

An Open Letter to the Regents of the University of California

We have approached you numerous times in the past as separate campuses, individuals, and groups to protest your investments of over \$448 million in corporations which operate in South Africa. We speak to you now as one voice, Campuses United Against Apartheid (CUAA), a statewide organization of students and community members.

It is obvious to us that the presence of U.S. corporations in South Africa contributes to the oppression of the overwhelming majority of the South African people. These corporations can not play a progressive role there. Therefore, these corporations must cease all operations in South Africa. We demand that the University of California divest itself of all stocks in these corporations for two reasons: (1) divestment will be the most effective means to convince U.S. corporations to withdraw from South Africa; and (2) the University of California must not profit from the gross exploitation of black South Africans.

Everyone knows that the South African regime has become the object of universal outrage and condemnation. What role do U.S. corporations play in South Africa? Could corporations act as a force for change? What effect would withdrawal have on the situation in South Africa?

What is the role of U.S. corporations in South Africa?

U.S. and other foreign investments are important in several respects.

First, foreign investment is important in the general South African economic scene. The dramatic increase in U.S. investment since 1948 has paralleled and reinforced the rise of apartheid and increased racial oppression. The United States has approximately \$2 billion invested directly in South Africa, principally in the manufacturing sector of the economy. Despite these investments, South Africa has been operating under a foreign exchange deficit for a number of years. Recent drops in the price of gold, a major South African export, coupled with skyrocketing police and military costs, have created a money flow crisis that has led South Africa to rely heavily on foreign loans. The South African Government's main hope for financial recovery and stability lies with the influx of fresh foreign capital for increased production; consequently, the Government has placed a great deal of emphasis on stimulating foreign investments.

Second, U.S. corporations provide important technical assistance to South Africa. For example, the "Big Three" American auto manufacturers, G.M., Ford and Chrysler, produce 60% of South Africa's vehicles. U.S. oil companies

refine more than 50% of the crude oil that enters South Africa. IBM controls one half of the computer market. The strategic importance of this invested capital is striking, and is indispensable to South Africa's drive to attain economic self-sufficiency.

Third, American industry supports and increases South Africa's military strength. IBM provides computers to the Department of Defense and the Department of Prisons. U.S. oil firms have invoked the South African Official Secrets Act when asked to reveal their sales to the South African military. General Motors provides vehicles for the South African army and police forces. These are just three of many possible examples which show South Africa's dependence on foreign investment and technology to enforce the system of apartheid.

Fourth, U.S. investment gives social and political legitimacy, as well as stability, to the South African regime. U.S. investments and bank loans have consistently stepped in to shore up the apartheid government in times of internal crisis. For example, after the Soweto uprising in 1976, Bank of America lent \$110 million directly to the regime. Participation in the South African economy by U.S. corporations demonstrates corporate tolerance of apartheid. Further, U.S. corporations generally accept South African labor policies. The U.S. State Department has said that the employment practices of most U.S. corporations fall well within the mainstream of standard South African practices. Caltex Oil, for instance, adheres to the following principle of employment:

"To comply in letter and spirit with laws and regulations...to be a good citizen and neighbor observing all local customs and practices..."

Also, U.S. corporations help finance as well as participate in organizations like the South African Foundation, which serves to distribute pro-apartheid propaganda throughout the world.

Could U.S. Investment Be a Significant Force For Change?

Certain Regents argue that U.S. corporations should continue operating in South Africa because they could play a "progressive role" there. All such arguments either underestimate or ignore altogether the suffering U.S. corporations cause in South Africa, and grossly overestimate the extent and significance of what corporations can or are willing to do to improve the lot of black South Africans. Some corporations point to the "Six-Point Plan," a limited program to establish training programs for blacks, equal benefits and pay scales, advancement opportunities, and desegregated work facilities as evidence of their

"progressiveness." We strongly reject this rationale for continued U.S. investment. Programs of this sort are irrelevant when balanced against the concrete support the apartheid regime derives from foreign investments. These reforms fail to redress the fundamentally unjust economic and political status of blacks oppressed by apartheid--the issues in question are the right to self-determination, majority rule, and democracy, not workplace centered reform. In fact, these reforms have the endorsement of the South African government. Marais Viljoen, Minister of Labor, said in 1975:

"The government does not stand in the way of changes in the traditional work patterns which allow non-whites to move up into job categories for which they will require higher skills, and in which they can receive higher wages, provided that changes come about in an orderly fashion, and with the concurrence of trade unions and provided such changes do not result in the undermining of our social structure and character. The more productive utilization of non-white labor in a controlled and orderly manner is therefore the government's earnest desire."

The issue at hand is precisely the character of South Africa's social structure. Corporate conduct in South Africa must be judged by its positive or negative contribution to majority rule, political self-determination, and democratic rights for all.

Even if corporations make a whole-hearted effort to put pressure on apartheid, the possibilities of any substantial success are very small. The complex and racist nature of South African laws and customs tie the hands of any corporation wishing to be a truly progressive force. And due to the capital intensive nature of most investments, the number of blacks employed in South Africa by U.S. corporations is only 100,000. Consequently, the effect of any possible reform would be minimal when compared to the 21 million people suffering from the oppression of apartheid.

What Effect Would Withdrawal of American Corporations Have?

