

THE STATE OF CALIFORNIA AND SOUTHERN AFRICAN RACISM:

California's Economic Involvement with Firms Operating in Southern Africa

by

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(Ed. note: *The near unanimity with which the whole world has condemned the racist and oppressive policies of the white ruled countries of Southern Africa is one of the few instances where world opinion has coalesced around a particular issue. While the injustices and inequities of the white ruled systems have long been graphically documented, much less is known about the extent to which international corporations have supported these racial policies either explicitly or implicitly. Moreover, until this report, no information has been available on California's own involvement with firms operating in Southern Africa.*

Aware of this lack of information, the author, a research analyst in the California Assembly Office of Research, approached Assemblyman John L. Burton, Chairman of the Assembly Rules Committee and acquainted him with these issues. Assemblyman Burton's response was enthusiastic as he asked the author to study and find answers to these questions:

- What is the nature of Southern African racial policies and what is the role of the American corporation in Southern Africa?
- What is the extent of California's involvement with corporations that invest or conduct business in white controlled Southern Africa?
- What actions could be taken by California to influence such corporations to discontinue investing and conducting business in Southern Africa?

This report attempts to examine the extent of California's involvement and suggests actions the state could take to influence these corporations to discontinue their investments and business in racist controlled Southern Africa. UFAHAMU readers should be mindful that the investments of the state of California represent only the tip of the iceberg since large numbers of institutions, corporations, and individuals have been equally callous in their response to conditions in Southern Africa.)

Introduction

In the last decade, the United States has increased investments flowing into minority ruled Southern Africa and has solidified her official economic ties with the governments of racial dictatorships in South Africa, Namibia, Zimbabwe and the Portuguese colonies.

In Southern Africa thirty-five million non-whites live under governments controlled by four million whites -- governments which by their laws and policies deny non-whites effective representation or participation.¹ These minority governments use military and police forces to suppress any form of peaceful protest or political movement dedicated to majority rule. In fact, in South Africa, South West Africa, Rhodesia and the Portuguese colonies (Angola, Mozambique, Guinea-Bissau) the advocacy of majority rule, or "one man - one vote," is considered "communistic."

The United Nations has repeatedly voted to boycott Rhodesian and South African goods and urged member states to withdraw investments which support racial dictatorships. However, the United States, on November 17, 1971, lifted the ban on the importation of chromite ore from Rhodesia, and on December 10, 1971, President Nixon signed an executive agreement with Portugal granting the U.S. military certain base rights in the Azores in return for a huge aid package totaling \$436 million over the next two years. This aid represents more than the total of Export-Import Bank loans available to all of Africa from 1946 to 1970.* Both actions were clearly in violation of 1966 sanctions against trading or extending aid to racist governments in Southern Africa.

Under an African foreign policy of benign neglect, bordering on "kith and kin" racialism, the United States continues to supply weapons to Portugal through NATO, extend the Republic of South Africa a sugar quota and economically support apartheid by corporate investment and trade.

*For more information on the U.S.-Portugal agreement and the protracted struggle in Guinea-Bissau, see UFAHAMU, vol. II, 3, Winter 1972, pp. 5-28.

BACKGROUND TO RACISM AND AMERICAN FIRMS IN SOUTHERN AFRICA

The Republic of South Africa

In South Africa, 19% of the population is white² and holds 87% of the land, all of the wealth, and virtually all of the political power. Non-white South Africans are totally disenfranchised. South African society is based upon racial separation or "apartheid." "Apartheid" separates whites from non-whites in all public areas, in education, in housing, in transportation, marriage and in sports. From cradle to grave a person's destiny is determined by race.

Under "apartheid" the people of South Africa are divided into four distinct racial groups: Europeans, Coloureds, Asians and Africans.

Africans, who total almost 80% of the population, are allotted 13% of the agricultural land in the republic and that land is generally the poorest. On these "Bantustans" or "reserves" the majority of the population is supposed to live and earn a living. The fact is that less than 40% of all Africans live on the "reserves." They live in "townships" which are adjacent to, but separated from, white urban areas and on white farms in rural areas.

While there are no "reserves" for Coloureds and Asians, the white government plans to establish additional "townships," much like those occupied by African workers. Coloureds and Asians will control some small enterprise and local government, but the central government in Pretoria and Cape Town will control monetary and fiscal policies, foreign affairs, the military and police forces.

Education is compulsory for white but not for black South Africans. The government spends approximately \$20 a year per non-white child for education, and \$320 a year per white child. It is estimated that non-white parents must pay between \$24 and \$91 per year to maintain a child in school. (The average monthly wage for black South Africans is about \$65.)³

The cornerstone of "apartheid" is considered to be the "pass system." Under this system every South African is required to carry a 50-page pass giving his name, identity number, sex, date and place of birth, race classification, citizenship (if African, by tribe), marital status

and a photograph. Those persons under 16 years of age have a 12-page book instead of the longer document. This book is issued to an infant in lieu of a birth certificate.⁴

An African needs a permit to enter an urban area where he is allowed to stay for 72 hours only without further permission. If he goes to an urban area to undertake employment (not to seek it), he must have prior permission of the labor bureau in his home area. As soon as he is employed, his service contract must be registered, and he must have a permit to be outside his township after curfew hours. All these permits and registrations are entered in his passbook. Any police official may, at any time, demand to see any of these papers, and failure to produce them is an offense punishable by fine or imprisonment. The number of pass offenses average over 3,000 a day. It has been said that the number of technical offenses of which an African may be guilty is such that any police official can arrest any African at any time and be sure of obtaining a conviction.

