

ALASKA LEGISLATURE COMMITTEE FILES 1985-1980 00/2

3731 HSTA HB 706 - HCR 17 (FILE 1) 607

Section 2: This section of the bill amends AS 39.25.060(c) to make the members of the personnel board removable only for cause. The additional responsibilities granted the board under the new ethics law require that the members of the personnel board be free from possible interference in the performance of their duties. Therefore, unless cause can be shown, the governor should be prohibited from freely removing personnel board members from office.

Section 3: This section amends AS 39.25.070, relating to the powers of the personnel board, to add authority to perform the functions granted to the board by the new ethics Act, including authority to appoint independent counsel, appoint hearing officers, review the recommendations of hearing officers, determine whether a violation of the code of ethics had occurred, and impose penalties for a violation of the code.

Section 4: This section of the bill provides for consistency between AS 42.40, regarding employees of the Alaska Railroad, and the new AS 39.52, which covers employees of the railroad as well as directors of the Alaska Railroad Corporation.

Section 5: This section of the bill merely adds attorney general ethics advisory opinions to the list of items to be published in the Alaska Administrative Journal, consistent with the proposed requirement in AS 39.52.240(h) (sec. 1 of the bill).

Section 6: Because the enforcement and remedy provisions in the new ethics law do not take effect until January 1987, this section of the bill clarifies that the attorney general and the personnel board do not have jurisdiction over any alleged violation of the code of ethics occurring before January 1, 1987, unless the violation continues after that date.

Section 7: Under this section of the bill, an agency with an existing policy related to conflicts of interests or the ethical performance of official duties is required to submit that policy to the attorney general for necessary review and approval by January 1, 1987.

Section 8: The sections of the ethics law regarding policy, the issuance of advisory opinions, declarations of potential violations, and the definition section, take effect July 1, 1986.

Section 9: The code of ethics itself, the complaint and hearing procedures, and the law's enforcement and remedy provisions (AS 39.52.110 -- 39.52.190 and AS 39.52.310 -- 39.52.460) will take effect January 1, 1987.

Different effective dates have been provided so that public officers, immediately upon passage of the bill, may seek guidance from the attorney general concerning their standing under the new code of ethics, in order that any reassignments, transfers, or

divestitures that need to occur can be accomplished before the code of ethics, as well as the complaint process, is in force.





Official Business

# Alaska State Legislature

## House of Representatives

### Committee on State Affairs

Pouch V  
State Capitol  
Juneau, Alaska 99811

(907) 465-4963

#### PRESS RELEASE

FOR IMMEDIATE RELEASE

FOR ADDITIONAL INFORMATION:  
Rep. Katie Hurley, 465-4963

THE HOUSE STATE AFFAIRS COMMITTEE WILL HOLD A STATEWIDE TELECONFERENCED PUBLIC HEARING ON HB 706 "AN ACT RELATING TO THE ETHICAL CONDUCT OF GOVERNMENTAL ACTIVITIES" ON THURSDAY, APRIL 17, 1986 FROM 7 - 8:30 P.M.

PLEASE CONTACT YOUR LOCAL LEGISLATIVE INFORMATION OFFICE OR TELECONFERENCE CENTER FOR A COPY OF THE BILL OR TO NOTIFY THEM OF YOUR DESIRE TO TESTIFY AT THE PUBLIC HEARING.

WRITTEN COMMENTS ON THIS LEGISLATION CAN BE SENT TO REP. KATIE HURLEY, CHAIR, HOUSE STATE AFFAIRS COMMITTEE, BOX V, JUNEAU, AK 99811.

FOR ADDITIONAL INFORMATION ABOUT HB 706, CONTACT COMMITTEE STAFF AT 465-4963.

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HCR

17

(FILE 1: ORIGINAL  
BACKUP)

BACKUP LIST FOR HCR 17

1. HCR 17
2. Sullivan Principles Sheet
3. Working Assets paper August 1985
- 3a. John Harrington Resume
4. National Conference of State Legislatures Vote & Resolution 1985
5. Newspaper Articles:
  - Bishop Hurley article
  - Anchorage News 8-12-85 "Ethical Investing"
  - New York Times 8-21-85 "Kean"
  - Anchorage News 8-16-85 "Kruggerand"
  - Anchorage Times 6-13-85 "Coalition"
  - Anchorage News 9-5-85 "UA"
  - Anchorage News 9-4-85 "Alaskans" by Senator V.Fischer
  - Black Enterprise "Amandala" April 1985 (from Mary Ratlciff)
  - Letter to the Editor 8-24-85
6. House Research to Rep. Clocksin 85-141 dated 1-31-85 & 2-12-85
7. Alaska Permanent Fund 4-18-85 paper updated appendix A 7-31-85
8. Department of Revenue Table of State Investments 8-23-85
9. House Research to Rep. Vaska 84-008
10. Letter to Rep. Hurley from Governor 9-10-85
11. Letter to President from Governor 9-9-85
12. National Conference of State Legislatures "State Restrictions"

Introduced: 3/8/85  
Referred: State Affairs

1 IN THE HOUSE

BY DUNCAN AND CLOCKSIN

2

HOUSE CONCURRENT RESOLUTION NO. 17

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

Relating to investment of state assets

6

in companies doing business with the

7

Republic of South Africa.

8

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9

WHEREAS the state currently has public funds invested in corporations

10 and other business firms that do business in or with the Republic of South

11 Africa; and

12

WHEREAS the principles of equality upon which the United States was

13 founded are compromised by these investments of public funds; and

14

WHEREAS public funds should not be invested in enterprises that par-

15 ticipate in a form of government that oppresses a majority of its citizens;

16

BE IT RESOLVED by the Alaska State Legislature that the governor is

17 respectfully requested to direct the executive branch of the state to stop

18 investing in corporations and other business firms that do business in or

19 with the Republic of South Africa, until the Republic of South Africa ends

20 its oppression of its black citizens; and be it

21

FURTHER RESOLVED that the governor is respectfully requested to direct

22 the executive branch of the state to divest itself in a speedy manner of

23 its investments in corporations and other business firms that do business

24 in or with the Republic of South Africa; and be it

25

FURTHER RESOLVED that the governor is respectfully requested to direct

26 the executive branch of the state to accomplish the divestiture required by

27 this resolution in a prudent manner and without unnecessary loss of earn-

28 ings on the investments involved.

# Working Assets Money Fund

230 California Street, Suite 400  
San Francisco, California 94111  
(415) 989-3200

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SOUTH AFRICA:

A CASE FOR TOTAL DIVESTMENT

By

John C. Harrington

President

August 1985

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SOUTH AFRICA;

A CASE FOR DIVESTMENT

JOHN C. HARRINGTON

President

WORKING ASSETS MONEY FUND

A state of war presently exists in South Africa. The government has announced a state of emergency and the white minority's authority over its black townships has collapsed.<sup>1</sup>

The government of South Africa maintains the most sophisticated and highly technological and industrial police state since Nazi Germany. This terrorist government carries out its apartheid policy through torture, mass arrests, bannings, detention and it's illegal military occupation of Nambia. The government has repeatedly invaded the neighboring countries of Angola, Botswana, Lesotho, Swaziland, and Mozambique with military or police forces, killing hundreds of innocent men, women and children. South Africa also financially and militarily supports armed insurgents in Angola and Mozambique in an effort to overthrow those governments and disrupt their fragile economies.

Reliance on Western multinational corporate capital provides the underpinning of a unique blend of national socialism and controlled capitalism. U.S. based multinational corporations, many of which have been in South Africa since the early 1900's, provide strategic materials, capital, technology, and other vital resources to strengthen the apartheid government. According to a U.S. Senate Subcommittee report:

"The net effect of American investment has been to strengthen the economic and military self-sufficiency of South Africa's apartheid regime."<sup>2</sup>

The United States is the largest trading partner of South Africa and while sales of South Africa's Krugerrand in the United States has recently decreased, over the last ten years South Africa has produced 40 million ounces of Krugerrands, most purchased in the U.S. and Western Europe. U.S. sales account for 80% of total world-wide sales, while Krugerrand sales comprise 10% of South Africa's total sales of gold bullion, which in turn accounts for over half of the nation's overall export earnings.<sup>3</sup>

Historically, U.S. banks have had little trouble lending to South Africa. Loans are made in four broad general categories:(a) direct government;(b) directly to government agencies;(c) indirectly through other bank branches i.e., Barclays; and (d) through trade-related loans made to U.S. corporations operating in South Africa. As of March 1984, U.S. banks had \$4.6 billion in outstanding loans to South Africa.<sup>4</sup>

In 1960, following the Sharpeville massacre and in the mid-seventies after the Soweto uprising, U.S. banks came to the aid of the South African economy. Recently, however, many banks are refusing to lend directly to the government or government agencies, while others lend short-term at high interest rates in categories (c) and (d) above.

While banks lend the capital, American companies have historically provided the most

strategic technological and industrial support to apartheid. U.S. companies control over 70% of the computer market in South Africa and include IBM, Burroughs, NCR, Control Data, Hewlett Packard, Wang Labs, Mohawk Data Science, Sperry Rand, Computer Sciences Corporations, 3M, Kodak and Tron Systems.<sup>5</sup>

The IBM computer used by the Department of Interior facilitates the very system of racial classification that undergrids apartheid. It also provides an efficient method of tracking South Africans' movement for security purposes.<sup>6</sup> Computer technology is utilized for internal security, the nuclear industry, transportation, defense and police, and security forces illegally occupying Namibia and operating in Angola.

Computers provide the answer for one of the great bottlenecks in the South African economy; the need for skilled white labor. Another great bottleneck in the South African economy is energy. Here again, United States firms are the key to white rule.

Almost two-thirds of South Africa's oil is refined by Mobil and Caltex. (Chevron & Texaco). Nuclear power has been supplied by Westinghouse Electric and Allis Chalmers. IT & T has provided the telecommunications network and General Electric, the electrical machinery and diesel engines. The automotive industry is also dominated by General Motors and Ford. Bechtel and Fluor Corporations have also helped South Africa develop the synthetic fuels industry.

All firms operating there are supplying badly needed tax revenue for defense and internal security. Taxes paid in South Africa are deducted from the companies' federal and California state tax liability. (U.S. and California tax payers are actually indirectly subsidizing the South African government.)

U.S. firms primarily employ white South Africans, are capital intensive and provide American legitimacy and respectability. Many also primarily supply materials to industrial and commercial facilities and focus their attention on supplying government agencies key materials, services and maintenance of equipment, i.e., computers. Some of these companies also export minerals and other South African commodities which are vital in both providing South Africa foreign exchange and in comprising the dominant revenue for resource-based American companies. All in all, U.S. companies are responsible for approximately \$2.3 billion in direct investments in South Africa,<sup>7</sup> and an estimated \$10-12 billion in indirect investments.

### Country Risk

No one needs to remind corporate management these days that South Africa is undergoing a recession, a 16% inflation rate, 50% of the black African labor force is unemployed and South Africa's prime rate is 25%. South Africa is in great need of capital, while still one of the largest debtor nations in the world (\$20 billion). The government, to sustain its industrial growth is attempting to borrow great sums of capital at premium interest rates. The South African government has also recently had to step-in and protect the South African Rand from losing all of its value in the international currency market. The government in the near future may have to take drastic measures to halt the flight of the capital leaving South Africa.

There is great economic, social and political risk in South Africa. Since the late 70's major corporate risk analysts such as Business Environment Risk Information (BERI), a Geneva-based firm, have warned corporate decision makers that investing in South Africa is

extremely risky. In fact, in late 1982 Beri recommended for firms operating in South Africa, management:

Deemphasize South Africa and prepare to shift production elsewhere, if possible.

Protect industrial sites and personnel against violence.

Consider the costs of exclusion from other African markets because of the South African operations, and the costs of management difficulties in handling stockholders initiatives and adverse publicity from anti-apartheid advocacy groups.

Examine the possibility of an orderly withdrawal early in the decade to avoid financial losses.<sup>8</sup>

In addition, in mid-June 1985, Frost and Sullivan, another risk analyst, concluded that "South Africa is showing a deteriorating risk picture, in both the short and long term".<sup>9</sup>

Many American firms recognize the risk of losing their South African facilities and have pulled out of the country, selling their subsidiaries or affiliates to South African firms. In fact, within the last five years, thirty American firms have withdrawn.<sup>10</sup> Some firms, however, are staying in South Africa to take advantage of a business opportunity. According to a recent Wall Street Journal article:

"Given the current mood, few U.S. firms are beginning new enterprises there these days. There are exceptions, like Alexander and Alexander Services, Inc., an insurance brokerage firm. Our clients have greater need for our services in South Africa now, says Peter Reid, Senior Vice President, describing his firm's ability to put together protection packages against fires, revolutions and other calamities. 'They're concerned about getting wiped out,' he explains."<sup>11</sup>

The degree and recognition of risk in South Africa has become so intense, that several major brokerage firms that cover South Africa gold stocks are either refusing to rank stock performance and safety or temporarily suspending coverage. This action is based on the prices of South Africa gold shares that dropped 80% following both the violence of Sharpeville and Soweto. According to one major brokerage firm's research department:

"Although no sign of a pull-out from the South African gold shares is evident to date and foreigners remain net buyers, we believe the perception of the political situation there is deteriorating and could lead to significant upheaval. In addition to current unrest stemming from the Blacks' dissatisfaction with the educational opportunities for them, we believe the questionable state of the country's economy, inflation this year of about 15% and coming wage negotiations for the gold mining industry all represent the potential for growing unrest. We would definitely avoid the high-cost marginal producers."<sup>12</sup>

Several American corporate facilities have been damaged by bomb explosions and many more

have been targeted by the African National Congress (ANC). Urban warfare is seen as one of the most effective weapons in battling white minority rule by destabilizing key economic sectors. In addition, the ANC has called for a general uprising in South Africa, and in April the military wing of the ANC, Umkhonto we Sizwe (Spear of the Nation), issued a "call to the nation", urging 'fighting youth to organize themselves into small mobile units and to act in an organized way....against the enemy and its agents.'<sup>13</sup>

### Corporate Code of Conduct

In March 1985, the American Chamber of Commerce in South Africa after years of violence and state terrorism asked the South African government for "visible expression" of reforms in order to defuse the disinvestment campaign in the U.S.<sup>14</sup>

Many of the companies comprising the Chamber have signed the Sullivan Code of Conduct, a voluntary corporate code, that pledges that a company will move toward desegregating restrooms and dining facilities, providing equal pay for equal work, and financially supporting African education, housing and other reforms within the context of apartheid.

Approximately one-half of the 300 United States firms in South Africa, have signed the code and are rated on compliance by Arthur D. Little & Company. Most of these firms, however, have opposed Congressional action requiring statutory compliance.

These companies are paying Arthur D. Little approximately \$15 million in "protection money" to be rated and most, not surprisingly, are in the top categories of compliance (It only shows you get what you pay for). It is also ironic that Arthur D. Little is making money off apartheid by compiling literally hundreds of pages of corporate questionnaires on compliance with the code, while the most relevant financial and investment information cannot be released to a corporate parent company without government approval under the South African Protection of Business Act and the Official Secrets Act.

Since mid-1977, the South African government has supported the objectives of Sullivan's original six principles or code of conduct,<sup>15</sup> because it is in no way a threat to apartheid and white rule. In fact, it specifically allows the South African government to accomplish several goals:

It legitimizes United States and corporate support of the government.

It allows U.S. firms to continue supplying high technology, capital and revenue that is necessary for the whites to survive.

It softens opposition to apartheid in the United States by appealing to work place discrimination issues.

It only effects 70,000 African workers or 1% of the African labor force and actually only effects about 26,000 Africans employed by U.S. firms rated in the top categories by Arthur D. Little. (U.S. companies are capital intensive.)

It provides an excuse for institutional investors to maintain the status-quo while appealing for code compliance, thus avoiding effective institutional action.

It has the advantage of getting U.S. firms to use some of their capital to

build a few houses, education centers and hospitals, while the South Africans can divert their funds to internal security, defense and weapons. This actually allows them to expand and intensify repression while supplementing corporate funds to "keep the lid on" the non-white majority.

The Sullivan Code and the European Economic Community Code of Conduct are both voluntary corporate codes, and as such have been excellent public relations for foreign firms in South Africa. After seven unsuccessful years, the Rev. Leon Sullivan, the author of the American corporate code, has finally given U.S. firms another 18 months to bring about change in South Africa or he will call for disengagement. Rev. Sullivan has already called for no new investments or bank loans.

### Disengagement

If it is true that American firms can only have a minimal, if any, positive impact on the South African government, what are the arguments against total U.S. corporate disengagement from the country?

One often hears the argument that, "blacks will be hurt if United States firms pull out." It's very touching to hear this argument by U.S. firms especially since they employ few Africans and are strategic to the survival of white rule. The very firms that use this argument regarding black African jobs, are moving at will around the world and in this country destroying thousands of jobs and dozens of communities. They even oppose public notification of plant closure that would at least give communities lead time to deal with major displacement and job loss. "Runaway shop" is the rule not the exception.

Another commonly heard argument is that the majority of people in South Africa want us to stay. Such arguments are given credibility by the American Chamber of Commerce, the South African Foundation and the American Manufacturers Association who spend thousands of dollars to bring Bantustan, labor and community leaders to the United States to publically denounce the divestment campaign. They call for more investment to create more jobs.

Most of the people representing this point of view are on the payroll of the South African government and whose economic and political position is only assured if the white-minority continues in power and the status-quo is maintained or not fundamentally altered. Every major African nationalist organization has called for disengagement. Even though it's against South African law, many domestic labor organizations and nonwhite political leaders have called for United States firms to withdraw.

The African National Congress (ANC) has called for economic sanctions for decades. Chief Albert Lutuli, then President of ANC, who in 1960 was the first black South African to win the Nobel Peace Prize said:

"The economic boycott of South Africa will entail undoubted hardships for Africans. We do not doubt that. But if it is a method which shortens the day of bloodshed, the suffering to us will be a price we are willing to pay. In any case, we suffer already."<sup>16</sup>

The Federation of South African Trade Unions (FOSATU), the largest federation of black trade unions in South Africa has come out in full support of disinvestment and international pressure being applied to South Africa to bring about "social justice and democracy."<sup>17</sup>

Another argument is that American firms are forces of progress in the country and if they leave, they'll only be replaced with less progressive businesses. This simplistic argument flies in the face of history and reality. While U.S. firms have been somewhat more liberal in the workplace, they have never, in any way, challenged the government, either politically or financially. Many of these companies have the government as their largest customer in South Africa, while many U.S. corporate managers and supervisors are Afrikaners who defend apartheid.

The larger and more strategic companies have been in South Africa for almost eighty years and have provided the Nationalist Government, which came to power in 1948, undisputed support. It has only been within the last year, with repression and violence at high levels in the country and increasing pressure being put on parent companies from divestment forces in the United States, that American subsidiaries have voiced their concern about apartheid. There is no evidence to suggest that U.S. firms have applied any political or financial pressure whatsoever on the ruling Afrikaner National Party.

Opponents of United States corporate disengagement argue that other foreign governments and multinationals would step in and take the place of American firms. Nothing could be further from the truth.

American firms such as IBM, Hewlett Packard, Chevron, Mobil and IT & T cannot be replaced overnight. Foreign firms simply do not have the capacity to make massive changes involving products, services, marketing and personnel. Such capital, technological, manufacturing and industrial relocation and shifts defy corporate planning and risk and marketing analysis.

In addition, disengagement will have long term consequences to other foreign investors. The divestment campaign in the United States has already resulted in a reduction of trade and new corporate investment. More importantly, looking at the American subsidiaries that have disengaged over the last decade, almost all were sold to local South African interests.

