

ALASKA LEGISLATURE COMMITTEE FILES 1900-1900 00/2

3741 HSTA HCR 17 (FILE 4) 67

University of Michigan \$170 mill. 3% \$41.2 mill. Several 1983-85 P

Follows state law requiring Michigan public colleges, universities and schools to divest and make no further investments in shares of corporate stock and other equities of organizations operating in the Republic of South Africa, except those headquartered in Michigan or employing substantial numbers of employees in Michigan; options relating to such companies; and investments acquired from 3rd party donors. The University has recently filed suit against this law.

<u>Institution</u>	<u>Size of Fund</u>	<u>% Invested in Cos. Doing Business in South Africa</u>	<u>Divestment Action</u>			<u>Policy</u>
			<u>Amount</u>	<u>Type of Security</u>	<u>Year</u>	
State Teachers' Retirement System of Ohio	\$ 8.6 bill.	19%	-0-			For corporations operating in or doing business with the Republic of South Africa, the Board resolves to encourage, through the proxy system, the adoption of The Sullivan Principles or any other proposals which are effective ways of implementing change in South Africa yet not hurt the black employees nor hinder the financial returns of the American companies.
Teachers' Retirement System of Illinois	\$11.0 bill.	33%	-0-			Opposes current divestment legislation as a violation of their fiduciary responsibility under the prudent person rule and the potential negative financial impact.
Texas Teachers' Retirement System	\$10.5 bill.	55% of equity portfolio 5% of bond portfolio	-0-			Operates under the Prudent Person Rule in the Texas Constitution. Feels that investment restrictions or mandates for social purposes are not in the best interest of members or taxpayers.
Washington D.C. Teachers, Police, Firefighters, and Judges Retirement Fund	\$650 mill.	5%	\$160 mill.	1984-85	P	Subject to District law enacted in 1984 requiring full divestment over a three-year period.

ATTACHMENT V

EXCERPT: THE REGENTS REPORT OF THE UNIVERSITY OF CALIFORNIA --
TREASURER'S REPORT ON SOUTH AFRICAN INVESTMENTS -
JUNE 1985

The companies that normally meet the criteria of financial strength and above average growth and profitability and offer sufficient liquidity tend to be the well-established larger firms with multinational operations. The reason for owning these companies is because as a group they represent the best managed and strongest financial companies which are available in the marketplace. They produce products which are needed and desired by people around the world. These companies started their operations in America, and as demand for their products grew, they expanded to Mexico, Canada, Europe and gradually around the world, including South Africa.

The removal of those companies with multinational operations would have major financial implications for The Regents' portfolios. The prohibition of the stocks of companies doing business in South Africa eliminates 133 of the companies in the S&P 500, the broad stock market index which many investors use to identify large, financially sound companies. Since the list of companies having subsidiaries in South

Africa contains 28 of the largest 50 and 43 of the largest 100 U.S. companies (Table 6), such an exclusion eliminates approximately one-half of the total market value of the S&P 500 index and 35% of the weight of all common stocks as represented by the Wilshire 5000 index. More important to both present and future portfolio diversification, a South Africa restriction would exclude from investment over 80% of the firms in several major industry groups, including autos, chemicals, hospital supplies, and computer equipment, as well as 100% of the drug industry (Table 7). Many of the companies in these groups are among the highest quality in terms of the criteria used by The Regents to judge suitable investments.

The remaining companies after those doing business in South Africa have been eliminated are, in general, smaller and more volatile. They are also less liquid, with average capitalization less than one-half that of the restricted companies. Liquidity is very important to a large portfolio seeking to maximize the benefits of superior stock selection, since large positions can be accumulated or sold more easily, without major impact on the stock's price and at lower annual transaction and implementation costs.

As shown, removing the South Africa-related companies significantly reduces the universe of companies suitable for investment by The Regents. When investment criteria such as capitalization levels, financial quality, and demonstrated growth and dividend payments are applied to the remaining companies, the universe is so reduced as to suggest it would be very difficult to invest a portfolio of the size of

The Regents' portfolios in companies of comparable quality and prospects while still retaining adequate liquidity (sufficient volume to allow trading without creating undue pressure on stock prices). It might be even more difficult to find suitable replacement investments for the Endowment Fund because of its reliance on income growth.

A second consideration is the costs involved in such a program. These would include the one-time transaction costs of selling \$2.4 billion of equities and bonds and replacing them with non-South Africa securities; the possible impact on the prices of the securities, however fleeting, that such a major change would have; and the higher on-going costs associated with investing in a greater number of smaller companies, which are more difficult and costly to buy.

The calculation of the commissions involved in selling the \$2.3 billion, or 46 million shares, in stocks of companies which have operations in South Africa is fairly straight-forward. The costs of reinvesting the proceeds of these sales would be higher because the funds would most likely be invested in a far greater number of companies, many of which trade in smaller volume. It is estimated that the total commission costs of selling and reinvesting the equity portion of the portfolio would be \$20.3 million. The costs of selling the \$98 million in corporate bonds and reinvesting the proceeds in South Africa-free issues would be about \$300,000. The total commission costs of undertaking a program of full divestment, therefore, are estimated to be nearly \$21 million, or over 10 times the normal annual commissions paid by The Regents.

