

Harvard and South Africa

Harvard has an endowment of \$1.5 billion, larger than that of any university in the United States. The way in which Harvard invests its money has political implications, concretely affecting the lives of real people in the real world.

If Harvard ignores these implications and fails to do all it can to make sure its money does not support oppression and brutal exploitation, then the university is a part of that oppression and exploitation. And all the protestations about the so-called neutrality of investment or the need to place the academic goals of the university above all other considerations can not change this fact.

Investment cannot be politically neutral. Corporations could not operate without investors; if the operations of a corporation give support to an unjust situation, the responsibility lies with the investors who made it possible for the corporation to carry out its operations.

Without the money of shareowners, bond holders, and depositors, it would be impossible for banks to give loans to the apartheid South African regime. Similarly, other corporations operating in South Africa do so only with the acquiescence of the investors who ultimately control the companies—control both in the form of votes at shareholder meetings and the possibility of divestiture.

Even the people who control the Harvard Corporation recognize that a claim of complete neutrality would not be realistic or tolerable. Since 1972, a subcommittee of the Corporation and an advisory committee have concerned themselves primarily with the social responsibilities of the university as a shareholder.

Unfortunately, this ostensible recognition of social responsibility is a mere facade; the concrete words and actions of the Harvard Corporation show that no real attempt has ever been made to attain even a minimal standard of responsibility in investment. Harvard's concrete material and implicit moral support of U.S. corporate presence in South Africa is the most blatant indication of the university's true position.

It is time for Harvard to take a moral stand on the South Africa issue—and to do so in as effective a way as possible. By adopting and making public a strong position in favor of corporate withdrawal from South Africa, and demonstrating the seriousness of its stance by publicly re-evaluating the way it manages its portfolio, Harvard could have enormous impact on the corporate and institutional community, as well as on the consciousness of



The H-R Southern Africa Solidarity Committee demands that Harvard:

- * sell its stock and bonds in banks lending money to South Africa;
- * support, or sponsor where necessary, shareholder resolutions requiring corporations to withdraw from South Africa;
- * issue a clear public explanation of its actions and invite other investors to follow suit.

the general public. The size of its endowment, as well as the university's prestige, would ensure the gesture would not be ignored.

Harvard must publicly support and initiate shareholder resolutions calling for corporations in which it owns stock to withdraw their operations from South Africa. Similar actions taken by labor, religious, and political and social groups, as well as by universities and colleges with less prominence and smaller endowments than Harvard have attracted significant media attention. A recent New York Times editorial gave recognition to the growing U.S. anti-apartheid movement and supported corporate withdrawal from South Africa. The situation is beginning to cause observable concern and anxiety for offending corporations and supporters of the status quo in South Africa. Witness the Polaroid Corporation's recent decision to pull its operations out of South Africa.

In fact, there are many people who say the shareholder resolution route is not forceful enough, and that divestiture of violating corporations would be the most effective course of action. In light of this, it is inexcusable for Harvard not to adopt at least a strong policy supporting and initiating shareholder resolutions. Such a policy would achieve some of the same objectives as divestiture, especially that of establishing a strong and widely publicized stand in favor of corporate withdrawal. And those who have claimed that massive divestiture would entail significant transaction costs can

have no grounds for complaints in the case of shareholder resolutions.

Nevertheless, Harvard should reserve divestiture as an ultimate threat if shareholder resolutions fail to bring about corporate withdrawal, and begin using that weapon now in cases of particularly blatant offenders. Banks that make loans to the South African government and South African corporations constitute such a case.

Loans from foreign banks provide crucial support for the faltering South African economy, especially given the present South African trade deficit and the cooling off of foreign investment in South Africa. And, as the banks themselves have admitted, the ultimate use of loans is impossible to control or even monitor.

Anything short of divestiture is unlikely to have an immediate impact

on banks' loan policy. Bonds and deposits do not give investors even formal rights of control. Bank managements have traditionally been able to autonomously formulate loan policy, and they have voiced an obstinate reluctance to surrender this freedom.

For the last two years, a national campaign, led by the ad hoc Committee to Oppose Bank Loans to South Africa, has aimed at pressuring banks to withhold loans from South Africa. The committee calls for investors to remove their assets from offending banks. At this point, anything other than a public policy of ending all financial involvement in offending banks could only be interpreted as opposition to the withdrawal of bank loans from South

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David Beach

Why South Africa?

