

Should American Corporations Continue to Do Business in South Africa?

"Most of us aren't 18 years old, so we can't vote in elections. But speaking out and boycotting companies doing business in South Africa is one way we can take part in our democratic society."

The Issue in Question

The comment above was made by Alex Reinert, a high school student in Cambridge, Massachusetts. Together with other students, he organized a movement to ban soft-drink machines containing a well-known brand of soda from his high school. The reason for the ban was so students could show their disapproval of the soft-drink company's ties to South Africa, a country ruled by the repressive, white-run system of apartheid. The question of what, if any, action was justified by the facts of the matter drew heated debate at Reinert's school in the early months of 1989. Participants in the debate included students, school officials, and the soft-drink company itself.

The soft-drink company did not deny a business link to South Africa. Instead, the company maintained that its continued presence in the country was a force for positive change. The company's operations allowed many South African blacks to share in the profits and improve their lot through partial ownership and licensing deals. Furthermore, company officials argued that a complete corporate withdrawal from South Africa would hurt blacks more than the white-controlled government.

These points were rejected by student organizers of the proposed school boycott. They charged that the soft-drink company operated in South Africa purely for the sake of corporate profit, and that its presence helped prop up the rich white powers behind apartheid.

Boycott leaders further insisted that blacks were not the ones who would suffer in the event of a widespread public observance of

their boycott. Whites controlled the country, and relied on continued economic growth for their political support. Thus whites would be the ones to suffer if the soft-drink business in South Africa failed.

Background on the Case

Late in 1988, a group of 40 students at Cambridge Rindge & Latin School began plastering soft-drink machines in their school with boycott stickers. This move set the stage for a spirited public debate at the school between boycott and anti-boycott advocates on January 3, 1989. The resulting discussion lasted through the spring.

In its defense, the soft drink company (which had partly divested from South Africa, beginning in 1986) sent a senior vice president named Carl Ware to the debate. Boycott sympathizers found a voice in Joseph Thlooe, a native South African who was then attending nearby Harvard University as part of a one-year program for distinguished journalists.

The Company Line Standing before a packed auditorium at the school, Ware argued two main points. First, he said that his company's presence in South Africa was too small to be significant. Second, he maintained that the effects of his company's presence were beneficial to blacks in any case.

"United States corporations alone are less than two per cent of the GNP [Gross National Product] of South Africa," Ware said. "The lack of a [single] product is not going to change apartheid."

The soft-drink company's links to South Africa served black interests well, Ware told the students. Black businesspeople had the chance to participate in the American company's prosperity, through the option of buying shares in its bottling plant and bottling franchises, or acting as vendors. Ware said that thousands of black South Africans were profiting in this way.

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The soft-drink company has also taken steps of its own to help black South Africans. For example, the company has donated generously to create an Equal Opportunities Fund (EOF), which provides money for education and housing needs in South Africa. No less a human-rights activist than Archbishop Desmond Tutu, who serves on the EOF board, hailed the program as "a potent weapon in our struggle to establish a new nonracial and democratic South Africa." Tutu described the company's gradual divestment from his country as a model for other firms.

Finally, the soft-drink executive pointed out that black South Africans made up by far the largest segment of the country's soft-drink market, and they seemed to like his firm's beverage just fine. If black South Africans didn't feel they should boycott the drink, why did a group of consumers 10,000 miles away insist on doing it?

Boycott Supporters Respond Joseph Thlooe was blunt in his reply to Ware. "We do not want outside support for South Africa," he said at the debate. "The government would go in two weeks with no support from outside corporations."

Boycott leaders say a clear signal should be sent that state racism as practiced under

apartheid is incompatible with American ideals. The way to send that message is to completely withdraw from South Africa the company controlling some 70 percent of the country's soft-drink market.

Those supporting the boycott concede that some South African blacks may prosper through business connections to the American soft-drink giant. They argue, however, that these blacks are a distinct minority. Tandi Gcabashe, a South African woman who spoke at the debate, believes helping a few ambitious blacks to succeed hurts the larger cause of black people in her country.

Gcabashe explained that the soft-drink company, through its business dealings, has created a "black middle class which has a stake in the existing state of South Africa." This leads to division among blacks fighting apartheid.

Who will be hurt the most if the soft-drink people pull their business from South Africa? It will surely be the whites who own the businesses, say boycott supporters. Blacks enjoy so few rights and privileges, and rank so low on the economic ladder, that they are largely shielded from loss.

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The Arguments For the Boycott

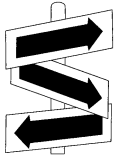
1. The boycott will create pressure to end the American company's financial support for the South African government.
2. The boycott will send a clear signal that apartheid is unacceptable.
3. Powerful whites, not blacks, will be hurt the most by the boycott.

The Arguments Against the Boycott

1. The soft-drink company's withdrawal from South Africa will not affect government policies there.
2. The company's presence exerts a positive influence within the country.
3. The boycott will hurt black South Africans more than whites.

The Decision-Making Checklist

✓	Clarify the problem. (What is the issue or conflict?)
✓	Create a list of possible solutions. (How might you resolve the problem?)
✓	Compare the pros and cons of each solution. (What are the strengths and weaknesses of each solution?)
✓	Consider your values and goals. (What is important to you in choosing a course of action, and why?)
✓	Choose a course of action and evaluate the results. (What would you decide, and how would you judge the outcome?)



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Objective Answer the following questions based on your understanding of the issues in this case. Use an additional sheet of paper when necessary.

A. Comprehension

1. What two main points did the soft-drink executive offer in defense of his company at the public debate on January 3?

2. How did the boycott supporters respond to the company's two points?

3. According to boycott leaders, why does the prosperity of a few blacks weaken the anti-apartheid movement in South Africa?

B. Critical Thinking

Write your answers to the following questions on a separate sheet of paper.

1. **Identifying Central Issues** What do student boycott leaders hope to achieve through their efforts? What does the soft-drink company hope to achieve by resisting them?
2. **Recognizing Bias** Often two people look at the same situation quite differently. How do you reconcile Archbishop Desmond Tutu's support for the soft-drink company's presence in South Africa with Tandi Gcabashe's call for its removal? Why might these two people feel the way they do?
3. **Demonstrating Reasoned Judgment** If you were asked to vote on the boycott question in your high school, what position would you take? Why would you take that position? Use the Arguments For, the Arguments Against, and the Decision-Making Checklist in *Should American Corporations Continue to Do Business in South Africa?* to help you make your decision and develop your answer.