

April 5, 1979

Dear Regent Nederlander:

I am enclosing a letter I have written to President Smith on the subject of divestment. In the letter I present some arguments in favor of economic sanctions against South Africa in general, and I also discuss some difficulties and limitations inherent in the use of the Sullivan Principles as a basis for University policy.

The only comment I would like to add concerns the "symbolic" nature of a decision to divest. I certainly agree that the University alone has no prospect of influencing corporate behavior in South Africa, whether it chooses to divest or to act through shareholder proxies.

However, we should not equate "symbolic" with "pointless." Symbolic actions often have considerable impact in the arena of public debate. The Afrikaners have left little doubt that they are preparing for a bloody racial conflict. As events unfold, the American role in sustaining apartheid is certain to come under increasing public scrutiny. The advocates of divestment do not see the University as performing an isolated symbolic act. Rather, divestment should be seen as a constructive contribution to a broad and growing debate concerning American policy. It is important that the University be on record in opposition to any support for the apartheid system.

Thank you for your time and consideration of the issues involved.

Sincerely,
Greg Dow

Gregory K. Dow
715 Lawrence Street, #3
Ann Arbor, Mi. 48104
March 31, 1979

Allan Smith, Acting President
University of Michigan
Ann Arbor, Michigan

Dear President Smith:

I am enrolled in the department of economics at the University of Michigan as a candidate for the Ph.D. I am writing to you because I am deeply concerned with the University's stance on the issue of divestment in firms which operate in South Africa.

I am persuaded that there is no meaningful distinction to be made between 'political' and 'non-political' approaches to the question, as some would hold. All seem to agree that the decision to divest would be a political one. How then can the converse decision, to maintain the University's current portfolio, be construed as 'non-political'? One can only see these investments as non-political by disregarding the blatant racism and brutality of the South African regime and by refusing to acknowledge any American role in the support of the apartheid system. Such a position will not survive scrutiny. The University does not face a choice between political and non-political alternatives, but rather between two political paths. Political choice is inescapable whatever the outcome of the current controversy may be. Such choices are inherent in the management of a large institution.

Corporations operating in South Africa derive considerable benefits from the apartheid system, judging from the available profit data and from their eagerness to participate in the South African economy. In a very real sense, this is blood money which the University should not accept simply on moral grounds. However, the debate over divestment, quite rightly, does not focus on this issue alone. The broad issue is the extent to which American firms bear responsibility for the continuation of apartheid as a social system.

American corporations supply South Africa with needed imported materials and new capital equipment, the latter often embodying recent technological advances. This helps to ensure South Africa's continued economic growth, at least insofar as the white minority is concerned. Prosperity can only further convince the whites of the viability of their system, no matter what the state of world opinion may be.

It has been frequently argued that American investments are a benign force in South Africa, in that they supposedly benefit blacks through employment and better wages. No doubt it is true that the immediate effect of closing all American-owned facilities would be detrimental to the black population, but this is hardly likely whether we would wish it or not. Under economic

sanctions a much more likely outcome would be for American-owned plants to be transferred to South African or other control and for them to continue in operation. While it is possible that pay and working conditions would deteriorate marginally from their present abysmal levels, massive unemployment as a result of sanctions is not to be expected.

Only dogma would lead one to argue that the black population would be unaffected by sanctions, however. There will undoubtedly be attempts by the white minority to shift the real burdens of slower economic growth and short-run dislocations due to sanctions onto the black population. We are therefore obliged to consider the opinions of the black opposition movements within South Africa, insofar as these opinions can be communicated to us. It is apparent that a wide spectrum of black South African opinion rejects the 'benign influence' argument and urges the West to impose economic sanctions as quickly as possible.

Such urgings have been publicly made by the African National Congress, the Pan Africanist Congress, the South West Africa Peoples' Organization (SWAPO), the Patriotic Front, the South African Congress of Trade Unions, the Indian Congress of South Africa, the Black Peoples' Convention, the Soweto Students' Representative Council, the South African Students' Organization, and the Christian Institute. These organizations clearly believe that Western participation in South Africa's economy does nothing to further their struggle, and all indications are that such sentiment is growing within South Africa. (Lest it be thought that these calls for divestment are idle or ill-considered, it is worth noting that to call for divestment is a crime in South Africa under the Terrorist Act.)

The aim of economic sanctions cannot realistically be to close down all foreign-owned facilities in South Africa. Rather, the aims must be twofold. First, sanctions can close off foreign sources of raw materials such as oil, new technology, capital equipment, and spare parts. Hopefully one result of this would be to limit South Africa's military potential, with a corresponding diminution of white intransigence. The second goal of sanctions would be to impress upon the Afrikaners that the West regards the apartheid system as utterly intolerable and that we completely reject South Africa as an acceptable ally in any real or imagined battle with Marxist forces. This message will not be communicated by a policy of verbal condemnation and tangible support.

Not the least important effect of American trade with South Africa is to enhance that government's capabilities for military action and internal repression. The most dramatic example of the former is the introduction of nuclear technology from the United States. South Africa now possesses at least one uranium

enrichment plant located near a 'peaceful' nuclear reactor. The demonstrated ability of India to convert Canadian nuclear technology to military uses makes the South African potential in this area all the more frightening. As an example of the way in which internal repression has been abetted and streamlined by U.S. firms, consider the sale of computing equipment by IBM to the Department of the Interior (which oversees the movement of blacks throughout the nation) and the Department of Prisons, along with the Department of Defense and the Atomic Energy Board. This can only improve the government's ability to administer the fascistic 'pass laws' which regulate the movements of all blacks.

