SA:US: State Action General

PUBLIC INVESTMENT AND SOUTH AFRICA

March 1986

Dear Friend,

Last year was a record year for the divestment movement and, so far, 1986 is looking even better. Actions are planned in at least two dozen states and even more cities. The effect of our actions is being felt in both the United States and South Africa. According to the Wall Street Journal, for the first time in decades, no new American companies began operation in South Africa in 1985 and at least 28 companies actually pulled out. Meanwhile, as black resistance to apartheid inside South Africa escalates, we need to step up our efforts here in the U.S.

All told, 17 states, 60 cities and 9 counties have passed divestment legislation (see enclosed summary) and some of these have already begun selling off large blocks of stocks and bonds. New Jersey, for instance, has sold some $450 million of its $2 billion in South Africa related stocks and bonds since its legislation became law in August 1985. Others, however, have found last-minute excuses and have hidden behind various technicalities to justify the delays. This underscores the need for the coalitions of legislators and groups which won divestment legislation to keep working together to monitor enforcement and to carry on the fight against apartheid.

There is no question, however, that divestment actions are beginning to have an impact in corporate board rooms across America and inside South Africa. Most recently, Bell & Howell announced it was leaving South Africa after specifically reporting that boycotts by state governments were "a real fear." (See enclosed Washington Post story.)

This is because a growing number of local governments are debating selective purchase laws to restrict the purchase of goods and services either from South Africa or from companies that are still doing business with apartheid. We've enclosed one model selective purchase bill that you might want to consider introducing in your state or city, particularly as a follow-up to divestment legislation.

The success of the divestment campaign has encouraged the development of several corporate campaigns by churches, trade unions and others. These seek to increase pressure on corporate America to end support for apartheid by focusing attention on individual corporations involved in South Africa. For example, the United Mine Workers, the AFL-CIO and the Free South Africa Movement have launched a Boycott Shell Oil campaign which links Shell's poor labor practices in the U.S. and South Africa. For more information, contact the United Mine Workers, 900 15th Street NW, Washington DC 20005. Some churches working with the Interfaith Center on Corporate Responsibility are specifically calling on three major U.S. computer corporations, IBM, Burroughs and Control Data, to withdraw from South Africa by the end of 1986. Contact ICCR, 475 Riverside Drive, New York, NY 10115.

Meanwhile, inside South Africa, black resistance to apartheid continues to grow, although the government is desperately trying to hide it by prohibiting television and newspaper coverage. The mood was dramatically

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illustrated recently with the formation of the Confederation of South African Trade Unions (COSATU). This new federation, which was launched at a meeting of more than 10,000 black workers last December, represents more than half a million black workers and has already issued a strong call for further divestment actions. (See enclosed New York Times story.)

As these pressures increase you will be hearing more and more about "reforms" in South Africa. These reforms have nothing to do with creating a democratic South Africa, but are simply attempts by Pretoria to defuse the internal rebellion and ease external economic pressures. There have been a lot of promises recently from the white apartheid government and there will certainly be more in the near future, but they all fall short of satisfying the fundamental demands of black South Africans for one person, one vote in a unitary, non-racial South Africa.

Often at great risk to themselves, black South Africans are calling on the international community to take up divestment actions as a way to give concrete support to the struggle for freedom. Each day brings new reports of escalating anti-apartheid actions inside South Africa. Particularly at this time we need to increase the pressure for freedom and majority rule by expanding our divestment work thoughout the country.

Sincerely,

Dumisani Kumalo
Projects Director

Jennifer Davis
Executive Director

P.S. If you know of divestment actions that we've missed, please let us know, and please keep in touch about your planned activities.

PUBLIC INVESTMENT AND SOUTH AFRICA

NEWSLETTER

March 1986

Nineteen eighty-five was a record year for the divestment movement, with at least 11 states and 37 cities and counties passing binding measures restricting public fund investment and/or purchasing related to South Africa. In October, about 100 legislators and other activists participated in a national conference on municipal legislative action in New York that was organized by the American Committee on Africa. That conference gave participants a chance to compare divestment strategies and set the stage for a new wave of state and local government actions in 1986. According to the information we have received, divestment legislation is being debated in 24 states and many more cities this year.

Already, as a result of these divestment actions a number of states, cities and counties have begun selling off large blocks of South Africa related stocks and bonds. New Jersey, for instance, has sold some $450 million of its $2 billion in South Africa related stocks and bonds since its legislation became law in August 1985. And in March, Washington, D.C. finished selling off the last of its pension fund's investments in companies operating in South Africa. City Councilman John Ray reports that the Washington, D.C. pension fund continued to show strong growth during the period in which the divestment occurred. Other state and local governments, however, have not moved as quickly and have found last-minute excuses or hidden behind various technicalities to justify delays in divesting. These delays underscore the need for legislators and activists to monitor enforcement of their legislation and to keep up the pressure to ensure implementation of the divestment measures.

Increasingly, legislators and others concerned with public investment are also beginning to advocate "selective purchasing" legislation as a follow-up to earlier divestment actions. Selective purchase legislation, which restricts the purchase of goods and services either from South Africa or from companies that are still doing business with apartheid, was passed in more than fifteen cities and counties last year and is being considered in many more this year.

All told, since 1976 divestment and/or selective purchase legislation has been enacted in 17 states, 60 cities, 9 counties and one U.S. Territory (Virgin Islands). These measures mandate a total of approximately $5 billion in divestment from U.S. corporations and banks involved in South Africa. A summary chart of the binding measures that have been passed follows.

