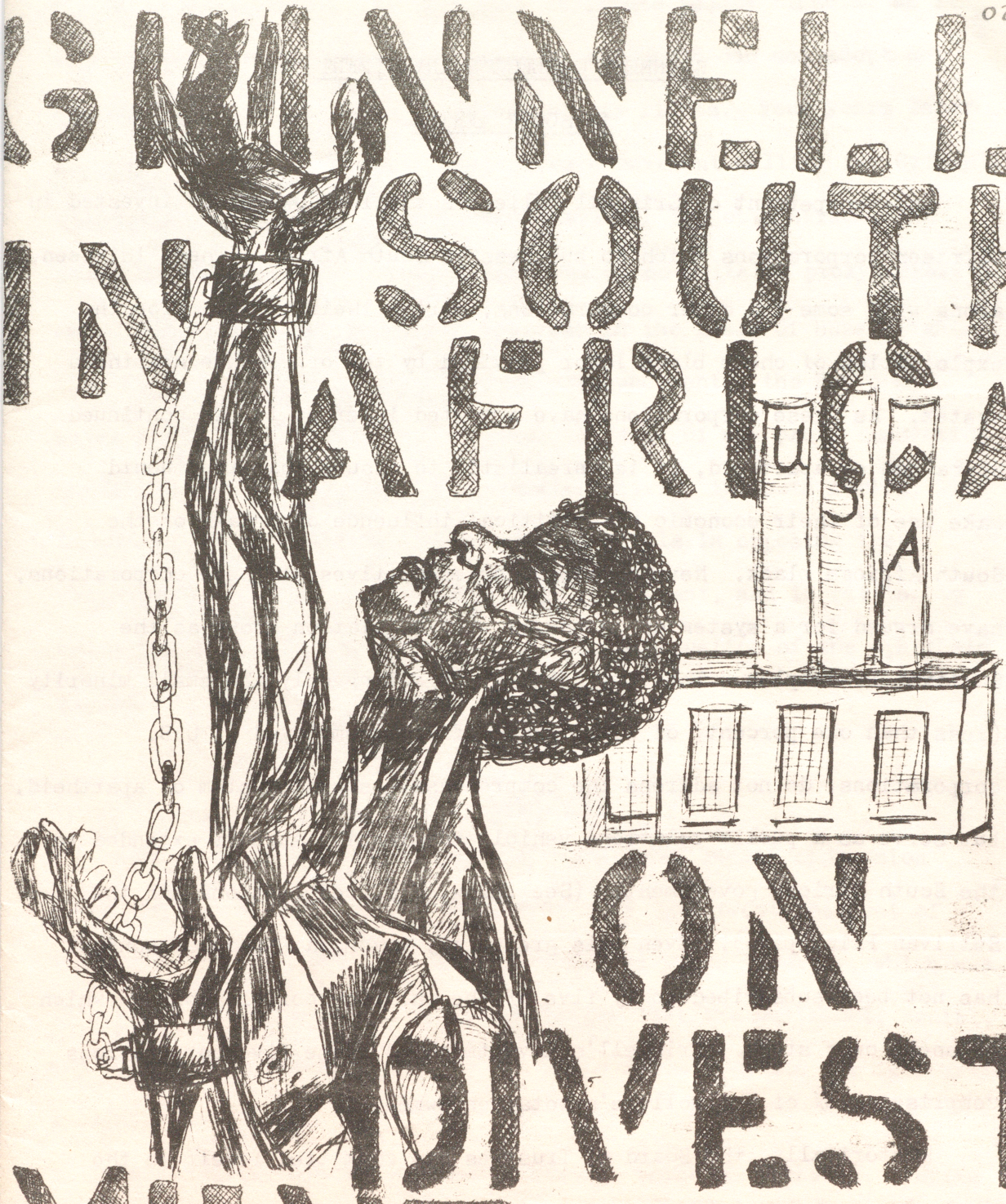
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GRINNELL COLLEGE'S INVESTMENT IN SOUTH AFRICA

Fifteen percent of Grinnell College's total endowment is invested in thirteen corporations which do business in South Africa. These thirteen, along with some 350 other corporations, derive their profits from the exploitation of cheap black labor provided by the oppressive apartheid system. As these corporations have a vested interest in the continued operation of apartheid, it is unrealistic to assume that they would make use of their economic and political influence on behalf of the South African black. Nevertheless, representatives of these corporations, have argued for a system of corporate self-regulation known as the Sullivan Principles. These principles, affecting only the small minority (less than one percent) of black South Africans employed by U.S. corporations, do not address the comprehensive social system of apartheid, but serve as a public relations vehicle to disguise support extended to the South African government. (See below, U.S. corporations and the Sullivan Principles). Even this greivously inadequate code of conduct has not been subscribed to by five of the thirteen corporations in which Grinnell owns stock. Grinnell's investment in these five corporations comprises 4.6% of the college's total endowment.

