

CHURCH PROJECT ON UNITED STATES INVESTMENTS IN SOUTHERN AFRICA—1973

Proxy Statement for:
International Business Machines
First National City Corporation
General Electric Co.
Caterpillar Tractor Co.

CHURCH PROJECT ON UNITED STATES
Investments in Southern Africa — 1973
475 Riverside Drive, Room 845
New York, New York 10027

March 19, 1973

I. Introduction

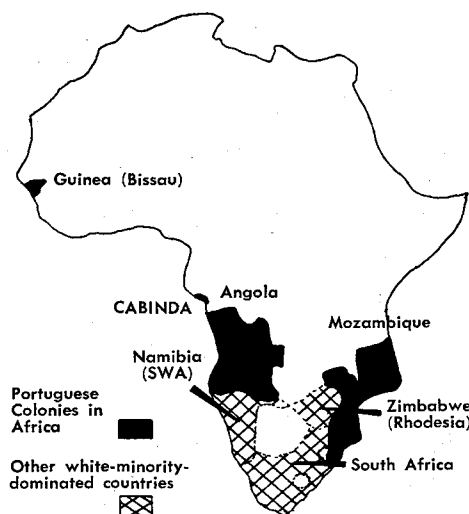
This proxy statement is provided in connection with the solicitation of proxies for a shareholder resolution that calls upon the corporation to disclose specific information concerning its investment in the Republic of South Africa. The resolution has been submitted to four corporations by participants in the Church Project for U.S. Investments in Southern Africa — 1973 ("The Project").

The resolution calls for a full disclosure of the details of the corporation's involvement in the Republic of South Africa, asking that a report with this information be sent to all shareholders within four months of the 1973 annual meeting. The report will include details of the history of the corporation's involvement in South Africa (excluding information considered to be competitive), charitable contributions made by the company, a listing of wages and employee benefits since 1962 broken down by race, a description of grievance procedures and international recruiting programs, a listing of laws affecting the Corporation's employment practices and a listing of services or products sold to the South African government since 1962. (See Appendix A for the full text of the resolution.)

The Project is a cooperative venture of boards and/or agencies of seven religious denominations and one independent organization of Episcopal Churchmen.

Denominational participants in various phases of the Project include:

1) the Committee on Social Responsibility in Investments of the Executive Council of the Domestic and Foreign Missionary Society of



the Protestant Episcopal Church in the U.S.A.;

2) the United Church Board for Homeland Ministries, the United Church Board for World Ministries, the United Church Foundation, the Pension Boards, United Church of Christ;

3) the Board of Christian Education of the United Presbyterian Church in the U.S.A., the Southern Africa Task Force of the UPUSA, the Commission on Ecumenical Mission and Relations of the UPUSA, the Board of National Missions of the UPUSA;

4) the Department of Education and Social Concern of the Unitarian Universalist Association (of Churches and Fellowships in North America);

5) the World Division of the Board of Global Ministries of the United Methodist Church, the Women's Division of the Board of Global Ministries of the United Methodist Church;

6) the American Baptist Board of Education and Publication, the

American Baptist Home Mission Societies;

7) the National Council of Churches of Christ in the U.S.A.; and

8) the Episcopal Churchmen for South Africa.

Each of the seven denominations represented in the Project has on the national level a variety of boards, agencies, funds, pension plans, etc. No attempt has been made to canvass all these boards, agencies, etc., to invite them to join the Project or to support this stockholder resolution. Participants in the Project are not attempting to speak for or represent any other national boards/agencies, local churches or individual Christians but to represent themselves and to act responsibly as institutional investors.

The Project itself does not own any stock in corporations, since it is essentially an ad hoc coalition of church agencies concerned about the role U. S. corporations play in Southern Africa. The participants in the Project who have submitted the stockholder resolutions and the respective corporations to which they have been submitted follow.