The issue of corporate investment in South Africa is an important one because:

-No other society in the world relies so heavily on legalized racism to support its social, economic, and political systems.

-American corporations profit from this legalized racism and provide crucial support to the white minority government.

-As a major investor in these corporations the Harvard Corporation is an accomplice to apartheid.

-Black South Africans' struggle for

freedom is reaching a critical stage, and both nationwide and worldwide the movement against the South African government is gaining momentum. Withdrawing foreign investments now can significantly contribute to the elimination of apartheid.

-Virtually every anti-apartheid organization in South Africa has called for the withdrawal of foreign corporations. One way we can express our support for the liberation struggle is to put pressure on the corporations in the United States.

Apartheid Means...

Although South Africa is one of the richest countries in the world, with whites enjoying the highest living standard in the world, blacks there are poor even by the standards of the rest of Africa. In looking at statistics which describe the conditions blacks in South Africa face, it is easy to forget the human hardship and misery these numbers represent. Just for a moment, imagine what life would be like if you were black and born in South Africa:

—According to the United Nations, about 1/2 of all African children die before the age of six from malnutrition and disease.

—Four-fifths of black workers show signs of malnutrition.

—Black workers on average receive 1/10 the wage of white workers.

—Education for whites is compulsory and free. Blacks must pay for their education and may only attend inferior Bantu schools.

The system used to enforce the privileged position of the whites is called apartheid. While apartheid is certainly the most pernicious form of racial discrimination, it is at heart an organized and highly structured mechanism for controlling and exploiting black migrant labor. Thus, while racism is a real factor which pervades South African society, it thrives because of the legitimacy it gives the status quo—white wealth and power, black poverty and subservience.

As the evolution of race relations and history of apartheid show, the laws and policies which institutionalize white supremacy directly respond to the economic needs of the ruling whites and the dynamics of the capitalist economic system they established in South Africa. Europeans first settled in South Africa in the seventeenth century, but large scale demand for black and white labor first arose with the discovery of diamonds and gold in the second half of the 19th century.

From this point onward, Europeans passed laws to ensure an adequate supply of cheap black labor. The Native Land Act of 1913 allocated 13% of the land to Africans and prohibited them from owning land outside of these reserved areas. These areas comprise the most overcrowded, infertile, and unindustrialized land in the country. Blacks had no choice but to become migrant workers laboring at low wages for whites in order to escape starvation.

The basic concept of apartheid is that blacks and whites must live and develop in ethnically and politically separate communities. The argument is that there can never be multinational coexistence in South Africa owing to

the cultural and social differences which supposedly exist between blacks and whites. Africans—80 per cent of the 24 million people in South Africa—are assigned citizenship in homelands created by the apartheid regime on the poor land areas allocated in the Native Land Act.

Blacks do not have the right to vote in South African elections and cannot buy land outside of their "homelands." Less than half of the Africans have ever seen the Native "homelands" to which they are assigned. Also, in an attempt to keep Africans from uniting, they are divided among the Bantustans by ethnic grouping.

The apartheid system is designed to relegate Africans to a position of perpetual menial and spiritual servitude to the whites. To be black and born in South Africa means facing a life filled with suffering, degradation, and repression. The ultimate goal of the policy of separate development is the total separation of black and white communities. Blacks will be allowed in the white areas only as workers paid subsistence wages, with their families left behind in the starving hopelessness of the Bantustans. South Africa's economy would still be based on a low-paid black workforce, enforced through migrant labor. Some of the major policies of apartheid consist of:

BANTUSTANS

The 13 "homelands" are made up of

about 250 non-contiguous pieces of land. Average income per capita in the Bantustans is estimated at a third of the Poverty Datum Line (PDL) established by the South African government. About a quarter of the Africans living in the Bantustans are both landless and jobless. And, while the Bantustans are supposed to be



"independent," the Bantu Homelands Constitution Act of 1971 prohibits the African legislature from dealing with such matters as defense, foreign affairs, immigration, banking, telegraph, telephone and radio services.

