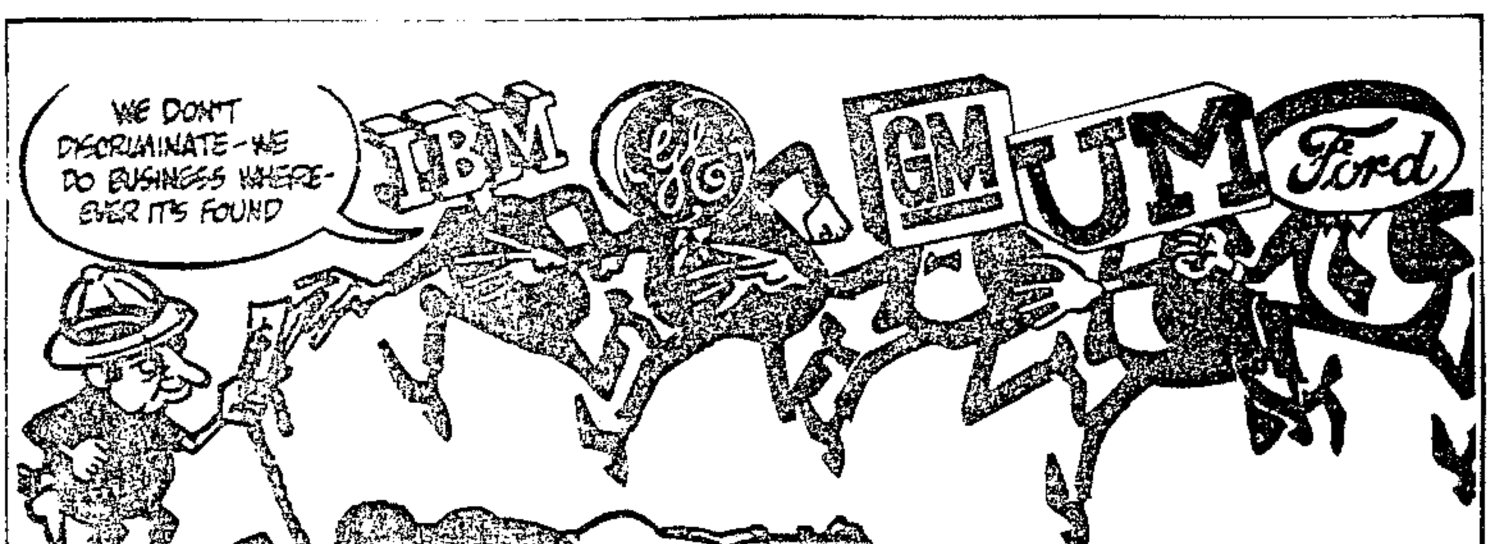
SELLING

TO

SOUTH AFRICA

WHY THE UNIVERSITY OF MICHIGAN SHOULD TAKE A STAND

by Anne G. Fullerton
Washtenaw County Coalition
Against Apartheid,
July 1979



Introduction

As the South African investments issue has been debated over the last few years, it has become clear to us that in concentrating on the labor practices of US corporations in South Africa, we have effectively ignored one of the most important ways in which US corporations have assisted in upholding apartheid: sales to the South African government.

Some would raise the objection that it is not the University of Michigan's business to make statements in this area, especially since the U.S. government is already addressing these questions. We will argue that the current U.S. government attempts to regulate corporate sales to the South African government have been inadequate and that the only effective way to deal with this important issue is through industry self-regulation under pressure from concerned stockholders.

It is the purpose of this report to present enough information to demonstrate why these sales have been vital in upholding the apartheid regime. We will also consider the inadequacies of present US government controls on these sales, the South African legal situation regarding strategic materials, and the available methods for dealing with these problems.

In the long run, we hope that the US government can effectively close the loopholes in its embargos against South Africa (and considerable progress has been made in this area during the Carter administration). In the short run, however, the University of Michigan has a responsibility as a socially-concerned shareholder to confront this issue in an active way and make our views known to the corporations.