1) International Business Machines — Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America (8,496 shares, approximate value \$3,275,208);

2) First National City Corporation — The American Baptist Board of Education and Publication (3,428 shares, approximate value \$240,000);

3) General Electric Company — Board of Christian Education of the United Presbyterian Church U.S.A. (400 shares, approximate value \$28,400);

4) Caterpillar Tractor Company

— Women's Division, Board of Global Ministries, The United Methodist Church (8,000 shares, approximate value \$544,000).

Originally, the resolution was also filed with Xerox Corporation by the American Baptist Home Mission Societies; Burroughs Corporation by the Commission on Ecumenical Mission and Relations of the United Presbyterian Church U.S.A.; International Telephone & Telegraph Corporation by the Commission on Ecumenical Mission and Relations of the United Presbyterian Church U.S.A.; Texaco by the World Division, Board of Global Ministries, The United Methodist Church; Minnesota Mining and Manufacturing Company by the National Council of Churches; Eastman Kodak by the World Division, Board of Global Ministries, The United Methodist Church; and Ford Motor Company by United Church Board for World Ministries. These resolutions were withdrawn when the corporations substantially agreed to the request that reports disclosing this information be mailed to all shareholders.

This proxy statement solicits support for a proposal that will be presented at the 1973 annual meetings of these four corporations.

II. Purposes of Solicitation

Participants in the Project believe that corporations must serve larger social interests than the immediate maximization of profits if they are to survive as viable institutions in our society. Furthermore, they believe that the church has a particular responsibility to have its investment policies reflect its social concerns, which include opposing racism, exploitation, and oppression. Increasingly, churches, foundations, and universities are recognizing that investment policies must have this social aspect.

This point of view was well stated in a November 5, 1970, speech of Mr. B. R. Dorsey, then president of Gulf Oil Corporation: "Business has a responsibility to society that transcends the traditional business purpose of making money. This responsibility is to preserve the nat-

ural environment and to do whatever can be done to enhance the social environment. (M)aximum financial gain, the historical number-one objective of business, today drops to second place whenever it conflicts with the well-being of society. The first responsibility of business, then, is to operate for the well-being of society."

At the 1972 shareholders' meeting of Ford Motor Company, Henry Ford explained, "The social responsibility of the corporation today is fundamentally the same as it has always been: to earn profits for shareholders by serving consumer wants with maximum efficiency." Project participants believe that shareholders have the right to raise questions about the ways in which some of our profits are made.

Perhaps one of the most central issues regarding corporate responsibility has been the involvement of American corporations in Southern Africa. The Project is furnishing this proxy statement to solicit support for the "disclosure" resolutions concerning the South African investments of International Business Machines, First National City Corporation, General Electric Co., and Caterpillar Tractor Co.

South Africa: U.S. Corporate Involvement

Over 300 U.S. companies have investments in the Republic of South Africa, totalling upwards of \$949 million in 1971 according to the U.S. Department of Commerce.

South Africa is internationally known as a country where the system of apartheid reigns. Apartheid is a carefully stylized system of laws and customs which work to insure the continued domination and control of the white minority over the majority of the population made up of Africans, Coloreds and Asians. In 1970 approximately 15,058,000 Africans, 2,018,000 Coloreds (people of mixed descent), 620,000 Asians and 3,751,000 whites lived in South Africa.¹

Although black South Africans (including Coloreds and Asians) out-

numbered the white minority by 5 to 1, all political power is in white hands. Blacks have no vote. The lives and futures of black South Africans are thereby determined by the white population.

Apartheid permeates all segments of South Africa's life. All public services, social activities, housing, and education are rigidly racially segregated.

In fact, all persons in South Africa are classified under the Population Registration Act into racial categories. The act also provides for the issuance of identity papers to all persons but specifies that special documents called "passbooks" be carried by all Africans. All pertinent data is included in these passbooks and arrests are the order of the day for Africans whose passbooks are not in order. In 1969 the report of the South African Commissioner of Police shows that 632,077 people were arrested and tried for breaking the pass laws—e.g., not having permission to be in a city. The "pass laws" are an essential component of police and government control over Africans.

