



INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

A Sponsored Related Movement of the National Council of Churches
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July 31, 1978

To: The ICCR Work Group on Transnational Corporations.

From: Tim Smith

The Long Range Planning meeting identified Southern Africa and Chile as the two key areas to focus on for 1978-79 regarding the role of TNC's in repressive societies.

Enclosed is a copy, in the suggested work book format, of a 1978-79 program for these two areas. According to the priority voting Southern Africa and Chile are to receive priority attention of staff and the work group for the coming year. Of course there are other issues related to the responsibilities of TNC's that are dealt with in other work groups, e.g. agribusiness, infant formula, foreign military sales. In addition, certain ICCR members are considering continuing their focus on other TNC related issues, e.g. Church Women United and investment in South Korea; the Capuchins and corporations in Nicaragua.

Please read the outline for these programs carefully and ask yourself these questions as you do:

1. Do you agree with the issues to be raised with the companies?

The strategies to be used including the ways in which networking, constituency education and public policy are dealt with? Please explain.

2. Are there additional companies that could be added to this list for consideration? Companies that should be deleted for any reason? Please list.

3. What innovative new ideas could be used in the 1978-79 program that are not listed here? Please list any ideas.

4. What ways would you suggest raising the basic systemic issues arising from investment in Chile and Southern Africa?

There may be other comments or questions you would like to address. Because schedules of work group members did not allow a full fledged meeting this summer, we have set up the following procedure:

1. End of July--send proposal to work group for study analysis and comment.
2. By phone and letter gather comments and responses to the proposed 1978-79 program.
3. Having gathered those comments and integrated them into the proposal or noted areas of disagreement, a revised proposal will be sent to all members of the Board for discussion, revision, decision at the September meeting. In September we will make decisions about the basic thrust and where possible the details of the program for the year.

Thus it is essential that comments, suggested changes, new ideas, etc. be sent to ICCR by August 18, 1978 so they can be incorporated into the revised draft for an August 25 mailing. Your input is extremely important in this process.

PLEASE EITHER PUT YOUR COMMENTS IN THE BLANK SPACES PROVIDED OR SEND A LETTER OF COMMENT TO ME AT ICCR BY AUGUST 18.

With warm thanks.

Enclosures
THS:db

SOUTHERN AFRICA

RATIONALE-ICCR members have been actively opposing white minority rule in Southern Africa for decades now.

Over the past 12 years opposition to bank and company practices which strengthen white minority rule has been an integral part of the overall church effort. In doing so churches have backed movement toward majority rule and full economic, political, and social rights for the black population.

OBJECTIVES-To stop the economic support provided by US banks and corporations which strengthens white minority rule in South Africa, Namibia and Rhodesia.

-To help educate the American public about this issue.

-To act as responsible investors of these banks and companies with regards to their South Africa policies and practices.

-To change US foreign policy to discourage economic support for white ruled Southern Africa.

-To involve other institutions, including investors, in this concern.

1978 CAMPAIGNS:

1978 campaigns focused on several parts of economic involvement in Southern Africa: (1) Bank loans, (2) No expansion in South Africa, (3) No strategic sales to the government of South Africa, (4) Withdrawl from South Africa, (5) Cut back of oil sales to South Africa because of transshipment to Rhodesia.

I suggest that each of these five elements have played a useful role and that as a package they have strengthened each other. Thus for 1978-79 church actions on Southern Africa should continue to include actions in these five areas.

BANK CAMPAIGN

In many ways this has been the most successful effort on Southern Africa, both in changing banks' policies and involving the Churches and the public.

Campaign foci have been (1.) on loans to the South African government including the parastatals, (2.) loans to companies for expansion. In some cases resolutions focused solely on the government.

The TIAA-CREFF, with assets of over \$10 billion has supported both the above listed positions. Since church investors have also rallied around the position of no new investment or expansion by US companies, it seems reasonable to try to find some acceptable language to include this position.

We should continue the campaign against bank loans to South Africa as a major priority within the ICCR efforts on Southern Africa considering a combination of the following actions.

POSSIBLE ACTION STEPS FOR 1978-79

-Research, Information, Publicity-

1. Continue research and publication of materials on the issue of bank loans to South Africa.

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2. Congratulate banks that change their policies and publicize their position.
 3. Continue to circulate the slide show, "Banking on South Africa."
 4. Have a press conference to announce the resolutions for the year.

-Public Policy-

1. Support the bills by Solarz, Bingham and Diggs in the Congress which would effectively end loans to South Africa.
2. Support the end of EXIM bank credits and guarantees to South Africa.
3. Co-operate with state and city council legislators that are focusing on this issue.

-Meetings With Management-

1. Meetings with management and sympathetic directors should continue where feasible.

-Stockholder Actions-

1. File resolutions with key lenders (Disclosure resolution with Citibank, Morgan, Continental Illinois, First Chicago. Policy resolutions with Bank of America, First National Boston can be re-introduced since they received adequate votes. A form of disclosure resolution could be introduced to Manufacturers Hanover Trust.).