INFLUX CONTROL

Blacks allowed to leave the impoverished and overpopulated Bantustans to work in urban areas are prohibited from bringing "surplus

appendages" such as husbands, wives, or children. Only blacks essential to the operation of the economy are allowed to be present in urban areas. They must then live in segregated urban ghettos, such as the infamous township of Soweto, named for its location southwest of Johannesburg. Homes in the African township have no electricity or running water.

PASS SYSTEM

To ensure that the system of labor migration to and from urban ghettos and Bantustans works smoothly, each African 16 years of age and over must carry a "pass" 24 hours a day. This shows whether (s)he has the "right" to be in a particular part of the country. Failure to produce a pass on demand is a criminal offense punishable by imprisonment, and each year an average of 250,000 blacks are arrested for pass law violations.

JOB RESERVATION

Through a policy of job reservation enforced mainly by industry-wide agreements between employers and white unions, blacks are excluded from many different kinds of work. The government opposes the formation of black trade unions. Black unions may not strike or be officially "registered," which would enable them to join industrial councils. Their leaders are often banned and arrested, and sometimes killed. Integrated trade unions are illegal.

POLITICAL REPRESSION

The South African regime dominates the majority of the population through open violence. Opposition to the South African regime is illegal. Advocacy of corporate withdrawal from South Africa is punishable by death.



Universities and South Africa

Throughout the country students are mobilizing to protest their universities' holdings in U.S. corporations with operations in South Africa.

Hampshire, The University of Massachusetts at Amherst, Oregon State University and the University of Wisconsin have all sold their stock in offending corporations in the past year, largely because of student pressure.

In the Northeast alone, students have organized major campaigns at Wellesley, Brandeis, Tufts, Dartmouth, Wesleyan, Yale, Temple, Princeton, Rutgers, Columbia, Brooklyn College, S.U.N.Y. Stony Brook, Amherst and Boston University, among others.

Activism here at Harvard took its present form when the Southern Africa Solidarity Committee began open meetings last fall. After agreeing on a three-point proposal, fall activities focused on educating the Harvard community about the current state of affairs in Southern

Africa and Harvard's role there. A teach-in in November, with speakers and the film, "Last Grave at Dimbaza," guest speakers, letters to the Faculty and the Board of Overseers, and campaigns for endorsements from House Committees and student organizations are some of the ways SASC has sought to reach out to and educate the Harvard community.

Fall activities culminated in a petition drive which garnered over 3,000 signatures. In the spring, the SASC has focused more on action. Since the university's Advisory Committee on Shareholder Responsibility began discussing the issue of Harvard's investments in U.S. corporations with operations in South Africa last fall, SASC has kept up a steady pressure on the ACSR, until the committee held the first open hearing in its history. Attendance at weekly pickets outside ACSR meetings grew from 30 the first week to nearly 400 as the ACSR completed its deliberations.

The Corporate Role

Our University's shares in major United States corporations operating in South Africa link it to white-minority rule in that country. Yet Harvard has refused to join the many institutions and organizations calling on transnational corporations to withdraw from South Africa.

Why Withdrawal?

There are several reasons why we and other groups have emphasized withdrawal of foreign investment from South Africa.

South Africans want U.S. interests to leave their country because they realise that foreign investments serve as a major prop for the white-minority regime. U.S. corporations supply technologies needed by the South African economy and the white military. U.S. corporations provide foreign exchange, which the regime needs to offset its trade deficit and to buy weapons. In particular, U.S. banks have lent money to the South African government, so it can obtain the supplies it needs to enforce apartheid.

Investment in South Africa helps only a small, all-white minority. It uses black South Africans as a source of cheap labor and high profits, accepting the apartheid system and aiding the regime.

All independent black leaders and all black and anti-apartheid organizations in South Africa have asked foreign companies to pull out of their country. The long list of South Africans supporting this demand includes Steven Biko, who died at the hands of the South African Police in 1977; the late Chief Albert J. Lutuli, Nobel Peace Prize winner; Beyers Naude of the Christian Institute; and hundreds of others. They have been backed up by organizations representing millions of South Africans, including the African National Congress of South Africa, the Black Peoples Convention, the South African Students Movement, the South African Congress of Trade Unions, and the South African Council of Churches.

In addition, a number of international organisations—among them the United Nations, the World Council of Churches, the Organization of African Unity, and the International Labor Organization—have supported withdrawal of foreign investment from South Africa. In the United States, the NAACP, the Congressional Black Caucus, the AFL-CIO and many other organisations support this demand.

