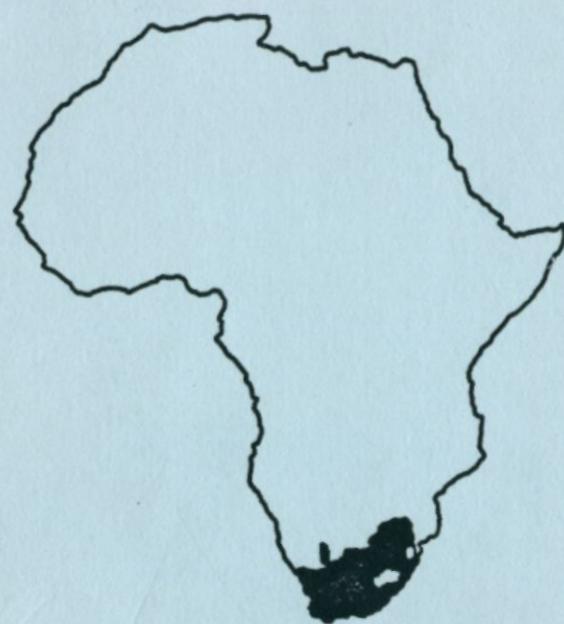


THE PENN STATE RESPONSE TO APARTHEID



Options and Issues

A REPORT TO THE PRESIDENT OF THE
PENNSYLVANIA STATE UNIVERSITY

January 8, 1986

ADVISORY COMMITTEE ON RESPONSES TO APARTHEID

William W. Asbury
David E. Branigan
Brian J. Del Buono
Herbert Cole, Jr.
C. Gregory Knight (chairman)
Raymond D. Nargi
David Rosenblatt
Donald C. Rung
Gina Marie Sena
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PENN STATE ROOM

THE PENNSYLVANIA STATE UNIVERSITY
INTER-OFFICE CORRESPONDENCE

Date: January 8, 1986 *CGK/nm*

From: C. Gregory Knight, Chairman, Advisory Committee on Responses to Apartheid

To: Bryce Jordan, President

Subj: Committee Report

We forward "The Penn State Response to Apartheid: Options and Issues," our report written in response to your request that we develop recommendations for consideration of options for the University's action to express its opposition to the system of apartheid in South Africa.

We trust that the report will be useful to you and to the Board of Trustees as you consider responses to apartheid which are appropriate to the mission and abilities of the University as an institution of higher learning. Given the number of options available and the complexities of their interrelationships, the policy implications of any option chosen should be carefully explored before implementation.

The Committee is prepared to meet with you to elaborate on any issues raised in its report, if you feel such a meeting would help you in your deliberations.

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PREFACE

The Advisory Committee on Responses to Apartheid was appointed by the President of The Pennsylvania State University, Bryce Jordan, with a specific charge to develop recommendations for consideration of options for Penn State action to express its opposition to the system of apartheid. Such recommendations would become part of the resources to be used by President Jordan for his report on the matter of investment divestiture of companies doing business in South Africa to the Board of Trustees of the University on January 17, 1986.

The committee first convened on December 13, 1985 and met subsequently on December 19, 1985 and on January 6 and January 7, 1986. The preparation of this report was constrained by a request that the Committee complete its work by January 9, 1986. Members of the Committee prepared various portions of the draft material incorporated in this report. The committee's work was aided by the Office of the Treasurer of the University which provided voluminous background materials; its work was also informed by actions taken during the 1985 Fall Semester by the Council of Commonwealth Student Governments, the Undergraduate Student Government, the Graduate Student Association, and the University Faculty Senate. Although several Committee members serve as officers in these University organizations and acted to ensure that the viewpoints of their organizations were reflected in this report, the enumeration of options and issues represents the collective deliberation of Committee members acting in an individual capacity. For information, the titles and organizational roles of the Committee members are listed:

Mr. William W. Asbury
Acting Vice President for Student Services

Mr. David E. Branigan
Special Assistant to the Treasurer

Mr. Brian J. Del Buono
President, Graduate Student Association

Dr. Herbert Cole, Jr., Professor and Acting Head, Department of Plant Pathology
Chairman-Elect, University Faculty Senate

Dr. C. Gregory Knight (chairman), Professor and Head, Department of Geography
Secretary, University Faculty Senate

Mr. Raymond D. Nargi
Assistant Treasurer

Mr. David Rosenblatt
President, Undergraduate Student Government

Dr. Donald C. Rung, Professor of Mathematics
Chairman, University Faculty Senate

Ms. Gina Marie Sena
Council of Commonwealth Student Governments, Representative to the Board of
Trustees

Dr. James B. Stewart
Director of the Black Studies Program

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I. SUMMARY

Institutional, legally sanctioned discrimination against non-white individuals and communities on the basis of race in the Republic of South Africa is popularly known as apartheid, an Afrikaans word now incorporated in common American usage. The system of apartheid violates basic human rights; its enforcement exacts a toll of immense magnitude as non-white South Africans are disadvantaged in respect to mobility, residential and commercial location, opportunities for education and employment, access to health and social services, and freedom to share equitably in governance of their nation. A post-apartheid South Africa will face immense educational, economic, and social imbalances as a legacy of apartheid. In this report, options for reaction to apartheid by the Pennsylvania State University are enumerated, and major issues in the determination of appropriate University policy are discussed. The report presents a wide range of options in a non-preferential stance. It seeks to reflect divergent viewpoints on potential University actions to assist in the achievement of the commonly held goal of abolishing apartheid. The goal of the report is to support informed judgments about Penn State responses to apartheid which are appropriate to the mission and abilities of the University as an institution of higher learning.

At the time this report was prepared, the existing Penn State practice of refraining from investment of University funds in corporations failing to subscribe to the Sullivan Principles for American-owned companies operating in South Africa and previously stated policy were under review by the University's Board of Trustees. Concurrent activities by student government organizations and the University Faculty Senate sought, first, to inform the Penn State community about apartheid and, second, to record an expression of opinion on Penn State policy, focusing specifically on an option of total divestment of holdings in enterprises doing business in South Africa. The options enumerated in the report fall into four major groups:

Options Related to the Educational Mission of the University

1. Encouraging curricular activities related to South Africa;
2. Enhancing Penn State's voice on apartheid beyond the university;
3. Increasing educational opportunities for non-white South Africans at Penn State;
4. Increasing educational opportunities for non-white South Africans in South Africa;
5. Developing an academic boycott of South Africa; and
6. Developing informal scholarly interaction with the South African academic community.

Options Related to the Investment of University Funds

7. Divestment of holdings in enterprises doing business in South Africa;
8. Selective divestment of holdings by reference to specific criteria;

Options Related to University Operations

9. Boycotting of financial institutions aiding apartheid;
10. Using university procurement as an anti-apartheid policy;
11. Encouraging institutions providing pension and tax-deferred annuity programs to follow a divestment policy comparable to Penn State;
12. Enhancing Penn State's voice on apartheid in the corporate world;
13. Accepting corporate gifts, grants and contracts only in conformance on Penn State divestment and/or procurement policy; and
14. Establishing a fund for anti-apartheid educational initiatives.

Options Related to General Strategy Regarding Apartheid

15. Maintaining our present course of action;
16. Developing a comprehensive policy on apartheid; and
17. Establishing an on-going process to review Penn State policy in relation to developments of the apartheid situation.

The report concludes by noting some major issues that must guide the selection of Penn State policy options. These include:

1. Morality issues;
2. Multiple role interrelationships and conflicts;
3. The educational role of Penn State;
4. Academic Freedom;
5. Fiduciary and legal liabilities;
6. The costs and benefits of proposed actions; and
7. University/business relationships.

II. BACKGROUND

Prior to the victory of the South African Nationalist Party in 1948, a system existed that had strong parallels to the "separate but equal" arrangements that characterized segregation in the United States until 1954. The apartheid policies implemented by the Nationalist regime, however, have gone far beyond the earlier situation in South Africa and affect all members of the diverse South African population--White (descendants of Europeans), Black (descendants of native Africans), Coloureds (of mixed heritage), and Asian (of South Asian origin).

The Population Registration Act of 1950, which set up a rigid racial classification system, is fundamental to the ideology of apartheid or separateness. A blanket authorization for the provision of separate facilities for members of any race was established in the Reservation of Separate Amenities Act of 1953. The Group Areas Acts of 1950 and 1957 imposed control over all interracial property transactions and interracial changes in occupation. Separate group areas were created under the auspices of the Group Areas Board. Companies other than banks, mines, and large factories were assigned a "group character" according to the race of persons holding controlling interests.

The Native Laws Amendment Act of 1952 established a registration process and labor bureau to control the movement of work seekers. Under this act, Blacks in rural areas were not allowed to locate in urban centers unless "appropriate" vacancies existed. The Native Labor Act of 1953 redefined the term "employee" to exclude all Blacks, prohibited strikes by Black workers, and prohibited registered trade unions from having Black members. The Industrial Conciliation Amendment Act of 1956 made provisions for the reservation of specified types of work for persons of specified racial groups.

Subsequent legislative enactments have extended and/or refined these basic enabling acts. While official South African ideology talks of totally separate development, eventually leading to independent political status for the so-called Black homelands, as Frederick Johnstone has cogently noted, "The function of the official ideology is to justify the increasing denial of rights to, and servile status of, non-whites in the 'white' areas in the name of future rights and opportunities for them in 'their own' areas." The actual thrust of the legislation described has been, according to Johnstone, "The reduction of Africans in the 'white' areas to an essential minimum (but their continued extensive presence in these areas rather than the total separation foreseen by official ideology); the reduction of the status of those Africans still in 'white' areas to that of fightless migrants (but the continued large scale use of their labour in these areas, and the absence of work and thus of meaningful rights for Africans in the Reserves); the diversion of industrial development to the border areas near the Reserves (rather than industrial development of the Reserves); and a flexible policy towards the job colour bar (rather than its rigid ideological implementation)."

In evaluating the role of U.S. investment in South Africa, it is necessary to make the comparison not only against the official ideology of apartheid but more importantly against how South African firms actually function under apartheid. It must be kept in mind, as noted by Johnstone, that "the government is not essentially opposed to the continuing movement of African labour into the 'white' economy, it is simply opposed to this process of labour mobility, which

is necessary to continue economic development, becoming at the same time a process of residential and political mobility, which is not indispensable to economic growth and which is effectively being restricted through the system of labour control." This concern can be seen in recent policies instituted by the Nationalist regime. The system of influx control remains intact and a new Constitution continues the denial of basic political rights to Blacks although other non-white groups are particularly enfranchised (Coloureds, Asians).

The current consideration of Penn State policy related to the apartheid system has focused on the issue of divestment of its investments in American business enterprises operating in South Africa. In this context, it is useful to review the role of foreign investment in the South African economy and to delineate the extent of American involvement in the South African economic system. While focusing on the economic dimensions of American involvement, however, we should also point out the pervasive role of American culture in South Africa. Television programs, red-white-and-blue-with-stars motifs in advertising, American products and brand names, American music and clothing styles, and considerable South African media attention to U.S. events and viewpoints on South Africa are among more obvious evidences of this relationship. South African Whites view Americans as friends and allies, a perspective that is sometimes erroneously extended to a belief that Americans support white supremacy in South Africa and would provide aid to defend the white 'lager'.

The presence of foreign-based business enterprises in what is now the Republic of South Africa can be traced to the activities of the Dutch East India Company during the 1600s. It was, however, the discovery of gold and diamonds in the mid 1800s that led British interests to provide the first large influx of foreign capital.

The political victory of the Nationalist Party in the late 1940s and the progressive implementation of apartheid policies were co-temporal with the economic takeoff of the South African economy. Visions of a cheap and tractable labor force were such an attractive lure that between 1946 and 1950 the average net inflow of foreign capital accounted for approximately 40 percent of gross domestic investment.

During the second major postwar growth spurt (1965-1969) the average annual inflow of new capital was about \$308 million, accounting for approximately ten percent of gross domestic investment. By the end of the 1960s 40 percent of South African manufacturing was controlled by foreign interests. In the period immediately preceding the formulation of the Sullivan Principles (1970-1976), this figure had grown to approximately \$1 billion per year or 13 percent of gross domestic investment. In 1976 the total value of foreign investment was on the order of R20 billion compared to R2.8 billion in 1956. The United Kingdom, the United States, and other European nations were the principal foreign investors.

U.S. direct investment in South Africa increased from \$140 million in 1950 to \$750 million in 1970, a figure that more than doubled to \$1.56 billion in 1975. By 1970 in excess of 50 percent of U.S. direct investment was in manufacturing, 10 percent in mining, and 25 percent in petroleum. In addition, as of the mid 1970s U.S. banks had over \$2 billion in outstanding loans to South Africa, accounting for 33 percent of all loan claims against the country.

It is clear that the presence of direct foreign investment during this period did not improve the situation of black compared to white South Africans. As shown in Table 1, in both the mining and manufacturing sectors the absolute wage differentials continued to widen from 1965 to 1975. Even the relative wages of black South Africans did not improve during the 1965-69 growth spurt although very modest improvement did occur between 1970 and 1975. Attributing these gains solely to the presence of foreign capital would be incorrect, however, as similar patterns occurred in government controlled sectors, as illustrated by the data for the electricity industry in Table 1.

Table 1
Per Capital Annual Earnings of Blacks and Whites
1965-1975

Mining				Manufacturing				Electricity			
Year	White Earnings	Black Earnings	Black as % White	White Earnings	Black Earnings	Black as % White	White Earnings	Black Earnings	Black as % White	White Earnings	Black Earnings
1965	2,910	170	5.8	2,509	488	19.5	2,760	416	15.1		
1970	4,270	220	5.2	3,600	624	17.3	3,950	644	16.3		
1975	7,630	890	11.7	6,123	1,271	20.8	6,800	1,436	21.1		

Other evidence relevant to a consideration of foreign operations in South Africa during this period can be seen by the response of foreign investors to the Sharpeville massacre of 1960 and the recessionary economic conditions of the early 1960s. The period of the early 1960s was the only period in which there was a net outflow of foreign capital. Apparently, rather than maintaining investment in an effort to promote social change, foreign capital took flight as profit opportunities were threatened. Once it appeared that the political situation was stable, foreign investors renewed and greatly expanded their involvement in the South African economy.