In addition to commissions, there are other costs involved in such a program, including liquidity costs (the impact of buying and selling large quantities of securities on a stock's price) and broker spreads, which can be wide even in accumulating small positions, and which tend to widen when accumulating large positions in smaller companies. While these total trading costs are more difficult to measure, since they depend on the size of the portfolio, the types of securities owned and the turnover rate of the portfolio, there are various estimates of what they might be. The consulting firm of Wilshire Associates has prepared a highly regarded and extensive analysis of such costs entitled, "South African Divestment: The Investment Issues" (enclosed in Appendix F), which is currently being used by many organizations studying the divestment issue. Published in the November/December, 1984 issue of The Financial Analysts Journal, the study found that trading in smaller companies is definitely more expensive than trading in larger companies. Specifically, the study estimated that the average cost of acquiring a relatively large position (\$2.5 million) in the generally smaller companies in the South Africa-free universe was 3.7% of the value of the trade versus 1.4% for the larger capitalized companies. One could conclude that the total trading costs of a divestment/reinvestment program on a portfolio of The Regents' size would be approximately \$100 million.

Several attempts have been made to create hypothetical portfolios free of South Africa-related investments. A good summary of these efforts has been published by the Investor Responsibility Research Center, Inc. in its January 1985 report, The Impact of South

Africa-Related Livestment on Equity Portfolio Performance. The executive summary of this report is included in Appendix F. Copies of the complete report are available directly from IRRRC. The results of the nine studies analyzed are not conclusive as to what impact a South African exclusion would have on future investment results, however, enough common evidence emerged for the IERC to come to the following conclusion:

"The most important conclusion is that divestment will have a detrimental effect over the long term on portfolio performance. Although that effect is difficult to quantify with any degree of accuracy, its severity will vary principally with the investment style of the portfolio manager and with the value of the equity portion of the portfolio. What is clear is that, in general, the large portfolio that divests from all South Africa-related companies and is actively managed will feel the effects most severely and will have to bear potentially substantial costs."

Most of the studies analyzed by IRRRC, plus other studies on the subject, have used methodologies that undermine the accuracy of the performance results and their overall conclusions. Most of the studies are based on a comparison of two hypothetical portfolios - one South Africa-free and one unrestricted. However, most of the studies failed to adequately compare the risk and return characteristics of the two portfolios and to hold the risk levels of the two portfolios constant. Some studies simply took a portfolio listing of stocks, removed the South Africa-related stocks and then measured the performance of the two universes. In real portfolios, the stock removed would be replaced by another investment choice, and all stocks would be properly weighted. In addition, these hypothetical portfolios are not measured over various economic cycles, nor do they incorporate the trading and commission

costs experienced by true investment portfolios operating in the securities markets.

A company's presence in South Africa per se, especially considering the very small percentage of sales and assets derived from that country, is unlikely to have an impact on the company's earnings and, hence, on the stock's performance in the U.S. securities markets. Some of the hypothetical studies stated that the South Africa-free portfolios had better performance than unrestricted portfolios. The most likely explanation of this performance differential is that the measurement period most often used was the mid-1970's to early 1980's and the fact that these South Africa-free portfolios were comprised of smaller companies than a general, unrestricted portfolio. In the period 1974 to 1983, small stocks provided substantially higher rates of return (and a higher risk level as measured by volatility) than other groups of stocks. This has come to be known as the "Small Stock Effect". Over that time, many small companies which were under-owned by investors saw their stock prices bid up to high, but eventually unsustainable levels, and many investors eventually paid dearly for excessive valuations. Since 1983, the securities returns from the small capitalized companies have underperformed the general market, and many investors question the prospects for this class of stocks. The higher assumed rates of return earned on some hypothetical South Africa-free portfolios are over a short period of time and therefore, not predictive of future rates of return on actual portfolios.



Alaska Permanent Fund Corporation

Pouch 4-1000 Juneau, Alaska 99802

TEL 907/465-2047 TLX 099-46-323

MEMORANDUM

DATE: ~~October 15, 1985~~

TO: David A. Rose
Executive Director

FROM: *William L. Means*
William L. Means
Chief Investment Officer

SUBJECT: South African Divestment Effects

Although no one associated with the Alaska Permanent Fund Corporation supports continuation of the status quo in South Africa, nonetheless the Trustees of the Permanent Fund have a fiduciary responsibility to the people of the State of Alaska to make investments according to the Prudent Investor Rule. This responsibility is inherent in the management of any trust, and is specifically required for the Permanent Fund by AS 37.13.120.

The Trustees have adopted an investment strategy which includes the policy of placing 15 percent of the Fund into common stock by June 30, 1986, market conditions permitting. This is to be done sixty-six and two-thirds percent on the basis of the Standard & Poor's 500 Index, and thirty-three and one-third percent through specialty, external managers.

