THE SULLIVAN PRINCIPLES: A Critical Look at the U.S. Corporate Role in South Africa

THE BACKGROUND

According to Reverend Leon Sullivan, the Principles which bear his name developed out of a 1975 visit to Johannesburg during which he was urged to try to make US companies agents of change in South Africa. Upon his return, Reverend Sullivan, a member of the General Motors board of directors, met with a number of corporate executives and began work on a voluntary set of six principles relating to workplace conditions.

The months during which the code was being developed were momentous ones for South Africa. The uprisings by young Soweto students in June 1976 started a wave of protests against apartheid which swept across the country and left an estimated 1,000 Africans dead in its wake. Pictures of defiant black children facing armed white police made Americans acutely aware of the injustice and frustration which black Africans were experiencing in white-ruled South Africa.

In large part due to the events in Soweto and elsewhere, public indifference regarding the role of US corporations ended. University students began calling for divestment of stock in companies doing business in South Africa. Many churches, unions and black community groups demanded an end to South African bank loans and corporate investments by US firms.

Faced with this situation, the companies recognized that they must justify their continued presence in South Africa. Things had changed since 1970, when the Polaroid Corporation, responding to employee protests over its South African activities, had tried unsuccessfully to convince other US firms to participate in a program of South African workplace reforms.

Six years later, the companies knew they could no longer remain silent. In this context, Reverend Sullivan’s idea for a code of conduct fell on receptive ears.

Still, the companies were cautious. It took over a year for Sullivan to develop six points on which a dozen companies would agree. These points were:

- Non-segregation of the races in all eating, comfort and work facilities.
- Equal and fair employment practices for all employees.
- Equal pay for all employees doing equal or comparable work for the same period of time.
- Initiation and development of training programs that will prepare, in substantial numbers, blacks and other non-whites for supervisory, administrative, clerical and technical jobs.
- Increasing the number of blacks and other non-whites in management and supervisory positions.
- Improving the quality of employees’ lives outside the work environment in such areas as housing, transportation, schooling, recreation and health facilities.

In March 1977, after the Principles had been fully discussed with South African officials, the code was announced to the American public. The South Africans were sufficiently confident that the Principles posed no danger to the system that they released the code in South Africa as well. Those companies in the original group of signers were American Cyanamid, Burroughs, Caltex, Citicorp, Ford, General Motors, IBM, International Harvester, Minnesota Mining & Manufacturing, Mobil, Otis Elevator, and Union Carbide.

The Sullivan principles quickly fulfilled the companies’ hope that they would act as a deflector of criticism. Institutions which had been called on to divest began using the Principles to judge companies’ performance, with signing of the Principles taken as an indication of sufficiently good intentions as to eliminate any reason for action. Government officials, eager to keep a US business presence in South Africa, cited the Principles as an appropriate yardstick by which to judge companies’ fitness for credit guarantees or similar assistance.

Other US firms, seeing what was happening, rushed to join the bandwagon. By mid-1979, more than 120 com-
companies out of about 300 US firms operating in South Africa had endorsed the Sullivan Principles. As one subsidiary of a US firm explained some time later to the Investor Responsibility Research Center, a public interest research group in Washington, it held off signing the Principles for some time—until it realized that "the Principles were being used to pacify critics in the States."

Despite the Sullivan Principles' growing acceptance, no formal mechanism has been set up for inspecting signatory companies to see how well they are living up to the code. Those interested in assessing the companies' performance must rely on such information as the companies themselves choose to give out.

Yet Reverend Sullivan remains highly optimistic, as he has been from the start, regarding the Principles' potential to bring about change. Going far beyond a discussion of what their role can be in the workplace, he has repeatedly expressed the hope that they will become "a tremendous force for change and a vital factor in ending apartheid in South Africa."

"My brother Leon Sullivan has a plan; so have I. Leon outlined six principles—I have but one! They are called the Sullivan principles. My principle is not mine but God's principle. This principle is freedom."
Reverend Wyatt Tee Walker
Secretary-General
International Freedom Mobilization

NO CHALLENGE TO APARTHEID

Far from being "a vital factor in ending apartheid," however, the Six Principles do not challenge the system of apartheid itself. Instead, they act merely as a set of guidelines for instituting limited reforms in one area of society, the workplace.