In the wake of the Soweto rebellion of 1976 two phenomena are of interest. First, South African authorities placed restrictions on disinvestment and the repatriation of earnings of South African subsidiaries. This has provided a continuing incentive for parent firms to engage in transfer pricing and other accounting techniques to avoid constraints on the movement of capital. This has also made it increasingly difficult to monitor the performance of South African subsidiaries of U.S. parent firms. The second development is the articulation of the Sullivan Principles designed to provide some assurance that U.S. affiliates do not overtly practice policies consistent with the ideology of apartheid in the workplace. These principles have been amplified several times, with the Fourth Amplification announced in November 1984. As of November 1985 there were 178

signatories to the Sullivan Principles while approximately 160 were not. Based on the rating system used to evaluate corporate activities in the fifth report, 24.7 percent of all signatories (both reporting and non-reporting) were rated as making good progress, 44.5 percent were rated as making progress, and 14.4 percent were rated as needing to become more active.

As of 1984, U.S. based direct investment in South Africa had expanded to approximately \$2.5 billion. This direct investment has continued to be highly concentrated in certain sectors. U.S. based firms are said to control approximately 50 percent of the petroleum industry, at least 24 percent of the automobile industry, and 70 percent of the computer industry in South Africa. At the same time the United States has become one of South Africa's largest trading partners, along with the United Kingdom and Japan. In 1984 the value of South African exports to the United States was approximately \$2.2 billion consisting primarily of metals, while the value of imports from the United States was about \$2.5 billion. The United States accounted for 15 percent of south African exports in 1983 and imports from the U.S. accounted for 19 percent of all imports to South Africa during that year. Between 1980 and 1984 loans by U.S. banks to the South African government accounted for 10 percent of all loans to foreign governments. Most of these loans, \$4 billion to \$5 billion, were in the form of short term credits for the purchase of U.S. goods.

From a U.S. perspective, U.S. direct investment in South Africa accounts for only 1 percent of total U.S. overseas direct investment. Exports to South Africa account for less than 1 percent of all U.S. exports, ranking South Africa only 26th in terms of volume. Imports from South Africa are only sufficient to rank it 23rd, accounting for only 1 percent of total imports.

In the case of imports, however, the issue of limited availability of certain strategic minerals must be addressed. The U.S. imports 100 percent of its chromium, 84 percent of its platinum, and 99 percent of its manganese supply. The percentages of these requirements provided from South African sources are, respectively, 48 percent, 67 percent, and 33 percent. South Africa also supplies 54 percent of the vanadium and 44 percent of the ferro chromium used in the U.S. The Soviet Union is currently the other major source for many of these metals. If these were the only potential sources of supply a significant dilemma would exist. There are, however, other unutilized or underutilized sources. As an example, Zimbabwe is a potential chromium supplier but purchases from that nation have not resumed following independence. Such purchases were previously halted through an embargo levied against Rhodesia during the independence struggle. Manganese can be obtained in Gabon while vanadium can be obtained in the United States, although at a higher cost than from South Africa. Platinum is currently available only from the Soviet Union or South Africa and no good substitutes are available. There is, however, an alternative in this case, stockpiling to insure noninterrupted supplies, a policy that has not been pursued systematically. If disengagement of the U.S. and South African economics is seen as necessary to combat apartheid some observers would agree that disengagement could be accomplished with minimal disruption of the U.S. economy. On the other hand, substantial disruption of the South African economy could result.

The current U.S. policy directed toward South Africa at the national level is constructive engagement rather than disengagement. The promise underlying this policy is that by developing a more co-operative rather than confrontational relationship with the Republic of South Africa, the regime can be encouraged to liberalize, and presumably eventually eliminate, apartheid policies. One rationale for this policy is that South Africa is seen by the current administration as a valuable element in the global defense posture of the West.

The controversy surrounding the policy of constructive engagement has manifested itself in various ways. There have been continuing protests outside the South African Embassy in Washington since Transafrica sponsored a major demonstration in November 1983. Continued resistance to implementing significant changes on the part of South African authorities, and the large scale loss of life that has resulted principally from the authorities response to continuing protests are seen by many as evidence of the failure of constructive engagement. Faced with the threat of being forced to veto legislation mandating sanctions against South Africa, President Reagan announced a series of sanctions in 1985 that included a moratorium on new bank loans and a ban on the importation of Krugerrands (Executive Order, September 9, 1985).

In many respects continued or expanded involvement of U.S. firms in the Republic of South Africa would constitute a private counterpart to the public policy of constructive engagement. The divestment movement is thus simultaneously an attack on constructive engagement, and an expression of the belief that, on balance, even if U.S. firms abide by the Sullivan Principles, the net effect of their presence is to strengthen rather than weaken the system of apartheid. Benefits accruing to individual workers are seen as being minimal relative to the damage done to the movement to end apartheid.

Some observers are concerned that, taken out of context, the Sullivan Principles divert attention away from an examination of the aggregate impact of U.S. corporations on non-white South Africans and direct attention instead to the activities of individual companies and variation in performance across companies. Many who use the adherence of firms to the Sullivan Principles to support continued U.S. corporate involvement in South Africa claim that U.S. firms are more progressive than firms of other foreign nations and, therefore, a pullout of U.S. firms would worsen the situation of non-white because the firms that replace them could be less committed to change. A second argument often advanced is that on the average, only 1 percent of the physical assets of those U.S. corporations with operations in South Africa are located in South Africa and the contributions of those operations to aggregate corporate profits is small. Therefore, the argument contends, the proportion of profits generated from involvement in South Africa is so small for any individual corporation that divestment of a given stock is too excessive an action to take in comparison to the level of involvement.

The evaluation of the impact of the Sullivan Principles is constrained by data limitations. In general, however, we can focus on four types of measures of impact: employment levels, earnings, collective bargaining rights for workers, and consumption possibilities.

It is reported in the Ninth Report On the Signatory Companies to the Sullivan Principles that U.S. signatories now employ 27,437 Blacks. Thus, U.S. firms employ only about 1 percent of all Black workers in South Africa. When Black employees as a percentage of the total workforce of U.S. firms is compared to the employment distribution in the total manufacturing sector it can be seen that U.S. firms employ proportionately fewer Black workers. In 1985, 43.8 percent of all employees of Sullivan signatories were Black. Interestingly, the comparable figure for 1984 for those firms included in the Penn State portfolio was 26.4 percent. Although we do not have current data, for illustrative purposes in 1965, 1970, 1975 and 1977, for the manufacturing sector as a whole, Blacks accounted for 54.3 percent, 53 percent, and 56.2 percent of the manufacturing workforce, respectively.

There are several reasons for this pattern. Foreign firms are often disproportionately involved in highly capital intensive operations. As G. Marias noted ("Structural Changes in Manufacturing Industry 1916 to 1975," South African Journal of Economics, 1981, p. 41), "precisely because recent industrial development has shown a bias towards increased complexity, the growth of manufacturing has resulted in the coincidence of a shortage of skilled labour with a surplus of unskilled labour." Note should also be taken of the fact that there may be pressures operating to slow the upward mobility of Blacks within Sullivan Signatories. In the Ninth Report, the following quotation appears: "The major disappointment in this most recent reporting period has been the reduction in the proportion of new job openings filled by Blacks, Coloured, and Asians...An especially sharp drop occurred in the vacancies for supervisors that were filled by Blacks, which declined from 26 percent last year to 18 percent this year. The greater availability of experienced supervisors in the market due to the recession may be inhibiting the appointment of less experienced Black supervisors."

The nature of U.S. Corporations operating in South Africa is such that arguably few benefits accrue directly to Black consumers, yet South African economists have noted that stimulation of Black consumption will be increasingly critical for future economic growth. Thus, it is not clear that a pullout resulting in substitution of non-U.S. firms would worsen the situation of Blacks either in terms of employment patterns or consumption possibilities.

The Ninth Report continues to document higher percentage wage gains for Black than for White workers. However, this pattern has been characteristic of the entire South African economy for at least a decade. Moreover, as noted previously, the absolute wage gap remains so large that higher percentage increases for Blacks have not been sufficient to keep the absolute wage gap from widening.

An appropriate test for evaluating the wage policies of U.S. firms in South Africa might be to ask whether, at the aggregate level, the absolute wage gap is narrowing. We do not have sufficient data to make such an evaluation. And again it is not clear that the replacement of U.S. firms by other foreign interests would materially alter the wage distribution since such firms would also have to follow wage policies that insured adequate and appropriate supplies of labor.

Some major U.S. firms have been in the forefront of providing recognition of and support for Black unions. The requirement imposed by the Sullivan Principles that signatories support Black unions, however, may not have the unambiguous beneficial effects that might be expected at first glance.

In general, South Africa is developing a structure similar to those found in Germany and Sweden with industry-wide bargaining and a works council system. The South African government has accepted a recommendation to eliminate the racially-separate system of collective bargaining, incorporating Black and White unions in one system. This seems to represent a radical departure from previous policy. In operationalizing the recommendation, however, the government clearly showed its commitment to maintenance of previous policy. The first subsequent enactment opened membership in Industrial Conciliation Act structures only to Blacks with permanent residence rights in "white" South Africa. Although this provision was later eased, mixed unions remain prohibited. Thus, rapid widespread unionization among Blacks given the segregated system would produce a structure of racially parallel unions. This runs the risk of generating widespread union rivalry, especially if Black unionization does not proceed along industry lines.

Black unions might choose to remain unregistered because of restraints that would be imposed. For example, registered unions are prohibited from engaging in political activities. Recently, Black trade unionists formed a coalition that includes approximately 500,000 workers. One of the statements announced by the new group was a call for the abolition of apartheid within six months. In addition, the coalition explicitly called for disinvestment. Other political stances in direct opposition to the current regime were also enunciated. Given this thrust, it is unclear how the Sullivan Principles' support for Black trade unions can be significant as the political dialectics proceed.

The foregoing consideration of the impact of U.S. corporations suggests that institutions of higher education may find the Sullivan Principles and associated reporting requirements insufficient for determining a stance regarding corporate involvement or as a source of information appropriate for decisionmaking. The views of Rev. Leon Sullivan support a cautionary posture. In an article published in Law and Policy in International Business (Vol. 15, No. 2, 1982), Dr. Sullivan made five points that might guide our evaluation of American corporate involvement in South Africa:

- 1) "We must be wary that the principles and codes do not become a smokescreen behind which the apartheid regime continues to carry on its brutal, vicious, and inhumane practices...The intent of international businesses must not be to adapt to the system but to change, then eradicate, it." (p.434)
- 2) "If companies passively subscribe to the Principles but fail to make aggressively an affirmative thrust inside and outside the workplace and fail to use their considerable economic and political power to help end South Africa's racial and discriminatory laws, the Principles and codes will have missed their mark." (p.435)
- 3) "The problem in South Africa is not just unfair employment practices, inadequate health care, poor housing, or even unequal education - all matters which the Principles treat specifically. The major problems in South Africa are separate development and legislated apartheid...The primary need in South Africa is FREEDOM." (p.438)

4) "[I] call for a halt to all new investments by companies doing business in South Africa, again, until there is clear evidence that apartheid is ending. We should tolerate exceptions only for investment necessary for basic retooling and maintenance of machines and property already in place, and for private projects and programs designed to advance black and white equality; and improvement of life. Companies that ignore this measure should be the objects of divestment and consumer boycotts." (p.437)

5) "It would be acceptable to me if the companies were to exit from South Africa immediately. I was an advocate of such action; however, there is presently little likelihood that such a departure will occur. Thus, the Principles are designed to deal with an existing condition, to test a method of helping to change that condition by using the resources, influences, and example of U.S. and other multinational companies." (p.441)

III. THE CURRENT PENN STATE POSITION ON APARTHEID

The University's strongly articulated public position in opposition to apartheid in South Africa dates back to 1978, and was in the vanguard of many institutions of higher education. The University's current policy is that apartheid contradicts the most fundamental beliefs concerning relationships among people of different races. That policy must operate in concert with Penn State's fiduciary responsibility to those who make contributions to the University's endowment funds. This relationship implies that the funds will be invested in a financially responsible manner --in accordance with the so-called "prudent person" laws. Since 1978, the University's investment policies have followed the Board of Trustees' Statement on Apartheid in South Africa (see Appendix A-1). In sum, the University supports the Sullivan Principles of non-segregation and equality of opportunity for employees of U.S. companies operating in South Africa.

Following the adoption of the 1978 statement by the Board, the University communicated its position to every corporation doing business in South Africa in which Penn State was a shareholder. The University also urged companies operating in South Africa to adopt the Sullivan Principles.

Of the approximately 350 U.S. corporations doing business in South Africa, about 180 have signed the Sullivan Principles. The University's practice is to refrain from investments in any corporations with operations in South Africa that have not signed the Sullivan Principles. In addition, the companies in which Penn State has investments have not only signed the Sullivan Principles but have, to the best of our knowledge, pledged to adhere to the recent "amplification" of the sixth Sullivan Principle, which calls for improving the quality of workers' lives outside the workplace. This amplification urges companies doing business in South Africa to lobby actively to eradicate apartheid.

At the May 1985 meeting of the University's Board of Trustees, Mr. Obie Snider, President of the Board, directed the University's administration to gather additional information and present a report on its findings to the Board of Trustees at a future meeting. Specifically, the administration was asked to:

1. Gather information on policies of other Universities with regard to investments in companies doing business in South Africa.
2. Review and assess the University's position on equity investments in companies operating in South Africa.
3. Assess both the potential fiduciary and financial impacts on the University of divestiture of equity investments in companies operating in South Africa. Investigate whether or not there are legal implications with respect to divestiture.

At the July 1985 meeting of the University's Board of Trustees, President Jordan responded to Mr. Snider's request and presented a report urging the Board to continue the current policy of strict adherence to the Sullivan Principles, while strongly recommending against divestiture. After lengthy discussion, the Board voted to continue the current policy adopted in 1978. However, the new resolution (Appendix A-2) states that the current policy will be continued for no more than seven months, or until the first Board meeting in 1986, when a further review will be conducted. One of the major reasons for continuation of the present policy was to allow for the expression of student opinion on the apartheid issue during the fall 1985 semester.

The primary University funds involved are two endowments created solely from private gifts: the Associated Trust, valued at approximately \$39 million and managed by Mellon Bank, and the Milton S. Hershey Medical Center Trust, valued at approximately \$18 million, and managed by Mellon Bank (East).

As of November 30, 1985, the University had equity investments with a market value of \$5.5 million in companies operating in South Africa. This represents about 9.6 percent of the total market value of the University's combined endowment and trust fund investments (Exhibits I and II).

The University regularly reviews the corporate performance of Sullivan signatories in its portfolios as measured by the A. D. Little organization (see Exhibit III). As shown by Exhibit III, the evaluations of mid-December 1985 holdings were high, and in nearly all cases, either equal to or improved from evaluations these firms received in 1981 when the Little system was established or the year when the company was first rated. Seventeen of nineteen signatories in PSU portfolios receive current ratings of I or II.

Seven of the nineteen South Africa-related companies currently held by the University have shown an improved rating since 1981, as indicated on Exhibit III. Ongoing reports, such as the Ninth Report on the Signatory Companies to the Sullivan Principles as of October 25, 1985, prepared by Arthur D. Little, Inc, provide periodical updates of corporate performance.

