

# [International businesses in south africa during apartheid assignment](https://assignbuster.com/international-businesses-in-south-africa-during-apartheid-assignment/)

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Under apartheid, Blacks were denied the prerogative to vote, hold political office, move freely within the country, assemble, unionize or bargain collectively, attend decent schools of their choice or own land. At the peak of apartheid, several multinationals crossed the South African borders and set up business operations in the country. Apartheid was perceived by most as an immoral, unethical and barbarous tenure that infringed upon Black people’s civil and political rights.

Amidst the conflict between moral principles and the profit motive behind most corporations, did such international corporations have a moral obligation to divest and terminate all their business transactions in order to further the Black’s human rights? Or could a moral argument be put forward that their presence in South Africa was to the direct benefit of the well-being of their Black employees and of Blacks in the whole country to assist with their struggle in preparation for a way to a robust economy in the post-apartheid South Africa?

The arguments on both sides of this subject appeal to four basic types of moral standards, namely (1) utilitarianism (2) rights (3) justice and (4) caring. Furthermore, the arguments allude to the moral characters of individuals and groups of people involved in this contention. Both arguments and moral characters of individuals and/or groups will be discussed in detail in this paper. In addition, a Sweden’s engagement with the apartheid regime in conducting business operations will be briefly scrutinized, as Sweden typically epitomizes the moral conduct of most foreign nations in South Africa at the time. INTRODUCTION

Around the late 1800s, South Africa had a population of 80% Blacks and 20% Whites. In 1948, the Whites-only National Party gained rein of the South African government and passed the first Apartheid legislation (Manuel G. Velasquez) that systematically and deliberately ostracized Blacks from significant participation in the economy. The premeditated ban of Blacks from economic participation commenced in the late 1800s, first with the expropriation of land, and resumed throughout the 20th century with the introduction of the Mines and Works Act in 1911, the Land Act of 1913, and the raft of Apartheid laws passed in 1948.

Under White rule, the distinguishing feature of Apartheid was the use of skin colour to control Black’s access to the legislatively race-based economy by implementing a wealth conglomeration process that restricted wealth creation amongst Blacks and inflicted lack of advancement on Black communities to make certain that Blacks were, in the main, producers of cheap labour. The Black’s under-development took the form of on-going eradication of prolific resources, intentional denial of access to jobs and skills, and deliberate sabotaging of self-sufficiency and of entrepreneurship.

The repercussion of this systematic denied empowerment not only gave rise to majority landless Blacks with regulated access to skills development, but also resulted in Blacks who were deliberately deprived off self-employment, entrepreneurship or access to feasible business prospects in the following manner: A Whites employment reservation policy was sustained by an enormously mediocre education system for Blacks that ensured restricted access to scientific and technical education with only a limited minority able to access higher education.

Technological professions were constructed to become unachievable by ensuring recurring deficiencies in the lecturing of mathematics and science in black institutions, resulting in the under-equipment of the majority of adult Blacks unable to modernise commercial and industrial economy. The result of this economic, political and social deprivation of Blacks has been the consequential structural inequalities in the South African economy.

Inspite of the Apartheid regime, several major international corporations from Europe and USA such as Caltex, IBM, 3M, Total, General Motors, Coca Cola, Shell, Xerox and others conducted business operations with the South African government during apartheid. SWEDEN A focused interrogation of Sweden reveals that the Swedish government and the country in the main took exception to South Africa’s apartheid system. On both moral and political grounds, Sweden made known its revolt with the perils of apartheid through harsh language as well as provision of assistance to the victims of apartheid in the form of humanitarian aid.

On 25 March 1977, the deceased Swedish Prime Minister, Olof Palme, delivered the following harsh condemnation on the apartheid system to the United Nations Security Council (UNSC): “ Palme pointed out the racist tendencies of Apartheid, the Soweto Massacre that left 2, 480 persons dead, the system of ‘ mental prisoners’ that detained and exploited between 8, 000 and 9, 000 mentally-ill black Africans against their will for profit, the torture and deaths of political prisoners in South African jails, and how the Apartheid system dissolved family ties.