STATE	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
California	The Governor requests state pension funds to divest on a case by case basis from companies that do not meet the top two ratings of the Sullivan Principles. The Governor's action followed his veto of a full divestment bill which passed the State Legislature.	September 1985	Not determined

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STATE	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Colorado	State Treasurer bans new investment in companies that do business in South Africa and banks that make loans to the public sector. The portfolio contained no stocks and by March 1986 was S.A. free.	August 1985	$100 million
Connecticut	Law requiring divestment of all state funds from companies that sell strategic products or services to the South African govt. or are not in the top two categories of the Sullivan Principles.	June 1982	$70-100 million
Iowa	Law requiring divestment of pension and educational funds from companies investing in S.A. not in top two categories of Sullivan Principles; from those companies that supply strategic products to the South African military or police; and from banks with loans to S.A. or companies doing business there.	May 31, 1985	$50 million
Kansas	Kansas Public Employees' Retirement System adopts a policy of divestment of non-Sullivan companies.	September 1985	$23 million
Louisiana	Law prohibiting deposit of state funds in banks with loans to S.A. govt. or its agencies.	July 23, 1985	Not determined
Maine	State Retirement Board divests from all non-Sullivan signatory companies and State Treasurer divests trust fund monies from companies doing business in S.A.	December 1984	$11 million
Maryland	1)Law prohibiting deposit of state funds in banks making new loans to the S.A. government or national companies.	May 25, 1984	Not determined
	2)Law placing moratorium on investment of state retirement and pension funds in companies that do not meet the top two categories of the Sullivan Principles.	June 1985	Not determined

STATE	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Massachusetts	Law requiring divestment of all state pension funds from firms doing business in S.A.	Jan. 4, 1983	$90-120 million
Michigan	1)Law prohibiting deposit of state funds in banks making loans to S.A.	1980	Not determined
	2)Law requiring public educational institutions to sell all investments in companies doing business in South Africa.	1982	Not determined
Minnesota	The State Board of Investment votes to divest over 4 years and prohibit all new investment by pension funds in corporations doing business in S.A.	October 1985	$1.1 billion
Nebraska	Law requiring state pension funds to divest from all companies not meeting highest rating of Sullivan Principles.	1984	$36 million
New Jersey	Law requiring divestment of pension funds from all corporations doing business in S.A. within three years.	August 1985	$2 billion
New Mexico	State investment council votes to divest only from corporations with at least 5 percent of assets, employees, or earnings in S.A.	Nov. 20, 1985	Not determined
North Dakota	State Investment Board prohibits new investment in companies that have not signed the Sullivan Principles.	July 1985	Not applicable
Rhode Island	Law preventing further investment of state monies or pension funds in any firm doing business in or with S.A.; divestment over a period of 4 years from firms doing business in S.A. not rated in category one of the Sullivan Principles and from firms that supply strategic products to the S.A. military or police.	June 1985	$141 million
Wisconsin	State Attorney General rules that investment of state educational funds in firms doing business in S.A. violates state civil rights act.	May 19, 1977	$11 million

STATE	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Virgin Islands	Law requiring divestment of territorial pension fund from S.A.-linked holdings within two years.	October 1984	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Alameda County (CA)	Ordinance prohibits investment of city funds in any bank or financial institution that has loans to the S.A. government or loans to any business for operations in S.A. or Namibia; prohibits county purchase of products manufacturered in S.A. or Namibia and provides for selective purchasing with a 5% advantage for companies in S.A. or Namibia, except in special circumstances.	June 1985	Not determined
Alexandria (VA)	Divestment of city funds from companies or banks doing business in S.A. that are not in one of the top two categories of Sullivan.	May 1985	Not determined
Amherst (MA)	Divestment from companies doing business in S.A. or producing nuclear weapons.	October 1984	Not determined
Atlanta (GA)	City council ordinance prohibits city employee pension funds from making new investments in corporations that do business with South African government or state controlled companies; ordinance also prohibits deposit of city funds in banks with outstanding loans to S.A. government or govt. controlled companies unless bank refuses to make new loans.	August 1985	Not determined
Atlantic City (NJ)	Divestment within two years of city funds in firms operating in S.A. and banks with loans to S.A.	March 31, 1983	Not determined
Baltimore (MD)	Pension fund trustees prohibit investment in corporations that do not meet the top two ratings of the Sullivan Principles.	August 1985	Not determined
Bergen County (NJ)	Bergen County Freeholders resolve that no county funds be deposited in banks that make loans to South Africa.	June 1983	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Berkeley (CA)	Binding referendum removes funds from banks doing business in or with S.A.	April 17, 1979	$12 million
Boston (MA)	Prohibition on investment of city funds in any bank with outstanding loans to S.A. or Namibia or any firm doing business in those countries.	January 7, 1985	$11 million
Boulder (CO)	Divestment of city funds from corporations operating in South Africa.	July 16, 1985	$6.1 million
Brookline (MA)	Brookline Retirement Board officials divest bonds in companies with holdings in S.A. over three-year period.	January 15, 1986	$450,000
Burlington (VT)	Divestment of all city funds from corporations dealing with S.A.	April 30, 1985	$1.8 million
Cambridge (MA)	Cambridge Retirement Board will make no new investments in firms which do business in S.A.	February 1980	Not relevant
Camden (NJ)	Resolution prohibits future investments or deposits of city funds in banks that make loans to S.A. government and bans city purchases from corporations operating in S.A. or Namibia.	September 1985	Not relevant
Charlottesville (VA)	Divestment of pension funds from firms that have not signed the Sullivan Principles.	December 1984	$700,000-$1 million
Cincinnati (OH)	Divestment of city funds from firms that do business in S.A.	January 1985	$150 million
College Park (MD)	No deposit of city funds in financial institutions with investments in S.A. No purchase of S.A.-originating goods and services unless essential.	April 1985	Not relevant
Columbus (OH)	City council legislation prohibits deposit of city funds in banks making new loans to South Africa.	Sept. 24, 1985	Not applicable