The University periodically monitors its endowment portfolios in an effort to ensure that all equity holdings comply with the current Board policy. The primary source of information utilized for this process is through the University's subscription to the Investor Responsibility Research Center (IRRC) service. IRRC periodically issues reports and updates on a wide variety of matters concerning corporate, political, and economic activities in South Africa. In addition, the University relies on a wealth of other outside information sources in an effort to constantly monitor and evaluate companies represented in its investment portfolios.

The University is in constant communication with Mellon Bank regarding the status and monitoring of the endowment and trust funds' equity investments, not only from the standpoint of strict adherence to the Sullivan Principles, but also with respect to the pure business/financial exposure of each individual holding. In this way, the basic fiduciary responsibility is being carried-out continually.

Recent analyses of U.S. companies' activity (i.e., "investments") in South Africa revealed that divestiture would eliminate from PSU portfolios stocks associated with about 1 percent of indirect South African investments of those firms operating in that country. At the same time, such action would serve to eliminate 99 percent of the non-South African "component" of those firms' investments. In this connection, it is estimated that only about \$50,000 - \$100,000 represents the University's indirect investment in South Africa-related assets--out of the total \$5.5 million of stocks held in U.S. companies with South African operations.

PENNSYLVANIA STATE UNIVERSITY
SOUTH AFRICAN-RELATED HOLDINGS
DECEMBER, 1984 TO NOVEMBER 30, 1985

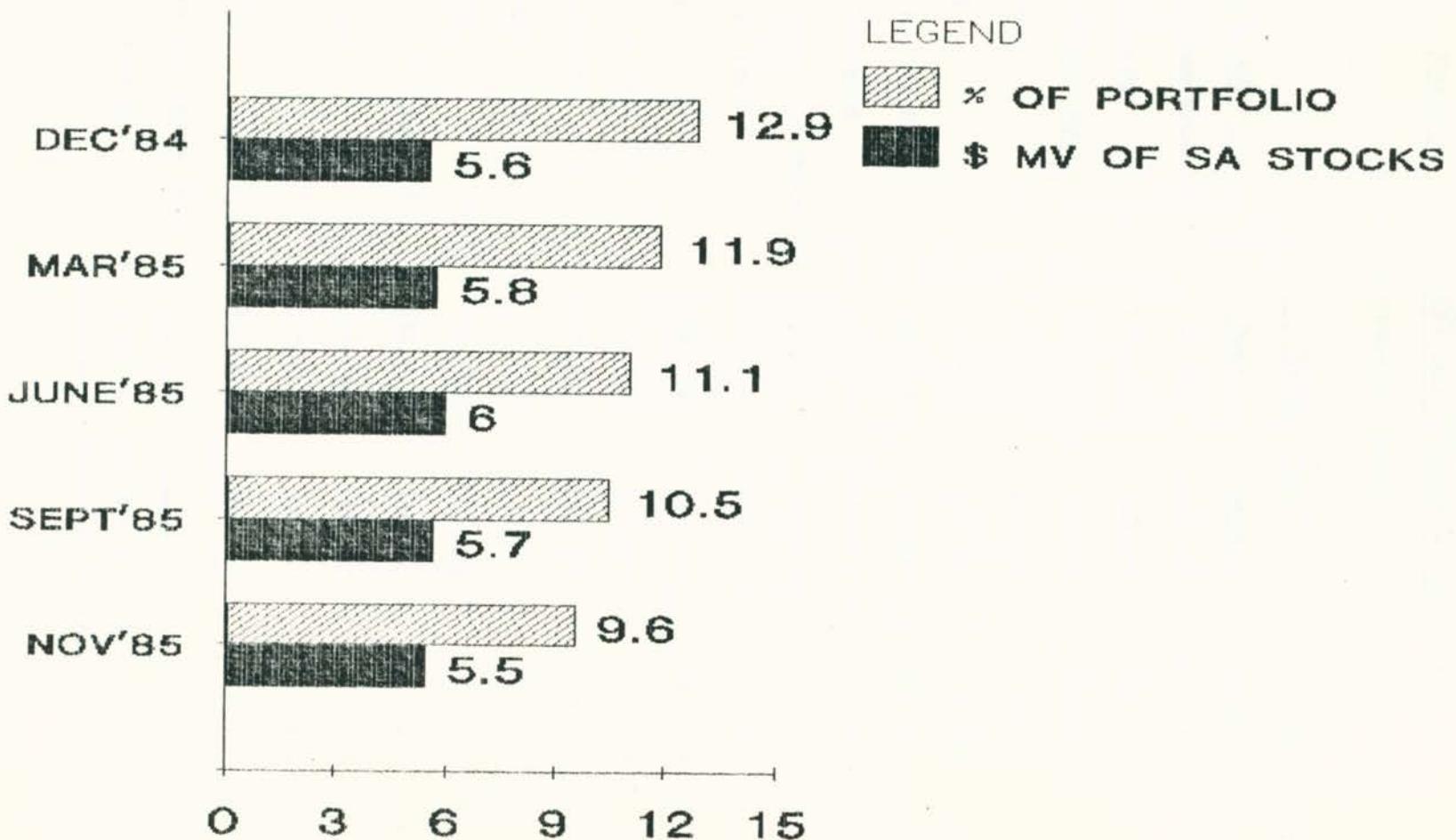


Exhibit II

THE PENNSYLVANIA STATE UNIVERSITY
DETAIL OF EQUITY HOLDINGS
COMPANIES WITH OPERATIONS IN SOUTH AFRICA

AS OF NOVEMBER 30, 1985

<u>SHARES</u>	<u>COMPANY</u>	<u>ASSOC. TRUST</u>		<u>HERSHEY TRUST</u>	
		<u>Book</u>	<u>Market</u>	<u>Book</u>	<u>Market</u>
2200/900	American Home Products	\$132,552	\$135,300	\$ 53,847	\$ 55,350
2200/900	Burroughs Corp.	131,195	128,150	44,217	52,425
9000/3900	Dart & Kraft, Inc.	332,479	357,750	155,298	155,025
9000/1700	Exxon Corp.	387,930	480,375	28,213	90,738
1300/600	FMC Corp.	85,267	88,562	40,248	40,875
2996/1650	General Motors Corp.	219,855	210,094	119,256	111,413
2300/900	General Electric	136,747	150,937	51,935	59,063
1900/800	Goodyear Tire & Rubber	54,065	54,625	21,864	23,000
900	Honeywell, Inc.			59,022	62,100
4770/2100	IBM Corp.	426,124	666,607	146,109	293,475
2600/1200	Johnson Controls Inc.	105,658	124,800	56,496	57,600
1900/800	Eli Lilly & Co.	167,322	197,125	50,164	83,000
3700	Mobil Corp.			113,609	116,550
1900/800	Pfizer Inc.	90,640	101,412	20,091	42,700
4400/1900	SmithKline Beckman	234,620	339,350	136,240	146,538
3700/1400	Sperry Corp.	162,042	184,075	68,887	69,650
4500/1600	Tenneco Inc.	174,410	182,250	63,944	64,800
11,300/5200	Texaco Inc.	389,618	367,250	190,216	169,000
1200	United Technologies Corp.			22,671	50,400
	Totals	\$3,230,524	\$3,768,662	\$1,442,327	\$1,743,702
		<hr/>	<hr/>	<hr/>	<hr/>

Exhibit III

THE PENNSYLVANIA STATE UNIVERSITY
1981 AND 1985 SULLIVAN RATINGS
EQUITY HOLDINGS IN SOUTH AFRICA-RELATED COMPANIES

Mid-December, 1985

	<u>1981 Rating</u>	<u>1985 Rating</u>
American Home Products	V**	I, IIA
Burroughs Corp.	I	I
The Chase Manhattan Corp.	II	IIB
Dart & Kraft, Inc.	IIIA	IIA
Exxon Corp.	I	I, IIA
FMC Corp.	IV	I
General Motors Corp.	I	I
General Electric	II	II, IIB
Goodyear Tire & Rubber Co.	II	IIA
Honeywell, Inc.	II	I
IBM Corp.	I	I
Johnson Controls Inc.	IIIB	IIIA
Eli Lilley & Co.	II	I, IIA
Mobil	I	I
Pfizer, Inc.	IIIA	I
SmithKline Beckman	II	I, IIA
Sperry Corp.	I	I
Tenneco, Inc.	V*	IIIA
United Technologies Corp.	II	IIB

* 1982 Rating

** 1983 Rating

1985 CATEGORIES

- I -- Making good progress.
- IIA -- Making progress, based on full reporting.
- IIB -- Making progress, based on short form reporting.
- IIIA -- Needs to become more active; passed all basic requirements but received low point rating.
- IIIB -- Needs to become more active; did not meet basic requirements.
- IV -- Endorser.
- V -- New signatory.

1981-1984 CATEGORIES

- I -- Making good progress.
- II -- Making progress.
- III -- Needs to become more active
- III-A -- Passed basic requirements but received low point rating.
- III-B -- Does not meet basic requirements.
- IV -- Endorser of the principles that has few or no employees.
- IV-A -- With no employees.
- IV-B -- With 10 or fewer employees in a subsidiary or operation.
- IV-C -- Holds less than 19 percent equity in its South Africa operation.
- V -- New signatory.
- VI -- Signatory that did not report.
- VII -- Signatory with headquarters outside the U.S.

Note: Corporate holdings listed in Exhibits II and III do not agree due to changes in the Penn State portfolio between respective dates.

Penn State has joined and is participating actively in the South Africa Research Consortium, a group of about 40 universities--including such schools as Amherst, Brown, Colgate, Columbia, Cornell, Dartmouth, Harvard, Notre Dame, University of Pennsylvania, University of Pittsburgh, Princeton, Rutgers, Stanford, Wesleyan and Yale--which has been formed for the purpose of improving the information base on American corporate activities in South Africa and exploring alternative ways the university community--consistent with its prime educational mission--can contribute to the improvement of working and social conditions of Black South Africans. The activities of the Consortium are coordinated through The Investor Responsibility Research Center--to whose services PSU already subscribes.

The Consortium currently is engaged in several activities, including:

- (a) Exchanging information on academic initiatives to end apartheid either already underway or planned by educational institutions.
- (b) Providing suggestions for new initiatives in the educational field.
- (c) Monitoring the conduct of U.S. firms in South Africa (in conjunction with the IRRC) beyond the efforts provided by the A. D. Little reports.
- (d) Suggesting ways by which corporate performance under the 4th Amplification of Sullivan Principle VI can be effectively evaluated (Exhibit IV).

Exhibit IV

WESLEYAN UNIVERSITY

Middletown, Connecticut 06457

ROBERT B. TAYLOR
Vice President
& Treasurer

December 10, 1985

The Reverend Leon Sullivan
Zion Baptist Church
Broad and Venango Streets
Philadelphia, Pennsylvania 19140

Dear Reverend Sullivan:

I am writing to you on behalf of many of the member institutions of the South Africa Research Consortium. The 4th Amplification of the Sullivan Principles urging American corporations to use their influence to contribute to meaningful social and political change in South Africa strikes us as being a critically important step. Such expanded efforts are consistent with the progress companies are expected to make in establishing fair labor practices, recognizing and negotiating with representative unions and assisting in black community development projects. We greatly appreciate your continuing efforts to contribute to peaceful change in South Africa.

We believe that it is very important to include meaningful questions and criteria for evaluation in the 10th Sullivan questionnaire. At our urging, the Investor Responsibility Research Center prepared a background paper for the member institutions of the South Africa Research Consortium and developed suggested questions for inclusion in the questionnaire. The questions are:

1. How has your company been involved, either individually or collectively with other companies or institutions, in lobbying the government for the elimination of apartheid? What type of assistance did you provide to these efforts?
2. How has your company provided legal assistance to victims of apartheid? Examples could include funding the Legal Resources Center or public interest law firms, and providing legal assistance to employees or others charged with political offenses or detained without charge.
3. Is your company helping to establish a model project—such as a multi-racial school or an integrated housing development—that would demonstrate what a society without apartheid could be like?
4. How has your company tried to promote the values of mediation, negotiation and compromise between whites and blacks?
5. Describe what your company has done to develop and work with black leaders, inside and outside the workplace?

Exhibit IV (continued)

6. How does your company ensure that it consults with a range of community groups or spokesmen in developing and implementing its community affairs programs?
 7. In what other ways has your company encouraged the elimination of apartheid laws and discriminatory practices?

We recognize that many of these may duplicate questions already under development by you, Reid Weedon and your other colleagues. In any event, we believe that rating companies on such questions will be extremely helpful. The rationale for each of these questions and examples of the type of activities which could be included under each are examined in the enclosed report.

We would be delighted to meet with you, Reid Weedon and others to discuss the questions we have proposed and any other areas in which our educational institutions could assist you in your efforts.

Sincerely yours,

RBT/ap
enclosure

cc, with encl.: Reid Weedon
Senior Vice President
Arthur D. Little
Cambridge, MA 02140

IV. ACTIONS TAKEN BY UNIVERSITY BODIES

1. Previous Trustee Actions

In 1978 the Board of Trustees endorsed the Sullivan Principles and resolved to urge corporations in which the University was a shareholder to implement these Principles (Appendix A-1). Penn State's investment practice has been to refrain from investment in corporations that have not signed the Sullivan Principles, although there is no formal provision for divestment in the case of non-signatory corporations or enterprises failing to achieve performance criteria related to the Sullivan Principles. The University has monitored the progress of portfolio companies in achieving Sullivan goals. In July 1985, the Trustees voted to continue current policy until the first meeting in 1986 at which time a further review would be undertaken (Appendix A-2). This report is advisory to the President in preparation for those deliberations.

2. Student Government Actions

Undergraduate Student Government

The issues concerning Penn State's investments in companies that have operations in South Africa first arose in the Undergraduate Student Government at the end of the 1985 spring semester. The USG Senate passed a resolution calling on the University to divest all of its South African related investments. The resolution was forwarded to the USG president for action. The resolution was vetoed because it was felt that Penn State students and the USG needed more time and information on South Africa and divestment before a responsible position could be adopted.

To educate the University community on all of the issues surrounding South Africa and divestment, the USG implemented a comprehensive South African Education Drive in early September (Appendix B-1). At the end of September, the USG in conjunction with the Graduate Student Association (GSA), and the Council of Commonwealth Student Governments (CCSG) conducted a telephone survey of student opinion concerning Penn State's investment policies toward South African related holdings. Despite the considerable amount of time and care in the survey's preparation, the survey was invalidated due to an inaccurate random sample provided to the USG. Therefore, the survey could not be used to represent students' views on Penn State's South African related investments.

