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opinion

Anchorage Daily News



Winner, 1976 Pulitzer Prize Gold Medal for Public Service
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Katherine Fanning, Editor and Publisher 1971 to 1983
Lawrence Fanning, Editor and Publisher 1967 to 1971

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Divest Alaska of S. Africa holdings

Another racial atrocity in South Africa — the worst single incident in 25 years — has made headlines and assaulted the sensibilities of civilized people around the world. It is not so much that they would blame the frightened and possibly undisciplined South African policemen who shot into a crowd of between 3,000 and 4,000 at a protest march. It is that the incident exposes once again the brutal reality of an apartheid system that too often turns life itself into a slow, grinding atrocity for three-quarters of the population.

The Uitenhage tragedy is one more bleeding outbreak — the 1960 Sharpeville massacre (69 blacks dead) and the 1976 killings in Soweto (some 600 blacks killed in one summer) are the best-known others — of a system that oppresses an entire society, but its citizens of color most brutally. Black South Africans are not allowed to vote or own property. They cannot go anywhere without a pass, or work without a government permit. Some 8 million of the black majority of 23 million are banished to impoverished "homelands" where they cannot even claim what meager advantages accrue to South African citizenship. It should be no surprise when this repressive society, for all its technological achievements and outward patina of civilization, erupts in conflict and violence.

Alaskans, like many Americans, hold a small piece of leverage over that society — in the form of investments in companies that do business there. A measure brought before the legislature by Reps. Jim Duncan, D-Juneau, and Don Clocksin, D-Anchorage, would direct the Alaska Permanent Fund to gradually sell off its stock in companies doing business in racist South Africa. The bill allows time and flexibility for the divestment so that the state would not be forced to lose money selling its stock in a rush. But it ultimately would wash Alaskans' hands of businesses that help sustain the system of apartheid.

There is room for serious debate about what guidelines would control the divestment which companies would be included, what business ties would be considered unacceptable. It's worth discussing whether those companies that provide meaningful avenues for progressive change should be exempted. It goes practically without saying that business investment and commerce are a complex and potentially self-defeating forum for making political statements — and that in general political statements are best confined to political arenas.

But the reality of systematic oppression can overwhelm such cautions. South Africa is such an occasion. Alaska, as a state, should withdraw its financial involvement at the earliest convenience.

3-23-85

Combined Retirement Systems' Investments
Average Assets & Yields During Fiscal Years
(\$ Millions)

	1986		1987		1988		1989		1990		Sum of 5 years
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	
Common Stocks	\$ 517.9	15.00%	\$ 716.6	15.00%	\$ 913.2	15.00%	\$1,127.1	15.00%	\$1,352.6	15.00%	
Industrial Bonds	97.8	12.00	162.2	12.00	251.9	12.00	345.4	12.00	416.2	12.00	
Utility Bonds	69.1	12.25	162.2	12.25	251.9	12.25	345.4	12.25	416.2	12.25	
Treasury Bonds	658.4	10.90	727.4	10.90	691.2	10.90	667.2	10.90	715.9	10.90	
Money Market	262.4	9.20	162.2	9.20	188.9	9.20	218.1	9.20	249.7	9.20	
R. E. Equities	168.0	14.00	202.8	14.00	242.5	14.00	287.2	14.00	333.0	14.00	
Mortgages	529.5	12.50	570.5	12.50	609.3	12.50	645.4	12.50	678.4	12.50	
Total	\$2,303.1	12.31%	\$2,703.9	12.60%	\$3,148.9	12.73%	\$3,635.8	12.83%	\$4,162.0	12.88%	
Return	<u>\$283.51</u>		<u>\$340.69</u>		<u>\$400.85</u>		<u>\$466.47</u>		<u>\$536.06</u>		<u>\$2,027.58</u>

Divestment Effects (Less 47% stocks, 60% industrial bonds, 87% of CD's, BA's, & 77% of cml. paper)

Common Stock	\$ 274.6	12.15%	\$ 379.8	12.15%	\$ 484.0	12.15%	\$ 597.4	12.15%	\$ 717.1	12.15%	
Industrial Bonds	39.2	12.00	64.9	12.00	100.8	12.00	138.2	12.00	166.5	12.00	
Utility Bonds	34.5	12.25	77.9	12.25	100.8	12.25	138.2	12.25	166.5	12.25	
Treasury Bonds	994.9	10.90	1,258.8	10.90	1,422.6	10.90	1,611.3	10.90	1,850.8	10.90	
Money Market	262.4	9.10	162.2	9.10	188.9	9.10	218.1	9.10	249.7	9.10	
R. E. Equities	168.0	14.00	202.8	14.00	242.5	14.00	287.2	14.00	333.0	14.00	
Mortgages	529.5	12.50	570.5	12.50	609.3	12.50	645.4	12.50	678.4	12.50	
Total	\$2,303.1	11.48%	\$2,703.9	11.60%	\$3,148.9	11.61%	\$3,635.8	11.62%	\$4,162.0	11.61%	
Return	<u>\$264.40</u>		<u>\$313.64</u>		<u>\$365.59</u>		<u>\$422.48</u>		<u>\$483.58</u>		<u>\$1,849.69</u>
Divestment Loss	- \$19.11		- \$27.05		- \$35.26		- \$43.99		- \$52.48		- \$177.89



Kennedy in South Africa: U.S. firms, he says, must give more than lip service.

As Foes of Apartheid Put Heat on U.S. Companies—

American firms are the focal point of efforts to end white supremacy in South Africa. It's a role they don't want.

For the 350 American companies active in South Africa, the controversy over their presence in that apartheid-ruled nation is taking an ominous turn.

Recent events place these corporations at the center of a face-off between South Africa's government and a broad coalition of activist groups opposed to white domination. The demand: That American businesses pull out of South Africa because it denies political rights to the black majority.

Among voices raised recently was that of Desmond Tutu, the black Anglican bishop of South Africa and winner of the 1984 Nobel Peace Prize. Tutu in early January called on foreign firms in the next 18 to 24 months to exert "persuasive pressure" for racial change on his nation's government. Should persuasion fail to bring results, he said, "economic sanctions should be imposed."

While stopping short of advocating a pullout by U.S. business, Senator Edward Kennedy (D-Mass.) said during a visit to South Africa that American corporations must give more than lip service to racial equality there.

These statements add further worries to American firms in South Africa. Public bodies and pension funds in the U.S. are being asked to sell holdings in American firms doing business there. Dozens of shareholder resolutions demanding

investment curbs will be offered at corporate annual meetings. Congress will weigh economic sanctions. Continued civil disobedience outside South Africa's Embassy and consulates in the U.S.—about 600 persons have been arrested since November in 11 cities—is vowed.

But the divestment drive, for all its momentum in recent months, faces formidable hurdles. Chief among them—

■ Flexing enough muscle, financially

or politically, to force companies to pay attention to the demands.

■ Convincing skeptics in both countries that the presence of U.S. corporations in South Africa helps to stabilize the apartheid system.

■ Frightening South Africa's white-ruled government into relaxing its apartheid policies for fear of adverse economic consequences should American companies leave.

To date, these obstacles have proved difficult to surmount. Not a single American firm has acknowledged reducing its South African holdings because of the pressure for divestment. Companies are loath to mix political or moral judgments with their business decisions. As a spokesman for International Business Machines puts it: "For IBM or any corporation to undertake these actions for nonbusiness reasons would not be in the best interests of the company or its shareholders."

Neither, in the opinion of most corporate and political leaders, has the case been made that the presence of U.S. firms hurts black South Africans. Furthermore, many South Africans, including some blacks, insist that even a complete break in economic relations with the U.S. would have little lasting impact.

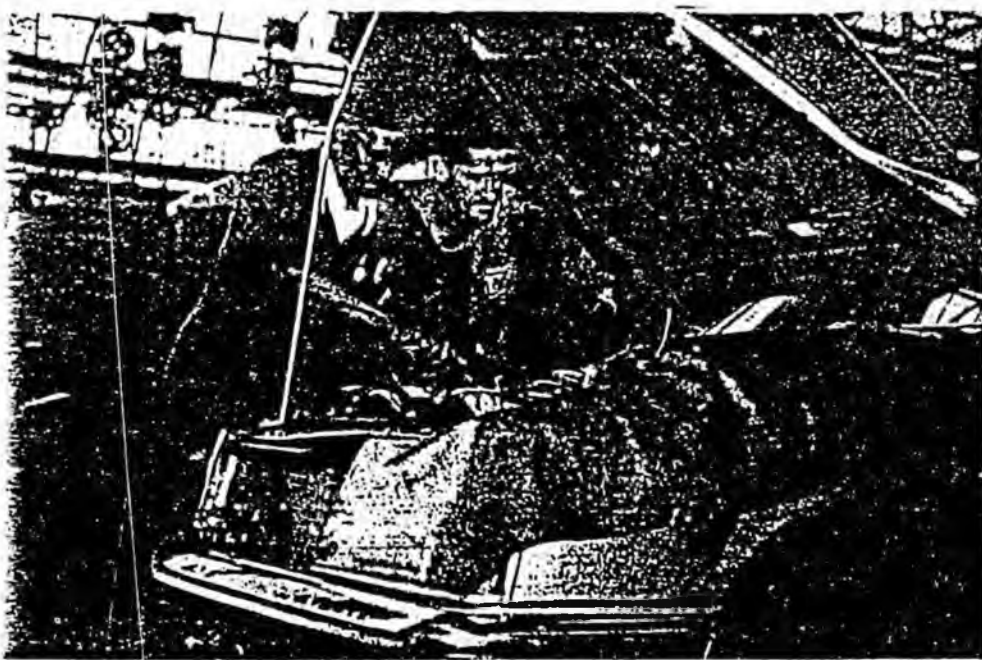
"Frankly," says a Citibank officer, "we're proud of what we're doing." Citibank, now seeking to increase its lending activity in South Africa, has spent more than 70 million dollars on education, training, housing and legal aid for blacks there. Virtually every other American firm in South Africa reacts in a similar vein, claiming to have helped blacks by providing higher pay and better working conditions and opportunities for promotion than would be available otherwise.

Proponents of divestment dismiss such statements as pious pronouncements meant to ease corporate consciences. "Through investment and business ties with South Africa, U.S. corporations wittingly or unwittingly support apartheid," says Jennifer Davis, executive director of the New York-based American Committee on Africa.

Declining assets. The 2.3 billion dollars that Americans hold in South African enterprises amounts to just 1 percent of U.S. direct investment abroad. The value of American holdings there declined by more than 300 million dollars, or 12 percent, between 1981 and 1983 after years of steady growth. Some analysts attribute the drop to Pretoria's sagging economy, now in the third year of a recession, rather than the divestment drive. European investment in South Africa is three times as great.

In South Africa, however, the U.S. presence is noticeable. American com-





White and nonwhite workers together assemble an Opel at the GM Port Elizabeth plant.

panies account for as much as 10 percent of investment in manufacturing. The Investor Responsibility Research Center in Washington, D.C., calculates that U.S. companies control 70 percent of computer manufacturing, 44 percent of the oil business and 33 percent of auto making. American banks have almost 4 billion dollars in loans to South African borrowers on their books.

American interests can be seen at General Motors and Ford assembly plants near Port Elizabeth, at offices of numerous U.S. banks and at facilities of companies as large as IBM, Coca-Cola and General Electric, and as small as Tidwell Industries, a Haleyville, Ala., builder of mobile homes.

Little impact expected. Would divestment and other economic sanctions hurt South Africa's white rulers or help its black majority?

The answer from Pretoria is a defiant "No." Withdrawals in years past had no discernible impact, as South African or European companies took over.

When Chrysler retreated from worldwide auto making, a buyer was Anglo American Corporation, South Africa's largest mining company. Ford now is discussing a merger with Anglo American. Ford spokesman Bud Williams insists the talks began for economic rather than political reasons. Newmont Mining's interest in South African copper mines was assumed by British-based Gold Fields of South Africa. Carborundum Universal's abrasives business is being sold to a South African concern.

"The fact is," says an economic expert in Johannesburg, "South Africa could do without American capital and know-how tomorrow, if necessary, and could acquire alternative inputs from elsewhere." That was demonstrated by the nation's ability to develop an armaments industry after the U.S. and other

Western powers cut off shipments some years ago. South Africa now is an arms exporter.

By the same token, attacks on U.S. companies with South African business ties are blunted by the fact that most of their black South African employees benefit from voluntary guidelines meant to insure equal, if not preferential, treatment of them.

Called the Sullivan Principles, these guidelines are the brainchild of black minister Leon Sullivan of Philadelphia, a director of General Motors who devised them in 1977. The 128 signatory companies, which account for 70 percent of those employed by U.S. firms in South Africa, agree to desegregate their workplaces, provide equal pay for equal work, improve job training, increase the number of nonwhite managers and improve housing, schooling and other nonwork conditions.

Late in 1984, as divestiture became an increasingly sensitive issue, these companies strengthened the Sullivan Principles to include provisions that they must actively "influence" other companies in South Africa to follow such standards, support the ending of apartheid laws and back freedom of mobility for black workers, whose movements currently are restricted.

Reid Weedon of Arthur D. Little & Company, a consulting firm that monitors compliance by the companies that have signed the Sullivan Principles, says American firms are a positive force for South African blacks. "If these companies weren't there," he argues, "the system would not change, or it would change less."

Adds Trevor Hoskins of Goodyear International, which makes tires in the Port Elizabeth area: "To walk away and leave South Africa would accomplish nothing." Goodyear, most of

whose 2,600 South African workers are black, is a Sullivan signatory.

Sullivan himself is ambivalent about whether U.S. companies should retain South African business ties. He supports the divestment campaign, saying it adds to pressures on U.S. corporations to work toward an end to apartheid. "I'm not trying to keep U.S. companies there," he says. Nor does he encourage new investments. But Sullivan acknowledges that the guidelines bearing his name have had "major and important impact." What he seeks from American companies that insist on staying in South Africa is that they oppose apartheid laws with tenacity.

Critics of the Sullivan Principles contend that even corporations that treat South African blacks fairly actually prolong apartheid. To end it, they say, will take shock treatment—complete economic isolation. "You have to get rid of the whole system," says Janet Jakobsen of the Washington Office on Africa, an interest group.

"Less than substantial." To those who reply that a pullout by U.S. firms would penalize blacks most, David Scott of TransAfrica, a lobbying group, replies: "American companies employ less than 1 percent of the black South African labor force. The impact on them would be less than substantial."

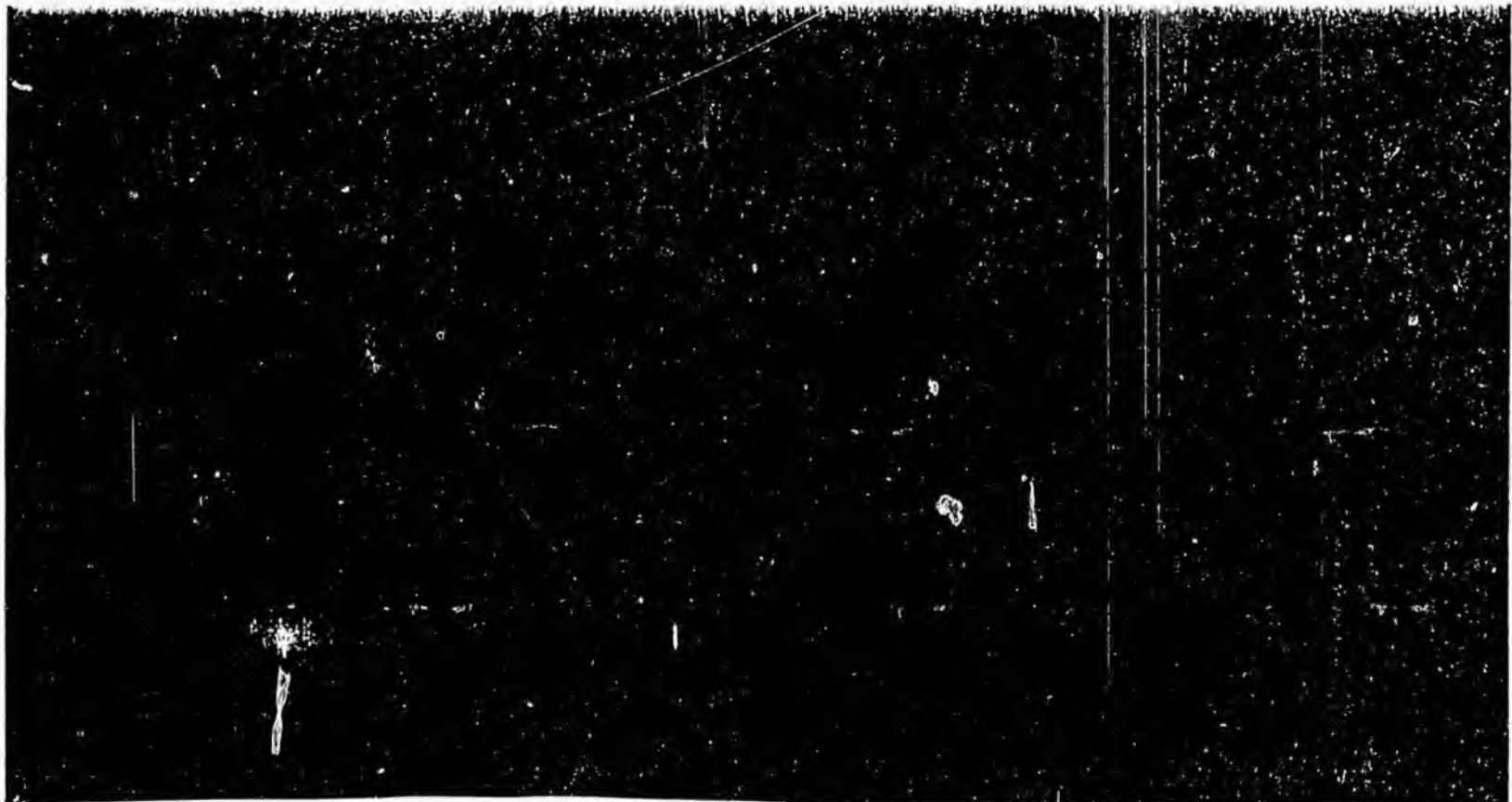
He says TransAfrica and other advocates take direction from representative black groups in South Africa. "All of them favor divestment," he contends.

While their goal remains elusive, the divestment effort continues to enlist support. Nearly 50 universities have sold holdings in U.S. companies that do business in South Africa. The District of Columbia government last spring prohibited investment of municipal funds in companies doing business in South Africa. So have numerous pension funds associated with state and local governments and labor unions. Multiplied enough times, such acts could shrink the capital markets of these firms and affect their balance sheets.

TransAfrica's Scott says selective boycotts may be mounted against several U.S. firms with close ties to South Africa's government or economy. An attempt to legislate divestment in Congress is assured. Arrests continue to occur almost daily outside South Africa's Embassy in Washington.

Through such tactics, the divestment drive seeks to turn what has been a political and moral question into an economic one—potentially hazardous to the profit statements of companies that won't take heed. □

By JEANNIE THORNTON with Special Correspondent JAMES A. JONES in Johannesburg



Daily News-Miner, Fairbanks, Alaska, Friday, January 25, 1985—1

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South Africa president eyes black rights

CAPE TOWN, South Africa (AP)—President P.W. Botha, citing riots at home and protests abroad, told South Africa's new multi-racial Parliament today the government must expand property and political rights for the voteless black majority.

The president gave few details of his proposals in a 40-minute speech to the new Parliament, which held its first working session since it added two non-white chambers. It now includes a dominant 166-member chamber for whites, an 80-seat assembly for people of mixed race and a 40-seat chamber for Asians, but continues to exclude blacks.

Parliament convened after a parade and a 21-gun salute to Botha from a hill overlooking this seaport at the southern tip of Africa.

In his address, Botha said the government was giving urgent attention to the issue of political participation for blacks, who now have citizenship rights only in 10 black homelands.

"The president said the riots which spread through black townships last summer and fall, claiming at least 150 black lives, suggested "certain problems that lead to frustration in black communities." Those problems were receiving "urgent attention so as to create better prospects for all."

Botha said the government would not let foreign countries dictate the course of change in South Africa—"not through diplomatic channels, nor through demonstrations, nor through any form of violence."

That seemed to be a reference to the continuing demonstrations against South Africa's policy of apartheid, or racial segregation, in the United States.

But Botha added, "The government must have regard to the fact that circumstances and events in the rest of the world have a definite influence on our country and our subcontinent. It is our responsibility to take cognizance of the implications of the views of both

friendly and hostile countries."

Many political activists and union leaders in the United States have been arrested recently in peaceful protests at South African diplomatic missions, and they have criticized President Reagan's policy of trying to encourage change in South Africa through quiet diplomacy.

Sen. Edward Kennedy, D-Mass., recently visited South Africa and said afterward he might recommend that Congress consider economic sanctions against South Africa as a way of spurring change.

Botha endorsed an easing of "influx control" laws that prevent blacks from leaving poor homelands to find jobs and live near white cities.

He said the government should seek agreement with blacks on the crucial issue of citizenship, possibly through discussions in an informal forum of black and government leaders. Most blacks want South African citizenship rather than that of the homelands,

which are recognized only by South Africa.

Botha said he was ready to negotiate property ownership for the black majority in segregated townships near white cities, where residents now either rent or lease their homes. It would be the first extension of property rights to blacks since they were barred from owning land outside black homelands by the 1913 Land Act.

Blacks still could not own property in areas reserved for whites. Botha made no reference to the government's continuing policy of moving to the homelands the last rural black-owned communities surviving from before the 1913 act.

Among early comments on Botha's remarks, white opposition leader Frederik van Zyl Slabbert of the Progressive Federal Party said the proposals "appear tentative and cautious" but "indicate a departure from traditional National Party dogma and

could constitute a beginning of a new and meaningful political debate about the future between black and white South Africans."

Under the new constitution that created the three-chamber Parliament, the government and Parliament are still controlled by the white minority of 5 million. Whites retain a majority on all legislative committees and statutory bodies.

Black leaders have spurned the new constitution, which offers some rights to the Asian and mixed-race minorities for the first time but continues to deny political rights to the black majority of 22 million. Many colored and Asians boycotted elections to the new chambers in August.

Botha said the new Parliament was part of an "evolutionary" process that had "indisputably broadened the democratic base of our system. It reflects the acceptance that one part of our population cannot on its own pursue our goals for South Africa."

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
6/84	Boston, Mass	Divestment	\$29,000,000	None (waiting on home rule bill)
10/83	Washington, DC	Divestment	\$6,300,000	\$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
8/77	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

Legislators want South African ties cut

By BRUCE SCANDLING
The Associated Press

JUNEAU — Alaska should protest racial policy in the Republic of South Africa by selling off stock in any company doing business with that apartheid government, two House lawmakers say.

Such action would illustrate the state's opposition to segregation and discrimination practiced against blacks in South Africa, said Juneau Democrat Jim Duncan and House Majority Leader Don Clocksin, D-Anchorage.

"It's based on the principal that we can make money without assisting a government that imposes racial discrimination," Clocksin said.

The resolution, introduced Friday, would affect investments made through the Alaska Permanent Fund Corp.

Dave Rose, executive director of the permanent fund, said \$560 million — or 8 percent — of the \$6.3 billion balance of the fund is invested in common stock.

Most of the fund is invested in U.S. government stocks and bonds.

The state buys stock through Standard and Poor's index of 500 leading companies. Rose said about one-third of those firms could have some business link with the South African government.

"That's everybody from

IBM to Coca-Cola," Rose said. Every major multinational oil company also does business in South Africa, he said.

Questions about the investment of permanent fund money have arisen before, Rose said.

"But the trustees of the fund have always resisted political and social statements," he said. "That could present an investing problem."

Rose said the trustees are appointed to make the best possible investment decisions for the state and, regardless of political beliefs, are looking to buy high-yield stocks and bonds.

Duncan and Clocksin both said the resolution is careful-

ly worded so the state won't lose money by having to immediately yank some of its investment portfolios.

"There's a lot of flexibility in it," Duncan said. "We're not asking them to go and pull out immediately and lose a lot of money."

A legislative report prepared last year by the House Research Agency suggests the state — at that time — would have lost nearly \$5 million by immediately divesting holdings in companies with business links to South Africa.

But the report also indicates a gradual divestment might be achieved without financial loss to the state, Clocksin said.

Divest, House members say

Associated Press

Juneau — Alaska should protest racial policy in the Republic of South Africa by selling off stock in any company doing business with that apartheid government, two House lawmakers say. Such action would illustrate

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Murkowski to address Alaska Black Caucus

Thomas Staff

Sen. Frank Murkowski will be keynote speaker at the ninth annual Alaska Black Caucus Awards and Pioneer Banquet scheduled to begin at 6:30 p.m. today at the Anchorage Westward Hilton Hotel.

The caucus will acknowledge contributions individuals and groups have made to progress in the Alaskan community. Tickets are \$20.

SOUTH AFRICA

US firms urged get tough on apartheid

By Andrew Cassel
Knight-Ridder Service

PHILADELPHIA - For about 120 US companies that do business in South Africa, the price of good public relations went up last week.

The companies, all subscribers to a voluntary equal-opportunity code developed by the Rev. Leon Sullivan of Philadelphia, were told to substantially increase their efforts to oppose South Africa's system of apartheid, or legally sanctioned racial segregation.

Sullivan, an outspoken Baptist minister and a member of the board of directors of General Motors Corp., demanded that the US firms use "legal means and otherwise" in South Africa to bring equal rights to that nation's black majority.

US firms that have supported Sullivan's doctrine of integration, equal pay and community development in and around their South African plants might find it difficult to heed this latest call to action. Many even now are struggling to find an interpretation they can live with.

"The companies have to do things in spite of the law," Sullivan said last week, explaining the latest "amplification" of the principles he first introduced in 1977.

In the years since then, the Sullivan principles have become a vital part of the debate over the US involvement in South Africa.