The pass laws are but one of a set of restrictive laws in South Africa that has earned it the title of a police state by many. The Terrorism Act of 1967 gives the government the right to detain any person indefinitely without trial or appeal as a terrorist who is "embarrassing the state in the administration of its affairs."²

The government has repeatedly used this power to silence opponents and has banned all black political organizations, imprisoning many black leaders. To implement its laws the white government maintains an extensive spy network.³

The main focus of the government's policy of territorial apartheid is to force Africans out of the cities and onto rural reservations or "Bantustans." It has been estimated that under various pieces of legislation more than 1.1 million South Africans have been forced to move from their homes. Of these, more than 900,000 were Africans and only 2,624 were whites.⁴

The Bantu Authorities Act of 1951

ostensibly allows Africans to govern themselves in their "homelands," but the Project believes that in reality it concedes little more than local government functions. More importantly, the central government exercises close supervision, controls most significant fiscal functions and maintains an ultimate veto over actions of local councils, including selection of the candidates for a majority of the members. This act was designed to separate the Bantustans from the political life of the nation — in that it has largely succeeded. All the urban areas are, of course, classified as "white areas," where Africans are considered temporary migrant laborers. Yet these Bantustans, encompassing less than 14 percent of the country, are supposed to contain and support 70 percent of the population,⁵ a task we believe is impossible.

Land on the Bantustans is desperately overworked; it cannot possibly, in our opinion, provide the food and cash crops to maintain the present population, let alone the large numbers of people that the stepped-up government enforcement of the resettlement laws brings in each year. Rather than bases for "separate development," the Bantustans are, in fact, "vast slums whose chief export is their manpower."⁶

Border Industries Program As part of a program to remove blacks from the cities,⁷ the government's Border Industries Program, aiming at decentralization of industry, provides incentives ranging from tax rebates to direct participation in capital costs to encourage corporations to build new facilities adjacent to the reserves. Thus, in addition to the substantial government incentives, they get an abundant supply of cheap labor from among those who have been forced to resettle on the reserves. As a rule, wages in the border areas are one-half those in the cities from which the African workers have been ejected. Any company building a new factory in a border area is, in the Project's opinion, a direct accomplice in the government's racist policy of removing blacks to the reserves.

Influx Control Although millions of Africans are still allowed to work in the cities, there is an elaborate system of control over their movements, based on the checking and stamping of passbooks. With minor exceptions, all Africans working in the cities are treated as temporary migrant laborers, "visitors who will never be entitled to any political rights."⁸

For example, no African residing in a town by virtue of a work permit issued to him is entitled to have his wife and children living with him unless he renounces all rights to live any place other than where the government sends him. This results in a serious disruption of African family life and creates thousands of male married "bachelors" in the cities. No friend is entitled to visit him for more than 72 hours. If he loses his job and cannot find another, he must go back to the reserve set aside for his tribe, even though he may never have been there and may have no relatives there.⁹

Economics and Apartheid Economically, apartheid affects the kinds of jobs, wages, living conditions and fringe benefits that whites and "non-whites" may achieve.

The economic effect of apartheid, which the Project believes is designed to ensure that the white minority retains control of the major share of the nation's wealth, has the following results. Whites, constituting some 19.2 percent of the population, receive an estimated 73.3 percent of all cash income. In 1969, per capita income for Africans was \$117 per year, compared with \$1,591 for whites. In fact, whites in South Africa enjoy a standard of living that is in general higher than in Europe and taxes on income are lower than in most European countries.¹⁰ Part of the reason for the relative affluence of the white South African is, of course, imbedded in the apartheid system. Servants are cheap and readily available, many locally manufactured products are priced well below comparable items elsewhere due to the low labor costs in South Africa, and so on. It is our belief that white South Africa's af-

fluence is based solidly on the exploitation of the country's African, Asian and Colored inhabitants.

Employment By law and custom, no "non-white" ever holds a supervisory position over a white. Most skilled or otherwise desirable jobs are reserved for whites.

"Job reservation," initiated as part of the Industrial Conciliation Act of 1956, protects whites from competition in certain types of skilled employment.¹¹ Under this system as applied to several major industries promotional possibilities for Africans, Asians, and Coloreds are severely limited.