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Cuyahoga County (OH)	County Investment Board prohibited from investing public funds in banks lending to the South African government.	March 12, 1984	Not determined
Davis (CA)	No further investment in banks doing business in S.A.	1980	Not relevant
Detroit (MI)	City council ordinance prohibits investment in stocks or securities of banks that do business with the S.A. government or maintain an investment in a subsidiary or affiliate of a U.S. firm doing business in S.A.	March 28, 1985	Not determined
East Lansing (MI)	Measure calling for selective purchasing to favor firms not linked to S.A.	August 3, 1977	Not applicable
Flint (MI)	Divestment by the Employees Retirement System of companies that have not adopted the Sullivan Principles	June 1985	$3 million
Fort Collins (CO)	No deposit of city funds in banks with loans to the South African government or which sell Krugerrands.	August 20, 1985	Not determined
Freeport (NY)	Village board prohibits deposit of village funds in any bank or financial institution with loans to South Africa.	October 1985	$788,000
Fresno (CA)	City council ordinance requires pension funds to divest from all companies doing business in S.A. or Namibia and no investment in banks which lend to South African government or parastatals.	August 1985	Not determined
Gainesville (FL)	Resolution directs pension fund managers, whenever possible, to not invest in corporations that do business in S.A.	Sept. 30, 1985	Not available
Grand Rapids (MI)	City Commission prohibits deposits of idle funds in banks lending to S.A. govt. or to firms doing business in S.A.	Oct. 26, 1982	Not relevant

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Hartford (CT)	Prohibition on investment of city pension funds in firms operating in S.A. that have not signed Sullivan Principles.	1980	Not relevant
Jersey City (NJ)	Divestment of public funds deposited or invested in banks or corporations with loans to or investment in South Africa.	September 1985	Not available
Kansas City (KS)	City council resolution calling on city not to do business with companies which invest in S.A. "whenever possible."	October 1985	Not determined
Los Angeles (CA)	City council unanimously recommended phased divestment over 5 years from all companies operating in S.A. to pension fund trustees. Trustees of 2 of 3 city pension funds have adopted the divestment plan. Mayor's executive order terminates investment or deposit of city funds in banks that do business in S.A. or that sell or promote Krugerrands.	August 16, 1985	$600 million
Madison (WI)	Ordinance urges city to seek contracts with firms not in S.A. and declares investment in S.A. an enforceable reason for ending contracts.	December 1976	Not relevant
Miami (FL)	Divestment of city funds from U.S. firms in S.A. or Namibia and from banks lending to the South African or Namibian govts. or to S.A. national firms.	Feb. 14, 1985	Not determined
Middletown (CT)	Divestment of public pension funds.	September 1985	$7 million
Montgomery County (MD)	No investment of county pension fund in South African related holdings.	March 1985	Not relevant

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
New Castle County (DE)	County council ordinance requires county pension fund to divest within two years.	January 1986	Not determined
New Haven (CT)	City Pension boards agreed to divest from companies that are not in the top two ratings of the Sullivan Principles.	August 1985	Not determined
New Orleans (LA)	City Council ordered divestment of city pension funds from companies doing business in S.A.; bars city banking with financial institutions doing business in S.A. and prohibits city business with firms doing business in S.A.	June 20, 1985	$2 million
New York (NY)	1)NYC Employee's Retirement System adopts 5 year phased divestment plan from firms operating in S.A.	August 3, 1984	$665 million
	2)City Council prohibits deposit of city funds in banks that make loans to the S.A. govt. or that advertise or promote the Krugerrand.	March 15, 1985	Not relevant
	3)A ban on city purchases of South African goods and severe restrictions on purchases from U.S. firms which sell to the South African military, police, prisons or Ministry of Cooperation & Development.	March 15, 1985	Not relevant
Newark (NJ)	1)Ordinance mandating divestment from banks or firms with loans or investments in S.A. or Namibia to be carried out within two years.	August 1984	Not determined
	2)Ban on city purchasing from firms operating in S.A. or Namibia.		
	3)Ban on entertainers who perform in S.A. from playing in city facilities.		

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Oakland (CA)	City ordinance prohibits investment of city funds in any corporation that does business in S.A. or Namibia; prohibits investment or deposit in any bank or financial institution that lends to government or business organized in S.A. or Namibia; prohibits county from purchasing any commodity made in S.A. or Namibia and provides for selective purchasing with a 5% advantage for companies not in S.A. or Namibia.	July 23, 1985	$150 million
Omaha (NE)	Divestment of city and retirement system funds from companies doing business in S.A. or Namibia, banning purchase of any goods originating in S.A.	October 4, 1985	$38 million
Palo Alto (CA)	City council prohibits deposit of city funds in banks or corporations which have dealings with either the public or private sector in S.A.	December 1985	Not applicable
Philadelphia (PA)	Divestment of city pension funds within two years from firms in S.A. and from banks making loans to the govt. of S.A. or Namibia.	June 1982	$100 million
Phoenix (AZ)	City council resolution calling on Board of Retirement to divest.	February 1986	Not determined
Pittsburgh (PA)	Pension Board votes to divest from companies doing business in S.A.	Jan. 17, 1985	Not determined
Prince Georges County (MD)	County government prohibits contracts with companies investing in S.A. or Namibia, except when essential. Legislation also prohibits deposit of county funds in banks with loans to S.A. government or parastatals and also directs pension funds to study impact of divestment.	Oct. 15, 1985	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Rahway (NJ)	Ordinance prohibits deposits of city funds in banks with loans to the S.A. govt., national firms or to any firms operating in S.A.	June 1984	Not relevant
Raleigh (NC)	City council prohibits deposit of city funds in banks with loans to companies which practice discrimination in South Africa; and prohibits city contracts with companies which support apartheid, unless controller declares purchase necessary.	Jan. 21, 1986	Not determined
Richmond (CA)	City council prohibits deposit city funds in banks which lend to South African govt. or any corporation operating in S.A.; orders divestment all corporations doing business in S.A. or Namibia; prohibits city contracts with firms that do business in S.A.	Feb. 10, 1986	Not determined
Richmond (VA)	No further investment of public funds in firms doing business in or with S.A.	June 1985	Not relevant
Rochester (NY)	Divestment of public funds from banks with outstanding loans to S.A. or to Namibia and from stocks of banks or financial institutions lending to S.A. or to Namibia; divestment of pension funds from firms which support the policy of apartheid and from banks or financial institutions with loans to S.A. or Namibia; no further purchase of agricultural/ industrial products made in S.A.	July 1985	Not determined
Rockland County (NY)	Ban on deposit of county funds in Barclays Bank due to its operations in S.A. and support of British rule in Northern Ireland.	1984	$1.6 million
San Diego (CA)	Resolution by the City Council urging the Retirement Board to divest by the end of 1986. Board agreed to divest.	June 1985	$35 million