The strategic sales

Many small sales to the South African government take place every day but we are especially concerned with certain critical areas which are vital to the maintenance of the apartheid system.

a) arming apartheid: Since 1963, the U.S. has supposedly had an embargo on arms sales to South Africa and Rhodesia. Despite this embargo, the following American weapons and aircraft have found their way into the South African defense inventories:
   - 16 L-100 transports (Lockheed; sold via West Germany)
   - 7 Swearingen Merlin-IV medium transports
   - 22 Cessna Model 185 Skywagons (sold via the Netherlands)
   - 19 Piaggio P-166S patrol planes (incorporating Avco-Lycoming IG50-540-AIC piston engines)
   - 40 AM-3C Bosbok utility craft (incorporating Avco-Lycoming engines; produced by Aeronautica Macchi Spa -- an Italian affiliate of Lockheed)
   - 20 C-4M Kudu planes (incorporating Avco-Lycoming engines)
   - AL-60 Conestoga transports (20 of these transports have gone to Rhodesia from South Africa)
   - 3200 Winchester firearms (Winchester is an Olin Corp. subsidiary)
   - Lockheed F-104G Starfighter jets (via West Germany)
   - North American F-51D COIN aircraft (via West Germany)
   - Augusta Bell 205A Iroquois helicopters (armoured; via Italy)
   -

- M-47 Patton ma... battle tanks (via Italy)
- M-113A1 Commando armoured personnel carriers (via Italy)
- M-109 155 mm self-propelled guns (via Italy)
- Lockheed P-2E Neptune anti-submarine patrol (via the Netherlands)
- V-150/200 Commando armoured personnel carriers (via Portugal)
- M-114 155 mm howitzer (towed, via Italy)

In addition to these direct sales to the South African military, approximately 150 light planes are sold each year to South African civilians by US companies. Some of these planes become part of the Air Commando, a white citizen's militia which acts in co-operation with the South African military.

All of these weapons and aircraft have gone to South Africa despite the fact that an embargo exists. Two researchers, Michael Klare and Eric Prokosch, identified the following holes in the original embargo:

1. delivery of civilian aircraft to the South African Air Force which then can be diverted for military uses.
2. delivery of foreign-made aircraft where the engine or other critical components are made in America.
3. overseas production of US model aircraft which are then sold to South Africa.
4. sale of aircraft and weapons to South Africa via a third nation.
5. sale of aircraft to South African civilians which can be diverted for military us
6. illegal arms sales in direct and deliberate violation of U.S. law.

The new 1978 U.S. Commerce Department regulations attempt to close some of these loopholes but they are nearly unenforceable. (1)

b) computers: While a computer manufactured by a British company, International Computers Ltd. (ICL), handles the "passbook" activities, U.S.-made computers play an improtant role for the South African government. American computers are used by the following departments and parastatal corporations:

Agency	Computer	Use (where available)
Department of Defense	IBM 360/40 2 IBM 370/145 3 IBM 370/158	"personnel, financial and stock control"
Council for Scientific and Industrial Research	IBM 370/158 IBM 370/135 IBM 370/115 IBM 360/65 (rented) CDC Cyber 74 (rented) CDC unspec. (rented) various minicomputers	"general scientific and engineering applications" but CSIR does both military and civilian work. One CDC is for wind-tunnel research.
National Institute of Defense Research	CDC 3300	unknown
National Institute of Telecommunications Research	IBM 1130 6 Hewlett-Packard (unspec.)	NITR does both military and civilian research.
South African Armaments Board	NCR C-100 HP 2116	SAAB "controls the manufacture, acquisition, development & supply of armaments "
Uranium Enrichment Corp.	2 Foxboro FOX-1 IBM 370/145	(see section in this paper on nuclear power)