Unions are another example of the disenfranchisement of the "non-white." As early as 1942 some strikes by Africans were outlawed. Under the Native Labour (Settlement of Disputes) Act, African workers continued to be denied the right to be considered "employees." It follows that a non-person cannot negotiate labor agreements, so that the existence of African labor unions, which have no legal status, becomes meaningless. All Africans are forbidden to strike. All negotiations on behalf of African workers are carried on by the Bantu Labour Board, composed of officials of the same government that denied them the right to negotiate for themselves. Colored unions do exist, but their powers are severely limited, so that, in effect, the only meaningful negotiations are those between the white management and its white employees. The "non-white" majority is, once again, powerless.

Education Whereas education is in most nations a catalyst for economic advancement, it is our belief that in South Africa education is designed to keep Africans as "hewers of wood and drawers of water."

The philosophy of African education in South Africa was appropriately stated by former Prime Minister Verwoerd when he said, "The Bantu (African) must be guided to serve his community; there is no place for him in the European community above certain forms of labor." Education is compulsory for white but

not for black South Africans. The government spends approximately \$20 per year per "non-white" child for education, \$320 a year — or 16 times as much — per white child. Schoolbooks are free for whites but Africans must pay for them.

Since the laws in South Africa are made by an all-white group, the Project believes they inevitably work to strengthen white prosperity, privilege and control. This, then, is the milieu within which U.S. investors must do business.

Corporations have responded in differing ways to the racial situation in South Africa. Gulf Oil Corporation has stated in its April 1972 company magazine, *The Orange Disc*, that it "does not invest as an employer in any country where laws prohibit the equal opportunity hiring and promotion policy and practice of the Corporation." Gulf therefore became one of the first U.S. companies to declare that it would not invest in South Africa. Such a position is also beginning to be seen and supported in Europe. Neil Wates, managing director of one of the biggest building companies in the United Kingdom, announced in 1970 when he decided not to invest in South Africa: "I must report that the idea of doing business in South Africa is totally unacceptable; we could not be true to the basic principles on which we run our business and we should lose our integrity in the process. We should have to operate within a social climate where the colour of a man's skin is his most important attribute and where there is virtually no communication between the races; we should be locked into this system. We should have to operate within an economic climate which is designed deliberately to demoralize and to maintain an industrial helotry; we should in turn profit from such exploitation and ultimately wind up with a vested interest in its maintenance."

Other corporations that invest in South Africa defend their presence there by arguing that Africans are benefitting from economic growth and industrialization. Since Africans, so the argument goes, are essential

to the white economy, and because white labor is acutely short, Job Reservation must eventually break down. Likewise, it is said, apartheid imposes artificial restrictions on the use of human resources, which the dynamics of industrialization must eventually sweep aside.

The argument also assumes that poverty, the lack of jobs, poor wages, etc., are the worst features of apartheid. The poverty of the Africans is, in the Project's opinion, only one of the symptoms of a whole sick system. It is a consequence of the way the whole of South African society is organized. It is one of the results of the system — not one of the causes. It is our belief that efforts to combat poverty, though a form of relief, in no way alter the basic cause and problem in the whole system, which is the lack of political rights of the majority of the people. Apartheid is simply a policy designed to consolidate white supremacy and control.

Increased dependence on black labor has not led to any political power in the past — just as increased foreign investment has not altered the political status quo at all. "Non-white" participation in the industrial work force has risen from 64% in 1946 to 77% in 1970, yet this is precisely the period when the most oppressive laws and measures have been taken.

Fortune magazine (July, 1972), writing about U.S. companies operating in South Africa, found that in the great majority of cases they have been slow to implement minimum improvements in the hiring practices and fringe benefits afforded non-white employees. While some movements toward change are noted, *Fortune* points out that wages in most cases remain below the poverty datum line and over 250 companies "either oppose change or are dragging their feet." These companies are described as "hiding behind the laws," as outlined above.