Trade and industrial unions in South Africa are segregated by race. Africans have the right to organize but cannot bargain collectively or strike. In 1959, jobs were reserved and classified for different races, mainly to protect white workers in time of unemployment.⁵

Theoretically, all skilled work is kept for whites. Because of the shortage of white workers, however, blacks are moving into higher skill levels. But low black wages are maintained by two methods: 1) fragmentation, which breaks complex jobs down into their simpler component parts, and 2) downgrading, which reclassifies jobs into levels of lesser skill by renaming them.⁶

Historically, non-whites have also been relegated to inferior jobs in white households and on white-owned farms. In many instances, these jobs pay sub-subsistent wages.

In 1970, the United States had \$864 million (book value) invested in South Africa.⁷ U.S. exports to South Africa and Namibia represented \$563 million in 1970. Imports were \$288 million. U.S. trade is important to South Africa. It represents about 17% of her imports and 13% of her exports (excluding gold).⁸

While U.S. corporate investment accounts for only 12% of all foreign investment in South Africa, this

investment is in the strategically most important sectors of the economy: construction, petroleum and chemicals, electronics, motor vehicles and diamond mining.

South Africa is moving toward economic self-sufficiency with the support and, in some cases, the leadership of American corporations. Moreover, many U.S. companies have worked closely with such government agencies as ISCOR (South African Iron & Steel Corporation), ESCOM (Electric Supply Commission), SOEKOR (Southern Oil Exploration Corporation) and SASOL (South African Coal, Oil and Gas Corporation).⁹

In South Africa's race toward economic self-sufficiency, she lacks one strategic material: oil. Major American firms are working hard to resolve this problem. After Superior Oil's discovery of petroleum gas off the coast of South Africa in March 1969, exploration activity has increased. There are now 20 American oil companies with concessions in South Africa.¹⁰

Standard Oil of California and Texaco jointly own Caltex of South Africa. Caltex, Mobil and Esso (Standard Oil of New Jersey) control approximately 44% of the market for all petroleum products in South Africa.¹¹ Caltex and Mobil own two of South Africa's three major refineries and refine half of her imports.¹²

Caltex employs 550 non-whites out of 1700 employees, paying a minimum wage of \$18.20 weekly for unskilled non-white workers in Cape Province, while paying a minimum wage of \$43 for white workers.¹³

Standard Oil of California consolidated subsidiaries hold net acreage in fee or under lease, option, or reservations in Southern Africa as follows:¹⁴

South Africa	1,719,680 acres
Mozambique	3,410,200 acres
South West Africa	710,400 acres

American automobile manufacturers are also represented in South Africa. The American motor industry in South Africa is now worth \$420 million, setting a sales record in 1969 of 256,000 vehicles sold, a rise of 21% over 1968 and nearly double the level of sales in 1963.¹⁵

General Motors has had a South African assembly plant since 1926. In 1969 it sold 31,701 vehicles for 17.8% of

the market. GM has two plants in South Africa employing a labor force of 6,500 of which 3,500 are non-whites. Its total investment in South Africa is \$125 million.¹⁶

The beginning wage rate for Africans and Coloureds at a GM engine plant at Aloes, South Africa is \$.52 an hour or \$83 a month. A semi-skilled worker, usually a Coloured, receives between \$.70 and \$1.00 an hour. Machine setters and changers, mostly whites, earn between \$1.40 and \$2.00 per hour. A skilled artisan, always white, receives over \$2.10 an hour.¹⁷ This average African monthly wage of \$83 is just above the poverty line, while monthly white earnings reach \$560.¹⁸

Ford Motor Company has been in South Africa since 1924. In 1969, the company sold 49,476 vehicles for 19.3% of the market. Ford's total investment in South Africa is \$63 million.¹⁹ The company has an engine plant, a parts and accessories division, a proving ground and an assembly plant in operation. In addition, Philco-Ford, a Ford subsidiary, does research, development and production of communications and control systems for missiles and satellites, weapon and space systems, missiles, instrumentation and advanced electronics, as well as special purpose computers.²⁰

Minimum wages at Ford are \$.56 to \$.84 an hour, and jobs are divided into 12 grades. The highest position for a non-white (Coloured) is Grade 7 which pays \$1.12 an hour. The highest grade for whites pays up to \$3.50 an hour.²¹

Chrysler established its first distributorship in South Africa in 1929. The company has now invested \$35 million in its operation in the Silverton industrial area near Pretoria, which will include a main assembly line producing an average of 200 cars per day. In 1969, with a total investment of \$60 million, Chrysler sold 19,921 motor vehicles or 7.8% of the total market.²²

