The Sullivan Principles: A Critical Look at the U.S. Corporate Role in South Africa

Twenty seven and a half million people live in South Africa. Only 4.5 million, all of them white, are citizens. Only whites can exercise political power and organize economic power. Eighty seven percent of the land is designated white, and blacks are allowed into this "white land" only when their labor is needed. The remaining 13 percent of the land has been set aside as bantustans for black habitation. The bantustans, primarily rural wastelands, are unable to support the black population. Thus blacks are forced to work for white employers, and their movements are controlled by an elaborate system of laws which deprive them of control over their lives.

The issue of power is at the core of the black demand for change in South Africa. Blacks are not struggling and dying to reform or improve apartheid. They want nothing less than the total abolition of the system and the establishment of a new state based on full popular participation. To propose change in any lesser terms is trivial and irrelevant. This is as true now as it was half a decade ago when codes of conduct for investors were first discussed.

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, Sullivan, a Baptist minister who is the only black 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 bank loans to South Africa and corporate investments by US firms in South Africa.

Despite the massive resistance to apartheid and the growth in the divestment campaign in the US, it took Sullivan eighteen months to persuade twelve corporations to accept the set of principles, demonstrating the fundamental reluctance of US corporations to oppose apartheid stability in any way.

Indeed, the corporations were so cautious, so unwilling to antagonize South African authority, that the adoption of the Principles was not announced until after they had been checked and approved by Ambassador Roelof Botha, then South Africa's representative in Washington and now Foreign Minister. The six principles 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 the abstract, the principles made unobjectionable reading. The catch lay in what they excluded rather than what they included. There was no demand for any change in the fundamental structure of apartheid, no demand for black political rights, and no commitment to negotiate with black trade unions or demand their recognition by the government. It took some time for Sullivan to issue an "amplified" set of principles endorsing the right of blacks to unionize, and by 1981 only a handful of Sullivan signatories had actually recognized a black union.

"The Council . . . finds that the measures adopted by the Apartheid regime in the wake of the United Nations mandatory arms embargo renders foreign companies operating in South Africa to being integrated in the Apartheid regime's military program. Already such western corporations provide South Africa with virtually all of its petroleum, computer, automotive, and high technology supplies. Hence any action short of total western corporate withdrawal would be inadequate."

• Organization of African Unity, Council of Ministers, June 1980.

In March 1977, after the Principles had been fully discussed with South African officials, the code was announced to the American public. Those companies in the original group of signers were American Cyanamid, Burroughs, Calitex, 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 so to eliminate any reason for action.

Seeing what was happening many US firms rushed to get on the band-wagon. By 1980, 140 companies out of 300 US firms operating in South Africa had endorsed the Sullivan Principles. As one subsidiary of a US firm explained 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.”

NO CHALLENGE TO APARTHEID

"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

The Six Principles do not challenge the system of apartheid itself. Instead, they act merely as a set of guidelines for instituting reforms in one area of society, the workplace.

Because of the intrusion of apartheid into every aspect of life, the problems faced by blacks in the workplace cannot 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."

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-1970's, 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."

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 triple what it was 10 years ago. 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 Kennecott.

General Motors, despite 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, continues to make such sales. It does this by buying the necessary parts from overseas sources.

GM has itself acknowledged that commercial vehicles can effectively be used for defence 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.

GM is just one of many Sullivan Principle signers which has been designated a national keypoint. National keypoints are strategic industries vital to South Africa's security. Keypoint industries, directly responsible to the Defence Minister, are being asked to organize all-white military reserve units to protect their plants from attack by internal black resistance forces. Of the 633 national keypoints, it is not known how many are US corporations, but since US investment has gone into strategic fields such as automotive, oil and electronics industries, many US owned plants will be designated keypoints. The Sullivan Principles are irrelevant to this direct collaboration between US corporations and the South African government.

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 possible oil sanctions.

Approximately 40 percent of the oil used in South Africa is refined and marketed by Mobil and Caltex, both original signers of the Principles. In addition, they supply oil to the South African armed forces.