Participants in the Project believe that the burden of proof rests on the U.S. corporations to indicate that their presence in South Africa is actually improving conditions for the black majority.

The requested disclosure is one small step in eliciting enough information so that shareholders can assess the validity of corporate claims.

The Project is asking four companies for a full disclosure of the facts of their involvement in the Republic of South Africa and for this report to be distributed to all shareholders. Similar requests were placed in 1972 before Mobil Oil, GM, Gulf Oil Corporation (regarding its investment in Angola), IBM, and Goodyear Rubber Company.

Mobil Oil responded by sending an in-depth disclosure along the lines requested to all shareholders. This year many of the companies filed with have pledged to send similar disclosures to all shareholders. Participants in the Project believe this request is a fair and legitimate one that progressive companies will willingly comply with.

Participants in the Project also believe that corporations should be more open and accountable to their shareholders and the public at large in areas of corporate responsibility, such as Southern Africa. Institutional investors are becoming increasingly aware of these issues and are urging corporations to take them seriously.

The resolution specifically asks for a full disclosure of the facts of the corporation's involvement in South Africa. These facts will help shareholders assess the role of their corporation in South Africa in a number of areas: Is the company paying a living wage to its African workers? Does it have important contracts with the government? Are its benefit plans open to all races? What are its recruitment practices abroad for South Africa? These are some of the questions asked. The resolution specifically requests information about both the company's employment practices and its relationship to the overall system of apartheid — e.g., laws affecting the company and government contracts. It is essential that both kinds of information be disclosed to enable a balanced review of the company's role in South Africa and judgment on whether it is indeed strengthening

the apartheid system.

The fact that a number of corporations have responded positively to this request for information further encourages Project participants that this request is indeed a legitimate one.

III. Miscellaneous

The Project has requested each of its participants and their respective staffs, alone or in conjunction with others, to solicit support for the resolution described herein. The cost of the personal solicitation is not known but is expected not to exceed \$1,000. The Church Project will seek the support of others in soliciting support for the proposals described herein. In this connection, the Church Project will especially seek such support from other religious denominations or groups, as well as from institutions such as universities, foundations, etc.

The cost of solicitation will be borne by the Project except insofar as participants in the Project and others who may cooperate with the Project in this solicitation may pay their own expenses. The Project derives its own funds from the contributions of participants and of others interested in its work.

The Project will not attempt to disseminate this Proxy Statement to each shareholder of each of these corporations, since to do so would be too costly. It will seek to contact selected shareholders of each corporation by mail, in person, or otherwise, and when it does so it will furnish a copy of this Proxy Statement. However, a copy of the applicable disclosure resolution, together with a short statement in support thereof, will appear in the Proxy Statement of each of the respective corporations. Consequently, each corporation's shareholders will have the opportunity to vote on the applicable resolution.

Shareholders may attend the annual meeting of whichever corporation they hold stock in and may vote their shares in person. Shareholders may also vote by proxy, and an opportunity is presented on each of the corporation's forms of proxy to allow

shareholders to vote on the proposal described herein. They may vote in favor of this proposal by indicating their approval of the proposal in the appropriate box on the corporation's Proxy Statement and by executing and returning the proxy to the management of the corporation. In addition, the Project may in some instances provide its own form of proxy concerning these proposals, which may be executed and returned to the Project. Any person giving a proxy to management may revoke it at any time prior to its exercise either by giving notice of revocation to the secretary of the appropriate corporation or by executing and returning a subsequently dated proxy. Any person giving a proxy to the Project may revoke it at any time prior to its exercise either by giving notice of revocation to the Project or by executing and returning a subsequently dated proxy. The effect of a shareholder executing and returning the Project's form of proxy after he has already executed and returned the corporation's proxy will be to revoke his prior proxy solely as to the proposals described herein and will not have any effect on the other matters on which the shareholder has already voted via the corporation's proxy. Each share is entitled to one vote. The vote of a majority of those shares voting will be necessary to approve any of the resolutions described herein. The number of shares entitled to vote in the case of each corporation is not known to the Project but will be found in the corporation's Proxy Statement. The record date for determining which security holders are entitled to vote at the annual meeting is also to be found in each corporation's Proxy Statement. Any proxies which the Project receives will be voted at the meeting in accordance with the directions given by the shareholder.