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
San Francisco (CA)	1)Divestment of city pension funds from firms operating in S.A. within two years.	April 30, 1985	$335 million
	2)Ordinance prohibits purchase of goods and services from corporations doing business with S.A., with exceptions if no comparable product available or if alternatives are more costly or contract is less than $5000.	January 1986	Not applicable
San Jose (CA)	No further purchase of securities issued by the S.A. govt. or by U.S. firms with S.A. subsidiaries; no further links to banks that invest in or do business with S.A. or its firms or that lend money to U.S. firms operating in S.A.	June 1985	Not applicable
Santa Cruz (CA)	Prohibition of investment of public funds in banks doing business in or with S.A.	Nov. 8, 1983	Not determined
Seattle (WA)	Resolution prohibits investment in financial institutions doing business with S.A. govt. Asks investment committee to draft legislation mandating divestment from corporations that do business with S.A.	April 1985	Not determined
Sonoma County (CA)	Resolution prohibits investment in companies with operations in S.A. or purchase of goods or services from corporations that do business in S.A. whenever possible and when consistent with state laws.	September 1985	Not determined
St. Louis (MO)	Board of Aldermen passed legislation calling for full divestment of city employee pension fund and firemen's pension fund.	March 1986	Not determined
Stockton (CA)	Divestment of city funds from S.A. linked holdings.	June 1985	$8 million

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Topeka (KS)	City council resolution urges city to use alternatives to investing in companies involved in S.A. and not to do business with companies in S.A. "whenever possible."	Jan. 30, 1986	Not determined
Tucson (AZ)	City council directed total divestment of retirement fund investments in companies doing business with South Africa and requires city to contract only with companies that certify they are not doing business with S.A.	Sept. 3, 1985	$11 million
Washington (DC)	Divestment of DC pension fund from S.A. related holdings over two years.	Oct. 4, 1983	$44 million
Westchester County (NY)	County board directs county not to deposit funds in banks that do business with S.A. government or any of its instrumentalities.	1985	Not determined
West Hollywood (CA)	City county ordinance prohibits deposit of city funds in banks with loans to South Africa; also prohibits purchase of goods and services from companies that do business in S.A., except if waiver is made.	April 1985	Not applicable
Wilmington (DE)	Divestment of pension fund from firms doing business in S.A.	July 18, 1982	$400,000
Youngstown (OH)	Divestment of city funds from banks investing in S.A. or institutions related to the South African or Namibian government.	Jan. 24, 1985	Not determined

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THE WASHINGTON POST SATURDAY, FEBRUARY 8, 1986

Bell & Howell to Shut S. Africa Plants

■ Bell & Howell, the giant information-systems concern, plans to end its operations in South Africa because of fears its products might be boycotted in the United States, according to its chairman, Donald Frey.

Frey told Reuters in an interview in Chicago this week that the company decided to get out of South Africa because it feared its products might be boycotted by state and local governments and by pension funds in the United States. Boycotts by state purchasing agencies "is a real fear," Frey said.

Bell & Howell's operations in South Africa are comparatively small, with sales of about $13 million against overall company revenue of $759 million in 1985.

Continuing Anti-Apartheid Protests Hasten Pace Of Exits by U.S. Companies From South Africa

By ELLEN HUME
Staff Reporter of THE WALL STREET JOURNAL

The move to shed investments in companies that do business in South Africa has reached into the heart of Wall Street: Historic Trinity Church voted recently to divest itself of about 20% of its stock portfolio to protest apartheid.

It is a sign of the times. Increasingly, blue-chip U.S. companies that want to stay in South Africa are finding little success in battling the twin pressures of unrest there and political harassment at home. As a result, they are pulling out at an accelerating rate.

Such influential U.S. companies as General Electric Co., Marriott Corp. and Phibro-Salomon Inc. recently have announced their exits, and many observers expect the pace to pick up as more managers conclude that South Africa's white minority regime can't or won't deliver significant political reforms.

Meanwhile, corporate efforts to stem the tide of U.S. anti-South Africa-investment laws have largely failed. If anything, the divestment movement has accelerated; so far, 16 states and 56 U.S. cities, including Washington, D.C., and New York City, have passed legislation restricting investments in and purchases from companies with South African ties. Yesterday, Phoenix joined the list.

"There's been a lot of movement in the direction we find depressing," says William Broderick, Ford Motor Co.'s director of international governmental affairs, who helped lead the business community's quiet campaign against the divestment bills until last year when his own company sold majority control of its South African operations.

"All the momentum is on the side of more restrictions," says Roy Schotland, a law professor at Georgetown University, who has testified before state legislatures, arguing that divestment laws aren't good fiduciary policy. "Companies which were willing to have their people testify a year ago are just going for cover," he says.

The Rev. Robert Ray Parks, Trinity Church's rector, says arguments that divestment only hurts investors—the taboo stocks include such blue-chips as International Business Machines Corp. and General Motors Corp.—aren't persuasive anymore, even among his financial-community parishioners. "The divestment movement all over the U.S. has long since moved beyond simple economics," he says. "It is a primary way for individuals and institutions to make a moral statement with the commitment of their resources."

Even divestment critics like Mr. Schotland acknowledge that it is hard to prove that divestment actually has hurt investors, since long-term effects can't yet be measured.

U.S. Firms in South Africa

	NUMBER LEAVING COUNTRY	NUMBER STARTING NEW BUSINESSES
1983	6	3
1984	7	2
1985	28	0
Total currently in South Africa: 257		

Source: The Investor Responsibility Research Center Inc.