The activities of United States companies in South Africa—totalling 40 per cent of all U.S. investment in Africa, although less than 2 per cent

of U.S. investment overseas—severely constrain U.S. foreign policy. The U.S. government has made it clear several times that it hopes to safeguard U.S. corporate holdings, which benefit neither Americans nor South Africans, in southern Africa. So the government places a high premium on "stability" in southern Africa—stability based on apartheid, with the continued suffering this implies for blacks in that region.

U.S. government and corporate spokespeople—and Harvard University—claim foreign investors in South Africa can be a force for progress by introducing better labor practices. This argument pales rather in the face of demands by so many South Africans that foreign corporations withdraw. Furthermore, U.S. companies directly employ only about 70,000 black South Africans—less than 1 per cent of the black labor force. U.S. subsidiaries in South Africa treat their black workers only marginally better than other South African firms.

Although U.S. companies as a group have suggested they will improve their black South African employees' working conditions by following the "Sullivan Code," this proposal is totally inadequate. In fact, it was praised by the South African regime. That regime has emphasized that it will not tolerate any attempt to institute labor policies which would really challenge the concepts underlying apartheid.

The strategic role of U.S. companies in South Africa can be seen by examining the activities of a few of the largest. Almost every U.S. firm ranking in the Fortune 500 and a host of smaller ones have holdings in South Africa. Here only the activities of the largest can briefly be reviewed.

•IBM, ITT, Foxboro and General Electric: Electronic and electrical equipment are key inputs to the apartheid system. For one thing, the pass laws require an efficient data system. Computers are also needed by the regime's atomic energy program and military. A third of IBM South Africa's sales, in fact, are to the government and its agencies. IBM has supplied the Defense and Prisons Departments and the Atomic Energy Board in South Africa. Another U.S. electronics firm, Foxboro, has supplied specially modified computers to South Africa's atomic energy program. These computers were urgently needed by the regime, and were unobtainable elsewhere.

ITT and G.E. have also played an important role in the South African

economy. They supply the regime with important economic and military inputs. Seventy per cent of ITT's sales are to the South African government. G.E. also sells most of its South African production to the regime, including nearly all of its locomotives output.

•Mobil, Standard Oil of California and Texaco: South Africa must presently import all its crude oil. U.S. firms have helped the South African regime to overcome much of this dependence on the outside world. At the regime's request, they have stockpiled over a year's supply of oil. In addition, they have set up major refineries in South Africa, importing crude oil from Iran. As



refineries have only been established in South Africa, other southern African nations must depend on the racist regime for oil.

Both Mobil and Caltex, which is jointly owned by Standard Oil of California and Texaco, own refineries in South Africa. They operate in Zimbabwe, and Mobil has a Namibian subsidiary. Such activities violate U.N. resolutions signed by the United States government. Since oil refining is highly capital intensive, few workers—and fewer blacks—are employed. In 1977, nearly half of Mobil's 1250 black workers were in the two lowest wage categories; there were no whites in these categories at all. Workers in these categories earned an average of about \$215 a month—just above

the subsistence level. Caltex had a similar employment structure.

American companies are also helping the South African regime develop internal sources of oil. They are building a plant to produce oil from coal for Sasol, a company owned by the regime. The plant, known as SASOL II, is being designed and built by two U.S. companies, Fluor and a Raytheon subsidiary, Badger. Honeywell is supplying the electrical equipment.

•G.M., Chrysler and Ford: U.S. companies control almost a third of the South African vehicle market. Not only are their products basic to the white-controlled economy, but they also supply cars, trucks and locomotives to the white regime and its military. The companies have established extensive production plants in South Africa. They export parts produced there throughout the region, earning foreign exchange desperately needed by the regime. Their importance to the apartheid economy is indicated by their size: in 1976, for instance, G.M. South Africa ranked 17th among all South African firms in terms of assets. But G.M. and Ford directly employ only about 4000 workers each; Chrysler employs about 2000. Of these, half are black. In both G.M. and Ford, only about 50 black workers were salaried in 1976. The situation at G.M. was typical. Of workers paid by the hour, 61 Africans earned more than \$1.07 an hour, and only 57 Coloureds earned more than \$1.46 an hour. These wages are barely above the subsistence level in South Africa. Non-salaried black workers were paid, on average, less than half as much as non-salaried whites.