At this point, the USG Executives and Senate, acting on behalf of University Park undergraduates and with consideration of Penn State's interests, called for the University to divest all of its investments from companies that have operations in South Africa (Appendix B-2).

USG provided a focus for thought, discussion, and activity concerning South Africa and divestment. The following observations capture some of the sense of USG-related activities:

(1) Throughout the discussion of divestment, USG served as a barometer of student feeling. Although strongly committed supporters and opponents of divestment were apparent, the dominant belief shared by students voicing opinions, USG representatives, and appointed USG officers was that the University should divest.

(2) In an effort to abide by students' desires the USG Senate continually heard students speak in its Open Student Forum. During these events, the USG Senate never heard a student speak against divestment. The Senate did hear both individuals and organizations support divestment.

(3) There is a feeling among students, warranted or not, that Penn State's holdings of South-African-related stock demonstrates an insincerity toward minority students.

(4) Attitudes and statements reflected elsewhere in this report in support of divestiture echo sentiments felt and heard during USG's debate of the issue.

In summary, USG support of divestment reflects a concern for the values of Penn State as an institution of higher education, a belief that Penn State and its students are best served by divestment which would help to accelerate the end of apartheid.

The Council of Commonwealth Student Governments

In dealing with South Africa and the controversy of Apartheid, Commonwealth Campus students presently vary in opinion, from support for the Sullivan Principles to advocating divestment. Initial reaction to the issue was to view divestiture as an administrative concern. Little was known about apartheid, South Africa and divestiture. Campus students had primary concerns in physical plant matters and tuition differentials.

Under the guidance of the Council of Commonwealth Student Governments' (CCSG's) liaisons, campuses received video-tapes and transcripts presenting both pro-divestiture and anti-divestiture points of view. Expecting to partake in the survey administered by the Undergraduate Student Government, campus education ignited. Most campuses presented the material on designated days, some even utilized the material for classroom use.

The campuses participated in cooperation with the Undergraduate Student Government in a State-wide student survey. When the survey and its results were declared invalid, overall campus sentiment leaned toward no divestment with a strong objective emphasis. They considered the real issue to be apartheid, not divestiture. Following that campus lead, the CCSG liaisons researched options pertaining to what the University is able to do to end apartheid. The result was four draft resolutions, each of which was considered and voted upon individually by the Council of Commonwealth Student Governments. The proposed resolutions, as amended, are included in Appendix C.

Resolution one stated the campuses' opposition to apartheid and recognized that "the elimination of apartheid is a long term proposition," where "the University's impact on the overall situation can expected to be small." The campuses favorably accepted this resolution.

Resolution two was concerned with the establishment of a possible scholarship for South African students which would include "1) paid tuition, 2) paid room and board, 3) paid books for the first semester of study, 4) help in finding a job to defray the other costs associated with attending college." Opposition to this resolution was strong.

First, the financial means to enact resolution two was questioned. The result ended in a change in the wording of Resolution 2 section b from "using the dividends received from the University's South African related investments" to "requesting Corporation endowment funds for scholarships for South African Students." After this change, intense debate continued. The campuses questioned the soundness of implementing this resolution when they were already dealing with valued internal programs which did not receive proper funding. Resolution two proved unacceptable to the campuses.

Through resolution three, the campuses called for "selective liquidation of stocks in companies that do not correct deficiencies in its compliance with category I of the Arthur D. Little Company's ratings of the Sullivan signatories within a specified time period."

The fourth and final resolution called for the University "to create a board to review the performances of all companies, on an appeal basis, in which the University has holdings, on human and civil rights issues with a view to both fiduciary and moral investing of University funds." The campuses accepted this resolution favorably.

In the overall picture, factors which the campuses used to arrive to these conclusions include relevance to campus life and perceptions of the effects on Penn State. The campuses ask the Board of Trustees to also consider these factors when they decide what course of action to pursue concerning the abolition of apartheid.

The Graduate Student Association

On November 12, 1985, the GSA General Assembly debated two resolutions regarding the issue of Penn State's investments in corporations doing business in South Africa, and the steps that the University might take to strengthen its voice of opposition to apartheid. Resolution 1 (Appendix D) sponsored by Russ Taylor from Aerospace Engineering, was placed on the agenda in October, and had been forwarded, approximately two weeks prior to the November 12 meeting, to all delegates. Resolution 2 was introduced by David Johnson, GSA Faculty Senator (Appendix D) at the November 12 Assembly meeting. Resolution 1 was supported by three proposals similar to Resolutions 2-4 of the CCSG.

Resolution 2 was introduced first, and before debate, Resolution 1 was introduced as a substitute resolution. A debate ensued, dealing with the suitability of the substitute resolution. Resolution 1, calling for the University to take positive steps to strengthen its position regarding its investments in South Africa but not divestment, was defeated by the Assembly by a role of 14-23-6. The supporting proposals were similarly defeated.

Following defeat of Resolution 1, Resolution 2 was considered, and after debate, was passed 24-14-6.

Several comments can be made regarding this action by the GSA Assembly:

- (1) The current stance of the GSA Assembly may or may not be reflective of the opinion of the majority of the graduate student population, as not all graduate programs have elected delegates to the Assembly.
- (2) Those abstaining from the votes on both resolutions did so for two apparent reasons:
 - a) some abstentions felt they were not sufficiently familiar with the issue, nor with the opinions of their constituents (note: motions to table both resolutions until the December assembly meeting were defeated).
 - b) others felt that it was not the right of the GSA Assembly to influence University and U.S. foreign policy.
- (3) During the debate period at the November 12 assembly meeting, members of the Graduate Students Against Apartheid, a group affiliated with the Committee for Justice in South Africa, were given the opportunity to speak in favor of total divestment. A number of delegates felt that since the "opposing view" was not presented by such an organized group, the Assembly may have been "stacked" in favor of divestment.

Therefore, the current stance of the Graduate Student Association General Assembly is to call for total divestment of all University holdings in corporations with South African operations as soon as possible, but no later than January 1, 1989.

The University Student Executive Council

The USEC recommended that the Board of Trustees consider all proposed alternatives to current investment policies in response to apartheid (Appendix E).

3. University Faculty Senate Actions

At the November 12, 1985, meeting of the Senate, David Johnson, graduate student senator, made the following motion from the floor of the Senate.

"Be it resolved, that the University Faculty Senate of The Pennsylvania State University calls upon the Board of Trustees and Administration of The Pennsylvania State University to divest all stocks in corporations doing business in South Africa, as soon as possible, but no later than January 1, 1989."

In accordance with the Standing Rules of the Senate the motion laid on the table until the next regular meeting of the Senate, which was held on December 10, 1985.

At the meeting of Senate Council on November 26, 1985, and in accordance with the Bylaws of the Senate Article II, Section 1(b), Council developed the following substitute motion for submission at the December 10 meeting of the Senate.

"We call upon the Board of Trustees and the Administration of The Pennsylvania State University to consider the current investment policies of the University, as they affect South African blacks and coloreds, so as to encourage a peaceful solution which brings about the elimination of the oppressive system of apartheid.

Further, we urge that the entire Penn State community seek effective ways to increase the educational opportunities for South African blacks and coloreds, both within and without South Africa."

At the December 10, 1985, meeting under Item I, "New legislative business" the motion by David Johnson was removed from the table. Senator Johnson then came forward to present the motion and the rationale behind the motion. A salient statement from his rationale was as follows:

"It seems to me from an economic, moral, social, and political perspective that to continue investment in corporations doing business in South Africa would be wrong and it would not be in the best interest of the institution."

Next Chairman Rung introduced and read the substitute motion from the Senate Council.

Senator Philip A. Klein then came forward to introduce a substitute motion from the Liberal Arts Senators Caucus:

"The Liberal Arts Caucus of Senators proposes the following motion in relation to the issue of divestiture of University investments in corporations doing business in South Africa.

We move that the Johnson motion and the Substitute Motion from Senate Council be referred to a Special Committee appointed by Professor Rung. This Special Committee would be charged to make a legislative report on the divestiture issue to the Senate at the March, 1986 meeting.

RATIONALE: This action is important for two reasons. First, it reinforces the Committee system in the Senate. Too many items are being brought directly to the Senate floor without careful preparation within Committees. Second, it allows Senators time to examine President Jordan's statement on divestiture and other information now becoming available at the national and international levels."

Senator Klein indicated that when the motion was prepared they were not aware of the Special Committee appointed by President Jordan.

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A salient statement from Senator Klein's presentation was as follows.

"I come to you as a spokesman for a very divided Liberal Arts College group of Senators. I would like to begin by telling you one thing we are not divided about, and that is our total abhorrence of the system of apartheid in South Africa. The only difference of opinion we have is over what is the most effective way for the University to express that abhorrence."

Chairman Rung indicated the order of consideration which would be followed in dealing with the motion and substitute motions was to be as follows:

1. The L.A. Caucus motion
2. The Senate Council motion
3. The "motion to Divest" by Senator Johnson

Lengthy discussion ensued regarding all aspects of the motions and substitutes. Typical comments were as follows:

"I think that the substitute tends to be one which is too cautious, too safe, and again dismisses us from making a decision as a body today."

"I sympathize with parties like you who feel the divestment issue is a very complex one and we do not have the foresight to know what will be the best leverage for freeing the oppressed blacks and other South African minorities."

"Why divest? Because in many respects the South African Government is not that different from Nazi Government. Both governments support murder and other acts of inhumanity. And like the Nazis the South African Government believes in racial superiority of their own group. Suppose the Nazis had not participated in WWII but had instead invited multi-nationals for boosting their economy, and suppose that some of these followed the Sullivan Principles there by employing 1 percent of the Jewish population in Nazi Germany. Would that be good enough reason to invest in their business ventures? No. The same answer holds regarding the investment of Penn State stock in South African companies. Supposing Nazis argued that divesting in companies operating in their regions would hurt some of their poor and innocent Jewish employees, would that be grounds for continuing our investments? No. Likewise, even though we know that our investments do help a small innocent minority--approximately 1 percent of the light labor force of South African blacks--we have to stop investments that ultimately support the economy of a government whose operations are in accordance effects like those of the Nazis. Suppose stock in multi-nationals operating in Nazi Germany yielded the highest returns on investments. Should that be an overriding reason for determining allocations of our investment dollars? Fellow Senators, speaking as one human being to another, I hope not."

"I am not sure I know the answer. That is one of my hesitations I would like to say that eloquent address in one sense makes me acutely uncomfortable because I don't like to be made to feel that I am in any sense opposed to one word and one sentiment that has been expressed. I don't want this group to end up being made to look as though they are indifferent to what is going on in South Africa."

"I would like to speak against the two substitute motions and make my decision today. I have experienced the power of economic sanctions. I was a part of the movement that did away with segregation, and moral issues made no difference, they weren't effected in that movement. What was effective was the economic boycott, that is the only thing that changed the situation. I was there."

"I would like to speak in favor of the substitute motion, but I feel there is a lot of pressure here on a moral basis rather looking at it from a practical standpoint."

"The burden is heaviest on those who argue that the best way to bring down apartheid is to continue doing business with them."

"I want us to go out of here making some sort of extremely strong statement today."

"Our dilemma is how to give a message to that newly appointed apartheid committee as well as to the board of trustees."

"I think it is really the height of hypocrisy to move for divestiture and not put in that motion that the University rid the campus of all IBM and General Motors products. We are very opposed to this system and I think the way to get rid of it is through Sullivan Principles."

Chairman Rung called for a vote on the Liberal Arts Caucus motion to refer Senator Johnson's motion and the Council motion to a Special Committee. The motion was defeated 85 to 37.

The next order of business was to entertain any amendments to either Senator Johnson's original motion or the Council's substitute motion. By a vote of 51-44 the Johnson motion was amended with the following statement:

"Be it further resolved that if the government of South Africa abolishes the system of apartheid on or before January 1, 1989, that this resolution shall be null and void."

The Council substitute motion was then amended with a preface statement expressing abhorrence of apartheid. The amendment passed by voice vote.

After further discussions Chairman Rung called for a vote on the substitute motion from Senate Council. It was defeated 81 to 39.

Chairman Rung then called for a vote on the original motion of Senator Johnson as amended. It passed 78 to 32.

The approved motion which was passed and sent to President Jordan as part of the Advisory and Consultative function of the Senate reads as follows:

"Be it resolved, that the University Faculty Senate of The Pennsylvania State University calls upon the Board of Trustees and Administration of The Pennsylvania State University to divest all stocks in corporations doing business in South Africa, as soon as possible, but no later than January 1, 1989.

"Be it further resolved that if the government of South Africa abolishes the system of apartheid on or before January 1, 1989, that this resolution shall be null and void."

4. Forum on Black Affairs

The Forum on Black Affairs has voted unanimously to call upon the Trustees to divest all stocks of corporations doing business in South Africa (Appendix G).

V. RESPONSE OPTIONS

In the following pages we outline a range of options available to the University. We have organized the options into four major groups. Note that neither the enumeration of options nor the ordering of groups implies any degree of preference of importance. The first group includes options related to the educational mission of the University. These options include:

1. Encouraging curricular activities related to South Africa;
2. Enhancing Penn State's voice on apartheid beyond the University;
3. Increasing educational opportunities for non-white South Africans at Penn State;
4. Increasing educational opportunities for non-white South Africans in South Africa;
5. Developing an academic boycott of South Africa; and
6. Developing informal scholarly interaction with the South African academic community.

The second group of options concerns the investment of University funds. These options are:

7. Divestment of holdings in enterprises doing business in South Africa; and
8. Selective divestment of holdings by reference to specific criteria.

The third group of options deals with University operations:

9. Boycotting of financial institutions aiding apartheid;
10. Using University procurement as an anti-apartheid policy;
11. Encouraging institutions providing pension and tax-deferred annuity programs to follow a divestment policy comparable to Penn State;
12. Enhancing Penn State's voice on apartheid in the corporate world;
13. Accepting corporate gifts, grants and contracts only in conformance with Penn State divestment and/or procurement policy; and
14. Establishing a fund for anti-apartheid educational initiatives.

The fourth group of options is related to general strategy concerning apartheid:

15. Maintaining our present course of action;
16. Developing a comprehensive policy on apartheid; and
17. Establishing an on-going process to review Penn State policy in relation to developments of the apartheid situation.

For each option, we suggest some specific actions the University might take. We also list some arguments for and against each option with the purpose of clarifying some of the issues surrounding each potential action, while recognizing that the time framework of our activity has precluded comprehensive study. These arguments reflect the potential diversity of perspectives and opinions. It is important to note that some of the options either subsume other options, are developed to parallel other options, or may be mutually exclusive. For proponents of particular options, selection of other options will not necessarily be seen as valid 'alternatives'. Clearly, it will not be possible for Penn State policy to satisfy all of the divergent view points on the appropriate means to achieve the commonly held goal of ending apartheid. Thus the Board of Trustees must, on the basis of its own informed judgment and recommendations from University leadership, identify options appropriate to the mission and abilities of The Pennsylvania State University.