Agency	Computer	Use (where available)
Atomic Energy Board	IBM 370/155 CDC 1700 HP 2115 3 HP 2114 Computer Sciences Varian 620L	assist with reactor development; recording and controlling the use of radioactive materials; informat retrieval.
Department of Justice	6 Data General Novas	financial and statistical
Department of Prisons	IBM 360/20	"financial"
Department of the Interior	2 IBM 370/158	"Book of Life" population registra of Whites, Coloureds and Asians.
Department of Labour	2 Data General Novas	Unknown
East Rand Bantu Administration Board	Burroughs 3700	The Bantu Administration Boards administer the pass laws locally.
Cape Midlands Bantu Administration Board	Burroughs (unspec.)	
Bophuthatswana bantustan	IBM 3/10	Unknown
Gazankulu bantustan	IBM 3/10	Unknown
Transvaal Provincial Administration	Burroughs Dual 6700	administration and "law enforcement"
Electricity Supply Commission (ESCOM)	IBM 370/158 IBM 370/145 3 IBM 370/135 3 CDC 1700 CDC 6400 several IBM 3/10 CDC Cyber 74	"accounting and project management in the distribution of electric power."
National Petroleum Refiners	Sperry Rand Univac 1106	(see section on SASOL)
South African Iron & Steel Corporation (ISCOR)	CDC Cyber 70/74 4 CDC 3500 2 CDC-3170	Unknown
South African Reserve Bank	Sperry Rand Univac 1106	Unknown
South African Airways	IBM 370/168 IBM 370/155 3 IBM System 7 CDC 1700 Digital Equipment PDP/10	Unknown
South African Broadcasting Corp.	IBM 370/135	Unknown
Department of Inland Revenue	IBM 370/158	Unknown
Department of Water Affairs	IBM 1130 22 Datapoint 2200 4 Datapoint 6500 4 Data General Nova 3 Computer Sciences Varians	Unknown
Department of Posts and Telegraphs	8 Mohawk/Olivetti 2 HP 21MX 3 Datapoint	Unknown
South African Railways	2 Burroughs 1726 3 IBM 370/158 IBM System 230 9 Data General Nova 23 Allied Technology GA	Unknown

Agency	Computer	Use
Department of Agricultural Technical Services	2 Burroughs 7760	Unknown
Department of Commerce	Datapoint	Unknown
Department of National Education	IBM 370/158	Unknown
Department of Social Welfare	IBM 370/158	Unknown
Department of Transport	Control Data Cyber 74	Unknown

U.S. government legislation since 1976 prohibits sales of computers to the South African police and military. All computer exports are also covered by export license requirements for strategic materials. As we can see from the above list, this is the moral equivalent of shutting the barn door after the horse has gone. In addition to all the caveats of the arms embargo, the computer embargo contains two other loopholes:

- much of the military and strategic research can be carried out on computers in institutes like the CSIR which fall outside the embargo.
- it is likely that under the 1970 National Supplies Procurement Act, the government could take control of any computer in the country in the name of "national security" in an emergency situation. (2)

c) motor vehicles: A third area of concern involving US corporate sales to the South African government is the motor vehicles industry. Although several US auto manufacturers operate in South Africa, we only have information on the sales of Ford and General Motors to the government.

Ford Motor Co.: Between 1963 and 1973, Ford sold approximately $2 million worth of vehicles to the South African military and police each year. Between 1973 and 1977, it sold 128 cars and 683 trucks directly to the South African Ministry of Defense, and 646 cars and 1473 trucks to the South African police. Ford has also sold 17 transport buses to ~~the~~ South African Defense Forces.

General Motors Co.: In a letter to the Interfaith Centre on Corporate Responsibility (20 January 1978), GM Chairman Thomas Murphy stated: "General Motors does not sell directly to any military, para-military or police force in South Africa. However, General Motors, as do most other vehicle manufacturers in South Africa, sells commercial-type vehicles to the centralized purchasing agency of the government."

Later in 1978, GM told the Investor Responsibility Research Center that it had been selling 1500 units annually to the police and military. General Motors sold almost all its locomotive output to the South African government and a substantial share of its truck output. The truck output included a contract to supply the South African Defense Forces with Bedford trucks for army transport.

More recently, General Motors has told the IRRC that it continues to supply approximately 300 "standard commercial vehicles, primarily small and medium-sized trucks, to the defense and military departments as these vehicles are assembled without components manufactured in the United States."

The new US Commerce Department regulations of February 1978 attempt to tighten the embargo on sales to the police and military by stating that: "Parts, components, materials and other commodities exported form the United States may not be used abroad to manufacture or produce foreign-made end products where it is known...the end products will be sold or used by military or police entities" in South Africa and Namibia.

The South African government might almost have been anticipating this sort of embargo for in 1960 it initiated a program to expand the local content in automobiles produced in South Africa. In late 1978, the government announced the beginning of Phase V of this program to increase local content to 76% by 1980. General Motors has stated that it can reach at least 84% local content on any vehicle and that it was worth the cost in the name of national interest. This program has saved South Africa $1.7 million in foreign exchange.