The entire system of apartheid relegates blacks to an inferior status not only in the workplace but in every aspect of society. All political power in South Africa is in the hands of the whites, who comprise only 16% of the population. Africans, who cannot vote or otherwise share in national decision-making, are considered transient "labor units" and with few exceptions are not permitted to settle permanently in the 87% of the country reserved for whites. Instead, Africans have been declared citizens of so-called "bantustans"—the barren 13% of the land set aside for them—and are allowed into white areas only when their labor is needed. Their movement is controlled by a variety of laws known as the "pass laws" which require Africans to carry identity documents at all times. An African who is laid off, or who cannot produce a valid labor permit in his passbook, is in danger of being removed to a bantustan which he may never have seen.

Many jobs are reserved for whites only, either by law or white union agreement. Recent changes in labor legislation will limit even further the ability of blacks to organize. (see section on Workplace)

Because of the intrusion of apartheid into every aspect of life, the problems faced by blacks in the workplace can not be separated from those encountered elsewhere. As the Black Allied Workers Union of South Africa has pointed out, "Black workers' interests extend beyond the factory: they extend to the ghetto where black workers stay together in hostels under squalid conditions... to the stringent, irksome, and humiliatory applications of influx control [pass] laws... to the lack of political power and machinery."

Given this situation, reforms such as formal non-segregation in the workplace—the first of the Sullivan principles—become meaningless. Africans are not struggling and dying to reform various aspects of apartheid. They want nothing less than the total abolition of the system and the establishment of a new state based on full popular participation.

That the Sullivan Principles are not directed toward attacking the roots of the apartheid system is not surprising. Corporations do not exist to reform society. The role of a corporation in any country is to maximize profits, and historically South Africa has been a very profitable place for US companies to operate. Until the recession of the mid-1970s, US companies in South Africa were earning at least twice as much for every dollar invested—and often far more—as they were in the world as a whole. Even now, South Africa compares favorably with the rest of the world in this regard.

The corporations describe their position in South Africa as that of guests, a position they do not wish to jeopardize by antagonizing the government. A Wall Street Journal editorial of August 18, 1979 summed up the corporate view: "we provide goods and services to our customers and profits to our investors; we obey the local laws and try not to do anything beastly, and politics is the politicians' business."

This same view has been taken by many corporations. Kodak said in a recent statement: "Kodak regards its proper role in South Africa, as elsewhere, as a business dedicated to normal commercial transactions within the law of the land, and not as an instrumentality involved in political activity."

CONTINUED US AID TO APARTHEID

While the Sullivan Principles provide a convenient cover which US companies can use to shield their continued activities in South Africa, they fail to address the issue of the role corporations play in supporting the white minority. As Bishop Desmond Tutu, the general secretary of the South African Council of Churches, said in a 1979 interview, "Foreign investors must not kid themselves. Their investments maintain the apartheid system."

US corporations have helped provide South Africa with much of the capital it needs to strengthen its economy and assure that whites continue to enjoy a high standard of living. US investment currently stands at about $1.8 billion—triple what it was 10 years ago—and accounts for about one-fifth of all foreign investment in South Africa. This investment has gone primarily to build up and expand manufacturing, mining and refining facilities. Among US
firms with investments of $100 million or more are Mobil, Caltex, General Motors, Ford, Union Carbide and Ken
cott.

At the same time, US banks have provided capital in the form of loans to both the government and private firms. Such loans now stand at more than $2 billion, or about one-fourth of all foreign loans. This money has gone to cover rising oil and arm costs and to finance government self-sufficiency projects, as well as to assist in balance of payment problems.

Among the corporations which have provided South Africa with much-needed capital, technology, and equipment are many Sullivan Principles signatories. GM, one of the original signers of the Principles, continues to supply trucks and other vehicles to the police and military. Following the issuance of US Department of Commerce regulations which prohibit the sale of goods and services containing US-produced components to the police and military, GM’s South African subsidiary has continued to supply vehicles to the State by buying the necessary parts from other overseas sources.