In response to activists who want US businesses to divest themselves of ties in South Africa or face divestment at home by socially conscious investors, the code is cited constantly as tangible evidence that US corporations there are part of the solution, not the problem.

The recent wave of antiapartheid activity - a two-day general strike in Johannesburg, the daily picketing of the South African Embassy in Washington, the awarding of the Nobel Peace Prize to Bishop Desmond Tutu, a black South African - has intensified that debate, and turned up the spotlight on the Sullivan code in board rooms and legislative chambers across the country.

Signers of the Sullivan principles

"Increasingly, people are coming to think (the Sullivan principles) are irrelevant. I see no way in which the corporations in South Africa are going to take a serious stand against apartheid."

Jennifer Davis, director of Africa Fund.

pledge to maintain desegregated plants and offices; to provide equal employment, benefits and pay for all workers regardless of race, and to support with money and manpower programs to raise the standard of living for black workers and their families.

The companies' adherence to the principles is rated through a lengthy set of questionnaires and an audit by the management consulting firm of Arthur D. Little of Cambridge, Mass. Each year a report is issued detailing which company is "making good progress" and which company "needs to do more" - though without spelling out the specific activities that produced the ratings.

Since the principles were adopted, American-owned companies in South Africa have created job-training programs, promoted some blacks to supervisory positions and helped finance hospitals, schools and housing developments near their factories and offices.

Though total work force of about 64,000 at those companies represents 1 percent of the South African work force, the companies that have signed Sullivan's principles point with pride to their accomplishments and say that they have been a model for many other employers in the area.

"Nobody is arguing that American companies are going to overturn the sys-

US firms told to fight apartheid

■ APARTHEID

Continued from Page 51

tem. But a good example is a good example," said Fred Allen, a personnel executive at Merck & Co.

Merck, which employs about 300 workers at its pharmaceutical plant between Johannesburg and Pretoria, is typical of American firms in the Sullivan program: Blacks hold jobs at all levels except top management.

"The presence of companies working for change," Allen said, "is the lesser of two evils."

Not so, responded Jennifer Davis, director of the New York-based Africa Fund and a leading advocate of corporate divestment in South Africa. Whatever their intentions, and no matter how progressive their employee practices, American businesses help keep apartheid in place, she said.

Apartheid is simply too big, and too pernicious, to be dealt with through codes such as Sullivan's, Davis said.

"Increasingly, people are coming to think (the Sullivan principles) are irrelevant. I see no way in

which the corporations in South Africa are going to take a serious stand against apartheid," she said.

Activists such as Davis are sharply critical of the Sullivan principles, calling them at best outmoded, and at worst a self-serving camouflage for companies that benefit from South Africa's large pool of cheap black labor.

But rather than responding in kind or defending the companies, Sullivan sees the divestment drive as a necessary part of the anti-apartheid movement in the United States.

"I'm not for investment," he says. "I'm for no new investment. While the companies are there, they should do something to help end the system, or else they should leave."

Daniel Purnell, who administers the South African program for Sullivan, terms the divestment campaigns "helpful."

"I don't think it's got to be either-or," Purnell said. "I think it's got to be both. That's why I thought it was good we had Malcolm X at the same time as we had

Martin Luther King."

Sullivan insisted that companies could be a positive force in South Africa, but only if they adopted the same kind of activist stance taken by Mohandas K. Gandhi in India and King in the American South. And he plans to push companies increasingly in that direction.

On Dec. 12 in New York, Sullivan addressed 119 representatives of businesses that have signed his code to outline his latest addition to the document. It demands that the companies pledge:

- "To use influence and support the unrestricted rights of black business to locate in the urban areas" of South Africa:

- "To influence other companies in South Africa to follow standards of equal rights principles:

- "To support the freedom of black workers to seek employment opportunities wherever they exist, and to make provision for housing for families of employees within the proximity of workers' employment:

- "To support the ending of all apartheid laws."

South Africa Fact Sheet

Twenty-nine million people live in South Africa today. Only the 4.5 million whites have full rights of citizenship while the nation's twenty-one million Africans are treated as rightless foreigners. The Africans were born in South Africa, work in South Africa, and will die in South Africa—but they are black, and under South African law, the color of their skin makes them non-citizens. Africans cannot vote, buy or sell land, live or work where they choose, or move freely. They have been stripped of power and deprived of control over their lives by an elaborate network of legislation and custom.

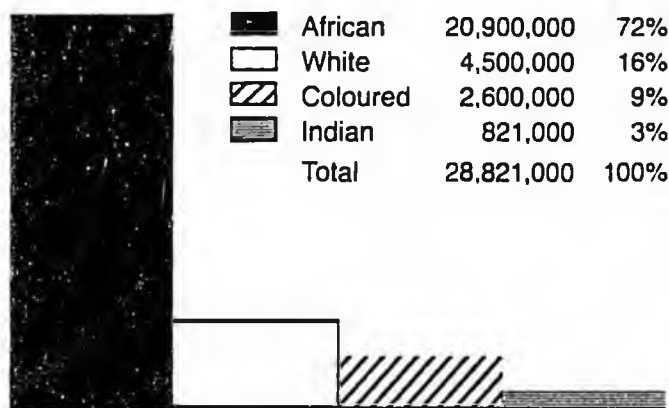
This is the apartheid system. A rising tide of black opposition is today threatening the survival of apartheid. The racist government is responding with violence at home and false propaganda abroad in its efforts to save the system.

This fact sheet is designed to present an accurate picture of the continuing impact apartheid has on the lives of black people in South Africa today.

Population

Racial Breakdown

Key:



Figures are based on 1980 census and population estimates of Bophuthatswana, Transkei, and Venda. Census figures for Africans, especially in the bantustans, are generally considered low. Survey, 1982.

Land

Area: 472,359 square miles (larger than California, Arizona, Utah and Nevada combined). Yearbook, 1979.

Land Reservation: Under the Land Acts of 1913 and 1936, 87% of the country's territory has been reserved for whites, 13% for Africans. Africans may not purchase land in white areas and may not remain in the white areas without a permit. Indians and Coloureds must live in segregated areas in the territory reserved for whites.

- All figures have been converted into dollars at the following rates for one rand: 1982/83—\$0.92; 1981—\$1.15; 1980—\$1.29; 1979—\$1.20; 1978—\$1.15.
- The racial divisions used are official South African government categories. The term "black" includes the African, Coloured, and Indian populations.
- South African government statistics on the African majority are increasingly fragmented and incomplete because of the apartheid policy of bantustan 'independence' (see below). Where possible the figures used here are for South Africa as a whole. However, in some cases, due to a lack of other information, government statistics which undercount certain categories of workers have been used. As a result, figures from different sections of the fact sheet may not be directly comparable.

The Bantustans: The fragmented areas designated for Africans are called bantustans, homelands or national states. As of 1983 fewer than 10,000,000 Africans, or 46% of the African population, lived in white areas and more than 11,000,000, or 54%, lived in the bantustans. Of ten designated bantustans, the white government has implemented 'independence' for the Transkei, Bophuthatswana, Venda and Ciskei, but this status has not been recognized by the United Nations or by any country. SA Review, 1983.

Forced Removals: Since 1960, the South African government has removed 3,500,000 blacks from white areas to areas designated for blacks. At least one million more Africans have been forcibly relocated within the bantustans. A further 1,700,000 people are under threat of removal. SPP.

Government

The South Africa Act of 1909 and the Republic of South Africa Act of 1961 restricted voting for and membership in the governing parliament to whites. In November, 1983, white voters endorsed a new constitution which will establish a tricameral parliament with separate chambers for whites, Coloureds, and Indians. Whites retain a monopoly of real power and the African majority is totally excluded. Black political organizations and independent trade unions, as well as the Organization of African Unity and the United Nations, have rejected this racial constitutional reform.

Economy

Gross National Product (total value of goods and services), 1982: \$70.35 billion SARB, Dec. 1983.

Value of Trade: Exports, 1982—\$17.6 billion, including \$7.9 billion in gold; 1981—\$20.8 billion, including \$9.59 in gold. Imports, 1982—\$16.9 billion; 1981—\$21.2 billion. Central Statistical Services.

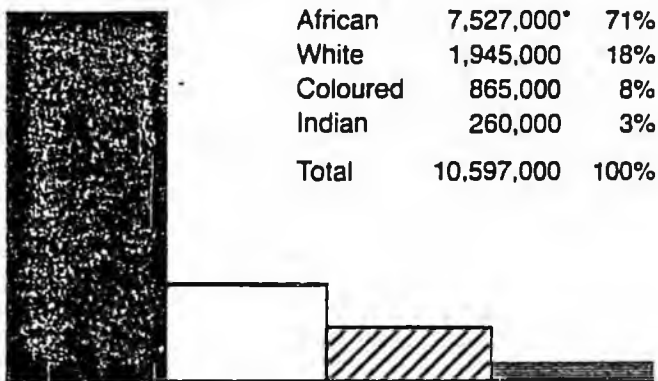
Major Trading Partners, 1982: SA Imports from/Exports to, in millions of dollars—US \$2,470/\$1,215; UK \$2,024/\$1,300; West Germany \$2,500/\$780; Japan \$1,705/\$1,530; Switzerland \$290/\$936; France \$710/\$414. FM Nov. 11, 1983.

Principal Exports and Imports: Exports—gold, diamonds, iron and steel, coal, ferro-alloys, fruits and vegetables. Imports—machinery, transport equipment, chemicals, base metals. (Note: official statistics are not available on imports of oil and weapons and on exports of platinum, uranium and other strategic items.) Yearbook, 1980-81.

Defense Expenditure: \$2.84 billion (1983/84); \$2.45 billion (1982/83); \$1.26 billion (1975/76). (Note: These figures are amounts budgeted. Actual spending for 1982/83 was \$3.09 billion.) South African Department of Defense annual budget estimates, FM July 29, 1983.

Income and Employment

Economically Active Population—1981:



* 1980 figures for Transkei, Bophuthatswana and Venda included. Benso, Oct. 1982. Survey, 1982.

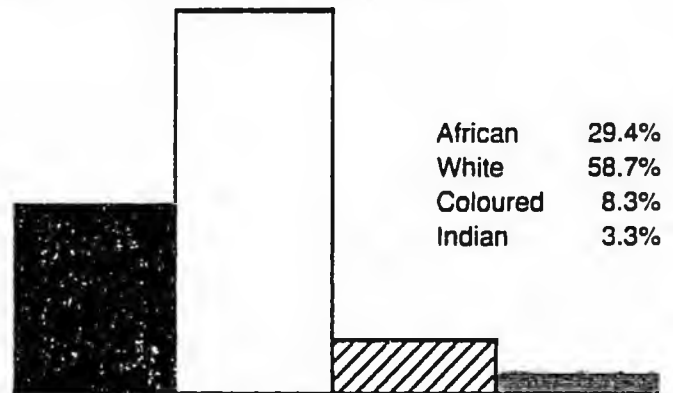
Migrant Labor, 1981: 1,329,000 Africans from the ten bantustans were working in white areas as migrant laborers under contract, a system which forces the separation of workers from their families. Also, 301,758 foreign blacks were employed as contract laborers in South Africa. Survey, 1982.

Commuters, 1981: 745,500 Africans were employed in white areas but forced to live in the bantustans and commute to work on a daily basis. Survey, 1982.

Employment of African Labor by percentage, 1980: Agriculture, Forestry and Fishing (18.6); Mining and Quarry (12.8);

Manufacturing (13.8); Electricity, Gas, Water (0.8); Construction (4.7); Commerce (9.7); Transport, Communication (3.2); Finance (1.0); Services including domestic (22.6). Excludes Transkei, Bophuthatswana, and Venda. Survey 1982.

Distribution of Total Wages—1981:



Barclays, March 1983.

Unionization: In 1982 there were approximately 230,000 members of the independent black unions. Estimates for 1983 membership range from 264,000 to 350,000. Unionized white workers numbered 458,000. ILO, 1983; AC Nov. 16, 1983; ICFTU, June, 1983; Yearbook, 1980/81.

Strikes: In 1982, 141,571 black workers were involved in 394 strikes resulting in the loss of 302,489 working days. This is the largest number of strikes in over 20 years. No white workers were involved, and none of the strikes was legal. SALB, April 1983.

African Income in the Bantustans: The bantustans that South Africa declared independent contributed 2.3% of South Africa's total Gross Domestic Product in 1980. Figures for black income in these bantustans are not available, but for the bantustans not declared independent by 1980, 5,163,150 people had no measurable income. Benso, Oct. 1982; Star, Nov. 16, 1982.

Employment and Average Monthly Wages:

Mining, May 1983	# Employed	Av Monthly Wage
African	613,452	\$260
White	78,020	\$1,395
Coloured	9,581	\$430
Indian	659	\$690

Manufacturing, May 1983

African	748,700	\$320
White	316,600	\$1,290
Coloured	240,800	\$365
Indian	86,400	\$460

Central Statistical Services.

Agriculture: An estimated 1.3 million people work on white owned farms. In 1980 the average wage for African farmworkers was \$28 to \$40 per month. Farmworkers also receive "in kind" payment such as minimal housing facilities and the dietary staple corn, or "mealie" meal. Farm Labour Project, Sept. 1982.

Domestic Workers: An estimated 700,000 people, primarily women, are employed as domestic servants. Salaries commonly

range from \$40 to \$80 a month, but are frequently lower. ICFTU June, 1983; Survey, 1982.

African Income vs. Poverty Level: In 1980 the estimated percentages of African households in major urban areas with incomes below the Household Subsistence Level (HSL) were: Johannesburg (62%); Pretoria (58%); Durban (65%); Port Elizabeth (70%). The HSL estimates the minimum income necessary for the subsistence of an African family of six including food and rent but excluding medical and educational costs. In 1983, in the 13 largest urban centers, the Household Subsistence Level ranged from \$243 to \$268 for an African family. While cash wages have been increasing, researchers indicate that in real terms Africans' wages are decreasing. FM Nov. 25, 1983; Survey, 1980/82.

African Unemployment: The government estimated African unemployment at 7.8% in June 1981. Others have estimated African unemployment to be considerably higher, up to 25% or two to three million people. Survey 1982.

Education

Attendance: All public education is racially segregated with racially differentiated curricula. In 1982, of the 3,708,000 African students in school, 83% were in the primary grades, 16% in secondary, and 2% reached the post high school level. Of the 1,283,000 white students, 55% were in primary, 30% in secondary, and 15% in the post high school level. Nedbank, 1983.

Per Capita Spending on Education, 1980/81: Whites—\$1,115; Africans—\$170; Coloureds—\$310; Indians—\$625. Survey, 1982.

Teacher/Pupil Ratios, 1982: Whites—1:18; Africans—1:39; Coloureds—1:27; Indians—1:24. Survey, 1982.

Health

Mortality: In 1980, the infant mortality rates per 1000 live births were 13 for whites, 24 for Indians, 62 for Coloureds and 90 for Africans. In some rural areas, mortality rates for Africans are much higher with estimates of 220 per 1,000 to 320 per 1,000. Life expectancy for white men was 67 years; for African men, 55 years; for white women, 74 years; for African women 60 years. Nedbank, 1983.

Malnutrition: Conservative estimates show that 2.9 million black children under the age of 15 suffer from malnutrition. Star May 14, 1983.

Doctor/Patient Ratios: Whites—1:330; Africans—1:19,000; Coloureds—1:12,000; Indians—1:730. Rand Daily Mail, Dec. 14, 1983.

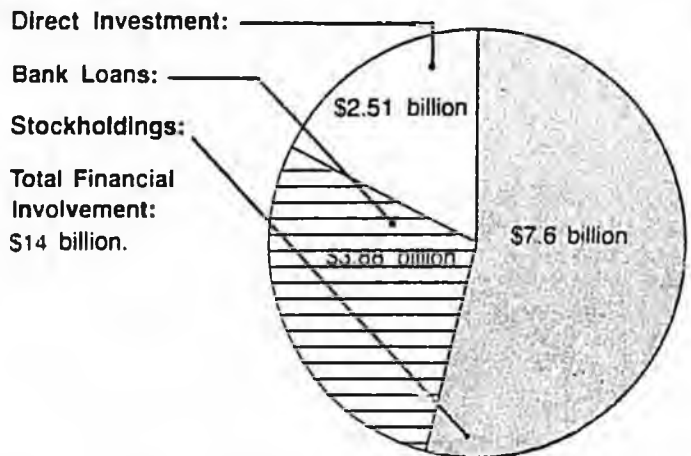
US-South Africa Economic Ties

US Companies Doing Business In South Africa, 1982: More than 350 US companies have subsidiaries in South Africa. Time Running Out.

US Percentage of Total Foreign Direct Investment in South Africa: Approximately 20%. (US investment is second only to that of Britain.) Time Running Out.

Average Rate of Return on US Investment: Between 1979 and 1982, 18.7%, compared to an average rate of return for US companies worldwide of 16%. Calculations from Survey CB, August 1979 through 1983.

US Financial Involvement in South Africa, 1982:



Survey CB, Aug. 1983; USFRB, Nov. 17, 1983; Nation, Sept. 3-10, 1983.

Major US Corporate Operations in South Africa: Direct investments—Mobil Oil (\$426 million/3,577 workers); Caltex [Standard Oil of California and Texaco] (\$334 million/2,238 workers); General Motors (\$243 million/5,038 workers); Good-year (\$97 million/2,797 workers); Union Carbide (\$54.5 million/2,465 workers); SOHIO [Kennecott] (\$345 million/2,259 workers); Ford (\$213 million/6,509 workers); Newmont (\$127 million/13,535 workers); General Electric (\$93 million/5,130 workers). Other Involvement—Fluor (\$4.7 billion contract for oil from coal facility/17,300 workers); Burroughs Corp. (\$6 million annual sales/558 workers); Control Data Corporation (\$17.8 million annual sales/330 workers); IBM (\$262 million annual sales/1,800 workers). Unified List.

US Bank Loans to South Africa: As of June, 1983 loans outstanding from US banks totalled \$3.88 billion. More than 125 US banks have made loans to government and private borrowers in recent years. Among the significant lenders have been: Bankers Trust (NY), BankAmerica (CA), Chase Manhattan (NY), Chemical Bank (NY), Citibank (NY), Continental Illinois (IL), First Boston (MA), First Chicago (IL), Manufacturers Hanover (NY), Morgan Guaranty (NY). USFRB, Nov. 17, 1983; Unified List.

Repression and Control

Legislation: The Internal Security Act of 1982 consolidates a series of laws, including the Terrorism Act, and Unlawful Organization Act and the General Laws Amendment Act, with minor revisions, into one law. This act allows: 1) indefinite incommunicado detention without charge or trial; 2) the outlawing of any organization alleged to be threatening to public safety or order; 3) the prohibition of the printing, publication or dissemination of any periodical or any other publication; 4) the prohibition of any gathering or meeting; 5) random police searches; 6) the curtailment of travel rights of any person, and restriction of rights of communication, association and participation in any activity (banning). Further, it is illegal under this act to render any assistance to any campaign, at home or abroad, that protests or seeks to modify or repeal any law if such a campaign furthers the aims of a banned organization.

The Abolition of Passes Act applies only to Africans and is the key to the administration of apartheid and labor control: all Africans over age 16 are required to be fingerprinted and carry a pass book at all times with a record of bantustan identification, employment, permits to enter white areas, taxes and family status.

The National Key Points Act empowers the Minister of Defense to declare any place or area a National Key Point and requires the owner to provide security in cooperation with the South African Defense Force. These provisions can be applied to any US corporation operating in South Africa. It is illegal under this act to print any information about security measures or any incident at a National Key Point without permission from the government.

Official Violence: The State has consistently sanctioned a high level of violence in repressing opposition to apartheid. Over the years, thousands of peaceful demonstrators have been shot by police. Sixty-nine people died at Sharpeville in 1960 and at least 575 people died in 1976 during and after the Soweto uprising according to official statistics. Most recently in 1983, at least 5 people were killed in KwaZulu and 90 in the Ciskei. Foreign Affairs. Haysom

Detention Without Trial: From Jan. 1 to August 31, 1983, 306 people are known to have been held incommunicado, mainly in

terms of Section 29 of the Internal Security Act. At least 67 more were held under Ciskei's Internal Security Act. Since 1963, 59 people are known to have died while being detained by the security police. FM Nov. 4, 1983. Haysom. Lawyers Committee.

Torture: Torture is extensively inflicted on political detainees by both South African and bantustan security police. Methods used include electric shock, beatings, sleep deprivation and isolation. AI. DPSS. Sept. 30, 1982.

Prison Population: South Africa has the highest per capita prison population in the world with 440 people jailed for every 100,000 of the population. The equivalent figure for the US is 189. 40% of the African prison population consists of people convicted of pass law violations, "crimes" only Africans can commit. Sunday Times. April 12, 1981.

Hanging: Of the 130 people hanged in South Africa in 1980, only one was white. Update. Jan. 1983.

March 1984

Sources:

AC	AFRICA CONFIDENTIAL, London.	Rand Daily Mail	RAND DAILY MAIL, Johannesburg (daily newspaper).
AI	POLITICAL IMPRISONMENT IN SOUTH AFRICA. Amnesty International, London, 1978.	SALG	SOUTH AFRICAN LABOUR BULLETIN. Braamfontein.
Barclays	BARCLAYS BUSINESS BRIEF, Barclays National Bank, Johannesburg.	SARB	QUARTERLY BULLETIN, South African Reserve Bank Quarterly Bulletin, Pretoria.
Benso	DEVELOPMENT STUDIES SOUTHERN AFRICA. Bureau for Economic Research: Co-operation and Development, Pretoria.	SA Review	SOUTH AFRICAN REVIEW I, SAME FOUNDATIONS, NEW FACADES?, Raven Press, Braamfontein, 1983.
Central Statistical Services	South African Government.	SPP	FORCED REMOVALS IN SOUTH AFRICA. The Surplus People Project, Pietermaritzburg, 1983.
DPSS	SECURITY POLICE ABUSES OF POLITICAL DETAINEES, Detainees Parents' Support Committee, Sept. 30, 1982.	Star	STAR, Johannesburg, (daily newspaper)
Farm Labour Project	"Submission to Manpower Commission on Farm Labour," Farm Labour Project, 1982.	Sunday Times	SUNDAY TIMES, Johannesburg (weekly newspaper).
FM	FINANCIAL MAIL, Johannesburg (weekly journal).	Survey	SURVEY OF RACE RELATIONS IN SOUTH AFRICA, South African Institute of Race Relations, annual.
Foreign Affairs	FOREIGN AFFAIRS, Council on Foreign Relations, Quarterly.	Survey CB	SURVEY OF CURRENT BUSINESS, Washington, D.C.
Haysom	Nicholas Haysom, RULING WITH THE WHIP, Center for Applied Legal Studies, University of the Witwatersrand, South Africa, Oct. 4, 1983.	Time Running Out	SOUTH AFRICA: TIME RUNNING OUT. Report of the Study Commission on U.S. Policy Toward Southern Africa, University of California Press, 1981.
ICFTU	AFRICAN LABOR NEWS, International Confederation of Free Trade Unions, Brussels	Unified List	Roger Walker et al., UNIFIED LIST OF U.S. COMPANIES IN SOUTH AFRICA AND NAMIBIA, 1983.
ILO	APARTHEID IN SOUTH AFRICA. International Labor Office, Geneva, 1983.	Update	SOUTH AFRICA/NAMIBIA UPDATE, African-American Institute.
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Nation	NATION magazine, New York, Sept. 3-10, 1983.		
Nedbank	SOUTH AFRICA: AN APPRAISAL. The Nedbank Group, Johannesburg, 1983.		

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American Committee On Africa

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

February 27, 1985

Dear Friend,

As of the end of February 1985, a record number of bills aimed at ending the investment of public funds in banks and corporations doing business in or with South Africa had been introduced in the legislatures of 28 states. These bills follow the successful passage of divestment legislation in five states, Connecticut, Maryland, Massachusetts, Michigan and Nebraska where laws prohibiting the investment of state funds in companies supporting apartheid are now being enforced. By the end of 1984, state and municipal actions across the U.S. had mandated the withdrawal of over \$1.3 billion in public funds from companies doing business in South Africa, and several hundred million dollars had already been divested. The intensifying pressure of the passage of these laws is having an impact where it matters most, that is in South Africa, home of apartheid.

The South African government, which used to pretend that the divestment movement did not exist, is now openly admitting its significance. Comment are no longer restricted to some anonymous spokesperson, but include both senior government Ministers and representatives of many of the so-called "private organizations" that promote South African policies in the United States and are in the forefront of the anti-divestment campaign. All of these speakers are being forced into greater honesty. One such organization is the South African Foundation based in Washington D.C. John Chettle, the Foundation director, who is registered as a "foreign agent" with the U.S. Justice Department, told the Johannesburg Financial Mail on February 1, 1985 that, "In one respect at least, the divestment forces have already won. They have prevented-discouraged, dissuaded, whatever you call it-billions of dollars of new U.S. investments in South Africa. They have discouraged new companies, new investors who were looking for foreign opportunities from coming to South Africa".

Just two years ago, Chettle was confidently predicting the impossibility of successful legislation because, he claimed, divestment violated the U.S. Constitution on three grounds, including the 14th Amendment which prohibits discrimination against individuals and companies.

The Reagan Administration, continuing its "constructive engagement" policy, has been actively hostile to the divestment campaign. Late last year, along with some U.S. corporations in South Africa, the State Department, through the U.S. Ambassador to South Africa, Herman Nickel, hired Professor Lawrence Schlemmer, a South African professor to conduct a poll among black workers about their attitude toward divestment. It is worth noting that Professor Schlemmer, the Reagan Administration and the companies were all on record as opposed to divestment before the first poll question was ever written or asked. Nevertheless, Professor Schlemmer interviewed about 500 black workers and concluded that 75% of them were opposed to divestment. It is surprising that one out of every four of the



people interviewed was willing to state their support for divestment, because the Internal Security Act of 1982 makes it a crime of "treason" punishable by up to 20 years in jail for anyone to advocate divestment. I asked Professor Schlemmer how he thought the people he interviewed could answer truthfully when there was a law effectively silencing them. He replied, "I never thought of that law".