Palme, therefore, asserted that Apartheid was a ‘ weird’ dictatorship of the minority for social and economic exploitation'[1]……… Notwithstanding its brutal criticism and conviction in its appeal that isolating South Africa from the rest of the world was the only way root out apartheid; the Swedish government did not pursue an annulment of diplomatic relations with the South African apartheid administration. Moreover, Sweden failed to enact legislation that could have expedited the entire departure of Swedish companies conducting business operations in South Africa.

According to Ake Magnusson’s 1974 monograph titled Swedish Investments in South Africa, Sweden had about 60 South African based companies at the height of apartheid whose expatriate employees lived comfortably and even considered wealthy by some standards of living. While management of the Swedish firms might have despised Apartheid, Ake attests that they did, “ in an indirect manner, support the system by their presence in South Africa”[2]. Sweden’s standpoint on apartheid can be described as borderline and contradictory.

On the one hand, it portrays a progressive image by asserting hostility towards apartheid as evidenced by statements made by Olof Palme as well as its provision of humanitarian assistance in the form of aid to apartheid victims. On the other extreme end, it maintained diplomatic relations with the apartheid government and had a presence of over 60 Swedish companies conducting business during apartheid, enabling it to enjoy continued profitable vested interests in the growing South African economy.

According to Thorvald Stoltenberg, the Swedish government mirrors the behavioural attributes of a chameleon because it was not “ willing to sacrifice jobs to facilitate an effective economic boycott of South Africa”[3]. Evident to its cautious policies and prioritization of profits ahead divesting, which I perceive as morally irresponsible, it can be concluded that by opting to stay, the Swedish multinational’s primary concern was to protect Sweden against loss of income and the resultant unemployment.

As Nils Adren put it, “ Sweden pursued a policy of ‘ dualism’ towards South Africa”[4], a double faced approach which attempts a simultaneous portrayal of a progressive profile through provision of humanitarian aid and one that is protective of its basic economic interests affirmed through its maintained investments in South Africa. To cultivate complete credibility and ethical principle, the Swedish government could have exercised greater moral discretion in determining the geographic location of its investments by enforcing corporate accountability amongst its foreign based firms.

ARGUMENTS IN FAVOUR OF INVESTING IN SOUTH AFRICA Several arguments have been put forward in favour of multinational’s investments in South Africa during apartheid. Some believe that by operating in South Africa, these companies ultimately supported Blacks, particularly their own employees towards whom they had special obligations. If multinationals were to retreat in an attempt to second political novelty, such a retreat would put the future prospects of their employees in jeopardy, irrespective of race, but with the ultimate displacement and adversity sinking mainly on Black communities.

To illustrate this point, Caltex, for instance, adopted employment protocols inclusive of equal pay for equal work, implemented uniform benefit plans across its workforce while enforcing a skills development program aimed at fast-tracking staff’s advancement opportunities to positions of responsibility based purely on merit and not skin colour. According to Caltex, their Black employees’ earnings went up by over 150% during the 1970s.

Moreover, Caltex alleged that other American corporations, with their own in-house policies of equal pay for equal work had helped significantly close the income disparity between Black and White workers. It can also be contended that part of the moral course for the multinationals to remain in South Africa was to put in place the necessary measures that would later compensate Blacks in their struggle in anticipation for job creation and foreign direct investment in the new South Africa subsequent to the disintegration of the apartheid regime.

Thomas Donaldson supported this compelling view, professing its futuristic focus on the cultivation of Black communities. Donaldson suggested that his moral stance was conceptualized following the realization that in order for the envisioned new Black government to victoriously rise above the estimated 40% unemployment at the commencement of their tenure, foreign firms should remain in the country to act as catalysts for enticing supplementary foreign investment.

This trend of thought was forward looking to the day when surviving economic apartheid would be a challenge that would command an adequately-developed infrastructure and availability of critical mass of multinationals, well positioned to attract new investment and create new jobs. Today, in year 2009 and 15 years after the collapse of apartheid, South Africa is championing a dynamic crusade aimed at attracting new firms and foreign capital. It is observed to be doing reasonably well, but the question remains: What would have been the outcome had all foreign firms and invested capital divested?

