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TO: Michigan State Senators

FROM: Perry Bullard, Chair, House Judiciary Committee P.B.

SUBJECT: House Bill 4553, South Africa Divestment.

House Bill 4553 would require public universities to divest equity stock holdings in corporations operating in South Africa. HB 4553 is on Third Reading and will be coming up for a vote in the near future. The purpose of this memo is to provide you with information about the effectiveness and prudence of divestment as a state policy. You will find a complete information packet enclosed.

I also want to address the "Sullivan Principles" proposed in a letter which you have all received from Richard Kennedy, a Vice-President of The University of Michigan. Mr. Kennedy has alleged that you should support a "Sullivan Principles" amendment to HB 4553. Unfortunately, his letter failed to make you aware of the following facts:

1) The Sullivan Principles pertain only to the working conditions of South African Blacks. They do not address the critical issues of the right to vote, the right to free speech, or even the right to live with one's own family! In fact, the Sullivan Principles are so bland that they have been approved as "inoffensive" by the South African government.

2) The Sullivan Principles cannot be effectively enforced. Further, The University of Michigan, which follows a "Sullivan Principles" policy, has refused to comply with its own policy. According to the Ann Arbor News (December 5, 1982):

> "Confronted with a direct challenge to their policy in the spring of 1979, regents backed down and voted to hold on to their stock in two Chicago-area companies, Black and Decker, Inc., and G. D. Searle Co., both of which had refused to endorse the Sullivan Principles or any other principles for corporate behavior in South Africa."

3) Only a small minority of the U.S. firms operating in South Africa have adopted the very modest "Sullivan Principles". In eight years,

only 144 out of 400 U.S. companies have done so. And only 34 of these companies are "making good progress" according to the South Africa Foundation (a group established by multi-national corporations to support the views of the South African government).

It is abundantly clear that the "Sullivan Principles" favor the status quo of racial segregation and virtual slavery in South Africa. These "Sullivan Principles" are simply a shield devised to protect corporations from the divestment campaign -- a campaign led by religious groups and increasingly joined by universities, unions, cities and states over the past several years. It is very troubling for a Vice-President of The University of Michigan to tell legislators who support the "Sullivan Principles" that progress "can be made by using stockholder leverage to accomplish change" when his University has exerted no such leverage whatsoever. I don't like to criticize "my" University, but I don't like being taken for a fool, either!

If you know all of the facts, I feel confident that you will vote <u>against</u> any "Sullivan Principles" amendments and that you will vote to approve HB 4553. Please let me know if you have any questions. I'll be happy to supply you with any additional information you may need.

PB:sjs
Enclosures