Options Related to the Educational Mission of the University

1. Encourage curricular activities to enhance student and faculty knowledge of the South African situation.

A. ACTION

Through normal curricular means, assisted from central resources, expand the availability of courses and seminars related to South Africa. Also encourage co-curricular activities with campus- and system-wide impact to increase awareness of the challenge of apartheid. Such activities could include conferences, speakers, plays, films, and musical events. The African Studies component of the University's Black Studies Program would be the logical locus for coordination of curricular initiatives.

B. ARGUMENTS FOR CURRICULAR ACTIVITIES

- (1) The basic mission of the University includes research and teaching. Curricular activity is thus appropriate to Penn State's experience, expertise, and role.
- (2) Student and public ignorance of the South African situation is unacceptable given the strategic and moral importance of change in that nation. Opportunities to increase awareness of the South African dilemma are appropriate within many instructional programs.

- (3) Co-curricular activities will also contribute to wider awareness of the apartheid issue and will also provide opportunity for sharing of views and debate on relevant issues.

C. ARGUMENTS AGAINST CURRICULAR ACTIVITIES

- (1) Curricular directions should not be determined by contemporary issues, but by academic program action using established procedures.
- (2) Curricular activities would use funds that could be more appropriately allocated to other University imperatives.

D. FURTHER COMMENTS

Since curricular matters are generally initiated at the program level and are implemented only after University Faculty Senate approval, the role of the administration should be to encourage and support initiatives from the Colleges, Campuses, and Programs, rather than attempt to establish activities separate from existing procedures.

2. Enhance Penn State's voice on the apartheid issue beyond the University.

A. ACTION

Penn State should make available its scholarly expertise regarding apartheid. Among mechanisms to accomplish this option are establishment of a speaker's list by the Office of Public Information and the role of the Office of Governmental Affairs in liaison between the University and government bodies, including lobbying to strengthen U.S. sanctions.

B. ARGUMENTS FOR ENHANCING PENN STATE'S VOICE ON APARTHEID

- (1) Penn State has an opportunity to share its expertise on the South African situation in fulfillment of its educational and public service mission for the Commonwealth.
- (2) Attention given to apartheid at all levels within the University and among the public virtually demands that we respond as an institution.
- (3) Apartheid is an issue that a university of international stature working in Africa cannot ignore.

C. ARGUMENTS AGAINST ENHANCING PENN STATE'S VOICE ON APARTHEID

- (1) The University cannot subscribe to every potential demand that it act on some current political issue, and thus should not set an official precedent by treating apartheid as different from the plethora of national and global issues that demand resolution.

- (2) It is the obligation of individual scholars associated with the University rather than the institution itself to speak out on issues such as apartheid. When the institution attempts to be a social or political entity it threatens its role in hosting a diversity of scholarly perspectives and outspoken critics.

D. FURTHER COMMENTS

The University should take care to differentiate its institutional policies regarding apartheid from the open exchange and dissemination of divergent viewpoints it would foster as an educational institution.

3. Increase educational opportunities for disadvantaged non-white South Africans at Penn State.

A. ACTION

Penn State would act individually or through collaborative efforts to provide educational opportunities for disadvantaged non-white South Africans at the University. Particular initiatives might include:

- (1) Scholarships and/or fellowships funded with Penn State resources;
- (2) Continued cooperation with the South African Education Program, the Institute for International Education and similar bodies for the recruitment and support of non-white South African students;
- (3) Establishment of a major recruitment effort for non-white South African graduate students who would be supported through graduate assistantships, or other financial arrangements.

B. ARGUMENTS FOR EDUCATIONAL INITIATIVES AT PENN STATE

- (1) Scholarship and recruiting initiatives are clearly within the scope of Penn State's mission and activities.
- (2) Non-white South Africans value and need increased educational opportunities.
- (3) We can contribute to change in South Africa in increasing quantitatively and qualitatively the education of non-white South Africans. We can also take meaningful steps to redress educational disadvantages non-white students have experienced.
- (4) We would enhance the potential role of Penn State in assisting with non-white development after apartheid has been dismantled in South Africa.

C. ARGUMENTS AGAINST EDUCATIONAL INITIATIVES AT PENN STATE

- (1) The cost of providing baccalaureate education in the U.S. is many times the cost in South Africa. Limited funds are better spent in increasing educational opportunities within South Africa (see Option 4).
- (2) There is concern that University scholarship funds would be diverted from needy Pennsylvania students.

D. FURTHER COMMENTS

Penn State may have greater opportunity to enhance non-white education by providing doctoral opportunities for individuals who could play a significant role in non-white education upon return to South Africa as opposed to hosting individual undergraduate students. Also, policy initiatives in this area should recognize that some white South Africans may also be disadvantaged by having refugee status due to opposition to apartheid.

4. Increase educational opportunities for non-white South Africans in South Africa.

A. ACTION

Penn State could seek meaningful involvement in non-white education in South Africa by cooperation with institutions, agencies, foundations, and educational organizations within South Africa and at the international level. We could develop policies as well as financial resources to encourage University activities in South Africa. We could use University resources or explore joint University/government/corporate collaboration, such as the new Khanya College project for post-secondary, training of primarily non-white candidates for subsequent admission to universities, principally the Universities of Capetown and of the Witwatersrand.

B. ARGUMENTS FOR NON-WHITE EDUCATIONAL INITIATIVES IN SOUTH AFRICA

- (1) Education has high priority among non-white South Africans.
- (2) The need for educational improvement for non-whites in South Africa is significant.
- (3) A limited financial resource might have far greater impact if instituted within the South African framework compared to bringing a smaller number of students abroad. For example, the University of Colorado intends to provide scholarships to multiracial South African universities.
- (4) We would enhance our own experience in South Africa, so as to play an increasingly meaningful and constructive role in future years.

C. ARGUMENTS AGAINST NON-WHITE EDUCATIONAL INITIATIVES IN SOUTH AFRICA

- (1) Accomplishment of initiatives in this area would require interaction with institutions operating under apartheid, although many of them would clearly not endorse its continuation. This reality could nevertheless be viewed as collaboration with apartheid.
- (2) These kinds of initiatives might be viewed as more properly the role of corporate enterprises profiting from investment in South Africa, and are indeed listed among the Sullivan Principles and the U.S. Executive Order of September 9, 1985. However, Penn State might respond affirmatively to a role in helping businesses meet educational commitments, if the previous argument (1) is not of greater cogency.
- (3) We must carefully evaluate the implication of any potential use of University resources within South Africa not related to Penn State students or faculty before making commitments. In particular, we must ascertain appropriate categories of funds that would be used in meeting these educational challenges.

D. FURTHER COMMENTS

If Penn State elects to use its own resources and follow its own initiatives, we do have an obligation to ensure that we maximize our impact by careful consideration of specific programs of action.

5. Develop an academic boycott of South Africa.

A. ACTION

Penn State could develop a policy which would lead to a ban on South African nationals as students, visitors, or faculty. This restriction could be limited to white South Africans. Penn State could also prohibit use of University funds for travel to South Africa and deny requests for leave-of-absence to be spent in South Africa. It could attempt to isolate itself from any scholarly interchange with South Africa.

B. ARGUMENTS FOR AN ACADEMIC BOYCOTT

- (1) At least one ban on South African participation on a scholarly activity has been proposed, parallel to bans on sporting activities. Whereas such a ban is highly controversial (the specific case is the 11th World Archeological Congress, to be held in the U.K. in 1986 -- Science 20 December 1985), it is considered morally justified by some academics.
- (2) A de facto boycott already occurs, for example, against South Africa in most tropical African universities. Although this practice is a result of national policy, many scholars express privately (and sometimes publicly) that open academic exchange

would be beneficial. Typically, refugees from South Africa are welcomed in other African universities.

C. ARGUMENTS AGAINST AN ACADEMIC BOYCOTT

- (1) The ethical status of limiting opportunities based on color or national origin is questionable; such actions could possibly be illegal.
- (2) An academic ban is in direct conflict with academic freedom and free scientific exchange. These are higher principles.
- (3) It is simply impossible for Penn State to avoid direct or indirect interaction with South Africa, scholarly or otherwise, even if total isolation were a reasonable goal. For example, we could not meet our research obligations in Swaziland without travel through Johannesburg. Our agricultural research in Swaziland is enhanced by interaction with South African organizations which have already done relevant local agricultural research. Normal transactions in several southern African nations take place within the sphere of the South African rand; these nations are themselves highly dependent on South Africa.
- (4) An academic boycott would penalize many institutions and individuals who have taken a leadership role in opposing apartheid. Although such an action would be highly visible it would be misdirected.

D. FURTHER COMMENTS

We know of no precedent for an academic boycott by an American university, although this action is consciously practiced by individual scholars.

6. Develop informal scholarly interaction with the South African academic community.

A. ACTION

The University could maintain an open stance with respect to South African institutions and their faculty and students. Involvement could include informal exchange of visiting scholars or reciprocal hosting of sabbatical scholars. It could extend to individuals taking temporary positions at South African institutions as part of activities in Option 4, or assisting in developing curricula for use in South Africa.

B. ARGUMENTS FOR SCHOLARLY INTERACTION

- (1) If academic freedom and freedom of scientific information are focal in Penn State's educational mission, we should use our considerable strengths to be a force for constructive change in South Africa.

- (2) Some institutions of higher education in South Africa are positive forces for change. For example, we are aware of at least three legally "white" universities whose non-white enrollment is proportionately greater than that at Penn State. There is a precedent for potential interaction with "African" universities in Northwestern University's intention to support faculty members teaching in these institutions.
- (3) Based on an assumption that South Africa is internally reformable, a Penn State 'presence' can be a positive force for change. Similarly, South African scholars using Penn State as a site from which to view their own nation can also be a force for positive change.

C. ARGUMENTS AGAINST SCHOLARLY INTERACTION

- (1) Even informal interaction with South African individuals and institutions could be viewed as condoning the system within which they exist. Interaction with the "African" universities in South Africa would be problematic due to their ties to government in South Africa.
- (2) There is at least some fear that apparent collaboration with South Africa would incite protests and threaten financial support for scholarly activities. Such results could have negative impacts on University activities beyond those related to South Africa.

Options Related to the Investment of University Funds

7. Divest holdings in enterprises doing business in South Africa.

A. ACTION

By a specified date the University could divest its holdings in enterprises doing business in South Africa. The University must define "doing business" in the context of divestment and other actions related to apartheid and the American business community.

B. ARGUMENTS FOR DIVESTITURE

- (1) Such an action could be motivated by one or more concerns:
 - (a) The University could see such an action as a fundamentally moral statement, a protest expressing its repugnance to apartheid and related violations of human rights in South Africa.
 - (b) The University could see divestiture as an action to encourage disinvestment by U.S. corporate enterprises now doing business in South Africa because it believes the threat of disinvestment and/or disinvestment itself will accelerate the demise of apartheid.

- (c) The University could divest because it views the current political and economic situation in South Africa as inimical to prudent investment.
- (2) Divestment has been endorsed by the University Faculty Senate, the Graduate Student Association, the Undergraduate Student Government, and the Forum on Black Affairs. There is significant support in the Penn State community for this action. By divesting, Penn State would not be taking an unknown policy; it would be following what may be the dominant viewpoint among University faculty and students and would join an increasing number of educational institutions that have elected to divest.
- (3) Some observers believe American investment strengthens the South African apartheid system.
- (4) Similarly, it can be argued that the University profits from the exploitation of non-white South Africans by holding equities in enterprises doing business in South Africa. For the University to benefit from this exploitation is unacceptable.
- (5) Apartheid is morally offensive; divestment is a strong statement expressing our indignation. Such a statement is morally appropriate even if its effectiveness in ending apartheid is questionable. A university cannot manage its investments blindly as simply a matter of maximizing returns as if it were a business enterprise.
- (6) As an institution of higher education, Penn State has a responsibility to promote ideals that would lead to achieving a better society. Divestment viewed in a symbolic sense is appropriate to this responsibility.
- (7) Since the University already selectively manages its investment portfolio based on Sullivan Principles, it may already have crossed the boundary of fiduciary responsibility by investing for a social purpose.
- (8) It is possible that divestment could be imposed by state law (as has occurred in Michigan and Wisconsin; the Michigan law excludes divestment of companies headquartered in, or employing a large number of citizens of, Michigan). If legislative action on this issue is pending, it could affect the marketability of our holdings. We may wish to anticipate such action.
- (9) Continued investment in American corporations doing business in South Africa contradicts Penn State's commitment to affirmative action.

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C. ARGUMENTS AGAINST DIVESTITURE

- (1) Divestment or other management of investment portfolios for social purposes by trustees has been interpreted by some as a violation of fiduciary responsibility and may pose significant legal risk to the University. Judgments of legal counsel must be sought on this issue.
- (2) There could be a significant threat to University fund-raising activities if corporations and their officers who feel they are operating in good faith to enhance change in South Africa take offense at a divestment posture by Penn State. Given the potential costs to the University compared to intangible benefits, divestment does not seem to be a reasonable option. It might be difficult to reestablish relationships once they are broken.
- (3) There is no clear consensus regarding divestiture in the American scholarly community. Whereas a number of universities have chosen divestiture (some under force of state law), others have chosen not to divest.
- (4) Similarly, there is no consensus on divestiture among Africanist scholars. Whereas the Board of Directors of the African Studies Association (the major interdisciplinary African scholarly organization in the U.S.) has endorsed TIAA-CREF divestiture, a committee of Africanist scholars from the various campuses of the University of California recommended selective divestment and affirmation of performance criteria rather than total divestiture to the university's Regents.
- (5) There is no consensus among anti-apartheid activists in South Africa for divestment. Some leaders plea for divestment; others urge continued responsible investment.
- (6) There is a lack of unanimity among representative faculty and student bodies at Penn State.
- (7) The lack of consensus on this issue reflects uncertainty as to whether change in South Africa is better fostered by continued interaction or by economic isolation.
- (8) There is no evidence to date that institutional divestment will result in withdrawal of U.S. investment in South Africa (divestment). Neither is it clear that disinvestment would improve the prospects for a rapid end to apartheid.
- (9) Official U.S. Government policy discourages disinvestment.