The motor vehicles industry demonstrates better than any other some of the holes which remain in the United States embargo on sales to the South African police and military. In addition to the "local contents" program:
- the National Supplies Procurement Act of South Africa (enacted in 1970, activated in 1977) allows the South African government to take over any enterprise in South Africa and force production for national security purposes. GM's infamous contingency plan demonstrates that it is fully aware that GMSA could be used for this purpose.
- 90% of the products bought by the South African government are purchased through a cebtral purchasing agency rather than by individual departments. Barring careful monitoring, a corporation could justifiably claim that it had no knowledge that its products would be used by the military and police.
- Finally, the interpretation of the US Commerce regulations is sufficiently contradictory that it allows corporations to make sales to the South African military and police via a foreign subsidiary. (3)

d) <u>energy</u>

A fourth area of strategic concern to South Africa is the question of energy resources. For many years the oil-producing nations have maintained an embargo on exports of crude oil to South Africa. Until the overthrow of the Shah of Iran, South Africa was receiving 90% of its oil supplies from that country and the rest came from SASOL, the South African coal to oil plant. With the change of government in Iran, that supply of oil has been cut off. South Africa's new energy policy focusses on rationing and on the development of alternate sources of energy, particularly SASOL and nuclear power. It continues to purchase oil on the spot market, which is more expensive.

1) oil: Three US companies, Mobil, Caltex (Standard Oil of California and Texaco), and Exxon control 44% of the South African petroleum market. They import the oil and refine it in South Africa, as well as producing associated petroleum products.

The activities of the oil companies are shrouded by a veil of secrecy that has remained essentially untouched by the U.S. government. The Official Secrets Act of South Africa prevents the oil companies from disclosing any information on sales to the South African government. In their 1978 reply to the IRRC South African Review Service, Exxon stated:

> "We are unable to furnish a breakdown of sales to the public sector since the South African Minister of Economic Affairs advised Esso Standard in 1968 that the disclosure of information relating to the supply of gasoline and oil products to various government departments could be in contravention of that country's Official Secrets Act and Defense Act."

Mobil successfully thwarted a U.S. Treasury Department investigation into its sales of oil to Rhodesia by appealing to this legislation, although it did reveal that one third of its oil sales to South Africa were going to Rhodesia and a subsequent investigation by the British government of Shell and British Petroleum demonstrated that sanctions busting had occurred.

In case the Official Secrets Act is not enough, Business Week of 5/21/79 reveals that new South African government legislation will ban publication of any information on oil in South Africa. Violators of this ban will face severe fines and/or prison sentences.

Given this secrecy, how do we know that the oil companies are contributing to the South African government energy supply? First, all oil companies are required by law to store a 13-week supply of fuel and 12 months of lubricants, refinery catalysts and chemicals. These stockpiles can be tapped at any time under the National Supplies Procurement Act, which also forbids the corporations from imposing any conditions on oil sales (eg. refusal to sell to the military).

Second, the companies are required to set aside some of their oil production for government purchase. In the case of Caltex, 6.8% of oil production is set aside for the government. Companies claim they have no choice in this matter:

> "Further, we have been advised that it would be a crime under South African laws were Caltex South Africa to undertake a commitment not to supply petroleum products to the Government of South Africa, whether for use by the South African military or any branch of the South African government."

Finally, the corporations occasionally get caught. In 1976, a set of documents were smuggled from Southern Africa and published under the title "The Oil Conspiracy". These documents revealed a complex paperchase which had been developed to smuggle oil into Rhodesia after the 1963 sanctions, in violation of international and possibly U.S. law. The companies involved were Mobil, Caltex, Shell, BP and Total. When these corporations began this operation, it is estimated that the illegal Smith regime only had a 6 month supply of oil. As long as no American products or personnel are involved (and this has yet to be fully ascertained) these sales are perfectly legal under existing United States law.

2) Sasol: Since the early 1960's the South African Oil, Coal and Gas Corporation Ltd. has been working on the world's only viable oil-from-coal project, SASOL I. SASOL I produces 4500-5000 barrels per day.

South Africa then initiated construction on the second plant, SASOL II, which they anticipate will supply between 25-28% of South Africa's oil needs. Fluor Co. is the major construction firm involved in SASOL II and has subcontracted to a consortium of firms including Babcock & Wilcox, Dillinger Engoneering, General Erection, and Roberts Construction. Badger S.A. (a subsidiary of Badger America -- which is itself a subsidiary of Raytheon) is managing the construction. Honeywell has provided most of the electrical equipment for the project.

SASOL is currently wholly state-owned and is financed in part by taxes on the sale of gasoline. Gasoline taxes also go towards highway construction and repair and oil stockpiling. Approximately one half of the ¢50/gallon tax goes into the general revenues of the South African state.

