROBBEN W. FLEMING, PRESIDENT

RICHARD L. KENNEDY, SECRETARY

Please reply to:
2150 Guardian Building
Detroit, MI 48226

Regent Sarah Goddard Power
527 E. Liberty
Ann Arbor, MI 48104

Re: Corporate Investment in South Africa

Dear Sarah:

At our February meeting you asked me to provide you with my notes or comments concerning the Forum that was held the week of January 30, 1978. Paul Brown made a similar request, and so I am going to send a copy of this letter to him and to the other Regents and President Fleming.

Since the February meeting we have all received a copy of Mr. Cutler's letter of February 17, 1978 and the Report of the Committee on Communications. I have reviewed that Report against my notes. The purpose of this letter is to provide information from my notes which is not included in the Committee's Report, together with some observations concerning the Forum.

I attended all sessions of the Forum except for the Thursday afternoon drafting seminar. The Forum was not a balanced presentation. Of the six sessions, only the Tuesday night meeting and the Wednesday night meeting had speakers on both sides of the issue. All other sessions were exclusively devoted to speakers advocating divestment or other remedies.

Monday evening, January 30--Ted Lockwood, Washington Office on Africa, which was described as a citizens lobbying group. About 100 persons were present in Rackham Auditorium. As indicated in the summary in the Committee Report, Lockwood discussed the economic, military and political interest of the U.S. in South Africa. In addition to the data summarized, Lockwood indicated that South Africa has 80% of the world's reserve of chrome, a key element in stainless steel production. Also, Union Carbide obtains 50% of its supply of ferrochrome from South Africa.

The U.S. has a 2-1 favorable balance of trade with

South Africa, and an unfavorable balance of trade with the balance of Africa. The U.S. is the leading creditor, having loaned \$2.2 billion, of which \$1.6 billion are direct loans to the South African government and agencies thereof.

From a military standpoint, South Africa has one modern shipyard and a radar station in the mountains. Also, the Cape is regarded as a significant "pinch point." (While Lockwood characterized this as a small military role, it must be viewed in the context of naval facilities available in Eastern Africa and the Western Pacific and current events involving the the Horn of Africa.)

Politically, South Africa is a liability because of racism and repression. For example, Nigeria has said that they will not trade with nations trading with South Africa.

With respect to investment, Lockwood said that theoretically investment neither encourages nor discourages apartheid. Relying upon the Senator Clark report, Lockwood stated that only 11 U.S. firms have restrictions on sales to the government of South Africa, that local offices were not responsive to home office direction, and that U.S. companies had no significant impact on apartheid.

Tuesday afternoon, January 31--Selby Semela, South African Student Movement. About 80 persons were present in the Modern Language Building auditorium. There was a long introduction by Leonard Suransky, a graduate student in the School of Education, and a white South African. There was no question about Suransky's position. In the closing of his introduction, Suransky said that Turner (a leader against apartheid) had been shot by unidentified people, but that most South Africans know that the killers would show up 1/2 hour later in uniform to investigate. His closing rhetoric included: "How much longer before this fascist society is brought to its heels?" "Do you want your name associated with theirs?" "Do you want to associate with them?" "Do you want our funds invested with them?"

By the time Semela spoke the crowd had increased to about 100. Semela was a leader in the student uprising in Soweto.

The unidentified white South African questioner in the audience turned out to be Deon Erasmus, the Information Officer of the South African Consulate, who spoke Tuesday night. When Mr. Erasmus asked about the death of Dr. Edelstein (phonetic), apparently a prominent person in helping the blacks in South Africa, Semela emotionally answered "I was one of the people who killed the sucker!"

In response to a question about what would be the effect of divestment, Semela answered that the enemy would be weakened and it would be easier for the people to fight.

Tuesday evening, January 31--Deon Erasmus, Information Officer, South African Consulate; and Fred Dube, Member, African National Congress. About 200 persons were present in Rackham Auditorium. About half of these turned out to be organized demonstrators. The first demonstration occurred when Erasmus was introduced. About 50 or 60 demonstrators stood and chanted "No debate--end apartheid now" and held up some signs of similar import. After about five minutes and urgings from the platform that they quiet down, the demonstrators left the auditorium. The second group of demonstrators demonstrated in support of the Dube speech. It all seemed rather well-organized and orchestrated with the demonstrators outside Rackham Auditorium.

Erasmus made the following points in his presentation. South Africa represents 4% of the land mass of Africa and contains 6% of the population. It is the only industrial country and produces 45% of the industrial output. Erasmus argued that investment of capital results in social and political improvement, pointing to the 53% increase in black wages in 1975 and 1976 compared to 3% increase for white workers. 450 American corporations do business in South Africa, including Ford, General Motors, General Electric and others.

Henry Ford saw the role of his company as constructive and has said that they would expand. Ford has budgeted \$2 million for education and training of black and colored workers.

56 companies have adopted the Sullivan Principles.

The government has created 20 training centers for workers. Erasmus argued that political freedom comes from economic freedom (the right to a job and education). In the railroad industry 1,500 previously white jobs are now held by blacks and in the post office 900 previously white jobs are now held by blacks.

300,000 persons per year are coming into the labor market and an investment of \$20 billion annually is required to provide jobs.

Unemployment is highest among blacks, being about 10% to 15%. The government's goal is to achieve equal pay for equal work within 7 years. Enrollment in black high schools has doubled. A black medical school has been established and there are 12,000 blacks in universities.

Not just blacks are poor, 600,000 whites live under the poverty line.

In terms of combined imports and exports, in billions of dollars, the ranking is as follows: \$2.2--Great Britian; \$2.0--U.S.; \$1.6--Germany; \$1.28--Japan.