Under divestment, this investment strategy would have to be altered. Divestment would so restrict access to stocks in the S & P 500 that it would be virtually impossible to construct a portfolio for the Fund which would be a statistical mirror of that index. The effect on the S & P 500 is that large multi-national companies are replaced by smaller, domestic companies. The capitalization weights of some industries (e.g. drugs and motor vehicles) are more than halved. Trinity Investment Management Corporation recently did a study with regard to the impact of divestment on the New Jersey pension funds. The study concluded that any divestment restriction would significantly increase risks, reduce investment and diversification opportunities, result in lower risk-adjusted returns and greater trading costs, and violate the Prudent Investor Rule.

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South African Divestment Effects
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A recent study by the Department of Revenue quantifying the effects of divestment on the Retirement Funds over five years showed a reduction in returns on investments totalling \$177,890,000. Utilizing similar methodology and assumptions and assuming that funds formerly invested in those companies divested would be invested in U.S. Treasury securities, the reduction in earnings for the Permanent Fund over the next five years would amount to a total of \$308,100,000.

WLM/ep

Projected Asset Allocation of Investments
of Alaska Permanent Fund Corporation
as End of Fiscal Years

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Common Stock	11.4%	15.0%	17.0%	20.0%	22.0%	25.0%
U.S. Treasury Securities (longer than 1 year)	82.9%	71.0%	69.0%	66.0%	64.0%	61.0%
Money Market	0.9%	5.0%	5.0%	5.0%	5.0%	5.0%
Real Estate Equities	2.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Other	2.8%	4.0%	4.0%	4.0%	4.0%	4.0%

Amount of Funds
(\$ Millions)

\$6,533 \$7,539 \$8,214 \$8,898 \$9,606 \$10,336

Rate of Growth

15.4% 9.0% 8.3% 8.0% 7.6%

ALASKA PERMANENT FUND CORPORATION INVESTMENTS
Average Assets & Yields During Fiscal Years
(\$ Millions)

	1986		1987		1988		1989		1990		Sum of 5 Years
Common Stocks	\$1,130.9	15.00%	\$1,396.3	15.00%	\$1,779.6	15.00%	\$2,113.4	15.00%	\$2,584.1	15.00%	
U.S. Treasury Securities (1 year or longer)	5,354.5	11.00%	5,667.5	11.00%	5,872.6	11.00%	6,148.0	11.00%	6,305.2	11.00%	
Money Market	377.0	9.20%	410.7	9.20%	444.9	9.20%	480.3	9.20%	516.8	9.20%	
Real Estate Equities	377.0	14.00%	410.7	14.00%	444.9	14.00%	480.3	14.00%	516.8	14.00%	
Other	300.0	9.39%	328.5	9.39%	355.9	9.39%	384.2	9.39%	413.5	9.39%	
Total	\$7,539.4	11.59%	\$8,213.7	11.68%	\$8,897.9	11.80%	\$9,606.2	11.88%	\$10,336.4	11.99%	
Return	<u>\$873.8</u>		<u>\$959.4</u>		<u>\$1,050.0</u>		<u>\$1,141.2</u>		<u>\$1,239.3</u>		<u>\$5,263.7</u>

Divestment Effects (Less 47% stocks, 87% of C.D.'s, and 77% of commercial paper)

Common Stocks	\$ 599.4	12.15%*	\$ 740.0	12.15%*	\$ 943.2	12.15%*	\$1,120.1	12.15%*	\$1,369.6	12.15%*	
U.S. Treasury Securities (1 year or longer)	5,886.0	11.00%	6,323.8	11.00%	6,709.0	11.00%	7,141.3	11.00%	7,519.7	11.00%	
Money Market	377.0	9.10%	410.7	9.10%	444.9	9.10%	480.3	9.10%	516.8	9.10%	
Real Estate Equities	377.0	14.00%	410.7	14.00%	444.9	14.00%	480.3	14.00%	516.8	14.00%	
Other	300.0	9.39%	328.5	9.39%	355.9	9.39%	384.2	9.39%	413.5	9.39%	
Total	\$7,539.4	11.08%	\$8,213.7	11.09%	\$8,897.9	11.11%	\$9,606.2	11.13%	\$10,336.4	11.14%	
Return	<u>\$835.4</u>		<u>\$910.9</u>		<u>\$988.6</u>		<u>\$1,069.2</u>		<u>\$1,151.5</u>		
Divestment Loss	-\$38.4		-\$48.5		-\$61.4		-\$72.0		-\$87.8		-\$308.1

*Based on 18.9% drop in rate of return over long period of time.

STATE OF ALASKA
DEPARTMENT OF REVENUE

M E M O R A N D U M

TO: Milt Barker *MB*
Deputy Commissioner

FROM: James R. Wilson
State Investment Officer

DATE: September 9, 1985

RE: South African Divestment Effects

The proposed divestment of investments in companies doing business in South Africa would have the effect of removing

62% of the 50 largest U.S. companies,
57% of the Fortune 100 companies,
47% of the S & P 500 companies, and
35% of the Wilshire 5000 companies

and would constitute avoiding, to name a few,

91% of international oil companies,
90% of office equipment companies,
89% of drug companies,
88% of chemical companies, and
87% of automobile manufacturers.

