

PUBLIC INVESTMENT AND SOUTH AFRICA

February 1987

Divestment Actions Must Target Franchise and Licensing Agreements As Well As Direct Investment

The divestment movement has won a string of impressive victories over the last few months. California's record \$12 billion plus divestment law, the passage of limited sanctions over a presidential veto and wave after wave of corporate "pullouts" are all testimony to the power and potential of our movement. At a time when the South African government has made almost all peaceful protests illegal, has detained thousands of people and continues to wreak havoc on its neighbors, the pressure divestment activists are exerting is important support for those struggling inside South Africa.

But more needs to be done.

As a response to the various pressures that have been exerted, many companies that do business in South Africa have ended their direct investment in South Africa, but have maintained mutually profitable ties with the apartheid economy. At present these ties are continuing through franchise and licensing agreements that allow the companies to provide the up-to-date technology that is needed for the new South African-owned companies to take over the functions of the U.S. company that has "pulled out."

In an attempt to deal with this shifting corporate response to both internal and external pressure, ACOA in conjunction with other national anti-apartheid organizations, has formulated a set of guidelines to help determine whether a company is still doing business in or with South Africa. That we have convinced many companies to end their direct investment is a victory, but already this year the apartheid government has shown itself capable of increasing the violence and repression inside the country as it attempts to put down the democratic resistance. In the face of these actions, there must be a clear response from the people of the United States.

As part of this response, we must focus attention on the attempts that the corporations are making to represent their limited "pullout" actions as an end to their links to the apartheid economy. The bulk of the recent "pullouts" are nothing but a rearrangement of who owns the actual factories in South Africa and will not contribute to the economic isolation of apartheid. If left to themselves, these U.S. companies will continue to provide the apartheid economy with the much needed technological support on which they are dependant.

In cities and states, in union meetings and religious organizations, on college campuses and at foundations we must ensure that our actions will continue to target these companies. Where we are fighting for divestment, companies that have not severed all ties to apartheid must be included in our campaigns. In areas where victories have been won, we must work to be certain that these companies are included in our definitions.

Statement on U.S. Companies and South Africa

The past two years have seen major developments in the struggle for freedom in South Africa and Namibia. As the strength of popular resistance has grown in South Africa, so has government repression. The South African apartheid regime has detained more than twenty-three thousand people, including more than eight thousand children since June. Internationally, an increasing number of countries have imposed at least some limited sanctions.

In the U.S., the anti-apartheid movement has long recognized the key role played by U.S. corporations in bolstering apartheid. As a result, these companies have become an important target in our campaigns. Nineteen states, 70 cities, and 116 universities as well as numerous religious bodies, foundations and unions have adopted binding measures mandating divestment or other economic action against companies doing business in South Africa. This past October, the U.S. Congress overrode a veto by President Reagan and imposed limited sanctions against South Africa.

As a result of both the growing internal resistance to apartheid and the divestment movement in the United States, an increasing number of U.S. companies have moved to end their direct investment in South Africa. However, we feel that it is essential to distinguish between those corporations for which withdrawal means the termination of all economic ties to South Africa, and those for which withdrawal merely indicates a restructuring of economic relations. We particularly applaud companies such as Eastman Kodak that have severed all economic connections. By contrast, companies like General Motors, IBM, and Coca Cola have announced withdrawals but continue to provide vital economic support to South Africa through ongoing licensing, distribution, marketing, and service agreements.

Such companies have not ended their links to apartheid. We have formulated the enclosed guidelines to clarify what the national anti-apartheid movement means by economic disengagement from South Africa and Namibia. We urge those who have already committed themselves to divestment to consider these guidelines as the morally and legally correct interpretation of their present policy. We also encourage the numerous institutions and individuals that are considering divestment to use these criteria as the basis for their policies.

Through thousands of local actions across the country, the anti-apartheid movement has won many victories in the struggle to isolate South Africa. The implementation of the enclosed criteria will further strengthen our movement and provide strong support to the people of South Africa and Namibia in their struggle to achieve genuine democracy and self-determination.