GM has itself acknowledged that commercial vehicles can effectively be used for defense purposes. Secret contingency plans prepared in 1977 by GM officials in South Africa reveal that the company would cooperate with the South African government “in the event of civil unrest.” This would include supplying “trucks and commercial vehicles to meet national needs... Vehicles may be taken over for Civil Defence purposes.” In fact, the plans indicate that GM’s entire operation would be taken over by the military in a time of emergency.

The Fluor Corporation of California, which endorsed the Principles in 1979, has received two contracts totalling more than $4 billion to expand South Africa’s previously small facilities for converting coal into oil. This immense project—by far the largest ever undertaken in South Africa—will help South Africa, which has no oil of its own, to lessen its vulnerability to a possible world-wide oil embargo.

Meanwhile, Mobil and Caltex, two original signers of the Principles, continue to refine and sell close to half of South Africa’s oil and, it appears, to acquiesce in secret schemes to supply oil to the illegal Rhodesian regime.

Another signer of the Principles is Control Data, whose chairman commented in 1979 that “the little bit of repression that is added by the computer in South Africa is hardly significant” compared with the good the company feels it is doing. Yet South Africa could not maintain its current degree of control over its black population without the vast use of computers for administering the pass laws, for maintaining police files, and other similar functions. It was revealed in mid-1979 that Control Data was knowingly supplying certain parts for equipment sold to the South African police, in violation of the Commerce Department regulations.

Citibank, an original signer of the Sullivan Principles, has made loans to South Africa, either by itself or as the leader of a group of banks, which total well over $1 billion. Chase Manhattan, a more recent signer, has also been an important lender. One $110 million loan in which both banks participated went directly to the government to assist in its balance of payments problems. Other loans, just as important, have gone to corporations whose stability helps to determine the country’s overall economic health.

“When the manifesto was announced there was a general feeling of ‘Good, this will force those white people in management to do something for us.’ But nothing has happened. Now, there’s a lot of disappointment.”

Black employee at Ford in South Africa
—January 1978

WORKPLACE REFORMS IMPOSSIBLE

Quite apart from the issue of whether they will alter apartheid, the Sullivan Principles can do little to change black working conditions. The South African government has made it clear that it has no intention of permitting blacks to acquire any significant rights to organize themselves. Without these rights, blacks cannot hope to achieve even the small gains which might be possible under the existing system.

The Wiehahn Commission, set up in 1977 by the South African government to look into labor laws, heard voluntary testimony from some of the signers of the Sullivan Principles who said they favored ending all discrimination in these laws. An amplified version of the Principles was introduced which, to correct a glaring omission in the original six, endorsed the right of blacks to form trade unions.

When the Commission issued its report in 1979, however, it did not appear to have been much moved by the US companies’ statements. In fact, the report made clear that one of its aims was to limit the influence of any “alien” labor codes. As with the Sullivan Principles, the Wiehahn report proved to be an exercise in providing cosmetic changes for the benefit of those who wished to pacify their critics. While the Commission recommended that those non-registered African unions which currently exist be permitted—indeed forced—to register, thus becoming legal bargaining agents with the right (under limited circumstances) to strike, it proposed terms of recognition such that African labor strength is actually likely to be reduced.

The potentially most damaging of these terms is that no union will be allowed to have within its ranks any worker classified by the government as a migrant. Between one-third and one-half of all African workers are so classified. Many unregistered black unions will lose virtually their entire membership as a result of the migrant clause.

For example, many of the more than 1,000 African workers at the former Chrysler plant near Pretoria are drawn from the nearby Bophuthatswana bantustan. At present they are organized in a strong unregistered black union. But under the Wiehahn proposals, all the bantustan workers will be ineligible, as “migrants,” to organize. Thus the black union will be effectively destroyed.

On the question of keeping some jobs only for whites, so-called job reservation, a practice which the Sullivan
Principles oppose under a pledge of equal and fair treatment, the Wiehahn Commission again offers little hope of change. While proposing that job reservation be phased out in certain areas, it proposes keeping it in others. More importantly, it provides for the continued existence of closed shops, which means that if a white union has organized a given operation, there is no way a black can work there—unless of course he is made a member of the union. And Wiehahn has said there should be no mixing of races in unions except under special circumstances.