The common stock portfolios would have to avoid most of the large, heavily capitalized, successful, and relatively secure U.S. companies and would have to concentrate on utility, transportation, and retail stocks. Because the smaller companies in which investments would have to be made are inherently riskier on a credit basis, they also have more volatile stock prices and hold a greater chance of losing money on the investments. The non-South African S & P 265 (what is left of the 500) has been shown to be 1.84 times more volatile on the upside but 2.27 times more volatile on the downside. This translates to a drop of 18.9% in the probable rate of return over long periods of time. For large funds like the Alaska Retirement Systems, common stock holdings would have to be excessively diversified into too many small holdings. It has been demonstrated that common stock portfolios approaching 100 or more stocks have virtually no chance of surpassing the general stock market's average performance -- ergo, a lower

Milt Barker
September 9, 1985
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return than we currently enjoy. Consequently, we would find it necessary to reduce our potential risk by reducing what otherwise would be the size of our common stock portfolios.

The divestment would also affect our bond and money market portfolios by removing much of our potential investment universe; i.e.,

77% of commercial paper issuers,
87% of bank issued paper, and
60% of industrial corporate bonds.

The loss of money opportunities would reduce our yield by .25% in those areas, but the loss of most of the best credits in the corporate bond area would have more pronounced effects. Because the remaining industrial bonds would be substantially more risky, we would have to maintain a smaller, relative position -- although it would cost us 1.1% in yield. Prudence would also demand a smaller utility bond position as well so we would not be overly weighted in that riskier and less call protected area.

Divestment would have similar but somewhat reduced effects on the State's General Fund and on the Public School and University of Alaska Funds. These endowment funds would lose their only equity investments (convertibles) and more than half of their high yielding corporate bonds. The General Fund would be practically trapped into only U.S. Treasury issues for a give-up of about \$1 million a year.

In order to quantify the effects on the Retirement Systems' investments, I have calculated their probable average positions and rates of return for each of the next five fiscal years. Then, after allowing for the divestment effects on the portfolio's positions and yields -- as previously noted in this memorandum -- I have recalculated the rates of return for the same five fiscal years. The results of these calculations are shown in the attached table. The divestment portfolios have smaller common stock and corporate bond positions and larger U.S. Treasury positions, and yields on common stocks are lower. The net result for the sum of the five years is a reduction in returns on investments totalling \$177,890,000.

JRW/gb

Attachment

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	\$283.51		\$340.69		\$400.85		\$466.47		\$536.06		\$2,027.58

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	64.9	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	\$264.40		\$313.64		\$365.59		\$422.48		\$483.58		\$1,849.69
Divestment Loss	- \$19.11		- \$27.05		- \$35.26		- \$43.99		- \$52.48		- \$177.89

STATE OF ALASKA
DEPARTMENT OF REVENUE

M E M O R A N D U M

TO: Milt Barker
Deputy Commissioner

FROM: James R. Wilson
State Investment Officer

DATE: September 19, 1985

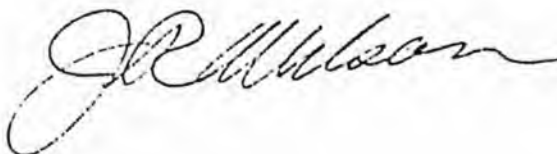
RE: Bases for Projection of South African Divestment Effects
(See memo of September 9, 1985)

The table of probable divestment costs in terms of future earnings (September 9, 1985 memo) of the combined retirement funds was an understated estimate based on: first, the probable shifts in asset allocation over the next five years (these shifts have been in process and are aimed at getting us in an investment posture more similar to that of the other major public pension plans - they are far ahead of us in common stock equities and corporate bonds) (See Table A); second, relatively slower growth in the size of the funds, running at successive annual increments of 19%, 18%, 17%, 16% and 15%, substantially below the recent past of rates exceeding 20%. The slower growth presumes a change in actuarial assumptions and consequent reduced contributions to the fund. No adjustment was made for the reduced earnings of the divested portfolio, which would tend to reduce its size and increase the relative costs of divestment (See Table A); third, arithmetic averaging of the probable shifts in year-end asset allocations (first above) in order to obtain the average asset allocation within each fiscal year for purpose of computing the rate of return effects in dollars per year (See Table B); fourth, reduction of the average annual asset positions in divestment areas and offsetting increases in Treasury investments in order to establish the structure of the divested portfolios (See Table B); fifth, reduction of the expected average annual yields on common stock and money market investments to reflect the lower earnings potential of the non-divested investments (See footnotes to Table A and B).

The data represented in Tables A and B and their footnotes (attached hereto) were utilized to prepare the dollar invested positions and fiscal year returns for the combined retirement funds as they were shown in the table which was part of the September 9, 1985 memorandum.