•Citicorp, Bank of America, Morgan Guaranty and Manufacturers Hanover: U.S. banks play an important role in supporting the South African regime by organizing massive loans. These credits have helped counteract a capital outflow since the Soweto revolt of June, 1976, as well as shoring up South Africa's balance of trade and providing foreign exchange for military purchases. They were of special importance when the gold price was very low. In addition, both Citicorp and the Bank of America have major affiliates in South Africa. Citicorp also owns 49 per cent of the British bank, Grindlays, which controls the fourth largest bank in Rhodesia.

In view of the critical role of banks in maintaining the apartheid regime, the Harvard Corporation is considering selling its holdings in these banks.

But that is not enough. U.S. companies act as a mainstay for white rule in southern Africa. We demand that Harvard publicly call on them to withdraw.

The ACSR Report

The report on Harvard's South Africa-related investments by the Advisory Committee on Shareholder Responsibility (ACSR) has finally been issued. The SASC believes that the report, while admittedly an advance in the special case of banks, is on balance an inadequate response to the conditions in South Africa and the demands of the Harvard community. There is little in the ACSR report that would generate much anxiety in Pretoria, or much hope in Soweto. By failing to recommend that Harvard support corporate withdrawal from South Africa, the ACSR is unwittingly impeding the change that is essential if South Africa is to be rid of apartheid.

The ACSR's refusal to take a strong stand is hardly surprising when we look at its composition. Of the eight faculty and alumni (who can easily outvote the four student members), the chairman is a Business School professor, and the others include a bank vice president, and a former board member of a U.S. corporation operating in South Africa.

The ACSR report does recommend, as the SASC demanded, that Harvard divest itself of all holdings in banks that loan money to the South African government or its public corporations. We think that the Harvard Corporation ought to adopt this recommendation, but past experience demonstrates that the Corporation is reluctant to adopt the few progressive recommendations coming out of the ACSR. Therefore, we call on students and others in the Harvard community to intensify the pressure on the

Corporation to divest itself of all holdings in the offending banks.

But on the crucial issue, the withdrawal of U.S. corporations from South Africa, the ACSR has refused to take a strong position. The SASC has demanded that Harvard vote for shareholder resolutions that would require corporations to pull out of South Africa, and that Harvard sponsor such resolutions where none have been proposed. But the ACSR can't seem to make up its mind; instead of calling for withdrawal, it asks for at least another year to consider the question. The ACSR wants to conduct a company-by-company review of the withdrawal issue, with the evaluation centering around each company's employment practices and the place of the company's product or service in the South African economy.

SASC sees several problems with this recommendation. First, it implies that by adopting progressive employment practices, a corporation can somehow compensate for the support that its presence in South Africa gives to the whole apartheid system. The employment practices argument ignores the simple fact that all U.S. corporations together employ less than one per cent of the black workforce; improved employment practices do nothing for the other 99 per cent, as is demonstrated by the fact that the absolute gap between black and white per capita incomes grows larger every year despite the increasing U.S. corporate presence over the past 15 years.

A second problem with the ACSR's

recommendation is its vagueness on the crucial question of what constitutes support for apartheid. In some parts of the report, "support" is narrowly defined as the extent to which a company's product or service is used in direct implementation of apartheid policies. SASC agrees that this is an important form of support, but it is distressed by the ACSR's failure to explicitly mention other essential criteria for evaluation:

§A company's role in transferring sophisticated technology to South Africa, which strengthens the country militarily and/or economically;

§The foreign exchange a company brings to South Africa;

Harvard's Share in Apartheid:	
Company	Harvard's holdings* In millions of dollars
IBM	63.4
3M	4.5
ITT	6.0
G.E.	14.3
Caterpillar	9.2
Standard of Calif.	20.1
Mobil	8.1
Foxboro	1.0
Raytheon	7.2
Honeywell	0.2

*Partial list. As of Feb. 1978.

Harvard still owns a total of \$59 million in banks that are involved in South Africa.

