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NEW YORK LABOR COMMITTEE AGAINST APARTHEID

Briefing on New York City Sanctions
February 1990

With the release of Nelson Mandela and the unbanning of opposition organizations including the ANC, the struggle for freedom in South Africa is entering a critical stage. The opposition is unanimous that there should be no let up in pressure on the white minority government. Here in New York, we have an important opportunity to pass stronger sanctions which can hasten the end of apartheid and the beginning of democracy under majority rule.

New York City sanctions law, Local Laws 19 and 81, should be amended to close loopholes, strengthen the City's enforcement and accountability, and protect the labor rights of South African workers when companies disinvest.

Last year, LCAA joined other anti-apartheid organizations in lobbying for a stronger sanctions bill, Intro. 1137, which unfortunately died in committee at year's end. The bill was introduced by Vice Chairman Peter Vallone, received broad sponsorship in the Council (including all the minority members), and was actively pursued by David Dinkins, then the Manhattan Borough President. With Mr. Dinkins now mayor, we have a good chance of passing an even stronger bill this year.

Our six demands are:

1. **NON-EQUITY TIES:** New York City should extend sanctions penalties to companies with in-direct business ties to South Africa. Most US companies, who have disinvested since 1986, sold their assets but maintained profits through licensing, franchise and distribution agreements with the new, usually South African, owners. A 1989 study published by the Manhattan Borough President found that, in 1988 alone, New York City spent \$85,000,000 on goods and services from companies with non-equity relationships with their former South African subsidiaries.
2. **THIRD-PARTY VENDORS:** New York City should stop buying the goods and services of sanctioned companies through third-party vendors.
3. **PARENT CORPORATIONS AND THEIR SUBSIDIARIES** should be equally covered by sanctions penalties. Currently the City continues to contract with a wholly-owned subsidiary or division even though the parent company has direct business relationships in South Africa. When Bellevue Hospital workers questioned the purchase of Johnson & Johnson brand surgical dressings, HHC said the purchase was legal because the contract was made with Johnson & Johnson Patient Care, a wholly-owned subsidiary.

4. **FINANCIAL SANCTIONS:** We want the strongest possible language including some limitation on bank's existing loans, trade credits and/or general banking practices. Current law only prevents banks holding City deposits from providing loans to agencies of the South African government. Stronger measures are now clearly needed. South Africa faces a serious crisis over the next several years as it struggles to pay off a \$20 billion foreign debt (\$8 billion is due in the next four years) without new inflows of international capital to boost its economy. Sanctions pressure on banks to limit their credit and lending practices in South Africa can push the white minority government into making further concessions.

5. **LABOR RIGHTS:** New York City sanctions law must protect the rights of South African workers and their representative unions to six-month's advance notice of a company's disinvestment and to good faith negotiations over the terms of withdrawal. The two major labor federations, COSATU and NACTU, strongly support comprehensive, mandatory sanctions. However, they also maintain that companies must not be allowed to use the disinvestment process as an excuse to terminate union contracts, pension and benefit commitments, withhold union recognition, and otherwise violate workers' human and labor rights.

6. **ENFORCEMENT:** New sanctions law must establish an enforcement agency with capacity to 1) provide better information to City agencies and employees actually making contracts; 2) provide an annual, public report on sanctions enforcement; and 3) monitor labor rights violations. Finally, all City agencies including non-mayoral agencies, such as the Board of Education and HHC should be automatically covered by the law.