3) nuclear power: ..t the moment, most of the assis..ance South Africa receives in the nuclear field comes from Europe: Great Britain (low-grade uranium mining), West Germany (uranium enrichment) and France (nuclear power plants).

When South Africa initiated its research into nuclear power it did so with considerable collaboration from the U.S. Atomic Energy Commission, the major United States nuclear laboratories, and several universities (not including the University of Michigan, to our knowledge). The first test reactor at Pelindaba was built by Allis-Chalmers and functioned with the help of computers provided by Foxboro and International Business Machines.

In 1976 South Africa decided to expand into commercial application of nuclear power. General Electric was one of the many companies which tendered a bid to build the nuclear reactors at Koeberg. South Africa eventually accepted a bid from Framatome, in which Westinghouse at that time owned 40% equity. The reactors are Westinghouse-model pressurized water reactors.

Finding out about the nuclear industry sales in South Africa is difficult because in addition to the Official Secrets Act, the South African nuclear activities are covered by their own legislation aimed at preserving secrecy about new developments and processes, particularly in enrichment technology.

We have placed particular stress on the sales to the South African government in the energy field because South Africa is still not capable of self-sufficiency in energy. As can be seen from the high level of anxiety over the change of government in Iran, South Africa is quite vulnerable to embargos in this area which could serve as sufficient pressure to make it change its apartheid policies. The study by Martin Bailey and Bernard Rivers concludes that if an oil embargo were effectively imposed today, South Africa could only go on for two years even if the SASOL II plant were brought into full production. (4)

e) <u>miscellaneous</u>

There are two final areas of strategic sales to the South African government which remain to be discussed.

1) communications: ITT's subsidiary Standard Telephone and Cables (which they have now merged with another South African firm) has sold communications equipment to the police and to the Simonstown Naval Base. STC also supplied trained engineers to run the Simonstown equipment. 70% of STC's sales are to the South African government.

2) photographic equipment: The identity photos for the passbooks are taken using Polaroid equipment. Under public pressure, Polaroid told its South African distributorship to cease sales to the South African government. When it found out that its orders were not being obeyed, Polaroid pulled out of South Africa.

Eastman Kodak has declared that it will obey U.S. government law on sales to the police and military. However, Eastman Kodak has challenged a shareholder proxy asking the corporation to establish as policy that no sales to the South African government be made. Stockholders are afraid that the South African government might switch to using Kodak equipment and that such sales would not be prohibited under current U.S. government regulations. (5)

What can we ask the corporations to do?

In the previous section we demonstrated the importance of US corporate strategic sales to the ability of the minority government to maintain itself. We also demonstrated that current US government regulations on these sales contain many weaknesses which make them less than fully effective. In fact, an end to this form of US corporate support can only really be achieved by the corporations' own commitment to ending this support or by extremely strict government regulations of multinational business activities (the latter is not very likely). Corporate commitment to ending all strategic dealings with the apartheid government can most easily be achieved through strong stockholder pressure (it can also be achieved by more actions such as those of the Nigerian government refusing to deal with oil companies and banks which do business in South Africa).

There are several things we can ask the corporations to do. Ranging from easiest and least effective to most effective, these are:

1. end all sales to the South African military and police.
   Problem: sales will still be made to the centralized purchasing agency which can pass them on to the military and police.

2. end all sales to the South African government.
   Problem: corporations which maintain their operations in South Africa can be forced to sell to the South African government under the National Supplies Procurement Act.

3. withdraw from South Africa.
   Problem: foreign subsidiaries of the corporation might continue to sell to the South African government.

4. withdraw from South Africa and establish as corporate policy that no sales shall be made to South Africa by any of the corporations' subsidiaries.

There will be a number of objections to any attempt to take a stand on corporate sales to the South African government. These are:

1. "we can't monitor it": True. We also knew hardly anything about labor practices of US corporations in South Africa before the Sullivan Principles received wide recognition. Under pressure from concerned shareholders, the corporations are now much more willing to disclose their labor practices.

2. "if we don't sell, somebody else will." True, and there is plenty of evidence to back this up. However, this argument ignores the fact that there is also considerable pressure on other foreign multinationals to withdraw from South Africa. From an ethical point of view, this argument is rather like saying that we will provide the rope to hang a black South African because if we don't, the government will find a way to hang him anyway and we might as well profit from this act.