According to January 4, 1985 article in the Rand Daily Mail:

Business leaders are deeply worried that once the United States has begun to disinvest it will pressure other members of the Western alliance to follow suit. Dr. Albert Wessels, a member of the South African business community through his Toyota links, who is in close touch with the Japanese business world believes that Japan would find it exceedingly difficult to stay in South Africa once the Americans have gone.

It is equally dangerous to assume that South African companies would step into the breach and negate any possible damage following from American disinvestment. As important as the \$2.3 billion which some 300 United States corporations have in fixed South African investments, is the new technology expertise and management skills which they introduce.

There are crucial contributions to South African economic strength which South African companies cannot hope to substitute adequately. Moreover, American disinvestment would be such a hammer blow to business confidence that South African companies may feel rather jittery about making substantial new investments.

Gross domestic fixed investments have been in decline since the end of 1981 and, while this is partly due to the business cycle, business confidence and fear of disinvestment have also played an important role."18

Total economic disengagement from South Africa is the most effective weapon against apartheid and white rule because it cuts the life blood to the heart: capital and technology. Moral outrage and condemnations fall on deaf ears.

A modern dictatorship controlling an industrial economy cannot endure without increasing capital, technology, trade and sustainable growth. A general African uprising in the townships, South African foreign adventures,<sup>19</sup> a decrease in foreign investments and loans increasing labor and civil unrest and a coordinated urban guerrilla campaign, will inevitably lead to a continual cycle of death, destruction and open warfare in South Africa. This is totally destabilizing to an economy and to a society.

American corporate disengagement is in some ways already a fait accompli according to a Financial Mail article:

"In one respect at least, the divestment forces have already won. They have prevented discouraged, dissuaded, whatever you call it, billions of new United States investments in South Africa. They have discouraged new companies, new investors who were looking for foreign opportunities from coming to South Africa.<sup>20</sup>

### Divestment

This author believes it is in the best short-term as well as long-term economic interests of U.S. corporations to disengage from South Africa. South African operations are no longer profitable in most cases and there is an immediate risk that product imports, capital investment or sales will be lost or adversely affected by continued military and police action, domestic and foreign boycotts or embargoes or government expropriation. This is in addition to normal risks of currency fluctuation and unstable commodity prices. In the long-term, a new majority-ruled government may look elsewhere for investments and trade or will extract a very high price for foreign corporate involvement. At worst, corporate support of the white-minority will rule out any access in the future to South African strategic resources and play into the hands of U.S. corporate enemies around the world. A short-term loss may also be more than offset by substantial long-term gains.

If disengagement is the only effective force to counter apartheid and bring about change in South Africa, what action is most effective in convincing corporate management to withdraw and totally disengage from South Africa?

In California alone, over \$100 billion is invested by public agencies, including the California State Treasurer, the Public Employees Retirement System (PERS), the California State Teachers Retirement System (STRS), the University of California (UC), twenty counties and dozens of cities and special districts throughout the state. Every public agency invests short-term assets and with very few exceptions, all of the entities described invest in corporations and financial institutions economically supporting the South African apartheid regime. In addition, almost every private profit and non-profit organization invests or deposits funds in corporations or banks operating in South Africa. Such organizations include pension funds, businesses, unions, public interest organizations and others. Finally, of course, are billions of dollars in individual investments.

For over a decade major church organizations and some institutional investors have corresponded with corporate management, voted their stock and introduced shareholder resolutions as responsible owners to fully disclose South African operations, limit

investments, discourage or prohibit loans to the government or public agencies, fully implement a code of conduct for corporations in South Africa and restrict sales to the military and police. While some companies have agreed to limited reforms, no resolution has ever been adopted over the objection of management.

While shareholder activity has been responsible for additional disclosure, the primary success has been to publicize corporate involvement in South Africa and encourage positive parent influence on corporate subsidiaries. There is little, if any evidence to support major corporate shifts in South African policy caused by shareholder pressure.

Corporate management will never be truly challenged by their shareholders, unless and until large institutional investors take their ownership role much more seriously. Management dominates and controls the overwhelming majority of proxies. A real challenge by institutional investors on South Africa at one corporate annual shareholders meeting today would take years to coordinate and involve enormous costs. Corporate democracy in the case of South Africa is a cruel hoax.

Few institutional shareholders exercise their ownership responsibilities by communicating with corporate management or voting their shares against management. The majority of large institutions continue to "vote with management or sell."<sup>21</sup> For example, the University of California Board of Regents have voted against corporate management on only two occasions on a South Africa resolution in the history of the University as a corporate shareholder.

Very few institutions have ever seriously corresponded with management on South Africa. In case of the University of California, the University of Maryland, the California State Teachers Retirement Systems (STRS) and the California Public Employees Retirement System (PERS), form letters were mailed and the companies responded by form letters. It was an exercise in public relations for all concerned.

California PERS and STRS on one occasion introduced a South Africa resolution at Xerox which was defeated by 90% of the vote. That action was only taken after considerable pressure was exerted by the Brown Administration. Since that time, the state retirement funds have been less active and have even dropped their subscription to the Interfaith Center on Corporate Responsibility (ICCR), which provides information on corporate responsibility issues.

While corresponding with corporate management, voting common stock at annual shareholders meetings and introducing resolutions have had a limited impact on corporate management, as well as the refusal to invest and divestment has influenced American business and had a direct impact on the South African government. Such activity has also led numerous public agencies to refuse to purchase goods and services from many corporations and financial institutions operating in South Africa.

Since 1976, seven states, three counties, twenty-eight cities and one U.S. territory (Virgin Islands) have enacted divestment proposals mandating the divestment of over \$1.8 billion from U.S. corporations and banks involved in the South African economy.<sup>22</sup> Another forty-three educational institutions have fully or partially divested<sup>23</sup> and as many as twenty California State University and Colleges (CSUC) auxiliary organizations have enacted socially responsible investment guidelines.<sup>24</sup> According to the Social Investment Forum, of the approximately \$40 billion in assets of "socially screened" portfolios managed by professional fund managers, \$12 billion has been divested or has been prohibited from investing in firms operating in South Africa.<sup>25</sup>

As in the case of disengagement, the withdrawal or prohibition on new investments results in the denial of capital. In a capital market economy, this is the overriding concern to corporate management. The same is certainly true of the refusal to purchase goods and services. These are market forces that cannot be ignored.

A "capital strike" cuts to the heart of corporate management because it is the "bottom line". It is the only morality understood in the corporate boardroom when it comes to South Africa. This is the reason the South African government, business organizations and the South African Foundation are spending unlimited sums of money in the United States to lobby against divestiture. It is also the reason that the South African government has assigned a senior official in the Foreign Affairs Department, Dr. Mark Burgher, to coordinate a major lobbying effort in the United States against divestment.<sup>28</sup>

Divestment or the denial of capital is not an idle weapon in our capital market. Presently over 80% of the stock and 60-70% of corporate bonds traded every day on major exchanges are traded by pension funds. This percentage is larger if we include other institutional investors, such as local governments, college and university endowments and public interest organizations managing smaller "cash" portfolios.

Over \$1.3 trillion in assets are controlled by pension funds and this number will grow to \$4 trillion by 1995. The present sum totals almost 28% of our GNP. In California, public agencies alone control more than \$80 billion in pension assets, and California PERS has been identified as an institutional investor that literally sets the stage for the opening of a new bond issue and its acceptability in the market place.

Pension funds are today the single largest source of domestic corporate capital, or a source providing about a quarter of all new capital available for investment. That figure will increase to about 50% by 1990. The loss of access to a portion of this capital by America's largest companies is cause enough for reevaluating policies in South Africa.

It would be a mistake to gauge the financial impact of divestment by the selling of stocks, bonds or short term debt securities in the secondary market. The actual impact on corporate management is slight, since another investor will simply buy the security. An impact may result from adverse publicity, or if the number of shares sold is large enough, price may be temporarily depressed. The real impact, however, is based upon the fact that an increasing number of institutions will not purchase a company's security in the primary or secondary market. A major corporation in our economy must have full access to capital markets to be able to compete. Again, the "bottom line" is capital and the denial of access to one-half of all corporate domestic capital will have extreme financial repercussions on a multinational firm.

Another fact that is difficult to quantify, but no less true, is that once companies have been identified by fund managers and the public as supporting apartheid in South Africa, not only will less capital be available, but corporate products will be avoided by consumers. Even when apartheid is eliminated in South Africa, those companies will long be remembered and that fact will influence future market behavior.

Major arguments against divestiture or the refusal to make new investments in companies operating in South Africa have been primarily financial and fiduciary. The most commonly voiced arguments are that the divestments of South Africa Invested (SAI) corporate securities will:

- impair performance and increase risk
- reduce diversification and liquidity
- increase transaction cost

Before evaluating these arguments, one must understand portfolio asset allocation. Assets of an institutional portfolio are traditionally allocated into the general categories of cash, fixed-income and equity. There has been no detailed financial study of the impact of South African divestment relating to cash and fixed-income portions of a portfolio because it is generally accepted by investment professionals that the financial impact of divestiture will be minimal if not non-existent. The only exception, was a two page discussion in a controversial and highly disputed June, 1984 study by Wilshire Associates.<sup>27</sup> Wilshire argued that the universe of prime corporate commercial paper issues and large banks issuing certificates of deposits (CD's) would be reduced and that this would carry more default risk and provide lower average quality.<sup>28</sup>

The Wilshire study conveniently ignored the wide range of federal agency securities available for investment and neglected to cite numerous public agencies and two mutual money market funds that not only exclude SAI securities, but have extensive exclusionary and inclusionary criteria.

Not only are there literally thousands of high quality, government-guaranteed short-term securities available, there is more than ample prime corporate commercial paper and eligible CD's available to provide competitive yields. Quality of corporate paper is simply not affected and ample investment opportunities exist for CD investments in hundreds of large regional banks, savings & loans and credit unions.

Two money market funds utilizing a comprehensive social and economic, as well as a financial criteria, Working Assets and Calvert Group, have been in the top quartile of performance since 1983, and Calvert Group was the highest performing money market fund in 1983 according to the Donoghue Money Average.

Wilshire also stated that the implications of divestiture for fixed-income portfolios would be a smaller universe and lower average quality. While it is certainly true that the elimination of SAI securities will reduce a small portion of the universe, it does not reduce quality. Wilshire even admitted that 85% of the South Africa Free (SAF) debt would be rated Baa or better.<sup>29</sup>

In their analysis, Wilshire also conveniently neglected to include in the fixed income category, residential, commercial and industrial real estate, loans or private debt placements.

What is also important to realize is that most large institutional investors allocate the majority of their assets to fixed-income, including real estate. This is especially true for pension funds, which are more conservative and must meet interest rate assumptions and pay benefits to retirees every year. Equity or stock is usually the most risk-oriented portion of a portfolio, and the most volatile. Most large institutional investors allocate a smaller portion of their assets to equity and many public funds severely limit stock by constitution, statute or regulation. This means that the majority of funds are not even impacted by a South African divestiture!

The University of California is an exception, allocating 75% of assets to equity. <sup>30</sup>

In fact, of the two largest University of California Funds, the General Endowment Pool (GEP) and the Retirement Funds (UCRS), almost 50% of the equities are in 15 large growth companies.<sup>31</sup> It is that portion of a portfolio allocated to equity or stocks, which has received the most attention and study in the debate over divestment.

Over a dozen major financial studies on the financial impact of divestiture on equity portfolios have concluded that with a slight increase in risk and volatility, South Africa Free (SAF) outperformed South Africa Invested (SAI) portfolios.

In April 1982, at the request of the Connecticut State Treasurer, Daniel and Bell Capital Management completed a study of the Connecticut Mutual Equity Fund, comparing SAI and SAF portfolios for five years (1977-1981). The SAF portfolio outperformed the SAI portfolio by an average annual basis of 6.3%, was 89% as diversified as the Standard & Poor's 500, and was 1.26% times as volatile as the S&P 500. The study concluded that the "sanitized" portfolio outperformed both the original portfolio and market.<sup>32</sup>

Daniel and Bell also found that four of the six current Connecticut portfolio managers would have improved their rates of return with SAF portfolios and the elimination of such securities would not have any appreciable effect on their management styles.<sup>33</sup>

United States Trust Company, Boston, which is a leading manager of "socially screened" accounts, also provided the State of Connecticut with important performance data. United States Trust's study covered a ten year period (1972-1981) and found that the SAF portfolio outperformed the SAI portfolio by an average 1.6% a year during the ten years.<sup>34</sup>

In 1983, The Boston Company conducted a ten year study comparing S&P 500 companies in SAF and SAI portfolios. South African companies were excluded because of their heavy exposure in South Africa, and because of poor employee relations. SAF outperformed SAI by over 17% annually.<sup>35</sup>

In December 1984, Robert Schwartz, Shearson/Lehman/American Express, testified as an expert witness in an Oregon divestment case that between 1977 and 1984, companies identified for divestment appreciated in value by 40%, while SAF equities in the portfolios increased by 57%.<sup>36</sup>

In a recent five year study by Ted Brown, sponsored by the Africa Fund and the New World Foundation, S&P companies rated A- or above and SAF provided an average annual return of 29.2% higher than the SAI.<sup>37</sup> In addition, Favia Hill Associates, an affiliate of Chemical Bank, has been tracking SAF vs. SAI stocks on their "buy" list since 1981. They have found that there are ample equity choices, and there is no difference in the rates of return or the relative risk and liquidity of both groups of stocks.<sup>38</sup>

In addition to performance, diversification and liquidity are other major questions raised in divestiture debates. If one were to divest or refuse to invest in the equity of every company operating in South Africa (approximately 284), you would eliminate over half of the capitalization of the S&P 500, and one-half of the largest 100 companies. Of the S&P 500, you would also eliminate large portions of at least ten industry sectors in the S&P 500. This argument also suggests that since major institutional investors need liquidity, and only larger capitalized firms whose stock volume is great can provide such liquidity, divestiture would harm portfolio performance.

These may sound like big numbers to exclude, but current portfolio management proves otherwise. It is true that large institutional investors, such as the University of California, have an appetite for larger capitalized, high stock turnover companies, such as IBM, Eastman Kodak, 3M, and General Motors. Sad to say, the University of California is involved in a zero sum game where literally hundreds of other large institutions are trading the same stocks, listening to the same analysts and hearing the same earnings reports. Instead of having a high degree of diversification, University of California portfolios are poorly diversified, heavily concentrated in growth stocks and have underperformed the S&P 500 since 1983. In addition, because market trading is dominated by large institutional investors like UC, these heavily traded stocks become extremely volatile and prices fluctuate wildly.

The University of California, while holding less than 90 stocks, is critical of the elimination of 284 out of a market of several thousand securities. Almost all investment management organizations limit their attention to a tiny fraction of the universe of possible stocks. Approved lists of most banks and advisors contain between 50 and 250 names. Typically, fewer than ten names are under active consideration for addition to an approved list at any particular time.

Investment restrictions or limitations of various sorts are numerous and designed to eliminate unpromising investments or represent a sample of a large universe concentrating on a group of stocks in which an organization has more expertise. That is why some advisors eliminate small firms, while others eliminate large ones or eliminate companies with erratic dividend or earnings records, while others specialize in "turn arounds". The standard practice by prudent fiduciaries is to establish a priori restrictions on their choices that are much narrower than any South African exclusion.<sup>39</sup>

The elimination of several S&P 500 industry groups is also irrelevant. In what institutional portfolio is every industry sector in the S&P represented? Diversification is of risk, not industry sector. Should an advisor have every industry sector represented in the Wilshire 5000? Of course not. Based upon the market, interest rates and the economy, there are numerous industry sectors a prudent manager will want to avoid.

SAF portfolios are slightly riskier than SAI portfolios. On the other hand, this increased risk is exceptionally low. For example, in a study by Mark Rudd, it was found that the effect on portfolio risk of excluding companies operating in South Africa was "contrary to intuition, not particularly important."<sup>40</sup> Other financial studies indicate that divestment will slightly increase risk, but such risk is offset by increased performance.

Wilshire Associates as well as the University of California Treasurer have estimated the transaction costs of divestment to be in the millions of dollars and commissions to average from 1-6% of round-trip trades. This is an argument not substantiated by data or the real world. In fact, the University of California Treasurer made a totally undocumented estimate of \$100 million being the cost of divestment of the University of California's SAI stocks. These figures ignore the reality of trading, normal portfolio turn-over, the present deregulated brokerage industry where commissions are highly competitive and negotiated (the larger the institution, the stronger the negotiating position), block/trades and Fourth Market transactions, or institution to institution trading. These high transaction costs also ignore increased returns of SAF stocks.

Nowhere does the University of California Treasurer compare the University's transaction by transaction costs to verify this overall transaction cost estimate. This is not surprising when one realizes that his office may be somewhat embarrassed by larger transaction cost history when compared to other institutional investors. This lack of data provided by the Treasurer's office is also not surprising, since as early as 1978, the UC Treasurer refused to turn-over investment data to the Legislature.<sup>41</sup>

The only documented evidence from the Treasurer's office is a figure of \$.10 per share to divest 46 million shares, \$.10 per share to acquire an additional 46 million shares and \$.25 per share to acquire the next additional 46 million shares or a total projected cost of \$20.7 million.<sup>42</sup> This statement was made five days after the University Treasurer's office admitted that he may have "overestimated" transaction costs and after Wayne Wagner of Wilshire Associates indicated that the Treasurer's analysis "is sort of taking one number out of context and applying it to a specific situation" relating to the Treasurer's

use of the Wilshire study on the transaction costs of divestment.<sup>43</sup>

The Treasurer's office went on to say that transaction costs were one of the least important aspects of divestiture and more important would be how divestment affected the University's long-term investment returns. The Treasurer's Report to the Regents discussed, but did not quantify the issue of returns.<sup>44</sup>

According to a United States Trust Company study, transaction cost for a round-trip of divesting and reinvesting would be approximately .4% or 10 cents a share or less than .2% on an average stock price above \$50 dollars a share.<sup>45</sup> This author's highest round-trip transaction costs on small even lot trades on stocks under \$20 primarily in small capitalized firms has never exceeded 2%.

The University of California Faculty for Full Divestment released an Alternative Treasurer's Report in June 1985, indicating that divestment transaction cost over a five year period would total \$3.7 million annually after allowing for normal portfolio turnover, or approximately \$18.9 million.<sup>46</sup> This is \$82 million less than the Treasurer's undocumented estimate.

In addition, the Chesapeake Financial Group, in a letter to the University Regents indicated they had secured a commitment of a syndicate member to execute transactions for the University at \$.06 per share.<sup>47</sup> Chesapeake also stated:

We have assumed that the University of California had \$3,000,000,000 invested in their common stock portfolio on January 1, 1980 and have assumed that the same dollar amount was being concurrently managed by our syndicate member that is ranked in the first percentile by SEI [formerly A.G. Becker]. Our study shows that while the University of California retirement and endowment funds would have appreciated to a little in excess of \$5,000,000,000 the same funds under professional management would have appreciate to a little in excess of \$12,000,000,000.

Additionally, our results are net of all brokerage costs and management fees.

The question of "liquidity cost" as presented by the Wilshire Report and others in light of this evidence, becomes meaningless. In fact, the University of California has already suffered a severe penalty by not exploiting this alternative and it may be prudent to assume to continue to ignore superior investment alternatives would have similar results in the future.<sup>48</sup>

Wilshire Associates, as well as other opponents of divestiture have also voiced the argument that there is not only a lack of reliable data on companies operating in South Africa, but fund managers would be faced with increasing research costs associated with evaluating smaller capitalized firms.