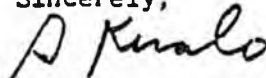
The Reagan Administration is sending the results of this poll to editorial writers and elected officials in the states and cities where divestment is pending. So watch out for it if you don't have a copy by now.

In strong contrast to Schlemmer's portrayal of black worker hostility to divestment, more than 100,000 members of the Federation of South African Trade Unions (FOSTATU), a major independent black trade union federation, last year endorsed a resolution supporting divestment, in spite of the fact that this advocacy is illegal. The Federation publicly stated its full support for "international pressure on South Africa to bring about social justice and a truly democratic society...the pressure for divestment has had a positive effect and should not therefore be lessened," said the Federation.

As we were going to print, we received information about several other states where bills are about to be introduced. We are enclosing a post-paid envelope you can use to mail us information or copies of bills which are not included in this document. We hope to publish an updated summary in the summer.

Please keep in touch, let us know who is lobbying against your local bills, and feel free to call on us for any help and information you may need.

Sincerely,



Dumisani Kumalo
Projects Director

PUBLIC INVESTMENT AND SOUTH AFRICA

Newsletter

Number 6

February 1985

*ALABAMA

State Action: Rep. James Buskey is introducing in February 1985 a bill to divest all state pension funds from corporations operating in South Africa within three years and to ban deposit of pension funds in banks making loans to the South African government, any South African corporations or to U.S. corporations investing in South Africa.

City Action: Birmingham Mayor Richard Arrington's proposal to divest city funds from banks and corporations doing business with South Africa was blocked in the city council on a 4-4 tie vote on January 7 1985. Arrington is planning to ask the city's pension fund board to adopt a divestment policy.

*ARIZONA

State Action: Rep. Art Hamilton and Sen. Tony West are planning to reintroduce last year's unsuccessful bill to prohibit all public investment in corporations doing business in South Africa.

*CALIFORNIA

State Action: Assemblywoman Maxine Waters reintroduced her pension fund divestment bill which calls for divestiture of approximately \$750 million in state pension funds and prohibits deposit of state funds in banks making loans to the South African government in the 1985 session of the legislature.

City Action: Berkeley On April 17, 1979 the citizens of Berkeley passed a referendum mandating the divestment of all public funds except pension and other employee benefit funds from banks doing business in or with South Africa. Approximately \$4.5 million was involved.

City Action: Davis In 1980 the Davis City Council passed an investment policy which prohibits investment in any corporation which directly or indirectly discriminates on the basis of race religion, color, creed, national or ethnic origin, age, sex, sexual preference or physical disability. The guidelines to carry out this policy included making no further investment in banks doing business in South Africa.

City Action: Oakland In December 1984 the Oakland City Council voted to ban new investment of idle funds in financial institutions doing business with South Africa. Councilman Wilson Riles Jr. is continuing to press for a divestment ordinance, which is under consideration in the Council.

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City Action: San Francisco In November 1984 San Francisco voters adopted a non-binding referendum urging pension fund divestment. The pension fund trustees are considering adopting a divestment policy.

***COLORADO**

State Action: Sen. Regis Groff introduced a divestment bill in February 1985 with the support of the Colorado Coalition Against Apartheid.

CONNECTICUT

State Action In June 1982 the state legislature passed a law requiring divestment from corporations which fail to meet the following minimum requirements: no sales of strategic products or services to the South African government, military or police; recognition of the right of black workers to organize and strike; receiving a performance rating in the top two categories of the Sullivan Principles rating system. It is estimated that this law will result in the sale of \$70 million worth of securities. The Connecticut Anti-Apartheid Committee mobilized public support for the bill.

City Action: Hartford In 1980 Hartford passed an ordinance prohibiting the investment of city pension funds in corporations operating in South Africa which have not signed the Sullivan Principles.

City Action: New Haven Alderman Steven Mednick has introduced an ordinance calling for divestment from banks and corporations with loans or investments in South Africa within two years.

***DELAWARE**

State Action: Rep. Al Plant has introduced H.B. 20 on January 16, 1985 to prohibit the investment of state funds in banks making loans to South Africa or in any corporation operating in South Africa.

City Action: Wilmington passed an ordinance sponsored by Councilman Penrose Hollins on July 18, 1982 which provided for the sale of securities of companies doing business in South Africa from the city's pension funds within 180 days. Approximately \$400,000 in corporate bonds were affected.

***FLORIDA**

State Action: Senators Carrie Meek, Jack Gordon and Arnett Girardeau have petitioned the State Board of Administration which controls pension funds to adopt a divestment policy. A hearing on their petition was held on February 1 1985. Speaker Pro Tem Steve Pajcik has introduced a bill in the House based on the divestment resolution passed by New York City Employees Retirement System which would provide staged divestment over five years except from corporations judged to be aiding the struggle against apartheid. This bill will also ban deposit of pension funds in banks making loans to the South African government. The bill was introduced February 16 with hearings to be scheduled for March 1985.

***GEORGIA**

State Action: Rep. Tyrone Brooks and Sen. Julian Bond will reintroduce

last year's divestment bill requiring divestment of pension funds from corporations investing in South Africa in the 1985 session of the legislature.

City Action: Atlanta In 1982 the Atlanta City Council passed a resolution requesting the removal of all city pension funds from banks making loans to the South African government or to state corporations and from corporations doing business in South Africa.

*ILLINOIS

State Action: Rep. Carol Mosley Braun will introduce a bill requiring divestment of state pension funds and prohibiting state deposits in financial institutions which make loans for the purpose of investing in South Africa. In 1984 a similar bill was voted out of Committee but died on the House Floor. Rep. Mosley Braun is working with the Coalition for Illinois Divestment which has built broad public support for divestment.

*INDIANA

State Action: Rep. William Crawford has introduced H.B. 1576 in the 1985 legislative session to prohibit the deposit of state funds in banks making loans to the South African government or its agencies and the investment of state pension funds in corporations which employ more than 50 people, earn more than \$500,000 a year, or invest more than \$2,000,000 in South Africa or Namibia.

City Action: Gary On August 17, 1984 Mayor Richard Hatcher signed a City Council resolution condemning U.S. investment in South Africa.

*IOWA

State Action: Senator Thomas Mann introduced S.F. 110 on January 28, 1985 which calls for divestment from banks making loans to South Africa and corporations doing business in South Africa over a three year period. The Iowa Divestment Coalition is building support for the bill.

*KANSAS

State Action: Rep. Norman Justice will introduce a bill to make the divestment resolution passed in April 1984 binding.

LOUISIANA

City Action: New Orleans A resolution has been introduced this year in the New Orleans City Council urging the mayor to appoint a committee to study divestment and report by March 21.

*MAINE

State Action: Rep. Harlan Baker introduced H.P. 368 in February 1985 calling for divestment of all state pension funds within three years. Hearings have been scheduled for March.

*MARYLAND

State Action: On May 29, 1984 Governor Harry Hughes signed into law H.B. 1267 introduced by Delegate Howard Rawlings, which prohibits the deposit of state funds in any bank making loans to the South African government or government corporations. This year, Sen. Clarence

Mitchell III introduced S.B. 44 in January modeled on the Massachusetts bill. It calls for divestment of state pension funds from all corporations operating in South Africa within three years. Delegate Howard Rawlings is planning to introduce an educational fund divestment bill, and also bills to prohibit buying or selling Krugerrands in Maryland, ban state purchases of South African goods, and cut off state aid to any local program which purchases South African products. The Maryland Committee Against Apartheid is building public support for divestment legislation.

MASSACHUSETTS

State Action: On January 4, 1983 the Massachusetts legislature overrode a veto by former Governor Edward King and voted to withdraw all state pension funds from corporations doing business in South Africa. The bill was sponsored by Senator Jack Backman and Representative Mel King. Mass Divest organized support for the bill from labor, religious, civil rights and community organizations which was key to its passage.

City Action: Amherst In October 1984 Amherst Town Council voted to divest town funds from corporations doing business in South Africa or producing nuclear weapons.

City Action: Boston On January 7th, 1985 Governor Michael Dukakis signed legislation which permits the divestment bill passed in Boston in July 1984 to take effect. The Boston ordinance prohibits investment of public funds in any bank with outstanding loans to South Africa or Namibia or any corporation doing business in South Africa.

City Action: Cambridge In February 1985 the Cambridge Retirement Board announced that it would make no new investments in corporations which do business in South Africa.

*MICHIGAN

State Action: In December 1982 the state legislature passed a law requiring public educational institutions to sell all investments in corporations operating in South Africa. This followed a 1980 law prohibiting the deposit of state funds in banks making loans to South Africa. Rep. Perry Bullard and Rep. Virgil Smith sponsored both bills. This spring Rep. Smith and Rep. Bullard will introduce bills to divest public employee pension funds and legislative pension funds from corporations doing business in South Africa within five years. The Michigan Coalition on Southern Africa is mobilizing public support for the successful legislation.

City Action: Detroit In November 1984, the Detroit City Council unanimously passed a resolution proposed by Councilwoman Barbara-Rose Collins supporting divestment of pension funds and general municipal funds and instructing the Law Department to draw up a binding ordinance.

City Action: East Lansing On August 3, 1977 the city council passed a resolution authorizing selective purchasing favoring corporations which do not have investments, licenses, or operations in South Africa. A statement to this effect, signed by the mayor, is attached

to all invoices and bids.

City Action: Grand Rapids The City Commission passed an amendment to the city investment policy on October 26, 1982 prohibiting the deposit of idle funds in banks making loans to the South African government or to corporations doing business in South Africa.

***MINNESOTA**

State Action: On January 15, 1985 Rep. Randy Staten introduced H.F. 122 to divest the state pension fund from corporations investing in South Africa and banks making loans to the South African government or national corporations. The bill would also give preference in state purchasing to corporations which do not invest in South Africa. Senator Allan Spear will be introducing the bill in the Senate.

***MONTANA**

State Action: Sen. Dorothy Eck is working with the Montana Peace Legislative Council to frame a divestment bill requiring that all pension funds be divested from corporations investing in South Africa within three years.

NEBRASKA

State Action: On April 9, 1984 the Nebraska legislature passed a divestment bill sponsored by Senator Ernest Chambers. The bill calls for divestment of pension funds from corporations that do not meet "the highest rating of the Sullivan Principles." It will take effect as of January 1, 1987. In 1980 Nebraska passed a divestment resolution sponsored by Senator Chambers.

***NEVADA**

State Action: Sen. Joe Neal introduced S.B. 58 mandating divestment of state pension funds in January 1985. It passed in Committee and is awaiting a vote in the Senate.

***NEW JERSEY**

State Action: Assemblyman Willie Brown's bills mandating pension fund divestment and reinvestment of the proceeds in New Jersey to the extent practicable (H.B. 1309 H.B. 1308) are before the Assembly Revenue/Finance Committee.

City Action: Atlantic City In April 1983 Atlantic City passed an ordinance providing for divestment within two years from banks with loans to South Africa or corporations with operations in South Africa.

City Action: Newark On August 8, 1984 Newark adopted an ordinance mandating divestment from banks and corporations with loans or investments in South Africa or Namibia within two years. The ordinance also bans city purchases from corporations which operate in South Africa.

City Action: Rahway In June 1984 Rahway passed an ordinance prohibiting the deposit of city funds in banks with loans to the South

African government, its national corporations or to any corporation investing in South Africa.

***NEW YORK**

State Action: Deputy Speaker Arthur Eve and Assemblyman Herman D. Farrell have introduced A.B. 250 calling for divestment of state pension funds over three years and no deposit of state pension funds in banks making loans to the South African government or its national corporations. The bill also mandates divestment from corporations supplying strategic materials or services to South Africa. Senator Leon Bogues has introduced a companion bill S.B. 1242 in the Senate.

City Action: New York City As a result of negotiations between the City Administration and District Council 37 AFSCME Intro. 900 was introduced at the request the Mayor with the support of the City Council President and the Council leadership on February 7, 1985. It will prohibit the deposit of city funds in banks which make loans to the South African government or advertise or promote Krugerrands. It will also ban city purchases of South African goods and severely restrict purchases from corporations which sell to the South African military, police, prisons, or the Ministry of Cooperation and Development. The negotiations resulted from strong labor and community support for Intro. 619 introduced by Councilmember Ruth Messinger which would have banned purchases not only of South African goods but of goods manufactured by U.S. corporations which invest in South Africa. In August 1984 the trustees of the New York City Employees Retirement System voted to divest over five years from all corporations operating in South Africa except those judged to be actively aiding the struggle against apartheid. It is estimated that \$665,000,000 will be affected.

County Action: Rockland County has voted to ban the deposit of county funds in Barclays Bank because of its operations in South Africa and its support of British rule in Northern Ireland.

***OHIO**

State Action: Sen. William Bowen has introduced S.B. 57 in the 1985 session of the legislature modeled on the bill which the Senator sponsored in 1984 and which failed on December 19. The bill won a 16-14 majority but it needed 17 votes to pass. It would have required divestment of state pension funds by January 1, 1986 and prohibited the deposit of pension funds in banks with loans to the South African government, any South African corporations, or U.S. corporations with investments in South Africa.

City Action: Cleveland On March 12, 1984 the county of Cuyahoga which includes Cleveland passed a unanimous binding resolution sponsored by Commissioner Timothy Hagan calling on the County Investment Advisory Board not to invest public funds in banks dealing with the government of South Africa.

***OREGON**

State Action: Rep. James Hill and Rep. Margaret Carter are in the process of drafting divestment legislation with the help of Portlanders Organized for a Free South Africa. The bill will be

introduced in the 1985 legislative session.

***PENNSYLVANIA**

State Action: Sen. Freeman Hankins introduced S.B. 956 on January 23 calling for no new investment of state funds in corporations investing in South Africa. He is planning to follow this later with other South Africa related bills. In the House Rep. David Richardson and Speaker Leroy Irvis introduced bill No. 6 the same day to divest the state educational fund. A similar bill, H.B. 1400 passed the House in 1984 but failed to come up for a vote in the Senate. Pennsylvania Divest is building community support for divestment.

City Action: Philadelphia On June 4, 1982 the Philadelphia City Council unanimously passed a divestment ordinance providing for the withdrawal of city pension funds within two years from any corporation investing in South Africa or any bank making loans to the government of South Africa or Namibia. The bill has already resulted in the divestment of \$100 million in securities from the city pension fund. Councilman Cohen has introduced bill No. 251 calling for a ban on purchases from corporations doing business in South Africa or Namibia.

City Action: Pittsburgh The Pittsburgh Pension Board voted to adopt a divestment policy on January 17. At present 13 companies in the \$15 million pension fund invest in South Africa. Implementation will be worked out with the pension fund managers.

***RHODE ISLAND**

State Action: Rep. Raymond Fogarty and Senator David Carlin have introduced bills for divestment of state pension funds in the 1985 legislative session. RIDivest is mobilizing support.

***TEXAS**

State Action: Rep. Al Edwards has introduced H.B. 47 calling for a prohibition on new investment of state educational funds in corporations doing business in South Africa.

City Action: Dallas The Mayor of Dallas has appointed a panel to study city divestment and make a report on whether it is desirable or feasible.

***VERMONT**

State Action: Rep. Mique Glitman introduced H.B. 210 on February 5, 1985 calling for divestment of all state funds from banks and corporations with loans or investments in South Africa or Namibia. The bill has been referred to the Governmental Operations Committee which held hearings in late February. Rep. Glitman is working closely with the Vermont Coalition on Southern Africa.

VIRGINIA

City Action: Charlottesville In December 1984 Charlottesville adopted an ordinance requiring divestment of city pension funds from corporations with operations in South Africa which have not signed or adhered to the Sullivan Principles. The ordinance is expected to result in the divestment of between \$700,000 and \$1 million from the

city's \$9.3 million pension fund.

***WASHINGTON**

State Action: Senator George Fleming has introduced S.B. 3227 in the 1985 session of the legislature providing for divestment of all state pension funds within three years. It also prohibits depositing pension funds in banks which make loans to the South African government or national corporations. All divested funds are to be reinvested in Washington to the extent that this is fiscally prudent.

City Action: Seattle Seattle City Council passed a resolution in December 1984 directing the City Investment Committee headed by the Mayor to prepare legislation to remove all public funds from banks which do business with South Africa. The Seattle Coalition Against Apartheid and the American Friends Service Committee are working on both the city and state legislation.

***WASHINGTON D.C.**

City Action: On October 4, 1983 the Washington D.C. City Council unanimously passed a divestment ordinance introduced by Councilman John Ray providing for no deposit of D.C. pension funds from banks with loans to the South African government, its national corporations or to U.S. corporations for investment in South Africa and divestment from corporations with investments in South Africa. The divestment is to take place over a two year period. This ordinance, like all actions of the D.C. city council was subject to Congressional review. A resolution to overturn the divestment bill was defeated in the House District of Columbia Committee on bipartisan 10-2 vote. Councilman Ray introduced a selective purchasing bill at the end of February 1985.

***WISCONSIN**

State Action: Rep. Marcia Coggs along with 36 co-sponsors has introduced AB 54 calling for full divestment of state pension funds over a three year period. A companion bill in the Senate has 17 co-sponsors. The bill would affect approximately 2 1/2 billion of a \$8 billion pension fund. The Madison Area Committee on Southern Africa is organizing support for the bill.

VIRGIN ISLANDS

Territorial Action: In October 1984 the Virgin Islands Territorial Senate passed a bill calling for divestment of the \$35 million territorial pension fund within two years.

*Denotes a state with current (1985) activity.

Compiled by Sandy Boyer, Elizabeth Davies and Dumisani Kumalo.
February 1985.

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Edward E. Manassah, Editor
Robert D. Stuart, Editorial Page Editor

10A

We must get out of South Africa

Point of View

Clifton R. Wharton Jr., is former President of Michigan State University and is now Chancellor of the State University of New York and chairman of the Rockefeller Foundation.

Many thoughtful Americans, deeply sympathetic to the oppressed black majority in South Africa, have believed or wanted to believe that U.S. business interests in that nation could blunt the cruelty of systematic apartheid. For some years, and with much uneasiness, I took the same position.

Now I believe it is time for U.S. corporations to get out — all the way out, and as fast as they possibly can.

As an American black, I have always found the whole concept of apartheid abhorrent. One of the most degrading and dehumanizing practices ever institutionalized in a supposedly civilized country, it rivals in many respects the genocidal programs of Adolf Hitler. Pervasive, crushing, unspeakable — apartheid has never been and can never be anything more than a mortal affront to freedom and human dignity, not just in South Africa but everywhere.

But what could we in America do to confront the society? What actions would best serve black South Africans, or in any case do them least harm? As an academic, I had to believe that brutality would eventually give way under the overwhelming moral weight of humane education. As an American citizen, I hoped that the weight of U.S. foreign policy would come round more squarely behind world opinion, convincing even an obstinate Pretoria to abandon its fanaticism.

And as a corporate director, I hoped that enlightened, nondiscriminating U.S.-style management at American plants in South Africa would provide economic opportunities for some blacks, while setting a progressive example for the country as a whole.



Clifton Wharton

A majority of U.S. firms had adopted the so-called Sullivan principles, mandating equal treatment, pay and opportunity for their non-white South African employees. Numerous black leaders there as well as in the United States offered their reluctant endorsement, while continuing to denounce and oppose any settlement or cease-fire with apartheid itself.

But if this position was ever tenable, it is no longer.

U.S. firms and corporations should withdraw all personnel and investments from South Africa, and as rapidly as they can. In commerce and foreign policy alike, we must treat South African government as the pariah it long ago chose to become.

What has altered my view? A slow but inexorable tilt in the balance of outrage, as the damning evidence continued to mount.

In 1981, The Rockefeller Foundation supported a commission chaired by Franklin Thomas, president of The Ford Foundation. The group's exhaustive and objective study of South African apartheid led to a report titled "Time Running Out." It spelled out in detail the scores of elaborate, ingenious and malevolent mechanisms by which a small white minority separates peoples, creates phantom "homelands," and administers the legalized enslavement of 22 million blacks.

More recently I took part in a day-long meeting convened by Thomas to determine what changes, if any, have occurred since publication of his report. True, it is clear that U.S. corporations have had some positive impact on the lives of the 66,000 South African blacks that Sullivan principle firms employ. But for the millions not lucky enough to work for U.S. firms, conditions are worse than ever.

Far from any generalized liberalization having resulted from the presence of American companies,

the great majority of black South Africans have seen their economic well-being and human rights actually eroded during the last three years.

An April, 1984, conference in Johannesburg heard some 300 papers resulting from the Carnegie Foundation study of poverty in South Africa. In the aggregate, they documented a significant increase in the impoverishment of most blacks, despite improvements in the living standards of a few.

A study by Charles Simkins of Capetown University, for example, found that the number of homeland people living below a "minimum living level" standard increased from 4.9 million to 8.9 million between 1960 and 1980.

In recent weeks, media accounts of South Africa's newly imposed

"constitution" confirm that, despite the propaganda fanfare, few significant avenues of genuine participation in governance have been opened to citizens of Indian or "colored" heritage. Blacks, making up 73 percent of the population, have been bound even more tightly with the barbed wire of apartheid — with the inevitable result of more bloodshed.

Instead of a small step toward democracy, South Africa's constitution is clearly just another device to ensure the continued absolute power of the white minority.

What will happen if U.S. firms withdraw entirely from commercial activity in South Africa?

Some have argued that their presence has until now had a moderating influence on behalf of evolutionary reform, while abrupt withdrawal is criticized as likely to touch off a revolutionary explosion in the country.

Yet the reality is that the progressive effect of the Sullivan code firms has benefited at most the 66,000 black South Africans they directly employ. Millions upon millions of others are immeasurably worse off today than a few years ago. There is where the revolutionary time-bomb ticks — there, within the abysmal failure of the government to bring about meaningful change for the vast majority. Beside that single fact, the presence or withdrawal of U.S. corporate investments is incidental.

Realism suggests that the drama of corporate withdrawal may not, in itself, have a proportionately forceful effect on apartheid. Non-U.S. firms may well move in to take up the slack, even in the face of world censure. But that does not mean that getting U.S. corporations out of South Africa would be self-defeating, or a pyrrhic victory.

Corporate conscience is an elusive idea in this country, but it exists and cries out to be heeded. When the eventual explosion comes in South Africa, it is our conscience, no less that of world opinion, that will call us to account. If our firms are still there, how will we justify our tacit collusion?

In the meantime, a U.S. commercial disengagement would certainly cause economic hardships for South Africa. It would further indict Pretoria in the eyes of the world, and it would place greater stigma on any nations and companies moving in to replace the departed Americans.

What about the few black South Africans who have made tangible gains through employment by U.S. firms? Tragically, they will suffer. Undoubtedly their self-interest had something to do with the results of a recent survey, which reported that 75 percent of black employees of American firms oppose U.S. disinvestment and withdrawal as a protest to apartheid. But the more compelling explanation is that it is, in South Africa, a criminal offense to call for disinvestment by foreign individuals and corporations. Whatever black workers really think about the presence of U.S. corporations, they have good reason for keeping up a facade of approval.

Ringier declarations of principle are easy enough for the observer, comfortable — and safe — half a world away. But the abuses have shown themselves so abominable

and so impervious to change as to require a decisive, even a draconian; response.

U.S. companies are in a position to deliver it.

For that matter, even a total U.S. corporate withdrawal is unlikely to be enough of an American response.

As I wrote in *Newsday* six years ago, I believe that national foreign policy is the strongest and most effective weapon in our arsenal against apartheid. The United States should have a unilateral policy of total economic sanctions against Pretoria, and we should cooperate with the United Nations to encourage complete economic, social and cultural isolation.

Unhappily, the present administration's policy of "constructive engagement" with South Africa is not only a delusion and a sham, it actively undercuts the cause of the black majority and those other groups who are also systematically oppressed there.

There is no better way, and no other way, to reassert our national integrity than to act decisively, and to act now. For U.S. corporations in South Africa, time has run out.

Point of View is a forum of public opinion. If you have expertise and opinions about a matter of public interest and would like to write an essay, contact Robert Stuart, Editorial Page Editor.



Political reform is the answer to disinvestment

The growing disinvestment campaign against companies operating in South Africa has probably become the most serious foreign threat facing the Government. In the United States in recent weeks the campaign reached unprecedented heights, with even some of the country's conservative politicians supporting the call

CHRIS FREIMOND, Political Correspondent

TO OPENLY support disinvestment is a crime in South Africa. It carries heavy penalties.

This alone is a clear indication of the alarm with which the Government views the growing campaign to withdraw foreign capital from South Africa.

It is a campaign that seems set to grow in the months and years ahead and will undoubtedly continue to cause divisions not only among South Africans, but also in those countries where the battles against investment are being fought.

The argument of those in favour of disinvestment is that the withdrawal of foreign capital will force the Government to speed up political reform.

The additional hardship that the consequent loss of jobs might cause blacks would be short-term and relieve their perceived oppression far quicker than is happening at present.

Those against disinvestment claim either that the Government is more likely to proceed with political reform in good economic times and when it is not under severe international pressure, or that it is grossly unfair to advocate a strategy that will lead to even greater suffering for blacks.

While there have been no large scale disinvestments to date, the pressures on foreign companies — particularly those in the United States — to pull out of South Africa are mounting.

From a relatively innocuous start 10 years ago by anti-apartheid lobbyists, the campaign in the United States today enjoys widespread support.

In a recent position paper for SA Forum, Professor Carl Noffke, director of the Institute for American Studies at the Rand Afrikaans University, wrote that more than 350 American companies had more than R5 500-million invested in South Africa and more than 6 000 other United States companies did business with South Africa.

Other estimates, which included loans and gold shares, placed total United States investment in South Africa as high as R25 500-million while US bank loans to the private and public sectors in South Africa were estimated at R11 000-million.