3. "we're asking the corporations to violate South African law." True. There's a precedent for that. We've already asked them to violate the job reservation laws; and several corporations have already voluntarily violated the various South African laws which forbid disclosure of their employment and sales practices.

What can the University of Michigan do?

There are several options for the University depending on how much action it wants to take on this question. Basically the actions fall into two or three categories:

1. We can lobby the corporations.

2. We can support shareholder proxies that are put forward by other institutions and people. Samples of these sorts of proxies filed in 1979 are attached.

3. We can support other peoples' proxies and propose our own proxies.

4. We can propose and support proxies and lobby for them with other institutional and individual shareholders with whom our administration has influence.

5. We can threaten to, and subsequently divest from corporations which do not follow the guidelines we set down on sales to the South African government.

As the costs and benefits of each approach are being analysed by University Counsel I don't want to go into much detail here. If we choose to go with shareholder proxies we should remember that these have never received the support of a majority of the shareholders even though they will occasionally receive some key pressure votes (eg. Revd. Leon Sullivan's vote in favor of the attached proxy on General Motors' sales to the South African military and police).

At the moment we are pursuing a policy on South African investments which concerns itself primarily with the Sullivan Principles. The Sullivan Principles mainly affect the one percent of the black South African population who work for American companies. At a secondary level, they affect the few black South Africans who benefit from the corporations' charitable activities under Principles VI. Even if we take a generous sphere of influence, the Sullivan Principles affect no more than 5% of the South African black population.

On the other hand, the strategic assistance which the American corporations provide to the South African government through taxes and sales has an indirect impact on the lives of all South African people who must daily submit to the apartheid regime. These sales have been duly noted and recognized as important by the major liberation movements and by black student and trade union organizations. It is in the light of these activities that the Sullivan Principles are dismissed as trivial. In the light of these activities, they are.

Footnotes

1. Information in this section comes from:
   Michael Klare and Eric Prokosch, "Evading the Embargo: How the United States arms South Africa and Rhodesia"
   UN Centre Against Apartheid Notes and Documents 34/78, 1978
   Sean Gervasi, "US arms transfers to South Africa in violation of the United Nations voluntary arms embargo: 1963-1977"
   UN Centre Against Apartheid Notes and Documents 27/78, 1978

2. Information in this section comes from:
   Richard Leonard, Computers in South Africa: A Survey of US Companies
   The Africa Fund, New York 1978
   Lawrence Litvak, Robert DeGrasse & Kathleen McTigue,
   South Africa: Foreign Investment and Apartheid
   Institute for Policy Studies, Washington 1978
   Ann Seidman and Neva Makgetla, "Transnational Corporate Involvement in South Africa's Military Buildup"
   UN Centre Against Apartheid Notes and Documents 35/78, 1978
   David M. Liff, The Computer and Electronics Industry in South Africa
   Investor Responsibility Research Centre 1979

3. Information in this section comes from:
   Litvak et al., op.cit.
   Seidman and Makgetla, op.cit.
   Kenneth Propp and Desaix Myers III, The Motor Industry in South Africa,
   Investor Responsibility Research Center 1979
   "Corporate Activity in South Africa: General Motors Corp. Sales to Police and Military", IRRC Analysis G, Suppl. 16, 1979
   Karen Rothmyer, US Motor Industry in South Africa: Ford, General Motors, and Chrysler, The Africa Fund, New York 1979

4. Information in this section comes from:
   Litvak et al., op.cit.
   Seidman & Makgetla, op.cit.
   Martin Bailey and Bernard Rivers, "Oil Sanctions Against South Africa"
   UN Centre Against Apartheid Notes and Documents 12/78, 1978
   David M. Liff, The Oil Industry in South Africa,
   Investor Responsibility Research Centre 1979
   Centre for Social Action of the United Church of Christ,
   The Oil Conspiracy, CSA-UCC New York 1976

5. Information in this section comes from:
   Eastman Kodak's response to the IRRC South African Review Service, 1979
   Ann Seidman and Neva Makgetla, "Activities of Transnational Corporations in South Africa", UN Notes and Documents 9/78, 1978

RESOLUTION - EASTMAN KODAK

Whereas, the apartheid system of South Africa denies the human dignity of the black majority population and;

Whereas, the photographic identification "pass" system is used as an integral part of apartheid to limit the movement of the black majority and;