The average wage for an African worker in the Chrysler Park plant mentioned above is \$81 a month, \$3 below the Government's poverty line for an African family of five. The company's Chrysler Park Labor Relations Officer said that if wages were raised too quickly, "you'd only have more drunkenness and more absenteeism."²³

American Motors Corporation is also in South Africa. The Corporation recently bought Kaiser Jeep of South Africa, which produces jeeps and jeep parts used for tactical military vehicles. American Motors also owns 40% of a company which produces Toyotas, Volvos and Ramblers. In 1968, Kaiser Jeep began construction of a \$2.8 million plant which will reach a production quota of 500 vehicles a month.²⁴

Rubber production in South Africa is also dominated by American firms: Firestone, Goodyear and General Tire and Rubber. Firestone first registered as a distributorship in 1930, producing tires in 1936. Goodyear was established earlier, in 1913, and now controls over one-third of the South African market. At Goodyear's Vitenhage factory the beginning wage rate is \$.33 1/2 per hour for black, unskilled labor and \$.56 per hour for semi-skilled work. General Tire and Rubber Company registered in South Africa in 1947, beginning production in 1949. The company also has a \$588,000 share in the Synthetic Rubber Company in South Africa and has spent \$1.4 million on plant expansion in 1970.²⁵

IBM has been in South Africa since 1952. Because of its favorable investment rate, IBM invested an additional \$3.42 million in 1971 by buying shares in a South African company, which nearly doubled its capitalization, now \$8.4 million.²⁶ A large part of IBM business in South Africa is placing the "pass system" under an IBM 360/50 computer, which will be rented by the government at a monthly cost of \$43,978.72.²⁷ Thus, all the information used to register, regulate and control African labor under the tax and "pass laws" will be processed into an easily accessible form which can be used to suppress the majority of South Africans.

Polaroid Corporation has also assisted the South African Government in its policy of "apartheid." Last year, Polaroid film and cameras were used to produce about 20% of the photographs for "passbooks."²⁸ Although Polaroid has no subsidiaries in the country, it sells its products through an independent distributor, Frank & Hirsch Propriety, Ltd. In 1969, Polaroid's sales in South Africa represented nearly 0.5% of its worldwide sales, or about \$2.5 million. According to the company's calculations, the amount resulted in giving \$350,000 directly to the South African government in the form of duties and taxes.²⁹

Namibia (South West Africa)

Namibia is administered, with few exceptions, as if it were a fifth province of South Africa. Like South Africa, it is controlled economically and politically by white racists. "Non-Europeans" have no right to vote or own land outside their reserves although they constitute a majority of the population (70%).³⁰ Like their fellow Africans in the Portuguese colonies, they subsist under a harsh contract labor system.

The movement of Africans within Namibia is controlled by South African occupation forces. Two-thirds of the country, including cities, ports, mines, transportation and communication facilities, is now a "white area." Africans are being forced into twelve "reserves." Ovamboland is the first of these to be established. Africans from Ovamboland are forced to find jobs through the South West African Native Labor Association. The contract period for Africans is usually one year. They work for several foreign firms for approximately \$11.55 a month. Workers on contract are prohibited from bringing their wives or children, must not leave the employment area, change jobs, or cancel the contract. They must return to Ovamboland when the contract ends and only leave for a similar contract.³¹

American firms take full advantage of this labor system in Namibia. American Metal Climax and Newmont Mining Corporation are two of the largest American firms in Namibia. Each holds 29% of Tsumeb Corporation, which extracts valuable minerals from Namibia. Estimated profits were well over \$15 million in 1970.³² Tsumeb paid the South African Government \$9.58 million in taxes in 1969.³³

Zimbabwe (Rhodesia)

Zimbabwe is a land in which 250,000 whites rule 5 million blacks and where the government has patterned racial legislation after that of South Africa.

In 1970, Rhodesia adopted a new constitution which allotted 50 seats to whites in a 66-member parliament. Of the 16 seats allotted to blacks, 8 are elected by the Council of Chiefs. Since the Council is appointed by the Government, these 8 members generally support the Government line. The Constitution provides the 250,000 whites with 44 million acres of land and the five million blacks

with 45 million acres. The Land Tenure Act, which is part of the Constitution, bars interracial worship and interracial association for religious work.³⁴

Zimbabwe is in the process of moving toward an "apartheid" system as in South Africa. Voter qualification is divided into two voting classes, based on income, property held and level of education. Since whites hold all skilled higher-income job categories, the best agricultural land and the majority of wealth, there is little opportunity for African advancement. The African majority (95%) is also divided into two separate tribal areas: Matabeleland and Mashonaland.

United States investments in Zimbabwe were valued at \$57 million in 1970.³⁵ There are 54 subsidiaries of U.S. firms operating in the country (see Appendix B), one of the largest being Ford Motor Company.

