To: Finance Committee of the Board of Trustees,  
University of Illinois  

Re: University Investments  

AN ASSESSMENT OF OBJECTIONS TO SUPPORTING STOCKHOLDER PROPOSALS SEEKING AN END TO THE INVOLVEMENT IN APARTHEID OF CORPORATIONS IN WHICH THE UNIVERSITY OF ILLINOIS HAS INVESTMENTS  

Argument #1: Apartheid will be eliminated more effectively with the presence of American investment than with its withdrawal.  

This is probably the most widely heard argument against support for stockholder proposals seeking an end to corporate involvement in Apartheid. One may respond to the assertion in several ways. First, the leaders of South Africa have emphatically and repeatedly affirmed that there will be no changes in basic aspects of the Apartheid system. Minor changes in "petty apartheid" may be undertaken, but the state has made it clear that corporations must abide by the laws of the land. And, these laws require racial discrimination. Many American corporations have been forced to adhere to South African law even though they may have wished to follow more progressive policies. Vice President George Birrell of the Mobil Oil Corporation views his company's alleged involvement in breaking Rhodesian sanctions contrary to U.S. law as a case of "a multinational corporation which is caught squarely between the conflicting public policies of two different countries in which it has operations." (personal correspondence, 29 April 1977)  

In the Senate hearings last year he said "All we can do is to push our affiliate to the point where - push is the wrong word - encourage our affiliate to follow a policy which we think is right, up to the point where South African law affirmatively gets in the way of that policy. At that point, there is nothing, there is nothing we can do." (Senate Hearings, p. 401) General Electric's personnel officer in South Africa has said that "although GE makes every effort within the law to be progressive, 'the situation in South Africa does not lend itself to equal opportunity.'" (IRRRC, Special Report 1976-A, p. 12) Thus, corporations in South Africa are virtually helpless in significantly modifying the Apartheid system. Second, American corporations have been involved in South Africa for decades without significant changes in the Apartheid policies. For example, G.E. purchased its first subsidiary in South Africa in 1919 and began local manufacturing in 1945. It is in the years since 1945 that Apartheid has become more and more entrenched in law and African civil liberties more and more restricted in fact. Third, experience with stockholder proposals on South Africa during 1976 indicated that the vote for them was never over 5% (IRRRC, Special Report 1976-B, pp. 59-64). The likelihood is that none will pass and there will be no consequent withdrawal of investment. The realistic view of the effect of a vote FOR such proposals would be pressure on the company and a basis for the company to put pressure on South African officials.
to permit the minimum application of discriminatory practices within the law.

**Argument #2:** Corporations which have helped the University in the past would be offended by such a vote.

In the first place, support for such stockholder proposals is not a condemnation of the corporation in general. It merely says that in one area of corporate activity the University of Illinois would be harmed by supporting management's position. We have particular interests in research and teaching which necessitate dissociation from apartheid. Should the Finance Committee be concerned with possible offense, it might write letters of appreciation to those companies which have helped us and which have interests in South Africa thanking them for their assistance and explaining to them how the University's interests require it to deviate in one area of corporate policy from the management. There are, though, growing numbers of corporations and institutions which are deciding that investments in apartheid South Africa are not in their general interest. Gulf Oil has closed its South African operations and announced that "it would not do business in a country that maintained discrimination as an official policy." (IRRC, Special Report 1976-A, p. 12) Control Data Corporation has stopped supplying computers to the government of South Africa. (Dun's Review, April 1977) David Rockefeller recently announced that the Chase Manhattan Bank would not provide loans that would in any way support apartheid, i.e., to the homelands, border industries or for general purpose government or parastatal use. (Journal of Commerce, 21 April 1977) Thus, the growing number of institutions taking action in line with such a vote on their own and the possibility of the University expressing appreciation of corporate policy in other respects suggest that offense is unlikely to arise.

**Argument #3:** The University would lose dividends or interest as a result of supporting anti-apartheid stockholder proposals.

