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One Step in the Wrong Direction

**Permalink**

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**Journal**

Ufahamu: A Journal of African Studies, 11(3)

**ISSN**

0041-5715

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**Publication Date**

1982

**DOI**

10.5070/F7113017216

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## ONE STEP--IN THE WRONG DIRECTION

*The Sullivan Principles as a Strategy  
for Opposing Apartheid\**

By

Elizabeth Schmidt

### *Introduction - The Economics of Apartheid*

Since early 1977 American companies in South Africa have been endorsing and to some extent implementing an employment code called the "Sullivan Principles." Consisting of six principles, the code calls for desegregation of the workplace, fair employment practices, equal pay for equal work, job training and advancement, and improvement in the quality of workers' lives. As of October 8, 1981, 144 of the 350-odd American companies doing business in South Africa had signed the employment code. These companies employ approximately 83,133 "African," "colored" (mixed-ancestry), "Asian," and "white" workers out of a total national workforce of 9.4 million.<sup>†</sup>

Although worthy in principle, the employment code must be considered within the South African context. American companies in South Africa participate in a political-economic system called "apartheid," which has legally deprived the "African" people--72 percent of the South African population--of their citizenship and political rights and dispossessed them of their land. The "African" population has been relegated to "bantustans" or "homelands" created by the white minority government, impoverished areas which constitute only 13 percent of the South African territory. Consisting of poor, worn out plots of land without mineral wealth or industrial development, the "bantustans" serve as vast reservoirs of cheap labor for white farms, mines, and industrial centers. "Colored" and "Asian" people, who constitute another 12 percent of the South African population, are also deprived of political rights and are confined to ghettos in the "white" 87 percent of the country.

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\*Published in ACAS (Association of Concerned African Scholars) Newsletter, No. 7 (May 1982), pp. 30-36.

<sup>†</sup>The use of racial terminology is laden with political overtones emanating from the South African government's policy of "separate development." Therefore, all racial terms have been placed in inverted commas. As a group, the "African," "colored," and "Asian" people are sometimes referred to as the "black" population.

Cheap labor is the essence of the apartheid system. Unable to support themselves in the bantustans, "Africans" have sought work in the "white" economy. "Influx control" and pass laws have channeled them into the areas where their labor is needed, sending them back to the "bantustans" when their job is done. A growing number of security laws and an increasingly repressive security apparatus has severely hampered "black," and especially "African," trade union organization. Historically, "black" labor in South Africa has been both controlled and cheap.

A cheap and docile labor force has been a major drawing card for foreign businesses in South Africa. In April 1981 the South African Prime Minister P.W. Botha told the press, "Through the years we have brought about a situation in which the Republic is one of the best countries to reside and invest in."<sup>1</sup> South Africa's "white" population maintains one of the highest standards of living in the world, and the economy attracts major investors from North America, western Europe, and Japan.

#### *U.S. Corporations--Agents or Obstacles to Change?*

American companies have taken advantage of South Africa's "good investment climate," rapidly expanding their investments in the apartheid economy. Between 1943 and 1978 U.S. direct investment in South Africa grew from \$50 million to \$2 billion --an increase of 4,000 percent.<sup>2</sup> Even more important than the dollar value of these investments is their strategic significance. U.S. companies control the most vital sectors of the South African economy--33 percent of the motor vehicle market, 44 percent of the petroleum products market, and 70 percent of the computer market.<sup>3</sup> Perhaps most important is the transfer of American technology and expertise which are helping South Africa to become strategically self-sufficient. Once this goal has been achieved, South Africa will be able to cope with the prospects of international economic sanctions, resisting external pressures to change its internal policies.

In spite of their vital contributions to the apartheid economy, American businesses have insisted that they constitute a "progressive force" for change in South Africa. By adopting the Sullivan Principles, they hope to provide proof for their case and to promote a better image for American companies at home.

#### *Critique of the Sullivan Principles*

Criticism of the "progressive force" strategy in general, and of the Sullivan Principles in particular, has centered on two points. The first, and most important, focuses on the fact that American businesses have never used their leverage to force fundamental change in South Africa (i.e., the granting of equal

political rights to all South Africans, the abolition of influx control, the pass laws, and the policy of "separate development"). Their employment practices are little--if any--better than those in South African companies and affect only a fraction of the "black" workforce nationwide. What minimal benefits these corporations provide are of little significance compared to their strategic importance to the South African economy. With the help of American investments, technology, and expertise, the "white" minority regime is able to maintain a strong economy and a sophisticated security apparatus that quashes all political dissent. According to this logic, American companies have no business operating under such conditions, where their presence simply serves to preserve and perpetuate the status quo.