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.

In addition to the corporations, US banks have provided capital in the form of loans to both the South African government and private firms. In 1979 such loans stood at more than $2 billion, or about one-fourth of all foreign loans. This money has gone to cover rising oil and arms costs and to finance government self-sufficiency projects, as well as to assist in balance of payment problems.

Citibank, the largest lender and 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.

In 1978, Citibank announced that it would make no new loans to the South African government because "apartheid was having a negative effect on the economy." However, in the fall of 1980, Citibank again participated in a loan to the South African government, this one for the amount of $250 million.

WORK PLACE REFORMS RESTRICTED

"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

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, not the corporations, sets the limits within which change is possible. In 1977, promising reform the government set up the Wiehahn Commission to look into labor laws. Careful consideration of the recommendations of the Wiehahn Commission and new legislation based on the findings of the Commission, reveal that the "reforms" are hardly concessions to blacks. Rather they mark the start of a new and sophisticated effort to control the black trade union movement. Like many other recently announced "reforms" this legislation displays the characteristic features of the "moderate" apartheid policies of the present Botha government: concessions to a tiny minority of blacks combined with substantial tightening of restriction on most Africans.

An unprecedented number of strikes took place in 1980. The response to the strikes shows how limited the commitment of the corporations and the government is to meaningful change. At Goodyear Tire company more than 1,000 black workers were dismissed. When the workers gathered to protest, police used tear gas, clubs and dogs to disperse them. Goodyear, a Sullivan Principle signer, was refusing to pay wages equal to those paid by other employers in the area.

Another example is Ford, where strike leaders were detained without trial by the government. After release they were "banned," which meant they could no longer work at...
Ford or participate in union activities. Tozamile Botha, who fled into exile after being detained 48 days, described the discrimination at Ford: "I was one of only two blacks out of twenty-two engineering trainees, and our wages were just 25% of the white wages. Many other jobs are totally closed off to blacks and many facilities at the plant are still segregated."

An extensive study of Ford and the Sullivan Principles was done by the South African Institute of Race Relations in late 1979. At the outset the study acknowledges that "Ford is probably the best employer in the Uitenhage-Port Elizabeth industrial region." Yet the study also shows that of the 295 members of management none were black, while in the eight lowest grades of the pay scale where 80.4% of blacks are employed there are only 45 whites. Given these facts, it is not surprising that the report notes that "The black unionists tend to see the integrated facilities as being largely cosmetic, done for the benefit of visitors and to please the directors in America, but otherwise doing little more than distracting attention from the far more fundamental problems of economic and social justice in the company and community."

What US companies can accomplish is further limited by the fact that American firms provide jobs for only about 100,000 people, one percent of the total workforce. Because of the capital intensive nature of most US investment, most of these employees are white, so that even if all US companies signed the Sullivan Principles and implemented them fully, they would effect less than one half of one percent of the workforce.

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.

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.

When Rev. Sullivan first introduced the Principles he was very optimistic, calling them "a tremendous force for change and a vital factor in ending apartheid in South Africa." Subsequent events have changed that optimism. In September 1980, he again visited South Africa where he heard criticism of the Principles from trade union and other black leaders and saw how slowly they were being implemented.

On his return to the US, Sullivan conceded that more had to be done. He said, "The Principles have been a catalyst for change. There have been gains, but all of it has been far too slow." He went on to state a new position. "Until apartheid is ended, no US bank shall make any loans to the South African government or its parastatal agencies. I am not in favor of more expanded investments... New investments may cause more harm."

If there appears to be a contradiction in a position which sees new investment as harmful but old as a force for change one should bear in mind Sullivan's basic problem—balancing the need for a position sufficiently palatable to keep the corporations in his field against the equally powerful necessity of maintaining his credibility in the face of increasing black criticism.

THE ALTERNATIVE TO THE SULLIVAN PRINCIPLES

"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
Canaan Baptist Church
New York City

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 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."

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