The fear that income from investments would fall should such action be undertaken is unfounded. First, we do not own stock in many companies with investments in South Africa. This year (1977) only three of such companies had stockholder proposals concerning South African holdings. Second, it is estimated that in recent years 2/3 of the earnings of American companies in South Africa were reinvested there and did not contribute to earnings paid in dividends. (IRRC, Special Report 1976-A, p. 11) S.E.'s South African subsidiary, for example, has not paid any dividends in many years. (Ibid.) Third, it is true that investment in South Africa produces more profit than in other parts of the world. (Ibid., p. 8) Yet, should some of this be passed on to stockholders, it would be a kind of "blood money" for it is a consequence of depressed wages for Africans. The White/Black ratio of earnings range from 9:3:1 in mining to 4.7:1 in manufacturing to 5:1 in banking. (Africa Contemporary Record, 1975/76, p. 3600) To run our University on the basis of money from such a source would violate all our consciences. We are fortunate that little if
anything is derived from that source.

**Argument #4:** The adverse effect of the University not supporting stockholder proposals seeking an end to involvement in the Apartheid system is exaggerated.

The University has significant involvement with African studies which may be jeopardized by our continued association with apartheid through our investments. This past year the African Studies Program received a National Endowment for the Humanities grant of over $450,000 as well as continued Office of Education grants of many thousands of dollars. Yet, our future is clouded by the association of this University with apartheid. Few of us realize the intensity of Black African feelings on the degradation implied by the Apartheid system. Work or cooperation with African people is extremely difficult when one is tainted by even indirect association with the system. The virtually universal boycott of the Olympic Games by African countries because of New Zealand's sports connection with South Africa is an indication of the intensity of feeling. At present the University is seeking to establish a working relationship with Nigerian universities. Yet, it may be very difficult for Nigeria's Commissioner for External Affairs, Joseph Garba, recently declared the readiness of his country to act against those who continue to supply investments to South Africa. (The Sun, 23 March 1977) Besides the adverse impact on University programs, it would have an adverse impact on the University community. As President Corbally mentioned at the April meeting of the Board of Trustees, a referendum was held among students on the issue of whether the University should divest itself of ownership in companies with investments in South Africa. Both undergraduate and graduate students voted in favor of such action, i.e., one more radical than the moderate proposal before the Finance Committee. Support for stockholder proposals seeking an end to our implicit involvement in apartheid has come from many sectors of the University community. To my knowledge letters of support have been sent to President Corbally, the Board of Trustees or the Chairman of the Finance Committee from the Urban League, AFL-CIO Twin City Federation of Labor, American Civil Liberties Union, African Students Organization and the YWCA chapter. And, many faculty and students have privately voiced their support for a positive vote by the University on anti-apartheid stockholder proposals. Thus, not only will our programs be adversely affected, faculty and students will be demoralized further should the University not take advantage of such stockholder proposals.

**Argument #5:** A mere statement by the Board of Trustees stating opposition to racial discrimination is sufficient to indicate the position of the University.

A declaration of opposition to a system of discrimination such as Apartheid would be a positive, but insufficient step. Words have often disguised actions which were contrary to their apparent meaning. As a result, assessment of truth has shifted more to
what is done than what is said. Verbal statements have become much like trinkets which deceived Africans when colonialists first came. Suspicion is particularly strong with regard to the issue of South Africa. The policy which has guided U.S. relations toward southern Africa during the first half of the 1970s was Option 2 of the response to National Security Study Memorandum 39. (Senate Hearings, pp. 181-255) Basically, it involved action support for the White minority regimes of South Africa, Rhodesia and the Portuguese territories accompanied by some verbal support for the interests of the African majorities. People have come to recognize that truth is more frequently embodied in action than in words. The White South African government is also aware that words have little meaning. In reality, the real question is between peaceful action and violent action. The University has a chance to encourage the former through its investment policy. But, should it opt out the probable course of resolution will be the latter.

Sources:


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Addendum to petition to Board of Trustees dated 6th April 1977