One can argue about the specifics of the projections and about whether the total cost over the five years is greater or lesser, but whether it is \$60 million or \$200 million, there would be a large cost - too large to be wantonly incurred.

JRW/mem



FOOTNOTES TO TABLES A AND B

- * Fixed income investments at cost yields and equity investments at total rates of return. The rates of return and yields are held constant over the five year projection period although they will vary from year to year. A five year period is long enough to expect average rates to prevail.
- (a) Includes foreign as well as domestic common stocks. Conceivably, foreign stocks could be more heavily impacted by divestment than domestic commons because foreign companies are more important in South Africa than American companies. Despite that probability, the divesting percentage used in the Tables was not increased.
- (b) Common stock rates of return have reportedly averaged 18% over the last 55 years. The S & P 500 stock average has yielded 14.6% over the last 10 years. A long term expectation of 15% per annum is reasonable.
- (c) Present holdings of industrial bonds are yielding 12.58% and are secure for more than 25 years. Although additions will be added at generally lower rates, an average attainment of a 12% yield is considered reasonable.
- (d) Utility bonds on average yield about .25% more than industrials for the same maturities.
- (e) This is close to the yields of the present portfolio and 80% of it matures beyond 5 years. The expected growth in this segment of investments if minimal so we consider it reasonable to expect a maintenance of a 10.9% yield.
- (f) Money market investments are currently higher than normal because monies are being kept as an opportunity reserve for commitment to longer term bonds when interest rates are higher. The percentage should decline during the current fiscal year.
- (g) The 9.2% yield (better than the current market) assumes that short-term rates will greatly vary over the future but that our ability to time those investments will make the yield achievable.
- (h) R.E. Equities have exceeded the 14% rate for long periods in the past. Although our portfolio yields have not matched the rate, the recent addition of new managers and a possible replacement of some older managers may make the rate achievable. This area is not impacted by divestment, so the rate is not relevant to the forward costs of divesting.
- (i) Present holdings of mortgages are yielding 12.50% and are secure for at least 7 years. Despite additions in future years, an average yield of 12.50% is considered reasonable.

- (j) The non-divested common stocks constitute more than twice as much business and market risk as the divested stocks. The risk would be too great for a substantial portion of the fund and consequently the percentage has been reduced to 53% of what it otherwise would be (see September 9, 1985 memo).
- (k) The 12.15% rate is 81.2% of the 15% rate expected for general common stock holdings. The 81.2% is a ratio based on the historically measured greater volatility of non-divested stocks versus divested stocks (see September 9, 1985 memo).
- (l) Most of the soundest and safest credits are among the divested companies. The non-divested company's credits are substantially less and therefore more risky. Since 60% of the best credits would have to be avoided, the portfolio percentage has been reduced to 40% of what it otherwise would be.
- (m) Utility bonds are generally riskier than comparable industrial because they are subject to rate regulation and consequently have very little control over their revenues, costs, or cash flow. We would normally try to balance that greater credit risk by matching, offsetting investments in lower risk industrials. Since industrial bond investments would have to be reduced in response to divestment, we would also have to reduce our utility bonds by a comparable amount.
- (n) The monies not invested in stocks or corporate bonds as a result of divesting would end up being invested in U.S. Treasuries - ballooning that percentage to more than twice as much as we would prefer to have.
- (p) The loss through divestment of opportunities to invest in most of the higher yielding alternatives to short-term treasuries should reduce our yields in this area by .1% over the years

TABLE B

Combined Retirement Systems' Investments
Average Assets Allocations & Yields* During Fiscal Years

	<u>1986</u>		<u>1987</u>		<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>% of Total</u>	<u>Yield</u>	<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>	
Common Stocks (a)	22.5%	15.00% (b)	26.5%		29.0%		31.0%		32.5%	
Industrial Bonds	4.2	12.00 (c)	6.0		8.0		9.5		10.0	
Utility Bonds	3.0	12.25 (d)	6.0		8.0		9.5		10.0	
Treasury Bonds	28.6	10.90 (e)	26.9		22.0		18.35		17.2	
Money Market	11.4 (f)	9.20 (g)	6.0		6.0		6.0		6.0	
R.E. Equities	7.3	14.00 (h)	7.5		7.7		7.9		8.0	
Mortgages	23.0	12.50 (i)	21.1		19.3		17.75		16.3	
Total	<u>100.0%</u>	<u>12.31%</u>	<u>100.0%</u>		<u>100.0%</u>		<u>100.0%</u>		<u>100.0%</u>	
Amount of Funds (\$ Millions)	<u>\$2,303</u>		<u>\$2,704</u>		<u>\$3,149</u>		<u>\$3,636</u>		<u>\$4,162</u>	