- (10) It is unlikely that the South African operations of any entities in the Penn State portfolio threaten the overall viability of these entities. Nevertheless, the University must always respond to serious threats to its portfolio performance as current events affect returns anticipated from its holdings. Events in South Africa would only be an example of a wider class of economic and political happenings that could encourage or discourage investment.
- (11) Although it cannot be denied that American enterprises must, in some ways, abide by apartheid regulations and in doing so, "support" the apartheid system, American involvement is arguably a positive force for change, as well as providing economic opportunities for non-white South Africans.
- (12) Given the availability of stronger, but clearly more problematic, options (see Options 5 and 11), divestment becomes more symbolic than effectual, and may simply encourage inattention once divestment has been realized. Moreover, it may be a self-complimentary act of little effective consequence.
- (13) The University may unknowingly profit from exploitation of under-compensated employees and disadvantaged citizens in developing countries as a result of the operation of multinational corporations of which Penn State is a shareholder. That deplorable situations can occur is a matter of serious concern; that it occurs in one place does not excuse it occurring elsewhere. Nevertheless, the University cannot hope to manage its portfolio with a primary goal of social responsibility.
- (14) Should Penn State divest it is conceivable that we would be caught in the paradox of a corporate operation present in South Africa being acceptable if apartheid is dismantled, even though the corporation continues to operate under the same principles. Thus the target of the action may be inappropriate for the purpose intended.
- (15) Economic coercion is an unacceptable basis for relationships between a university and corporations or other bodies.

8. Selective divestment of holdings by reference to specified criteria.

A. ACTION

The University would progressively divest any holdings in enterprises doing business in South Africa which fail to meet specific criteria. This option could make explicit the practice that has been followed since the 1978 Board of Trustees resolution on apartheid. Among potential criteria are:

- (1) Endorsement by corporate entities of the Sullivan Principles;

- (2) Achievement by corporate entities of acceptable levels of performance related to the Sullivan Principles. These levels could include:
 - a. Documented evaluations (such as those by Arthur D. Little, Inc.) and resulting performance ratings;
 - b. Developing of programs in relation to Sullivan Principle VI, concerning areas beyond the workplace, by acceptance and implementation of the 4th Amplification. These called for supporting freedom of black businesses to locate in urban areas, influencing other companies to follow equal rights principles, supporting freedom of black worker mobility in employment and housing, and supporting the elimination of all apartheid laws. Similar principles were adopted in March 1985 by the American Chamber of Commerce in South Africa and were enumerated in the U.S. Presidential Executive Order of September 9, 1985.
- (3) Establishing standards in excess of Sullivan Principles. Syracuse University has elected such a strategy. (Such an approach might be beyond our ability to monitor and could imply adoption of Option 12 concerning an activist stance as a corporate shareholder).
- (4) Divestment of holdings in:
 - a. Any business enterprise with an operation in South Africa that extends credit to the Government of South Africa or its agencies, participates with them in joint ventures, or makes sales to them of products that might be used by the South African military, police or other agencies of enforcement and control;
 - b. Any bank that, after the initiation of this policy, makes loans to an agency controlled by the South African Government, or to a privately-owned South African banking institution;
 - c. Any business enterprise that exports to South Africa, computers, computer software, or goods or technology intended to service computers, when such goods are used by any agency, department, or corporation controlled by the Government of South Africa.

The following exceptions should apply:

- i. The prohibitions against loans and extensions of credit ought not apply when such credit is used for any educational, housing, or health facility which is available to all persons on a non-discriminatory basis.
- ii. The prohibition on sales and export of computers ought not to apply to donations or sales of computers to primary and secondary schools and other institutions that serve the educational needs of South Africa's black population.

(Item (4) is modified from the Statement on University of California Investment Policy in South Africa by a Committee of UC Africanists prepared for the Regents of the University of California).

- (5) Limiting holdings in entities doing business in South Africa to a specified proportion of the portfolio (a policy which would possibly meet the criterion of prudent investment but which begs larger moral or policy issues).

B. ARGUMENTS FOR SELECTIVE DIVESTMENT

- (1) These strategies would help to assure that American corporate involvement in South Africa contributes positively to social and political as well as economic change in South Africa.
- (2) Increasingly stringent criteria over time could be used in the anticipation that American corporations operating in South Africa should play an increasing role in encouraging change.
- (3) Selective divestment would target corporate practices that would not be tolerated in post-apartheid South Africa. Thus selective divestment would remain relevant after apartheid until codes of acceptable corporate conduct are observed.

C. ARGUMENTS AGAINST SELECTIVE DIVESTMENT

- (1) Any limitation on investment for social purposes could be viewed as a violation of fiduciary responsibility. (However, there is no evidence that investment policies guided by the Sullivan Principles and corporate performance imposes a performance penalty on a diversified investment portfolio).
- (2) It may be impossible to ensure that products and services of American corporations in South Africa do not support apartheid. Thus only total disassociation with enterprises doing business in South Africa would come closest to guaranteeing that American investment does not aid apartheid in some way.
- (3) Several of the arguments against total divestment are also relevant in the context of selective divestment.

D. FURTHER COMMENTS

Penn State has already followed this practice at an initial level, since the Board of Trustees Resolution of November 10, 1978. If specific aspects of this option are reaffirmed or added to our policy, it will be important that Penn State maintain, if not increase, its association with organizations that can provide adequate monitoring of corporate involvement in South Africa (see Option 17).

Options Related to University Operations

9. Boycott of financial institutions who extend credit to the government of South Africa or its agencies, or otherwise aid apartheid.

A. ACTION

The University's banking and other financial activities would be placed only with institutions who do not loan funds to the South African government or its agencies. This restriction could be broadened to financial institutions that extend credit to private financial institutions in South Africa, or further to institutions having any business in South Africa. Exceptions might reasonably be made for specific instances that:

- (1) Are unavoidable in the context of Penn State academic activities and research in Southern Africa, or that
- (2) Benefit educational or social institutions meeting the needs of non-white South Africans.

B. ARGUMENTS FOR BOYCOTTING FINANCIAL INSTITUTIONS

- (1) The University should not knowingly contribute to any financial institution that provides benefits to the chief agency of apartheid, the government of South Africa.
- (2) Many arguments for divestment are applicable here as well (see Option 7).
- (3) Although the current Executive Order in force prohibits American financial institutions from granting any loans to governmental bodies in South Africa, Penn State should have a parallel policy in place in the case that national policy is relaxed.
- (4) There are no fiduciary restrictions on placement of operating funds in financial institutions.

C. ARGUMENTS AGAINST BOYCOTTING FINANCIAL INSTITUTIONS

- (1) Since this policy is already included in the Executive Order Prohibiting Trade and Certain other Transactions Involving South Africa (September 9, 1985), there may be no need for further Penn State action.

D. FURTHER COMMENTS

Financial institutions with which the University currently does business do not provide credit to the South African government. This is, however, a happenstance of our current banking practice that does not have the status of formal policy.

10. Use University procurement as an anti-apartheid policy.

A. ACTION

The University would use its procurement of goods and services as an instrument of anti-apartheid policy. Such a policy could cover boycotts of varying degrees of stringency:

- (1) Boycott of enterprises doing business in South Africa who are not signatories of the Sullivan Principles (and achieving specified performance level ratings and/or endorsing specific Amplifications of the Sullivan Principles). This is parallel to Option 8, Selective Divestment.
- (2) Boycott of enterprises doing business in South Africa. This is parallel to Option 7, Divestiture. Such a policy could be amplified by seeking assurance that products acquired by the University for its teaching and research (eg. precious metals used in scientific equipment) are from non-South African sources. It might also require that University funds not be used for travel expenses for airlines and hotels who do business in South Africa.

B. ARGUMENTS FOR PURCHASING BOYCOTTS

- (1) If the purpose of divestment is to encourage disinvestment of American enterprises from South Africa, we may have greater leverage through our purchasing policy than through equity holdings.
- (2) Purchasing boycotts related to Sullivan Principles could provide a means to encourage change in firms wishing to do business with Penn State. It could provide an incentive for positive corporate contributions to non-white South Africans.
- (3) Procurement boycotts would cover a wider range of corporate enterprises than would divestment of equity holdings and would provide continuing sanction until acceptable corporate responsibility is achieved.

C. ARGUMENTS AGAINST PURCHASING BOYCOTTS

- (1) Monitoring and enforcement of policies of this nature would be extremely difficult.
- (2) At the moment, we have no data on the costs of using apartheid-related guidelines on procurement.
- (3) A total boycott would be seriously disruptive to University operations, since many major corporations supplying, for example, computation equipment and vehicles, would be precluded as vendors.

D. FURTHER COMMENTS

There has been no investigation of Penn State purchasing in relationship to involvement in South Africa. Such a study would be major in scope, because many manufacturers supply Penn State through intermediate vendors and because of the magnitude and complexity of our purchasing activities. It might be possible to develop a limited boycott list based on the Sullivan Principles and ask vendors to certify that no products or services from prohibited sources are being provided.

11. Encourage institutions providing pension programs and tax-deferred annuity programs Penn State to follow a divestment policy comparable to Penn State's own policy.

A. ACTION

Penn State would actively seek to have the State Employees Retirement System, VALIC, and TIAA/CREF to divest South African holdings at a level parallel to its own policy of selective or total divestiture (Options 7 and 8). We could also urge these agencies to take anti-apartheid stances as corporate shareholders (parallel to Option 12). We could also offer an alternative pension fund that is "South-Africa free," a plan instituted by the University of Pennsylvania.

B. ARGUMENTS FOR PENSION AND ANNUITY DIVESTMENT

- (1) This policy would extend the effectiveness of Penn State's own policies based on the intentions specified in Options 7 and 8--to state a moral protest, to effect disinvestment, to assure prudent investment, or to encourage increasing corporate effectiveness in eliminating apartheid.
- (2) The University cannot conscionably condone indirect pension or annuity investment in firms in which direct investments are prohibited. Thus this option is a logical extension of Options 7 or 8.

C. ARGUMENTS AGAINST PENSION AND ANNUITY DIVESTMENT

- (1) The organizations cited operate under legal responsibility and operational policy that are not controlled by the University. To effect such actions the University should expect individual participants to lobby for changes in the law or in institutional policy.
- (2) It would be costly and complicated to institute an additional pension program beyond our existing alternatives.

12. Enhance Penn State's voice on apartheid in the corporate world.

A. ACTION

Penn State could use several strategies to encourage anti-apartheid activities by American enterprises in South Africa:

- (1) Penn State might take an increasingly activist role as a corporate stockholder to encourage corporate actions to defeat apartheid;
- (2) Penn State could identify key alumni in enterprises doing business in South Africa to provide a University-corporate link to encourage the exchange of ideas and perspectives on the South African situation;
- (3) Penn State could consciously increase its South-African related holdings as part of a larger policy to increase its voice in the corporate world with regard to South Africa;
- (4) We could grant access to the Career Development and Placement Center for recruiting only to those corporations who would qualify under our policies established with respect to investments and procurement;
- (5) We could cooperate with the U.S. Corporate Council on South Africa, which is dedicated to a South African policy of: a) abolishing race discrimination, b) negotiating with black leadership in power sharing, c) granting universal citizenship and d) abolishing civil rights violations.

B. ARGUMENTS FOR AN INCREASED CORPORATE VOICE

- (1) There is an increasing commitment to responsibility and ethical behavior in the American corporate community. The University can help to inform and guide corporate policy in achieving such goals. It is a moral obligation of a shareholder to act to prevent unethical or immoral behavior of the corporation.
- (2) Corporations have an internal influence on universities through provisions of grants, contracts, scholarships, and internships in preferred areas. Thus it is appropriate that universities have a voice on corporate policy, particularly in corporations represented in their portfolios.
- (3) If the University chooses selective divestment and/or procurement policies as responses to inadequate corporate performance regarding apartheid, it has a responsibility first to influence corporate behavior before applying sanctions.
- (4) Persuasion is an acceptable element of university-corporation relations, in distinction from economic coercion (see Option 7).

C. ARGUMENTS AGAINST AN INCREASED CORPORATE VOICE

- (1) If a university wishes to maintain an independent status in its dealing with corporations, it should avoid actions in the corporate context whose reciprocal corporate actions in a university setting would be unacceptable. For example, if a university would not welcome a corporate intrusion on academic freedom or other university policies, it is questionable whether it should attempt to influence particular corporate policy issues.

D. FURTHER COMMENTS

The University could have a significant voice that may encourage greater corporate anti-apartheid activity through its educational mission if it carefully avoids the threat of sanctions and focuses on persuasion and education as its principal operational modes.

13. Accept corporate gifts, grants and contracts only in conformance with Penn State divestment and/or procurement policy.

A. ACTION

The University could institute a policy that it would not receive gifts, grants, or contracts from business enterprises whose stock would not be acceptable under Options 7 or 8 or whose goods and services would be ineligible under Option 10.

B. ARGUMENTS FOR CONDITIONAL GIFTS, GRANTS AND CONTRACTS

- (1) This policy is a logical extension of Options 7, 8, and/or 10. It would strengthen the impact of Penn State action in these options.
- (2) It is illogical that Penn State would accept financial benefits from firms whose activities have been determined as unacceptable in regard to potential equity holdings by the University or with regard to University procurement.

C. ARGUMENTS AGAINST CONDITIONAL GIFTS, GRANTS AND CONTRACTS

- (1) This option would impose an unacceptable financial penalty on the University.
- (2) Deeming grants or contracts as unacceptable for apartheid-related purposes would threaten the academic freedom of research units and investigators within the University.

D. FURTHER COMMENTS

This policy could not be retroactive, since commitments already made are both legally and morally binding.

14. Establish a fund for anti-apartheid educational initiatives.

A. ACTION

The University would establish a fund to support educational initiatives under Options 1 to 4. Such a fund might extend to the faculty, staff, and students, or beyond to the wider community. It could involve various processes such as payroll deductions, voluntary designation of student general deposit balances, solicitation at particular times, or voluntary student fees. There have also been proposals that University assistance in South Africa be extended to legal defense funds.

B. ARGUMENTS FOR ANTI-APARTHEID EDUCATIONAL FUND

- (1) A fund would encourage meaningful individual contributions to anti-apartheid efforts.
- (2) A fund would provide an opportunity for enhancing University educational initiatives by extending its own financial resources and could be used to attract contributions from private and corporate donors.
- (3) There is a precedent for this option in the University of Colorado fund to aid South African students and a similar action by the New England Board of Higher Education.

C. ARGUMENTS AGAINST AN ANTI-APARTHEID EDUCATIONAL FUND

- (1) If a fund was not widely and strongly supported, it could be embarrassing to the University. To have greatest impact, the fund should be launched with a significant level of University and private or corporate commitment to match student and/or faculty/staff contributions.
- (2) Similar to the arguments for maintaining our present course of action (Option 15), there is little limit on the causes for which the University might establish funds to carry out constructive initiatives.