Last spring, many influential American business officials launched a campaign arguing that pulling out of South Africa would only hurt black workers and would eliminate American companies' leverage for reforms. But increasing violence in South Africa overtook those arguments. "The stage of just being nice to your local workers is over," says Dumisani Kumalo of the American Committee on Africa, a pro-divestment group. As a result, says Burroughs Corp. spokesman Irving Geller: "I don't think that's being offered as an argument very strongly anymore."

The anti-divestment forces were particularly vexed that Republican Gov. Thomas Kean of New Jersey, despite pressure from President Reagan, signed a law last fall that set in motion the divestment of about $2 billion in his state's pension-fund stocks.

While some blue-chip corporations like IBM shrug off the stock-divestment issue as peripheral to their overall health, pension-fund managers are under growing pressure to devise South Africa-free portfolios, and executives are having to spend more of their time on anti-South Africa shareholder resolutions.

Companies also worry about new laws against buying goods from South Africa-related concerns. And they are keeping a wary eye on the possibility of consumer boycotts.

Bell & Howell Co. says that the threat of boycotts and procurement restrictions prompted its recent decision to sell its South African audio-visual and mail-sorting businesses, even though they made $1 million in profit in 1984. "We saw the possibility of a school system or a state refusing to adopt our textbook as the recommended textbook, or our microfilms," says company spokesman Daniel Collins.

A group of about 90 chief executive officers of major U.S. concerns, headed by W. Michael Blumenthal of Burroughs Corp. and Roger Smith of GM, currently is lobbying with increasing urgency behind the scenes in South Africa. The group is looking for such critical signs as the release of black leader Nelson Mandela from jail. But despite last week's interim agreement for South Africa's payment of part of its frozen multibillion-dollar foreign debt, many large U.S. companies are developing contingency plans to get out, board members say privately.

Last year was the first time in decades that no U.S. company initiated a new operation in South Africa, and 28 American businesses left, according to the Investor Responsibility Research Center, a nonprofit firm funded by corporate and institutional clients.

But some businesses, especially those with favorable marketing prospects among the black majority, seem determined to remain. "We feel South Africa is an outstanding market for us," says Coca-Cola Co. spokesman Mark Preisinger. He says 80% of the company's South African customers are nonwhite. Coke is about to unveil a new $10 million fund, controlled by black South Africans, that will dispense education and training grants there.

But such moves don't impress the U.S. divestment crowd. "We intend to make such corporations understand that it's going to be more and more costly for them to do business there," warns civil-rights activist Roger Wilkins.

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FEBRUARY 17, 1986

The Washington Post
Washington Business

D.C. Portfolio Healthy After Divestment

Pension Fund's Holdings Nearly 'South-Africa Free'

By Michael Isikoff
Washington Post Staff Writer

The District will soon become one of the first major U.S. cities to purge its pension fund of investments in companies operating in South Africa, and it will have done so without any apparent loss in the value of the fund, according to city officials.

Over the past two years, the city's pension managers have sold more than $42 million in such holdings, including blue-chip companies such as Ford Motor Co. and International Business Machines Corp., and replaced them with stock in other firms, usually smaller and less well-known, that do not operate in South Africa.

Yet the city's stock portfolio enjoyed a robust 31.8 percent growth in 1985 and is being touted by some city officials as a rebuke to critics who contend South Africa divestiture would threaten the health of public pension funds.

"The lesson from Washington, D.C., is that it can be done," said City Council member John Ray, who sponsored the divestment measure, which became law in March 1984. "It shows that you can implement divestiture . . .and you can continue to make money. . . . I think we've helped to pave the way."

The figures are being watched particularly closely now because in three weeks the city's fund will join only a handful of funds that actually have completed the process of divestiture, making it a real-life laboratory to test the track record of "South Africa-free" investing.

District's Pension Portfolio Retains Its Profitability After Stock Divestiture

PENSION, from page 1

When the District law was enacted two years ago, many critics—including some members of Congress—argued it would tie the hands of the D.C. Retirement Board so tightly that they would be unable to make a proper return on the city's pension investments. Board officials are cautious, but contend that, to date, results have proved otherwise.

According to figures released last week, the stock portion of the retirement board's portfolio increased from $260.1 million to $361.6 million last year, including $20.9 million in new contributions from retirees and $80.6 million in growth from investments.

This 31.79 percent investment growth rate exceeds the 30.92 percent increase in the New York Stock Exchange composite index and is almost identical to the 31.84 percent growth of the Standard and Poor's 500 index, which includes virtually all of the major U.S. firms operating in South Africa.

Critics Remain Skeptical

Critics, and even some of the city's financial advisers, acknowledge, however, that the District's experience has been too short and too inconclusive to make sweeping claims. They note that the stock market was extraordinarily bullish last year, making it easier for the city to pick out well-performing alternative stocks.

More significantly, the performance of the pension fund, as with any investment or mutual fund, can only be adequately assessed over the long term, ranging from five to 10 years, they say.

"This doesn't show anything," said Jack Albertine, president of the American Business Conference and an outspoken critic of South African divestiture proposals. "Everybody did well in the stock market last year. . . . But obviously, when you have divestiture, you preclude some very good market investments. . . . You have to compare D.C. over a 10-year average."

Michael J. O'Leary Jr., vice president of Callan Associates and the city's chief financial consultant, said the city's performance shows it is "possible to live with divestiture," but agreed that no definitive conclusions can yet be drawn.

O'Leary said that "it's still early to say that it proves that" divestiture has no costs. But he told a meeting of the board's investment committee last week, "One year—so far, so good."

Ever since the early 1970s, antiapartheid advocates have been pressing local governments, universities and other public funds to divest their portfolios as a protest against South Africa's system of legalized segregation. But most public and private pension fund managers have resisted, saying that the restrictions would violate their fiduciary responsibility to protect the assets of their portfolios.

Still, 16 states, 57 cities and counties, and 63 colleges and universities have agreed to some form of divestiture so far, according to figures compiled by the American Committee on Africa.