I.T. & T. owns Supersonic Radio Manufacturing Company, which has a functioning plant at Bulawayo, manufacturing radios, record players, stereo sets, amplifiers and television sets.³⁶ St. Regis Paper owns 25% of the equity of Rhodesian Pulp and Paper.³⁷

American firms are also heavily involved in the Rhodesian mining industry. Union Carbide is the largest, owning four subsidiaries with a gross investment of \$17 million.³⁸ In January 1970, Union Carbide subsidiaries paid African employees \$46 to \$130 per month while the pay for whites was from \$122.50 to \$750 per month.³⁹

Portuguese Colonies

Portugal has ruled three African colonies by military force for over 400 years. Portuguese colonial policy to this day has been moulded by the early patterns of slavery, trade and pacification.

In 1869, slavery was officially abolished throughout the Portuguese empire. Ex-slaves were then drafted under the contract labor system. This law declared that every man had the obligation to work; "if they did not fulfill it, public authority may enforce a fulfillment."⁴⁰

People were driven to work on the plantations, diamond mines, and public projects under threat of imprisonment and beating. Many Africans were even forced to cultivate crops on their own land for little or no wage.

A virtual police state exists in the Portuguese colonies. Strikes and political protests are illegal and thus, there is little opportunity for political activity. No political parties are allowed apart from the official National Union and the vote is restricted to those who can read and write Portuguese.

In the Portuguese colonies, Africans may acquire an "assimilado" status, and thus become Portuguese citizens. This procedure, however, requires proof of ability to speak "correct" Portuguese, proof of a certain income level, proof of "good character," numerous documents and certificates submitted to the authorities, and a fee. In Angola, a Portuguese colony, only 30,000 out of over 4 million Africans, have become "assimilados." In Mozambique by 1950 there was a total of 4,353 "assimilados" out of a total population of 5 1/2 million Africans.⁴¹

The unassimilated Africans (indigena) have no citizenship. They must carry identity cards and be subject to all labor regulations. They suffer endless prohibitions, such as being excluded from certain areas of the towns after dark.⁴² The indigena cannot acquire title to land, may not engage in any commercial activity and do not have the educational opportunity to enter a profession. In theory, indigenas are still considered to be living in their tribal organizations. Like the Rhodesian system, the Portuguese colonies closely resemble the South African system of "apartheid."

There is very little prospect for Africans gaining any position of authority in the colonies, since Portuguese citizens control the labor market, industry, the military, education and the government. Hence, the answer has been a protracted guerrilla war which began in 1961 in Angola; in 1963 in Guinea-Bissau and in 1964 in Mozambique.

There are almost 40 U.S. firms involved in the Portuguese colonies, with at least 25 active in Angola and in the enclave of Cabinda, between the People's Republic of the Congo and Zaire. The most important of these firms are seven major oil companies. The largest single investor, Gulf Oil Corporation, had invested \$130 million by 1969. During most of 1970, exports of crude petroleum from Cabinda alone approximated 400,000 tons a month, and total exports for the year exceeded 4.2 million tons.⁴³ According to a statement made by a representative of Gulf in May 1971 to the Congressional Sub-Committee on Africa, at the end of

1970 the company had paid a total of \$30 million in taxes, royalties and special payments to the Government of Angola.⁴⁴ (The Angolan budget allocation for military expenditures for 1969 was \$44 million.⁴⁵) Texaco was granted its first concession in 1968 and has invested \$15.5 million. Essex Corporation, Union Carbide, Mobil and Standard Oil of California are also in the oil race.⁴⁶

Various U.S. companies also distribute their products in Angola: Singer Sewing Machines, Pfizer Laboratories, National Cash Register, Caterpillar Tractor and several others. A few U.S. companies are involved in manufacturing. Among these is General Tire and Rubber Company.⁴⁷

Several American oil corporations have entered into consortiums in Mozambique. In 1957, Gulf and Pan American Oil Company began prospecting for oil and have expended over \$22 million to date. In 1967, Clark Oil, Shell Oil and Sunray were granted a three-year on-and-off-shore oil concession costing the companies \$6 to \$7 million.⁴⁸

CALIFORNIA INVOLVEMENT

The State of California buys goods and services and invests funds in American corporations which benefit from the slave labor economies and racist political systems now in existence in white ruled countries in Southern Africa.

The State of California has over \$1 billion invested in firms that operate in Southern Africa out of a total investment of over \$5 billion. California investment is outlined as follows:

	<u>Total</u>	<u>Firms Operating in Southern Africa</u>
1. Legislator's Retirement System	\$ 1,221,400	\$ 203,888
2. Public Employee's Retirement System	4,300,000,000	798,019,368
3. University of California	<u>892,000,000</u>	<u>340,000,000</u>
Total	\$5,193,221,400	\$1,138,223,256

1. Legislators' Retirement System*

Of the three public entities mentioned in this report, the Legislator's Retirement System has the smallest amount of investment in firms operating in Southern Africa. This investment totals \$203,888.49 (book value).

The Legislator's Retirement System has a total of \$1,221,400.72 invested, which has had a net investment income of \$505,533.88 since 1947. Income from investments in fiscal year 1970-71 totalled \$85,079.04.