Historically, the Board of Trustees has committed itself to the ethical use of its influence as a stockholder. In the spring of 1973, the Board stated that it had a moral responsibility to exercise its

rights as a shareholder to influence corporate policy "insofar as it affects the general welfare." However, the Board did not adopt any specific plan at that time to implement its rights. Four years later a group of concerned students initiated a movement calling for Grinnell's divestment of stock in corporations operating in South Africa. In response, the trustees proposed that voting on suitable proxy resolutions would result in more meaningful progress in the realm of human rights than would divestment. Despite such pronouncements, the Board has never introduced, sponsored, or voted in favor of any proxy resolution concerning the restriction of corporate activity in South Africa. It is clear that Grinnell has taken no active role in opposing the corporate support of the South African government, and in failing to do so has given its tacit consent to the perpetuation of the apartheid regime.

APARTHEID

Apartheid is a system of legally-sanctioned racial oppression under which a white minority comprising less than twenty percent of the South African population subordinates the black majority, which numbers over eighty percent. Apartheid ensures that the political, social, and economic freedoms enjoyed by the white South Africans are systematically denied to blacks.

Politically, blacks have no functional voice as citizens. Voting in national elections such as that for Prime Minister is restricted to the white population. Even in the exclusively black Bantustans government

officials are appointed by the white-elected federal government. The black majority's political power is further undermined by laws prohibiting the congregation of ten or more blacks for any reason.

The role of apartheid extends beyond the strictly political realm in affecting the social conditions of the South African black. One of the apartheid regime's most prominent tools of social control is the series of pass laws which restrict the free movement of blacks. Pass laws prohibit blacks from entering designated "white" areas and frequently serve as tools for police harassment and arbitrary arrest. While blacks are denied freedom of movement, they are not allowed to establish themselves in one place; under apartheid, blacks possess no right to own land. Nor are blacks allowed to own houses in their own townships, as the government can forcibly move or evict families and even entire communities at will. In keeping with such policies of repressive racial segregation, the apartheid government promotes two distinct educational systems. Education for whites is mandatory and government subsidized while education for blacks is neither compulsory nor adequately funded.

Economic exploitation is a third major aspect of the apartheid system. Salaries follow the lines of the racial polarization of South African society. Black miners earn an average of $103 per month, while their white counterparts are paid $772 per month. This situation has shown no recent sign of improvement, as the per capita income gap between the white and black South African worker actually grew from

$250 per month in 1974 to $280 per month in 1978. This economic inequality is institutionalized through the educational policies of the apartheid system. A mere 1.7% of those blacks fortunate enough to attend school receive the advanced technical training necessary for employment in the higher-paying skilled jobs which remain the almost exclusive territory of white South Africans and imported foreigners. While the apartheid government has recently permitted, at least in theory, the organization of black labor unions, it appears doubtful that the government will use its authority in confronting serious inequities. Indeed, the governmental power to recognize unions and to appoint their leaders has been employed to forestall meaningful economic change. Of fifty strikes for higher wages and better working conditions in 1979, only one was a legal action organized by a union registered by the South African government.

In objective terms, apartheid is a comprehensive system of institutionalized inequality. However the reality of apartheid is that it renders the black South African a prisoner in his own country. A humane existence for black South Africans entails nothing less than the complete dissembling of the apartheid regime.

BANTUSTANS

One of the most flagrant violations of human rights under the apartheid system is the forced migration of blacks to "homelands," or bantustans. Bantustans are areas designated by the South African Government for habitation by blacks. These areas are typically far removed from the nearest

highway or city. Blacks are moved to bantustans, often against their will and sometimes forcibly, in furtherance of the South African Government's master plan to maintain apartheid--the separation of the races.

Daily life in these bantustans serves as a constant reminder to South African blacks of the wholesale social devaluation to which they are subjected by their own nation. Bantustans are severely overcrowded; although they comprise only 13 percent of South African land, they sustain approximately 70 percent of South Africa's population. It is not uncommon to see 16 people crowded into a two room shanty. There is seldom a sufficient supply of water or proper housing; tin shacks are a frequent sight. Land in these areas is barren and virtually inarable, and as a result, malnutrition is widespread. Sewage systems are rare, often unheard of, and corrugated metal enclosures for bucket toilets add to the degrading nature of life in these homelands.

Essential human services are also grievously insufficient in these areas. Bantustans offer practically no employment opportunities; unemployment frequently runs well over 50 percent. Educational opportunities are similarly scarce--there are few, and sometimes no schools. Since the South African Government has declared bantustans "independent states," it has rid itself of the responsibility for educating black children. Health care is also inadequate, when available at all. To receive medical treatment, blacks must travel long distances into the nearest urban area, and travelling for any reason is made difficult and often impossible for blacks by repressive pass laws. Conditions such as these, coupled with the pervasive malnutrition that plagues bantustans, result in a death rate

of 50 percent among black children between the ages of one and five.