The second point focuses on the implementation of the Sullivan Principles themselves. Although of less significance than the first point, the second must be considered because there is a general misconception that the principles *are* actually being implemented.

Before analyzing the effectiveness of the code, it is important to note that American companies are highly capital-intensive, employing a disproportionate number of skilled (i.e., "white") workers. Thus, although "white" workers constitute only 20 percent of the workforce nationwide, they compose 35 percent of the workers in the Sullivan signatory companies. While "Africans" constitute 68 percent of the national workforce, they make up only 47 percent of the Sullivan signatory workforce. These companies employ only 0.6 percent of the "African" workforce in South Africa, and only 0.7 percent of the "African," "colored," and "Asian" workforce combined.<sup>4</sup>

The impact of the Sullivan reforms must be considered within this limited context. Such progress that occurs affects only a minute fraction of South Africa's "black" population. The following analysis assesses the achievements of the signatory companies more than four and one-half years after the initiation of the fair employment code.

#### *The Myth of Fair Employment*

According to data contained in the "Fifth Report on the Signatory Companies to the Sullivan Principles" (October 8, 1981), 42 percent of the subsidiaries responding to the fifth compliance questionnaire "need to become more active." The remaining 58 percent are considered to be "making good progress," or simply "making progress" in their implementation of the Sullivan Principles.

According to the report, a key achievement of the fifth reporting period is the desegregation of all facilities by 95

percent of the responding signatories (Principle #1). In these companies, the report states, "all signs are removed, all facilities are open and available to all races, and all other impediments to the use of the facilities have been eradicated." The report concludes that in 95 percent of the responding companies, "all races in a particular work area (are) able to all use the same locker room *which is associated with the work area.*" (Emphasis added.) The report does *not* note that "African" and "white" workers rarely share the same jobs, and thus, rarely occupy the same work areas. It does *not* state that until all job categories are integrated, *de facto* segregation will remain.

Under the heading for Principle #2 (equal and fair employment practices), the "Fifth Report" states that "nearly all reporting units (99 percent) indicate full support" of the right of all employees "to form or belong to a representative labor organization whether government registered or not." The report does *not* indicate the number of companies that have actually recognized and signed contracts with "black" trade unions. Other sources show that in 1980 only *two* American companies in South Africa (Ford and Kellogg) had signed contracts with "African" trade unions. Given the widespread demand for trade union recognition among "African" workers, the sincerity of the vast majority of the respondents is somewhat in doubt.

Data provided for Principle #3 (equal pay for equal work) is also misleading. According to the "Fifth Report," "All the reporting units indicated that they pay (Africans), coloreds, and Asians on the same scale as whites for the same period of time." The report does *not* point out that very few "Africans," "coloreds," and "Asians" work in the same job grade as "white" workers. Those who do usually find themselves at the low end of the wage range for that particular grade, and "whites" at the high end.

The great disparity between jobs held by "African" and "white" workers can be shown by analyzing data contained in the "Fifth Report." Such an analysis reveals that 76 percent of the unskilled workers employed by the responding signatories are "African." Twenty-four percent of the unskilled workers are "colored," and only 0.3 percent are "white." Seventy-two percent of the "African" workers employed by these companies work in unskilled or semi-skilled job categories. Only 3 percent of the "white" workforce can be found doing unskilled or semi-skilled work.

At the other end of the spectrum, 97 percent of the managers are "white," while only 1.5 percent are "African." Thirteen percent of all "white" workers are employed in managerial positions, compared to 0.1 percent of the "African" workers. Similarly, 3 percent of the professional workers are "African," while

90 percent are "white." Ten percent of all "white" workers are employed as professionals, compared to 0.3 percent of all "African" workers.

Although the report indicates that 244 "whites" are now supervised by "African" workers, it does not point out that this number constitutes only 0.8 percent of the "white" workforce. Moreover, only 3 percent of the "African" workers are employed as supervisors, compared to 13 percent of the "white" workers.

Given the overall concentration of "Africans" in unskilled and semi-skilled work and "whites" in skilled and white collar jobs, it is not surprising to find a huge discrepancy between "African" and "white" workers' wages. Where there is no equal work there can be no equal pay. Nonetheless, the "Fifth Report" indicates that "African," "colored," and "Asian" workers' wages rose seven percent more between July 1980 and June 1981 than "white" workers' wages. It does not note, however, that in 1979 the ratio of "white" to "African" wages in South Africa was 4.3 to 1 in manufacturing and 6.6 to 1 in mining.<sup>5</sup> Although "African" wages are increasing more rapidly in percentage terms, the actual gap between "African" and "white" wages is growing wider.