The following are firms which operate in South Africa and receive investments from the California Legislator's Retirement System:

<u>Par Value</u>	<u>Company</u>	<u>Book Value</u>	<u>Yield</u>
\$ 24,000	General Motors Acceptance Co.	\$ 21,660.43	6.32%
40,000	General Motors Acceptance Co.	31,661.16	7.61
152,000	Ford Motor Credit Co.	150,566.90	5.54

2. Public Employees' Retirement System**

Investments held by the California State Public Employees' Retirement System total over \$4.3 billion (book value). The total book value of stocks and bonds held in companies operating in Southern Africa as of June 30, 1971 was \$798,019,368.

*Source: *Legislators' Retirement System*, pp. 16-20.

**Source: *Fortieth Annual Financial Report and Report of Operations of the Board of Administration, California Public Employees' Retirement System, Fiscal Year 1970-71.*

Value Held in Companies
Operating in Southern Africa

Bonds

book	market
\$469,986,557	\$408,902,466

Common Stock

book	market
\$306,709,668	\$339,559,795

Preferred Stock

book	market
\$ 21,323,143	\$ 26,216,425

Total Bonds and Stock

book	market
\$798,019,368	\$774,678,686

BONDS

<u>Companies</u>	<u>Book</u>	<u>Market</u>
International Bank for Recont. & Devel.	\$57,309,875	\$50,321,153
Import-Export Bank	8,932,021	7,290,000
Lykes Brothers Steamship Co., Inc.	2,477,000	2,477,000
Allied Chemical Corp.	15,244,325	12,392,440
Cities Service Gas Co.	3,429,000	3,429,000
Tenneco Corp.	7,725,044	6,470,850
American Cyanamid Co.	4,058,635	4,111,676
American Home Products Corp.	1,102,745	1,102,745
Armco Steel Corp.	4,230,567	3,159,655
Ashland Oil & Refining Co.	4,099,448	2,938,706
Atlantic Richfield Co. (ARCO)	8,547,531	8,798,696
Bethlehem Steel Corp.	5,474,879	5,052,941
Borden Co.	7,047,705	5,020,032
Carnation Co.	6,886,201	6,886,201
Caterpillar Tractor Co.	7,870,454	6,675,425
Chevron Stations Inc.	11,292,427	11,292,427

<u>Companies</u>	<u>Book</u>	<u>Market</u>
Crown Zellerbach Corp.	\$13,114,861	\$13,248,364
Deere & Company	3,000,000	2,107,260
Dow Chemical Co.	34,524,396	31,844,824
Firestone Tire & Rubber Co.	11,929,224	8,700,000
Ford Motor Co.	4,523,000	4,523,000
General Electric Co.	27,769,562	26,808,591
Goodyear Tire & Rubber Co.	2,225,000	2,305,611
Gulf Oil Corp.	9,979,880	9,852,520
Honeywell Inc.	8,181,263	6,510,173
Kaiser Aluminum & Chemical Corp.	3,219,422	4,541,000
Kennecott Copper Corp.	8,922,403	8,812,162
Kimberly Clark Corp.	1,815,000	1,354,218
Mobil Oil Corp.	26,245,376	18,099,050
National Cash Register Co.	1,983,016	1,427,744
Phillips Petroleum Co.	5,000,000	5,000,000
Pillsbury Co.	2,479,763	2,479,763
Shell Oil Co.	26,712,992	22,165,960
Singer Co.	3,390,072	3,390,072
Standard Oil Co. of California	9,568,473	7,467,520
Standard Oil Co. of New Jersey	739,122	671,250
Texaco Inc.	7,879,857	6,407,000
Union Carbide Corp.	7,870,823	7,870,823
U.S. Steel Corp.	15,637,074	11,525,562
Westinghouse Electric Corp.	8,357,165	7,242,000
Weyerhaeuser Co.	7,500,000	6,924,666
Chase Manhattan Bank	10,000,000	7,225,000
Ford Motor Credit Co.	5,930,982	6,210,558
General Motors Acceptance Corp.	45,759,974	36,768,828

COMMON STOCK

Celanese Corp.	2,199,769	2,271,800
Dow Chemical Co.	11,797,511	15,438,910
duPont	6,678,714	6,906,800
FMC Corp.	9,001,224	10,166,813
Olin Corp.	4,281,786	3,828,262
Abbot Laboratories	16,550,499	14,921,250
Pfizer, Inc.	5,103,461	6,510,350
Richardson-Merrell, Inc.	8,294,447	10,303,550
Upjohn Co.	7,314,274	10,440,000
Warner-Lambert Co.	11,527,470	15,800,075
General Electric Co.	20,378,243	27,641,250
Singer Co.	16,443,637	17,169,750
I.T. & T.	7,709,894	9,337,500
Motorola, Inc.	2,581,791	3,454,875
Burrough's Corp.	15,322,258	17,090,500

<u>Companies</u>	<u>Book</u>	<u>Market</u>
IBM	\$46,235,432	\$44,697,000
Xerox Corp.	11,236,756	15,080,000
Eastman Kodak Co.	11,451,453	11,892,150
Ford Motor Co.	5,167,536	5,650,000
General Motors Corp.	10,918,542	11,069,587
International Harvester Co.	5,563,533	5,444,887
Goodyear Tire & Rubber Co.	11,298,222	13,250,000
Factor (Max) & Co.	8,310,926	8,826,250
Gillette Co.	4,253,752	4,471,250
Revlon Inc.	9,913,693	12,008,325
Del Monte Corp.	1,435,550	1,693,200
Atlantic Richfield Co. (ARCO)	5,185,331	5,118,750
Gulf Oil Corp.	10,969,167	10,353,750
Standard Oil of New Jersey	6,679,066	6,286,275
Texaco, Inc.	12,905,731	12,436,687