These laws differ, and few have been as broad as the District's. Many simply limit divestiture to companies that refuse to sign the Sullivan Principles—a voluntary code, signed by virtually all large U.S. firms, that pledges them not to discriminate against their black workers in South Africa.

Divestiture Shows Mixed Results

Only a handful of local governments—Philadelphia, Boston, and the state of Massachusetts—actually have put full divestiture to the test, and the results have been widely debated. In Massachusetts, for example, where the legislature imposed complete divestiture in 1983, the state treasurer initially claimed it had cost the state $11 million in investment income, only to have the results sharply disputed by state lawmakers.

Now that results are beginning to come in, the impact of the District's law is likely to wind up the subject of similar debate. But what is clear is that the law—coinciding with the appointment of new members and staff at the retirement board—has had a dramatic impact on the structure of a portfolio that will have to provide for the pensions of about 21,000 retired and current D.C. police officers, firefighters, teachers and judges. (All other city employes are covered by the federal civil service retirement system.)

When divestiture took effect in March 1984, over the opposition of the then-chairman of the retirement board, the board controlled about $454 million in assets, including about $44.3 million in the stocks of 30 U.S. companies operating in South Africa. Among them were such blue-chips as Ford, Citicorp., IBM, Texaco Inc., Xerox Corp., American Cyanamid Co., Revlon Inc., G. D. Searle & Co. and others.

Today, thanks to asset growth, dividends and interest, and contributions from city employes, the fund is worth $683.8 million, while only six stocks worth less than $2 million still are held in companies operating in South Africa. Earl Johnson Jr., the board's executive director, said the board will easily be able to sell these within the next few weeks and be "in full compliance" by the March 8 legal deadline.

By being forced to move its investments out of the big companies that operate in South Africa and into smaller firms, the city's portfolio became more volatile and risky, city pension fund managers say. But to offset this risk, the city has deliberately pursued a more conservative investment strategy that didn't take effect until the end of 1984, making the 1985 results the first true "test" of the city's experience with divestiture, according to board officials.

Under this strategy, the board targeted 40 percent of its portfolio for safe (non-South Africa) corporate bonds and 10 percent for even safer, short-term financial instruments, such as Treasury notes and bank certificates of deposit.

The performance of outside investment funds, which manage the board's portfolio on a day-to-day basis, were reevaluated and some were replaced. In addition, a large share of the stock portfolio was farmed out to so-called passive managers whose sole charge was to invest in a representative sampling of stocks that would simply duplicate, rather than outperform, the market as a whole.

One of those managers is Wayne Wagner, of Wilshire Associates, a Los Angeles-based investment firm that manages about $42 million in city pension funds.

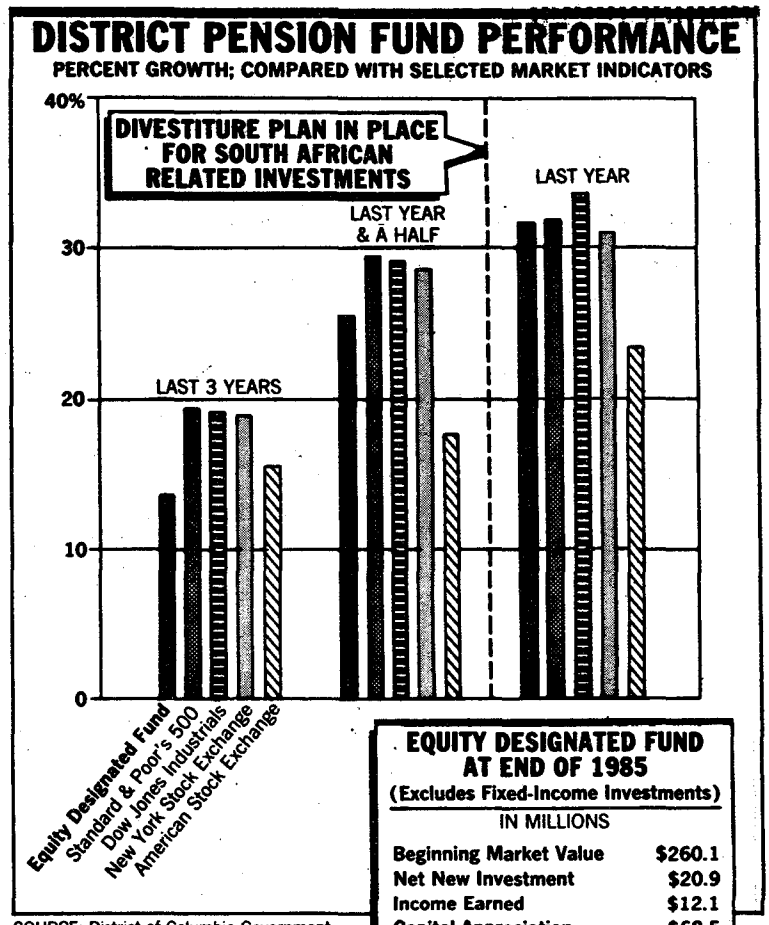
Wagner says divestiture has been a "constraint, but not a confinement."

O'Leary said that, overall, the city's portfolio has been "very competitive" with nondivested funds. In particular, he points to an analysis by his firm showing that the city's stock-investment performance ranks it in the upper half of 500 investment managers sampled during the city's last fiscal year.

In fact, board figures show that it has performed even better under its new management with divestiture than the old board performed without restrictions. But that is not to say that, as with anybody who plays the stock market, the board hasn't taken its lumps.

During one three-month period in 1985, for example, the city's equity portfolio actually underperformed the market: Between July 1 and Sept. 30, when the Standard & Poor's 500 index dropped 4.1 percent, the city's pension fund registered a 5.9 percent loss.