FOOTNOTES

1. Julian Friedman, *Basic Facts on the Republic of South Africa and The Policy of Apartheid*, United Nations, February 1972.
2. "Churchmen's Report on U.S. Businesses in Southern Africa-1971," reprinted in the *Congressional Record*, March 22, 1972.
3. "Churchmen's Report."
4. *Rand Daily Mail*, "A decade of repressive legislation in S.A.," December 22, 1969, as cited in "Churchmen's Report."

5. L. Marquard, *Peoples and Policies of South Africa*, London, 1969, pp. 32, 33, as cited in "Churchmen's Report."
6. Marquard, as quoted in "Churchmen's Report."
7. Cities and the rest of the country set aside for whites—comprise 87% of the country's land surface, yet contain seven-twelfths of the total African population, according to *Oxford History of South Africa*, Vol. II, New York, 1971, p. 416, as cited in "Churchmen's Report."
8. Sauer Report, Nationalist Party, 1948 (South African government document), as quoted in "Churchmen's Report."
9. Council on Economic Priorities, *The Auto Industry in South Africa*, Vol. VI, No. 5, p. 7, as cited in "Churchmen's Report."
10. Barclays Bank, *South Africa: An Economic Review*, Johannesburg, September 1969, p. 96, as cited in "Churchmen's Report."
11. *Oxford History*, Vol. II, p. 411, as cited in "Churchmen's Report."

APPENDIX

The following resolution was filed with International Business Machines, First National City Corporation, General Electric Co., Caterpillar Tractor Co.

WHEREAS the increasing involvement of United States business corporations in the Republic of South Africa is a matter of growing public concern, due to the denial of basic human rights to the majority population,

WHEREAS specific information is vital for stockholders to make an informed decision about this Corporation's involvement in South Africa,

WHEREAS it is the right of a stockholder to have access to non-competitive information about the Corporation's business,

THEREFORE, BE IT RESOLVED that the shareholders request the Board of Directors to provide a full, written report to the shareholders within four months of the date of the 1973 annual meeting on the involvement of the Corporation in the Republic of South Africa. This report shall include the following, provided that information directly affecting the competitive position of the Corporation may be omitted.

I. HISTORY

a. A history of the Corporation's involvement in South Africa since 1962, including: (1) the legal form of ownership of the Corporation's operations there; (2) annual capital investment broken down by source within and without South Africa; (3)

annual profits; (4) number of employees broken down by race (Africans, Asians, Coloreds, Whites); (5) contractual relations with the South African government; (6) taxes paid to the South African government.

b. A listing and explanation of grants and charitable gifts made since 1962 by the Corporation in or with respect to the Republic of South Africa.

II. RELATIONS WITH WORKERS

a. A detailed listing of current wages and employee benefits by functional job descriptions comparing African, Asian, Colored and White workers. A summary and comparison of wage rates, fringe benefits and promotions since 1962 for both white and non-white employees.

b. A description of grievance procedures and of Work Committees, if any, for African workers and of any trade union contracts or understandings which restrict opportunities for African, Colored or Asian employees.

c. A description of any investment or plans for investment by the Corporation in the "border areas" of the Bantustans, or in the Bantustans proper.

d. A description, broken down by race, of technical training, general education, legal assistance, housing or other programs provided by the Corporation for workers or their families.

e. A description of the total number of non-South African personnel employed in South Africa and of any international recruiting or hiring

programs for the Corporation's operations there.

III. RELATIONS WITH THE GOVERNMENT

a. A description and explanation of those South African laws which directly affect the Corporation's employment practices and the working conditions with respect to Africans, Colored and Asian workers; a statement of the Corporation's compliance with these laws; and a summary of those actions, if any, taken by the Corporation to have the government modify these laws.

b. A listing and explanation of any products or services, including materials for military or police use, sold to the South African government since 1962.