PREFERRED STOCK

I.T. & T., \$4.00, Convertible, Series H	\$ 4,044,974	\$ 4,476,950
I.T. & T., \$4.00, Convertible, Series K	6,464,153	7,827,750
I.T. & T., \$2.25, Convertible, Series N	6,824,826	10,721,725
ARCO, \$2.80, Convertible	3,989,190	3,190,000

Total income from all investments was \$214,687,219. The average yield on purchases of fixed income securities (bonds, mortgages) was 8.45%; and on equities 2.95% based on current dividend income, providing an average yield on new investment of 6.82%.⁴⁹

3. University of California

In fiscal year 1970-71 the University of California Board of Regents managed over \$892 million of investments in bonds, mortgage loans and notes, public utilities, real estate and common and preferred stock. This investment was derived from the University Endowment, Pension and Variable Annuity Funds. Over \$340 million (40%) of this investment is held in corporations or their subsidiaries currently operating in Southern Africa. The following are partial lists of University invested common stock funds in firms which operate in Southern Africa:* [For footnote, see bottom of following page.]

Endowment Funds

<u># of Shares</u>	<u>Company</u>	<u>Book Value</u>	<u>Market Value</u>
327,654	Caterpillar Tractor	\$8,521,743	\$15,973,132
47,515	IBM	1,591,484	15,062,255
83,912	Eastman Kodak	939,800	6,513,669
90,118	General Electric	2,219,306	5,474,668
58,505	General Motors	2,042,399	4,629,208
98,085	Texaco	1,447,893	3,493,316
39,976	Standard Oil of New Jersey	1,436,686	3,013,191

Pension Funds

27,185	IBM	\$2,822,284	\$8,617,645
69,200	Atlantic Richfield	3,605,647	5,060,250
78,400	General Electric	3,226,058	4,762,800
60,000	Warner Lambert	2,871,390	4,597,500
32,200	E. I. duPont de Nemours	4,714,475	4,483,850
111,100	Pfizer	2,142,832	4,277,350

Variable Annuity Funds

2,350	Chrysler Corp.	99,431	64,625
2,100	General Motors Corp.	163,513	166,163
5,500	American Cyanamid Co.	176,021	182,188
6,800	FMC Corp.	151,625	182,750
4,500	Pfizer, Inc.	129,296	173,250
3,000	Revlon, Inc.	202,698	200,250
2,550	Warner Lambert Co.	154,588	195,394

*Source: Treasurer's Annual Report, *University of California, Fiscal Year 1970-71*, pp. 9-15.

The University also has Current Funds and Plant Funds invested in firms operating in Southern Africa.⁵⁰

The return on Endowments, as of July 1, 1971, reached 6.32%, on Pension Funds 4.85% and on Current Funds, 7.18%.⁵¹

Endowment and Pension Funds hold an investment portfolio of \$10,375,000 (market value) in I.T. & T. convertible preferred stocks.⁵²

California also buys goods and services from over two hundred firms which invest in the Republic of South Africa, Zimbabwe (Rhodesia), Namibia (South West Africa) and the Portuguese colonies of Mozambique and Angola (see Appendixes A, B, and C). These countries enforce the most brutal racial segregation policies known to man.

Since many state contracts span a period of several years, it is impossible to document the total amount of business California does with firms operating in Southern Africa. Examples of California's involvement, however, are numerous. Some examples are cited below.

Allis Chalmers Manufacturing Company, which provided the Republic of South Africa with atomic energy⁵³ has California as one of its best customers, providing goods to the state worth more than \$10 million in 1970.⁵⁴

Standard Oil of California, which jointly owns Caltex and operates in the Portuguese colonies and South Africa, is the largest supplier of gasoline, oil and transmission fluid to the State of California for its fleet of state cars. Standard Oil's 1972 contract with the state totals \$7,472,150.⁵⁵ Standard Oil also contracts with the Department of General Services to supply bulk gas, lube oil, grease, solvents and thinners. These contracts will account for \$3,358,750 in 1972.⁵⁶ (Standard Oil of California's overall net income surplus in 1970 was \$454,817,000.)⁵⁷

The "Big Three" American automobile manufacturers, Ford, Chrysler and General Motors, which have been an important part of the South African economy for decades, sell to the State of California an increasing number of motor vehicles. In 1972, California will buy \$8,634,636 worth of cars and trucks from the Big Three, including motor vehicles for the CHP which cost \$5,723,697.⁵⁸

Major American rubber manufacturers have also been located in Southern Africa since the early 1900's. In 1971, these firms -- Firestone, Goodyear and General Tire and Rubber -- sold the State of California goods and services costing the taxpayers over \$133,600.⁵⁹ Goodyear also supplied storage batteries and electrolite to the state at a cost of \$218,295.70.⁶⁰

Under the direction of the Pooled Money Investment Board (PMIB), the State Treasurer is responsible for the investment of the state's temporarily idle money. The PMIB has authorized the Treasurer to invest not more than \$225 million in prime commercial paper and under this authority the Treasurer invested about \$175 million in commercial paper in the last fiscal year.