Erasmus argued that boycotts and divestment are intended to bring down the South African government and that constructive communication and constructive change is the best answer to the problem.

Dube is apparently a black South African. The opening line of his speech was: "Comrades, Brothers, Sisters, and Friends". His organization has been arguing for foreign companies to pull out since 1958. He personally was arrested in the middle of the night, spent 5 months in solitary, had a 5 month trial and served 3 years in prison. Dube argued that economic collaboration makes it possible for the government to buy weapons to oppress blacks. Foreign investors go to South Africa because of profits, which are shared with their investors. Dube quoted General Motors spokesman as saying "We don't believe in morality, we believe in profit." Dube questioned whether Ford's role was meaningful, as it employs only 1,118 Africans out of 5 million Africans in urban areas.

Dube concluded by arguing that media and television know how not to tell the truth. He said there are two sides--the black side and the white side. The question will not be solved with debate, but with bloodshed (significant applause). Vietnam will look like a picnic. It will be a racial war and a religious war, the worst kind.

There was quite a period of discussion and questions from the floor. One of the most significant was by Mr. Denis Ondeje, who asked Erasmus how he squared the corporate pledge with the law of South Africa, among other questions. Ondeje's closing remark was that the only way the law will be changed is by force of arms. Erasmus responded that recent changes had scrapped 85% of job reservations, had adopted a program of pay equalization and had accepted the Sullivan Principles. At the conclusion Mr. Cutler attempted to close the meeting. Leonard Suransky came to the stage and harangued the crowd, declared a rump session and some discussion continued with Denis Ondeje, Fred Dube and Suransky on stage. I did not stay for this session.

Wednesday, February 1--Timothy Smith, National Council of Churches. About 60 persons were present in the Modern Lanugage

Building Auditorium.

Smith presented alternatives for stockholder action. There were actually 15 rather than 14 as set forth in the summary. No. 3 was "Open Statements", and Smith cited the 4,000 signatures on a petition at Stanford which were read into the record at the Ford stockholders' meeting. After discussing the alternatives, Smith indicated his view that hopes for social change had been dashed in October, 1977 (the Biko death?). While the Sullivan Principles seemed to say wait a while and then withdraw, Smith seems to feel that investment should be withdrawn now. Smith does not feel that the Sullivan Principles will break down apartheid. Smith argued that many of the present South African leadership were jailed as Nazi sympathizers during World War II. When questioned about the church's role in South Africa, Smith said it varies. Apparently the Dutch Reformed Church supports the government. One speaker suggested that none of the alternatives was effective other than divestment. Smith questioned the effectiveness of divestment, saying that some companies would welcome divestiture by their critics.

Wednesday evening, February 1--Timothy Smith, National Council of Churches; Thomas Pond, General Motors; Professor Dufey, Business Administration; and Professor Samoff, Political Science. About 100 persons were present in Rackham Amphitheatre.

These speeches were generally well summarized in the Report. Additional information provided by Pond included the following: GM has been in South Africa since 1926 and has 3,600 employees. They manufacture passenger cars, trucks and locomotives. 1977 production was 27,500 units, representing 11% of the South African market. GM is 5th in market share. Pond indicated that the job reservations act had recently been amended. GM has provided housing at subsidized rates for 54 individuals, it has made 643 interest free home improvement loans, it has loaned \$1 million interest free to a township to provide homes in the township, and it is spending \$500,000 for recreational facilities in a colored area, that being the specific type of project requested by the employees. Pond does not consider withdrawal from South Africa as a proper step. It is not a positive move. If the companies move out there will be no force for change. The negative impact would be greatest on the employees. Their market would merely be absorbed by other businesses.

Thursday afternoon, February 2--Modern Language Building Auditorium. I did not attend this session. Later speeches indicated that a floating crowd of about 40 ended up participating in drafting

a resolution presented that night.

Thursday evening, February 22--Prexy Nesbitt, Economic Committee on Africa; Timothy Smith, National Council of Churches; Denis Ondeje; Don Alexander and Leonard Suransky. There were 67 persons present in Rackham Auditorium.

Prexy Nesbitt gave a direct speech, arguing that the University should sever all ties, economic, political and social with South Africa.

Timothy Smith argued that the message to South Africa should be that foreign business will withdraw unless and until they move toward majority rule. Smith feels that on balance, foreign companies do more to support the government than to improve the position of blacks. Smith's final position was that there should be no loans to South Africa, no sales of strategic materials to South Africa and corporate withdrawal from South Africa.

Denis Ondeje read the resolution.

Don Alexander's speech is printed in the summary over the name Washtenaw County Coalition Against Apartheid.

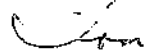
Leonard Suransky's speech is printed under "Speech to Final Session of the University Forum on Investments in Southern Africa".

It should be noted that the Washtenaw County Coalition Against Apartheid was one of the sponsors of the Tuesday night demonstration. A copy of the hand bill is included. You will recognize many members of the Ad Hoc Committee.

In thinking over what I have dictated it is clear that this should not be read alone. It should be read only in conjunction with the Report of the Committee on Communication. While I have tried to be objective, the lack of balance in this letter only seems to demonstrate a reciprocal lack of balance in the Forum and in the Report of the Committee.

If you or any of the others have any questions concerning the Forum or my remarks, please call.

Very truly yours,



Thomas A. Roach

TARskp
Encls.

cc Regent Deane Baker (w/encls.)

Regent Sarah Goddard Power

-7-

February 28, 1978

cc (continued)

Regent Paul W. Brown (w/encls.)

Regent Gerald R. Dunn (w/encls.)

Regent David Laro (w/encls.)

Regent Robert E. Nederlander (w/encls.)

Regent James L. Waters (w/encls.)

President Robben W. Fleming (w/encls.)