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

Common Stocks (j)	11.9%	12.15% (k)	14.0%		15.4%		16.4%		17.2%	
Industrial Bonds (l)	1.7	12.00	2.4		3.2		3.8		4.0	
Utility Bonds (m)	1.5	12.25	2.4		3.2		3.8		4.0	
Treasury Bonds (n)	43.2	10.90	46.6		45.2		44.35		44.5	
Money Market	11.4	9.10 (p)	6.0		6.0		6.0		6.0	
R.E. Equities	7.3	14.00	7.5		7.7		7.9		8.0	
Mortgages	23.0	12.50	21.1		19.3		17.75		16.3	
Total	<u>100.0%</u>	<u>11.48%</u>	<u>100.0%</u>		<u>100.0%</u>		<u>100.0%</u>		<u>100.0%</u>	
Divestment Loss in yield give-up		.83%		1.00%		1.12%		1.21%		1.27%

TABLE A

Projected Asset Allocations of Investments of
Combined Retirement Funds as of End of Fiscal Years

	1985	1986	1987	1988	1989	1990
Common Stock	19.9%	25.0%	28.0%	30.0%	32.0%	33.0%
Industrial Bonds	3.5	5.0	7.0	9.0	10.0	10.0
Utility Bonds	1.0	5.0	7.0	9.0	10.0	10.0
Treasury Bonds	27.6	29.6	24.2	19.7	17.9	17.4
Money Market	16.8	6.0	6.0	6.0	6.0	6.0
R.E. Equities	7.2	7.4	7.6	7.8	8.0	8.0
Mortgages	24.0	22.0	20.2	18.5	17.0	15.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	1985	1986	1987	1988	1989	1990
Amount of Funds (\$ Millions)	\$2,112	\$2,492	\$2,916	\$3,382	\$3,890	\$4,434
Rate of Growth		19%	18%	17%	16%	15%

**UNIFIED LIST
of
UNITED STATES COMPANIES
with Investments or Loans in
SOUTH AFRICA and NAMIBIA**

Compiled from
Existing Source Lists
by

PACIFIC NORTHWEST RESEARCH CENTER

June 1985

Project Managers:

ROGER WALKE
Pacific Northwest Research Center

RICHARD KNIGHT
The Africa Fund



(associated with the American Committee on Africa)
198 Broadway • New York, NY 10038

Published in cooperation with the United Nations Centre Against Apartheid

TOP 200 U.S. COMPANIES IN SOUTH AFRICA & NAMIBIA
RANKED BY NUMBER OF EMPLOYEES

(NOTES: * = Company claims no equity ownership.
= Co. data prorated by ownership percentage.
() = Subsidiary/Affiliate.)

Rank	Company	SA/Namibia Employees	Rank	Company	SA/Namibia Employees
1	Newmont Mining #	9,850+	61	Ingersoll-Rand	477
2	Ford Motor	6,673	62	Arthur Young & Co. *	475
3	U. S. Steel #	5,688+	63	VF Corp. #	470
4	General Motors	4,949	64	Harrlott Corp.	460
5	Coca Cola	4,765+	65	Columbus McKinnon Corp.	438
6	Mobil Corp.	3,342+	66	Revlon Inc.	437
7	U. S. Gypsum (Masonite)	2,631+	67	Sterling Drug Inc.	401
8	Goodyear Tire & Rubber	2,510	68	Ernst & Whinney Intl. *	400
9	Allegheny International	1,922+	68	Ted Bates worldwide	400
10	General Electric #	1,892+	70	Eaton Corp.	388
11	R. J. Reynolds Industries	1,807	71	Readers Digest Assoc.	380
12	IBM	1,793	72	AM International	370
13	Johnson & Johnson	1,663+	73	Baxter Travenol Laboratories #	354
14	Minnesota Mining & Manufacturing	1,590	74	Harmon Group	350+
15	Union Carbide #	1,457+	75	Fruehauf Corp. #	350
16	Horton Co.	1,342+	76	Marsh & McLennan Cos. #	347
17	United Technologies	1,253+	77	Bristol-Myers	346
18	Colgate-Palmolive	1,234+	78	BBDO International	340
19	Emhart Corp.	1,159	79	Merck & Co.	338+
20	Owens-Illinois Fiberglas #	1,100+	80	Borden	338
21	Chevron Corp. #	1,076+	81	Kellogg Co.	333
21	Texaco #	1,076+	82	Heinemann Electric #	330
23	Nestle [Switz.] (Carnation)	1,046	83	Echlin Inc.	320
24	Nabisco Brands	983+	83	Hoover Co.	320
25	Dun & Bradstreet (Nielsen)	963	85	Control Data Corp.	313+
26	Borg-Warner	958	86	Air Products & Chemicals	313
27	CPC International	934	87	Young & Rubicam	303
28	ITT #	913+	88	Oak Industries	299
29	Joy Manufacturing	907	89	Gillette	296
30	Phelps-Dodge Corp. #	833+	90	Alexander & Alexander Services	291
31	American Cyanamid #	777	91	Schering-Plough	285
32	Xerox	770	92	Foster Wheeler Corp.	281
33	Dresser Industries	767+	93	Precision Valve Corp.	280
34	Tenneco	736+	94	Richardson-Vicks	278+
35	Baker International	706	95	MCA Inc.	270
36	Kimberly-Clark #	704	96	Pfizer	267
37	British Petrol.[UK] (Sohio,Kennecott) #	649	97	SmithKline Beckman Corp.	267
38	Firestone Tire & Rubber #	615	98	Interpublic Group of Cos.	260+
39	Price Waterhouse & Co. *	600	99	Associated Metals & Minerals Corp.	260
40	H. H. Robertson Co.	585	100	Beatrice Cos.	255+
41	MCR Corp.	584	101	Timken Co.	251
41	Swiss Aluminum [Switz.] (Maremont)	584	102	Arthur Andersen & Co. *	250
43	Chesebrough-Pond's	567+	102	J. Gerber & Co. *	250
44	Eastma. Kodak	567	102	Motorola	250
45	Burroughs	563	105	Hewlett-Packard Co.	247
46	PepsiCo	556	106	Eli Lilly & Co.	240
47	Sperry Corp.	529	107	Citicorp #	237
48	International Harvester #	526+	108	International Minerals & Chemical	234
49	Crown Cork & Seal	525	109	Henkel [WG] (Amchem)	231
50	Warner-Lambert Co.	515+	110	American Brands	211+
51	Exxon Corp.	509	111	Olin Corp. #	210
51	Sentry Insurance	509	112	Ferro Corp.	209
53	Gencorp Inc. (General Tire) #*	504	113	Upjohn Co.	208
54	American Home Products	503	114	Allied Corp.	200+
55	CBI Industries	500	114	Dart & Kraft Inc.	200+
55	Rheem Manufacturing	500	114	Dow Chemical #	200+
57	Mine Safety Appliances	496	117	Surveillance Hldg.[Switz] (SGS Control)	200
58	National Education Corp.	495	118	Malco Chemical	199
59	Deere & Co.	490	119	Honeywell	192
59	Rexnord Inc.	490	120	Grey Advertising	190