But city pension fund managers say such month-to-month fluctuations are both inevitable and insignificant. More important, they say, are signs that divestiture will become even easier in the future. More than 15 U.S. companies have pulled out of South Africa over the past two years, citing such reasons as declining sales, the increased threat of violence, and in a few cases, the social evil of apartheid. As a result, some companies that were at first prohibited to the District—Motorola Inc., Martin Marietta and Phibro-Salomon among them—now are permissible. ■



SOURCE: District of Columbia Government

CHART BY MICHAEL DREW—THE WASHINGTON POST

American Committee On Africa
198 Broadway, New York, N.Y. 10038 / (212) 962-1210 / Cable AMCOMMAF

THE NEW YORK TIMES,
MONDAY, DECEMBER 2, 1985

PRETORIA UNIONS BACK DIVESTMENT

Mostly Black Labor Federation Also Asks Botha to Resign

By ALAN COWELL
Special to The New York Times

DURBAN, South Africa, Dec. 1 — The newly formed Congress of South African Trade Unions, the biggest labor federation in the country's history, said in its first policy statement today that it supported divestment by American and British companies of their South African holdings.

In its statement the Congress also called for the resignation of President P. W. Botha, the nationalization of the country's mines, the withdrawal of troops from segregated black townships and the abolition of the so-called pass laws that limit blacks' access to white areas.

If those laws are not repealed within six months, the Congress's newly elected president, Elijah Barayi, told 10,000 supporters in a rugby stadium here, "We are going to burn all the passes of the black man." The Congress says it has a following of 500,000 workers, predominantly black, from 36 labor unions.

The speech represented one of the more radical political agendas to be adopted publicly by South African organized labor, which traditionally has limited its area of concern to economic issues directly affecting its members.

Some labor specialists say that union members have pressed their leaders into taking a political stand against what they see as the Government's oppressive response to the violent protests that erupted in the country's black townships 14 months ago.

Since then about 900 people have died, most of them black. A state of emergency has been in force since July 21 in 38 districts around Johannesburg, Port Elizabeth and Cape Town.

Speaking in the Sotho language, Mr. Barayi, a 60-year-old mine workers' union leader and a veteran of the protests in the 1950's organized by the now-outlawed African National Congress, told the gathering: "This is the last warning to P. W. Botha that he should get rid of the passes and he should get rid of the troops in the townships before the house burns down."

"We are saying to P. W. Botha and his colleagues that they must resign and there are rightful people for their positions, people like Nelson Mandela," Mr. Barayi said.

Mr. Mandela is the imprisoned leader of the African National Congress, the country's most prominent outlawed political group, and Mr. Barayi's reference to him seemed to reflect political sympathy from the new federation, formed on Friday night, for the African National Congress.

Mr. Barayi said that Western countries "are saying they are against divestment because a black person will suffer."

"Cosatu," he said, referring to the new federation by its acronym, "is in full support of divestment."

Interviewed later in English, Mr. Barayi said the United States and British Governments "seem to favor South Africa in that they don't want to see disinvestment."

Were Western corporations to withdraw investment, he said, black and white alike would suffer and this would put pressure on the white authorities to meet black demands for political change.

Shift in Black Attitudes

According to some lawyers, it is an offense in South Africa to advocate divestment, so political activists have been cautious in addressing the issue. In recent months, however, political figures have seemed ready to call for punitive economic measures against the authorities in the absence of promised political reforms.

Black worker attitudes toward divestment, as reflected in opinion surveys, seemed to have changed in recent months. Last year one survey found 75 percent of black workers around this Indian Ocean port city to be opposed to punitive economic measures. A survey last month, however, showed that more than half of the respondents favored some form of economic pressure on the authorities.

"We are no more going to be passive," Mr. Barayi told his supporters. "We have been passive for quite a number of years. But now we shall have to be seen taking an active part, politically, socially and culturally." He said the kind of actions envisaged included work sickouts and consumer boycotts.

Tests Ahead for Federation

Labor specialists who attended today's rally said, however, that the new federation still has to prove its political effectiveness by overcoming internal disputes and organizational problems and by organizing effective protests.

Mr. Barayi acknowledged in the interview that the new federation had been unable to bridge differences with rival union federations, with a claimed following of 200,000, that espouse the cause of black consciousness, a philosophy that excludes whites from antiapartheid protests.

The new federation advocates multiracialism. Its most powerful member is the National Union of Mineworkers, with a claimed following of 150,000, of which Mr. Barayi is a vice president, and which seems to exert strong influence on the federation's policies.

'Criminals and Drunkards'

In his speech, Mr. Barayi referred to the white Government as a Government of "criminals and drunkards" and declared: "Cosatu is going to govern this country. Cosatu will nationalize the mines under the government. And even some of the big industries will be taken by the government of Cosatu."

As he spoke, the thwack of bat hitting ball could be heard as a group of whites in white flannels played cricket nearby. The game ran its leisurely course, seemingly undeterred by Mr. Barayi's promises of great upheaval to come.

American Committee On Africa
198 Broadway, New York, N.Y. 10038 / (212) 962-1210 / Cable AMCOMMAF

Model Selective Purchasing Bill

A growing number of cities, counties and states are passing legislation prohibiting the purchase of goods and services either of South African origin or from companies that are still doing business in South Africa. Below is one model for this type of legislation. The city of Oakland has passed a similar, although more detailed ordinance and copies of Oakland's legislation are available from ACOA for $1.00 prepaid.

A Local Law

To prohibit the purchase by the city of goods orginating in the Republic of South Africa or Namibia and restrict the granting of city contracts to corporations which do business in the Republic of South Africa or in Namibia.

Section 1: No city agency shall contract for the supply of goods with any person who does not stipulate as a material condition of the contract that none of the goods to be supplied to the city originated in the Republic of South Africa or in Namibia.

Section 2: With respect to a contract to supply any city agency with goods and services, whenever the lowest responsible bidder has not agreed to stipulate that the contractor and its subsidiaries and affiliates do not do business in the Republic of South Africa or Namibia and another bidder who has agreed to stipulate to such conditions has submitted a bid within five percent of the lowest responsible bidder for a contract to supply goods or services of a comparable quality, the contracting agency shall award the contract to the bidder who stipulates that it does not do business in the Republic of South Africa or in Namibia.