He wrote that so far five United States legislatures had approved laws restricting investment in South Africa and at least 40 others were expected to deal with more than 60 disinvestment bills next year.

Some large American cities, including New York, Washington DC and Boston, have disinvestment ordinances and the Mayor of Boston, Mr Raymond Flynn, has urged the country's 100 largest cities to withdraw investments in companies doing business with South Africa.

Moves supporting investment restrictions to a greater or lesser degree have also been made by 41 United States universities, Prof Noffke said.

At Federal level, the campaign to restrict financial dealings with South Africa has been fought bitterly in Congress and is expected to continue next year.

Although the disinvestment campaign in Britain and South Africa's other major European trading partners is not as strong or well organised as in America, it is being extended in those countries and observers believe it will gain momentum.

A leading South African businessman, Mr Tony Bloom, head of the Premier Group, said in an interview that he was "extremely concerned" by the disinvestment lobby and believed its strength was being under-estimated.

He believed it was stronger now than it had ever been and said it might be only a matter of time before the inconvenience factor of pressures on companies with investments in South Africa outweighed their desire to remain in the country.

In South Africa itself disinvestment is an emotional issue. The extent of its support is unclear.

A recent survey by Professor Lawrence Schlemmer, director of the Centre for Applied Social Sciences at the University of

Natal, indicated that 75% of black industrial workers polled were opposed to disinvestment.

But a number of black leaders and anti-apartheid organisations support investment restrictions of some sort and believe the majority of their followers agree with them. Due to legal restrictions it is not possible to quote many of their views.

However, it is widely accepted that the Bishop-designate of Johannesburg, Bishop Desmond Tutu, favours foreign economic pressure to force political change in South Africa.

Economic pressures are also supported by United Democratic Front leaders and its hundreds of affiliate organisations.

An international policy statement earli-

er this year by the Federation of South African Trade Unions, said that Fosatu, as a trade union organisation concerned with the jobs and livelihood of its members, had to give careful consideration to the question of disinvestment.

It was its considered view that the pressure for disinvestment had had a positive effect and should therefore not be lessened.

Fosatu's statement said: "Fosatu is definitely opposed to foreign investment that accepts the conditions of oppression maintained by this regime".

The trend among many South African leaders and organisations seems to be towards conditional foreign investment, possibly along the lines of a "carrot and stick" policy with foreign companies.

Governments would put increased pressure on the South African authorities to introduce political change, and threatening to withdraw investments or approve disinvestment laws if it does not.

Whether the disinvestment campaign is capable of widespread success remains largely unknown.

Apart from their defence for remaining in South Africa on the moral grounds that they are assisting in the social and financial upliftment of blacks, most foreign businessmen have too much to lose by pulling out.

South Africa is also a valuable trading partner to many countries. Disinvestment and trade sanctions could cause economic hardships and unemployment in those countries.

Prof Noffke wrote that a recent survey by the Institute for European Economic Studies in London, in conjunction with two research groups in France and West Germany, concluded that most Western nations would be economically and strategically weakened by concerted disinvestment in South Africa.

In an interview published in the latest edition of Leadership SA, the new chairman of Dunlop in London, South African born Sir Michael Edwards, said he believed any "disengagement" from South Africa by friendly nations "has got to be a bad thing" for all the parties involved.

"Disengagement isolates and the last thing you want in the world today is isolation — you want communication.

"The only way to communicate is to have a vehicle and to have a cause to communicate.

"So, I believe disengagement by British and American companies from the scene plays into the hands of extremists and is unconstructive and unhelpful."

The problems are complex, but the solution is probably not nearly as difficult as many would believe.

Mr Bloom summed it up in two words when asked how he thought the disinvestment campaign could be countered.

"Political reform," he said.



American Committee On Africa

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

Resources Available

____ SOUTH AFRICA: QUESTIONS AND ANSWERS ON DIVESTMENT by Stephanie Urdang, ACOA 1984, 4pp. 30¢ each. Over twenty, 15¢ each.

____ BLACK WORKERS UNDER SIEGE: REPRESSION AGAINST TRADE UNIONS IN SOUTH AFRICA by Sandy Boyer, AF 1984, 8pp. A new report on the torture, imprisonment, and even death which faces black workers when they try to organize unions. With a preface by Victor Gotbaum, Executive Director of District Council 37 AFSCME. 60¢ each. Over twenty, 30¢ each.

____ SOUTH AFRICA FACT SHEET, AF 1984, 4pp. Facts and figures on population, removals, wages, repressive legislation, SA-US economic ties and more. 30¢ each. Over twenty, 15¢ each.

____ THE ILLUSION OF REFORM, THE REALITY OF EXISTENCE by Jennifer Davis, AF 1985, 6pp. Reprinted from Christianity & Crisis. Black resistance to apartheid is gathering force, while the racist government's mythical reforms and real repression intensifies opposition. 35¢ each. Over twenty, 20¢ each.

____ MAKE IT IN MASSACHUSETTS--NOT SOUTH AFRICA: HOW WE WON DIVESTMENT LEGISLATION by Mass Divest, ACOA 1983 (updated 1984), 4pp. 30¢ each. Over twenty, 15¢ each.

____ ECONOMIC DISENGAGEMENT AND SOUTH AFRICA: THE EFFECTIVENESS AND FEASIBILITY OF IMPLEMENTING SANCTIONS AND DIVESTMENT by Jennifer Davis, James Cason and Gail Hovey, reprinted from Law and Policy in International Business Vol. 15, No. 2, 1983, 30pp. An analysis of South Africa and the feasibility and effectiveness of sanctions and divestment. \$2.00.

____ FINANCIAL CONSEQUENCES OF DIVESTMENT FROM SOUTH AFRICA, prepared by Jennifer Davis, Executive Director, American Committee on Africa, November 1983. \$5.00

____ AMERICAN FIRMS, SUBSIDIARIES & AFFILIATES OPERATING IN THE REPUBLIC OF SOUTH AFRICA, American Consulate General-Johannesburg 1982 \$5.00.

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American Committee on Africa

ACOA '84

ANNUAL REPORT

1984 was the year novelist George Orwell chose for his imagined state to complete its control over every aspect of its people's daily lives.

In the real world, South Africa's rulers had planned to achieve the same ultimate power over the black population. They hoped to put the final pieces of the apartheid structure in place in 1984, by the institution of a new constitution and the forcible imposition of "peace treaties" on all independent neighboring states.

Yet it is hard to imagine a year when the South African authorities were less in control.

The government faced total black rejection of the new constitution, revolt in many black townships, a massive worker stayaway and black student unrest. It responded with repression at home and an intensified quest for international support, especially in the US.

In that context, the success of ACOA's divestment campaign generated intense concern in the ranks of South Africa's white leadership. The *Financial Mail*, a business magazine in Johannesburg, described the campaign as "a cutting edge of efforts . . . to isolate South Africa."



Joshua Nersisyan

ACOA Treasurer Tilden J. LeMelle (right) at a demonstration outside the South African Consulate on Park Avenue in New York, where he and five other ACOA officers, including Executive Director Jennifer Davis and Director Emeritus George M. Houser (left), were arrested for blocking the consulate doors.

PROJECTS

Public Investment

The issue of public investment in corporations aiding apartheid spread rapidly to decision-makers in many major cities in the US in 1984. Action in New York, Washington, Boston and Newark, NJ put the total to be divested by states and cities at over \$1 billion. ACOA sponsored a press conference where Mayor Raymond Flynn of Boston released a statement unanimously adopted by the US Conference of Mayors endorsing divestment action. ACOA worked closely with the major proponents of the divestment action in New York, City Council President Carol Bellamy and Victor Gotbaum, who heads the city employees union, DC 37 AFSCME. ACOA also testified for the Newark ordinance and helped successfully lobby Congress to confirm the District of Columbia ordinance.

ACOA worked with legislators in over twenty states where divestment legislation was introduced, providing information through the *Public Investment Newsletter*, testifying at public hearings in states such as Ohio, Pennsylvania and Minnesota, and aiding local coalitions promoting divestment from Rhode Island to Texas. In New York, a public statement organized by ACOA, which brought together representatives of the Catholic bishops, the Council of Churches, the NAACP and the public employees union, helped a divestment bill emerge from committee in Albany despite heavy corporate lobbying.

Exposing South African Agents

ACOA's exposure of campaign contributions by South African agents led to the dissolution of Pretoria's largest Washington-based lobby, the law firm of Baskin & Sears. The publicity following revelations by Projects Director Dumisani Kumalo of contributions from the firm to

major figures like New York City Mayor Edward Koch led Pittsburgh Comptroller Thomas Flaherty to demand that his city withdraw a contract with the firm. On the same day that Flaherty and Kumalo held a press conference, Baskin & Sears announced that the firm was dissolving because some partners wanted to rid themselves of the South African connection.

Elections

ACOA helped local activists raise the issue of US policy toward southern Africa during the election campaign. ACOA produced a 58-page analysis of US involvement with South Africa for a UN conference of several hundred activists, highlighted by the participation of Rev. Jesse Jackson and Senator Edward Kennedy. ACOA joined groups meeting with legislators and candidates in many states, including Iowa, Georgia and Alabama, and mobilized supporters to lobby for federal legislation prohibiting new investment in South Africa.

Students

Thousands of students, from Harvard to Kalamazoo, participated in "Weeks of Action" coordinated by ACOA in March and April, calling for university divestment, commemorating victims of apartheid and building support for the liberation movements in South Africa and Namibia. Fall regional conferences, organized in collaboration with ACOA in Atlanta, Detroit and New Haven, and a tour of California campuses by our student coordinator, helped student activists map out plans for the new academic year.

ACOA Executive Director Jennifer Davis (right) at the official renaming of the corner outside the South African Mission to the UN for South African liberation leaders. At center is African National Congress UN Representative J.M. Makatini, to his left SWAPC Deputy Representative H.P. Asheeke and ANC Deputy David Ndaaba. At left, sponsors of the name change, New York City Council Members Robert Dryfoos and Wendell Foster.

Challenging US Policy

As the year drew to a close, the Nobel Peace Prize awarded to Bishop Desmond Tutu brought welcome media attention to the issue of apartheid and US policy. ACOA President William Booth praised Tutu's achievements before a gathering of several hundred people in New York where Tutu was honored and Booth was among the first arrested in demonstrations outside the South African Consulate in New York. As demonstrations spread from Washington across the country, ACOA helped activists focus on key issues, and provided background on US economic involvement and the Krugerrand for protestors.



INFORMATION & EDUCATION

Media

ACOA's work for divestment featured prominently in several lengthy articles in 1984 from the front page of *The New York Times* to the business section of the *Detroit Free Press*. *The Washington Post* carried a front page article on the exposure of South African lobbyists and the story was also featured on television and in newspapers in Pittsburgh and New York. *USA Today* carried an editorial by Executive Director Jennifer Davis arguing the case for divestment and *The Village Voice* ran a feature by ACOA Research Director Stephanie Urdang on forced removals. ACOA responded daily to requests for information from the press, radio and television around the country.

Human Rights

Information on arrests in South Africa and Namibia, quickly circulated by ACOA, helped draw attention to continuing repression under apartheid. ACOA protested the detention of over 30 leaders of the United Democratic Front who opposed the new South African constitution. Action alerts called for protest against increased South African psychological abuse of political prisoners, the arrest of 35 SWAPO supporters outside Windhoek in Namibia and the deportation of former prisoners to sub-human conditions in the bantustans. Thousands of signatures were collected by ACOA in a petition drive for the release of Nelson Mandela and other South African political prisoners.



Projects Director Dumisani Kumalo speaking in Boston at a human rights forum organized by the Massachusetts Teachers Association.

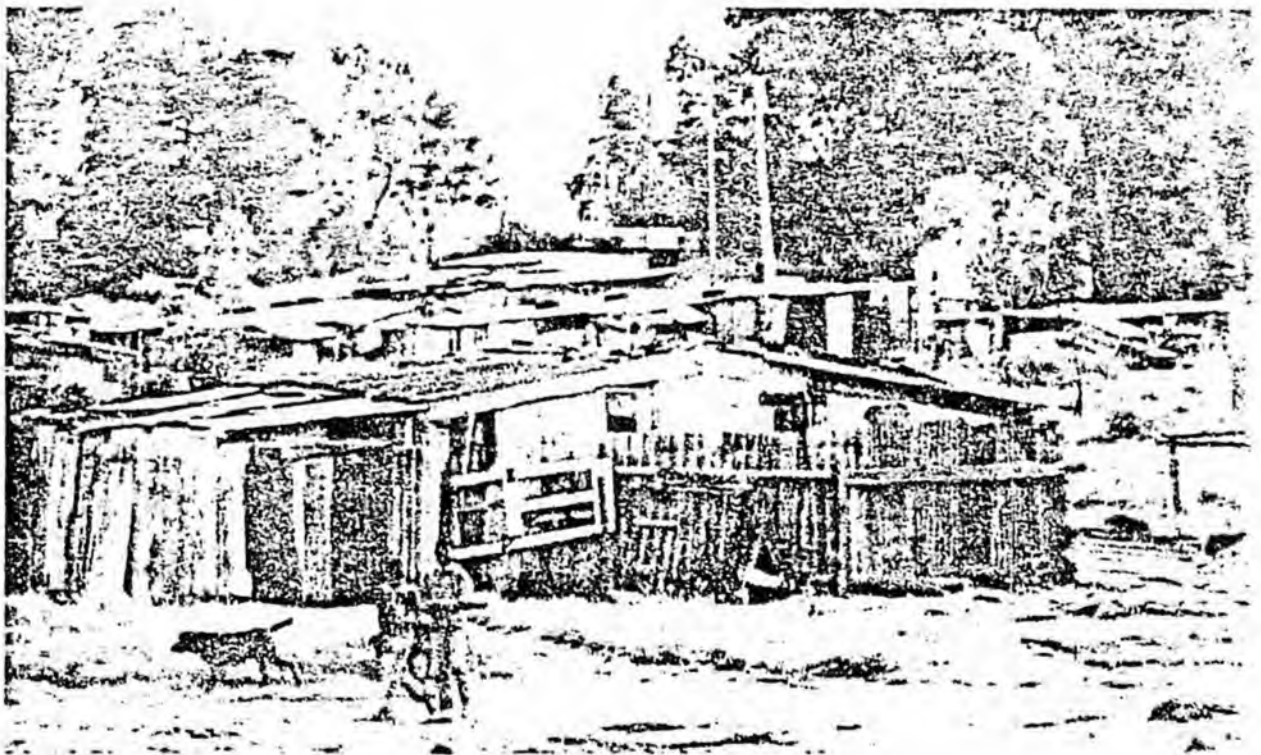
Unions

ACOA expanded its work with unions, keeping in touch with leaders of the black trade unions in South Africa, helping introduce them to labor leaders in the US, working with unions to pass divestment legislation, and working with the Amalgamated Clothing Workers to organize a public statement signed by 31 international officers of major trade unions protesting the arrest of South African trade unionists. ACOA wrote a well-received report on the black trade unions in South Africa, "Workers Under Siege," which was jointly published by ACOA's associate The Africa Fund and DC 37 AFSCME, with over 10,000 copies distributed.

Speakers

From the University of Southern California to the University of Maine, ACOA responded to numerous requests for expert speakers at campus forums. ACOA provided testimony to United Nations committees on US violations of the arms embargo of South Africa, on the cultural boycott and on solidarity work for the people of Namibia. ACOA representatives appeared at labor forums including locals of the state and municipal employees union, AFSCME, the United Food & Commercial Workers Union and the National Education Association.





An illegal "squatter" community outside Cape Town, South Africa

MEMBERSHIP & FUNDRAISING

ACOA receives no government, corporate or foundation support. ACOA depends primarily on the contributions of individuals who believe in our work for a free southern Africa. All supporters receive *ACOA Action News*, the annual report, information updates and appeals.

GENERAL & ADMINISTRATION

A complete, audited financial statement is produced each year by an independent accounting firm and is available on request. Reports are also produced for the federal government, state and nonprofit monitoring groups. A financial supplement for New York residents is also available from the NY Dept. of State, Charities Registration, Albany, NY 12231.

1984 FINANCIAL RESULTS*

Income		Expense	
Contributions	\$100,862	Projects	\$55,770
Projects	1,077	Information/Education	34,543
Travel/Honoraria	3,254	Membership/Fundraising	8,292
Interest	2,312	General/Administration	7,939
Total	\$108,609	Total	\$106,544

*results are preliminary, subject to audit, and do not reflect income/expense of the Special Reserve Fund for deferred compensation.

THE AMERICAN COMMITTEE ON AFRICA

FOUNDED IN 1953, THE AMERICAN COMMITTEE ON AFRICA is devoted to supporting African people in their struggle for independence. ACOA projects inform and mobilize Americans to work for policies supporting African freedom.

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Make It In Massachusetts, Not In South Africa:

How We Won Divestment Legislation by MASS DIVEST

By the end of 1984, state and municipal actions across the U.S. had mandated the withdrawal of over \$1.3 billion in public funds from companies doing business in South Africa. Connecticut, Massachusetts, Michigan, Maryland, Nebraska and many cities including Boston, Newark, Philadelphia, Washington, D.C. and Wilmington have enacted divestment legislation. Similar legislation is now pending in more than 25 other states and many cities. The divestment campaign is being felt where it matters—in South Africa. Dr. Ernie van der Merwe, head of South Africa's Reserve Bank, cites political pressure on foreign corporations as one of the causes of a marked shift away from direct investment in South Africa. Because the Massachusetts bill is the strongest state legislation to date, requiring full pension fund divestment, the American Committee on Africa asked Mass Divest to write the story of their campaign. We hope it will serve as a useful guide in the growing number of states and cities around the country that are taking up the issue of their economic links to apartheid.

Victory in Massachusetts

In 1983 the State of Massachusetts was the site of a dramatic victory for anti-apartheid forces when the Senate and House of Representatives amassed sufficient votes to override a veto by Governor Edward King and enact the strongest statewide pension fund divestment legislation ever passed in the United States. The new law prohibits the investment of teacher and state employee retirement funds in banks and corporations that operate in South Africa. When the bill became law, it affected approximately \$91 million of state pension funds invested in 43 such banks and corporations.

Rather than extending the divesting and reinvesting process over the three-year period provided for in the legislation, the state treasurer's office moved quickly after the bill's passage. Within the first nine months of 1983, more than 75% of the \$91 million worth of investment—primarily affecting fixed income securities—affected by the Act were sold. Current coupon Government National Mortgage Association (GNMA) issues were purchased to replace those which were divested. By the end of 1983, all South Africa-related securities were sold by the Massachusetts State and Employees' and Teachers' Annuity Funds, without any loss being incurred. In fact newly elected Governor Michael Dukakis reported in 1983 that the Massachusetts experience demonstrated that "timely and careful

divestiture can result in net increases in pension earnings."

Under the slogan "Make It In Massachusetts, Not In South Africa," the campaign for divestment was successful in an industrial state that is heavily Catholic with a strong Democratic party that is thought of as liberal. However, in 1979 Edward King, a conservative Democrat, took office as governor and the state appeared to move to the right.

Building a Coalition

Without consistent leadership and hard work by key elected officials backed by a strong citizen support committee, the bill could never have become law. In late 1980 State Senator Jack Backman, a white liberal Democrat from Brookline and State Representative Mel King, a black Independent from Boston, called a meeting which brought together a number of organi-

church, labor and community groups concerned about the effects of the racist regime in South Africa on life in Massachusetts. They included the Black Ecumenical Commission which represents the major black churches of Boston, the Catholic Archdiocese, and the Massachusetts Council of Churches. The original unions active on the bill were Service Employees International Union Locals 509 and 285, American Federation of State, County, and Municipal Employees Local 1489 and the Massachusetts Teachers Association. Among the community groups were Mobilization for Survival, Boston Peoples Organization, a group originating with Mel King's run for mayor of Boston in 1979, and the American Friends Service Committee. A core group from BCLSA, and the TransAfrica Boston Support Group along with several independent activists were most important in the day to day work.

We here in Massachusetts are proud to have been the first state in the nation to vote to sell from our public pension fund portfolio all those investments in firms doing business in South Africa. It has been our experience that divestiture makes not only a strong moral statement against apartheid but divestiture has proven to have had no significant impact on our pension earnings. As the attached analysis shows, timely and careful divestiture can result in net increases in pension earnings.

MICHAEL S. DUKAKIS, Governor
August 8, 1983

zations which had worked independently against apartheid. These groups formed the Massachusetts Coalition for Divestment from South Africa, or Mass Divest, and it was the work of Backman, King and Mass Divest that made the victory possible.

By late 1980 it was obvious to those who had long been at work on the issue of Massachusetts' links to South Africa that it was time to build on earlier efforts and consolidate action in a single organization with a single goal. Action against South Africa had begun at least as early as 1976. That was the year of the uprising in South Africa that began in Soweto and spread throughout the country, with tens of thousands of people protesting the apartheid laws. In response, Mel King, a leading member of the Black Caucus, had held hearings at the State House in Boston on the Massachusetts-South Africa connection. Subsequently the Boston Coalition for the Liberation of Southern Africa (BCLSA) organized a boycott of the First National Bank of Boston because of its policy of loaning money to the South African government. In 1979 Senator Backman and Representative King filed legislation requiring full divestment in response to a state commission report that a higher percentage of public employees pension funds was invested in South Africa than in Massachusetts. Although their comprehensive proposal did not win legislative support, an amendment introduced by Representative King was added to the state budget barring any additional investments of pension funds in South Africa.

The victory of the amendment encouraged King and Backman to press for full divestment. In 1980, however, the campaign stalled despite lobbying by a few community groups, a lengthy series on divestment in the Boston Globe, and an address to the state senate by Dumisani Kumalo, projects director of the American Committee on Africa. Backman and King agreed that a broader coalition was necessary for victory.

Those who responded to the call by Backman and King were

Nothing Short of Total Divestment

Once Mass Divest was formed a crucial political decision was made which stood the coalition in good stead throughout the entire campaign. That was the decision to demand full divestment of Massachusetts pension funds from all banks and corporations operating in South Africa. The purpose of divestment is to pressure companies and banks to withdraw from South Africa. It is based on the understanding that the presence of those banks and companies in South Africa strengthens the white minority government's ability to repress the black majority. It leaves no room for tactics such as the use of stockholders leverage in proxy votes at individual company annual meetings, or for setting up criteria for investment in South Africa. Both these tactics give false impressions. The voting of stock proxies puts no real pressure on the corporations and suggests, wrongly, that they can be moved to withdraw by such means. In more than a decade of stockholders resolutions calling for corporations to withdraw from South Africa, not a single company has responded with such action.

Many attempts have been made to establish criteria which would allow some investment in South Africa. Most often these criteria involve the use of the Sullivan Principles, a code of conduct for U.S. corporations operating in South Africa. The Sullivan Principles shift the discussion away from the fundamental question of how U.S. investment undergirds apartheid. Instead working conditions for the employees of U.S. corporations, who make up less than one percent of the South African work force, become the focus of discussion. Mass Divest and the legislative sponsors of the bill were very clear on their choice from the start: nothing short of total divestment was acceptable. The divestment bill drafted by Mass Divest and filed in 1981 was designed to win maximum political support

within the coalition and in the legislature. One provision specified reinvesting in Massachusetts "to the extent possible," and appealed to unions. Another provision allowed three years to complete divestment, to counter arguments that a hurried sale could hurt the retirees' fund. (See box for final text of bill.)

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-two.

An Act ending the investment of public pension funds in firms doing business in or with South Africa.

(vi) After January 1, 1983, no public pension funds under this subsection shall remain invested in any bank or financial institution which directly or through its subsidiaries has outstanding loans to the Republic of South Africa or its instrumentalities, and no assets shall remain invested in the stocks, securities or other obligations of any company doing business in or with the Republic of South Africa. Any proceeds of sales required under this paragraph shall be invested as much as reasonably possible in institutions or companies which invest or conduct business operations in Massachusetts so long as such use is consistent with sound investment policy.

(vii) Notwithstanding the provisions of the preceding paragraph, if sound investment policy so requires, the investment committee may vote to spread the sale of such investments over more than three years so that no less than one-third the value of said investments is sold in any one year. So long as any funds remain invested in any bank, financial institution or firm referred to in paragraph (vi), the investment committee shall annually, on or before January thirty-first, file with the clerk of the senate and the clerk of the house of representatives a report listing all South Africa-related investments held by the fund and their book market value as of the preceding December first.

The Strategy of Mass Divest

With the formation of Mass Divest and agreement on the fundamental goal of full divestment, organizational work could begin in earnest. A meeting room at the State House, a mailing address at Mobilization for Survival, and a grant for educational purposes from the Haymarket People's Fund of Boston were secured. Resources were prepared by various members of the coalition. BCLSA produced a brochure and slide/tape show which demonstrated conditions in South Africa and the Massachusetts and U.S. connections to the apartheid system. Political poils on representatives and senators were done by Citizens for Participation in Political Action. Work done by TransAfrica members and its leader in Boston, Prof. Willard Johnson was critical in the later stages of the campaign. Because of TransAfrica many black clergy, academics and professionals were aware of and took an active role in lobbying for the bill.

Initial outreach was done to organizations which had previously endorsed southern Africa solidarity actions in the Boston, New Bedford, and Springfield areas. The purpose of the out-

reach was to gain endorsement of the bill and to mobilize the various organizations to lobby on its behalf. Mass Divest members attended meetings, showed the slide show and explained the bill and lobbying necessary to pass it. Follow ups were made to obtain the formal endorsement. In two years of work, more than 100 groups and organizations gave their formal support to the bill.

The creation over a two year period of a statewide network supporting the bill took hard work and required the overcoming of many problems. Mass Divest itself was a coalition which included groups with a variety of priorities and political persuasions. What held the coalition together was the commitment to a clear goal, that of full divestment.