Given that full-blown divestment never occurred, it can be argued that economic value has been derived from strategic sanctions by the international community that led to carefully crafted divestments in selected industries and not full-scale. In conclusion, it remains inconclusive as to whether total divestment by multinationals would have been the morally correct position to adopt. The verifiable truth remains that above 150 American firms were coerced to get out of South Africa. The exit resulting in considerable capital flight that riggered a dramatic decline in the local currency, making imports more expensive and forcing inflation to go up. The capital outflow subsequently decelerated the new dispensation’s mandate of massive job creation. Of the 150 that have re-gained entry, in order to mitigate risk, most just came back with a sales team, leaving behind the numerous jobs often created from operating an on-site manufacturing facility. If justice is to ever be attained, substantial employment creation remains a pre-requisite. ARGUMENTS AGAINST INVESTING IN SOUTH AFRICA

Desmond Tutu, the first elected Black South Anglican Archbishop, became the second South African to be awarded the Nobel Peace Price in 1984. Tutu was an activist who supported an economic boycott of the apartheid government and of divestment by multinationals at the time. In his own words, to say that multinationals should stay because they compensated higher salaries and provided other economic benefits was to “ attempt to polish my chains and make them more comfortable. I want to cut my chains and cast them away”[5].

This section looks at the arguments in support of Desmond Tutu’s standpoint. According to Harvard Law School, several multinationals conspired and deliberately collaborated with the South African government to contravene human rights violations including apartheid, in itself, is a crime against humanity and a morally repulsive system of violence. It can be concurred therefore that by setting up business operations in South Africa, multinationals were inevitably perpetuating the status quo of the White supremacy as some of their business operations, e. . supply of nuclear weapons, provided the racist regime with a strategic resource used to further human rights abuses such as extra-judicial killings and torture against anti-apartheid Black activists. Thomas Donaldson also made another argument against his original pro-investment stance that was, this time around, in support of multinationals’ full withdrawal, citing that “ full divestment was required since there was a systematic violation of the most basic human rights”[6], further stating that “ transactions are impermissible unless those ransactions serve to discourage the violation of rights and either harm A, or, at a minimum, fail to benefit A, in a consequence of A’s rights violating activity”[7]. In the absence of neither of these conditions, it can therefore be adjudged that doing business with apartheid South Africa was ethically and morally reprehensible. One can conclude by pointing out that beyond committing human rights violations including apartheid, in itself, perceived as criminality against humanity, remaining in South Africa was detrimental and damaging to the firms’ long term reputations and financial performance.

In Xerox’s experience, it’s profits and sales began to deteriorate during the early 1980’s, influenced mainly by its important constituencies such as institutional investors, the anti-apartheid organizations and consumers, most of whom opted to exert divestment pressure by boycotting Xerox’s products and banned contracts with Xerox because of its involvement with the apartheid regime.

Since the primary goal of the management of most firms has always been to maximize shareholder value, by opting to divest from South Africa as a result of mounting pressure, it could be concluded that Xerox voluntarily suffered a rate of return decrease due to disinvestment, resulting in management’s violation of its primary obligation to shareholders. Most maintain however, that, from a corporate responsibility and ethical point of view, companies that opted to divest did well by doing good.

APPLICABLE MORAL THEORIES ON BOTH SIDES OF THE ARGUMENT The debate over whether multinationals should have continued business operations in South Africa is a moral debate. The debate is not about the requirement of the South African law at the time, since the requirement was coherent. The core of the debate centres on whether such laws were morally appropriate and whether multinationals should have had business dealings with a nation whose administration affected such laws.

The defence on both sides of the contention appeals to four basic kinds of moral principles namely: (1) utilitarianism, (2) rights, (3) justice and (4) caring. In addition, the debate makes several references to the moral characters of individuals directly involved. As alluded to in section 4 of this paper, those who argued that the multinationals should have left South Africa, argued that such organizations were purposefully endorsing oppressive racial policies that were unjust and laid strains on Blacks that Whites did not have to be burdened with.

Such arguments that pointed out the policies’ violation of the Black’s civil and political rights directly address two distinct breeds of moral principles, the first one being judgments about justice which is based on the moral doctrine that distinguishes fair ways of disseminating benefits and burdens among the individual members of society. The second moral principle is around infringement of basic human rights which is based on moral principles that illustrate the manner and extent to which individual’s freedom rights and general well-being must be recognized, honoured and respected.