Given the minimal signatory progress in terms of Principle #4 (job training), the wage gap between "African" and "white" workers is destined to grow wider before it will narrow. According to the "Fifth Report," the pace of "African," "colored," and "Asian" advancement into higher-paying supervisory and managerial jobs "has been slow" (Principle #5). Since October 1979, when the "Third Report" was released, there has been "hardly any such advancement" for senior managerial jobs. The "black" workers' "share of managerial positions has remained small and relatively unchanging." The report concludes that this situation is partially due to "the sluggish growth in the rate of participation of ("black" workers) in training programs designed to prepare them for supervisory and managerial positions." Out of a total "African" workforce of 39,183 in 1981 there were only 34 managerial trainees, 60 professional trainees, and 153 supervisory trainees. At the managerial and supervisory level the proportion of "Africans," "coloreds," and "Asians" participating in training programs has declined significantly since 1979. In 1979 "black" workers constituted 72 percent of the supervisory trainees and 25 percent of the managerial trainees. In 1981 those figures were 42 percent and 11 percent respectively. Such a trend does not bode well for the future.

#### *Corporate Complicity in Apartheid*

While American businesses claim to be a "progressive force" for change in South Africa, the results of their own compliance

questionnaires paint a quite different picture. However, even more serious than their discriminatory employment practices is U.S. corporate complicity in the overall subjugation of South Africa's "black" population. As long as American companies are operating in South Africa, they must abide by South African law. The implications of this premise were made all too clear in 1980 when the South African government passed the National Key Points Act. This law requires all companies designated as "key" industries to cooperate with the South African Defense Forces in the event of "civil" (i.e., "black") unrest. Under the terms of the act, "key" industries will be offered financial incentives to buy weapons and other security equipment and to train company security guards. A number of subsidiaries of foreign corporations have been asked to form military commando units among their "white" workers. These military units will be responsible for guarding industrial plants from sabotage and unrest--presumably perpetrated by "black" workers and members of the "black" community. Under penalty of heavy fines and/or imprisonment of their top executives, foreign subsidiaries would be forced to obey the commands of the South African Defense Forces. They may not inform their parent companies whether they have been designated "key points." Nor may they report on any of their security-related activities.

Although the details of the key points plan are secret, it is considered likely that American auto companies, such as Ford and General Motors, and petroleum companies, such as Caltex, Mobil, and Exxon, have been designated "national key points." If such is the case, the operation of these companies in South Africa is far more detrimental to South African "blacks" than beneficial--no matter what the companies' employment practices.

#### *"Blacks" Say "No" to Employment Code*

Few "black" South Africans have been fooled by the corporate claim that U.S. businesses constitute a "progressive force" in South Africa. Early in 1981 Bishop Desmond Tutu, general secretary of the South African Council of Churches, told an American audience that this argument was "humbug" and said that the corporations were "lying." He added, "They must know that they are investing to buttress one of the most vicious systems since Nazism."<sup>6</sup> In his office in Johannesburg, Tutu elaborated on this theme:

*Involvement in South Africa is as much a moral as it is an economic issue. "Black" suffering is part of the economy from which the corporations are benefitting. Migratory labor, the deliberate starvation of people through (forced) resettlement --the corporations are involved in all of this.<sup>7</sup>*

Tutu dismissed the claim that economic prosperity leads to the liberalization of society. "There have been many economic booms in South Africa," he said. "But the benefits have not percolated down to the 'black' population." In fact, the reverse is true. Large corporations have profitted at the expense of cheap "black" labor. As for the argument that corporate withdrawal would lead to "black" suffering, Tutu retorted, "Since when have these companies been such altruists? The companies benefit from 'black' suffering and the repressive policies of the apartheid regime."

Other "black" South Africans are equally critical of American involvement in their country. Ben Motsuenyane is the only "African" manager at the Anglo-American Corporation, one of the largest and wealthiest mining houses in South Africa. According to Motsuenyane:

*Americans have been hoodwinked about the South African situation. They come here and fall into the system. As far as we are concerned, there has been absolutely no change. Our criteria for change are so different than the gimmicks that have been presented to us. As long as America recognizes insignificant changes, we will lose our citizenship.*

Motsuenyane concluded, "'Blacks' don't want big houses; they want to vote, to share in the decision-making. They want full participation in the economy of the country."

Critics of American involvement in South Africa are not appeased by corporate endorsement of the Sullivan Principles. Bishop Tutu claimed, "Our rejection of the code is on the basis that it does not aim at changing structures. The Sullivan Principles are designed to be ameliorative. We do not want apartheid to be made more comfortable. We want it to be dismantled."