The role of key legislators such as Mel King and Jack Backman cannot be overemphasized. Their political insights about what works and does not work in the legislature, which legislators were key opinion leaders, who could be counted on in a pinch and who could not, were invaluable. Their leadership smoothed ruffled feathers among Mass Divest members and kept the focus on the main goal which was passing the legislation.

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There were two powerful supporters of the bill that were crucial for victory, the Catholic Archdiocese of Boston and the public employees and teachers unions, AFSCME Council 93 and the Massachusetts Teachers Association. Intensive work including personal meetings with key leaders and with their lobby staff was necessary to gain their endorsement and active support. The active participation by the lobbyist of the Archdiocese was very important. Without the support of the unions, whose members' pension money was at stake, many legislators would never have been persuaded to support the bill. To draw in more activists, the coalition presented a slide show and provided speakers at several public educational events, and participated in demonstrations. Mass Divest persistently sought media coverage. The national press was already covering the volatile situation in South Africa. A series of editorials endorsing divestment in the Boston Globe and the cover story in the major weekly the Boston Phoenix, exposing anti-divestment lobbying, brought the issue home.

The Legislative Campaign

The issues that were raised to defeat the bill were, by and large, financial issues. The concept of "fiduciary responsibility" was raised by both the Treasurer and the Governor who argued that divestment would be a violation of their responsibility to invest pension funds prudently, with as much attention to maximizing returns as they would give to their own money. The State Treasurer's Office insisted over a two year period that selling of bonds would involve a loss of \$16 million or more. Opponents also argued that the divestment bill would introduce non-financial constraints on the Investment Committee's freedom of action. If they stayed away from companies and banks which were in South Africa, soon there would be other restrictions and investors would be hamstrung.

Mass Divest and the legislative leaders developed persuasive responses to all these objections. A knowledge of South Africa and the role of U.S. investment there was the first step toward winning the divestment battle. It became necessary as well to be able to respond to the very specific arguments raised by the nature of the state's investment portfolio.

In 1981 hearings were held before the Public Service Committee and over 20 groups and individuals presented what the Committee chair called the most impressive testimony he had ever received on any bill. Although an amendment by the Senate Ways and Means Chairman to exclude coverage of the banks was defeated, the senate passed the bill too late in the session for the house to act, so the entire legislative process had to begin again in 1982.

Based on an analysis of weaknesses in the 1981 campaign, lobbying efforts were directed at key legislative leaders in 1982. Pressure came from delegations of influential leaders from churches, unions, and local constituent groups, public events in their districts, and a flood of letters and phone calls at the time of key votes.

By the fall of 1982 it looked as if victory was possible. The Black Caucus was very strong in its support of the bill with virtually every member speaking on its behalf during the legis-

This amendment required fast action by Mass Divest and the legislators. In a dramatic meeting the question was debated whether to accept the weaker amended bill that the Governor would sign, or to go for full divestment, risking the necessity of a veto-override or of the legislature adjourning for the year before an override vote. If the votes for the veto-override were not forthcoming, the campaign would have had to be begun all over again in 1983. Mass Divest decided to shoot for full divestment. This decision was communicated forcefully by King and Backman to the leadership of both houses. The bill was returned to Governor King without amendment, and predictably, Governor King vetoed the bill. The legislature acted swiftly to override, and victory was achieved on January 4, 1983. It was the only bill in the 1982 session that was passed over the veto of Governor King.

The Importance of Victory

Massachusetts is one of more than forty states and cities that have introduced some form of divestment legislation. The victory in Massachusetts is a major one not only for the state but for the nation wide divestment campaign. Already legislators across the country are making contact to see how victory can

Without consistent leadership and hard work by key elected officials backed by a strong citizen support committee, the bill could never have become law.

lative debate. The economic resistance began to break down when it could be demonstrated that, because of current economic conditions, the divestment of approximately \$91 million remaining in bonds and stocks in South Africa-related companies would result in a net profit.

But lobbyists were active against the bill as well. On December 3, a conservative Republican introduced an amendment to the bill. The amendment came from Alice Cantwell, the regional manager for state-government relations of the Ford Motor Company. Ford's amendment would have exempted any company that adhered to the Sullivan Principles from the divestment action. And Ford was not alone in fighting the bill. South Africa's opposition was presented by Stephen Riley, of the Washington-based lobbying and legal firm Smathers, Symington and Herlong. The South African government has retained the firm to represent its interests in the United States, and Riley was at the State House working against the bill.

The Sullivan Principles amendment failed to get enough votes to even be considered for debate and the divestment bill, intact, was sent to Governor King for his signature. But instead of signing or vetoing the bill, the Governor returned it to the legislature with an amendment that would have limited divestment to stocks and exempted industrial and bank bonds. This would have cut the amount to be divested from \$91 million to only \$35 million and would have let the companies, including Ford, with actual plants and employees in South Africa, off the hook.

be achieved. Massachusetts legislators and Mass Divest members have been involved in nationwide organizing, actively participating in a national conference on divestment and staying in close communication with groups like the American Committee on Africa which monitors the nation wide campaign. ACOA has supplied important resources for the campaign, including language for a model bill and arguments for debunking the Sullivan Principles.

Cooperative efforts will remain essential as the forces against divestment can be expected to intensify their opposition. The resources of Ford Motor Company are formidable, their involvement in South Africa substantial. Ford has \$213 million invested in South Africa and claims it needs the freedom to invest there. South Africa's resources are also formidable. They are paying Smathers, Symington and Herlong \$300,000 a year to lobby on their behalf in the United States.

The Massachusetts victory has set a powerful precedent. Full divestment from banks and corporations which operate in South Africa is possible. It can be done without financial loss and in the face of sophisticated opponents with vast resources at their disposal. The message of the Massachusetts victory is clear: the forces of special privilege, of racism, repression and greed can be overcome by a carefully planned, efficiently organized and hard working campaign for justice and freedom. Massachusetts has taken a giant step forward, confident in the knowledge that other states and cities are joining the march that will continue until the people of South Africa are free.

American Committee on Africa • 198 Broadway • New York, NY 10038 (212) 962-1210

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Black Workers Under Siege



The Repression of Black Trade Unions in South Africa

Produced by the Africa Fund and District Council 37, AFSCME

Preface

by Victor Gotbaum
Executive Director,
District Council 37, AFSCME



*In South Africa,
the struggle for
trade union rights
and the struggle
for freedom are
the same fight.*

In 1980, 10,000 black Johannesburg municipal workers went out on strike for recognition of their union and a wage increase. Strikers were fired, detained overnight and deported to their "homelands," the barren areas where blacks are confined....

On February 5, 1982, Neil Aggett, a white organizer for the mostly black African Food and Canning Workers Union was found hanged to death in his jail cell. Apparently driven to suicide by the torture of the South African security forces....

In South Africa, the struggle for trade union rights and the struggle for freedom are the same fight.

I recently visited South Africa as a representative of my union, the American Federation of State, County and Municipal Employees, and Public Service International, a worldwide organization of public employee unions. It quickly became clear to me that the black trade unions are the forefront of this fight for freedom and democracy in South Africa. Judging from the severe repression of these unions, the apartheid government feels the same way.

What I saw in South Africa impels me to write this message to my fellow trade unionists in America. It is not enough for us to be outraged at the treatment of blacks under apartheid. They need our support. They need concrete actions from our unions to keep their unions alive and growing in the

face of brutal opposition. They deserve this support. Our labor tradition mandates it.

DC 37, AFSCME has already begun our first program of assistance. Manoko Nchwe, a South African trade unionist who was jailed in her country, is visiting our union to observe us and to receive training she can take back to her struggle.

Also, PSI, through its affiliation with the International Confederation of Free Trade Unions, has granted funds to the black unions for training and specific, fundamental equipment that is so essential for them to continue their struggle.

I am grateful to the Africa Fund, and its chairman Frank Montero, for providing information in this pamphlet. I urge you, please, as you read it, to think of specific actions you and your union can begin to take to help our trade union brothers and sisters struggling in one of the most repressive, immoral arenas on the face of the earth: South Africa today.

It is vitally important for all our unions to move this issue onto the front burner. Twenty-one million blacks living in slavery deserves far more attention and action than we have been affording them. This is a trade union struggle that we should no longer ignore.

The Repression of Trade Unions in South Africa

It is often difficult for Americans to understand what it is like to be a black trade unionist in South Africa. Merely belonging to a union can bring harassment from your employer or the police.

Those who dare to organize black workers often face long terms of detention without trial, banning, brutal beatings and electroshock torture at the hands of the security police.

If you go on strike you are likely to be fired immediately. If you are lucky and have permission to live in the 87% of South Africa reserved for whites you only have to try to find a job in the face of 25% black unemployment. But if the government classifies you as a "migrant" you can be transported to a barren "homeland," a reservation so poor it is impossible to eke out a living.

BLACK UNIONS THREAT TO APARTHEID

The black unions pose a deadly threat to the apartheid system which allows 4½ million whites to rule a nation of 24 million black people. That is why they have come under a sustained attack from the South African

government.

Without black workers the South African economy would swiftly collapse. Black workers mine the gold and diamonds that South Africa exports, work in the factories that supply white South Africans with a vast array of consumer goods, and plant and harvest the crops that feed the country. Today blacks make up 82% of the South African workforce.

Since Africans are denied the vote or any political representation in South Africa, the black unions have emerged as virtually their only institution of organized power. The white government fears that the black unions will use this overwhelming economic power to combat the system of white minority rule.

Exact membership figures on the black unions are difficult to obtain. Estimates of their 1983 membership range from 264,000 to 350,000. Even the lower figure would represent impressive growth since 1980 when they had about 150,000 members, especially since there has been a severe recession in South Africa since 1983. Again, even using the lower figures, the independent black unions now represent something on the order of 7% of

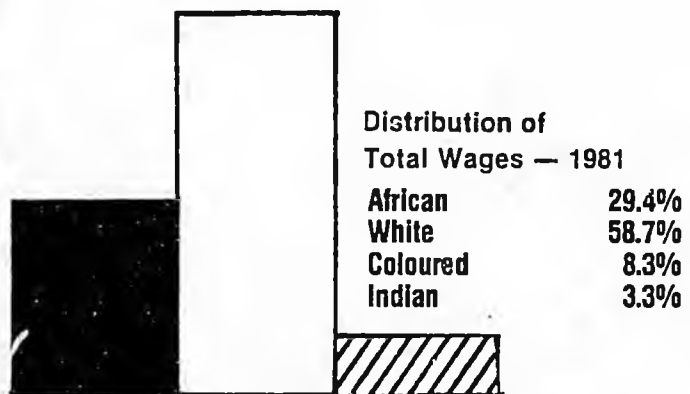
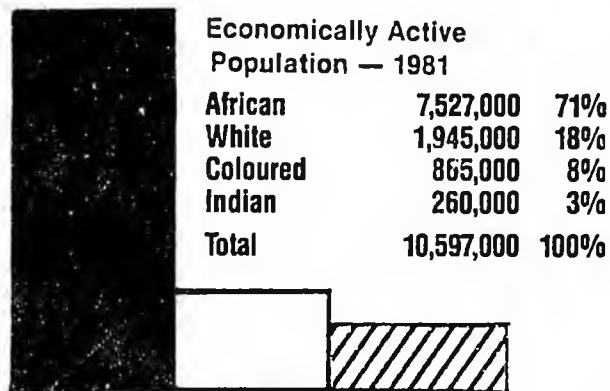
urban black workers and 20% of industrial workers.

The strength of the black unions can't be measured in terms of numbers alone. Equally important is their strength in key industries including auto, iron, steel, transport, and, most recently, mining. In 1982, 141,571 black workers were involved in 394 strikes, costing the South African economy 302,489 work days. This was the largest number of strikes in twenty years and every one of them was illegal.

To really understand the black unions and the threat they pose to the apartheid system we must get beyond statistics and look at the unions themselves. There are far too many independent black unions to describe in this brief survey. Instead, the two federations of black unions, the Federation of South African Trade Unions (FOSATU) and the Council of Unions of South Africa (CUSA), and the most prominent unaffiliated black union, the South African Allied Workers Union (SAAWU), will be briefly profiled.



Income and Employment



The Black Unions

Federation of South African Trade Unions

FOSATU, with over 100,000 members, is the largest federation of black unions. It is made up of unions in the auto, textile, iron and steel, paper, food, transportation, sugar, and jewelry industries. Its largest and most important affiliates are the Metal and Allied Workers Union, the National Automobile and Allied Workers Union and the National Union of Textile Workers.

FOSATU has a very conscious industrial union strategy. It targets important industries for organization, and works to build solid shop floor organizations.

The FOSATU leadership believes strongly that only this kind of organized industrial power will make it possible to bring about the changes that are needed both on the shop floor and in society. They also argue that it is their only effective defense against government repression.

In the last year FOSATU has moved to define its political strategy around two themes—non-racialism and the need for an independent working class movement. Like most of the independent unions FOSATU completely rejects the apartheid system of racial division and believes in a labor movement and a society in which everyone can participate regardless of race. They take pride in the fact that they have attracted a few white workers and that their unions include “coloreds” (people of mixed ancestry) and Indians as well as Africans.

At FOSATU's last bi-annual convention Secretary General Joe Foster outlined the need for an independent working class presence in the movement for a free South Africa. He stressed that workers could not look to middle class leaders to advance their interests. He praised the work of the African National Congress, the principal liberation movement, but said there was also a need for worker based politics based on the unions.

Council of Unions of South Africa

CUSA, the other federation of black unions, probably represents between 90,000 and 100,000 workers. It consists of twelve unions including the Building Construction and Allied Workers Union, Food and Beverages Workers Union, South African Chemical Workers Union, and Steel, Engineering and Allied Workers Union. Its newest and largest affiliate is the National Union of Mineworkers which has organized 35,000 gold miners and won



South Africa Fabrics strikers join in labor songs as they await results of talks between management and the National Union of Textile Workers.

recognition agreements from the mining companies for the first time in South African history. The mineworkers are the fastest growing union in South Africa today.

Since CUSA has always been a loose federation of unions, it is more difficult to generalize about it than about FOSATU. Historically it has stressed the development of black leadership just as passionately as FOSATU has stressed non-racialism. The preamble to its constitution states “that the development of a non-racial, non-exploitative society depends on the development of blacks in leadership.” Some CUSA unions have limited themselves to organizing African workers and have not recruited “coloreds” or Indians. CUSA leaders have been more influenced by a black nationalist approach than of the non-racial approach advocated by the African National Congress.

South African Allied Workers Union

SAAWU has suffered more intense repression than any of the other independent black unions. At one time its president, vice-president and treasurer were all in police custody. They were all released without being charged with a crime or brought to trial.

Membership figures are elusive. Estimates of SAAWU membership range from 7,500 to 75,000. Although SAAWU is militantly non-racial, virtually all of its members are Africans. But SAAWU's significance does not really lie

in its numbers. It is closely watched because it is the most outspokenly political of the new black unions. It has regularly denounced the apartheid system and especially the strategy of stripping blacks of South African citizenship by declaring them citizens of a “homeland” created and granted a fictitious independence by South Africa.

It encourages its members to participate in community organizations and has declared its willingness to join in coalitions around community issues. It recently joined the United Democratic Front which was formed to oppose the new South African constitution. Even more ominous from the point of view of the South African government has been SAAWU's willingness to use songs, slogans and colors associated with the outlawed African National Congress.

SAAWU is often referred to with some justification as a community based union. While it does have some recognition agreements and shop floor organizations, most of its visible activity has been in the black townships where people live. Its style has been characterized by mass rallies whether to recruit members, support strikes or resist repression. It is a general union, recruiting all workers regardless of industry, rather than an industrial union, recruiting only workers in a given industry. It believes that the only protection against repression lies in a political movement which goes beyond the shop floor.

Black Workers and Apartheid — a Growing Threat

Strike Breaking

Without the ability to strike, a union is nearly powerless. But in South Africa virtually all strikes are illegal. Since 1976 there has been only one legal strike by black workers.

For a strike to be legal, a union must go through a long drawn-out conciliation procedure which typically lasts from a year to eighteen months. Black workers, whose strength is on the shop floor, and who cannot wait months to resolve urgent grievances, have bypassed this machinery and struck illegally.

Picketing for any strike, legal or illegal, is forbidden under the Internal Security Act. Employers in South Africa have the right to dismiss any striker, legal or illegal, and this is a frequent course of action. Workers who are classified by the government as "migrants" are then shipped out to the "homelands." Since almost 60% of African workers are forced to maintain a migrant status, this makes them vulnerable to victimization.

In several recent instances, the government has intervened directly to break strikes. In other cases they have seriously harassed strikers while stopping short of an all out effort to break the strike.

Strike Breaking on the Docks

The government-owned South African Transport Services (SATS), which operates the country's railroads and docks attempted to stop an organizing drive among its longshoremen by firing more than 400 workers in Port Elizabeth on September 1, 1982. The workers had engaged in a slow-down after unsuccessfully trying for eleven months to get SATS management to open negotiations with their union, the General Workers Union (GWU). The South African Transport service refused even to talk to the union.

The slow-down and the firings were preceded by months of management harassment of union workers. Workers were assaulted, intimidated, and even offered money to resign from the GWU. In July 1982, 848 workers wrote a letter to management complaining of this mistreatment by the railway police.

When the workers were fired in September, they were taken by the railway police to the barracks where they were forced to live, and told to pack their belongings and leave immediately. Without work, they faced deportation to the Transkei and Ciskei, the "homelands" to which the government had assigned them. But they refused to give up their struggle. Until

February 1983 they managed to meet every week, to seek negotiations with management, and to defy the company by refusing to accept its severance pay. Finally, facing starvation, they took their checks. The strike was over.

Johannesburg Municipal Workers

Similar techniques were used to break the strike of 10,000 Johannesburg municipal workers in July and August of 1980. The workers struck to demand union recognition and a wage increase from approximately \$43 a week to \$75.40.

The Johannesburg city administration broke the strike by firing everyone who refused to go back to work. Since the workers were classified as "migrants" losing their jobs meant they had no right to stay in Johannesburg. All 1,265 men who refused to return to work were picked up by the police and herded into a compound where they were kept overnight, 60 to a room. In the morning, defying an agreement that had been worked out with union lawyers, the police used clubs and rifle butts to force the workers onto buses sending them to the "homelands."

Harassment and Intimidation

Even when stopping short of these massive strike-breaking tactics, the South African police frequently attack strikers and attempt to harass and intimidate trade unionists. The following examples are typical:

- Four trade unionists including "Shakes" Sikhane, the General Secretary of the Food and Beverage Workers' Union, and Jeremy Baskin, an organizer for the Paper Wood and Allied Workers Union were arrested in March 1984 for "convening illegal meetings." Each was arrested after meeting with striking workers.
- In March 1984 riot police fired tear gas at thousands of workers walking home from work in Pinetown in a bus boycott called by the Federation of South African Trade Unions to support striking bus drivers.
- In December 1982 at the Datsun Roslyn plant near Pretoria police fired rubber bullets and tear-gas, and used clubs to disperse

striking workers. Four workers were treated for tear-gas burns, lacerations and internal bleeding at a nearby hospital. An unknown number were treated by a local doctor.

- On May 1, 1982 riot police with whips, tear-gas and guns stopped a march in Brits sponsored by the Metal and Allied Workers Union, the National Automobile and Allied Workers Union, and the Young Christian Workers. Roman Catholic Archbishop E. Cassidy, Apostolic Delegate to southern Africa, was the guest of honor at the march.

The Minister of Police informed parliament that in 1981 police were called into strikes and industrial disputes on 191 occasions. On the government's own figures, the police intervened in more than one out of every two incidents. During 1981 and 1982 more than 1600 workers were charged with offenses arising from strikes or union actions.

Intimidation Act

In June 1982, the Intimidation Act went into effect to give the government more power to suppress strikes. This act made coercion through "threats", "jeers", or "jibes" illegal, and eliminated the need to prove joint action or common purpose. The act carries a penalty of up to 10 years in prison and a \$19,000 fine.

The Federation of South African Trade Unions, the largest federation of black unions, has reported that the Intimidation Act is being used against more and more workers. Fifteen Richards Bay Coal Terminal workers who were attacked by police in June 1982 were charged under the Act after a strike by 180 workers in December 1982. Two members of the African Food and Canning Workers Union from Queens-town were charged in March 1983.

Ciskei: A Homeland of Terror

Repression in the Bantustans

Repression carried out directly by the South African regime can provoke embarrassing international publicity at a time when the government is anxiously seeking to build its "reform" image. It makes life more difficult for friends and supporters like Ronald Reagan and Margaret Thatcher.

Frequently the dirty work is delegated to the puppet governments of the bantustan "tribal homelands" created, funded and granted a fictitious "independence" by the South African government. By declaring these barren territories "independent nations" and then classifying Africans as citizens of these homelands on the basis of their ethnic ("tribal") ancestry, the government is stripping millions of black people of South African citizenship.

Ciskei

In 1983 the most violent attack on the trade unions was being carried out by the government of the Ciskei "homeland". Workers who live in the Ciskei, because they are forbidden by law to live elsewhere in South Africa, represent the vast majority of the labor force in the major South African industrial port of East London.

The Ciskei outlawed the South African Allied Workers Union in September 1983 as part of a war against the black unions that has been going on at least since 1981 when the Ciskei received its "independence" through a vote of the all-white South African parliament.

The Ciskeian authorities see black workers as their main, indeed almost their only, export commodity. They see it as their job to provide the hardest-working, most dependable, least troublesome workers available to white South African employers. Ciskei's Manpower Minister, Chief Lent Maqoma, has promised employers that they will get workers who have received "disciplinary training along military lines."

More Arrests

In July and August 1983 the South African and Ciskeian authorities launched a coordinated drive to lock up union activists. In the Ciskei virtually all SAAWU officials and leaders of the General Workers Union, Transport and Allied Workers Union and the African Food and Canning Workers Union were detained, including half the shop committee in one plant. Many of the detainees were held until early November.

Then on August 16 the South African Security Police in East London arrested six union leaders, three SAAWU members, an official of the General Workers Union, and the East London Branch Secretary and another official from the African Food and Canning Workers Union. At least four of the six are known to have been handed over to the Ciskeian Security Police. Amnesty International has expressed "legal concern" and "fear of torture" for all of these detainees, whether arrested in East London or the Ciskei.

This "fear of torture" proved well founded. As the number of people detained mounted the jails were overflowing and they had to be housed in the soccer stadium. The police and vigilantes carried out brutal beatings with whips and clubs. Women were raped. The police began opening fire on crowds of people on the street. Before the terror abated at least 90 people were killed.

This simultaneous crackdown on the black unions caused *Rand Daily Mail* columnist Steve Friedman to write "the brave new world of labor reform appears to have been abolished in East London. Not that the laws extending union rights to black workers don't apply there—it's simply that there are no unionists around there now to take advantage of them. . . . This columnist knows of only one key East London trade unionist who is not in jail and won't mention his name for fear of tempting fate."

The Ciskei regime has made no secret of its intention to crush the black unions:

- The home of Bonsile Norushe, East London Branch Secretary of the African Food and Canning Workers Union, was raided four times in four days by the Ciskei Security Police while he was away on union business. Norushe wisely decided to leave the Ciskei

but was detained in August by the South African Security Police, who turned him over to the Ciskei Security Police.

- Major General Charles Sebe, then the head of the Ciskei Security Police, told the wives of striking Wilson-Rowntree workers that he had detained their husbands on the basis of a list provided by the company management.
- The Ciskeian police arrested 205 black trade unionists from SAAWU, the African Food and Canning Workers Union and the General Workers Union as they were returning from a meeting in East London on September 5, 1981. They were held under Proclamation R252, which provides for three months detention without trial.

Ironically the repression seems to have backfired. SAAWU has reported an unprecedented growth in membership. One East London company recently fired SAAWU workers and replaced them with workers recruited in the Ciskei. Twenty two of the thirty one newly recruited workers turned out to be SAAWU members and the rest quickly joined.

Other bantustans may soon be tempted to follow the Ciskei's example. Already another "homeland" government, Bophuthatswana, has introduced legislation to ban South African unions from operating in their territory. This would effectively outlaw the black unions in Bophuthatswana.

Arrests, Detention, and Torture

Under South African security laws, opponents of government policy can be arrested and detained indefinitely without any charges being laid against them.

Between April 1981 and April 1983, at least 400 trade unionists and workers were detained, including 30 union organizers and officials. But the numbers alone don't tell the story. Details of what has happened to specific people at the hands of the South African police throw more light on the repression faced by black unions.

Neil Aggett

On February 5, 1982 Neil Aggett, a white organizer for the predominantly black African Food and Canning Workers Union, was found hanged to death in his cell in security police headquarters in Johannesburg after 70 days in detention.

He was driven to suicide by the security police through brutal interrogation methods that included electro-shock, beatings, sleep deprivation and 62 hours of non-stop questioning. At the end of this Aggett was a broken man, described by fellow prisoners as looking like a "zombie".

On January 18 Aggett complained to a visiting magistrate that he had been assaulted by his interrogators on January 4 and that his back and left ribs had been injured. On February 4, the day before he died, Aggett signed an affidavit complaining of additional beatings, sleep deprivation, and being blindfolded, handcuffed behind his back, and given electro-shocks through the handcuffs. His testicles were squeezed and other prisoners reported that he couldn't walk straight.

Towards the end of January, Aggett was

taken daily to the interrogation room and just prior to his death was there from Friday morning until Sunday. Aret van Heerden who occupied the cell opposite Aggett's described a brief encounter after that: "He made a gesture with his hands, as though snapping a twig, and I heard him whisper, 'I've broken.'"

Thozamile Gqweta

Thozamile Gqweta, the President of the South African Allied Workers Union has been jailed eight times in the past three years but has never been brought to trial. In September 1983 he went into hiding when many SAAWU officials were again detained. His worst experience in detention came at the hands of the security police from December 1981 until February 1982. He was made to strip naked and stand on a trunk, so that he could be handcuffed to the bars on a window. The trunk was removed and he was left dangling. Then he was swung like a pendulum and beaten. This went on virtually every day for three months.