When the government introduced legislation based on the Wiehahn proposals, not only did it endorse these ideas but it further reduced whatever small changes Wiehahn proposed. The all-white Parliament speedily approved the new laws.

Even if US companies choose to ignore the discriminatory labor laws, there is little reason to believe that they could be a force for positive change in South Africa. A look at numbers alone indicates why this is so. American firms provide jobs for approximately 100,000 people, or one percent of the total workforce of about 10 million. About half these workers are employed by Sullivan signatories. A survey of 81 such companies prepared in mid-1979 by the Arthur D. Little Company, which was hired by Sullivan to assess performance reports submitted by the companies, found that only 38% of the employees of such firms are black, while 44% are white. This means that when companies which are signers of the Sullivan Principles talk about improving the lot of black workers, they are discussing approximately 20,000 people, out of a black workforce of more than seven million.

"This Manifesto is just good cosmetics for the outside world. To us as trade unionists, we see no difference between American and SA companies."

Emma Mashinini
Secretary—Commercial Catering
and Allied Workers Union of SA

More important, however, than the number of workers employed, is the lack of interest shown by the companies toward altering the unequal working conditions of their black employees. Late in 1978, the Financial Mail reported that despite promises of decent wages in codes like the Sullivan Principles, "The movement toward 'acceptable' minimum wages is snail-like." Meanwhile, the wage-gap between black and white workers is actually widening. A survey done by Urwick International, a nationally recognized consulting firm in South Africa, showed that between 1974 and 1978, black workers went from being paid an average of $250 a month less than whites doing the same jobs to $280 a month less.

Among US companies specifically, a US State Department survey whose results were compiled in early 1979 showed that at least six of 28 companies examined—including most of the large employers—were paying minimum salaries below the absolute poverty level for African families. The survey also showed that moves toward placing Africans in higher-level positions—another point in the Sullivan Principles—have been equally unsatisfactory. Among about 13,000 Africans employed at 21 companies surveyed on this issue, none held a senior management position and only eight were at the middle-management level.

Two Sullivan signatories attest to this dismal record. At the end of 1978, GM in South Africa employed only four blacks in salaried jobs out of a workforce of more than 4,500. IBM at last count had four black managers out of 1,443 employees.

THE ALTERNATIVE TO THE SULLIVAN PRINCIPLES

Corporate codes of conduct such as the Sullivan Principles cannot be expected to bring about an end to apartheid. Moreover, even if companies were to make a genuine commitment to workplace reform, the assistance they give to the apartheid system is far greater than any good they might do. Given this situation, there is growing sentiment both in South Africa and in the US in favor of an end to all economic ties.

South Africans must be cautious in discussing foreign investment because calling for withdrawal can be considered a crime under the Terrorism Act. Thirteen black young people were charged in 1975 with such an offense, among others, after having sent a letter to foreign corporations asking them to stop putting money into South Africa. Nine eventually were tried and convicted under the Act, which carries a minimum term of five years in prison.

Despite the dangers, however, many black leaders have spoken out against foreign investment. The late Steve Biko, a founder of the Black Consciousness Movement who died in police custody in 1977, said in an interview the year before his death: "The argument is often made that loss of foreign investment would hurt blacks the most. It would undoubtedly hurt blacks in the short run, because many of them would stand to lose their jobs. But it should be understood in Europe and North America that foreign investment supports the present economic system of political injustice."

Biko added, "If Washington is really interested in contributing to the development of a just society in South Africa, it would discourage investment in South Africa. We blacks are perfectly willing to suffer the consequences! We are quite accustomed to suffering."

In April, 1979, a summit conference of more than 200 black American religious leaders listened to Reverend Sullivan make a strong plea for support of his Six Principles, then passed a resolution dismissing them as "no longer sufficient" to deal with apartheid. The resolution added that "the very presence of United States corporations in South Africa serves to legitimize the apartheid system of white supremacy" and went on to call for "total United States economic, political, military, cultural and diplomatic disengagement" from South Africa.

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