Other banks which could justifiably receive a policy resolution include Pittsburgh National Bank, First National Bank of Dallas, Wells Fargo, Security Pacific, Bankers Trust.

2. Solicitation-Since these resolutions received considerable support from institutional investors, continue informally and formally soliciting support including (a.) visits with key institutional investors, (b.) printing a proxy statement cleared with the SEC, (c.) asking universities to solicit other universities.

3. Cofiling-Consider requesting that several universities and trade unions cofile these resolutions with churches.

-Withdrawal of Accounts-

1. ICCR should continue to resource those orders and denominations severing relations with banks lending to South Africa.
2. Withdrawals of accounts should be publicized when they happen.

-International Networking-

1. Continue to co-operate with the World Council of Churches, the UN and European groups working against loans to South Africa.

-Networking-

1. Continue contacts with other organizations working on bank loans such as American Committee on Africa, trade unions, universities, Northern California ICCR,

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action groups around the country.

2. Continue to get public statements of support to end bank loans to South Africa from organizations who are stockholders, depositers, simply concerned about South Africa.

NO EXPANSION

Opposition to corporate expansion in South Africa is growing. Support for this position has come from different sectors including universities, foundations and insurance companies who have not yet embraced the withdrawal position.

For example, in 1978 these resolutions with U.S. Steel and Union Carbide received over 5% of the vote. The U.S. Steel resolution is able to be refiled.

The issue is a good one to pursue since corporations find it increasingly hard to defend plans to expand in South Africa both on political and economic grounds.

In addition the Solarz bill before Congress provides a public policy handle well worth pursuing.

Possible targets for 1978-79:

1. US Steel (refile)
2. John Deere (The company has announced a plan to expand.)
3. Exxon (The company is still considering expansion into uranium mining in South Africa.)
4. Other companies which we believe should commit themselves to no expansion.

NO SALES TO THE SOUTH AFRICAN GOVERNMENT

The position prohibiting sales to the South African Government was one that was very much to the point and persuasive in public. Resolutions of this sort to Kodak and Control Data received good voting support.

The supply of strategic technological equipment (like computers) to the South African Government is a good case to argue. It puts the company in the situation of arguing for co-operation with the apartheid government since most companies refuse to put limits on their sales in South Africa, eg. prohibiting the South African Government from transshipping trucks to the military.

Recently in a meeting with top management of GM and the United Presbyterians, GM explained that they had stopped selling vehicles with US parts to the South African government because of the US embargo against sales to the military but was continuing to sell vehicles without US parts. Obviously, such a posture makes a mockery of the UN and US embargo.

Possible targets for 1978-79:

1. Kodak--refile
2. Control Data--refile
3. GM--No sales to the South African Police or Military
4. Ford--Same as with GM
5. Burroughs--No sales to the South African Government
6. Others--computer companies, Fluor with a contract with the South African Government to build an oil-from-coal plant.

WITHDRAWL

While it is the most drastic request to place before a company, this position has received growing backing over the last year. Groups as diverse as the NAACP, the AFL-CIO, Duke University, University of Illinois, the United Nations General Assembly, a number of US trade unions and of course, a chorus of brave voices inside South Africa have called for withdrawal of foreign investment from South Africa. This is also increasingly the position held by church investors composing the ICCR.

Possible targets for 1978-79 (excluding those receiving this resolution previously thus making them ineligible for refiling):

1. Computer companies--(high technological contribution to white power structure, very low number of black employees) e.g. IBM, Control Data, Burroughs, Sperry Rand.

2. Other technology companies--e.g. ITT (Now only an investor in a South African company, to which they sold leaving them with minimal influence on that companies policies and practices), FMC, Rockwell International.

3. Mining--Phelps Dodge (withdrawl resolution received over 5% this year), Union Carbide (no expansion received over 5%), Neumont Mining (a traditional "bad actor" in Namibia and a large investor in mines in South Africa), Engelhard Minerals and Chemicals

4. Heavy Machinery--Caterpillar (small number of employees), International Harvester.

5. Oil--Mobil, Exxon

6. Rubber--Firestone

7. Banks--Citibank (the only US bank with investments in South Africa Relatively small number of black employees)

8. Miscellaneous--3M (error in balloting last year may allow a refiling this year; NCR (small number of black employees); Borg Warner.

OIL TO RHODESIA

Recent revelations have confirmed reports of how oil was transhipped to Rhodesia through third parties in Mozambique and South Africa.

The issue has become a major one internationally with Senate investigators court actions, stockholder resolutions, press revelations, threats by African governments, British Parliamentary inquiries, etc.

Resolutions with Mobil and Standard of California requesting a cutback by 1/3 of oil sales to South Africa because of transhipment to Rhodesia received enough for resubmission. A similar resolution could be filed with Texaco in 1978-79. Explanation of the need for the resolution could conceivably include sales to the South African military as well as sales to Rhodesia.