Finally he suffered a nervous breakdown and had to be admitted to the psychiatric unit of a Johannesburg hospital. His brother Robert who was allowed to visit him in the hospital was shocked by his appearance, and said he was "unrecognizable".

The attacks did not stop there. Gqweta's mother and uncle were burned to death on November 1, 1981. They were trapped in a house whose doors had been wired shut from the outside. His fiancée, Dilisia Roxiso, was the only person killed when police fired into a crowd of 3,000 trade unionists returning from the funeral of Gqweta's mother and uncle.

Oscar Mpetha

Oscar Mpetha, the 74 year-old National Organizer of the African Food and Canning Workers Union, is one of the few black trade unionists who has actually been brought to trial. He was convicted and sentenced to 5 years in prison under the Terrorism Act of inciting a crowd of young people to anti-white violence on what *The New York Times* called "testimony that has been notable for its inconsistencies."

The state contended that Mpetha whipped a crowd of young people to attack whites and that two white motorists were killed in the riot that followed. The prosecution case was based on the testimony of black youths held in detention until they testified. One of the witnesses, who was 15 at the time of the disturbances, testified that he had told the police whatever they wanted to hear so they would stop questioning him.

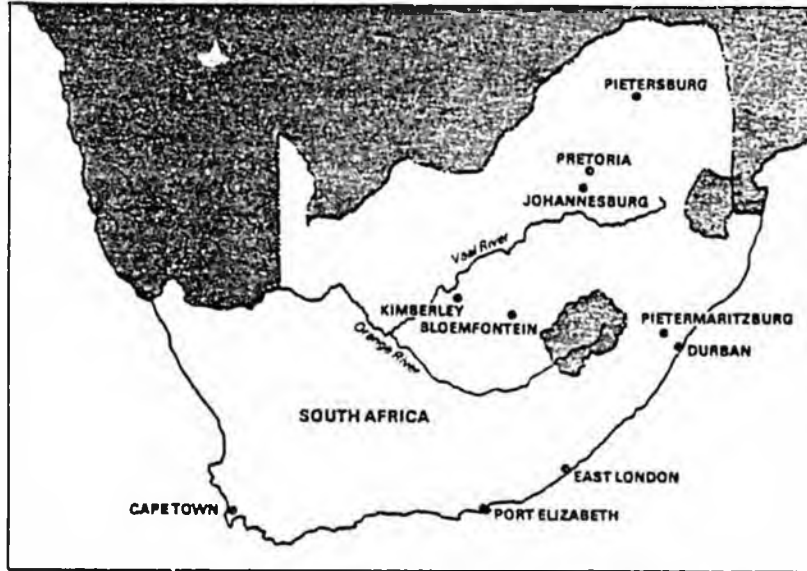
Mpetha was held without bail throughout the three year trial. Despite his advanced age, and the fact that he suffers from diabetes, which later forced the amputation of his left leg, Mpetha was forced to sit through portions of the trial shackled with leg irons.

Aggett, Gqweta, Roxiso, Mpetha are only a few of the trade unionists constantly imprisoned, tortured, or even killed in South Africa. In August and September 1983 the South African police detained leaders of the South African Mineworkers Union, Natal Leather and Allied Workers Union, and the General and Allied Workers Union. These cases clearly show the enormous courage required of those who dare to organize black workers in apartheid South Africa.

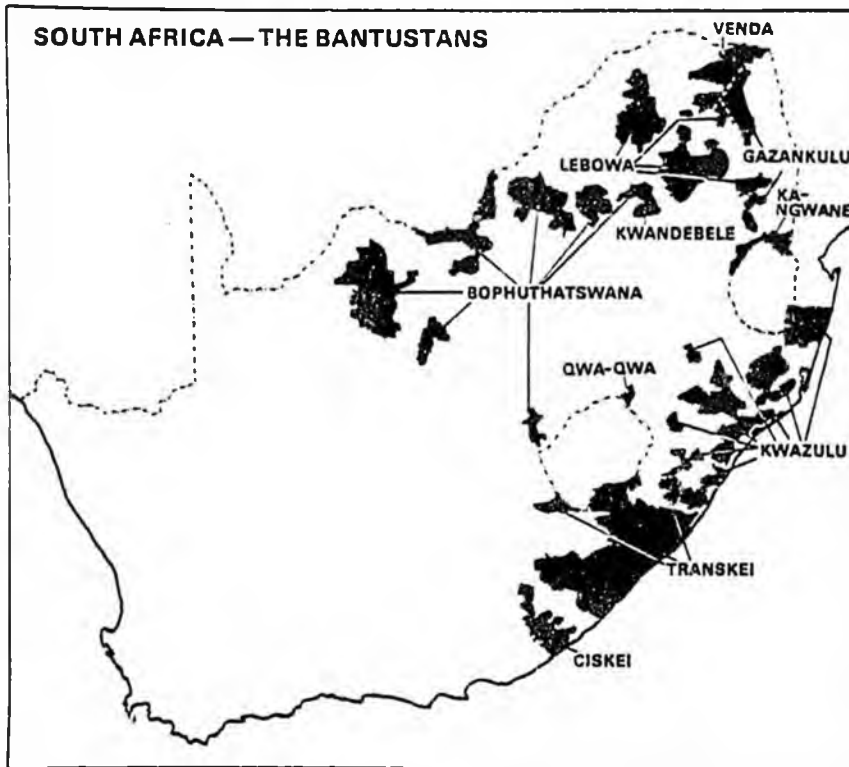


10,000 mourners of Neil Aggett in an illegal procession through the white suburbs of Johannesburg on Feb. 13, 1982

SOUTH AFRICA — MAIN TOWNS



SOUTH AFRICA — THE BANTUSTANS



Sandy Boyer, Writer

Peter Davis, Editor

Lynn Goodwin, Design

**The Africa Fund, Frank Montero, Chairman, 198 Broadway, NY, NY 10038
DC 37, Victor Gotbaum, Executive Director, 125 Barclay St., NY, NY 10007**

southern africa PERSPECTIVES

#1-80



U.S. CORPORATIONS IN SOUTH AFRICA:

A Summary of Strategic Investments

There are more than 350 U.S. corporations operating in South Africa today with direct investments totalling nearly US \$2 billion.¹ In addition, there are more than 6,000 U.S. firms doing business in South Africa without having subsidiaries there. While Citibank is the only U.S. bank with a number of branches in South Africa, more than 125 U.S. banks have made loans to South Africa totalling nearly US \$2.4 billion,² much of it to the government. U.S. firms and individuals have also invested at least US \$2 billion³ in South African stock, mainly gold, although with the recent surge in the price of gold this figure has most certainly increased. This makes total U.S. investments in South Africa well over US \$6 billion. These figures represent no less than a tripling of U.S. investments since 1960, making the U.S. the largest foreign investor in South Africa next to Britain.

The U.S. share of foreign investments in South Africa has been steadily increasing over the years. In 1960, the U.S. held 11% of total foreign investments, but by 1978 it was at least 20%.⁴ It must be noted that these figures are only estimates which could even be higher since figures on U.S. investments in such strategic areas as mining and smelting, petroleum and transportation are suppressed by both the South African and U.S. governments • • •

The Africa Fund (associated with the American Committee on Africa)
198 Broadway, New York, N.Y. 10038

South Africa has also recently managed a trade balance-of-payments surplus and the U.S. has greatly assisted by steadily increasing its South Africa imports each year to the current level of US \$2.3 billion. U.S. exports to South Africa have also grown to US \$1.1 billion.¹ However, the fact that the U.S. now imports over twice as much as it exports is a reversal of previous trade patterns and indicates a clear dependency on South African raw materials as well as contributing to the U.S. trade deficit.

This enormous growth in U.S. investments in South Africa began in the last decade, precisely when apartheid was becoming even more repressive following the Sharpeville massacre of 69 blacks peacefully protesting against apartheid. Fearing further black unrest, the apartheid regime tightened its pass laws and other means of control while using increased foreign investments to build up white military and police protection. The investments of U.S. corporations and bank loans and credits have been absolutely crucial in building South Africa's economic and military power.

U.S. INVESTMENTS IN STRATEGIC SECTORS

The most significant aspect of U.S. investment in South Africa is its strategic importance in maintaining apartheid. The U.S. provides high level technology that South Africa does not presently possess. These investments are concentrated primarily in the manufacturing sector, with U.S. corporations producing sophisticated capital-intensive equipment that lessens the dependence upon African labor. South Africa's foreign technology dependence in the manufacturing sector is best illustrated by the fact that the official Fanzen Commission report indicated that 40% of South Africa's manufacturing was controlled by foreign interests.²

It is estimated that at least three-fourths of direct U.S. investments in South Africa are in the hands of 12 companies, all of them in strategic sectors such as energy, computers and transportation.

ENERGY

1) Oil³ is the one resource that South Africa must almost totally import. Since all OPEC nations have agreed to an oil embargo against South Africa, the apartheid regime is desperate for oil or alternative fuel supplies. U.S. oil companies dominate this sector, controlling at least 40% of the petroleum market in South Africa. Mobil and Caltex (a joint venture of Standard Oil of California and Texaco) monopolize U.S. control. Caltex has 20% of the petroleum market with over US \$500 million in sales (in 1976) and nearly 1,000 service stations around the country. Mobil controls 18% of the South African market, also with sales of over US \$500 million in 1976 and close to 1,000 service stations. More current figures on total sales of U.S. oil companies in South Africa are not readily available as oil is considered a 'munition of war' by the South African government and oil statistics are protected under the Official Secrets Act. However, since South Africa appears to continue obtaining oil despite the loss of 90% of its imports from Iran,

U.S. companies have almost certainly increased their significance to the South African government. Recent reports in the *Journal of Commerce* (New York), indicate that U.S. oil companies and independent U.S. oil traders have attempted to increase shipments of oil to South Africa.⁴

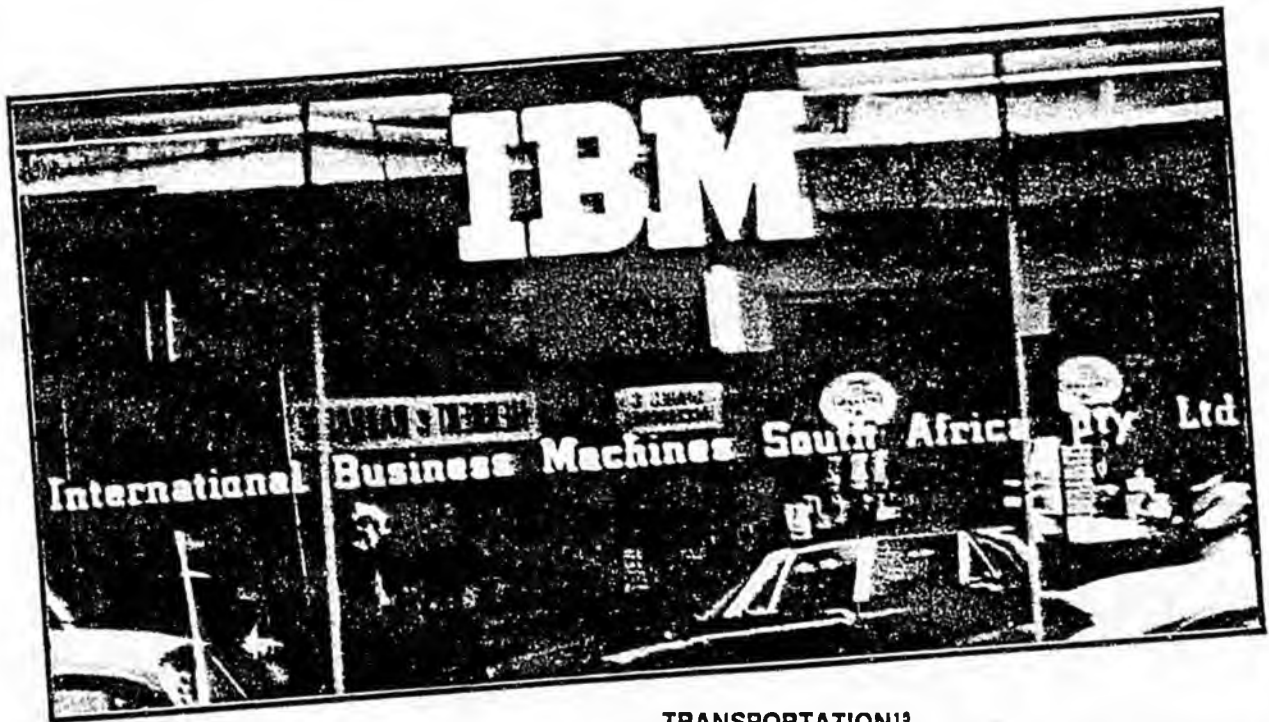
In addition to controlling 40% of the petroleum market, Mobil and Caltex also control 42% of South Africa's refining capacity. Much of this oil is supplied to the South Africa military and to the police as required by South African law.

2) Coal, unlike oil, is abundant in South Africa. While the country's major coal producers are Anglo-American, General Mining, Rand Mines Transvaal and SASOL, none of which are U.S. firms, the Southern Company continues to import South African coal and the trend is likely to increase. Apartheid labor makes South Africa's mining costs extremely cheap, US \$4-5 per ton, compared to at least US \$20 per ton in the U.S.⁵

With the threat of total international oil sanctions against South Africa, the government is relying heavily on coal to become energy self-sufficient. The South African government's present US \$6 billion project to expand its SASOL coal-to-oil facility represents the largest industrial contract in South Africa's history.⁶ By way of comparison, the government's total budget for fiscal year 1979-80 is US \$13 billion.

U.S.-based Fluor Corporation, one of the world's largest engineering and construction firms, has a US \$4.2 billion contract to oversee the expansion. Numerous other U.S. firms have smaller contracts in the project's construction including Allis-Chalmers, Badger, Chicago Bridge, Combustion Engineering, Control Component, Inc., Coopers & Lybrand, Babcock and Wilcox, Honeywell, Lenape Forge and Goodyear.⁷

In addition to the SASOL expansion, Fluor Corporation has also been attempting to market SASOL's coal-to-oil technology in the United States. This not only would represent increased



profits for the South African government, but also is a questionable energy alternative for the United States. Even if synthetic fuels prove to be a partial solution to the energy crisis, other coal-to-oil technologies are available and reportedly less expensive.

COMPUTER INDUSTRY¹³

Computers are, perhaps, the most strategic of all U.S. investments. Computers make it possible for 5 million whites to control more than 22 million non-whites. Among the most important uses of computers for the apartheid regime are in enforcing 'influx control' pass laws, for military tracking systems against guerrillas and for police communications. U.S. computer companies dominate the South African market, controlling an estimated 70%.¹³ IBM is clearly the leader, with estimates of its market share ranging from 38-50%.¹⁴ At least one-third of IBM's sales are with the South African government including sales to the South African Department of Defense, the Department of Prisons and the Atomic Energy Board.

Control Data has an estimated 13% of the computer market and Control Data computers have been reported at both ISCOR (South African Iron and Steel Corp.) and ECSOM (Electrical Supply Commission), both government parastatals.

Other U.S. computer companies include: Burroughs, whose computers have been supplied to Bantu Administration boards around South Africa; NCR Corporation, whose computers have been sold to many local government administrations; and Sperry Rand, which has supplied computers for SASOL. Computers are also produced and sold in South Africa by Hewlett-Packard, Data General, Datapoint, and Computer Automation.

TRANSPORTATION¹⁵

Not only do American corporations dominate this sector of the economy, but it is a critical sector since American firms supply the South African military and police with vehicles. U.S. automotive plants are so strategic that General Motors has been designated a National Keypoint Industry, which means that General Motors would be part of a contingency plan in the event of a 'national emergency.' In two important secret General Motors memos, obtained by the American Committee on Africa in 1977,¹⁶ these plans were outlined. The documents indicate the identical interests between U.S. corporations and the South African government. GM would cooperate fully with South African troops in the event of 'civil unrest.' According to the memos, in addition to supplying the South African military with vehicles, those plant personnel with military training were encouraged to join the Citizen Force Commando system, a government para-military institution. As G.M. Board chairman T.A. Murphy proudly stated, "Any of our plants can be converted to war production as clearly demonstrated in the United States in 1941."¹⁷

The three major U.S. firms, Ford, GM and Chrysler account for about one-third of all motor vehicle sales in South Africa. In 1976, Chrysler, by merging its South African operations into a new South African-managed firm, Sigma, provided the nucleus for what is now the country's largest motor company. According to 1977 figures, Ford held nearly 17% of the total South African market, GM nearly 11% and Chrysler/Sigma over 11%. Together these three firms account for nearly one-fifth of all direct U.S. investments in South Africa.

As for sales to the South African police and military, GM claims that through 1978 it su...

"In the area of 1500 units" annually. Ford said that between 1973-1977 it sold 128 cars and 683 trucks directly to the South African Department of Defense and 646 cars and 1,473 trucks to the South African police.

U.S. auto firms have also demonstrated their long term commitments to the apartheid regime with increased investments each year. GM, for example, increased its investments in 1978 from US \$119 million to US \$157 million,¹⁸ and there have been reports that GM has plans to build a new bus and truck facility in South Africa.

BANK LOANS

The significance of U.S. bank loans to South Africa was most clearly seen in the period of 1974-76 when South Africa was suffering from a severe recession. In 1974, total South African debt liabilities were only US \$2.7 billion, but by 1976 these had nearly tripled to US \$7.6 billion.¹⁹ U.S. banks were able to mobilize nearly US \$2 billion dollars during that period to rescue South Africa, with U.S. loans providing nearly one-third of the credit needed. Citibank is clearly the world leader in lending to South Africa participating in loans totalling at least US \$1.6 billion.²⁰ Other major U.S. banks lending to South Africa include Bank of America, Chase Manhattan, Chemical, Manufacturer's Hanover, Morgan Guaranty, First National of Chicago and Irving Trust.²¹

In addition to direct loans, most of which are to the government or parastatals, many of these same banks are involved in trade financing. Trade financing figures cannot be precisely obtained, but as an example, Chemical Bank claims that it finances trade with South Africa totalling anywhere from US \$23-35 million in a given month.²² Trade financing is mostly short-term, 180-day loans involving a variety of products from catsup to automotive spare parts.

Some U.S. banks, including Citibank and Chemical Bank have claimed that they have a current policy not to make new loans to the South African government or related agencies, nor will they roll over old loans. However, no U.S. bank has categorically stated that it will not consider new loans some time in the future while South Africa is still under minority rule.

Further, there are other means of lending money to South Africa without making it a direct transaction. For example, hundreds of U.S. banks have correspondent relationships with South African banks, ostensibly to facilitate trade financing and to handle corporate accounts. Yet, through these correspondent relationships, U.S. banks can approve letters of credit, interbank loans and the like which could provide money requested by a South African customer. U.S. banks exercise very little, if any, control over such transactions and



would consequently be unaware if this money went to the government.

An example of this relationship is Chemical Bank's correspondence with Volkskas Bank of South Africa. This relationship is a direct support of apartheid since Volkskas is a government bank, known as the 'cashbox of the nation' and a depository for government, military and police accounts.

MILITARY AND NUCLEAR BUILDUP²³

1) Military—U.S. policy states that military equipment of U.S. origin cannot be exported directly to South Africa. However, despite the embargo, U.S.-made military equipment, particularly aircraft, is being supplied to the South African Defense Force. In most cases, sales are being made to South Africa as 'civilian' aircraft, not covered under the embargo. These so-called 'civilian' planes are easily convertible for military use.

Lockheed has supplied South Africa with L-100 Cargo planes, which are almost an exact replica of the Lockheed C-130 which is used by the American military. This plane is capable of transporting up to 90 troops.

Avco-Lycoming aircraft engines have been spotted in many aircraft in the South African Air Force, including the Piaggio P-166, the AerMacchi AM-3C

and the Atlas C-4M. These craft are principally built in Italy where the American engines are mounted. U.S. aircraft engines are particularly strategic because, although South Africa has its own aircraft industry, it still does not produce aeronautical engines and must import them.

Cessna 'Skywagons' have been sold as 'civilian' aircraft to South Africa, but according to *Paratus*, the South African military magazine, Skywagons "keep the 1,000 mile border under constant surveillance." Light and maneuverable, this plane can fly low to the ground carrying guns. Also used by the South Africans are Cessna Golden Eagles, Conquests and Citations.

Other U.S.-made aircraft known to be used by the South African include Piper SuperCub, Rockwell Turbo-Commandoes, and Beechcraft A36's.

2) Nuclear Collaboration²⁴—Since 1953 the U.S. has almost single-handedly given South Africa its present nuclear potential. The 50-year agreement to exchange technology and raw materials in the nuclear field under the infamous "Atoms for Peace" program, is a prime example of the absurdity of claiming that increased trade with South Africa will influence that government to end apartheid.

While apartheid has only become more repressive, the South African regime has acquired the technology from the U.S. to be virtually nuclear self-sufficient. Previously South Africa's only strength was an abundance of uranium. However, the U.S. has trained nearly 100 South African nuclear scientists which has enabled the South Africans to build their own reactor which is not safe-guarded by International Atomic Energy Association (IAEA) regulations. South Africa has refused to sign the Nuclear Non-Proliferation Treaty and 1977 satellite photographs detected testing plans in the Kalahari desert. More recently, there have been suspicions of testing off the coast of South Africa.

But the real success for the South African regime has been the development of their own enrichment plant, which means that they no longer must depend upon the U.S. to supply them with enriched uranium. This has been accomplished primarily with West German technology and U.S.-made equipment.

U.S. corporate involvement in nuclear collaboration with South Africa began in 1965 when Allis-Chalmers built South Africa's first nuclear reactor, SAFARI I, at Pelindaba. Since then many other corporations have lent assistance. Foxboro International has supplied computers to regulate the enrichment facility. Honeywell has provided electronic components and Hewlett-Packard supplied at least one computer for the enrichment plant. General Electric has supplied geothermal turbines to power a reactor and has often applied to the NRC to supply more equipment. Others include

US stake in SA keeps on rising

By John D'Oliveira
WASHINGTON — Despite the campaign against increased economic links with South Africa, United States trade with, and investment in South Africa is climbing.

This is clear from the latest statistics prepared by the United States Department of Commerce for the House of Representatives Sub-Committee on Africa.

The sub-committee asked for wide-ranging statistics on United States trade with Africa in general and with South Africa in particular.

R178m (in 1977). Total United States investment in Africa by the end of 1978 was R4 604m—only a very small proportion of the United States direct foreign investment of R140 067m.

United States imports from South Africa increased from R1 051m in 1977 to R1 892m in 1978 and R1 419 for the first eight months of 1979.

However, South Africa was only third in terms of US imports from Africa. Imports from Nigeria ran at R5 127m in 1977, R3 928m in 1978 and R3 930m in the first eight months of the year.

Imports from Algeria were at R2 725m for 1977 and R1 978m for the first eight

Federal Products supplying precision equipment; Varian MAR, isotope gauging equipment; and Leeds & Northrup, electronic components.

U.S. FIRMS IN SA UNDER APARTHEID²⁵

Many major U.S. corporations operating in South Africa have signed the "Sullivan Principles" to justify their claim of being an avenue for change in South Africa. Similar to the EEC Code of Conduct, corporations are supposedly involved in massive reforms in the workplace.

In reality it is clear that even the most progressive reforms imaginable will not alter the power structure of on-going white domination in South Africa, yet U.S. corporations have demonstrated that they will not jeopardize profitable partnerships with apartheid by implementing even the most modest of reforms.

Initial reforms were to include such things as integrating all eating, comfort and work facilities. Nearly 75% of U.S. corporations claim to have integrated facilities. In actuality only 27% of all black laborers in U.S. subsidiaries work in integrated circumstances. Corporate excuses for not integrating fully, range from Uniroyal's claim that "separate facilities have traditionally been provided and forced integration will only lead to disaster," to Hewlett-Packard and Monsanto's contention that they cannot integrate because they share buildings with South African companies.

U.S. corporations have moved at a "snail-like" pace, according to the *Financial Mail*, in raising

black wages and hiring blacks above the unskilled and semi-skilled level. For example, GM employs only four blacks in salaried positions out of a workforce of 4,500. IBM has only four black managers out of 1,443 employees.

U.S. firms claim that salaries for blacks have increased by a greater percentage than for whites, but even the smaller increases for whites have been enough to increase the average wage gap between black and white workers from US \$250 in 1974 to US \$280 in 1978.

African laborers in U.S. firms are paid according to minimum levels established by South African organizations. In 1973, realizing the inadequacy of the established minimum levels as a wage standard, the U.S. State Department recommended that all U.S. firms pay a minimum wage 50% above the South African standard, or US \$256 per month for 1978. However, 95% of U.S. companies responding to a survey reported paying a minimum wage under US \$238, well below the proposed minimum level.

Many companies were not even paying the absolute poverty wage of US \$192. Masonite reported that it pays its 165 male migrant workers on its forestry plantations US \$36 a month and 338 women are paid US \$32 a month. The company's managing director unashamedly said, "There has been a big improvement since 1972."

Even some statistics submitted by companies are open to question. The third report on the signatory companies to the Sullivan Principles, released in October 1979 by Arthur D. Little, Inc., notes that nearly 3,000 employees were "missing" in company reports. In addition, when reporting the integration of work areas, some companies included blacks and whites who are in the same job category, but *not* necessarily the same location.²⁶

Regardless of the degree to which U.S. companies institute workplace reforms, these are of minor significance to blacks—compared to the strategic importance of U.S. investments in strengthening white minority rule in South Africa •

by Truman Dunn

(adapted from a paper presented by the American Committee on Africa at the "International Seminar on the Role of Transnational Corporations in South Africa" sponsored by the British Anti-Apartheid Movement in cooperation with the United Nations Special Committee Against Apartheid, London, November, 1979.)