Whereas, infra-red aerial film has been used for the surveillance of the black majority population and;

Whereas, Eastman Kodak Company has supplied the South African Government with aerial surrveillance film and;

Whereas, Eastman Kodak Company is a major supplier of photographic identification systems and;

Whereas, both the "pass" system and aerial surveillance are forms of oppression in South Africa and;

Whereas, our Judeo-Christian heritage calls us to speak on behalf of the oppressed;

Therefore be it resolved that the shareholders request the Board of Directors to establish the following corporate policy: The Corporation and any of its subsidiaries shall not make or renew any contracts or agreements to sell photographic supplies, which can be used for oppressive purposes, to the government of South Africa or any of its agencies or instrumentalities. The corporation shall establish procedures to ensure, insofar as possible, that no customer shall resell such equipment to the government of South Africa.

Statement of Support

Our company has previously stated that it does not see itself as "an instrumentality involved in political activity." However, the supply of photographic materials to the Republic of South Africa, which can be used for oppressive purposes, makes our company a direct participant in apartheid.

We recognize the benefit of certain photographic supplies, such as those used for medical purposes. It is not our intent to restrict those sales.

Control Data has stated that it would not sell any products in South Africa that could be used for the abridgement of human rights. We believe that Eastman Kodak should assume similar responsibility.

If you as a shareholder are concerned about the use of photographic supplies in maintaining the apartheid system, we urge you to vote in favor of this resolution. Otherwise management will vote your shares against this resolution.

Resolution to Fluor Corr ation on its South African Op tions

WHEREAS in South Africa the black majority is rigorously controlled and ressed by a white minority which comprises 18% of the population;

WHEREAS South Africa's apartheid system legalizes racial discrimination in aspects of life and deprives the black population of most basic human rights, Africans cannot vote, cannot collectively bargain, must live in racially se-gated areas, are paid grossly discriminatory wages, are assigned 13% of the i while 87% of the land is reserved for the white population;

WHEREAS South Africa's system of white minority rule, called apartheid, is ely condemned by the U.S. government and numerous international bodies and the ted Nations and U.S. require a mandatory embargo against any sales to the ice and military;

WHEREAS black opposition to apartheid and black demands for full political, al and social rights has risen dramatically within the last years and wide-ead killing, arrests and repression has been the South African government's ponse;

WHEREAS the Government has openly declared its intention to maintain white itical control and deny political rights to South African blacks;

WHEREAS as investors, we believe that U.S. business investments and strategic tracts in South Africa, including Fluor's contract, provide significant economic port, international credibility and moral legitimacy to South Africa's apartheid ernment;

THEREFORE BE IT RESOLVED that the shareholders request the Board of Directors ablish the following as corporate policy:

Fluor Corporation and any of its subsidiaries or affiliates shall make no ther investment in or contracts with the Government of the Republic of South ica unless and until the South African government has committed itself to ing the legally enforced form of racism called apartheid and has taken meaning-steps toward the achievement of full political, legal and social rights for majority population (African, Asian, Coloured).

SUPPORTING STATEMENT

Fluor Corporation is presently constructing a huge ($2.8 billion) coal liquefication nt for the South African Government. Fluor is involved in engineering, procure-t and construction of one part of the facility and management of another part. believe this project is of tremendous strategic importance to South Africa and uld be opposed.

The white supremacist South African Government has no natural sources of pe-leum and in building this complex will make itself less vulnerable to outside economic ssures by countries who oppose apartheid. Numerous countries at the United ions are seeking an oil embargo against South Africa because of its illegal upation of Namibia and its refusal to end apartheid and allow equal rights for black majority population.

Meanwhile Fluor has become an invaluable partner of the South African Govern-t as it attempts to be less vulnerable to such pressures. The United States ort Import Bank rejected a loan application in 1976 for export credits for s project because of political considerations. Many U.S. banks are refusing ns to any South African Government agency because of apartheid.

Thus, we believe that Fluor should refuse to enter into any future contracts with South African Government.

***A resolution simi[illegible] to this will be filed with G[illegible] [illegible]nd Ford. Please check the company proxy st[illegible]ment to see exact wording. S[illegible] [illegible]e additions and changes may be made.