The Regents have argued that in the event of withdrawal of investments, blacks, rather than whites, will bear the brunt of any resulting economic hardship, and that the additional suffering of blacks will outweigh the potential pressure for change which U.S. withdrawal would place on the apartheid government. We completely reject this argument and call for corporate withdrawal for five reasons.

First, the position of blacks in South Africa has been steadily worsening over the last 10 years despite an increase in foreign investment and boom conditions in the economy.

Second, whites have an incomparably greater stake in the political and economic status quo than do black South Africans. It is clear that those who derive the greatest benefit from U.S. investment will be those most affected by U.S. withdrawal, i.e. the white minority.

Third, as stated previously, only a tiny percentage of South African blacks, virtually all in the least skilled, lowest paid positions, are employed by U.S. corporations. The number of workers affected by corporate withdrawal is therefore quite small both in comparison with the 21 million blacks in South Africa, and the amount of U.S. capital invested.

Fourth, U.S. corporate involvement in South Africa strengthens the status quo, and encourages complacency among whites regarding fundamental political change. Corporate withdrawal would precipitate a national crisis of confidence in the South African government, and support the black majority in their struggle for freedom.

Fifth, South African blacks have increasingly voice the sentiment that the long-term effects of foreign withdrawal will justify the short-term increase in suffering. Calls for withdrawal have come, from among others, the African National Congress, Black Peoples' Convention, and the Pan-Africanist Congress.

What Is The Extent Of UC Complicity In The South African Apartheid System?

As revealed in the San Francisco Chronicle (July 1, 1977) over 56% of the University of California's total investment portfolio is invested in corporations operating in South Africa. These holdings amount to a total of \$448.7 million. In the ways presented earlier, these investments directly support the South African apartheid regime.

In light of recent events within the UC system and in South Africa itself, you, the Regents, have been forced to reassess UC investments in South Africa. It has become increasingly clear that divestment of all UC holdings in firms operating in South Africa is the only acceptable action in effecting the withdrawal of U.S. corporations from South Africa, and reaching the ultimate goal of majority rule.

Why Divest?

The Regents have consistently voted proxies in agreement with the recommendations of corporate management. On May 12, 1977, you voted with Ford management against a shareholder resolution calling for withdrawal from South Africa. Since Ford operations and management are directly supportive of the apartheid system in South Africa, you once again acted irresponsibly.

Even if you had voted in favor of the Ford resolution, such a gesture would have been futile in effecting Ford's withdrawal. As noted by Regent Chairperson William Coblentz, UC holdings in any given corporation relative to the total value of that corporation are extremely small. This obviously limits the ability of the University to influence corporate policy. A "yes" vote on such a resolution, with the full knowledge that it would never pass, would be inappropriate at this time. Divestment is the only way.

Divestment will make clear to all those concerned the position that the University of California is taking on apartheid. As an institution of higher learning, the University is owned by and ostensibly works towards the benefit of society, and holds a prestigious position in that society. Divestment constitutes a powerful symbolic and moral condemnation of apartheid, and those who would finance it. Such a strong statement from the University, which controls investments of nearly \$2 billion in public monies cannot be ignored by other investors, the international business community or the South African Government. Divestment will have a direct effect on corporations which are concerned with their public image, as well as making apparent to the South Africa Government our condemnation of apartheid.

Divestment is not a new issue, the University of California would not be alone in divesting. Hampshire College has already divested itself of all stocks in corporations that operate in South Africa. In Wisconsin the State Attorney General has ruled that the University of Wisconsin's investments in these corporations violates a state law prohibiting investments in corporations with racially discriminatory labor practices. In addition, Furriers Joint Council affiliated with the Amalgamated Meat Cutters and Butcher Workers of North America moved June 24, 1977, that it plans to withdraw more than \$10 million in pension, health and salary funds from Manufactures Hanover Trust

to protest their loans to apartheid South Africa.

We recognize that divestment of holdings in corporations operating in South Africa means reinvesting those monies. We have no illusions that re-investment in corporations operating elsewhere would represent "good" investments by the University. However, divestment from South Africa is an immediate issue because of the glaringly repressive character of the South African system, and the growing struggle of the South African people for liberation.

Regent's comments stating that divestment cannot have any effect because "the stocks we sell will simply be snatched up by others" are simply a denial of the Regents responsibility for their own actions. We are demanding that the Regents take responsibility for their own investment policy, not for the policies of others. The Regents must decide if they can remain a party to the immoral system these corporations now support.

The University of California claims to be an equal opportunity employer and support equal opportunity employment practices. That the University should participate in these corporations which are a part of the discriminatory apartheid system is blatantly hypocritical. We are incensed and outraged that this institution is financed by blood money.

The majority of UC funds presently invested in corporations which operate in South Africa come from the Employees Retirement Fund. Several Regents have defended UC's investment policy by referring to their employees' financial security. However, many employee organizations, notably the Statewide Academic Senate and the Association of Federal, State, County, and Municipal Employees (AFSCME) have put social justice above profits, and along with CUAA, led the call for immediate divestment. Unfortunately, University employees, as well as students, and taxpayers still lack any meaningful voice in the investment of their pensions, funds, and public monies.

CAMPUSES UNITED AGAINST APARTHEID DEMANDS THAT THE UNIVERSITY OF CALIFORNIA IMMEDIATELY DIVEST ITSELF OF ALL STOCKS IN CORPORATION WHICH OPERATE IN SOUTH AFRICA.

(Signed)

Campuses United Against Apartheid

July 11, 1977