FOOTNOTES

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United States Trust Company

Robert B. Zevin
Economist and Vice President

September 10, 1984

Reverend Christian T. Iosso
Committee on Mission Responsibility Through Investment
Presbyterian Church (U.S.A.)
Room 1020
475 Riverside Drive
New York, NY 10115

Dear Chris:

This is a response to your letter of August 9th, requesting information and analysis on various questions related to the divestment of securities issued by firms doing business in the Republic of South Africa. I apologize for the late date at which this letter arrives. I hope there is still time to reproduce it for the participants in the September 17th conference.

PERSONAL QUALIFICATIONS

The experience and training upon which my answers to your questions will be based are the following. I am a Ph.D. in economics from Harvard. My academic writing and teaching emphasis has been in American economic history. In 1967 I became a registered investment advisor, continuing to operate a business I had conducted for a small number of clients since 1962. In the late 1960's I was the first or one of the first investment professionals to apply modern portfolio theory to practical investment decision-making.

From 1975 to 1980 I was Economist and Senior Vice President of the United States Trust Co. (Boston). In that capacity I was the chief executive of the bank's trust department and the economic forecaster for the commercial side of the bank as well. Since 1980, I have relinquished executive responsibility for the trust department to allow time for other pursuits. I continue as the investment strategist for the department and economist for the bank.

One new pursuit is Affirmative Investments, Inc., a registered investment advisor of which I am chairman of the board and presently chief executive. Affirmative Investments advises only investors who desire to place money in private placements that support community-based enterprises, cooperatives and other activities that positively contribute to a better human society and natural environment. I have twenty-one years of experience evaluating and constructing such investments for clients.

For the same twenty-two years I have been involved in the investment of money for clients subject to various screens based on ethical

considerations. The longest standing and most significant of these are designed to avoid South Africa related investments.

Your questions primarily concern the investment effects of different divestment policies. They could be answered by anyone with sufficient experience and skill in the field of investments whether or not that person held any particular beliefs about the efficacy or morality of divestment strategies. Since different experts offer different answers to questions in this area, you are entitled to know my own convictions before you read or hear my counsel.

For many years I believed that divestment was a morally unfocused and practically ineffective technique for confronting the evils of Apartheid. My practice of divestment for my clients was based on a respect for their high ethical standards and their right to make such a decision. Recently I have been persuaded to change my view.

I now believe that divestment of every company with any chosen presence in South Africa is a correct affirmation of justice and the most effective, non-violent route to change although still not very powerful. Conceivably a company could operate in South Africa in such a way as to exempt it from being targeted for divestment; but in my view no American company can yet claim to have met such a standard of behavior.

In what follows, an answer is provided to all of the questions you posed and in close to the order that you specified. However, sometimes questions are regrouped or rephrased to more neatly match the answers.

TRUSTEE LIABILITY

Your question (1)(e) deals with the liability of trustees for implementing different divestment policies. I put it first because it raises the most general and ubiquitous concerns. If what you have asked me to call the "foundation" is truly a foundation, then there is a substantial body of federal law and regulation that governs its behavior in order to maintain tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The main burdens that these requirements place on trustees are to maintain a specified level of grants relative to the endowment and to ensure that the recipients of grants are qualified beneficiaries of publicly subsidized charity.

For the past fifteen years, federal law has explicitly recognized the legitimate role for combining a foundation's program objectives with its investment activities. The resulting Program Related Investments are an important component of the activities of many activist foundations committed to social change. Many of the same foundations have had a policy of excluding investments in firms for their activities in South Africa and for various other reasons. The hundreds, or perhaps thousands, of foundations which have implemented such policies, range from very small ones to the Ford Foundation.

As far as I know, there is no federal law that applies directly to the use of a social screen for foundation investments. Also, as far as I know, no entity other than a state or federal government has standing to sue the trustees of a foundation for carrying out an inappropriate investment policy. Finally, with respect to the application of a social screen (as distinct from self-enrichment), the likely penalty would be a revocation of tax-exempt status. I am not aware of any action ever taken against any foundation because of its application of social screens to investment decisions.

In the more likely case that the "foundation" is in fact the general endowment of a church, the preceding comments stand more certain. There is little or nothing in federal regulation of the tax-exempt status of churches that applies directly to investment policy. Churches have long applied a variety of moral criteria to their investment selections without suit or challenge from any quarter.

The pension fund is a slightly different story. The Employee Retirement Income Security Act of 1974 (ERISA) substantially changed the liabilities of the trustees of those retirement plans that were affected. The act specifies the importance of adequate diversification, prudent behavior and actions exclusively beneficial to the plan participants. It also creates a previously ambiguous or nonexistent right of participants and their heirs to sue a pension plan and its trustees for breaches of these standards. Grounds for federal action against plans and trustees are also clearly specified.

Thus, ERISA quite deliberately enumerates new responsibilities and creates additional liabilities for, and classes of potential claimants against, the trustees of covered funds. The essential basis for these actions is the simultaneous extension of federal insurance for the obligations of the covered plans. Moreover, a critical intent of the portions of the act dealing with investment behavior is to promote more professional management of the insured pension funds. ERISA accomplishes this by providing trustees and plan executives with nearly complete exemption from liability for investment decisions if they employ a qualified, "named fiduciary" for the purpose of making investment decisions. Banks, investment advisors and mutual funds are explicitly enumerated as qualifying.

The language of ERISA is brief and unclear with respect to appropriate standards of investment behavior. So far, there is little fully-appealed case law to add prevision. It is clear that the additional liabilities created for trustees under ERISA had specific functions and motivations that do not generally apply to plans that are not covered and therefore not insured by the federal government.

Any church which acts as the employer-sponsor of a retirement plan has a moral and often contractual obligation to make its promised payments to participants. In consultation with its board of pensions, actuaries and accountants, each church contributes to a fund designed to provide for these obligations as they are accumulated, but before they must be paid.

These voluntary contributions may turn out to have been too much or too little depending on, among other things, changes in salaries, employee turnover and longevity, errors or deliberate biases in either direction by any of the individuals who determine the level of the contribution, and a divergence between actual investment returns and anticipated results. For these reasons the size of contributions is normally reconsidered and reset every one to five years. If all other factors have been correctly assessed and forecast, better investment results will reduce the contribution required from the church sponsor and worse results will increase this expense.

Since the church is obliged to contribute enough to meet its promises, the church has the greatest interest in the investment results. For most church pension plans, the effect of different investment outcomes, within very wide limits, will be on the size of the church's contribution not on the existence of promised benefits for participants. However, many churches have voluntarily increased the levels of benefits to reflect past inflation or an improved ability to pay. Through this mechanism the amount that many participants receive is directly affected by variations in investment results.

PRUDENT PERSON RULE

Thus far, I have considered general or explicitly federal origins of possible liabilities for trustees. In addition, virtually every pension plans to make investment decisions as a prudent person would. An examination of the meaning of this concept will illuminate issues in the previous section and in most subsequent sections.

By its very nature, the prudent person rule is not a logical system of decision making that produces invariant results. It depends on prevailing opinion within a group of persons whom society and the courts identify from time to time as "prudent" investors. Therefore, it depends upon who qualifies for admission into this group as well as changing standards of acceptable behavior within the group.

These observations are not merely whimsical. They are practically relevant to judicial issues of prudent investment behavior. For example, only in the last five or ten years has the professional investment community incorporated the portfolio theory developed by economists during the 1950's into its own accepted wisdom. Moreover, the day has yet to arrive when an American court decides a prudent person case on the basis of the prospective role of an asset in a portfolio rather than the prospects for its absolute return in isolation. The conservative response of professional opinion to unconventional ideas, and the laggard response of the courts to changes in conventional wisdom, constitute the usual state of affairs.

What, then, is the current state of prudent opinion about the consequences of applying various exclusionary criteria to the universe of investment choice? The answer is complex. Most investment professionals and academics, with no experience in practicing or thinking about the use of such criteria, would be inclined to suppose dire

consequences. The minority of us who have spent more time managing and contemplating such portfolios are nearly unanimous in the conclusion that the practical impediments to performance resulting from a complete exclusion of companies doing business in South Africa are minute or nonexistent.

The inexperienced majority start from a theoretically sound, indeed obvious, proposition. One cannot do worse and might do better making the best choice among more options rather than fewer options. The equivalent theory in elementary calculus states that an unconstrained maximum is the upper bound for a constrained maximum in the same domain. Investment managers attempt to maximize the ratio or difference between return (income and appreciation) and risk (the variability of return or the probability of doing worse than anticipated). The optimum combination which might be found in a universe of 10,000 common stocks traded in the United States will clearly be superior or equal to the similar optimum that could be found after excluding approximately 400 companies which have chosen a continuing involvement in South Africa.

The conventional view gains credibility from two additional observations. The four hundred excluded companies are among the largest and most important American corporations. Their common stocks account for about one-quarter of the value of all 10,000 common stocks traded in America. Also, the availability of selections in certain conventionally defined industry groups would be seriously curtailed or eliminated by a divestment policy. For example, the drug and international oil industries between them constitute about one eighth of the market value of the Standard & Poor's 500 Stock Index. Yet every one of the eighteen companies listed in these two industries would be eliminated by a general South Africa exclusion.

I will give a response to these arguments in the next section. The conclusions of these two sections are that legal precedent and the logic of ERISA do not suggest any strong possibility of personal, legal liability for the trustees of either a church endowment or a church pension fund as a consequence of applying an exclusion based on South Africa. In both cases, the primary benefits of returns and the hazards of risks belong to the sponsoring church. The church, therefore, quite properly has the major responsibility for balancing the moral arguments for divestment against any financial impairment that might follow.

However, in almost every case the church's present and former employees have an actual, if not a legal, interest in the investment results. Moreover, it is conceivable that a church endowment or pension fund could be successfully brought to court on the issue of social criteria, most likely by a state Attorney General. If such a suit were successful, it is conceivable that trustees could be held personally liable for civil damages. In my judgment, this is an extraordinarily improbably sequence.

If, for whatever reason, a trustee did find herself or himself in court accused of acting imprudently because of the application of a South African exclusion, there is a good chance as of today that the court would interpret the prudent person rule in favor of a guilty verdict. In the next section, I present the overwhelming evidence against such a verdict. It constitutes an excellent defense today and will undoubtedly become the conventional standard of prudence in the future.

Whatever I have said in these two sections reflects my experience listening to the interpretations of lawyers and translating them for my own bank and its clients. Errors and simplifications will be obvious to readers with a more profound knowledge of the applicable law.

DIVERSIFICATION

Let us consider once more the impact of excluding all investments in companies choosing to continue doing business in South Africa. Depending on when, how and by whom the list of excluded companies is compiled, they constitute between 25% and 30% of the stocks in the S&P 500 Stock Average. They are typically larger companies, accounting for about 45% of the market value of the entire index.

These sound like big numbers of excluded choices. Several observations about prevailing professional practice and the current management of church portfolios suggest otherwise. Almost all investment management organizations limit their attention to a tiny fraction of the universe of possible common stock investments. Approved lists at most banks and investment advisors contain between 50 and 250 names. Thus, it is a mere tautology to observe that at least 50% to 90% of the stocks in the S&P 500 have been excluded from consideration by all of these organizations. Typically fewer than ten names are under active consideration for addition to the approved list at any particular time.

There is too much information to be analyzed even by large organizations. Self-imposed restrictions are one rational way of coping with this problem. Until recently, almost all U.S. investment managers routinely excluded consideration of securities that were not traded in U.S. markets, or nearly one-half of the market value of publicly traded common stocks in the world. Despite repeated demonstrations of the superior return and diversification characteristics available from a world portfolio, the great majority of banks, investment advisors and mutual funds still focus only on domestically traded equities.

Many similar restrictions are designed to economize on the management firm's effort by eliminating unpromising investments or selecting a representative sample of the larger universe of stocks or concentrating on a group of stocks in which the firm has developed special expertise. Thus, some advisors eliminate small companies while others eliminate large ones. Many exclude stock with erratic dividend or earnings records while others specialize in such "turnarounds." The standard practice by prudent fiduciaries is to establish a priori restrictions on their choices that are much more narrow than any South Africa exclusion.

When the trustees of a church pension plan promulgate their own approved list, investment choice is further limited to the overlap between the advisor's list and the trustee's list. In the case of the pension fund you have asked me to examine, this does not appear to be an important consideration. It seems that five different managers were utilized at the end of 1983. An examination of their portfolios indicates that they employed widely varying investment styles (read "a priori screens"). Nearly 200 different common stock issues were owned in the five combined portfolios. And the average profile was distinctly different from an index fund.

So far, I have considered only theoretical answers to theoretical arguments. The empirical studies of investment results subject to South Africa exclusions are more powerful. They indicate the extent to which a perfectly diversified portfolio or any unbalanced portfolio is possible without reliance upon the stocks of companies in South Africa.

In 1982 Stephen Moody and I conducted a study for the State of Connecticut which considered just these questions. We analyzed quarterly data from the beginning of 1972 through the end of 1981. We identified 143 companies among the S&P 500 with a voluntary role in South Africa. Our analysis consisted of comparing the quarterly price behavior of the remaining 357 companies with the entire index of 500 companies. We weighed the 357 companies--hereafter the SAF or South Africa Free portfolio--by the respective values of their outstanding stock, exactly the procedure used to compute the performance of the S&P 500.

The following table summarizes our findings for this ten-year period.

	S&P 500	SAF
Compound Annual Total Return	7.0%	8.6
Standard Deviation	19.5%	20.9
Return/Standard Deviation	.36	.41

The SAF outperformed the S&P 500 by an average 1.6% a year during these ten years. The Standard Deviation is a measure of the typical amount by which the average return varied from one year to the next. It is an indirect and widely used measure of the risk that performance over some period of time will be worse than the average or expected level. The SAF was slightly more volatile or risky during this decade. The ratio of return to standard deviation is one commonly used gauge of "risk-adjusted" return. It is decisively higher for the SAF.

A more detailed understanding of the characteristics of the SAF can be obtained by estimating the equation for a statistical relationship between the SAF and the S&P 500. The usual form and symbols for

such an equation look like this:

$$r(\text{SAF}) = \alpha + \beta \times r(\text{S\&P}) ,$$

where $r(\text{SAF})$ and $r(\text{S\&P})$ are the returns earned by investors in the SAF and the S\&P. The familiar α (alpha) and β (beta) measure the degree to which the SAF risk-adjusted performance was better (alpha positive) or worse (alpha negative) than the S\&P, as well as the extent to which its movements exaggerated (beta greater than one) or damped (beta less than one) the general movements of the S\&P.

The extent to which the fluctuations of the S\&P "explain" the variance of the SAF, or the goodness of fit of this equation is commonly denoted R^2 . An R^2 of +1.00 would represent a perfect correspondence between SAF and the S\&P through an equation like the one above. To the extent that this is true, there is no source of variation in investment results contained in the S\&P that is not equally reflected in the SAF. In such a case, it would serve no purpose according to accepted portfolio theory to diversify a portfolio beyond the South Africa Free names.

Our study found the following relationship for the years 1972-1981.

$$r(\text{SAF}) = 1.80 + .997 \times r(\text{S\&P}), \quad R^2 = .95.$$

The beta value of .997 indicates that the response of the SAF stocks to forces that caused the whole stock market to rise or fall was just proportional to the general market response. The alpha of 1.8% repeats in a different form our finding that the SAF stocks produced superior risk-adjusted returns for this decade. The analysis permits a test of the statistical significance of alpha, or the persistence and regularity of this superior performance. We found that alpha was not statistically significant. Indeed, there was a notable tendency for the SAF performance to alternate quite regularly, by quarters and by years, above and below the equation.

The R^2 value of .95 indicates that the SAF achieves a high level of diversification using the S\&P 500 as a standard. Most institutional portfolios, including most church portfolios, are not this well diversified. I estimate that the pension portfolio that you have asked me to examine would exhibit a considerably lower degree of effective diversification over any period of time.

At my bank, accounts managed with various social criteria--which primarily means the application of a South Africa exclusion--continued to outperform the S\&P 500 by an average of .6% a year in 1982 and 1983. We can attest that actual experience with portfolios managed subject to a South Africa screen has been consistent with the implications of this exercise: superior performance with average risk for the past fifteen years. Franklin Management reports similar results for a shorter period of time.

Our statistical analysis for Connecticut compares an index of SAF stocks weighted by their market capitalizations with an index of 500 stocks weighted in the same way. However, one might pick and choose among the SAF stocks to create a portfolio that was more perfectly diversified. Lawrence Litvak, who is now my colleague at the bank, conducted such a study for the State of California Retirement Systems when he was with the Council on Economic Priorities:

From the mid 1960's through the late 1970's, using similar South Africa criteria, his study excluded 132 of the S&P 500 compared to 143 in my analysis. Using a portfolio optimization program of Barr Rosenberg Associates, Litvak constructed a portfolio out of his SAF set of stocks that exhibited an R^2 of .992 and a beta of 1.01. Every empirical (as distinct from a priori theoretical) study of the effects of excluding South Africa related stocks has come to the same conclusions. Applying the widest South Africa screen, and therefore certainly any narrower screen, does not impair performance or the ability to diversify to any meaningful degree.

One important way to attempt superior performance is by not being perfectly diversified. The trustees of a plan or the investment advisors whom they hire may choose to place a disproportionate part of the portfolio in certain sectors or stocks that are expected to do better than average. I have already mentioned that the pension fund I have considered for you appears to have been far less than perfectly diversified at the end of 1983. For example, the aggregate exposure to natural resource companies was below the market average while the total value of smaller capitalization companies was above average. Each individual manager had constructed a distinctly unbalanced portfolio reflecting the field of its expertise or its judgments about likely investment performance.

In principle, a sample of stocks that permits one to be perfectly diversified is a sample that also permits the construction of any unbalanced configuration. The movement of the entire stock market can be decomposed into a number of component factors. Most studies indicate that these are far less than the number of stocks. There are perhaps only six primary components of the changes in prices of stock indices or sectors. Sometimes they are named after the stock groups in which they are most prevalent: growth, cyclical, resource, etc. Sometimes they are identified with price-value characteristics of stocks: yield, price-earnings ratio, market capitalization, etc. Sometimes they are identified with the external force believed to cause each component of price movement: interest rates, real GNP, energy prices, etc.

Not matter what they are called, if the movement of stock prices (apart from the random fluctuations of individual issues which can be controlled by holding a large number of issues) can be decomposed into a half-dozen principal components, and if these components account for all of the systematic change of the entire market, then a subset of stocks that perfectly matches every change in direction of the entire

market must contain an appropriate proportion of each component factor. Therefore, constructing a portfolio with an above-average participation in cyclical issues, or high-yield stocks, or with limited exposure to damage from higher interest rates, is in every case a question of constructing a portfolio with a mix of component factors that is different from the market mix.

The high R^2 between portfolios from the SAF set of stocks and the S&P 500 over many years indicates that all of the component factors in the larger group of stocks are contained in the smaller one. Therefore, it is possible to overweight or underweight each one to the same degree in the SAF range of choice as in the S&P 500. And therefore it is possible for any meaningfully divergent investment policy to be implemented as fully in the SAF as in an unrestricted domain of choice.

The answer to your question (1)(a) is that there will be no practical diminution of the level of returns resulting from any South Africa exclusion policy, except for the possible short-run transaction costs of implementation which are discussed below. The answers to (1)(b) and (1)(c) are that there will be no theoretical diminution in the ability to diversify portfolios and no noticeable increase in volatility as a consequence of divestment.

BOND PORTFOLIOS

All the results and conclusions reported this far have to do with stocks rather than bonds. The pension fund was over 90% invested in common stocks at the end of 1983 while the foundation held only fixed income securities. Of these, a maximum of \$5,555,000 at year-end market value, or 16% of the portfolio, would have been excluded under a divestment policy. Comparable numbers for the five different managers' pension portfolios range from over 30% to nearly 50%, with the aggregate at about 40%. This difference is not surprising, since substantial supplies of investment-grade bonds are issued by entities other than the corporations which issue common stock.

There are no detailed studies of general bond market characteristics or the specific effects of a South Africa exclusion which are at all comparable to the stock market results used above. We do know that a divestment policy leaves many more choices in the bond market than it does in the stock market. Moreover, all investment professionals would agree that changes in bond prices are dominated by systematic events that affect all bonds at once. Changes in interest rates and in bond prices are only two sides of the same coin.

The useful distinctions for bond portfolio managers are maturity dates, coupon sizes and quality ratings. These are the equivalents of the component factors of stock price movements discussed in the last sections. Events which dramatically change the price of a particular stock or of all the stocks in a particular industry, typically have no effect on the bonds of the same company or of companies in

the same industry. While two-thirds of the price changes in individual stocks can be attributed to company-specific or industry-specific events, professional investors would put the comparable number for bonds at 10% or less.

Since divestment imposes less severe restrictions on bond management than on stock management, and since the process of diversification or strategic imbalance is inherently easier, it follows that the effects of divestment on managed bond portfolios will be even more benign than is the case with stock portfolios.

TRANSACTION COSTS

I am not sure whether your question (1)(d) about "processing costs," was meant to refer to the costs of managing and monitoring a portfolio subject to a South Africa screen, or the additional securities trading costs that a divestment policy might cause. I will discuss the latter question here and the former in the next section.

A simple measure of the transaction costs entailed by divestment would be an estimate of the cost of selling all the divested securities and reinvesting in alternatives. These costs involve direct commissions as well as any spread between dealer prices to buy and to sell or any disruption of a market caused by the sale itself.

For institutional transactions in the size range of the common stock positions in the pension fund, a generous estimate of these costs would be 10¢ a share or less than .2% on an average stock price above \$50 a share. The round trip cost of divesting and reinvesting would be twice this number or approximately .4%. In the pension fund the total cost would thus be 40% (the proportion of excluded stocks) times .4% or .16% of the invested stock position. Looking at the total portfolio reduces the effect further to about .14%. This is certainly a small number compared to a year's dividends and price changes. Still, in absolute dollars, it amounts to \$280,000.

Litvak has estimated the comparable round trip cost for bond divestments at .3%. On this number, the cost of divestment to the foundation would be 16% (proportion in excluded issues) times .3% or .048%. This is an even smaller burden on performance. The dollar amount at year-end 1983 would have been \$16,700.

These estimates are somewhat too low in the likely event that one consequence of divestment is to cause managers to sell additional holdings in order to optimize their portfolios under the new restrictions. On the other hand, the estimates would be too high if a period of time were allowed for compliance, since ordinary portfolio turnover will accomplish a substantial part of the task in a year or two. Because these effects tend to cancel each other, it is very likely that a corrected estimate of the burden of transactions costs would remain extremely small.

However, it is worth emphasizing that there are strong arguments for giving investment managers ample time to dispose of existing excluded holdings while imposing immediate restrictions on new purchases.

MANAGEMENT STYLE

In addition to the opportunities which it provides for a moral dialogue with corporations in South Africa, divestment is a process that inevitably produces an intense engagement with the investment management community. Investment advisors are as conscientious as anyone else and equally revolted by Apartheid. Their reactions to divestment proposals are more concerned with issues of professional practice and feasibility than with questions about morality or social efficacy.

Most investment professionals are accustomed to thinking of diversification or strategic concentration in terms of traditional industry groups like autos and drugs. Indeed, this is the most natural way for most people to categorize common stocks. Professionals and amateurs alike are amazed to be told that one can throw out all of the major companies in the drug industry and the international oil industry without changing the possibilities for diversification or concentration. We also can throw out over 80% by market value of the aerospace, auto and truck, chemical, hospital supply, and office equipment industries. While we are at it, let's dispose of more than 60% of the market value of banks, electronics and machinery, where each of these is a combination of more detailed S&P categories. Add the S&P "miscellaneous" category at 70%, and you have the answer to your question (2).

More important, you have a list of industries comprising 40% of the total market value of the S&P 500 in which the excluded stocks are heavily concentrated to the point where selections in these industries are often difficult and sometimes impossible. How can the surgical removal of such a demonstrably non-random 40% of the body leave the patient fit? Professionals have as much difficulty with this question as anyone else.

Parts of the answer are simple. Banks are a fairly homogeneous group. The 27% of S&P market value that is not excluded is an excellent substitute for the rest. There are a very large number of small firms in the machinery industry that will provide all of the attributes of the larger companies. A number of domestic oil companies benefit from changes in oil demand or prices in much the same way that international companies do.

It is not intuitively obvious how anything can be a reasonable substitute for IBM or a major drug company. The answers produced by computer programs are often impossible to accept at a subjective level. Most of us are not yet ready to believe in diversification among fundamental factors rather than traditional industry groups

even if the evidence is powerfully in favor of doing so. The advocate of divestment who lacks expertise in the investment field is at a sharp disadvantage urging such a course upon a recalcitrant professional.

We are back to the advisor's screen and style. Advisors who concentrate on traditional growth stocks or even on all large capitalization stocks may be unable to manage a non-South Africa portfolio. Unable to buy IBM, GE, Eastman Kodak, Coca Cola, Minnesota Mining, Merck and dozens more, they will find much of their information and in-house expertise of no value to the account although it was acquired at great expense and effort. At the same time, they will need to develop new techniques for identifying appropriate substitutes, new companies to study, new analysts and sources of information to conduct such studies. The honest and intelligent firms among these advisors will quite properly decline to manage a South Africa free portfolio.

They might make an argument that reasonable diversification and liquidity rules for the management of very large portfolios would invalidate the results of our studies. For some size of portfolio, this is possibly a correct observation. However, the pension fund you have shown me, with an aggregate market value of \$195 million is not yet in such a category. The number of issues that it already holds and their distribution across market capitalization categories are quite typical of an equal size portfolio under a South Africa screen.

Any problem that might arise would apply to portfolios of a billion dollars or more. However, in this size range there is a strong case to be made for owning an index fund with or without a social screen. I have already shown that a South Africa free index fund duplicates the results of an unrestricted index. Many institutions, ranging in size from my bank to Batterymarch and Wells Fargo, could readily provide such a service to any portfolio in excess of a billion dollars.