Other critics maintain that the codes are actually "counter-productive," disguising the true nature of corporate involvement in South Africa. According to Bruce Evans, the Anglican Bishop of Port Elizabeth, "The employment codes disregard the economic role of multinational corporations in the South African economy. The whole problem is an economic one. Apartheid is there to hold up the economic system." Whether or not the corporations implement the employment code, they continue to bolster the apartheid economy.

"Black" trade unions have also opposed the employment code. FOSATU, a federation of "African," "colored," and "Asian" trade unions, charged that the Sullivan Principles "merely serve as camouflage for employers."<sup>8</sup> Fikki Ahshene, a spokesman for the FOSATU-affiliated National Union of Motor Assembly and Rubber



Workers of South Africa, said that most of his union's members are employed by Ford, General Motors, Goodyear, and Firestone. "We don't accept the Sullivan Principles," he said. "They were drawn up by the employers. Sullivan is on the Board of Directors of General Motors. He is part of the management." Ahshene added:

*South African workers had no say in the Sullivan code. If Sullivan wanted a big change in South Africa, he would have asked the workers what they wanted. Corporate priorities are not the workers' priorities. . . . The desegregation of eating facilities is not important to us. The Sullivan Principles are just a means of taking pressure off the American multinationals.*

A FOSATU organizer in Johannesburg similarly dismissed the Sullivan Principles on the grounds that they "are not the initiatives of labor." Employment codes, he said:

*. . . are not instruments that will help to build up an independent labor movement that can bargain for and enforce its own working conditions. The employment codes came from the outside. What workers need and want are independent workers' organizations, not pressure group tactics.*

"For labor," he concluded, "employment codes are not the issue." As long as signatory companies refuse to recognize representative "African" trade unions, even their good intentions will be suspect.

*The Call for Sanctions--"We Have Nothing to Lose But Our Chains"*

The Sullivan Principles, as a means of promoting change in South Africa, have been discredited by the "black" community. In place of such "contrived" pressures on the minority government, "blacks" are looking for "real" ones--political, economic, and diplomatic pressures. Although advocacy of economic sanctions, boycotts, divestment, or corporate withdrawal is a treasonous offense in South Africa, many "blacks" are risking heavy penalties and voicing their support for these measures. During his last tour abroad, after which his passport was revoked by the South African government, Bishop Tutu asked the European and American governments to implement "economic pressures" against South Africa. "If you fail us," he said, "don't blame our people when they say there is no hope for peaceful change."<sup>9</sup>

Many "blacks" in South Africa--workers, students, and church employees--feel that outside economic pressures, including sanctions and corporate withdrawal, are absolutely critical to their

struggle for liberation. "Don't be misled when they say, 'Blacks will suffer most if foreign companies divest,'" said one worker. "'Blacks' have been suffering for the past 300 years." A trade union organizer in Port Elizabeth, whose union recruits members from U.S. auto companies, elaborated upon this theme: "Workers are willing to lose their jobs if it will further the struggle." This man, along with the rest of his union's national executive, was detained in June 1981 under Section Six of the Terrorism Act. He is still in prison and can be held indefinitely without charge.

A "black" church worker in Johannesburg summed up the argument for economic disengagement: "Blacks" will not suffer most if corporations withdraw from South Africa, he said. "When a ladder falls, the man on the highest rung is hurt most. The people on the bottom escape with only a few bruises." However, he added, "The Western powers will always uphold and support this regime because of their investments. They have more to lose than we in this country. We have nothing to lose but our chains."

#### NOTES

<sup>1</sup>"South Africa as Seen by the Prime Minister," *The Star* (Johannesburg), 16 April 1981.

<sup>2</sup>Elizabeth Schmidt, *Decoding Corporate Camouflage: U.S. Business Support for Apartheid* (Washington, D.C.: Institute for Policy Studies, 1980), p. 4.

<sup>3</sup>*Ibid.*, p. 59.

<sup>4</sup>"Fifth Report on the Signatory Companies to the Sullivan Principles" (Cambridge, MA: Arthur D. Little, 8 October 1981), p. 20; Study Commission on U.S. Policy Toward Southern Africa, *South Africa: Time Running Out* (Berkeley: University of California Press, 1981), p. 80.

<sup>5</sup>Study Commission, *South Africa: Time Running Out*, p. 80.

<sup>6</sup>"Tutu Tells US to Act Against SA," *The Sowetan* (Johannesburg), 27 March 1981.

<sup>7</sup>Unless otherwise indicated, all quotations are taken from interviews conducted inside South Africa during the period March through May 1981.

<sup>8</sup>Steven Friedman, "Sullivan Code Author Flies into a Storm," *Rand Daily Mail* (Johannesburg), 3 September 1980.

<sup>9</sup>"Bishop Renews Attack on Apartheid," *The Sun* (USA), 10 April 1981.