Guidelines for Divestment

We support an end to all corporate involvement in or with South Africa and Namibia. A corporation is doing business in or with the Republic of South Africa or Namibia if it, its parent, or its subsidiaries:

- 1) have direct investments in South Africa or Namibia, or have entered into franchise, licensing or management agreements with or for any entity in those countries; or
- 2) are financial institutions that have not prohibited new investments, loans, credits or related services, or the renewal of existing financial agreements, including those for the purposes of trade, with any entity in those countries; or
- 3) have more than 5% of their common stock beneficially owned or controlled by a South African entity.

A company with operations in South Africa or Namibia for the sole purpose of reporting the news shall not be considered doing business in those countries.

The Statement and guidelines were issued by the following organizations:

American Committee on Africa

TransAfrica

American Friends Service Committee

Washington Office on Africa

Interfaith Center on Corporate Responsibility

Since the principles were released in January, their importance has been widely recognized and endorsement has already come from:

Amalgamated Clothing and Textile
Workers Union

National Education Association

American Federation of State, County
and Municipal Employees, AFL-CIO

Rabbi Alexander M. Schindler,
President,
Union of American Hebrew
Congregations

Arie R. Brouwer, General Secretary,
National Council of Churches of Christ
in the USA

Assemblywoman Maxine Waters,
California

Coalition of Black Trade Unionists,
Executive Council

William W. Winpisinger,
International President,
International Association of
Machinists and Aerospace
Workers

John G. Guffey, Jr.,
Executive Vice President,
Calvert Investment Fund

SOME COMPANIES THAT HAVE NOT FULLY WITHDRAWN

International Business Machines (IBM) announced it was withdrawing from South Africa in October of last year and sold its SA subsidiary to local employees. The former manager of IBM South Africa, Jack F. Clarke will be managing director of the new independent company. In full page advertisements in major South African papers, Clarke has gone out of his way to reassure IBM's South African customers that they will still be able to buy IBM computers and other products. "The new company will hold the sole franchise for IBM in South Africa, and has a supply and service contract with IBM... There will be no change in the supply of IBM products," he wrote in a personally signed letter. Annual sales are estimated at over \$200 million, the largest by far of any computer company in South Africa. IBM computers will continue to dominate the South African market.

General Motors sold its South African operations to local management at the end of 1986. The South African company will continue to manufacture and sell GM cars under license from the U.S. company. Under the terms of the sale, not only has GM invested an estimated \$100 million in the form of a loan to the new South African company to pay off debt, but the agreement also contains a clause giving the U.S. company the right to buy back the South African company at a future date. One of the first actions of the new company was to reconsider a previous ban on sales to the South African security forces.

Coca-Cola sold its SA subsidiaries in late 1986. When Coke first announced its plans to end direct investment in South Africa, it said that its subsidiaries would be sold to local SA business. Coke also made headlines by reporting that they would sell some of their interests to Black-owned businesses - although as of January 1987 they still hadn't found any Black buyers. More importantly, Coke will continue to supply syrup concentrate and franchise the use of the name. Since the vast majority of Coke's profits in South Africa come from the sale of syrup concentrates, profits from the new arrangement are not expected to be significantly decreased. Coke products will continue to have a 75% market share of the soft drink market in South Africa.

SOME COMPANIES THAT HAVE ENDED ALL BUSINESS TIES

Ashland Oil Inc.	Eastman Kodak
Bell & Howell	Ecolair Inc.
Boeing Corp.	

Note: A full listing of companies doing business in South Africa is available from the Africa Fund, 198 Broadway, NY, NY 10038

"Apartheid must go. This is not the time to improve its efficiency, because that's the purpose of reform, to improve. The struggle has reached this level and the struggle can only grow... We know we shall win because you are there. Our continuing plea is let's put more pressure, let's get more companies to divest. Let us put the squeeze on. Let all the American people come with us."

--**Oliver Tambo**, President
African National Congress
New York City, January, 1987