WHEREAS in February 1978 the United States Commerce Department issued regulations prohibiting sales by American corporations to the South African military or police of goods

1) containing parts manufactured in the United States or 2) developed by U.S. technology;

WHEREAS these regulations were issued "to further U.S. foreign policy regarding the preservation of human rights;"

WHEREAS Ford acknowledges that it is still selling vehicles to the South African police and military ;

WHEREAS we believe such sales violate the spirit of the U.S. embargo and therefore Ford is undercutting the intent of U.S. foreign policy;

WHEREAS we believe that all relationships between Ford and the South African military and police should end;

WHEREAS the United States Department of State has clearly indicated that it is the intent of U.S. policy to end all sales to South Africa's police and military;

THEREFORE BE IT RESOLVED that the shareholders request the Board of Directors to establish the following as corporate policy:

> The corporation and its subsidiaries shall not sell any vehicles or spare parts or provide any services to the South African police or military and shall establish procedures to insure to the extent possible that no customer including the South African Government, shall resell or tranship vehicles to the police or military.

SUPPORTING STATEMENT

Since the Commerce Department regulations were established, Ford has sold vehicles and spare parts of non U.S. origin, and has provided services to the South African military and police thus circumventing the intent of U.S. foreign policy. Ford management states that such sales likely will continue. We believe that such sales offer both material and moral assistance to the ongoing violence and suppression directed against Black Africans.

Ford has stated many times that it is a force for change and progress in South Africa. However, as long as Ford continues to supply vehicles and spare parts directly or indirectly to the repressive police and military in South Africa, any of the corporation's efforts for change and progress will be vitiated. We urge Ford to abide by the spirit and intent of the law.

We urge you to support this resolution which is fully in keeping with the stated policies of the United States.

RHODESIA OIL SHAREHOLDER RESOLUTION

The same resolution has been filed with STANDARD OIL OF CALIFORNIA and TEXACO.

WHEREAS oil flows through South Africa to the internationally outlawed regime of Ian Smith, violating United Nations and United States economic sanctions;

WHEREAS a British Government investigation published in September 1978 has confirmed the circumvention of sanctions by oil companies operating in South Africa and Rhodesia (BP, SHELL, TOTAL, CALTEX, MOBIL), in order to preserve their respective shares of the Rhodesian market;

WHEREAS the South African Commerce Minister has acknowledged that his Government secretly ordered such companies to attach no conditions to their sales in South Africa, making it impossible for them to comply with the sanctions prohibition of indirect sales via intermediaries;

WHEREAS Zambia is suing these companies, charging that they have for years violated Rhodesia sanctions through the camouflage of third-party purchasers;

WHEREAS the British Government report suggests that oil sanctions can be effectively applied to Rhodesia only by reducing the oil available to South Africa for transshipment to Rhodesia; and

WHEREAS the quantity of oil imported annually by Rhodesia, according to Mobil testimony to the U.S. Senate, amounted to approximately 4% of South Africa's annual import when sanctions were imposed, signifying that South Africa has illegally channelled to Rhodesia during the ten years of sanctions the equivalent of 40% of the total of South Africa's oil import for a single year;

RESOLVED: that sh. holders request the Board c Directors, in order to insure compliance with United Nations and United States sanctions against all commerce with Rhodesia, to adopt the following policy:

The Corporation shall reduce the volume of its imports into South Africa in 1979 by at least one-third of the average annual volume of such imports during the ten years since the United States Presidential Executive Order of 1968 made all <u>indirect</u> and <u>direct</u> sales to Rhodesia illegal.

SUPPORTING STATEMENT

This proposal does not ask the Corporation to make our country's foreign policy but to obey the policy we have: no sales whose end-destination is Rhodesia.

It does not call for an embargo of South Africa but a refusal to sell South Africa more oil than it needs thereby enabling it to supply Ian Smith.

It does not ask the Corporation to interfere in South Africa's domestic affairs but to stop participating in South Africa's interference in Rhodesian affairs -- to cease helping South Africa fuel an outlaw regime as its buffer-state to the north, in which the white minority can go on holding the black majority down.

If the Smith regime needs to be encouraged to negotiate seriously to end the spreading war and to agree to a meaningful transfer of power to a duly-elected Zimbabwe government before it is too late, the oil companies can offer that encouragement by no longer enabling South Africa to supply Rhodesia.

If you believe that our Company, the secondest largest U.S. investor in South Africa, has no business collaborating with apartheid to break international sanctions and to prop up a white settler regime in its war on the indigenous black population, vote FOR this resolution.