Section 3: Upon receiving information that a contractor who has agreed to the conditions set forth in Sections 1 and 2 above is in violation thereof the contracting agency shall review such information and offer the contractor an opportunity to respond. If the contracting agency finds that a violation of such conditions has occurred, it shall take such action as may be appropriate and provided for by law, rule or regulation or contract, including but not limited to imposing sanctions, seeking compliance, recovering damages and declaring the contract in default.

Note: We suggest this as a model because it embodies the concept of a 5% preference to corporations that do not do business in South Africa or Namibia. We realize that existing city and state legislation and political realities may require a somewhat different approach from one city to another.

WHY AMERICAN WORKERS HAVE UNITED TO...

BOYCOTT SHELL

You can do something about slave labor conditions in other countries that both hurt workers there and threaten to undercut our own standard of living.

The AFL-CIO, United Mine Workers, and other organizations have endorsed the Shell boycott.

APARTHEID AFFECTS AMERICANS

The "apartheid" system in South Africa forces black workers—who make up 85 percent of the population—to live and work under slave labor conditions.

The concentration camp-style system also has an effect on American workers in both the private and public sectors.

1. **Multinational corporations invest in countries like South Africa instead of in American jobs.** They take advantage of cheap labor overseas, while failing to maintain and modernize operations in the U.S.

2. **South Africa exports products to the United States.** Production costs are cheaper when workers are forced to work for slave wages, often with virtually no rights or benefits.

3. **South Africa sells products to countries that normally buy from the U.S.,** using apartheid to undercut American workers.

4. **Profits made in South Africa can finance corporate attacks on American workers.** Companies like Royal Dutch/Shell, Phelps Dodge, and IBM can afford to fight workers' unions in the U.S. in part because of high profits made in countries like South Africa.

5. **Lower labor standards in countries like South Africa help create a climate for employers to demand a lower standard of living for Americans as well.**

Cutbacks and jobs lost in America's private sector mean less funding for public services, which hurts public workers and all Americans.

WHY BOYCOTT SHELL

South African workers are trying to end the apartheid system. But Royal Dutch/Shell (Shell Oil's parent company) is a key company standing in their way because **Royal Dutch/Shell supplies fuel to the South African military and police and to the apartheid economy.**

South Africa does not have its own oil supplies. Without fuel from companies like Royal Dutch/Shell, South Africa could not continue to enforce slave labor conditions and assault, arrest, and torture trade unionists and others who protest.

In addition, Royal Dutch/Shell itself co-owns the Rietspruit coal mine where striking South African miners have been forced to work at gunpoint and union supporters have been fired.

South Africa's largest black union—the National Union of Mineworkers—has asked for international action against Royal Dutch/Shell.

Among those who have targeted the company are the World Council of Churches, the Free South Africa Movement, the NAACP, and the International Confederation of Free Trade Unions.

Royal Dutch/Shell sells products through its subsidiaries, including Shell Oil Co. in the U.S. and Shell South Africa. The products of all subsidiaries are targets of the boycott, including Shell gasoline, motor oil, tires, and home products such as flea collars and air fresheners.

UNTIL ROYAL DUTCH/SHELL WITHDRAWS FROM SOUTH AFRICA...

PLEASE DON'T BUY SHELL PRODUCTS

Distributed by:
United Mine Workers Of America — **Free South Africa Movement**

Please fill out the attached card in the following manner:

1. Sign the card.
2. *Print* your full name exactly as you have signed the card.
3. *Print* your address (please include your zip code).
4. Give the name(s) of the organization(s) you belong to which are participating in the ICCR campaign or which have taken a position calling for companies to withdraw from South Africa until apartheid has ended.
5. Detach the cards, attach a 14c stamp to each and mail.

For more cards or more information on the campaign, please contact:

Interfaith Center on Corporate Responsibility
Room 566
475 Riverside Drive
New York, N.Y. 10115

Place
Stamp
Here

Mr. Michael W. Blumenthal
Chairman and CEO
Burroughs Corporation
1 Burroughs Plaza
Detroit, MI 48232

End Apartheid Now

Place
Stamp
Here

Mr. William C. Norris
Chairman and CEO
Control Data
8100 34th Avenue South
Minneapolis, MN 55420

End Apartheid Now

Place
Stamp
Here

Mr. John F. Akers
President and CEO
IBM
Old Orchard Road
Armonk, NY 10504

End Apartheid Now

Dear Mr. Blumenthal:

Apartheid is offensive to a major tenet of my faith: the innate dignity of human beings. I support the interfaith campaign and the demands specified in the May 20, 1985 Interfaith Center on Corporate Responsibility announcement by religious leaders. Therefore, I call upon your company to withdraw from South Africa by December 1986 unless apartheid has ended.

Please let me know how you intend to respond.

Sincerely,

Signature _____

Name Printed _____

Address _____

_____ Zip _____

Organization _____

Dear Mr. Norris:

Apartheid is offensive to a major tenet of my faith: the innate dignity of human beings. I support the interfaith campaign and the demands specified in the May 20, 1985 Interfaith Center on Corporate Responsibility announcement by religious leaders. Therefore, I call upon your company to withdraw from South Africa by December 1986 unless apartheid has ended.

Please let me know how you intend to respond.

Sincerely,

Signature _____

Name Printed _____

Address _____

_____ Zip _____

Organization _____

Dear Mr. Akers:

Apartheid is offensive to a major tenet of my faith: the innate dignity of human beings. I support the interfaith campaign and the demands specified in the May 20, 1985 Interfaith Center on Corporate Responsibility announcement by religious leaders. Therefore, I call upon your company to withdraw from South Africa by December 1986 unless apartheid has ended.

Please let me know how you intend to respond.

Sincerely,

Signature _____

Name Printed _____

Address _____

_____ Zip _____

Organization _____