§The taxes a company pays the white-minority regime;

§The fact that the U.S. corporate presence in South Africa makes it more difficult for the U.S. government to support meaningful economic sanctions;

§The fact that the U.S. corporate presence in South Africa acts as an economic vote of confidence in the white-minority regime and the whole apartheid system.

SASC believes that these and other forms of support given to South Africa by U.S. corporations point compellingly towards one conclusion: all U.S. corporations should withdraw immediately. The ACSR, on the other hand, has made no hard and fast commitment to even recognizing these forms of support.

A third problem with the ACSR's recommendation is that it seems to take no account of the opinions of the majority of South African blacks. Virtually every anti-apartheid organization and every independent black leader in South Africa favors corporate withdrawal (and an end to bank loans); the list of these leaders ranges from the late Steve Biko to Nobel prize winner Chief Luthuli to Gatsha Buthelezi (chief of the Kwa Zulu Bantustan).

And it is not just the leaders and the organizations who call for withdrawal. As noted in Appendix C of the ACSR's report, (Appendix C was written by an ACSR member who favors immediate withdrawal of all corporations) even some workers employed by U.S. corporations think it would be better for these corporations to leave, though it would mean the loss of these workers' jobs.

We could also point to the many organizations in America and around the world that favor corporate withdrawal and an end to bank loans. But it is the ACSR's unwillingness to listen to the South African blacks themselves that disturbs us most. South African blacks aren't asking for more information from U.S. corporations; they know perfectly well what the situation is and they want the corporations to withdraw immediately. In the face of this request by the people most directly concerned, the ACSR's failure to advocate withdrawal appears paternalistic.

A final logistical problem with the ACSR's recommendation is evident when one examines the probable outcome of their proposed company-by-company evaluation. We have already pointed out that the ACSR has established no hard and fast criteria for determining what constitutes support of apartheid; this is bound to take up a great deal of time, not because such criteria do not exist—we have listed five of them above in rough form—but because certain members of the ACSR are unwilling to accept their validity. Add to this difficulty the amount of work involved in evaluating, one by one, the 60-odd companies involved, and it would appear that little could be accomplished in a year's time.

In light of these facts, the ACSR's request for more information must inevitably delay the adoption of a responsible policy on Harvard's South Africa-related investments for several years.

In a country where literally hundreds are arrested every day for not carrying the proper documents, where human beings are subjected to the worst kinds of degradation and torture, and where the ability of the white minority regime to withstand external economic pressures grows stronger every minute, delay and inaction on the part of Harvard are completely unacceptable. Instead, Harvard should do its damndest to get U.S. corporations out of South Africa, and to end bank loans to the government and its public corporations before it is literally too late.

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Africa.

The struggle to pressure Harvard into acting responsibly will not be an easy one. The ties between Harvard and the corporate system which supports and exploits the apartheid system are many and close, involving both those who formulate university policy and the donors on whom the university relies for financial support.

Nevertheless, to abandon that struggle would be to allow the university to benefit from a system that is as brutal as it is unjust. If the Harvard community is to maintain any sort of integrity, it cannot continue to accept complicity in apartheid!

Liberation

The people of South Africa have never passively accepted apartheid. The armed struggle against European encroachment was only defeated in the early 1900s. In 1912, the oldest political association in Africa—the African National Congress of South Africa—was formed. From that time until the early 1960s, resistance to apartheid grew steadily.

But while the winds of change swept south, and over 40 African countries were freed in the decade following 1955, the white minority regime resisted ever more viciously the demands of the people of South Africa for liberation. It used an array of weapons—including powers to arrest indefinitely without trial and to outlaw organizations—to hold down protest. Meaningful anti-apartheid activities were forced underground.

In 1976, the township of Soweto exploded in revolt against the

apartheid system. Other towns throughout the country soon followed. Thousands of Africans, many of them school children, were killed by the regime's military and police. Others were wounded, jailed or forced to go into exile. In 1977, the regime again proved its intransigence by banning many black and integrated anti-apartheid organizations, closing the largest black newspaper and arresting or banning hundreds of anti-apartheid leaders, black and white.

Yet the struggle continues. The South African press has been forced to downplay all actions against the government. Nonetheless, a continuous stream of incidents show the people's growing organization and resistance. Furthermore, thousands have left the country to be trained, to return to fight for freedom. In the end, there is no doubt that South Africa will achieve independence.