121	Squibb	189	162	Allis-Chalmers Corp.	90
122	ACCO World Corp.	185	162	Sandoz [Switz.] (Master Builders)	90
123	Fluor Corp.	182+	164	IMS International	87
124	Phillips Petroleum	178	165	FMC Corp.	81+
125	Bandag Inc.	173	166	Libbey-Owens-Ford	80+
126	Harnischfeger Corp.	170	167	Caterpillar Tractor	76
127	S. C. Johnson & Son	16A	168	Gates Corp.	74
128	Warner Communications	166	169	Engelhard Corp.	72
129	American International Group	160	170	GTE Corp.	70+
129	Dominion Textile [Can.] (DHJ)	160	170	Wilbur-Ellis Co.	70+
131	Cooper Industries	153	172	Grolier Inc.	70
132	Tidwell Industries	150	172	G. D. Searle & Co.	70
133	National-Standard Co.	149	172	Unilever [UK] (Natl. Starch & Chemical)	70
134	Donaldson Co.	147	175	Black & Decker	63
135	W. R. Grace & Co.	143	176	Ugilvy & Mather International #	62+
136	Abbott Laboratories	141	177	American Standard (Trane)	62
137	Chicago Pneumatic Tool	138	178	Harnier Group	60
138	Broken Hill Pty. [Aust.] (Utah Intl.)	135	179	Parker Hannifin Corp.	59
139	Scovill Inc.	130	180	Phibro-Salmon Inc.	57+
140	Monsanto	125	181	Amdahl Corp.	56
141	Bell & Howell	122	182	Solvay [Belg.] (Salsbury Labs)	55
142	Johnson Controls	121+	183	Tokheim Corp.	54
143	Union Camp	119	184	Midland-Ross Corp.	53
144	CIGNA Corp.	113+	185	Tembrands Inc.	52
145	Federal-Mogul Corp.	112+	186	Albi International	50
146	Computer Sciences Corp. #	110	186	Canadian Pacific [Can.] (Koehring)	50
147	Ashland Oil	108	186	Celanese Corp.	50
148	Amsted Industries	105	189	CBS	46
149	Rohm & Haas	104	190	Air Express International	45
150	UAL Inc. #	103	191	Butterick Co.	44
151	Parker Pen	102+	191	Franklin Electric	44
152	Preformed Line Products	102	193	McGraw-Hill	43
153	D'Arcy-McManus & Masius	101	194	General Signal (Leeds & Northrup)	42+
154	Bundy Corp. #	100	195	Lubrizol Corp.	42
154	Estee Lauder Inc.	100	196	Balkinds Agencies [SA]	40
154	Houdaille Industries	100	196	Carman Industries	40
154	Robbins Co.	100	196	Hanson Trust [UK] (U.S. Industries)	40
154	Singer Co.	100	196	National Utility Service Inc.	40
159	Armco	96+	196	C. J. Petrow & Co. [SA]	40
160	Champion Spark Plug	92	196	Redland [UK] (Gang-Nail Systems)	40
160	Mohawk Data Sciences	92.			