Outlined below are several organizations that provide data and information on corporations operating in South Africa:

TransAfrica, Washington, DC  
Washington Office on Africa, Washington, DC  
Investor Responsibility Research Center, Washington, DC  
Interfaith Center on Corporate Responsibility, New York

Council on Economic Priorities, New York  
The Data Center, Oakland  
United Nations, New York  
Africa Resource Center, Oakland  
American Committee on Africa, New York  
American Friends Service Committee, Philadelphia  
Corporate Data Exchange, New York  
Arthur D. Little & Co., New York  
U.S. State Department, Washington, DC

Research of a "social" nature is widely available, and very inexpensive. Much of this information can be obtained at little if any cost, or through "soft-dollar" arrangements with brokerage and investment firms. Financial information is also available on smaller capitalized firms, and any increase in cost will be the price a manager pays for increased performance associated with smaller firms.

Another argument that has been advanced by Meidinger Asset Planning Services, is that money managers will refuse to accept fiduciary responsibility for the performance of pension funds under a South African exclusion scenario.<sup>49</sup> This argument is rebutted by reality and a "free market economy". In the last five years, the investment community has come forward with an increasing number of investment vehicles and professional products and services providing institutional and individual investors non-South African investment opportunities. Three mutual funds in the last three years and literally dozens of asset managers are available to manage assets utilizing a non-South African criteria. Included, are firms listed below:

U.S. Trust Co., Boston  
Franklin Investment Group  
Shearson/Lehman/American Express  
Wilshire Associates  
Alliance Capital Management  
Trinity Investment Management  
Daniels & Bell Capital Management Co.  
Performance Capital Corp.  
Favia Hill Assoc.  
Chesapeake Financial Group

In addition, the Social Investment Forum has identified over \$40 billion in assets that are presently socially screened portfolios under professional management.<sup>50</sup>

Portfolio divestment as a strategy to influence corporate management and meet the investment objectives of fiduciaries and plan participants or beneficiaries provide a high degree of flexibility in implementation. While the UC Treasurer outlined six options for UC Regents,<sup>51</sup> the various options in a scheduled and flexible divestment strategy were ignored. Also ignored as an option, but documented, was a scheduled or phased divestment currently being implemented by the City of New York.<sup>52</sup>

An obvious divestment strategy is to prohibit all new investments in all categories: cash, fixed-income and equity. This could be supplemented by an activist shareholder strategy. Within the context of divestment, distinctions could be recognized in the levels of corporate economic and financial support of the apartheid regime and divestment could be phased in over a specific period of time, increasing economic pressure with each step.

Levels of South African criteria for exclusion or inclusion for portfolio selection include the strategic nature of the company (i.e. technology, nuclear power, defense, etc.), the actual number of employees in South Africa, company contracts with government agencies, loans to the government, tax and other revenue paid to the government, importance to the apartheid structure (computers and photos for the pass system), etc. Obviously, each level of "screen" changes the absolute number and kind of company included or excluded from investment consideration.<sup>53</sup>

## CONCLUSION

South Africa presents a great and growing risk for corporate management and for institutional investors owning securities of corporations and financial institutions operating in South Africa. In fact, many in the legal profession have stated that beneficiaries may have recourse in the courts, if trustees acting as fiduciaries for retirement funds ignore the high risk in South Africa and incur losses in corporate earnings due to investment or trade loss in South Africa as the result of military action, revolution or expropriation.<sup>54</sup>

Investors have a legal as well as a moral obligation to recognize apartheid as an economic threat. You cannot separate the economic, financial, social and political impacts of investing in our international economy today.

The Sullivan Code of Conduct has a very limited, and in the long-term, a harmful impact on the progress in the fight against apartheid. Disengagement will cut the lifeblood to the apartheid regime by denying capital and technology to the white minority. The Sullivan Code simply makes the chains more comfortable for 1% of the African population employed by U.S. firms there.

While shareholder voting and the initiation of resolutions raise the issue to public debate, it may not be effective in reducing corporate capital and technology to South Africa. Divestment and the refusal to purchase securities and goods and services from corporations and financial organizations operating in South Africa will deny corporate management the "bottom line" resource necessary to exist in a market economy: capital. This is the "bottom line morality" for corporate management.

Literally dozens of professional money managers, brokers, investment advisors and others managing individual and institutional assets control over \$40 billion in screened investments, of which \$12 billion has been divested from companies in South Africa. This total is growing and with it, the understanding of socially responsible investing.

Disengagement and divestment will not only increase portfolio performance as has been shown, but reduce the risk associated with corporate involvement in South Africa. Investing in large companies operating abroad involves foreign currency fluctuations which affect corporate earnings, but also each country in which a company operates realizes specific economic risk relevant to the local economy and the overall financial health of the company. If domestic violence and destruction of property continues in South Africa, there is direct corporate investment risk, as well as the probability that a major portion of corporate revenues and strategic mineral imports will be effected. This will undoubtedly effect earnings.

Divestment can also increase portfolio diversification by challenging fund managers to reduce their dependency on a few large capitalized growth companies and increase exposure in smaller companies which are more innovative, create employment in this country and increase portfolio performance.

It's ironic that U.S. firms in which large institutions invest, are the main culprits in exporting jobs to South Africa. Chicago steelworkers discovered that steel beams being used to construct a new state building in their city were imported from South Africa. At the same time, U.S. Steel's Southworks plant in Chicago--which makes the same kind of steel beams--laid off steelworkers by the thousands. Meanwhile, Continental Illinois was loaning money to South Africa's ISCOR, that made the beams for the new state building. Steelworkers with their savings in Continental Illinois began questioning why they were putting their hard-earned money in a bank that was helping South Africa eliminate their jobs.<sup>55</sup>

Investment opportunities exist for innovative fund managers that will provide competitive rates of return and similar portfolio risks in the areas of residential, commercial and industrial real estate. According to an input-output model study, for each dollar spent on construction, a total of \$1.44 in income will accrue to Californians.<sup>56</sup> For \$100 million of new investments California residential real estate, 6740 new jobs would be created, \$144 million in income, \$2,350,000 in local tax revenue and \$16,650,00 in state tax revenue would be generated.<sup>57</sup>

Hundreds of new and alternative investment vehicles to SAI securities exist, which have a positive impact on our society. Such investments are available to innovative fund managers that are not afraid of hard work and the challenge of responsible investing. It is this group of professionals who understand the interdependence between portfolio management, our local economies and South Africa.

The black majority in South Africa will inevitably take control of that government. As investors, we can continue to support the white-minority and risk substantial losses, or we can truly become a progressive force in South Africa, deny capital and technology to the Afrikaner government, and force them to peacefully transfer power to the majority. In the end, it's a moral and political decision. There is no financial, economic or legal justification for investing in apartheid.<sup>58</sup>

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Are most money managers politically conservative and support continued U.S. corporate presence in South Africa? Money management is not a "pure science" and investment decision making is very subjective. The market is dominated by "fear" and "greed". To what extent are normal human emotions at work?

Is divestiture more work and will money managers get paid for being innovative? Most managers are paid well for their services and it's doubtful that unless they are required to take action or paid more by trustees to be innovative, they will continue to be relatively passive.

Will most money managers challenge politically conservative trustees, administrators or treasurers with clear financial conflicts of interest if they are hired and paid by them to manage assets of a trust or pension fund? I doubt if many money managers would find it in their best interests to be "innovative".

If the majority of a private money managers' business comes from large corporate clients, would they work to exclude such corporations from another institution's investment portfolio? The answer to this question is that many do manage exclusionary portfolios, but do it "under the table", with no publicity, so that their corporate clients will not find out. How would you feel if your manager excluded your company from investment consideration in another institutional portfolio?

If a conservative and intelligent money manager understands the tremendous economic impact that divestiture could have on traditional capital markets, would he or she work to implement South African divestment? Money managers, the brokerage and investment banking industry is extremely political and self-interest oriented. Money dominates our society and asset managers are traditionally not "a force for social change". Unless there is a financial self-interest to do so, the majority will continue to oppose divestiture.

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#### EMPLOYMENT

	POSITION	DATE
Working Assets Money Fund	President	1984-Present
Investment Advisor		1983-Present
Drexel Burnham Lambert	Consultant	1983-Present

#### FORMER EMPLOYMENT

California State Senate	Consultant	1983
California State & Consumer Services Agency	Consultant	1982
Service Employees Union	Consultant	1979-82
Senate Com. on Investments	Consultant	1977-79
California State Legislature	Analyst	1971-77

#### PROFESSIONAL ASSOCIATIONS

California Governor's Public Investment Task Force	Chairman	1981-82
San Francisco Public Pension Investment Project	Board Member	1982-83
Sacramento Board of Admn., Invest. & Fiscal Mgt.	Board Member	1979-80

#### EDUCATION

Napa College  
Sonoma State University  
University of California, Los Angeles (African Studies Center)  
Sacramento State University  
University of York (Centre for Southern African Studies)

#### PUBLICATIONS

Furnished upon request



Considering where we started, only seven years ago, we have made almost unbelievable progress in advancing the well-being of the black people of South Africa. We have made more progress in this regard in those seven years — educating our black brothers, providing job training and higher-paying jobs and supervisory jobs, and management jobs, improving the medical care and health programs, providing decent housing, doing all the things the (Sullivan) signatory companies have committed to do. I'm proud of the job the U.S. companies have done and are doing in South Africa. But it's not enough, and I keep saying to the companies, we must do more, more, more... we must move faster, faster, faster...

— Rev. Leon H. Sullivan  
(to the signatory companies,  
New York, November 9, 1983)

## The Sullivan Principles and the Role of U.S. Companies in South Africa

PRINCIPLE ONE  
PRINCIPLE TWO  
PRINCIPLE THREE

Non-segregation of the Races in All Eating, Comfort, and Work Facilities  
Equal and Fair Employment Practices for All Employees  
Equal Pay for All Employees Doing Equal or Comparable Work for the Same Period of Time

PRINCIPLE FOUR

Initiation and Development of Training Programs That Will Prepare Blacks, Coloreds, and Asians in Substantial Numbers for Supervisory, Administrative, Clerical, and Technical Jobs

PRINCIPLE FIVE

Increasing the Number of Blacks, Coloreds, and Asians in Management and Supervisory Positions

PRINCIPLE SIX

Improving the Quality of Employees' Lives Outside the Work Environment in Such Areas As Housing, Transportation, Schooling, Recreation, and Health Facilities

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adoption of apartheid resolution as  
 adapted

5/5/85  
 Seattle, Wash.

STATE ROLL CALLS

Adapted

<u>STATE</u>	<u>YES</u>	<u>NO</u>	<u>STATE</u>	<u>YES</u>	<u>NO</u>
ALABAMA	✓		MONTANA	✓	
ALASKA	✓		NEBRASKA	✓	
ARIZONA	✓		NEVADA		✓
ARKANSAS		✓	NEW HAMPSHIRE		✓
CALIFORNIA	✓		NEW JERSEY	✓	
COLORADO		✓	NEW MEXICO	✓	
CONNECTICUT	✓		NEW YORK	✓	
DELAWARE		✓	NORTH CAROLINA	✓	
FLORIDA	✓		NORTH DAKOTA		✓
GEORGIA	✓		OHIO	✓	
HAWAII	✓		OKLAHOMA	✓	
IDAHO		✓	OREGON	✓	
ILLINOIS	✓		PENNSYLVANIA	✓	
INDIANA		✓	RHODE ISLAND	✓	
IOWA	✓		SOUTH CAROLINA		✓
KANSAS		✓	SOUTH DAKOTA		✓
KENTUCKY	✓		TENNESSEE	✓	
LOUISIANA	✓		TEXAS		✓
MAINE	✓		UTAH		✓
MARYLAND	✓		VERMONT	✓	
MASSACHUSETTS	✓		VIRGINIA	✓	
MICHIGAN	✓		WASHINGTON	✓	
MINNESOTA	✓		WEST VIRGINIA	✓	
MISSISSIPPI		✓	WISCONSIN	✓	
MISSOURI	✓		WYOMING		✓

35  
 15

(OVER)

TERRITORIES AND COMMONWEALTHS

	YES	NO
AMERICAN SAMOA		
GUAM		
NORTHERN MARIANAS		
PUERTO RICO		
VIRGIN ISLANDS		

NAME OF COMMITTEE: SFA Steering Committee

TYPE OF RESOLUTION: Debate

TITLE: Requesting actions against the government of South Africa in response to its apartheid system of racial segregation

1 WHEREAS, The number of the various legislatures assembled  
2 here at the 1985 annual meeting of the National Conference of  
3 State Legislatures recognize that the apartheid system of racial  
4 segregation which exists in the nation of South Africa is morally  
5 and ethnically wrong and oppressive; and.

6 WHEREAS, the United States of America was founded on the  
7 basic concept that all people are created equal and endowed with  
8 certain inalienable rights of life, liberty and the pursuit of  
9 happiness; and *delete lines 10-17.*

*amendment approved by  
APLW-ny  
Delete*

10 ~~WHEREAS, the United States of America decried the atrocities~~  
11 ~~committed by Nazi Germany and Adolf Hitler against the Jewish~~  
12 ~~population and other minority groups before and during World~~  
13 ~~War II; and~~

14 ~~WHEREAS, the apartheid system of South Africa is in direct~~  
15 ~~contradiction of the basic principles of American democracy~~  
16 ~~and is no less barbaric and demeaning to South African Black~~  
17 ~~inhabitants than were Hitler's actions.~~

18 WHEREAS, Americans support the principle of the democratic  
19 society that guarantees a citizen's right to participate in the  
20 electoral process which determines the form of government and  
21 the election of political leaders at all levels; and

22 WHEREAS, racial apartheid that exists in South Africa denies  
23 Black Africans the right to participate in the political process  
24 which is guaranteed in a democratic society; and

25 WHEREAS, on a daily basis, Blacks in South Africa are

26 detained, arrested, imprisoned, beaten and killed without  
27 cause or due process of law; and

28 WHEREAS, the civilized countries of the world watch  
29 in horror at the treatment of South African Blacks and deplore  
30 such violence; and

31 WHEREAS, South Africa also illegally occupies the sovereign nation  
32 of Namibia, in violation of United Nations Resolution No. 435; and

33 WHEREAS, The system of apartheid violates the principles of free  
34 enterprise by restricting equal access to the market place and to the resources  
35 of society and has, thereby, restricted Black South Africa workers to meaning-  
36 less jobs and a starvation existence in the country; and

37 WHEREAS, In South Africa, a country which has in excess of twenty-eight  
38 million people, approximately four million Whites control the political and  
39 economic destiny of twenty-four million Black Africans and numerous other  
40 nonwhite Africans who are denied the basic rights to open and free elections; and

41 WHEREAS, The deplorable conditions under which Black South Africans live can  
42 no longer be tolerated by the free nations of the world; and

43 WHEREAS, Seven state legislatures have passed divestment legislation; and

44 WHEREAS, More than five hundred Blacks have been killed in South Africa in  
45 the last year and more than one-thousand four hundred Blacks have been arrested  
46 without charge since the South African government declared a state of emergency  
47 on July 20, 1985; and

48 WHEREAS, The American government has supported constructive engagement  
49 which, in essence, promotes the system of apartheid in as much as it takes no  
50 aggressive action; and

51 WHEREAS, The Sullivan Principles, which were proposed to address the con-  
52 dition under which Black South Africans work, fall short of affecting change

53 outside of the work place and do not address the fundamental question of Black  
54 political power and the elimination of apartheid; and

55 WHEREAS, Apartheid contributes to the destruction of the Black South  
56 African family by forcing Black male workers to work in White cities while  
57 their families are relocated in barren homelands; and

58 WHEREAS, Black South Africans, who constitute more than  
59 seventy-five percent of the population are given only thirteen  
60 percent of the land - most arid and non-productive parts of  
61 South Africa; and

62 WHEREAS, Black South Africans are denied the right to vote and partici-  
63 pate actively in government processes; and

64 WHEREAS, The policy of the South African government is to restrict  
65 religious practices of Black South Africans; and

66 WHEREAS, The U.S. Department of State has instructed its delegates to  
67 world conferences and bodies to oppose any binding actions against South  
68 Africa; and

69 WHEREAS, The Black work force of South Africa makes up less than  
70 one percent of the work force employed by American corporations doing  
71 business in South Africa; and

72 WHEREAS, Other western countries have imposed sanctions against South  
73 Africa because of the recent declaration of a state of emergency and the  
74 country's denial of basic human rights to its Black majority; and

75 WHEREAS, State Legislators have the authority for the investment  
76 of public funds; and

77 WHEREAS, All public monies, as legislatively defined, that have been  
78 invested in financial institutions and corporations which do business in or  
79 with South Africa and every U.S. business, firm, company, corporation and  
80 subsidiary doing business in South Africa helps to strengthen the apartheid  
81 system and perpetuate the oppression of Black South Africans;

82 NOW, THEREFORE, BE IT RESOLVED, By the members of the various state's  
83 legislatures assembled in Seattle, Washington, at the 1985 annual meeting  
84 of the National Conference of State Legislatures, That we hereby condemn  
85 the evil apartheid system, South Africa's illegal occupation of Namibia and  
86 the state of emergency imposed by the government of South Africa; and

87 BE IT FURTHER RESOLVED, That we call upon the South African government  
88 immediately to end the state of emergency, release all political prisoners,  
89 and dismantle the apartheid system, and thereupon hold elections which are  
90 free and open to all residents of the ~~country~~, without regard to color,  
91 race or creed; and

92 BE IT FURTHER RESOLVED, that the NCSL urge its members to withhold public  
93 funds from every U. S. business, firm, company, corporation, subsidiary, bank,  
94 financial institution and other entities doing business with South Africa; and

95 BE IT FURTHER RESOLVED, That we urge the President <sup>delete</sup> ~~and the U.S. Senate~~  
96 <sup>delete</sup> ~~and House of Representatives~~ to dissolve diplomatic relations with the govern-  
97 ment of South Africa; and. *lines 95-97 deleted*

98 BE IT FURTHER RESOLVED, That we call on all people of all races of all  
99 countries in this world to unite in a resolve to halt the violence in South  
100 Africa, and to institute civil rights for all South African inhabitants,  
101 regardless of race, creed, color or political persuasion. We further encour-  
102 age Black South Africans to seek election to political offices, parliamentary  
103 seats and other positions of leadership in South Africa; and

104 BE IT FINALLY RESOLVED, That we hereby strongly urge the President and  
105 the Congress of the United States to impose strict and immediate economic  
106 sanctions against the government of South Africa until such time as the  
107 state of emergency is lifted, all political prisoners are released, civil  
108 rights are instituted for all citizens and apartheid is totally dissolved,  
109 and that copies of this Resolution be sent to the President and to the  
110 presiding officer of each House of Congress.

8/21/85 NY Times

## KEAN BACKS HALT IN INVESTING TIED TO SOUTH AFRICA

Governor Will Sign Bill to Seil  
\$2 Billion in State Funds  
as Apartheid Protest

By JOSEPH F. SULLIVAN  
Special to The New York Times

TRENTON, Aug. 20 — Governor Kean said today that he would sign legislation to withdraw \$2 billion in state investments from companies doing business in South Africa, as a protest against the Pretoria Government's policies of racial separation.

Mr. Kean said he had decided to sign the bill despite opposition from the Reagan Administration and estimates by state investment officials that the divestiture, which would take place over the next three years, could cost the state's pension system more than \$100 million.

"We can no longer stand by and watch while a system predicated on racism attempts to subjugate an entire people," the Governor said. "The time has come for action to change — and to end, once and for all — the oppressive system of apartheid."

### Spurred by Botha Speech

Mr. Kean said he had considered a conditional veto but decided to sign the bill after a speech last week by the South African President, P. W. Botha, convinced him that the Government had no intention of ending apartheid. In the speech, Mr. Botha proposed no clear-cut changes in apartheid.