D. FURTHER COMMENTS

Given the social and political implications of an anti-apartheid activity fund, donation to the fund should be strictly voluntary. Activities of the fund could be coordinated by the monitoring committee proposed in Option 17 or by a separate body established for this purpose. Fund expenditures should be carefully directed toward meeting specific objectives under selected policy options.

Options Related to General Strategy Regarding Apartheid

15. Maintain our present course of action.

A. ACTION

The University could take no additional action in response to apartheid, beyond its present policy and practice.

B. ARGUMENTS FOR MAINTAINING OUR PRESENT COURSE OF ACTION

- (1) Current Penn State policies and practices are responsive and responsible.
- (2) The legal, political and social context of issues such as divestment are in considerable flux. Rather than act immediately, the University could monitor on-going developments and take steps only when there is a clearer consensus on actions appropriate for the University.
- (3) The University cannot react to every demand that it take action related to current political issues; thus the University should not set a precedent by treating apartheid as a special case among many important national and global concerns. These concerns are more correctly a focus of individual action.

C. ARGUMENTS AGAINST MAINTAINING OUR PRESENT COURSE OF ACTION

- (1) Current Penn State policies and practices are not sufficiently responsive nor responsible; practice does not carry the commitment of policy.
- (2) Apartheid violates fundamental principles of human rights and academic freedom. The University must undertake constructive activity to assist in its demise.
- (3) A common consensus on appropriate options for the University will never be achieved. Therefore, the University should continue to take measured steps appropriate to its mission and abilities which best reflects the informed judgments of its leadership.
- (4) There is sufficient awareness and concern about apartheid within the University community that "no action" would not be an acceptable reflection of that concern.

B. ARGUMENTS FOR ON-GOING POLICY REVIEW

- (1) If Penn State recognizes apartheid as an issue of significant educational, investment, and operational importance, then a process for on-going monitoring of developments in South Africa and assessment of Penn State responses is virtually obligatory.
- (2) The situation in South Africa may change rapidly. The University would not be able alone to provide the monitoring and assessment capabilities that could be supported collaboratively.

C. ARGUMENT AGAINST ON-GOING POLICY REVIEW

- (1) Since our present policy is adequate, it is not justified that we invest in such an on-going review.

D. FURTHER COMMENTS

An oversight committee should not have authority on apartheid issues, but should be advisory in nature. It should include representation from the faculty, student body, and university officers. An annual report to the University community should provide information on Penn State activities as well as progress on initiatives undertaken regarding apartheid.

VI. MAJOR ISSUES

In the course of its deliberations, the Committee identified several major issues that seem to be central to the debate on Penn State policy options on Apartheid. These issues have no simple resolution; people of good faith and common intention may disagree on the relative importance of institutional imperatives, obligations, and initiatives. In this section of our report, we first focus on a broad consideration of the central motivating issue under consideration: divestment. We look at specific elements that are important, in the Committee's view, as policy for Penn State is formulated.

Penn State trustees have articulated a clear and consistent position opposing Apartheid. The debate has been over the most effective modes of expressing that opposition. As the committee deliberated over a number of options which might demonstrate further the University's abhorrence of the South African government system, several major issues surfaced, some of which have been addressed in the litany of materials written about divestment and social investment policies:

Morality, multiple roles conflict, academic freedom, fiduciary and legal liabilities, the role of educational institutions, benefits in relation to costs, and University/business relationships.

Moral Issues

A fundamental issue is the relationship between the University's finances and the system of Apartheid in South Africa. On moral grounds, the University should reject any support for the continuance of this inhumane and repugnant system of governance. Any actions with regard to the financial support for that system should be aimed at its elimination. Advocates for the divestiture would approve of the total disassociation of University finances from the South African government. Since the University has no direct investments in South Africa, its relationship hinges on financial investments in American multinational companies doing business in South Africa. By holding stock in companies which operate in South Africa, abide by South African law, pay South African taxes, and function within the framework of that society, one could argue that this supports the system of Apartheid. Yet others argue that these companies (Sullivan or other code signatories): (a) have less than one percent of their operation in South Africa; (b) have a positive impact on the lives of Black South Africans; and (c) through the presence of these American companies, investors have some input into the improvement of the lives of non-white South Africans. Anti-divestment advocates argue the futility of "cleansing" one's hands by the sale of stock. They argue there is little impact on the company and no impact on the government and thus the system. The answer to the implied question is complex, ambiguous, and in the final analysis will be based upon the individual decisions of the trustees.

Multiple Role Interrelationships and Conflicts

The trustees, students, faculty and staff of the University each have roles to play in the issues of the relationship of the University to South Africa. The divestment issue raises the question of the role persons play in groups and as individuals. Shall the trustee be responsible for the institution, consider all advice and vote with the best interest of the University at heart; or, in considering the preferences of some reference group, vote the preferences of that group? Is the issue of divestment a matter of majority rule, or is there a right

and wrong which can be sorted-out on moral, financial, and legal grounds which will define for the individual trustee, faculty, or student what his or her role should be? The trustee, for example, must sort through his or her multiple roles as individual, trustee, student and associate of the University with a clear possibility of conflict among these roles. If the prudent (investor) rule is to be qualified by moral considerations, trustees must have guidance to help distinguish between permissible and non-permissible investments. They must, as should others, be prepared to face the additional demands for social investments that will inevitably come.

The Educational Role of Penn State

The purposes of the University are to discover and transmit knowledge, and to create a forum for open discussion of ideas. These purposes impose the duty of reasonable protest against violations of civil liberties or against social injustices which necessarily bear on academic freedom and freedom of the community. The University's role as an educational institution necessarily encompasses the education not only of those enrolled as students, but also the community (national and world). Several of Penn State's constituencies have aided in the educational process to inform members of the community about South Africa, its system of apartheid, and divestment issues. In its broadcast sense, the University's educational role includes the education of its members on academic, legal, moral and other issues. There should continue to be educational programs and forums, supported by the University, to inform the community on a multitude of matters.

Academic Freedom

The issue of divestment raises the question of the University's unique role within society. The freedom of a University to manage its internal affairs free of outside pressure and limitations is increasingly under review by society in general, and the legal systems specifically. To what extent will activities which carry the University's approval, when associated with economic and political pressure on individual companies, further reduce the credibility of the university or enhance its role in society? The freedom of individual members of the academy to voice opinions, ideas, do research and influence social change free of political and economic pressure is an essential element of academic freedom. Will divestment improve or limit the academy's freedoms?

Legal Issues

Is divestment legal? Many states, cities, and universities, as well as the Congress of the United States, have taken actions to divest (total or partial) in the past two years. The Constitution leaves the conduct of foreign policy exclusively in the hands of the Federal Government. Trustees are fiduciaries, which means they have been entrusted by others with seeing that the resources given to the University enhance its educational and scholarly mission. There is an obligation to be scrupulous in not allowing personal convictions to constrain inappropriately the investment of funds. University administrators direct the investment of funds and thus control the financial relationship between the institution and the companies in which it invests.

Beyond divestment of stock, however, lies the issue of purchasing goods and services from these companies who do not comply with our standards. Should we accept gifts, scholarships, and equipment from these companies? Should/can we legally limit our relationship by restricting business access to students interested in job opportunities? Do we limit our advice and counsel about careers with individual companies? It is possible that the actions in response to the answers to these and other questions might have the desired effect. They could also reap the response that some argue will inevitably come -- retaliation and interference in the internal affairs of the institution through legal and other means.

In several instances entities which have divested have not requested legal opinions prior to divestment action. This might imply that the receipt of an opinion from legal counsel which advises of the imprudence of total divestment or the sale of stocks for social reasons creates greater legal risk to the trustee.

Cost/Benefit Relationships

There is a cost to investing in companies that do business in South Africa. It may be viewed in the deleterious impact of discourse on the subject. The energy expended, both psychic and physical, to reach ambiguous conclusions is costly, in human terms. There is a cost in knowingly benefitting from the exploitation of the African worker. There is a cost in knowing that the basic principles for which this country stands are totally absent for Black South Africans, and investments in American companies doing business there supports that system in the name of profits.

There are benefits seen by those who advocate for continued involvement of American firms in South Africa (if Sullivan code signatories). The costs for not investing in these companies is not clear. Several studies conclude that "full divestment means much higher transaction costs, major investment opportunity losses and increased risk because of the larger number of holdings in smaller stocks and also because of less diversification." Others argue that divestiture can make not only a strong moral statement against Apartheid, but can prove to have positive financial implications (earnings).

Should divestment be accepted as an option, what should be the time frame? Does the University allow for staged divestment and establish criteria for acceptable changes in South African government policies? How will it know when to reinvest? What are the costs/benefits associated with its choices? The Graduate Student Association and the Faculty Senate have set time limits in resolutions passed by each body. Are these adequate expressions for a University response? In the final analysis, does the moral question supersede the financial question?

Defined Relationships with Business

In trying to determine what the University's financial relationship should be with South Africa, the issue of our relationship with American companies doing business or involved in South Africa is important to the discussion. This issue is important not only because of the potential costs/benefits associated with the accepted definition, but it requires consideration for implementation of choices associated with options chosen. Some argue that the costs and/or risks of divesting rise according to how the term "doing business" is defined. A general review of the

literature, including the Congressional Record, would lead one to conclude that companies "doing business" in South Africa is limited to some 340 companies having "direct investments in the country." But other definitions exist which could place the number of companies "involved" in South Africa at 6000 which includes trade relations of all kinds. Some states have limited their investments to Sullivan Principle signatories in the I or I and II categories of the three category rating system.

APPENDICES

APPENDIX A-1

THE PENNSYLVANIA STATE UNIVERSITY
Board of Trustees Statement on
Apartheid in South Africa

WHEREAS, The University's policy in respect to investing in the shares of companies which conduct business activities in the Republic of South Africa has come under Board review, and

WHEREAS, Corporations have social responsibilities that transcend traditional corporate objectives, and

WHEREAS, The University must be a powerful agency to further the moral values of justice and equality of opportunity, and

WHEREAS, The University supports the adoption and aggressive implementation of the principles enunciated by the Rev. Leon Sullivan in regard to investing in the shares of companies doing business in South Africa, and

WHEREAS, There is reason to respect the views of the U. S. State Department that American businesses should not withdraw from South Africa, and

WHEREAS, The divestiture of University investments in corporations doing business in South Africa would not further in any effective way desirable and legal changes, and

WHEREAS, The University's fiduciary responsibility would make divestiture impractical in many instances, now THEREFORE BE IT

RESOLVED, That the University calls upon all American institutions presently maintaining property and doing business in South Africa to operate such business in strict accord with the Sullivan Principles of non-segregation and equality of opportunity, and BE IT FURTHER

RESOLVED, That The Pennsylvania State University communicates in writing its position on the objectives of this resolution to every corporation doing business in South Africa in which it is a shareholder, and BE IT FURTHER

RESOLVED, That the Pennsylvania State University send a representative in person or by proxy to the open shareholder meetings of the corporations doing business in South Africa in which it is a shareholder to encourage said corporations to be an effective influence toward implementation of the Sullivan Principles, urging each corporation to take a leadership role.

[Adopted November 10, 1978]

APPENDIX A-2

At its meeting in July, 1985, the Board of Trustees adopted the following resolution:

WHEREAS, On November 10, 1978, the Board of Trustees adopted a Resolution in which the Board called upon American institutions doing business in South Africa to operate in strict accord with the Sullivan Principles of non-segregation and equality of opportunity; and

WHEREAS, The Board of Trustees and the other constituencies of the University community remain concerned with the University investment policy for equity investments in American institutions conducting business in South Africa; and

WHEREAS, The Board of Trustees requested and received from the President of the University a comprehensive report on this important subject;

NOW, THEREFORE, BE IT RESOLVED, That the Board of Trustees reaffirms its Resolution of November 10, 1978 for a period not to exceed seven months. A further review will be made by the Board of Trustees at its first meeting in 1986.

BE IT FURTHER RESOLVED, That the Board of Trustees hereby expresses its opposition and repugnance to the policies of apartheid of the government of the Republic of South Africa.

South African Education Drive

The following events have been arranged in order to provide Penn State students with factual information about the current situation in South Africa and alternatives available to the University for displaying its disgust with the Apartheid system.

Schedule of Events

Monday.....	Reverend Howard Hans
August 26, 1985	Reverend Hans is a Black South African, who is presently earning his doctorate from the University of Virginia. He will be presenting information about the situation in his country.
7:30 PM	
HUB Assembly Room	
Wednesday.....	Senator William Proxmire
August 28, 1985	Senator Proxmire (D-Wisconsin, Co-sponsor of South African Anti-Apartheid Act), will be discussing the current legislation in both the House and Senate concerning U.S. sanctions in South Africa.
8:00 PM	
Eisenhower Auditorium	
Thursday.....	Mr. Steve Garban
August 29, 1985	Mr. Garban, Sr. Vice President of Finance at Penn State, will be discussing the University's position on divestment.
7:30 PM	
HUB Fishbowl	
Tuesday.....	Ms. Patricia Baxter
September 3, 1985	Ms. Baxter, a white resident of Johannesburg, will be presenting the white South African's point of view.
7:30 PM	
HUB Fishbowl	
Wednesday.....	Film Night
September 4, 1985	Grave at Dimbaza
7:30 PM	Afrikaner Experience
HUB Assembly Room	
Monday.....	Randall Robinson
September 9, 1985	Mr. Robinson, Executive Director of the Trans-Africa Organization, will be presenting information about the economic sanctions and the social conditions in South Africa as an argument against Constructive Engagement.
7:30 PM	
Eisenhower Auditorium	
	F. Allen "Tex" Harris
	Mr. Harris, Deputy Director of South African Affairs in the State Department, will be presenting the Reagan Administration's point of view on South Africa.

USG Senate
16th Congress
1st Session
Resolution #8 (October 15, 1985)

Whereas, The Pennsylvania State University invests in companies which do business in South Africa; and,

Whereas, the effect of American investment has been to strengthen the economic and military self-sufficiency of South Africa's Apartheid Regime (Report of Senate subcommittee on South Africa); and,

Whereas, the Sullivan Principles make no demand for change in the fundamental structure of apartheid or demand for black political rights; and,

Whereas, roughly 69,000 (64% black, 36% white, or .7% of the antional work force of 9.4 million) workers are employed by companies that subscribe to the Sullivan Principles; and,

Whereas, the Sullivan Signatories under the South African Law:

- A. must pay taxes to the white-controlled South African government (which they can deduct from their U.S. tax bill),
- B. invest a portion of their assets in South African government bonds; and
- C. in the event of "civil unrest" these companies come under the control of the South African military; and,

Whereas, U.S. companies control vital sectors of the South African economy, with 33% of the motor vehicle market, 44% of the petroleum/oil market, and 70% of the computer market; and,

Whereas, American technology and expertise have helped the white minority maintain their control of the black majority and to become strategically self-sufficient and better able to resist international pressure for change;

Be it resolved, that we, the USG Senate, request the University to divest from all companies which do business in South Africa, as a statement which publicly denounces the system of Apartheid, and will help to effect change in South Africa.