The Treasurer is authorized to loan state funds to 23 corporations of which at least eight are presently economically involved in Southern Africa. In the time available, it has not been possible to determine the amount of money loaned to these companies, because of the short range nature of the loans and the resultant turn-over.

In summary, there are three major areas of financial involvement between the State of California and firms investing in Southern Africa: public entity investments, state purchases and PMIB investments. This involvement is conservatively estimated to be over \$1 billion and may approach \$2 billion.

CONCLUSION

By its very presence in Southern Africa, American business lends tacit political support and legitimizes the ruling white minority governments in those countries. The South African government has long recognized this political fact. Speaking to Parliament in 1970, Dr. Hilgard Muller, South African Foreign Minister, said:

Over the past ten years since Sharpeville,
the international climate has definitely*

*On March 21, 1960, in the township of Sharpeville, South Africa, Africans gathered for a non-violent demonstration protesting the government's "pass laws." White police opened fire, killing 69 and wounding nearly 300. In the aftermath, world opinion turned against South Africa. The

taken a favorable turn for South Africa. To a very great extent, this is attributable to the remarkable economic growth, as a result of which South Africa falls under the twelve or fifteen most important international trading countries today. The fact remains that in the long run the international power and influence of any state is largely determined by its economic strength....Countries are bound...together by economic ties....⁶¹

The international business community argues that by investing more in South Africa, Blacks will be brought into the mainstream of the economy. This concept is not reflected by the facts.^{61a}

In South Africa, during the period from 1936 to 1966, the disparity between wages earned by white and African miners increased from a ratio of 12:1 to 18:1. Since 1966 the gap has continued to widen.⁶² During the period 1960-69, the percentage of national income received by Africans dropped from 26% to 18.8%. In 1960, African income per person represented 11.2% of the white income per person; by 1969 it had dropped to 8%.⁶³

An article in the South African *Financial Mail* on March 26, 1971, commented on the widening wage gap between white and black workers in the main industrial sectors of the economy. It showed that in manufacturing the white/black ratio had increased from 5.1 to 1 in May 1966 to 5.7 to 1 in January 1971, while in the mining industry the ratio of 17.5 to 1 had increased to 20.3 to 1.⁶⁴

The increase in American investment and trade over the years has not alleviated poverty for black Africans, nor has it gained them the right to vote or control their own economic destiny.

American corporations have done little if anything against the policy of "apartheid" in Southern Africa. In fact, American firms continue to heavily subsidize the South African Foundation, a voluntary organization which propagandizes the South African "way of life" and tries to

country was condemned by the U.N. and South Africa was forced to withdraw from the Commonwealth. With the aid of the international business community, including a ten-member bank consortium which extended a \$40 million credit to the government, South Africa has managed to ride out the international storm, increase trade and increase her application of "apartheid."

stem the tide of ignorance, criticism, and misrepresentation against the Republic.⁶⁵ In other words, the Foundation spends thousands of dollars annually to convince the international community that "apartheid" is the proper approach to the racial situation in South Africa. Among the list of subscribing members of the Foundation are John Deere, Caterpillar, Mobil Oil, Caltex, International Harvester, Union Carbide, Chrysler, General Motors and Barlow-Weyerhaeuser.⁶⁶

According to a 1969 survey of American businessmen in South Africa,⁶⁷ 77% of those interviewed felt that South Africa's racial policies represented

an approach that is, under the circumstances at least, an attempt to develop a solution.

Less than one in ten felt that the approach was *altogether incorrect*. Of those polled, 63% would have voted for parties strongly supporting the system of "apartheid."⁶⁸

As far as the attitudes of American businessmen regarding the African's place in society and on his job, one Chrysler executive said

*The African doesn't want a trade union. He isn't used to democracy. He is used to an authoritarian, hierarchical tribal structure. He accepts the white man as his guardian.*⁶⁹

The Alternative for American Firms and California

The American corporations would appear to have one of two choices. One choice would be to actively oppose the racist policies of the government through political action and by directly disobeying racial laws in the conduct of American businesses. This course appears to hold no chance of success. In fact it is highly questionable that any company can genuinely oppose "apartheid" or racial suppression and still do business in Southern Africa.

Therefore, the one and only real alternative for American firms in South Africa is complete disengagement. The question of employee benefits and "equal pay for equal work" is not the overriding issue here. The real issue is that the American dollar has supported the Southern African economy and assisted racially oppressive regimes in perpetuating the most unjust, most barbaric, most

racially exploitative system of government against the African people, the rightful bearers of political power in Southern Africa.