The Governor said the "moral imperative" that prompted him to act should move other governors to consider seriously similar actions and require the Reagan Administration "to re-examine its policy and to make it as plain as it possibly can to the South African Government that there has got to be a change."

Several states have enacted some divestiture legislation. But state officials said New Jersey's divestiture

*Bishop Desmond M. Tutu rejected criticism by the Reagan Administration, and the Rev. Jerry Falwell began a campaign to block imposition of economic sanctions. Page 3.*

would be 20 times as large as that of Massachusetts, which has the largest so far and whose law took effect in January 1983.

The National Conference of State Legislatures in Denver said some form of disinvestment or divestiture legislation has been enacted in Connecticut, Iowa, Maryland, Michigan, Nebraska, Rhode Island and Wisconsin.

In addition laws are being or have

Continued on Page 13, Column 1

New York Times  
8/21/85

# Kean Supports Bill Banning Investments Tied to Pretoria

Continued From Page 1

been considered in 29 other states. Although several of the proposals have been defeated, their proponents have promised to reintroduce them. In May Governor Cuomo recommended a divestiture law to the New York Legislature.

Mr. Kean said he received telephone calls and letters from Washington informing him that the Administration "was not in favor" of the divestiture bill. He declined to say who the communications were from.

He said he had not told anyone in Washington about his decision to sign the bill. "I'm sure they'll hear about it after this," he said.

Mr. Kean said he had heard the argument that a state had no jurisdiction in foreign policy. "That may be true," he said. "But there are instances in human history when the gravity of an evil is so clear, and the cost of its continuance so great, that governments — at every level — must use every tool at their disposal to combat it. Apartheid is such an evil."

"The state of New Jersey simply cannot escape involvement in the question of investment in South Africa," he said. "New Jersey's public pension funds represent the 42d largest portfolio of investments in the nation."

The investments, he said, "can be potential instruments for change, or they can be sources of support for the apartheid structure."

New Jersey's pension system, with investments of more than \$10 billion, covers 360,000 workers and retirees.

The Governor said union leaders representing teachers, police officers and other public employees covered by the system supported the divestiture bill.

## \$66.4 Million Loss Feared

In testimony on the divestiture bill before a legislative committee earlier this year, state investment officials said New Jersey would lose about \$65 million at present market rates by selling the more than \$600 million in low-interest bonds it holds in companies doing business in South Africa.

The transaction costs of reinvesting the \$1.4 billion in stock that the state has in those companies could reach \$50 million, they said.

Before making his announcement at a news conference in his outer office, Mr. Kean met for two hours with leaders of a coalition of ministers, union officials and community groups who support the divestiture bill.

Some coalition members maintained an overnight vigil at the Capitol and planned to conduct a five-day fast — taking only water, fruit and vegetable juices — beginning today to pressure Mr. Kean to sign the bill.

## A Change of Mind

The Governor said he had considered sending the bill back to the Legislature with recommended amendments to permit the continued investment in corporations that supported policies intended to improve the lot of the black majority in South Africa.

He said a coalition of business groups had argued that the best way to end apartheid was through the Sullivan principles, under which companies operating in South Africa take steps to promote better race relations.

But the deaths of more than 600 people this year and the arrest of more than 1,700 in recent weeks, he said, convinced him to sign the divestiture bill without changes.

He said he would sign it as soon as a date could be arranged with the bill's chief sponsor, Assemblyman Willie B. Brown, Democrat of Newark.

Mr. Kean also said he would direct the State Treasurer to review state procurement practices to see if the New Jersey purchased goods manufactured in South Africa. He said he would also ask the Treasurer to review the practices of all companies doing business in South Africa "from which the state purchases major goods and services."

Mr. Kean said he was considering an embargo on South African products as another way to put pressure on the Government in Pretoria.

## Plan for New Legislation

The Governor also said he ask for new legislation to permit him or a successor to change the divestiture policy if there were concrete steps taken to end apartheid. The Assembly Speaker, Alan J. Karcher, said he would support the bill and give it high priority.

Governor Kean said such legislation could be used to encourage progressive change once it had begun. "That way we could hold both a stick and a carrot," he said.



United Press International

Governor Kean announcing decision on ties with South Africa.

Arch. Daily News 8/24/85

# Should the permanent fund withdraw investments from companies doing major business in South Africa?

# Q.

## A. Politics shouldn't concern fund trustees

My response to the forum question 8/24 is an unequivocal NO!!!

The persons who manage the Permanent Fund are "trustees," they are not a political action group. Their responsibility is to take money from the Permanent Fund account and invest it where it will earn the greatest (legal) return. It is not their position to judge the morality of the businesses in which they invest the money, nor the politics of the countries in which those businesses operate. As a trustee of such a fund, a person's only concern(s) should be: 1) Is the business legal; 2) Are the returns fairly good; and 3) Is the company stable?

You can be fairly certain that the executives of a large corporation that has a lucrative operation in South Africa are not going to discontinue that operation just because the Alaska Permanent Fund management committee disapproves of the current regime there; and the APFMC would be negligent if they initiated such action and then invested the funds in businesses which had higher moral standards, but returned less for the investment dollar.

Pulling Permanent Fund money out of companies which are doing business in South Africa just because we don't like what's going on there would be, to paraphrase an extremely old cliché, "cutting off our noses to spite our faces," and would accomplish nothing except possibly cut future earnings to the Permanent Fund.

— M. W. Sinnott

## A. Disinvestment wouldn't mean a loss of revenue

"Apartheid" is just another work for racism — institutional racism which is enforced by the laws and guns of the South African whites. Blacks are 81 percent of the population but cannot vote on those laws, cannot buy land in most of South Africa, and earn only 22 cents for every dollar earned by whites.

Alaska's Permanent Fund currently invests about 300 million dollars in South Africa related companies. I think the Permanent Fund should withdraw our money from South Africa. That's why I co-sponsored House Concurrent Resolution 17 this year to encourage disinvestment, and that's why I'm preparing legislation for next year.

There are three major points to be made in response to divestment opponents.

• Alaska will not lose money. The experience elsewhere in the U.S. indicates little if any loss in revenues. Almost all the government entities I checked with suffered no loss of revenue as a result of disinvestment. In fact, some made even more money than before! Furthermore, even if some loss of revenue were to occur, disinvestment is still justified. As a Daily News editorial said, "Even a small financial sacrifice makes a moral statement more

credible."

• The Permanent Fund will not be politicized. I agree that the Permanent Fund should not be squandered to implement costly political goals. However, I also believe that certain activities are not morally acceptable to Alaskans and should not be supported. Just as the Permanent Fund should not, and would not, be invested in houses of prostitution or pornography, it should not be used to support racism.

• Disinvestment will work. Some people think it won't work because white South Africans are too stubborn or it's not a large enough share of their economy, etc. However, the current U.S. policy of cooperation certainly isn't working. South Africans are dying by the hundreds and little progress is being made. A change of policy is imperative and will encourage the government to speed up its reforms.

Finally, Rev. Prevo and others have argued that many South African blacks oppose disinvestment. However, they should be aware that supporting disinvestment is a crime in South Africa, punishable by five years in jail.

— Rep. Don Clocksin

## A. S. Africa not as oppressive as Soviet Union

The purpose of withdrawing investments from South Africa would be to push for reform. The South African government stands accused of mistreatment of its citizens. We must bring into focus that the South African government does not do one-tenth of one percent of the oppression of its citizens as the Soviet Union does to theirs.

If we select to withdraw investments from South Africa then we must also withdraw investments from the Soviet Union for the same reason. To not do so would only show that we are not interested in human rights for all people of the world but only interested in following along in a fad.

— John Suter

## **A.** Media is leading public around by the nose

Whenever the news media zeroes in on a problem like South Africa and harps on it, they are trying to put a ring in the nose of John Q. Public and steer his opinion in their direction. I resent a ring in my nose. I want to know what else is going on in the world that is so much worse than South Africa that the news media doesn't want me to know about it.

I recall that Ted Kennedy, that paragon of moral virtue, started this vehement censure. South Africa does not have a race problem like ours, and our simplistic solution of "instant equality" will work even worse for them than it does for us. Just look at the rest of Africa. I defy you to

tell me it is better to starve under communism, bathe in the blood of primitive tribal warfare, and put up with the perpetual begging and thieving public officials of the welfare state.

We need the minerals of South Africa. Only Alaska can duplicate them, and its minerals have been carefully locked up under the guise of environmental purity. When the communists control the minerals and politics of most of the planet, they will have this nation conquered. This nation and its friends are being cut off and shut down like lambs before the slaughter. It's time we took off the blinders of emotionalism and pulled the ring out of our nose.

— Ruth Lawler  
Kasilof

## **A.** S. Africa blacks don't want such economic sanctions

Absolutely not! As Gatsha Buthelezi, chief minister of the Kwazulu tribal homeland, told NBC's "Meet The Press" that most black South Africans oppose economic sanctions because such measures

will hurt black workers more than white people. "There are voices that are for sanctions," he says, "but in general black people have not called for sanctions." Most know that the jobs supplied by American corporations only increase black economic and political power. "The more the economy is dependent on black people, the better position black people find themselves in to flex their muscles and force the white people to come to the conference table," Buthelezi explains. Speaking from London, the Zulu leader concludes, "The situation in South Africa is so complex, I don't think simplistic prescriptions are the answer." Now there is someone right on top of the situation so he should know!

Furthermore, the Zulus are the largest single faction in all of South Africa, where, as in all of Africa, one tribe has always waged tribal warfare on another. Only in South Africa has this been prevented. (And only by the ruling white government.) Another point to be considered: In spite of all the valuable resources, only South Africa is prosperous and that prosperity includes the South African blacks. In spite of the 100 billion dollars we have poured down the African "rat hole" in economic aid, South Africa has received none!

Conditions are improving so let's leave them alone.

— Mud Hodges

## **A.** We must stop supporting a racist regime

When I was a child, our country was at war with Nazi Germany, a government founded on racism. But in my white

neighborhood, sympathy with the Germans was a lot more common than sympathy with the Jews. Nevertheless, the Nazis lost.

It's not farfetched to say that our own country was founded on racism, sexism, and classism. Originally, only white male property owners had the right to vote. A Civil War, Indian Wars, a Mexican War, anti-Chinese riots, Aleut and Japanese internment, the battles of the suffragists, and many other struggles later, the right to vote is now nominally available to most Americans.

When Alaska became American, the tiny minority of white residents, just as in South Africa today, controlled the economy and the government. The framers of our state constitution included a literacy test to limit the Native and other non-Anglo vote. The test was not deleted until 1970.

Alaska can become a model of tolerance and cooperation. As we seek trade with the Pacific Rim and other peoples of the world's nonwhite majority, we will be judged not only on the integrity of our products but on the integrity of our politics — at home and abroad. Right now we are condoning and supporting the world's most blatantly racist regime by continuing to invest our Permanent Fund dollars in South Africa. For God's sake, let's stop.

— Mary Ratcliff

## **A.** Don't let bleeding hearts guide investments

The purpose of investing is to make money. A company's raison d'être is to make a profit for its shareholders.

When Joseph E. Granville, colorful publisher of the Granville Market Letter, was in Anchorage in 1980, he said something which I have never forgotten. No matter if the stock was a gift from your favorite Aunt Gertie, he admonished, don't hang on to it for sentimental reasons. The stock and the market don't know or care about Aunt Gertie. Make your decisions on the merit of the stock itself.

Another example was Bill Clements, former Texas governor and chairman of SEDCO, Inc., which has since been acquired by Schlumberger Ltd. He forthrightly told complainers that the company was in business to make a profit and if they disapproved, that was their problem.

Alaska's Permanent Fund exists to maximize our savings. As a shareholder, and 63 year Alaskan, I say let our money managers continue the good job they are doing for us and forget the sentimental and political bellyaching of the bleeding hearts.

I disagree with those trying to penalize companies who may or may not be doing business with South Africa — or China or the USSR — by means of investment discrimination.

— W.M. Griffin

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# Nation's top money trader stops selling Krugerrands

By JONATHAN EIG  
Los Angeles Times

WASHINGTON — Deak-Perera, the nation's largest dealer of gold Krugerrands, announced Friday that it had suspended sales of the South African coin because of that country's policies of racial discrimination.

The currency trading company, whose offices have been the target of repeated anti-apartheid protests, said it stopped selling the coin to consumers in the United States Thursday but would buy back Krugerrands and sell them to exporters.

Gold analysts said that the company's decision was announced after Krugerrand sales had declined to "virtually nothing" in recent months as racial violence mounted in South Africa and Congress



threatened to cut off imports of the coin.

"We have decided to suspend the sale of Krugerrands pending the resolution of the proposals currently before Congress to restrict the importation of Krugerrands," R. Leslie Deak, president of the nation's largest money trader, said in a news release.

The House, arguing that South Africa earned \$500 million in foreign exchange from Krugerrand sales last year, recently passed legislation that would ban U.S. sales of the coin. The Senate is expected to vote next month on the bill, which is now in conference committee.

Jerri Eskow, a Deak-Perera spokesman in New York, said that the company sold thousands of Krugerrands a year. Although she said she believed that Deak-Perera was the nation's largest Krugerrand dealer, she refused to discuss sales figures or profits.

Sales of the one-ounce coins, which cost about \$335 each, have been dropping as the anti-apartheid movement has gained supporters and visibility, Eskow conceded.

# S. Africa had 'germs' 25 years ago; today it's 'cancer'

By ARCHBISHOP FRANCIS T. HURLEY

The safari of Rev. Jerry Falwell and company to South Africa revives a touch of Alaska history and the trek of Father Paul O'Connor to Washington, D.C. The events are 30 years apart but, in the motif of history repeating itself, they sound similar notes.

Back in 1953, a delegation of Alaskans made one of several statehood trips to a Congressional hearing. The forces of big business, especially the Outside owners of fish traps, marshalled their political forces to defeat statehood and preserve their captured market. Just before the trip, there appeared in the prestigious Saturday Evening Post an article by the nationally renowned lecturer, Father Bernard Hubbard, the Jesuit "Glacier Priest" and generally accepted stateside authority on Alaska. His theme was "No Statehood For Alaska."

Meanwhile, from the windswept shores of Hooper Bay came Father Paul O'Connor, long-time Alaskan missionary living among the Eskimos. Trained in the same classic Jesuit tradition as Father Hubbard, Father O'Connor's message was clear and concise. He was not a summertime explorer, like Father Hubbard, but one who wintered in the North as well, year after year after year. No one wished to challenge Father O'Connor when he described, from his own igloo and dogsled trips, what statehood would mean for making the Eskimos truly equal citizens.

Left unmentioned publicly was the note that Father Hubbard's summer trips to the North were partially financed by one of the biggest Seattle owners of the fish traps; one



early statehood action was the closing of the fish traps.

To historically sensitive ears, the televised comment of the Rev. Storey, Episcopal Bishop of South Africa, has a resonant note. Who knows the condition and needs of the people, those of us who live here among them or those on a five-day junket, was his question.

The drama of the case of South African blacks versus the South African government was heightened even more by the coincidence of two meetings with President Botha. One was that of Rev. Falwell. The other was that of a group of South African clergy, among them the Catholic Archbishop of Durban, Denis Hurley (no relation).

Archbishop Hurley's description of his meeting was that President Botha and the bishops had two different views of South Africa and that there was no common ground between them.

Rev. Falwell's visit ended on a note of praise for Botha's policy of gradual reform. "I hope that in three to five years" he said

"every member of the population, every colored, is totally represented politically in government."

Three to five years! How naive! The United States with its 200-year history of democracy did not get the Civil Rights Act until 1964 and we are still not near the goal of total political representation of minorities.

More to the issue is Rev. Falwell's use of the analogy of cancer in the context of reform.

"We can cut out the cancer without killing the patient," he said.

The analogy is well chosen but not for gradualism. Cancer is rotten at the core. It must be excised radically and quickly or the patient is lost.

The Catholic Bishops of South Africa, as far back as 1957, labeled apartheid as "something intrinsically evil." So outspoken has been Archbishop Hurley that the South African government brought charges against him for violating the Police Act, which restricts public comment about the conduct of the police and military forces. The day before the Archbishop was to go on trial in February of this year, the government dropped all charges. The Archbishop was disappointed. He was eager to have the public forum of a court of law.

Blacks, although a numerical majority, occupy only 13 percent of the land. Every black, beginning at age 16, must carry a passbook giving authorization to be in a white area or even in a black township. Blacks are subject to enforced removal and relocation programs, often leaving them in areas with polluted water supplies.

Gradualism over three to five years will

not save the patient from the cancer of apartheid.

Where does all this leave the Moral Majority? Five years ago Rev. Falwell spoke here in Anchorage, when the just-formed Moral Majority was throwing down the gauntlet on politicians who did not stand by "The Book." He cited Nehemiah from the Old Testament as the model of a God-fearing leader.

Nehemiah forced the leaders of the people to return to the people "this very day" their fields, their vineyards, their houses. The spirit of Nehemiah is what spurs the religious leaders of South Africa in their quest for the basic rights of their people.

The United States is now surging back and forth between "constructive engagement" and "economic sanctions." Both are defended by different advocates as the means to achieve what all agree upon — the end of apartheid.

Political ground seems to be slipping away from under the "constructive engagement" of the administration as restiveness and repression encounter each other on the streets. "Economic sanctions" are yet to establish their political footing as the awareness of American economic influence in South Africa grows.

Twenty-five years ago, Archbishop Hurley said of his homeland, "My country is a body riddled with germs." The germs have become cancer.

Francis T. Hurley is Roman Catholic Archbishop of Anchorage.

# Some investment funds mix morals with profits

By THOMAS WATTERSON  
The Christian Science Monitor

**T**hey might be called the reluctant do-gooders. Several mutual funds practice "ethical investing."

But among these are a few that see their investment policies as good money management first; high principles come in second. Even though such funds have respectable track records, they avoid the "social investing" label, because most investors believe a totally unrestricted investment policy pays better.

Not investing in South Africa or not buying alcohol or tobacco stocks does not put great restrictions on these funds, their managers say. It's just that these investments don't make as much sense today as they once did.

Based on the still-sketchy evidence available so far, the executives' reservations seem well founded. While the number of these "socially conscious" funds is growing, there has not been a corresponding growth in the number of new investors.

"If there was one more shareholder for each article that's been written, these funds would be doing great," Michael Lipper, president of Lipper Analytical Services, says only somewhat facetiously.

"It seems like they could use more shareholders," agrees Kathleen Victory, editor of Donoghue's Moneyletter, a mutual fund newsletter published in Holliston, Mass. "If they had more money coming in, they would have more to invest."

But Victory believes the fortunes of these funds may start to improve. "We have a certain group of people who are left over from the activist days of the '60s and have now accumulated a fair amount of money and want to do something with it." More and more, she says, these people want to make sure their money works for principles they agree with — or make sure it doesn't help businesses or nations that go against their convictions.

To this end, investors can select from a small but growing list of mutual funds that practice what Amy L. Domini, an investment counselor and co-author of "Ethical Investing" (Addison-Wesley Publishing Company, Reading, Mass., \$17.95), calls "avoidance" or "positive" investment approaches. The first involves staying away from investments that do not match your investment concerns; the second means supporting those you like.

A third approach, known as "activist," means investing in companies whose policies you want to change and using your rights of ownership to help make those changes. While this is an option for individual stockholders, mutual funds stick to the first two.

One of the newest of these funds is the

Colonial Advanced Strategies Gold Trust, offered by Colonial Investment Services of Boston, at 800-225-2365.

The fund has two notable characteristics. First, it will not invest in South Africa. And second, to offset the restriction of avoiding one of the world's two largest gold producers (the other is the Soviet Union, also not available for investment), the fund invests in an index of securities backed by gold, which links the fund's price more closely to its bullion price.