Despite repeated references to "independent states," the apartheid government generally keeps the bantustans well within its sphere of political control. South Africa readily intervenes with force in the event of uprisings. Furthermore, bantustan leaders are selected by the South African Government and therefore pose no threat to the apartheid status quo. Political oppression thus combines with the denial of basic living conditions and human services necessary for a decent existence to make bantustans one of the most unbearable realities of apartheid for the South African black.

U.S. CORPORATIONS AND THE SULLIVAN PRINCIPLES

More than 350 U.S. corporations currently operate in South Africa, with assets totalling almost two billion dollars. Total U.S. financial involvement, including individual and corpoate stockholdings, bank loans, and holdings in raw materials amount to over six billion dollars. These investments provide crucial support to the white minority government, enabling it to maintain its policy of apartheid. In recent years, increasing concern for human rights has focused criticism on U.S. corporate involvement in this oppressive system. U.S. corporations have attempted to evade this criticism by uniting behind the corporate code of conduct called the Sullivan Principles.

The Sullivan Principles were developed by Reverend Leon Sullivan--a member of the General Motors board of directors--after a 1975 visit to Johannesburg. The six principles are mainly concerned with workplace reforms such as desegragation of work and locker facilities,

or any other corporate policy short of withdrawal, are endorsed with the intention of ending the morally unconscionable but economically profitable apartheid system.

WHY WE SHOULD DIVEST

Where does all of the above information leave Grinnell College and its students? We have discussed South Africa's racist apartheid system, the role U.S. corporations play within that system and the inability of self-regulating corporate codes such as the Sullivan Principles to effectively change the South African situation. But what can be done at Grinnell? We believe that divestment of Grinnell's stock from companies that operate in South Africa is the only acceptable strategy for contributing to effective opposition to the oppressive apartheid regime. The earlier sections of this pamphlet have shown that U.S. corporations, because they rely on the apartheid system for cheap labor and high profit margins, cannot be looked to as agents of real change. Having already surveyed the inadequacies of the corporate program for reform, we will now turn to the option of divestment and its practical consequences for Grinnell College.

One fallacy that should be dispelled from the start is that divestment would weaken the College financially. Eighty-five percent of Grinnell's stock, an overwhelming majority, is invested in companies not operating in South Africa. Clearly it is this portion of our stockholdings that provides the College's portfolio with stability; no great percentage of our financial base will be affected by divestment. Any divested monies could easily be reinvested in some of the companies in which the majority of our

endowment is entrusted. Furthermore, recent cases of divestment at such colleges as Antioch, Hampshire and the University of Wisconsin have resulted in no significant financial liabilities, and Michigan State University recently reported a profit of 1 million dollars produsedby the reinvestment of monies previously held in corporations operating in South Africa.

Another common argument against divestment is that those likely to purchase the stocks divested by Grinnell will be less effective in promoting change in South Africa than Grinnell has been. In truth, however, Grinnell has never voted for proxy resolutions calling for corporate reform in South Africa. The trustees have rejected all such resolutions in the past on the grounds that they were poorly conceived and written. Yet the Board has never taken it upon itself to write an acceptable proxy resolution.

This historic failure to act may be partially attributable to the limited ability of an investor of Grinnell's size to influence decisions of large multi-national corporations. In a purely economic sense, this is true. A 1979 General Motors proxy resolution calling for reform of G.M. operations in South Africa received only 1.8 percent of the shareholders' votes. Such meagre support illustrates the fact that while small, morally concerned investors may care deeply about the situation in South Africa, they have no real voice in determining corporate policy. The priority given to profit maximization by larger investors undermines the ethical concerns of smaller shareholders.

Given this situation, what effect would Grinnell's divestment have on the actual South African situation? We know that Grinnell's investments are relatively small, so would our withdrawal change anything? These two

questions constitute the final argument against divestment, and these questions are in many respects difficult to answer. One thing that is certain, however, is that the strategy of working within the companies in which we invest represents a gesture in the economic realm while divestment is a statement in the social realm. Grinnell is a very minor figure in the economic world, but it does have considerable power in the social arena. Our divestment would be a widely publicized event, and some South Africans, as well as many people in the United States, would know about it. Besides being a show of support for black South Africans, our divestment would add to the growing movement calling for an end to the apartheid system.

When Andrew Young was here he pointed out the power that the United States could employ in acting as a moral example. In the case of divestment, Grinnell is being asked to exercise its potential power as a moral leader. In confronting an issue such as apartheid, where the moral position is obvious, it is necessary for concerned individuals, institutions and corporations to decide upon the most effective measures they can take to bring about change. Grinnell cannot continue to functionally ignore the South African issue, and it is hoped that the preceding information has shown that divestment is Grinnell's most viable alternative in effectively working toward an end to apartheid.

This information provided by the



Grinnell College South African Support Group