While it is true that the U.S. government has imposed a ban on sales to the South African military and police, it would be a delusion to believe that this extricates the U.S. from complicity either in a moral or a practical sense. Equipment does not need to be sold to these agencies directly in order to find its way into their hands. It should also be obvious that any attempt to define which supplies are of a military nature is unworkable and largely beside the point. In the event of a South African mobilization, a large fraction of the nation's industrial plant, including foreign-owned facilities, would soon be converted to military use of some sort. In the meantime, foreign investment in civilian production frees South African funds for other purposes. The only way to limit South Africa's military capability is to limit its industrial expansion and access to imported supplies.

Having stated the case for economic sanctions in general, I now want to point out some difficulties with the Sullivan Principles as a basis for University policy. (Incidentally, the adoption of the Sullivan Principles is in itself a political action, no different in kind from the further step of divestment.) First, it should be recognized that any substantive racial equality in hiring and promotion, the foundation of what we would regard as equal opportunity, is illegal under South African law. Various laws reserve skilled jobs for whites only, and it should be noted that of all the corporations in which the University holds stock or bonds, none has been able to report a single black having a supervisory position over a white. Discrimination in South Africa does not arise from the de facto policies of individual firms, but is a condition of doing business which is imposed by the South African government.

Even if one chooses to ignore the questionable legal standing of the Sullivan Principles in South Africa, this is not the end of the difficulties. For these principles to be meaningful, it must be possible to collect the information needed to assess the compliance record of American firms. The response of these firms has been wholly inadequate, as is fully documented in the report submitted to the Regents on March 15, 1979 by the Washtenaw County Coalition Against Apartheid. Moreover, a new

development has extended South African legal interference even to attempts to gather information needed in assessing compliance. The Protection of Business Act passed on June 20, 1978 states:

No person shall in compliance with any order, direction or letters of request issued or emanating from outside the Republic, furnish any information as to any business whether carried on in or outside the Republic.

It is hard to imagine how, under these circumstances, any effort to monitor compliance with the Principles can succeed.

The most fundamental defect in the Principles is their lack of scope. The issue is not whether American corporations adhere to acceptable standards on racial matters within their limited realm of employment. The real issue is whether their participation in the South African economy lends material and political support to the South African regime and its apartheid system. When one views the social context of South African economic relationships, the gestures and good intentions embodied in the Sullivan Principles recede into insignificance. Consider the following:

- 1) Blacks cannot vote and cannot own land except in the arid bantustans which account for only 13% of South Africa's land area and include no urban areas or important mineral wealth.
- 2) Per capita educational expenditures for white students range between 5 and 15 times the level for blacks. For white students, education is free and compulsory; for blacks it is neither.
- 3) Black men and women can remain in the 87% of the nation which is legally reserved for whites only so long as they work.
- 4) It is illegal to disobey an order on the job, to fail to report to work, or to strike. Unions are outlawed and virtually all black opposition movements are banned.
- 5) All living arrangements in and around the cities are carefully segregated to prevent racial contact other than during employment relationships.
- 6) Black men while working typically live in all-male barracks near the cities which house a dozen or more men per room. Their families are forbidden to join them and must remain in the bantustans which are hundreds of miles away, forcing the separation of families for months or years at a time.

- 7) Approximately one third of all black babies die before the age of one. In some areas in the bantustans, this figure is closer to one half. A United Nations study estimated that 4 out of 5 black workers suffer some form of malnutrition. Life expectancy for black men is about 31 years, and for black women about 32, while life expectancy for whites compares favorably with Europe and North America. There is about one doctor for every 400 whites and one for every 44,000 blacks.
- 8) The bantustans currently have a population of over six million despite a United Nations estimate that they cannot provide food for more than about two million people. Starvation and malnutrition are commonplace, with the latter frequently causing permanent mental retardation for children. The population of the bantustans is almost completely dependent upon the earnings of the black migrant labor force employed in the urban areas. The bantustans cannot possibly become autonomous 'nations' as the apartheid system demands.
- 9) Virtually all forms of dissent aimed at apartheid are considered Marxist and are banned. In particular, the Suppression of Communism Act makes it a crime to advocate racial equality.

It is simply not possible for American corporations to behave 'responsibly' in this context. The Sullivan Principles have nothing to say regarding the role of foreign investment in sustaining this malignant social system as a whole.

The Regents of the University do not need further time to study this question. All of the assertions in this letter can be readily verified. South African reality is there for all to see; in fact, South African politicians are quite candid about their racist society and its structure. Anyone who has spent time in an academic environment knows that any issue can be studied indefinitely, and that every study ends with a call for further research. If the usual academic criteria are applied, the process of study will never end. However, South Africa's brutality cannot be suspended or held in abeyance while we study it.

The suffering, starvation, and indignity imposed on millions of people by the apartheid system, and the police state methods used to maintain it, are obvious. If the University finds itself unable to come to a political judgment on this matter, it is difficult to imagine what additional evidence would suffice. There are only three fundamental questions which the Regents need to address:

- 1) Is apartheid unacceptable?
- 2) Do South African economic ties with the West help perpetuate this system?
- 3) Does the University's current investment portfolio provide support to American companies operating in South Africa?

I am convinced that the answer to all three questions is yes, and I believe that no reasonably informed person can respond otherwise. The time for research and study is over. This issue can only grow more urgent as South Africa moves toward a bloody racial conflict. Decisions are required.

Sincerely,



Gregory K. Dow

gkd

cc: The Regents of the University of Michigan
SACFA Committee members