"We're not making any statement" about apartheid, says Art MacPherson, a Colonial spokesman. "But obviously, as long as that policy is in effect, the risks of investing there are too great." In other words, the decision not to put money in South Africa is less a moral statement than one of sound investment principles, something all mutual funds are supposed to use.

A similar "we're not that good" tone comes from David Tripple, portfolio manager at Pioneer II and Pioneer III, two of the three funds in the Pioneer Group, also in Boston, at 800-225-6292. All three funds avoid alcohol and tobacco stocks. Pioneer II, in particular, has a good, sometimes excellent, record of steady long-term growth.

"Eliminating the cigarette companies, brewers, and distillers has only kept us out of 12 to 15 companies," Mr. Tripple says. The funds also do not invest directly in South African-based companies, again, because the risks are seen as too great, not because of a particular "ethical" stand.

So why do these funds seem reluctant to put on white hats? For one thing, ethical investing and high returns do not seem to go hand in hand. "Anytime you restrict investments or eliminate any investments, sooner or later it's going to hurt you," Lipper says. "But it hasn't hurt them in the short term."

In some cases, this may not be that great a sacrifice. The return on the Calvert Social Investment Fund of Washington, D.C. — 800-368-2748 — founded in 1982, was 11.3 percent below the Dow Jones industrial average in 1983, says fund spokeswoman Grace Parker. But in 1984, the fund was up 6.8 percent and in the 12-month period ended May 31, it was up about 30 percent.

Calvert's funds (actually a stock fund and a money market fund) follow both the "positive" and "avoidance" investment approaches. They look for companies with environmentally safe products, that negotiate fairly with workers, encourage employee participation in management, and provide equal opportunity. They avoid utilities with nuclear energy or companies that produce weapons systems or have business in South Africa.

# Alaskans can have say on S. African investments

By VIC FISCHER

Events in South Africa have shocked the sensibility of most Americans, and the time may well have come for Alaskans to consider what policies should guide investments of our state funds in that country. America's dilemma is that while most of us abhor what goes on there, our governments, our financial institutions and U.S. corporations support and prop up the apartheid regime.

Two principal courses have been followed in an attempt to influence apartheid policies. One, the so-called Sullivan Principles, has been directed toward assuring that U.S. firms doing business in South Africa will follow nondiscriminatory and other practices similar to those that would guide their operations in our country. The second, referred to as divestment, calls for outright denial of financial support to South Africa, and pressure on U.S. companies not to do business in that country.

Many American businesses and financial institutions have responded to the challenge and are doing their part to speed up democratization of South Africa's oppressive government and laws. Far more companies, however, have done nothing.

Governments and other public institutions can exert tremendous leverage on the private sector. They control hundreds of billions of dollars through various funds (such as retirement and reserve funds) that are invested in corporate stocks and financial institutions. More and more of them have been investing their dollars on the basis of moral principles.

Eight state governments have approved, and another 15 are considering some form of divestment legislation. Sixteen municipalities have passed laws restricting investments, and five have approved non-

binding resolutions concerning investment of funds with firms that do business with South Africa. Additionally, more than 40 universities have taken either full or partial divestment action.

Both the Senate and the House of Representatives have approved bills to impose sanctions against South Africa because of its apartheid policies. The issue before Congress is how the two approaches will be compromised — how drastic will the sanctions be? How quickly will they take effect?

What about Alaska? What course should we pursue?

As of June, the State of Alaska had a total of \$1,866,200,000 in private investments (corporate stocks, corporate bonds, commercial paper, interest bearing bank deposits, and repurchase agreements). Of this amount, \$882 million or 47 percent, consisted of state funds invested in banks and corporations that do business in South Africa.

The major Alaska investor in South Africa related businesses is the state's General Fund, which had \$450.5 million (or 75 percent of its private investments as described above) in such investments. The Alaska Permanent Fund had \$281.1 million (or 36 percent) in South Africa related investments. The Public Employee Retirement Fund was into South Africa to the tune of \$90.5 million and the Teacher Retirement \$59.8 million. Relatively minor investments came from the Public School Fund (\$800,000) and University of Alaska (\$200,000).

All in all, these figures show a pretty significant state involvement with business having links to South Africa. One can not, however, necessarily hold the state's investment officials responsible for this state of affairs. The policies they follow are designed to optimize income while protecting the princi-



ple of invested funds. In some cases, it's a matter of pursuing prudent investor principles, in others it's a matter of state law. The question is whether we let it go at that.

Other states and institutions have, of course, been in a similar position. Yet, they have decided not to remain neutral to the way their monies might be used to shore up apartheid. They have found that their moral stance has not necessarily meant loss of income. Lots of American companies don't do business with South Africa and are

highly profitable. And the companies that have continued to operate there but follow the Sullivan Principles have certainly not lost money.

In view of today's world events and actions taken by other states and public institutions, it is certainly appropriate for Alaskans to address the question of what our state policies should be with respect to using state funds to support the South African regime or oppose its practices.

There are various approaches Alaska can take, ranging from di-

vesting all the state fund holdings from corporations that conduct business in South Africa, to doing nothing. Options that deserve public scrutiny are:

- Maintain current investment policy (i.e. maintain fiscal neutrality);

- In so far as possible, emphasize investment in non-South African companies, but put principal emphasis on maximizing income;

- Don't divest, but vote Permanent Fund and other state stocks against apartheid;

- Invest only in companies that have actively adopted the Sullivan Principles and have received high ratings;

- Actively pursue and strengthen the Sullivan Principles - for example, establish specific goals with timelines, and if the results are not met — then divest;

- Discontinue new investments in South Africa related businesses and divest all or a portion of state fund investments in corporations and other firms that do business in or with South Africa.

There is no agreement as to the policy or combination of policies that should guide state investments relating to South Africa. The one thing that's clear, however, is that this is an appropriate subject for public concern, public discussion, and public action.

The House State Affairs Committee has scheduled a public hearing on the subject for Tuesday, Sept. 10 at the Anchorage Legislative Affairs Office. It isn't often that we have an opportunity to do something affirmative about an international issue of overriding moral concern. In the case of state policy toward apartheid, we have such an opportunity. So it's up to Alaskans to act. I trust we will.

□ Vic Fischer is an Alaska state senator from Anchorage.

# UA has no S. Africa investments, but employee fund does

The Associated Press

**FAIRBANKS** — The University of Alaska has no financial ties with companies doing business in South Africa, but the university's employee retirement funds do, officials said Wednesday.

Many Alaskans, including some lawmakers, want to stop investing in companies doing business in South Africa until that nation ends its policies of racial segregation, or apartheid. Opponents of divestment say it might hurt state investments and do little to further the cause against apartheid.

"Employees' money is being invested in South Africa," said Brian Rogers, the university's budget director. "They have a choice of two annuity funds. The fixed-income fund does not invest in companies doing business in South Africa, but the equity fund does."

The University of Alaska Foundation, a separate, quasi-government corporation supported by private donors, has \$7 million in its 11-year-old program, and university officials said no foundation monies are invested in companies doing business in South Africa.

ca.

"We don't have any of that pain," said Lois Allen, the foundation's deputy treasurer. "We try to invest in a very secure manner, such as in certificates of deposit in Alaska banks, or federal treasury bills, notes and bonds."

The university's general fund is deposited for short periods with banks in Alaska, officials said. One of them, National Bank of Alaska, said it had no financial ties to South Africa.

"We finance companies in Alaska," said Ed Rasmuson, chairman of the board.

But about \$118 million from the state Public Employees Retirement System and Teachers Retirement System funds is invested in U.S. companies with plants, offices and employees in South Africa, state officials said. The university also has a supplemental retirement fund with Equitable Life Insurance Co., which has investments with companies doing business in South Africa, according to Rogers.

An estimated 11 cities, five states and 40 universities in the United States have divested themselves of South Africa-

ca-related stocks, according to state officials.

President Reagan advocates a policy of "constructive engagement" saying continued investment by progressive American companies helps blacks get ahead in that country.

The Alaska Permanent Fund, the state's oil wealth savings account, owns about \$750 million in stock, about 45 percent of which is with companies doing business in South Africa, state officials said.

A bill with an amendment urging Alaska to divest its South African holdings was introduced during the last legislative session by Rep. Don Clocksin, D-Anchorage. Another measure was introduced earlier this year in the Senate, and the state's Human Rights Commission last month called for an end to all state investments related to South Africa.

"Things have exploded, and the momentum has shifted," Clocksin said Wednesday. "We're more sophisticated in our financial analysis now. We know we can do it now without losing money."

But cutting Alaska's ties

would mean getting rid of stock in blue-chip giants such as IBM, Exxon and General Motors, officials say.

Many of those stable, prosperous, multinational corporations have operations in South Africa. An estimated one-third of major U.S. corporations do business in South Africa, dominating such fields as computer technology, auto

manufacturing, mining and energy, officials say.

"If we sold everything we own with investments in South Africa, we'd be ahead of the game at first," said Jim Kelly, a research and liaison officer for the permanent fund.

However, refusing to buy into a third of the country's biggest companies can be compared to an expensive game of cards played with an

incomplete deck, Kelly said.

For permanent fund trustees, divestment could also open up sticky political questions. The fund's managers see themselves as fiscal managers, required by law to get Alaskans the best deal they can for their money, Kelly said. Deciding to change investments due to political or moral pressures would go against the trustees' legal mandate, Kelly said.

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## Coalition forms on apartheid

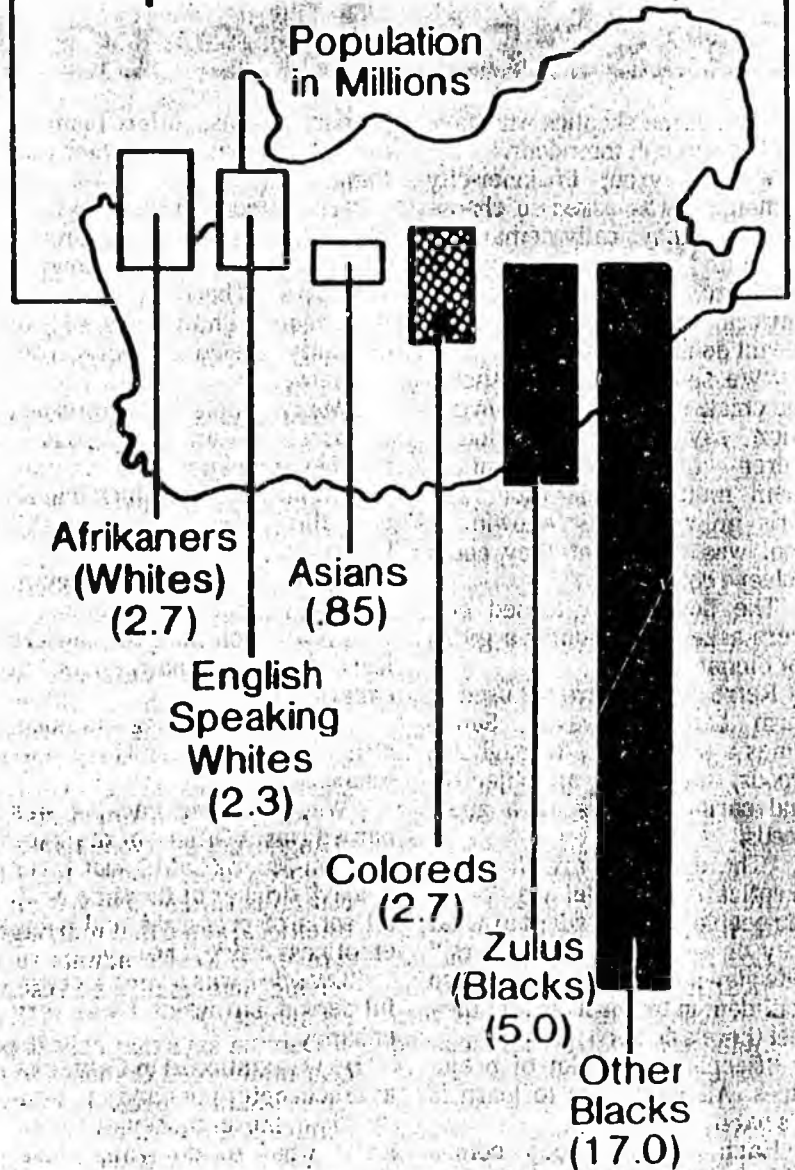
New York (AP) — A coalition of 54 Protestant and Roman Catholic organizations has launched a drive to persuade American businesses to withdraw from South Africa unless its government makes substantial progress by 1986 to end apartheid.

In a "new strategic approach," the church groups targeted 12 "key investors" in South Africa and asked them to cease immediately all sales and services to its government and to make clear that dismantling of apartheid is a "necessary precondition" for them to remain there.

The 12 companies named are Burroughs, Chevron, Citicorp, Control Data, Fluor, Ford, General Electric, General Motors, International Business Machines, Mobil, Newmont Mining and Texaco.

The Rev. Arie Brouwer, general secretary of the National Council of Churches, says it has been in dialogue with the 12 companies about the matter for more than a decade.

## Apartheid: And the People of South Africa



# AMANDLA!

## THE RALLYING CRY AGAINST

# APARTHEID

Increasing incidents of death and detention in South Africa have ignited a strong antiapartheid movement in the United States



By Frank Dexter Brown

**N**ovember 1984. For nearly four months, *apartheid* South Africa had been under a state of siege. The country had been brought almost to a standstill by massive strikes, boycotts and demonstrations against what most regarded as "bogus" elections held under the new constitution. Over 250,000 black students refused to attend classes. Black workers in most of the major industries, including mining, steel and automobile manufacturing, joined in support of the students' call for a total work-force "stay-away," protesting low wages and deplorable work and living conditions. Sebokeng, Mamelodi, Thokōza and other segregated black townships were erupting over government-imposed rent increases. And throughout the country, the impassioned cry of "Amandla!"—the Zulu expression for "power"—could be heard, as the black, green and gold flags of the banned African National Congress (ANC), the organization leading the liberation movement, were unfurled in direct defiance of *apartheid* laws. With millions uniting to challenge the *apartheid* regime, a revolutionary climate was developing in South Africa.

But as in the Soweto uprisings of 1976, when hundreds of schoolchildren were gunned down in the streets, the South African regime responded with a massive show

of force. In a reprisal code-named Operation Bullrush, the South African army was ordered into the townships. The results were devastating: over 200,000 homes searched and ransacked; 4,000 people detained without charge, including 10 labor leaders; more than 1,000 injured; and 200 killed. From around the world came expressions of horror as the number of casualties grew daily. At an emergency United Nations Security Council meeting, all but one country condemned the regime's actions. The United States stood alone.

Black Americans, appalled by what they called the Reagan Administration's "tacit approval" of the brutality, were convinced that something had to be done. On November 21, three people were arrested for refusing to leave the South African embassy in Washington: Randall Robinson, executive director of TransAfrica, the Washington-based black American lobby for Africa and the Caribbean; Mary Frances Berry, a member of the U.S. Commission on Civil Rights; and Rep. Walter Fauntroy (D-D.C.). Their act of civil disobedience signaled the birth of the Free South Africa Movement (FSAM)—the broadest-based antiapartheid force in U.S. history.

"In the wake of the regime's arrest of virtually the entire black labor leadership," explains Robinson, "its killing of some two

hundred people in the streets, its commitment to a policy of denationalization of blacks to the Bantustans—and on the heels of this, the Reagan Administration's response—all of this aroused us to act. . . . We needed to do something dramatic."

### The Birth Of A Movement

Indeed, attention has now been focused on this issue in a way that this country has rarely seen. In more than 20 major cities, antiapartheid demonstrations have become weekly, if not daily, occurrences. Thousands of protestors from all walks of life have been arrested, targeting South African consulates, businesses such as South African Airways, and U.S. corporations with South African investments. Today the FSAM embraces 40 nationwide groups: civil rights organizations, labor unions, artists' collectives, legislative bodies, fraternities and sororities, as well as 17 religious organizations and 90 campus groups.

All of this activity has focused press attention on an issue that until now has

**Scenes of protest: New York City demonstrators mourn hangings of ANC freedom fighters; Mary Berry, Randall Robinson and Walter Fauntroy announce the birth of the Free South Africa Movement.**

# AMANDLA!

## 7 WAYS TO CHALLENGE APARTHEID



1. Organize or join campaigns to support legislation prohibiting deposits or investments of public funds in banks or corporations that invest in South Africa.

2. Form or join media watch organizations and write letters to the media criticizing programs and articles that support South Africa.

support South Africa.

3. Boycott performances (or records, films, tapes, etc.) of entertainers who perform in South Africa.

4. Protest the sale of Krugerrands. Boycott coin dealers and banks that market South African gold coins.

5. Organize or participate in events commemorating important dates in the South African liberation struggle, including:

Solomon Mahlangu Day (April 6), commemorating the death of the first ANC freedom fighter hung for "treason"—his crime was fighting against *apartheid*;

Soweto Day (June 16), the day troops killed hundreds of children demonstrating peacefully against the regime;

South African Women's Day (Aug. 9), recognizing women's role in the struggle against *apartheid*;

Nelson Mandela's Birthday (July 16). Mandela is internationally recognized as the true leader of the South Africans;

Hero's Day (Dec. 16), dedicated to heroes of the liberation struggle.

6. Make South Africa a voting issue. Question your state legislator and congressman to determine how they stand on various issues including sanctions and constructive engagement.

7. Participate in or organize teach-ins and press forums on South Africa in your community, campus and church.

Source: *The Washington Office On Africa*, 110 Maryland Avenue, NE, Washington, DC 20002, 202-546-7961.

been virtually ignored by the major media. News about *apartheid* is finally reaching the public, and their enthusiastic response to the FSAM has brought new hope to many veteran anti*apartheid* activists.

"The whole anti*apartheid* movement has been fundamentally changed by the FSAM," says Jean Sindab, national director of the Washington Office on Africa. "The debate about *apartheid* has been extensively broadened. This is the single most important development in the attempt to establish a fair African policy."

Dr. Gerald Horne, coordinator of the New York Southern Africa Solidarity Coalition, agrees, adding that much of the success is because TransAfrica has "been forced to seek alliances with people of working-class backgrounds and with activists who have long been involved in street actions, marches and demonstrations."

This includes organized labor, which is an essential link to the Free South Africa Movement. One of the most effective protests was initiated recently by members of Local 10 of the International Longshoremen's and Warehousemen's Union in Oakland, Calif., who refused to unload South African cargo.

These developments have been welcomed by the South African liberation movement. Neo Mnumzana, chief representative of the ANC Observer Mission to the U.N., says, "As far as the people of South Africa are concerned, the [FSAM] is the best news to come out of the United States in recent times. They see its emergence as proof that Reagan's policies of 'constructive engagement' have no legitimate constituency in the United States."

His words do seem to ring true. Instead of acceptance, there are protests. Cries of "Free South Africa," "Liberate Namibia," and even "*Amandla*" can now be heard throughout the country. Already there have been victories that have come as a result of the FSAM, including:

- Honorary consulates in Boston and Portland, Ore., have been closed

- Six major coin dealers in four cities—Miami, Minneapolis, Pittsburgh and Indianapolis—have halted sales of the South African Krugerrand

- Thirty-five conservative legislators have threatened to support economic sanctions if the killings and detentions continue

- For the first time, legislation to ban new U.S. corporate investments in South Africa has been proposed in the Senate.

Robin explains that the FSAM's ultimate objective is to "develop a national

strategy" that would assist in bringing an end to *apartheid* and the regime's illegal occupation of Namibia, and also to pressure the Administration to end its policy of "constructive engagement."

"That policy is nothing more than a program of support for and accommodation to South Africa," he asserts. "The Administration offers that regime the political space it needs to escalate every area of *apartheid* repression."