As insinuated in section 3 however, the argument from the perspective of those in favour of the multinational’s stay in South Africa was built around the moral premise that if the companies stayed, the overall welfare of both Blacks and Whites would be enhanced but in the event of a departure, Blacks would be the most disadvantaged. Such arguments implicitly appeal to a utilitarian standard of morality; a principle claiming that “ something is right to the extend that it diminishes social costs and increases social benefits”[8].

Lastly, most multinationals prided themselves in taking extra care of their Black workforce, claiming that their firms had a moral obligation to ensure their well-being at all times, indirectly implying that leaving the country would directly equate to abandoning this obligation. Such solicitudes are accurately associated with an ethic of care, which accentuate caring and safe-keeping the concrete well-being of those around us.

In conclusion, involved in the contentions were various persons and groups whose moral characters have been referenced to. For instance, Desmond Tutu was a symbol of courage, non violence, reconciliation, peace as well as an activist for human rights and justice. On the contrary, the apartheid regime epitomized inhumanity, atrocity, brutality and cruelty. Nelson Mandela was, on the other hand, characterized as caring, mesmerizing, brave and a committed freedom fighter.

The above moral character assessments of these distinct individuals and groups appeal to basic ethic of virtue, “ a branch of moral philosophy that emphasizes character, rather than rules or consequences, as the key element of ethical thinking”[9]. Conclusion This paper commenced by posing two main questions: (1) Amidst the conflict between moral principles and the profit motive behind most corporations, did the international corporations operating in South Africa have a moral obligation to divest and terminate all their business transactions? 2) Did these companies have an ethical obligation to terminate all business transactions in order to advance the human rights of the South African Blacks or could a moral argument be made that by remaining in South Africa, such companies were assisting the Blacks in their struggle in preparation for a way for a strong economy in the post-apartheid South Africa? To conclude the material presented so far and offer my final personal point of view on the matter, a model adapted from an ethicist, Ralph Potter, will be used to summarize the ethics of the conflicting decisions taken by the various multinationals.

THE POTTER BOX[10] [pic] The Potter Box model suggests that four elements guide policy proposals namely (1) Empirical definition of the situation (2) the loyalties of the decision-maker (3) the values held which are reflective of the type of reasoning adopted (4) appeal to ethical principle. Applying the Potter’s model, it is concluded that if the ethical motive behind the multinational’s entry and subsequent stay in South Africa was to land a helping hand towards the development of marketable skills amongst Black communities and further lay a strong infrastructural foundation in anticipation for post apartheid

South Africa, then these organizations, without a doubt, had an ethical obligation to remain in South Africa and advance these important values. However, contrary to the above, my personal stand point is that Blacks’ right to political participation should have been the primary and most essential right to strive towards achieving during this time. My observation therefore is that from an ethical view point, the multinational’s presence in South Africa did very little to challenge apartheid’s violation of Blacks’ human rights.

Their immediate departure and subsequent economic decline would have functioned best as leverage to drive the apartheid government to the negotiating table. aBibliography BOOKS 1. Manuel G. Velasquez, 2002, Business Ethics : Concepts and Cases : Fifth Edition, Prentice Hall, New Jersey, USA 2. Magnusson, Ake, 1943, Swedish Investments in South Africa, Scandinavian Institute of African Studies 3. Abdul Karim Bangura, May 2004, Sweden vs Apartheid: Putting Morality Ahead of Profit (Contemporary Perspectives on Developing Societies), Ashgate Publishing . Nils Bertel Einar Andren, 1967, Power Balance and Non Alignment: A perspective on Swedish Foreign Policy, Almqvist & Wiksell 5. Thorvald Stoltenberg, 1978, Nordic Opportunities and Responsibilities in Southern Africa 6. John W Houck, 1996, Is the good corporate dead? : Social Responsibility in a Global Economy ARTICLES 7. Business & Human Rights Resource Centre, Harvard Law Schook, 28 October 2008.

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B. , (1999, October). The origins and applications of “ Potter Boxes” ———————– Feedback Particular Judgment or Policy Choosing Loyalties Identifying Values Empirical Definition Appeal to Ethical Principle ———————– Business Ethics ‘ Master in International Business ‘ MIB 25BContents 3 January 2009 INTERNATIONAL COMPANIES DOING BUSINESS IN SOUTH AFRICA DURING APARTHEID PAGE 1 OF 10 Business Ethics ‘ Master in International Business ‘ MIB 25B