CHILE

-Rationale-

To advance human rights in Chile and assist in the return to democratic rule.

-Objectives-

To challenge corporation/banking policies or practices which strengthen the Junta's control of the Chilean population.

To support legislation that puts human rights riders on military sales, aid or loans/investment in Chile.

To broaden awareness in the church and the public about the situation in Chile and the role of US banks and companies.

-Actions-

During 1977-78 a resolution was filed with Bank of America regarding bank loans to the Chilean government and ITT regarding political contributions in Chile. IBM was also challenged regarding computer use for repressive purposes in Latin America.

Possible focus for 1978-79:

1. Bank Loans--For two years the issue of loans to the Chilean Government have been raised with Bank of America.

Recently the Institute for Policy Studies (IPS) has released a study on bank loans to Chile including details of the loans and the social and political impact. Congressional representatives like Kennedy and Reuss were critical of such loans.

-Suggested Actions-

1. Share the IPS report and congressional responses with ICCR members and the Church at large.

2. Letters from church shareholders to banks with questions and a request for a response.

3. File shareholder resolutions with specific banks asking for a moratorium on loans to the Chilean Government.

4. Ask for statements of support from persons concerned about Chile eg. Senator Kennedy.

5. Work with Latin America experts in the churches in developing an educational campaign for church members on loans to Chile.

-New Investments in Chile-

Exxon has just purchased a huge mining company in Chile. Questions could be raised about the social implications of the infusion of new capital at this time and the decision making process Exxon took.

In addition, our Canadian counterpart, TCCR, has specifically requested

Possible targets for 1978-79:

1. Mobil
2. Texaco
3. Standard Oil of California

MISCELLANEOUS

Other Southern Africa areas for action are possible. For instance, should we pursue Neumont's Namibia investment further or Southern Co's purchase of coal from South Africa.

Since Flour has contracted to help build SASOL II, a massive new oil-from-coal plant with clear strategic implications, should we request that they engage in no further contracts or withdraw from this one?

The Republic National Bank is one of America's major distributors of krugerands. Last year Merrill Lynch was successfully asked to cease sales of the krugerand. Such a resolution could also be put before Republic National Bank.

In pursuance of the particular focus in each of these areas no investment, no sales to the South African Government, withdrawal of operations, reduction of oil sales, etc. the following action strategies are suggested:

1. Meetings with management and supportive directors,
2. Research and publication of position papers on corporations targeted (A special series could be prepared on key industries in South Africa.),
3. Filing shareholder resolutions,
4. Soliciting support for resolutions,
5. Supporting legislation, specifically the resolutions prohibiting further investment in South Africa,
6. Working in co-operation with other groups,
7. Testifying before United Nations Committees and Congress,
8. Continued media contacts--press conference to announce the 1978-79 resolutions,
9. Building a constituency within the Church,
10. Creating audio visual materials,
11. Contacting universities, cities, insurance companies, unions and other institutional investors to gain their support through special church delegations visiting them.
12. Speaking at college campuses before trustees, students, faculty, to gain support for our positions,
13. Symposium in Detroit on the auto industry in South Africa,
14. Convene a small symposium in the fall for those colleges, universities interested in co-sponsoring shareholder resolutions. The goal of this symposium, which would be called jointly with several colleges, would be to solicit academic co-sponsors to church resolutions or to encourage these institutions to file resolutions themselves along the lines suggested by the Churches.

Trade union co-sponsorship could also be sought.

Such co-sponsorship of resolutions would indicate the growing concern among institutional investors on Southern Africa and would greatly help our publicity effort. It would be a unique experiment in network building.

that we work co-operatively with them on a project opposing Falconbridge's new investment in Chile. Falconbridge, a Canadian company, is controlled by Superior Oil, a US company. Thus the Canadians have asked us to work trans-nationally with them as they approach both Falconbridge and Superior. They are suggesting that both Canadian and American churches co-sponsor a resolution with Superior Oil.

-Technology-

There is also the opportunity to continue to press IBM on the use of their computers for repressive purposes in Latin America. A resolution filed this year did lead to continued publicity and questioning about IBM's policy on sales that would abridge human rights. Similarly, the sales by Rockwell International of computer systems to three provincial police departments in Brazil, could be challenged.

-Political Contributions-

Indictments have been handed down by the Grand Jury against ITT officers regarding Chilean political payments. ITT refuses to disclose any more information on Chilean payments. We have pursued this issue for a number of years without further significant disclosure. However, we know that ITT Chairman Geneen lied to the shareholders at several stockholder meetings.

Possible Actions on New Investments, Technology, Political Contributions---

- 1. Research and Publicity;
- 2. The possibility of shareholder resolutions in several cases;
- 3. Working with interested Congressional offices and supporting proposals for legislation either stopping new loans or putting rights riders on aid, loans, investment;
- 4. Working with Canadian churches on Superior Oil.