Respectfully submitted,

Susan Wilson, Nittany/Pollock

Helena Davis, East II

Patrick Lenz, Town

Kate Lane, Town

John Clisham, Town

Laurie Swercheck, East II

Andy Ahlberg, East III

Acted on: October. 15, 1985

Steven Black, Centre

Action by LARC: 4-0-0

Alan Berson, Nittany/Pollock

David M. Rosenblatt

APPENDIX C

Council of Commonwealth Student Governments Resolutions on
Apartheid in South Africa
(November 9, 1985)

1. Resolution describing the guidelines for appropriate action by The Pennsylvania State University to address the issue of apartheid in South Africa.

Whereas,

we, the Council of Commonwealth Student governments, of The Pennsylvania State University, recognize the following truths:

- a) The majority of people at The Pennsylvania State University oppose South Africa's apartheid system.
- b) Eliminating apartheid in South Africa is a long term proposition in that progress will be slow and will be attained only through sustained efforts by many people.
- c) Taking into account the effects of previous uses of sanctions we can see that negative sanctions tend to be ineffective and also make the sanctioned party resentful of those imposing the sanctions.
- d) The Pennsylvania State University has limited financial and educational resources to alter the apartheid system of South Africa and, therefore, acting alone, the University's impact on the overall situation can be expected to be small.

Be it resolved,

our goals can be stated thus:

- a) To encourage peaceful resolution of the situation in South Africa.
- b) To make the best possible use of the overwhelming opposition by the University community to apartheid in South Africa, by initiating a program which most of its members can support.
- c) To initiate a program for which the resources of the University are sufficient and appropriate.
- d) To initiate a program that The Pennsylvania State University can be continuously and progressively involved in, and which will have a direct and positive impact on the situation in South Africa.
- e) To initiate a program that does not challenge the sovereignty of the government of South Africa for past actions.
- f) At the VERY LEAST, to offer a positive statement on the situation in South Africa which affirms our opposition to apartheid as a violation of the most fundamental human rights. At the same time, we should give the South African government the opportunity to be involved in the advancement of blacks and coloreds in South Africa.

[Adopted]

2. Resolution concerning the creation of scholarships for black and colored South Africans as positive, appropriate action by the University to affirm its opposition to apartheid in South Africa.

Whereas,

we, the Council of Commonwealth Student Governments of The Pennsylvania State University, have adopted a set of guidelines for appropriate action on the issue of apartheid in South Africa.

Be it resolved,

the following is proposed to the University community as an appropriate action.

- a) An offer from The Pennsylvania State University to South African people guaranteeing a number of places at Penn State for blacks and coloreds to study for undergraduate degrees, based on the understanding that the South African would be returning to South Africa upon graduation. This offer would include the following:
 - 1) paid tuition
 - 2) paid room and board
 - 3) paid books for the first semester of study
 - 4) help in finding a job to defray the other costs associated with attending college.
- b) The Pennsylvania State University would assume the financial burden of the first x number of students, requesting corporation endowment funds for scholarships for South African Students. Beyond this the University would solicit sponsorship for additional students from companies based in the United States of America which have subsidiaries in South Africa. Additional monies would be provided as necessary or available in the form of University funded loans and grants.
- c) The aforementioned companies, in cooperation with The Pennsylvania State University, would secure employment in South Africa for these South African students upon their graduation, equivalent to that which they would be able to find in the United States of America.
- d) The University would promote this policy throughout the nation.
- e) The University would research alternative courses of action.

[Rejected]

3. Resolution concerning the selective liquidation of stocks in companies with South African subsidiaries as positive appropriate action by the University to affirm its opposition to apartheid in South Africa.

Whereas,

we, the Council of Commonwealth Student Governments of The Pennsylvania State University, have adopted a set of guidelines for appropriate action on the issue of apartheid in South Africa.

and whereas,

we are concerned that all companies with South African subsidiaries in which the University has investments, be at the highest level of compliance with the Sullivan Principles.

Be it resolved,

we are recommending that the University liquidate all its holdings in any company which does not correct deficiencies in its compliance with Level I of the Sullivan Principles.

[Adopted]

4. Resolution concerning the review of the human rights and employment policies of all companies in which the University has investments.

Whereas,

we, the Council of Commonwealth Student Governments of The Pennsylvania State University, are concerned about the human rights and employment policies of all companies in which the University has investments.

Be it resolved,

we are recommending that the University create a board to review the performances of all companies on an appeal basis in which the University has holdings, on human and civil rights issues with a view to both fiduciary and moral investing of University funds,

and be it resolved,

the membership of this board should be drawn from all sectors of the University community.

[Adopted]

APPENDIX D

Graduate Student Association Resolutions on
Apartheid in South Africa

Resolution 1

Whereas,

we, the Graduate Student Association of The Pennsylvania State University believe that a majority of the University community is opposed to the system of apartheid within South Africa, and would support appropriate University action having a positive, constructive, long-term effect towards the abolition of apartheid; and

Whereas,

any such action should be possible within the limited educational and financial resources of the University; now therefore be it

Resolved,

that the Graduate Student Association hereby strongly affirms its opposition to apartheid in any form, in any country, as a violation of the most fundamental human rights, and encourages proactive, as opposed to reactive, methods to effect changes in all such oppressive systems of government; and, be it further

Resolved,

that we recommend that the Board of Trustees and the Administration of The Pennsylvania State University seriously consider those practical proposals which affect South African blacks and coloreds in a positive, constructive manner, which do not encroach upon the sovereignty of the South African government to govern its citizens, which give the South African government the opportunity to participate in the advancement of equality for all races under the law, and above all, which encourage a peaceful resolution of the current situation in South Africa and lead to the elimination of the oppressive system of apartheid.

Respectfully submitted,

Russel Taylor, Aerospace Engineering

[Rejected]

PROPOSAL #1 (in support of Resolution 1)

Resolution concerning the creation of scholarships for black and colored South Africans as positive, appropriate action by the University to affirm its opposition to apartheid in South Africa.

Whereas,

we, the Graduate Student Association of The Pennsylvania State University have adopted a set of guidelines for appropriate action on the issue of apartheid in South Africa; therefore, be it

Resolved,

the following is proposed by the GSA as an appropriate action:

- a) An offer from The Pennsylvania State University to the South African people guaranteeing a number of places at Penn State for blacks and coloreds to study for undergraduate and/or advanced degrees. The offer would include for all recipients:
 - 1/ paid tuition
 - 2/ paid room and board
 - 3/ paid books the first semester of study
 - 4/ help in finding a job to defray the other costs associated with attending college.
- b) The Pennsylvania State University would assume the financial responsibility for the first 'x' students using dividends received from the University's South African-related investments. Beyond this the University would solicit sponsorship for additional students from companies based in the United States which have subsidiaries in South Africa. Additional monies would be provided as necessary or be made available in the form of University-funded loans and/or grants.
- c) The aforementioned companies, in cooperation with The Pennsylvania State University, would secure employment in South Africa for these South African students upon their graduation, equivalent to that which they would be able to find in the United States.
- d) The University would promote this policy nationwide.
- e) The University would research alternative courses of action.

PROPOSAL #2 (in support of Resolution 1)

Resolution concerning the selective liquidation of stocks in companies with South African operations as positive appropriate action by the University to affirm its opposition to apartheid in South Africa.

Whereas,

we, the Graduate Student Association of The Pennsylvania State University, have adopted a set of guidelines for appropriate action on the issue of apartheid in South Africa; and

Whereas,

we are concerned that all companies with South African operations in which the University has holdings be at the highest level of compliance with the Sullivan Principles; therefore, be it

Resolved,

we recommend that the University liquidate its holdings in corporations which are not in categories I and II as rated by the Arthur D. Little firm in a review of signatories' adherence to the Sullivan Principles; and be it further

Resolved,

that we recommend that the University liquidate its holdings in companies not demonstrating serious amplification, to level I, of the Sullivan Principles within the next several months.

PROPOSAL #3 (in support of Resolution 1)

Resolution concerning the review of the human rights and employment policies of all companies in which the University has investments.

Whereas,

we, the Graduate Student Association of The Pennsylvania State University, are concerned about the human rights and employment policies of all companies in which the University has investments; therefore, be it

Resolved,

we recommend that the University create a board to review the performances of all companies in which the University has holdings, with respect to human and civil rights issues, and considering both fiduciary and moral responsibilities of the investment of University funds; and, be it further

Resolved,

the membership of this board be drawn from all sectors of the University community, including Trustees, Administrators, Faculty, and Students.

APPENDIX D (Continued)

Resolution 2

Be It Resolved,

That the Graduate Student Association of The Pennsylvania State University calls upon the Board of Trustees and the Administration of The Pennsylvania State University to divest all stocks in corporations doing business in South Africa as soon as possible but no later than January 1, 1989; and

Be it further resolved that if the government of South Africa abolishes the system of apartheid on or before January 1, 1989, that this resolution shall be null and void.

[Adopted]

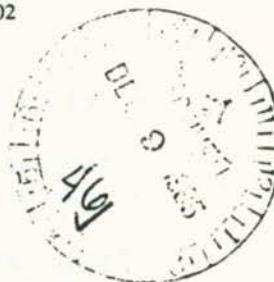
APPENDIX E

THE PENNSYLVANIA STATE UNIVERSITY
DIVISION OF STUDENT PROGRAMS
218 HETZEL UNION BUILDING
UNIVERSITY PARK, PENNSYLVANIA 16802

Student Organizations and
Program Development

Area Code 814
863-4624

Dr. Bryce Jordan
President of The Pennsylvania State University
201 Old Main
University Park, PA 16802



December 9, 1985

Dear Dr. Jordan:

WHEREAS we, the University Student Executive Council of The Pennsylvania State University, believe that a majority of the student body is opposed to the system of apartheid within South Africa, and would support appropriate action by the University having a positive, long-term effect towards the abolition of apartheid; and

WHEREAS, we believe that majority of the student body views the University's current policy regarding its investments in corporations with South African operations as inadequate, both in voicing the University's opposition to apartheid and in promoting racial and civil equality under the law in South Africa; now therefore be it

RESOLVED, that the University Student Executive Council hereby strongly affirms its opposition to apartheid in any form, in any country as a violation of the most fundamental human rights, and encourages proactive methods to affect changes in all such oppressive systems of government; and be it further

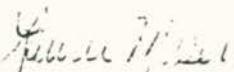
RESOLVED, that we call upon the Board of Trustees and the Administration of The Pennsylvania State University to consider all proposed alternatives to the current investment policies of the University, as means of affecting South African blacks and coloreds in a positive, constructive manner, encouraging a peaceful resolution to the current situation in South Africa, and leading to the elimination of the oppressive system of apartheid; and be it further

RESOLVED, that the University Student Executive Council recognizes and recommends the consideration of, student organizations' alternatives to the current investment policies of the University, all of those proposals endorsed, heretofore or hereafter, by its respective constituent organizations.

The University Student Executive Council's membership is:

Association of Residence Hall Students-President
Associated Student Activ. Budget Comm.-Chairman
Black Caucus-President
Commonwealth Campuses Student Govts.-Coordinator
Commonwealth Campuses Student Govts.-2 Liasons
Graduate Student Assoc.-President
Graduate Student Assoc.-Vice President
Interfraternity Council-President
International Student Council-President
Organ. of Town Indep. Students-President
Panhellenic Council-President
Student Trustee
Undergraduate Student Govt.-President
Undergraduate Student Govt.-Vice President
Undergraduate Student Govt.-President of The Senate
Undergraduate Student Govt.-President of Academic Ass.
Veteran Club-President

Sincerely,



Laurie Maser
USEC Chairman

cc: William Asbury
Craig Millar

APPENDIX F

On December 10, 1985 the University Faculty Senate
adopted the following resolution:

"Be it resolved, that the University Faculty Senate of The Pennsylvania State University calls upon the Board of Trustees and Administration of The Pennsylvania State University to divest all stocks in corporations doing business in South Africa, as soon as possible, but no later than January 1, 1989.

Be it further resolved that if the government of South Africa abolishes the system of apartheid on or before January 1, 1989, that this resolution shall be null and void."

APPENDIX G



FORUM ON BLACK AFFAIRS

P.O. Box 505

State College, PA 16801

December 20, 1985

Mr. Obie Snider, President
Board of Trustees
205 Old Main Building
The Pennsylvania State University
University Park, PA 16802

Dear Mr. Snider:

I am writing to inform you that, at its December meeting, the Forum on Black Affairs voted unanimously to call upon the Board of Trustees of The Pennsylvania State University to divest of all stocks in corporations doing business in South Africa. Allow me to explain our call for divestment.

University officials have consistently maintained that the most direct and effective means by which to advocate for the rights of Black South Africans is to invest only in those corporations which subscribe to the Sullivan Principles. This practice is commendable. The Sullivan Principles have brought about an improvement in the work environment for many Black workers.

However, as the apartheid policies of the minority-ruled South African government become more firmly entrenched, it is clear that the Sullivan Principles do not approach the systemic bigotry which has been woven into the very fabric of South African society. The Sullivan Principles bring about cosmetic changes for approximately one percent of Black South Africans. The Principles have resulted in integrated restrooms, lounges and assembly lines at the workplace, but upon leaving their place of employment Black men and women in South Africa return to a condition of disenfranchisement in which they enjoy no property rights, no voting rights, no civil rights, no human rights, no rights of citizenship. There is no evidence to show that the Sullivan Principles have made any impact on these structural injustices.

The Forum on Black Affairs also views this issue in light of the Pennsylvania State University's current attempt at desegregation. We regard it as impossible to enhance the University environment for African-Americans and other racial and ethnic minority persons while at the same time fostering, by means of economic investment, the injustice that is perpetuated against Black South Africans. As Dr. Martin Luther King, Jr. said time and time again, injustice anywhere is a threat to justice everywhere, for we are tied together in a single garment of mutuality and destiny.



FORUM ON BLACK AFFAIRS

P.O. Box 505

State College, PA 16801

G-2

12-20-85

Mr. Snider

page 2

Leading educational, political, economic and religious figures from around the world have agreed that divestment is the most direct and effective means by which to advocate for the rights of Black South Africans. Black South African leaders concur for they realize that the Sullivan Principle signatories continue to provide goods and services which aid the apartheid government. For all of these reasons the Forum on Black Affairs calls upon the University Board of Trustees to divest of all stocks in corporations doing business in South Africa.

Sincerely yours,

Harold E. Cheatham
President 1985-1986

HEC:rkh