### An Ally Of Apartheid?

When Reagan took office in 1981, one of his first foreign policy decisions was to reestablish close links with South Africa. In his first public statement on *apartheid* in March 1981, he announced the formation of a "strategic alliance" and asked rhetorically, "Can we abandon a country that has stood by us in every war we have ever fought, a country that is strategically essential to the free world in its production of minerals that we all must have?"

The announcement was followed by the expansion of economic, diplomatic and military relations. Since 1981, U.S. investments in South Africa have grown from \$2.3 billion to \$15 billion. Bank loans increased more than 167%. The Administration spearheaded South Africa's successful push for a \$1.1-billion International Monetary Fund loan in 1982—loans normally reserved for developing countries suffering major shortages of capital.

On the diplomatic front, five new honorary South African consulates have been opened here since 1981. And the United States failed to cast a single affirmative vote on the last 38 U.N. General Assembly resolutions to condemn South Africa—it abstained five times and voted no 33 times.

But the military and nuclear aspects of the alliance are the most troubling to anti*apartheid* activists. Rep. John Conyers (D-Mich.) and other black leaders have documented the collaboration between high-level U.S. and South African military officials. "Not only has 'constructive engagement' permitted the United States to become the largest trading partner and the second-largest foreign investor in South Africa," explains Conyers, "but it has also been a toothless euphemism disguising military support that has gone almost totally unnoticed."

Administration officials bristle when asked whether they give military support. "We don't have a military alliance," asserts Chester Crocker, assistant secretary of state for African Affairs and the acknowl-

# AMANDLA!

edged architect of constructive engagement. However, a white paper released last year by the Philadelphia-based American Friends Service Committee reports that military exports to South Africa have in fact increased.

For example, shortly after the first Reagan term began, the Administration lifted export restrictions on items on the State Department's munitions list. Two years later, the export of munitions list items had increased from \$25,000 to \$28.3 million annually. In the first quarter of 1984 alone, the amount of exports—including computers, turbojets and military technology—exceeded \$88 million. And, from 1981 to '82 U.S. corporations shipped to South Africa approximately \$1.7 million in "non-military" arms and ammunition, including 2,500 "shock batons," whips and electronic sensors. South Africa is also the third largest recipient of U.S. nuclear technology, totaling over \$2.2 million.

Legislators and activists express concern that these weapons are being used against South African blacks and the neighboring black-ruled countries known as the Front Line States. In Mozambique, Lesotho and Angola, hundreds have been killed and wounded and billions of dollars of property destroyed in South African military operations. And over 100,000 *apartheid* troops—*one soldier for every ten Namibians*—continue to occupy Namibia at a cost of over \$1 billion a year.

"We're looking at a life-and-death situation in southern Africa," warns Elombe Brath, chairperson of the Patrice Lumumba/Unity in Action Network. "Africans are being killed every day. Any additional weapons given to the South African government could prove devastating."



**Scenes of struggle: Top: South African army firing on protestors in Sebokeng township. Bottom: Forced from Namibia by *apartheid* troops, SWAPO refugees now live in camps in neighboring Angola.**

## The Drive For Sanctions And Divestment

South Africa's military aggression throughout the region, along with its mounting internal repression, has intensified the drive for economic sanctions and divestment, which has become the main

strategy used to pressure the regime.

Since 1982, five states (Michigan, Connecticut, Maryland, Nebraska and Massachusetts) and 13 cities have enacted laws requiring the withdrawal of over \$1 billion of public funds invested in U.S. companies doing business in South Africa. Another 29 cities and states are scheduled to consider similar legislation this year. And legislation prohibiting any new investments in South Africa, banning all new bank loans and the sale of Krugerrands, has been introduced in the House and the Senate. Already, bipartisan support has come from senators who did not back the bill last year.

The expanding movement for sanctions has caused the Reagan Administration and South African and U.S. business interests to respond with alarm. Many companies have hired lobbyists to attempt to halt the passage of new legislation, while the White House has made it clear that it will fight the passage of any sanctions legislation.

Anthony Monteiro, the executive secretary of NAIMSAL, a New York-based African support group that has been pushing for the total isolation of the *apartheid* regime since the early 1970s, says that "it's important to note that total sanctions have been called for by the ANC since the late 1950s. Sanctions must be looked upon as an act of solidarity with the South African black majority that would, in fact, destabilize the regime."

Robinson says that the isolation of the *apartheid* government is the final goal of the FSAM. "Our actions have served as a means of public education; and that is part of the lobbying process. Legislation calling for sanctions against South Africa is our goal, and this is what we intend to get." □

## THE ANTIAPARTHEID READER

The African National Congress  
801 Second Ave., Suite 401  
New York, NY 10017, 212-490-3487  
Distributes weekly news clippings about *apartheid* from papers around the globe.  
The International Defense and Aid Fund  
777 United Nations Plaza, Room 1  
New York, NY 10017, 212-697-4838  
Information on the South African military.  
NAIMSAL  
1 Union Square, Room 713  
New York, NY 10003, 212-929-5686  
Information on the effectiveness of comprehensive mandatory sanctions.  
The South West Africa People's

Organization (SWAPO)  
801 Second Ave., Suite 1401,  
New York, NY 10017, 202-557-2450  
Prints material on the Namibian struggle.  
TransAfrica  
545 Eighth St., SE, Suite 200  
Washington, DC 20003, 202-547-2550  
Publishes a quarterly newsletter.  
United Nations Center  
Against Apartheid  
United Nations Secretariat, Room 2775  
New York, NY 10017, 212-754-6674  
Information on all aspects of *apartheid*.  
The United Nations Council for Namibia  
United Nations Secretariat, Room 3322

New York, NY 10017, 212-754-5400  
Information about South Africa's illegal occupation of this former German colony.  
Patrice Lumumba Coalition/  
Unity In Action Network  
243 W. 125th St., Suite 12,  
New York, NY 10027  
Information on the cultural boycott.  
The Washington Office on Africa  
110 Maryland Ave., Washington, DC  
20002, 202-546-7961  
Information on all aspects of *apartheid*.  
They also feature a 24-hour anti*apartheid* hot line (202-546-0408).

—F.D.B.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

January 31, 1985

MEMORANDUM

TO: Representative Don Clocksin

FROM: Jay Livey  
Legislative Analyst *JL*

RE: South Africa: Human Rights and Investments  
Research Request 85-141 (Preliminary Report)

Johnny Ellis of your staff asked that we provide you with an update of the human rights situation in South Africa and describe the effect of United State's policy on that situation.

The Republic of South Africa has recently restructured its Parliament by adding two more chambers: one for representatives of mixed races and one for representatives of Asian races. The white chamber contains 166 members, the mixed race 80 members and the Asian chamber 40 members. In addition, the constitution expands the rights of the Asian and mixed race populations.

Because the constitutional changes have recently occurred, it is difficult to assess their effect on human rights in South Africa. One view is that although these reforms are minor, they indicate a step toward expanded freedom for the nonwhite population. Other observers do not see the new constitution as a document that indicates any real change from past policies. Supporters of this viewpoint note that the powers given Asian and colored (mixed race) parliamentary chambers are considerably different than the powers reserved for the white chamber. For example, the the white parliament has the power to veto actions of the other two parliaments and the prime minister can veto actions of the white parliament.

According to Jerry Herrman of the American Friends Service Committee, not only does the parliament continue to exclude blacks, but during the parliamentary elections that established the current membership, some Asian and colored groups attempted to promote a boycott of the election. Some sources report voter turnouts as low as 25 percent for these two groups.

In spite of these political changes, the South African government still denies blacks the right to own land in areas that are reserved for

Representative Clocksin  
January 31, 1985  
Page Two

whites. In addition, Rich Knight, of the American Committee on Africa, reports that the government continues to pursue its policy of relocating black-owned communities to the areas currently reserved for black residence.

Mr. Herrman also expressed the opinion that a general destabilization of Southern Africa is occurring as a result of the policies of South Africa. He claims that the number of cases of sabotage and insurgent raids into South Africa from neighboring countries is on the increase. In return, South Africa is increasing pressure on these countries to take positive steps to stop these incursions. In addition, South Africa continues to occupy Namibia. The government of South Africa claims that this occupation is in response to the presence of Cuban soldiers in Angola.

According to both Mr. Herrman and Mr. Knight, the current United States policy towards South Africa is one of muted opposition. In general, both gentlemen felt that the United States has been less vocal recently in denouncing apartheid policies in South Africa. Mr. Knight feels that one reason for this may be the security situation in the region. He notes that the United States has toned down its criticism of South Africa's Namibia policy, probably in response to the presence of Cuban troops in Angola. Mr. Knight was also of the opinion that the presence of Cuban troops has resulted in relaxed regulations concerning the United States arms embargo of South Africa.

I hope that this information is helpful. You also asked for information on investments in South Africa. I expect to provide that information by February 11.

JL



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y. State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

February 12, 1985

MEMORANDUM

TO: Representative Don Clocksin

FROM: Jay Livey  
Legislative Analyst *QL*

RE: South Africa: Human Rights and Investments  
Research Request 85-141

Johnny Ellis of your staff asked that we provide you with the following information:

- a current assessment of the human rights situation in South Africa;
- an update of House Research memorandum 84-008, which identified State investments in firms that do business in South Africa; and
- a report on divestment (of South Africa investments) activity occurring in other states.

My memorandum (85-141) of January 31, 1984 provided you with a current assessment of the human rights situation in South Africa. This memorandum addresses the other two issues.

House Research Memorandum 84-008

This memorandum, completed in February of 1984, identified State of Alaska investment funds that would be affected by a restriction prohibiting the investment of State funds in corporations or banks that do business in South Africa. The memorandum also determined the amount of State investments that would be affected by such a restriction and the financial consequences to the State from divesting all holdings of firms that do business in South Africa.

According to representatives of the Department of Revenue, an update of this research memorandum would provide little new information. Because the investment portfolio of the State is constantly changing, any assessment of the impact of divestment is based on a sample of the State holdings at any point in time. Therefore, as long as the impact

Representative Clocksin  
February 12, 1985  
Page Two

of divestment is based on a representative portfolio of State holdings, that impact should be accurately portrayed. Representatives of the Department of Revenue noted that the previous memorandum was based on a representative sample of the State's portfolio. In discussing the issue with you, we agreed that a reevaluation of the State's investment portfolio was unnecessary.

#### Divestment Activities in Other States

You also asked us to provide you with a summary of the divestment activities that are occurring in other States. Currently, five state governments have passed some form of divestment law: Connecticut, Maryland, Michigan, Massachusetts and Nebraska.<sup>1</sup> Washington D.C. has also passed a divestment law.

In addition, as of May 1984, the American Committee on Africa reported that divestment legislation had been introduced in the following sixteen states:<sup>2</sup>

Alabama  
Arizona  
California  
Florida  
Georgia  
Illinois  
Indiana  
Iowa  
Kansas  
Minnesota  
New Jersey  
New York  
Ohio  
Pennsylvania  
Rhode Island  
Wisconsin

Attachment A provides a brief explanation of the divestment activity in each of these states.

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<sup>1</sup>South Africa Divestment Drive has U.S. Firms Worried, Washington Post, Sunday, December 2, 1984.

<sup>2</sup>Newsletter No. 5, May 1984, by the American Committee on Africa, 198 Broadway, New York, New York 10038.

Representative Clocksin  
February 12, 1985  
Page Three

A number of municipal governments have also passed divestment laws or investment prohibitions. The Committee on Africa reports that 13 communities have passed laws restricting investments, 3 have passed laws requiring selective purchasing of stocks or bonds of companies that do business in South Africa and 5 communities have passed nonbinding resolutions concerning investment of funds with firms that do business with South Africa.<sup>3</sup> Attachment B provides a summary of this municipal activity.

The Committee on Africa also reports that at least 40 universities have taken either full or partial divestment action. Although a complete list of these universities is not available, the committee reports that City University of New York, Antioch and Hampshire Colleges, Ohio University, Michigan State, Indiana Central and the Universities of Massachusetts, Oregon and Wisconsin have passed resolutions to sell all shares of corporations doing business in South Africa.<sup>4</sup>

I hope that this information is helpful. If you desire additional research, please contact us.

JL

Attachments

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<sup>3</sup>Municipal Actions Against Apartheid, November 1984, by the American Committee on Africa, 198 Broadway, New York, New York 10038.

<sup>4</sup>South Africa: Questions and Answers on Divestment, December 1984, American Committee on Africa, 198 Broadway, New York, New York 10038.

# American Committee On Africa

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

## MUNICIPAL ACTIONS AGAINST APARTHEID

### Investment Restrictions

Date	Municipality	Action Taken	Amount Affected	Divested
11/84	Oakland, California	No new investment		
10/84	Newark, New Jersey	Divestment	?	?
10/84	Amherst, Mass	Divestment	?	?
8/84	New York, New York	Divestment	\$665,000,000	None
5/84	Boston, Mass	Divestment	\$29,000,000	None (waiting on home rule bill)
10/83	Washington, DC	Divestment	\$56,300,000	\$34,900,000
10/82	Grand Rapids, Mich	Prohibition of deposit of idle funds in banks lending to SA govt or corporations operating in SA		
7/82	Wilmington, Delaware	Divestment	\$400,000	\$400,000
6/82	Philadelphia, Penn.	Divestment	\$104,000,000	\$100,000,000
5/80	Berkeley, California	Divestment	\$4,500,000	?
2/80	Cambridge, Mass	No new investment		
1980	Davis, California	No new investment		
1980	Hartford, Conn	No new investment		

Selective Purchasing

Date	Municipality
10/84	Newark, New Jersey
3/77	East Lansing, Michigan
12/76	Madison, Wisconsin

Passed Non-Binding Resolutions

11/84	San Francisco (ballot initiative)
10/84	Detroit, Michigan
9/84	New Rochelle, New York
8/84	Gary, Indiana (1975 first city resolution calling on city to stop doing business with IBM, ITT, Motorola, Control Data).
1982	Atlanta, Georgia (removal city pension funds from banks lending to SA govt. or corporations operating in SA).

\*\*Note: September 1984 Executive Council of the National Conference of Mayors passed a unanimous resolution supporting divestment.

Compiled November 1984

# PUBLIC INVESTMENT AND SOUTH AFRICA

NEWSLETTER

Number 5

May 1984

## ALABAMA

State Action: On February 7, 1984, Representative James Buskey reintroduced a bill modeled on the successful Massachusetts legislation requiring divestment of state pension funds from banks and corporations investing in South Africa. There have been hearings in the House Ways and Means Committee, but a vote has not yet been taken.

## ARIZONA

State Action: Representative Art Hamilton and Senator Tony West introduced legislation which has been attached to HB 2020 which prohibits the investment of public funds in enterprises headquartered in or who have the majority of their interests based in South Africa. This includes a prohibition on the purchase of precious metals from South Africa. The bill is awaiting action by the Senate.

## CALIFORNIA

State Action: Assemblywoman Maxine Waters reintroduced Assembly bill 808 which stipulates that after January 1, 1989, no state funds shall remain invested in any corporation or any bank doing business in South Africa.

A public hearing in the Assembly Finance and Insurance Committee was held on January 10, 1984. The bill was defeated by a vote of 5 to 3. Assemblywoman Waters will introduce the bill again next year.

City Action: Santa Cruz: On November 3, 1983, Mayor John Laird of the City of Santa Cruz signed an ordinance which prohibits the investment of public funds in banks doing business in or with South Africa. The divested funds will be reinvested to create jobs, housing, and other services for local residents.

Published by: The American Committee on Africa,  
198 Broadway, New York, NY 10038

FLORIDA

State Action: Speaker Pro Tem Steve Pajdic introduced a bill in December 1983 calling for state funds, including pensions, to be divested over a three-year period from banks and corporations operating in South Africa. The bill passed the Retirement Personnel Collective Bargaining Committee and is awaiting action by the House Appropriations Committee.

GEORGIA

State Action: Representatives Tyrone Brooks, Betty J. Clark and J.C. Daugherty introduced House bill 1202 on January 18, 1984. The bill prohibits public retirement systems funds from being invested in banks operating in or dealing with South Africa.

Senators Julian Bond, Horace E. Tate and David Scott introduced Senate bill 543 on February 9, 1984. The bill states that no state funds shall be invested or deposited in any financial institution which has outstanding loans to South Africa. Both bills are awaiting action.

ILLINOIS

State Action: On April 4, 1984, more than 200 representatives of trade unions, churches and community organizations visited Springfield to lobby on behalf of a divestment bill introduced by Representative Carol Moseley Braun and co-sponsored by the House Speaker, Representative Michael Madigan. Bill 569 prohibits the investment of state funds in banks making loans to South Africa. The bill has passed out of committee and is now before the House for final passage, but voting has been postponed. South African government officials and U.S. corporations have lobbied strongly against the bill.

INDIANA

State Action: Representative William Crawford reintroduced a bill to remove corporations investing in South Africa or Namibia from the list of approved investments for state and local funds. The bill was not heard this year. Representative Crawford is organizing a stronger coalition for the 1985 legislative session with church, union and civil rights organizations.

IOWA

State Action: On April 20th, the Iowa legislature passed an Appropriations Bill with an amendment requiring that the Iowa Public Employee Retirement System Investment Board make no future investment of state pension funds in banks and companies dealing with South Africa. The amendment further requires the Investment Board to vote their stock at shareholders meetings against investing in apartheid. The amendment was introduced by Senator Charles Bruner, Chairman of the State Investment Board. The bill is awaiting the governor's signature. This success follows initiatives taken by Senator Thomas Mann and Representative Michael Connolly which were narrowly defeated in Committee.

KANSAS

State Action: Representative Norman Justice reintroduced House bill 2880 on February 22, 1984. There have been hearings in the House Committee on Pensions, Investments and Benefits but there was no action taken.

MARYLAND

State Action: Senator Clarence M. Mitchell III, president of the National Black Caucus of State Legislators introduced a divestment bill on March 14. As amended, the bill would prohibit future investments in South Africa and it was passed in the Senate. At the same time, Delegates Howard P. Rawlings and Wendell Phillips had introduced a similar bill in the Assembly. On April 9, the last day of the session, the Assembly voted the bill down. It is expected to be reintroduced next year.

MICHIGAN

State Action: House bill 4516, sponsored by Representatives Perry Bullard and Virgil C. Smith, Jr. and modeled on the comprehensive Massachusetts legislation, is held up in the Retirement Fund Committee. Representative Smith is working out an agreement with the treasurer which will get the bill out of committee and bring it before the legislature.

MINNESOTA

State Action: Senator Allan Spear and Representative Randy Staten reintroduced divestment legislation in both the Senate and the House. The bills prohibit future investments of funds by the State Board of Investment

May 1984, Newsletter Number 5, p.4

in corporations and banks that do business in South Africa and Namibia. There were hearings in the House and Senate on March 12, 1984. Corporations bussed in retirees to protest the bill. A vote was postponed until later in the session.

#### NEBRASKA

State Action: On April 9, the Nebraska legislature passed a divestment bill by a vote of 29-19 that will take effect as of January 1, 1987. The bill calls for the divestment of pension funds from corporations that do not meet the "highest rating of the Sullivan Principles." In 1980, Nebraska passed a divestment resolution introduced by Senator Ernest Chambers. Since then, Senator Chambers has been working to make the resolution binding.

#### NEW JERSEY

State Action: Assemblyman Willie B. Brown introduced Assembly bill 1309 on February 23, 1984. The bill requires divestment of state pension funds from companies doing business in South Africa. The bill is pending in the Assembly State Government Committee, and is co-sponsored by the House Speaker Alan J. Karcher.