On the other hand, advisors who specialize in different categories of smaller companies or who use computer techniques to select a list of attractive investments out of a very large universe, will usually have little difficulty applying a South Africa screen to their selections. The same can be said for investment managers such as ourselves for three reasons. First, we actively employ modern portfolio techniques that enable us to identify appropriate substitutes for the excluded securities. Second, we emphasize the use of macro-economic projections to identify appropriate general categories of investment rather than our choice of one specific security over a similar issue. Third, our long-standing commitment to this area has led us to develop knowledge and expertise about numerous, specific investment alternatives.

Most large banks and investment advisors have the capacity to quickly reproduce what we have struggled to build over fifteen years. Many of them will surely do so once their clients indicate a sufficient

interest. Given a compatible investment philosophy and an appropriate universe of followed stocks, the costs of maintaining a socially responsible portfolio are relatively small. We do impose a surcharge for this service that averages between 5% and 10% of our normal fee. Since these are essentially fixed costs, they will fall with any advisor as the number and average size of socially sensitive accounts increase.

This section has answered your questions (2) and (4). However, I cannot go on without a brief response to your characterization of investment advisors other than ourselves as "conventional," thus implying that we are somehow "unconventional." We do exactly what all of our competitors do, only we do it better. The only sense in which we are unconventional is our persistent appearance in the top 5% or 1% of the Merrill Lynch and A. G. Becker samples of total portfolio performance, market timing and equity selection. I hope it is not unconventional for us also to be conscientious and anxious to serve all the needs of our clients. Perhaps what you meant by "conventional" was "large and well-known."

ALTERNATIVE INVESTMENTS

Your question (5) asks whether large amounts of money could be profitably and usefully channeled into privately placed investments designed to produce a positive social effect. Through my recent experience at Affirmative Investments, I am personally acquainted with opportunities to invest tens of millions of dollars per year in positive projects that provide competitive and safe fixed-income returns. My guess is that the true national potential is easily in the hundreds of millions of dollars per year.

Investment possibilities include mortgage loans on cooperative and low-income housing projects; equipment financing for community sponsored enterprises, cooperative undertakings and businesses owned and operated by the disadvantaged; fixed-income financing for renewable energy projects; and participations in the loans of Community Development Credit Unions, the South Shore Bank of Chicago and the National Consumer Cooperative Bank, among others.

Of course the greater need is for high-risk, equity-equivalent funds. Groups that emphasize economic cooperation and democracy typically obtain such funds by providing substantial tax shelter to the investor. Such investments are inevitably uninteresting to tax-exempt endowments and pension funds.

APPROPRIATE DIVESTMENT CRITERIA

I am unable to answer your question (6) directly because I find the proposed criteria in the ICCR study by Fantu Cheru to be cumulative or industry specific rather than alternative. I hope this letter has demonstrated that there is no pressing financial reason to consider a limited or selective basis for applying a South Africa screen to investment selections. The standard that we presently apply in the

Calvert Social Investment Fund and many similar accounts is to exclude any company that employs people in South Africa for any purpose other than news gathering and to exclude any financial institution that has investments in South Africa and has not adopted a policy of refusing all new commitments.

A plausible case can be made for also exempting companies whose sole purpose for a presence in South Africa is to facilitate international communication or travel. A less powerful but still reasonable argument can be made for exempting companies whose sole employment in South Africa is for the purpose of distributing a beneficial product made elsewhere, while competitors distribute similar products through indigenously owned distributors. A divestment policy would be most seriously diluted by an exemption for firms which had signed the Sullivan Principles and received a high rating for compliance from Arthur D. Little.

My opinion is that there is no more ethical basis than there is financial basis for considering any of these exemptions. In the case of financial institutions, it is important to consider declared policy about new loans rather than outstanding claims. Otherwise, institutions would be required to impose losses upon themselves by making gifts to their South African debtors in order to comply.

A separate but important issue raised by your question concerns the "manageability" (feasibility and cost) of obtaining the information required to implement different divestment criteria. Almost all of the information required to implement any of these and many other South Africa criteria is readily and inexpensively available from a number of competent and reliable American sources. However, it is usually necessary, especially with financial institutions, to inquire directly from the company about current policy before implementing any buy or sell decisions.

BIBLIOGRAPHY

I have nothing specific to offer in response to your question (3) about studies of previous divestment experience. The Treasurer of the State of Connecticut, Henry Parker, has produced very informative and thoughtful annual reports in the past. Without having seen a recent one, I would still recommend those produced since the onset of divestment.

There follows a bibliography of works which have been explicitly or implicitly cited in this letter, or which I recommend.

Lawrence Litvak et al, PENSION FUNDS AND ETHICAL INVESTMENT, (San Francisco: Council on Economic Priorities, 1980).

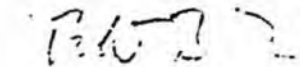
A. Rudd, "Divestment of South African Securities: How Risky?", Journal of Portfolio Management, Spring, 1979.

House of Representatives, 98th Congress, Committee on the District of Columbia, Hearings on SOUTH AFRICA DIVESTMENT, (Washington: U.S. Govt. Printing Office, 1984), testimony by Joan Bavaria and Stephen Moody, pp. 175-208.

United States Trust Company (Boston), letters from Robert Zevin and Stephen Moody to the Office of the Treasurer of the State of Connecticut, dated March 22, April 2 and April 9, 1982.

I hope that this letter has been responsive to your questions and will prove useful to the participants in the ICCR conference.

Sincerely yours,



Robert B. Zevin

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

September 9, 1985

The President
The White House
Washington, DC 20500

Dear Mr. President:

The passing of each day brings new evidence of the evil of the apartheid system imposed upon 24 million citizens of South Africa. Nowhere in the world is there a government supported by the United States that systematically violates basic human rights more than the regime in Pretoria.

On behalf of all Alaskans, I urge you to support the proposed economic sanctions against the South African government which are contained in the bill now being readied for passage by the Congress. Those sanctions include a prohibition against new U.S. bank loans to the South African government, a curb on sales of U.S. computer goods and technology, and a halt to the export of nuclear technology. Further sanctions also would bar new investment by U.S. firms doing business in South Africa and prohibit the importation of kruggerands, unless you and the Congress agree that progress is being made in bringing an end to apartheid. Some of those sanctions were included in your executive order of today, and I congratulate you on your announcement.

I wish to inform you, Mr. President, that the State of Alaska is now considering a proposal directing the divestiture of state funds in businesses with ties to the South African government. Many Alaskans believe this step would be the most direct statement they could make to protest a policy of social and economic injustice that is abhorrent.

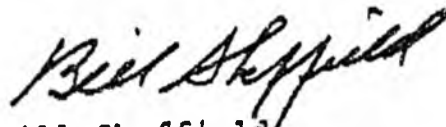
Mr. President

-2-

September 9, 1985

This statement by Alaska, however, should be no substitute for a national policy aimed at ending the unconscionable violation of basic human rights now being perpetrated with such daily brutality by the government of South Africa.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield". The signature is written in dark ink and is positioned above the typed name and title.

Bill Sheffield
Governor

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	7.3	118.8	9.7	8.0				143.8	1.3%
South African Amount*	(1.8)	(29.1)	(2.4)	(2.0)				(35.3)	(.3)
Commercial Paper		445.0						445.0	4.1
South African Amount		(421.4)						(421.4)	(3.9)
Interest Bearing Bank Deposits	.9		32.6	20.1				53.6	.5
South African Amount	(.2)		(8.0)	(4.9)				(13.1)	(.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	23.5	3.0	48.3	39.4	5.1	1.2		120.5	1.1
South African Amount	(.0)	(.0)	(7.5)	(6.1)	(.8)	(.2)		(14.6)	(.1)
Government Agency Obligations					2.5	1.7		4.2	-
Corporate Stock	747.3	31.8	194.4	125.6				1,099.1	10.2
South African Amount	(279.1)	(.0)	(72.6)	(46.8)				(398.5)	(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	6,534.0	2,094.1	1,222.9	800.0	79.9	10.2	33.5	10,774.6	100.0
South African Amount	(281.1)	(450.5)	(90.5)	(59.8)	(.8)	(.2)		(882.9)	(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.

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

Arch. Davis News 8/24/85

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



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

Falwell erred in quick pronouncements on South Africa

WASHINGTON — The Rev. Jerry Falwell should stick to preaching with Biblical texts and leave politics to the better informed.

In my view, he made a fool of himself and hurt his Christian witness when, after a five-day trip to South Africa, he charged that "the entire non-white public" there "is saying sanctions will kill our children."

That is a very strong charge. And it is grievously wrong. On Sunday a Gallup Poll released by The London Times revealed that 77 percent of South African blacks support international economic sanctions!

Falwell talked with grassroots blacks only on his last day. And they were city officials of Soweto who have a stake in the present regime. Their fear of what might happen if U.S. sanctions are imposed is understandable.

But there is little basis for that fear.

Both the House and Senate have passed bills that would impose mild sanctions. A compromise version passed the House and is expected to sail through the Senate with enough votes to override a veto by Reagan.

The bill would simply prohibit the sale of gold krugger-rands here and cut out a few loans to the South African government. But loans to private companies (worth \$4.5 billion this year) are unaffected.

The bill does say President Reagan must determine within a year if there has been significant progress in dismantling apartheid such as:

- Ending forced removal of blacks; nearly 3 million have been sent to isolated, barren lands hundreds of miles from jobs.

- Allowing black workers to live with their own families, instead of forcing millions to live in single-sex hostels far from their families.

- Permitting blacks to own property, "a right which lies at the very heart of the free enterprise system," said the American Chamber of Commerce in South Africa, which endorsed each of these three positions.

If Reagan thinks there has been no progress in a year, the law would simply allow him to prohibit future American investment.

"This is reasonable legislation, moderate legislation," says David Hauck, of the



michael j. mcmanus
ethics and religion

Investor Responsibility Research Center, which has watched the issue for 200 large pension funds and investment houses.

There is no requirement for U.S. companies to pull out present investments. Pepsico and a few other U.S. companies have decided to withdraw from the country on their own. But they simply sold their investments to South Africans. No jobs were lost at all.

Yet what does Jerry Falwell say? Without sanctions "We have hope to cut out the cancer and not kill the patient. We have hope not to starve little children, minority children . . . by disinvesting, closing down the Ford plants, closing down the various American investments."

He cites no independent evidence that plants would close or that little children

would be starved, but makes his reckless charges anyway.

As a religious leader, Falwell should cite the Biblical basis for his position. It is knowledge of the Scriptures which gives religious leader the right — indeed the duty — to speak out on public moral issues. But he did not quote the Bible.

Indeed, Jesus once said, "Judge not, that ye not be judged." But Falwell made a harsh judgment of Bishop Desmond Tutu, who won a Nobel Peace Prize for his peaceful yet powerful advocacy of the need to change apartheid: "I think he is a phony, period, as far as representing the black people of South Africa. And if anyone doubts that, go out to the black public in South Africa, and ask them."

Gallup did that and proved Tutu right, and Falwell

wrong.

This column quoted a sermon Bishop Tutu preached one week after he won the Nobel Prize that was laden with Scriptural references on apartheid. He quoted Galatians 3:28-9.

"There is neither Jew nor Greek, there is neither slave nor free, there is neither male nor female; for you are all one in Christ Jesus." Tutu said that when Jesus "stretched his arms on the cross as if to enfold us in unity — Christ broke down the walls separating people.

"We are no longer separated on the basis of superiority of one ethnic group over another, no economic elitism, neither rich nor poor in our Savior Jesus Christ. And you and I have been enlisted in the ministry of Christ's reconciliation.

"Apartheid, as the policy of South Africa, is totally evil, totally immoral, totally unChristian. It is unChristian because (apartheid) says human beings are made for separation, whereas Scriptures say human beings are made for fellowship.

"Apartheid denies the teachings of Christ."

Yet Tutu opposed sanctions

at the time, and only recently changed his mind as South Africa's intransigence increased.

Interestingly, Falwell says he too "condemns" apartheid, and did so when he met with South Africa President P.W. Botha. However, Falwell was impressed by Botha's commitment to move the country toward change.

Why? Only a few days before, Botha delivered a speech which was expected to propose reforms of apartheid. Instead, he said, "I am not prepared to lead white South Africans and other minority groups on a road to abdication and suicide."

At that, South Africa's only national newspaper, Business Today, groaned, "With the eyes of the world on him, he behaved like a hick politician . . . If Botha cannot perform better than this, we believe the time has come for him to depart."

Amen. The same goes for Jerry Falwell as a political analyst.

□ Michael McManus is a nationally syndicated religion and ethics columnist.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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

February 16, 1984

MEMORANDUM:

TO: Representative Tony Vaska

FROM: Jay Livey *JL*
Legislative Analyst

RE: Divestment of State of Alaska Public Funds Invested in
Corporations and Firms that Do Business in South Africa
Research Request 84-008

You asked that we investigate the impact on Alaska of a law that would require the public investment funds of the State to divest holdings of all corporations and banks that do business with South Africa. Specifically, we were asked to:

1. identify the funds that would be affected by this investment restriction;
2. determine the amount of funds that would be affected; and
3. analyze the financial consequences to the State of these divestment requirements.

Public Investment Funds in Alaska

We identified the following seven public investment funds that would be affected by a divestment law: Alaska Permanent Fund, Public School Fund, International Airport Fund, General Fund, University of Alaska Permanent Fund, Teachers Retirement Fund, and Public Employees Retirement Fund. Table 1 provides an investment profile of each of these funds.

Table
State of Alaska Investment Funds
Balance as of 12/30/83
(\$ Thousands)

	Permanent Fund	General Fund	Public Employees Retirement Fund	Teacher Retirement Fund	Public School Fund	Internat'l Airport Fund	U of A Permanent Fund	Total***	% of Total
Repurchase Agreements	\$ 144,000.0	\$ 172,100.0	\$ 12,900.0	\$ 6,480.0	\$ ---	\$ ---	\$ ---	\$ 335,480.0	4.3
United States T. Bills	275,000.0	461,000.0	42,000.0	35,000.0	---	---	---	813,000.0	10.3
Commercial Paper	25,000.0	---	3,415.0	---	---	---	---	28,415.0	
Certificate of Deposit	90,000.0	---	---	---	---	500.0	---	90,500.0	1.2
U.S. Bonds & Notes	4,104,000.0	1,395,000.0	408,500.0	218,500.0	39,527.9	13,451.9	8,436.3	6,187,416.2	78.3
Corporate Bonds	29,500.0	3,430.0	31,846.1	25,547.8	---	---	---	90,323.8	1.2
Corporate Stock	100,327.2	---	89,594.5	75,060.2	---	---	---	264,981.8	3.3
Agency Holdings	---	8,000.0	34,182.2	29,174.3	5,983.3	---	1,927.4	79,267.2	1.0
Savings	92.4	17.1	.6	11.4	---	---	---	121.5	
TOTAL***	\$4,767,919.5	\$2,039,547.1	\$622,438.4	\$389,773.7	\$45,511.2	\$13,951.9	\$10,363.7	\$7,889,505.5	

*Includes Treasury Bills

**Fund Balance is as of 1/05/84

***Totals may not add due to rounding

Prepared by: House Research February 1984.

Representative Vaska
February 16, 1984
Page 3

Permanent Fund. The Permanent Fund was established by AS 37.13.010 and is composed of funds generated by mineral lease rentals, royalties, royalty sale proceeds, certain federal mineral revenue sharing proceeds and other money appropriated by law to the fund.

Investment decisions concerning fund assets are made by the Board of Trustees of the Alaska Permanent Fund Corporation (AS 37.13.120), and are based on both statute and flexible guidelines established by the Permanent Fund board. Paragraph (a) of section 120 states that the prudent man rule shall be applied by the board in the management and investment of the fund's assets. The paragraph goes on to say that:

...the prudent-man rule as applied to investments of the corporation means that in making investments the board shall exercise the judgement and care under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion and intelligence exercises in the management of large investments entrusted to it not in regards to speculation but in regards to the permanent disposition of funds, considering probable safety of capital as well as disposable income.

Paragraphs (b) and (c) of section 120 specify that assets shall be used only for income-producing investments and that the board shall maintain reasonable diversification among investments, respectively. Paragraph (g) lists allowable investments and states that the board may invest corporation assets in these investments "at such competitive national market rates or prices as are applicable to the investment." (emphasis added).

Public School Fund. The public school fund is established by AS 37.14.110 and its assets are derived from "a sum equal to one-half of one percent of the receipts derived from the management of State land, including amounts paid to the State as proceeds of sale or annual rent of subsurface rights, mineral lease rentals, royalties, royalty sale proceeds and mineral revenue sharing payments or bonuses" (AS 37.14.150). The proceeds of the fund investments are to be used to support education programs.

The Public School Fund is managed by the Public School Fund Advisory Board composed of the Commissioner of the Department of Education, three members elected by the Board of Education from among its membership and the Commissioner of the Department of Revenue. The Commissioner of Revenue, with the approval of the advisory board, may invest the funds in the same manner as specified in AS 39.35.110 which lists the guidelines used for investing the Public Employees Retirement Fund.

International Airport Fund. The International Airport fund receives all revenue, fees, charges and rentals derived by the State from the ownership, lease, use and operations of international airports owned by the State. (Currently this includes only the Anchorage and Fairbanks airports.) The money in the revenue fund is only used to pay or secure the payment of principal and interest of bonds issued by the legislature to acquire, improve, or construct facilities at these airports (AS 37.15.140). The investment of the assets of the International Airport Fund is made at the discretion of the State Bond Committee (created by AS 37.15.110) composed of the Commissioners of Commerce and Economic Development, Administration and Revenue.

General Fund. All of the receipts and fees received by the Department of Revenue are deposited in the treasury (AS 37.10.060). When the Commissioner of Revenue determines that there is a surplus of State funds, the surplus shall be invested at national market rates (AS 37.10.070).

University of Alaska Permanent Fund. This fund includes all the money derived from the sale or lease of lands granted to the Territory of Alaska by the U.S. Congress (Act of January 21, 1929) and any additional gifts, bequests or endowments made to the University of Alaska. The Commissioner of Revenue, through the Governor, is given the responsibility for investing the funds and is guided by the prudent man rule (AS 14.40.400).

Teachers Retirement Fund (TRS). AS 14.25.180 authorizes the Commissioner of Revenue to be the custodian of the assets of the fund and to invest the assets as provided for in the statutes. The investment options include, among others, federal government securities, corporate stocks and bonds, commercial paper, bankers acceptances and obligations of agencies of the federal government. The income from these investments is used to pay the benefits of the TERS system.

Public Employees Retirement Fund (PERS). AS 39.35.110 authorizes the Commissioner of Revenue to invest the surplus funds of the PERS fund at competitive market rates in a variety of investments similar to those allowed by the TRS fund. The proceeds from these investments are used to pay for the public employees retirement system (AS 39.35.110).

Fund Assets Affected by Divestment

Table 1 shows the assets of all State investment funds and the particular market instruments in which they are invested. The source for this table is Department of Revenue and Permanent Fund investment reports dated December 30, 1983 and January 5, 1984 respectively. Because the portfolios of these funds are constantly changing, Table 1 only reflects the actual makeup of these funds on the date of the report. However,

representatives of the Department of Revenue stated that the funds' composition on these dates was representative of their usual holdings.

It can be seen in Table 1 that the predominant investment in all of the funds is U.S. government securities which consists of U.S. bonds and notes, treasury bills and agency issues. Because investments in these issues are generally considered to be risk free, it is not surprising that public funds, whose primary aim is to protect principal, have close to 90 percent of their assets invested in this way. These investments would not be affected by a law that requires the divestment of holdings in banks or corporations that do business in South Africa.

However, the remaining 9.2 percent of the total funds could be affected by investment restrictions as these funds are invested in market instruments of either banks or corporations that could potentially do business in South Africa. Table 2 shows these market instruments, the total funds invested in each instrument and the percent of the total funds attributable to each instrument. Two funds, the Public School Fund and the University of Alaska Permanent Fund, currently contain no market instruments other than U.S. government securities. The remaining five funds all have at least one instrument that could be invested with a firm or bank that does business with South Africa.

TABLE 2

MARKET INSTRUMENTS HELD IN STATE OF ALASKA INVESTMENT FUNDS THAT
COULD POTENTIALLY BE INVESTED IN FIRMS OR BANKS THAT DO BUSINESS IN
SOUTH AFRICA

<u>Market Instrument</u>	<u>Amount</u>	<u>Percent of Total Funds</u>
Repurchase Agreements	\$335,480,000	4.3
Corporate Stock	264,981,831	3.3
Corporate Bonds	90,323,810	1.2
Commercial Paper	<u>28,415,000</u>	<u>.4</u>
Total	\$719,200,641	9.2%

Source: Department of Revenue Investment Reports
Permanent Fund Investment Reports

Prepared by: House Research Agency, February 1984.

A list of the individual corporations and banks in which the State invests public fund money can be compiled from investment reports. This list can then be compared to a list of all United States corporations and banks that do business in South Africa. From this comparison, the current holdings in Alaska's portfolio that would have to be divested if investment restrictions were adopted can be calculated. Table 3 provides a summary of these calculations and shows that Alaska currently has a total of \$222,060,635 of public funds invested in corporations and banks that do business in South Africa. (Appendix A provides a list of the specific holdings that would need to be divested.)

The source used to identify the corporations and banks that do business in South Africa is a list compiled by the United States Consulate General in Johannesburg, South Africa. Although the list may not be complete, Rich Knight of the American Committee on Africa states that it is the most reliable guide available.¹ Mr. Knight also noted that it is difficult to identify banks that do business in South Africa because of the ripple effect of financial transactions and the difficulty of tracing funds through the investment system.

Mr. Bob Schaeffer, legislative aide to Senator Jack Backman (who sponsored a divestment law in Massachusetts), noted this problem also.² He said that the Massachusetts treasurers office contacted each bank with which the state had investments. Unless the bank certified that it had no business dealings with South Africa, Massachusetts assumed that the bank had such investments and divested all holdings with the bank.³

It should be noted that Table 3 only includes investments in banks that appear on the U.S. Consulate list. It is possible that other bank holding would need to be divested at a later date.

Consequences of Divestment Legislation

Determining the financial impact to Alaska of divesting public funds invested in corporations and banks that do business in South Africa is very difficult. In fact, the final impact depends upon the particular holdings in the portfolio, the characteristics of the market and other economic conditions at the time of divestment.

¹Mr. Richard Knight, American Committee on Africa, 198 Broadway, New York, New York, 10038, (212) 962-1210.

²Mr. Bob Schaeffer, Legislative Aide to Senator Jack Backman, State House, Boston, Massachusetts, (617) 722-1639.

However, based on conservative assumptions, we have attempted to estimate the costs of divestment to Alaska. To provide a context for our analysis, the following three issues are discussed.

- transaction costs;
- effect of divestment on portfolio value; and
- potential Performance of the fund after divestment.

TABLE 3
 SUMMARY OF HOLDINGS IN ALASKA PUBLIC FUNDS PORTFOLIOS INVESTED
 WITH CORPORATIONS AND BANKS THAT DO BUSINESS WITH SOUTH AFRICA

<u>Market Instrument</u>	<u>Market Value</u>
Corporate Bonds (all funds)	\$14,078,350
Corporate Stocks	
Permanent Fund	~ \$40,138,020
Public Empl. Ret. Fund	30,453,427
Teachers Ret. Fund	<u>28,375,838</u>
	98,967,285
Commercial Paper*	
Permanent Fund	25,000,000
Public Empl. Ret. Fund	<u>1,915,000</u>
	26,915,000
Repurchase Agreements*	
General Fund	72,100,000
Teacher Ret. Fund	3,100,000
Public Empl. Ret. Fund	<u>6,900,000</u>
	<u>82,100,000</u>
TOTAL	\$222,060,635

*These are generally short-term investments. If divestment was to occur over a period of time greater than one year, these investments would mature and new investments made in nonrestricted corporations and banks. In that case, these holdings would technically not have to be divested.

Source: Department of Revenue investment reports
 Permanent Fund investment reports

Prepared by: House Research Agency, February 1984.

Transaction Costs. Transaction costs are the administrative fees and expenses incurred when purchasing or selling investments, most notably common stocks. Divesting a portfolio of common stocks would require payment of transaction costs both to sell securities and to purchase new ones.² Dave Rose, Executive Director of the Alaska Permanent Fund, estimates that the Permanent Fund pays transaction costs, on the average of five cents to buy and five cents to sell a share of stock.³ This estimate is applied to the other funds in calculating their transaction costs.

Table 4 contains a summary of the estimated transaction costs to Alaska of divesting the holdings of companies that do business with South Africa. It can be seen that to divest all of the common stock would cost approximately \$127,200. It should be noted that this number is an estimate as the exact number of shares to be divested from the Teachers Retirement and Public Employee Funds is not known.

Also, the estimated cost does not account for the normal turnover of stocks in a portfolio. If divestment occurred over a period of time, it is probable that some of the stocks requiring divestment would be traded regardless of investment restrictions. Although the transaction costs would still be incurred, they would not be the result of the divestment law alone.

The purchase and sale of corporate bonds are virtually free of transaction costs, because they are sold by underwriters who are paid a fee by the bond issuer to sell the bonds. However, Joe Davis of Foster and Marshall Investment Brokers, notes that administrative fees totaling fifty cents for every \$1,000 in market value of bonds sold could be incurred in selling bonds.⁴ Assuming this expense, it would cost the State approximately \$7,000 in transaction costs to divest its portfolio of corporate bonds. Adding this to the transaction costs to divest corporate stocks would result in a total of approximately \$134,000 to divest both the stocks and bonds of corporations that do business in South Africa.

Effect on Fund Value. We noted earlier that determining the impact of divestment on an investment fund is very difficult. Some of these difficulties can be illustrated by examining the efforts to determine the impact that divestment has had in Massachusetts.

³Mr. Dave Rose, Executive Director, Alaska Permanent Fund Corporation, Juneau, Alaska, 465-2047.

⁴Mr. Joe Davis, Foster and Marshall Investment Brokers, Juneau, Alaska, 586-6000.