The State of California, therefore, has no other choice than to follow the lead of organizations that have embarked on a new course towards complete disengagement - on August 22, 1972, the World Council of Churches voted overwhelmingly to liquidate their \$3.5 million holdings in corporations conducting business in white-ruled Southern Africa.⁷⁰

* * *

Background to the Domestic Struggle

National Protestant churches, African interest groups and University students have already organized in opposition to the continued American corporate presence in white-ruled Southern Africa. The most diligent struggle has been against Gulf Oil Corporation, which has a large economic stake in the exploitation of the Portuguese colonies of Angola and Mozambique. In 1969 a number of church groups and the American Committee on Africa (AOA) formed a Southern Africa Task Force to prepare a research paper on Gulf Oil Corporation's role in Angola. Pursuant to its publication several Protestant denominations and African research and interest groups met with Gulf officials to present their concerns. Seeing that this had no effect, the citizen and church coalition decided to confront Gulf stockholders at their 1970 meeting, by calling upon Gulf to withdraw from Angola and discontinue support of Portuguese colonialism. While these demands were ignored by management, the Task Force became more determined in their battle against corporate intransigence.

At the 1971 and 1972 Gulf Stockholders' meetings, the Southern Africa Task Force of the United Presbyterian Church presented resolutions to, among other things, establish a Committee to examine Gulf's involvement in Portuguese Africa and to prohibit Gulf investment in colonial ruled areas.⁷¹ Although these resolutions were overwhelmingly voted down, Gulf has printed a statement in their company magazine, *The Orange Disc*, which details Gulf's past and present operations in Cabinda, Angola, and its "beneficial effect" on the African population. Gulf's declaration states affirmatively that it will remain entrenched in Angola.⁷²

While the fight against Gulf has proved fruitless, a small victory was recorded in Dayton, Ohio in December 1971. The Dayton City Council rejected Gulf's low bid for gasoline and accepted a slightly higher offer because of Gulf Oil Corporation's bad minority hiring record and the implications of its activities in Angola.⁷³

Other multinational corporations such as IBM, IT&T, General Electric, Ford, Goodyear, Mobil Oil, American Metal Climax (AMAX) and Polaroid have also been exposed and are under attack by church, student and citizen groups. Mobil Oil Corporation has recently agreed to inform its stockholders about activities of Mobil affiliates in the Republic of South Africa.⁷⁴

Student groups at the University of Michigan, the University of Wisconsin and Columbia have attacked AMAX, Gulf, First National City Bank, Kimberly-Clark, G.E., Cutler-Hammer and others which operate in Southern Africa while these corporations were on campus recruiting students for corporate positions.⁷⁵

As a result of these activities:

- i) firms that operate in Southern Africa are no longer eligible to use University of Michigan Placement Services.⁷⁶
- ii) In a more recent action, Harvard University's investments in racist-ruled Southern Africa have been exposed.⁷⁷
- iii) Columbia has agreed to divest itself of all Gulf stock as a result of an evaluation process relating to the social responsibility criteria.⁷⁸
- iv) It has also been reported that Yale University has decided to become a participant stockholder and vote its institutional conscience at stockholder's meetings. Yale's endowment runs to \$500 million, much of it invested in common stocks of such corporations as Gulf Oil, Warner-Lambert, Kennecott Copper and Southern California Edison.⁷⁹

No action has yet been taken by the State of California to divest itself of stock in businesses investing in South Africa. However, state legislators have shown an increasing

interest in this issue. Pursuant to this report, Assemblyman Burton will introduce legislation in the 1973 Session which will include, but not be limited to, the following:

- *require all firms, in order to qualify as a bidder with the State of California, to report to appropriate state agencies the extent of their investments or other economic involvements in Zimbabwe, South Africa, Namibia, and the Portuguese colonies.*
- *require that the information be made public record; prohibit any firms which invests in the above listed countries from receiving a contract with the State of California.*
- *prohibit any firm which invests in the above listed countries from receiving a contract with any local public agency in the State of California.*
- *require the state and all local public agencies to divest themselves of all non-voting stock in firms which invest or are economically involved in racist held Southern Africa*
- *require the state and all public agencies to use their voting stock in firms operating in Southern Africa to pursue a policy of complete disengagement from such countries, and if after two consecutive stockholders' meetings, disengagement has not been accomplished or commenced, to sell their voting stock; prohibit the state from investing public funds in any firm which invests or is economically involved in white minority ruled Southern Africa.*

Finally, the legislation strongly urges the President and Congress, all states in the United States, and all public jurisdictions in California (such as the University of California) not to conduct business with or invest public funds in firms which invest or operate in racist ruled Southern Africa.

This proposed legislation will certainly face stiff opposition in the State Assembly since it will have to weather the counterattacks of business interests and lobbies. Indicative of the Governor's Office attitude to the proposals was the response given to the initial release of this report in July 1972:

"We haven't seen it, have not had an opportunity to read it and won't comment until we have had a chance to study it--if then." 80

The vast majority of California citizens would undoubtedly be opposed to the state's tacit partnership with firms lending support to the policies of racially oppressive governments in Southern Africa. In the face of the facts presented in this report and in the face of mounting criticism from the world community, the State of California in fulfillment of its duties on behalf of the people it serves would be remiss if it did not sever its ties with Southern African racism.