In other action, Senator Wynona M. Lipman reintroduced Senate Joint Resolution #16 on January 23, 1984. The resolution calls upon the government of South Africa to rescind its apartheid policy. The Resolution is pending in the Senate State Government Committee.

#### NEW YORK

State Action: On January 13 and 17, the Assembly Banking Committee held hearings in New York City and Albany on divestment bills introduced by Assemblyman Herman D. Farrell, Jr., who is chairman of the committee. The bills call for an end to the investment of public funds in banks and corporations dealing with South Africa and are still pending before the New York Assembly. Since the hearings, meetings attended by representatives of trade unions, churches and community organizations were held in Syracuse and New York City to formulate strategies to support these bills. The New York State Council of Churches has voted to support divestment legislation and to work for its passage. The legislature is expected to start considering these bills after the Easter recess.

City Action: New York City: Council Member Ruth Messinger has introduced a

May 1984, Newsletter Number 5, p.5

bill in the City Council which would prohibit the city from accepting bids from companies having operations in South Africa and prevent the city from purchasing any South African product. The bill known as "Intro. 619" is co-sponsored by City Council President Carol Bellamy and 10 other Council members. Hearings will be held.

In a separate action, several trustees of the New York City pension system are discussing a strategy for divesting the pension fund system from corporations and banks operating in South Africa. The fund has over \$8 billion in assets.

#### OHIO

State Action: Senator William Bowen, chairman of the Senate Finance Committee introduced divestment legislation. The bill passed out of committee and is awaiting a hearing on the Senate floor.

City Action: Cleveland: On March 12, the county of Cuyahoga which includes the city of Cleveland passed a unanimous binding resolution sponsored by Commissioner Timothy Hagan calling on the County Investment Advisory Board not to invest its taxpayers funds in banks dealing with the Government of South Africa.

#### PENNSYLVANIA

State Action: Senator Freeman Hankins and Speaker of the House, Leroy Irvis have introduced bills in their respective houses to divest pension funds from banks and corporations dealing with South Africa. Both bills are still pending.

#### RHODE ISLAND

State Action: Senator David Carlin introduced new divestment legislation which was referred to the Senate Corporation Committee on February 29, 1984. On March 23, 1984, the Senate voted to transfer the bill to the Senate Finance Committee. No action has yet been taken.

#### WISCONSIN

State Action: Bill 834 introduced by Assemblywoman Marcia Cogg, prohibits public funds from being invested by the State Investment Board in corporations doing business in or with South Africa. It was heard on February 21, 1984 by the Committee on Government Operations. The bill is still pending.

WASHINGTON, D.C.

For the first time, the U.S. Congress had the opportunity to debate divestment legislation when a divestment bill passed unanimously by the D.C. City Council, came before the House District Committee for approval. As expected, Congressman Phillip Crane, a long-time supporter of South Africa, introduced a resolution to block the D.C. bill. Hearings were held on Crane's resolution and witnesses, including a financial "expert" who claimed that D.C. would "lose millions" by divesting, were called to testify. However, the House District Committee voted on February 14 by an overwhelming and bipartisan margin of 10-2 for the D.C. pension funds to be divested.

Prepared by: Nicholas Guede

# # # #

New Publications Available:

The South Africa Fact Sheet summarizes in four pages of facts and graphs the inequalities of life under the racist apartheid system and key facts about US economic involvement. \$30 each, \$15 over twenty.

Southern Africa Film Guide is a compendium of recent films available with brief narratives and listings of distributors and prices. \$1.00

Economic Disengagement and South Africa: The Effectiveness and Feasibility of Implementing Sanctions and Divestment is a thorough review of the arguments in a 34 page article for a prestigious law journal published by Georgetown University, "Law and Policy in International Business." Written by ACOA Executive Director Jennifer Davis, Research Director Gail Hovey and consultant James Cason. \$2.00

These may be ordered by photocopying this sheet and returning with payment to The Africa Fund, 198 Broadway, New York, NY 10038, (212) 962-1210.

I enclose \$ \_\_\_\_\_ for the above publications. Please include 15% for postage.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

FROM: DEPARTMENT OF REVENUE  
 TREASURY DIVISION  
 AUGUST 23, 1985

State of Alaska Investment Funds  
 Assets as of 6/30/85\*  
 (\$ Millions)

	<u>Permanent Fund</u>	<u>General Fund</u>	<u>Public Employees Retirement Fund</u>	<u>Teachers Retirement Fund</u>	<u>Public School Fund</u>	<u>U of A Permanent Fund</u>	<u>International Airport Fund</u>	<u>Total</u>	<u>% of Total</u>
Repurchase Agreements South African Amount*	7.3 (1.8)	118.8 (29.1)	9.7 (2.4)	8.0 (2.0)				143.8 (35.3)	1.3% (.3)
Commercial Paper South African Amount		445.0 (421.4)						445.0 (421.4)	4.1 (3.9)
Interest Bearing Bank Deposits South African Amount	.9 (.2)		32.6 (8.0)	20.1 (4.9)				53.6 (13.1)	.5 (.1)
Alaskan Certificates of Deposit	107.5	43.2						150.7	1.4
Government Obligations	5,469.8	1,245.5	555.4	348.9	72.3	7.3	33.5	7,732.7	71.8
Corporate Bonds South African Amount	23.5 (.0)	3.0 (.0)	48.3 (7.5)	39.4 (6.1)	5.1 (.8)	1.2 (.2)		120.5 (14.6)	1.1 (.1)
Government Agency Obligations					2.5	1.7		4.2	-
Corporate Stock South African Amount	747.3 (279.1)	31.8 (.0)	194.4 (72.6)	125.6 (46.8)				1,099.1 (398.5)	10.2 (3.7)
Mortgages & Loans	48.0	206.8	297.6	201.8				754.2	7.0
Real Estate Equities	<u>129.7</u>	<u>          </u>	<u>84.9</u>	<u>56.2</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>270.8</u>	<u>2.5</u>
TOTAL South African Amount	6,534.0 (281.1)	2,094.1 (450.5)	1,222.9 (90.5)	800.0 (59.8)	79.9 (.8)	10.2 (.2)	33.5	10,774.6 (882.9)	100.0 (8.1)

\* The figures shown in parentheses for "South African Amount" are estimates of investments of State funds in banks or corporations which do business in South Africa. No State funds are invested in banks or corporations domiciled in South Africa. The amounts are computed from ratio of such investments shown in Table 3 of 2/16/84 House Research Agency memo to assets in Table 1 of the memo.



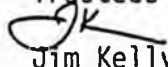
Appendix update  
AS of 7-31-85

**Alaska Permanent Fund Corporation**  
Pouch 4-1000 Juneau, Alaska 99802  
TEL 907/465-2047 TLX 099-46-323

MEMORANDUM

DATE: April 18, 1985

TO: Trustees

FROM:  Jim Kelly  
Research & Liaison Officer

SUBJECT: South African Divestment: The Issues

As you know, there have been resolutions introduced this session in both houses of the Legislature which would direct the State to divest itself of any and all investments in companies doing business in or with South Africa. This is a matter of interest to the Alaska Permanent Fund Corporation because the Fund, at present, has significant stockholdings in a number of U.S. companies in this category.

Although the will of the Legislature regarding this issue is yet unclear, and even though, in any event, a resolution is non-binding, it is certainly appropriate - and timely - for the Trustees to become acquainted with all the issues surrounding South African divestment. To that end, this memorandum presents a general summary of contemporary writings on the subject, and a specific analysis from the perspective of the Permanent Fund.

South Africa. Apartheid means "apartness" in the language of the white people who hold power in the Republic of South Africa. It is a system of government founded on skin color, and has been in effect in that country since 1948. Under apartheid, 22 million blacks - 73 percent of the total population - are not permitted to vote. They are required to live on reservations called "homelands" which are limited to 18 percent of the land. The white population, estimated at 5 million, runs the government, owns the land, and controls the economy.

South Africa's main attractions are its rich mineral deposits, cheap labor, stable climate, and a \$100 billion-a-year economy. Those natural resources, together with the geopolitically strategic location at the tip of Africa, have prompted both the government of the United States and corporate America to develop a tremendous stake in the country's future.

U.S. Investments in South Africa. According to the best estimates, U.S. firms have invested \$2.3 billion in a broad range of South African enterprises.

U.S. banks have lent the South African government and companies there another \$4.6 billion. Gold and other stockholdings bring the figure for total American investments in that country to \$14 billion.

American companies make up 17 percent of foreign investment in South Africa, but dominate strategic sectors of the economy such as computers, energy, motor vehicles, and mining. They are responsible for the employment of some 120,000 South Africans, mostly blacks.

There are approximately 440 U.S. corporations doing business in South Africa. Included are 31 of the 50 largest U.S. companies, and 49 of the 100 largest. Some 25 American companies - including such major firms as IBM Corporation, U.S. Steel, General Electric Company, Union Carbide, General Motors, and Ford - have investments exceeding \$20 million apiece in South Africa. There are also an estimated 6,000 U.S. firms that trade with South Africa but have no operations based in the country.

South Africa Divestment Drive. Since 1982, 11 American cities have adopted policies to divest some or all of their holdings from companies doing business in South Africa: Boston, New York, Washington, Philadelphia, San Francisco, Atlantic City, Newark, Rahway, Wilmington, Charlottesville and Grand Rapids. Just recently, the U.S. Conference of Mayors approved a non-binding resolution recommending divestment.

So far, five states - Massachusetts, Nebraska, Connecticut, Michigan, and Maryland - have passed some form of divestment legislation. More than 20 additional states are expected to consider such measures this year.

At least 40 universities have taken either full or partial divestment action. Those that have passed resolutions to sell all shares in corporations doing business in South Africa include the City University of New York, Antioch and Hampshire Colleges, Ohio University, Michigan State, Indiana Central, and the Universities of Massachusetts, Oregon, and Wisconsin.

In addition, a large number of churches and unions have voted to end their banking or corporate links to South Africa.

The Sullivan Principles. The Sullivan Principles were written in 1977 by the Reverend Leon H. Sullivan, a Baptist preacher living in Philadelphia and a director on the board of General Motors. Originally developed as an employment code to help guide American companies operating in South Africa, these six principles have become the basis for evaluating individual companies, and rating each for their social progress in South Africa. The principles dictate:

- \* Nonsegregation in work facilities;
- \* Equal pay for equal work;
- \* Fair employment practices;
- \* Training programs for blacks and other non-whites;

- \* Improving facilities in housing, schooling and other quality-of-life areas; and
- \* Increasing the number of non-whites in management and supervisory positions.

As of October, 1984, there were 128 Signatory companies to the Sullivan Principles, that is, 128 U.S. corporations which have voluntarily agreed to be evaluated according to these standards. The way it works, companies are individually evaluated and then rated in relation to each other rather than against an absolute standard. There are three major rating categories: (I) making good progress; (II) making progress; and (III) needs to become more active. Categories I and II are considered passing grades, and category III is failing. Eighty-one of the Signatories received passing ratings in 1984.

The total employment of the reporting Signatories in South Africa is about 65,000, one percent of the total economically-active work force. It is estimated that the Signatories have spent more than \$100 million since 1977 in support of the Sullivan Principles and improved working conditions for blacks in South Africa.

On December 12, 1984, just four months ago, at a time of heightened protest in the U.S. and increased black-labor unrest, walkouts, and strong counter action by security forces in South Africa, about 120 of the Signatories held a meeting in New York. At that meeting, the Signatories agreed unanimously to expand the Principles to include language which commits the companies to directly lobby the South African government against apartheid. Specifically, the new language states that Signatories shall "use influence and support the unrestricted rights of black businesses to locate in the urban areas of the nation; influence other companies in South Africa to follow the standard of equal-rights principles; support the freedom of mobility of black workers to seek employment opportunities wherever they exist, and make possible provisions for adequate housing for families of employees within the proximity of workers' employment; support the ending of all apartheid laws."

#### Arguments For Divestment

\* "The net effect of American investment has been to strengthen the economic and military self-sufficiency of South Africa's apartheid regime." This was the conclusion of the Senate Subcommittee on Africa in January, 1978. Thus, it is argued, ending U.S. investment in South Africa would be a blow against apartheid.

\* "Divestment would serve notice on the white establishment in South Africa that it cannot hope for any significant or sustained relationship with the U.S. so long as apartheid continues...I think it sends a useful signal to the black majority in South Africa that the U.S. is on the side of change rather than the status quo. If one assumes as we do that sooner or later the black majority will be in a position to determine the destiny of South Africa, our prospects for a constructive relationship with South Africa will be enhanced if the black

majority feels we have been working in this direction." - Congressman Stephen Solarz

\* South Africa is not the place for prudent investment. With growing social and labor unrest, the black unemployment and underemployment estimated at 25 percent, the London Economist has called South Africa "a time bomb of discontent and revolution-fodder." Without significant changes in the country, some risk analysts for international corporations are warning against long-term investments in South Africa because of the high economic risk.

\* South African blacks, those who would be most affected by it, support divestment. For example, FOSATU, The Federation of South African Trade Unions, the largest federation of black labor unions in South Africa, opposes any foreign investment in their country which provides support to the white government. Another example: when Ford Motor Company, the largest U.S. employer of black workers in South Africa, recently asked its workers what they thought of the Sullivan Principles, they responded negatively and described them as a "toothless package".

\* Divestment does not necessarily have a financial cost.

° Connecticut State Treasurer, Henry Parker, reported in September, 1984, that "Connecticut has been able to earn money by selling the holdings of socially irresponsible companies. Corporate America must take a strong stand against racism wherever it exists, and our divestment law is an important incentive for them to do just that."

° "Timely and careful divestiture can result in net increases in pension earnings." - Governor of Massachusetts in August, 1983

° "We...consistently achieved or bettered our assumed actuarial investment return rate of 9 percent in our transactions divesting our portfolio of fixed income securities of firms doing business in South Africa." - Director of the Board of Pensions in Philadelphia in 1984

° Michigan State University found in June 1980, that within months of passing divestment resolutions, their portfolio had earned an additional \$1 million.

° A Wilshire Associates study, completed late in 1984, showed that a divested Standard & Poor's 500 Index would have outperformed the "old" S&P 500 over the past five years by seven percent annually.

° Studies conducted by Chemical Bank, the U.S. Trust Company, the Franklin Research Company, and the Trinity Investment Management Corporation, have all shown that over time the South Africa-free companies have outperformed the restricted stocks with a minimal amount of added risk.

### Arguments Against Divestment

\* South African divestment is a form of "social investing", and as such, is a breach of fiduciary responsibility for a trustee. "Social investing" is an investment strategy that does not object to the promotion of nonfinancial social goals at the expense of financial ones. It usually involves a combination of reduced diversification and higher administrative costs not offset by net financial gains.

\* The Reagan administration's policy of "constructive engagement" with South Africa argues against divestment on geopolitical grounds: (1) the U.S. is dependent on South African strategic raw materials, notably chrome, manganese, platinum, and vanadium; and (2) the South African government is a U.S. ally, and a partner in the regional struggle against the Soviet Union. Thus, it is in America's best interests to continue economic and political relations between the two nations.

\* "If we cut off investment, we would lose jobs in this country, and we wouldn't necessarily help blacks in that country." - Andrew Young, Mayor of Atlanta and former U.S. Ambassador to the United Nations

\* Divestment is anti-Black. "Black South Africans have to confine their options to realities, and we have to seek to bring about radical change in such a way that we do not destroy the foundations of the future. More than 50 percent of all black South Africans are 15 years of age or younger. A huge population bulge is approaching the marketplace. To greatly exacerbate unemployment and underemployment, and to greatly increase the already horrendous backlog in housing, education, health and welfare services would be unforgivable." - Mangosuthu G. Buthelezi, the hereditary leader of the Zulu people of South Africa

\* Democracy and freedom can only be achieved within a climate of economic growth. This growth in South Africa, fueled at least in part by American investment, will eventually destroy institutionalized racism, as has happened in America's recent past. This position is held by many black South Africans, including the leaders of Inkatha, a 900,000-member, self-proclaimed liberation movement which is the largest political organization in the history of South Africa.

\* Divestment is inappropriate because the white government in South Africa - in the context of that continent - is not so bad. For example, one writer reminds his readers that the rulers of Uganda and the Central African Republic not only tyrannize their subjects, but on occasion have actually eaten them. He also points out that there is an acid test of a country's internal policies: Are people trying to get in or out? He argues that South Africa, with over a million illegal immigrants, passes that test.

South African Divestment: A Permanent Fund Perspective

South African divestment is an extremely controversial issue. It involves complicated social, political, economic, financial and legal questions. Apartheid, however, poses no moral dilemma; it is quite simply wrong. No one in Alaska need be an apologist for apartheid, and certainly no one associated with the Alaska Permanent Fund Corporation supports continuation of the status quo in South Africa.

Nonetheless, the Trustees of the Permanent Fund have a fiduciary responsibility to the people of the State of Alaska to make investments according to the Prudent Investor Rule. This responsibility is inherent in the management of any trust, and is specifically required for the Permanent Fund by AS 37.13.120. Enactment of a non-binding resolution by the Legislature would not relieve the Trustees of this legal responsibility.

As of March 31, 1985, the Permanent Fund held 6,154,410 shares of stock in 132 U.S. companies doing business in South Africa. Sixty-one percent (81) of these companies are Signatories to the Sullivan Principles. The cost of the South Africa-related stock to the Permanent Fund was \$270,481,017. The market value of the stock on the above date was \$293,798,934, for an unrealized gain of \$23,316,917. The largest holdings were in Exxon (331,600 shares), IBM (279,300 shares), and General Electric Company (224,100 shares). (See Appendix "A".)

The financial impact of divestment depends upon the type of divestment (partial or full), the particular holdings in the portfolio at the time of divestment, the characteristics of the market at that time, and other economic conditions.

An estimate of the true costs of divestment to the Permanent Fund would have to consider: (1) transaction costs; (2) the effect of divestment on the portfolio; and (3) the potential performance of the Fund after divestment.

Transaction Costs: It is estimated that the Alaska Permanent Fund Corporation pays transaction costs, on the average of five cents to buy a share of stock and five cents to sell a share of stock. Because the stock which would be divested is worth more per share, on average, than the replacement stock, actual transaction costs would be something in excess of the number of divested shares times five cents times two (sell and buy).

Effect of Divestment on the Stock Portfolio: The Trustees have adopted a long-term investment strategy which includes the policy of placing up to 15 percent of the Fund into common stock by June 30, 1986, market conditions permitting. This is to be done sixty-six and two-thirds percent on the basis of the Standard & Poor's 500 index, and thirty-three and one-third percent through specialty, external managers. The latter firms, of which there are four, have been selected to pursue areas having prospects of growth and earnings that substantially exceed those of the market average.

Under divestment, this investment strategy would have to be altered. For one thing, divestment would so restrict access to stocks in the S&P 500 that it would be virtually impossible to construct a portfolio for the Fund which would be a statistical mirror of that index. For a good perspective on the impact of divestment on a stock portfolio consisting solely of the S&P 500, consider the findings of a study completed late in 1984 by Wilshire Associates, one of the leading investment advisory firms in the United States. This study examined what would happen if each of the 152 South Africa-related companies in the S&P 500 were to be replaced by the largest South Africa-free company in its industry.

At the end of the first quarter of 1984, the S&P 500 was worth over \$1.175 trillion. The 152 companies doing business with South Africa accounted for \$554 billion of the S&P 500's capitalization value. Their 152 replacements were worth \$107 billion. This "new" S&P 500 index thus came to \$728 billion - less than 62 percent of the value of the "old" S&P 500.

The effect of divestment on the S&P 500 is that large multi-national companies are replaced by smaller, domestic companies. The capitalization weights of some industries (e.g. drugs and motor vehicles) are more than halved. The "new" S&P 500 has 8 percent more risk, as measured by beta, and 3 percent less diversification than the S&P 500. In other words, the "new" S&P 500 would rise or fall, on average, by 8 percent for every 1 percent change in the "old" S&P 500.

A fund restricted in this fashion would expect higher trading and administrative costs inasmuch as its portfolio would contain smaller, riskier, and less liquid companies. The larger the fund, according to this study, the more likely it would have to restructure its investment plans completely in order to achieve targeted risk/return goals.

Potential Performance of the Fund After Divestment. Trinity Investment Management Corporation recently did a study with regard to the impact of divestment on the New Jersey pension funds. In that study, they proposed a very appropriate analogy. They suggested that being denied access to 35% of the U.S. securities market (the South Africa-related companies) was analogous to playing a poker game in which you are dealt from a deck containing only 35 cards and the rest of the players are dealt from a deck of 52 cards. Moreover, elimination of such companies as IBM, Exxon, Merck, and Eastman Kodak, which are the staples of a large institutional portfolio, is equivalent to your deck of 35 cards containing only half the face cards. It is possible to be dealt occasionally winning hands from your deck of 35 cards, but over the long run you will lose against players using 52 cards.

The study concluded that any divestment restriction would significantly increase risks, reduce investment and diversification opportunities, result in lower risk-adjusted returns and greater trading costs, and violate the Prudent Investor Rule.

Options. The preceding analysis is based on full divestment. There are, however, other options which could be considered and which, arguably, might be just as effective as full divestment:

- \* Disinvestment; that is, no new investments in companies doing business in South Africa;
- \* Divestment from companies which are not Signatories to the Sullivan Principles;
- \* Divestment from companies which do not meet the highest ratings of the Sullivan Principles;
- \* Vote Permanent Fund stock against apartheid;
- \* Organize other large stockholders and, together, vote stock against apartheid; or
- \* Encourage passage of a legislative resolution supporting one or more of the South Africa-related bills presently before Congress.

Which option to consider, if any, really depends on one's beliefs about the efficacy of certain types of actions. Unfortunately, there is precious little about this issue which can be determined for certain.

JK:bm

① South Africa Stock

3-31-85

Appendix "A"

SIGNATORIES	# OF SHARES	COST	MKT	GAIN OR LOSS
✓ Abbott Labs.	77,500	3,337,164	4,149,900	812,736
Allis-Chalmers	18,800	315,276	138,650	<176,626>
AMAX INC	57,200	1,221,449	1,052,182	<170,267>
AM. Broadcasting	22,200	1,459,542	2,353,200	893,658
AMR CORP.	26,500	957,203	1,113,000	155,797
AM. CAN	12,700	580,900	613,100	92,200
✓ AM. Cyanamid	2,300	1,208,768	1,280,301	71,533
✓ AM. Express	94,500	3,619,136	4,133,912	514,806
✓ AM. Home Pds.	49,200	2,880,966	3,460,363	579,397
AM. Hosp. Sup. Co.	26,200	879,469	969,400	89,931
✓ AM. Int. Group	46,200	2,833,409	3,309,213	475,804
✓ ARMCO-Steel	30,900	467,891	274,238	<193,653>
Baker Intl.	82,800	1,504,870	1,397,250	<107,620>
✓ Bausch & Lomb	55,000	1,316,239	1,430,000	113,761
✓ Baxter Travenol	61,100	1,069,735	962,325	<107,410>
Beatrice Co.	31,500	921,463	941,063	19,600
Beckman Dickinson	16,600	584,285	825,850	241,565
Black & Decker	86,900	2,883,382	2,897,188	13,806
Boeing Co.	49,400	2,326,662	3,087,500	760,838
Borden Inc.	13,300	830,878	960,925	130,047
✓ Borg Warner	36,000	2,351,800	2,892,250	541,050
✓ Bristol Myers	53,300	2,810,148	3,467,250	657,102
✓ Burroughs	20,000	1,067,311	1,197,500	130,189
✓ Caterpillar Tr.	33,100	1,280,113	1,063,338	<216,775>
✓ CBS	11,300	864,808	1,240,175	375,367
✓ Celanese Inc.	84,300	1,497,730	1,804,550	306,820
✓ Chase Manhattan	88,600	771,108	862,265	91,157
Chesebrough Pds.	14,900	526,790	474,938	<51,852>
Ch. Pneumatic Tool	24,500	525,427	572,688	<12,739>
Chrysler Corp.	40,000	1,103,519	1,395,000	291,481
✓ Cigna Corp	25,300	1,008,214	1,258,675	250,461
✓ Citicorp	80,300	2,975,125	3,472,925	497,800
Clark Equip.	11,400	361,144	343,425	<17,719>
✓ Coca Cola	88,400	5,143,366	6,188,000	1,044,634
✓ Colgate Palm	61,300	2,389,825	2,654,925	300,101
Combustion Eng.	26,700	1,827,747	2,023,703	195,956
✓ Control Data	41,300	1,483,636	1,239,000	<244,636>
✓ Cooper Ind.	26,800	809,520	763,800	<45,720>
✓ Cummings Eng.	11,500	793,884	949,563	155,679
#1 Tot.	1,525,760	\$60,818,902	\$69,263,610	\$8,444,708

2

COLUMN WRITE

	# of SHARES	COST	MKT.	GAIN or LOSS	
1	CHEVRON	134,400	4,664,320	4,687,200	22,880
2	D... & Corp	31,800	914,221	874,500	<39,721>
3	✓ DARR & CRAFT	16,000	1,198,624	1,486,000	287,376
4	✓ DEERE & CO.	87,500	2,659,697	2,701,563	43,866
5	DIAMOND SHAM.	37,900	761,790	734,313	<27,477>
6	✓ DOW CHEMICAL	107,600	3,184,189	3,120,400	<63,789>
7	✓ DRESSER Ind	36,800	690,117	749,800	59,683
8	DUN & BRAD.	31,200	1,907,261	2,246,400	339,139
9	✓ E.I. DUPONT	87,900	4,343,026	4,559,813	216,787
10	✓ E. KODAK	60,500	4,289,712	4,144,250	<145,462>
11	✓ EATON CORP	20,670	1,036,426	1,064,557	28,131
12	EMERY AIR	42,200	727,684	706,850	<20,834>
13	✓ ENGELHARD	11,600	387,753	346,550	<41,203>
14	✓ EXXON	331,600	13,826,657	16,662,900	2,836,243
15	✓ FIRESTONE	17,700	350,752	325,238	<25,514>
16	✓ FLUKE, JOHN	22,050	627,751	584,325	<43,426>
17	✓ FLUOR	68,100	1,290,452	1,276,875	<13,577>
18	FMC CORP	13,700	852,411	852,825	<5,867>
19	✓ FORD	126,950	5,115,479	5,379,507	264,028
20	✓ FOSTER & WHEELER	26,100	374,074	371,925	<2,149>
21	FREIGHT	27,150	626,579	631,238	4,659
22	✓ GE	224,100	12,502,832	13,249,913	747,081
23	✓ GM	150,900	10,862,355	11,015,700	153,345
24	GERBER	6,900	199,479	209,588	10,109
25	✓ Gillette	15,700	835,7	924,338	88,566
26	✓ Goodyear	56,830	1,484,	1,542,725	57,969
27	✓ HEWLETT PACK.	94,000	3,558,562	3,196,000	<362,562>
28	Holiday Inn	15,100	741,301	783,313	42,012
29	✓ Honeywell	26,600	1,572,839	1,536,150	<36,689>
30	Ingersoll Rand	0	374,225	326,600	<47,625>
31	✓ IBM	279,300	33,531,997	35,471,100	1,939,103
32	Int'l. Flavors	18,300	505,129	533,450	28,321
33	✓ Int. Minerals	10,400	462,720	427,700	<35,020>
34	✓ ITC Corp	51,200	1,707,088	1,843,200	136,112
35	✓ JOHNSON & JOHN.	89,200	3,180,458	3,746,400	565,942
36	✓ Joy Mfg.	13,300	368,841	340,815	<28,026>
37	✓ Kellogg	20,100	609,180	999,975	390,795
38	Kimberly Clark	18,500	825,125	899,563	74,378
39	Koppers	32,700	584,929	629,475	44,546
40	#2 Total	2,470,150	123,740,693	131,183,094	7,442,401

3

COLUMN WRITE

	# OF SHARES	COST	MKT	GAIN OR LOSS
LTV Corp.	63,850	500,401	552,475	52,074
MACMILLAN	18,100	669,170	979,663	310,493
✓ MARRIOTT	10,400	729,572	864,500	134,928
MARTIN MARIAGE	17,050	589,939	878,075	288,136
✓ MERCER & CO.	56,300	5,295,348	5,904,463	609,115
MG M	34,300	547,899	433,038	<114,861>
✓ MMM	62,900	5,016,677	5,094,636	77,959
✓ Mobil Corp.	188,800	5,476,750	5,664,000	187,250
✓ MORGANTHAU	25,800	1,213,385	1,090,050	<123,335>
✓ Motor Oil	67,400	2,467,009	2,241,050	<225,959>
✓ NABISCO	20,100	906,924	1,203,488	296,564
NCH Corp	14,400	330,253	378,613	48,360
✓ NCR Corp	55,200	1,483,752	1,523,200	89,448
NEW MONT MIN.	29,700	1,349,992	1,314,225	<33,767>
OCCEANICAL PETE	64,000	1,955,350	1,912,000	<33,350>
OWENS CORNING	10,000	372,919	312,500	<55,419>
OWENS ILL.	15,600	580,242	659,100	78,858
PEPSICO	84,700	3,555,152	4,226,738	1,071,586
PERKINS ELMER	37,700	974,629	937,788	<36,841>
✓ PFIZER	72,300	2,703,356	3,099,863	396,507
✓ Phelps Dodge	7,000	196,140	144,375	<51,765>
✓ PHILCO-SALOMON	50,000	1,589,948	1,900,000	310,052
✓ Phillips PETE	75,900	2,884,200	2,907,876	23,676
✓ RAYTHEON	62,400	2,516,203	2,697,688	181,485
REVLON	61,700	2,115,223	2,262,475	152,252
✓ REYNOLDS R.T.	52,900	3,420,394	<del>3,420,394</del> 4,527,472	1,107,078
✓ ROHM & HAAS	10,000	611,744	612,500	756
✓ Scher. Plough	37,500	1,405,344	1,514,063	108,719
G.P. SERRAIE	16,000	851,762	800,000	<51,762>
✓ SMITH'S KLIPZ	29,100	1,681,192	1,851,488	170,296
✓ SPERRY CORP	24,200	923,119	1,222,653	299,534
SQUARE D	23,700	899,822	876,900	<22,922>
✓ Squibb	19,400	969,508	1,096,100	126,592
✓ Std. Oil Ohio	119,800	5,266,345	5,660,928	294,583
STANLEY WKS.	8,900	251,115	250,800	315
<del>STANLEY WKS.</del>				
✓ STERLING DRUG	19,700	497,660	625,475	127,815
TEKTRENIX	18,200	1,198,462	1,064,700	<261,577>
#3 Total	1,584,900	\$ 64,144,800	\$ 69,804,908	\$ 5,660,108

4

COLUMN WRITE

	# of SHARES	COST	MKT.	GAİN OR LOSS
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✓	UNECO	54,200	2,118,150	2,316,965	198,815
✓	TEXACO	95,800	3,458,892	3,460,775	1,883
	THOMAS BETTS	29,400	1,018,593	1,084,125	65,532
✓	TIME INC	20,900	941,700	1,170,400	228,700
	TIMES MIRROR	55,300	2,205,483	2,730,438	524,955
	TIMKEN	17,100	622,681	571,650	<51,031>
	TRW INC	11,900	869,055	940,100	71,045
✓	UAL INC	20,300	952,362	938,875	<13,487>
✓	UNICARBIDE	24,300	1,282,202	929,475	<352,727>
✓	UNTD. TECH	44,500	1,585,127	1,818,938	233,811
✓	UPJOHN	12,400	799,311	998,200	198,889
	VFCORP	12,200	365,780	391,925	26,145
✓	WARNERLOHM.	38,800	922,538	1,049,706	127,168
✓	WMA. LAMPRT	29,000	973,757	1,149,125	175,368
	WP PEPPERELL	3,800	201,677	136,800	<64,877>
✓	WESTINGHOUSE	65,300	1,629,527	1,959,000	329,473
✓	XEROX	43,800	1,829,787	1,899,825	70,038

81 #4 Totals 573,600 \$ 21,776,622 \$ 23,546,322 \$ 1,769,700

GRAND TOTAL 6,154,410 \$ 270,481,017 \$ 293,797,934 \$ 23,316,917

132

Co. in South Africa

Stocks Managers

7/31/85

COLL	WRITE	1	2	3	4	
		No of Shares	Cost	Mkt.	Gain (Loss)	
1						
2		Bankers Trust	6,054,440	\$ 254,215,889	\$ 284,930,640	\$ 30,714,751
4		Batterymarch	754,550	21,725,993	22,247,253	521,260
6		Eaton/Vance	539,050	22,393,037	25,384,258	2,991,221
8		Lehman	615,900	29,153,372	32,605,458	3,452,086
10		Rosenberg	517,452	26,147,565	29,368,514	3,220,949
12		Total	8,481,392	\$ 353,635,856	\$ 394,536,723	\$ 40,900,867
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35		PERMANENT FUNDS				
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Co. in South Africa Bankers Trust  
 7/31/85

COLUMN WRITE

	No. of Shares	Cost	Net	Gain (Loss)
1 Abbott Labs	52,100	\$ 2,372,899	\$ 2,891,550	\$ 518,651
2 Amey Inc.	86,913	1,523,199	1,401,472	< 121,727 >
3 Amer. Broadcasting	12,200	728,930	1,389,275	660,345
4 Amer. Home Products	65,900	3,531,305	3,937,525	406,220
5 Amer. Intl. Group	31,700	2,141,679	2,746,013	604,334
6 Amer. Can	19,400	930,104	1,115,500	185,396
7 Amer. Cyanamid	23,500	1,179,160	1,248,438	69,278
8 Amer. Express	94,605	3,456,485	4,186,271	729,786
9 Arco Inc.	30,900	467,892	332,175	< 135,717 >
10 Baker Intl. Corp.	80,600	1,414,087	1,440,725	26,638
11 Baxter Travenol Labs	79,200	1,344,946	1,158,300	< 186,646 >
12 Beatrice Co.	39,600	1,181,312	1,188,000	6,688
13 Becton, Dickinson	16,600	584,285	937,900	353,615
14 Black & Decker	61,300	1,380,584	1,127,688	< 192,896 >
15 Boeing Co.	63,100	2,220,403	3,044,575	824,172
16 Borden Inc.	26,600	830,879	1,010,800	179,921
17 Borg Warner	50,000	1,095,049	1,187,500	92,451
18 Bristol Myers Co.	61,700	3,058,318	3,709,717	651,394
19 Brunswick Corp.	21,400	1,151,304	1,366,925	215,621
20 Caterpillar Tractor	39,900	1,505,058	1,471,313	< 33,745 >
21 CBS Inc.	11,300	864,809	1,306,563	441,754
22 Celanese Corp.	10,500	828,927	1,330,875	501,948
23 Chase Manhattan	17,041	788,434	975,597	187,163
24 Chesebrough, Bonds	36,400	1,284,823	1,192,100	< 92,723 >
25 Chrysler Corp.	48,400	1,416,378	1,754,500	338,122
26 Cigna Corp.	29,700	1,242,642	1,626,075	377,433
27 Citicorp	54,800	2,147,420	2,623,550	476,130
28 Clark Equip. Co.	11,400	361,141	363,375	2,234
29 Coca Cola	56,700	3,385,799	4,096,575	710,776
30 Colgate Balmoline	40,600	960,313	1,131,725	171,411
31 Combustion Eng.	33,000	1,085,292	1,023,000	< 62,292 >
32 Control Data	37,400	1,305,756	991,100	< 314,656 >
33 Cooper Inds. Inc.	33,700	1,032,585	1,293,238	260,653
34 Cummins Engine	8,200	580,143	535,050	< 45,093 >
35 Chevron Corp.	163,400	5,700,757	6,004,950	304,193
36 Dana Corp.	47,300	1,327,639	1,241,625	< 86,014 >
37 Dart & Kraft Inc.	64,600	1,758,246	2,247,850	486,604
38 Deere, & Co.	35,400	1,102,148	1,039,875	< 62,273 >
39 Diamond Shamrock	37,900	761,790	658,513	< 103,277 >
40 Dow Chemical	85,500	2,611,677	3,153,813	541,136
Dresser Industry	49,700	960,303	1,155,525	195,222

# Bankers Trust

No. of Shares    Cost    Mkt.    Gain (Loss)

1	Dun & Bradstreet	33,000	2,125,015	2,536,875	411,860
2	E. I. DuPont	104,200	5,269,229	6,238,975	969,746
3	Eastman Kodak	102,000	4,783,347	4,602,750	<180,597>
4	Eaton Corp.	20,268	1,093,456	1,112,207	18,751
5	Emerald Air Freight	42,200	727,685	785,975	58,290
6	Engelhard Corp.	11,600	387,754	334,950	<52,804>
7	Exxon Corp.	352,500	15,065,250	18,506,250	3,440,400
8	Freestone T&R	17,700	350,752	373,913	23,160
9	Fluor Corp.	91,300	1,623,809	1,631,982	<51,821>
10	FMC Corp.	17,500	1,094,315	1,146,250	51,935
11	Ford Motor Corp.	80,650	3,599,006	3,388,112	210,894
12	Goodyear Tire & Rubber Corp.	25,600	368,064	352,000	<16,064>
13	Ingersoll Rand	27,150	626,580	685,538	58,958
14	General Electric	204,600	11,632,941	13,119,975	1,487,034
15	General Motors	142,200	10,239,051	10,123,100	<155,951>
16	Garner Products	6,900	199,480	230,288	30,808
17	Gillette Co.	20,200	1,115,157	1,214,525	99,368
18	Goodyear Tire	44,448	1,221,048	1,283,436	62,388
19	Hewlett Packard	111,100	4,144,920	4,207,913	62,992
20	Holiday Corp.	21,700	1,097,405	1,158,238	60,833
21	Honeywell Inc.	26,800	1,581,566	1,755,400	173,834
22	Ingersoll Rand	17,700	911,584	921,463	19,878
23	Intl. Bus. Machs.	275,900	33,378,686	36,246,363	2,867,677
24	Intl. Flavors & Frag.	39,000	1,154,433	1,165,125	10,692
25	Intl. Mineral	10,400	462,720	439,400	<23,320>
26	ITT Corp.	57,600	1,727,601	1,893,600	<34,001>
27	Johanson & Johnson	82,200	3,194,951	3,791,475	596,524
28	Joy Mfg.	13,300	368,841	327,513	<41,327>
29	Kellogg Inc.	25,400	881,229	1,362,075	480,846
30	Kimberly Clark	18,500	825,186	1,110,000	284,814
31	LTV Corp.	63,850	811,121	542,725	<268,396>
32	Macmillan Inc.	36,200	667,170	1,226,275	559,105
33	Marriott Corp.	10,400	129,572	968,500	238,928
34	Martin Marietta	25,575	589,940	1,007,016	417,076
35	Merck & Co.	31,600	2,960,142	3,566,850	606,708
36	M & M	34,300	547,899	548,800	901
37	Minnesota Mng. & Mfg.	50,400	4,036,002	4,032,000	4,002
38	Mobil Corp.	188,200	5,540,462	5,593,200	52,738
39	Monsanto Co.	31,100	1,447,222	1,652,188	204,966
40	Motorola Inc.	46,400	1,767,031	1,682,000	<85,031>
	Nabisco	10,592	504,900	883,108	378,208