SOURCES: Data as of June 1985. Main data sources are IRRC, Foreign Investment in South Africa (1984); U.S. Consulate General (Johannesburg) list of U.S. firms (1982); and Dun & Bradstreet, Principal International Businesses 1983.

TOP U.S. COMPANIES IN SOUTH AFRICA & NAMIBIA
RANKED BY DIRECT INVESTMENT (ASSETS)

(NOTES: # = Co. data prorated by ownership percentage.
LT = Less Than. GT = Greater Than. JV = Joint Venture.
() = Subsidiary/Affiliate.)

Rank	Company	S./Namibia Assets (millions)	Rank	Company	SA/Namibia Assets (millions)
1	Mobil Corp.	\$400.0	60	Cooper Industries	\$12.0
-	Caltex (JV of Chevron & Texaco)	\$334.0	60	SmithKline Beckman Corp.	\$12.0
2	Ford Motor	\$230.0	62	Hewlett-Packard Co.	\$11.8
3	Chevron Corp. #	GT \$167.0	63	Owens-Illinois Fiberglas #	\$11.0
3	Texaco #	GT \$167.0	64	Allis-Chalmers	LT \$11.0
5	Burroughs	GT \$150.0 (1)	65	ITT	GT \$10.0
6	British Petrol.[UK] (Sohio,Kennecott) #	\$144.9	66	Eaton Corp.	\$10.0
7	General Motors	\$140.0	66	Exxon Corp.	\$10.0
8	General Electric	GT \$120.0	66	Rohm & Haas	\$10.0
9	U. S. Steel #	\$106.0	66	Swiss Aluminum [Switz.] (Maremont)	\$10.0
10	Goodyear Tire & Rubber	\$97.0	70	Schering-Plough	\$9.5
11	IBM	\$88.6	71	Fluor Corp.	GT \$9.0
12	Newmont Mining	\$86.0	72	American Cyanamid	\$9.0
13	Coca Cola	GT \$60.0	73	Citicorp #	\$7.0 (2)
14	Deere & Co.	LT \$58.0	74	Abbott Laboratories	LT \$6.5
15	Union Carbide #	\$54.5	75	Nabisco Brands	GT \$5.5
16	CPC International	LT \$50.0	76	Celanese Corp.	\$5.5
17	Oresser Industries	GT \$45.0	77	Baxter Travenol Laboratories #	\$5.2
18	Control Data Corp.	GT \$44.0	77	Chicago Pneumatic Tool	\$5.2
19	International Harvester	\$43.0	79	American Standard (Trane)	GT \$5.0
20	Johnson & Johnson	\$42.0	80	Armco	\$5.0
20	Xerox	\$42.0	80	M. R. Grace & Co.	\$5.0
22	NCR Corp.	LT \$40.0	82	Dun & Bradstreet (Nielsen)	GT \$4.7
23	Phelps-Dodge Corp. #	\$37.0	83	Sybron Corp.	LT \$4.7
24	Sperry Corp.	\$33.0	84	Kimberly-Clark #	\$4.3
25	Dow Chemical #	\$32.0	84	Motorola	\$4.3
26	Ingersoll-Rand	\$31.0	86	Dak Industries	\$3.9
27	CIGNA Corp.	GT \$29.0	87	Gillette	\$3.3
28	Borg-Warner Corp.	\$29.0	88	Champion Spark Plug	LT \$3.1
29	Baker International	GT \$28.2	88	Scovill Inc.	LT \$3.1
30	FMC Corp.	LT \$28.0	90	Kidde & Co. #	\$3.0
31	Joy Manufacturing	\$27.5	90	Peabody International #	\$3.0
32	Minnesota Mining & Manufacturing	\$26.0	92	Parker Pen	LT \$3.0
33	Norton Co.	\$26.0	92	Tidwell Industries	LT \$3.0
34	Revlon Inc.	LT \$26.0	94	Grolier Inc.	\$2.8
35	Honeywell	LT \$25.0	95	Beatrice Cos.	GT \$2.4
36	American Home Products	\$24.0	96	Parker Hannifin Corp.	LT \$2.4
37	Merck & Co.	\$23.0	97	Franklin Electric	\$2.3
38	Caterpillar Tractor	\$22.0	98	Ashland Oil	\$2.1
39	United Technologies	\$21.0	99	Loctite Corp.	LT \$2.1
40	Rexnord Inc.	\$20.1	100	Eli Lilly & Co.	\$2.0
41	American International Group	\$20.0	100	Monsanto	\$2.0
42	Werner-Lambert Co.	GT \$19.3	102	O'Arcy-McHanus & Masius	\$1.8
43	Colgate-Palmolive	GT \$18.3	103	Fruehauf Corp. #	LT \$1.8
44	Alexander & Alexander Services	\$18.0	104	John Fluke Manufacturing	\$1.7
45	Warner Communications	LT \$18.0	105	Engelhard Corp.	\$1.5
46	R. J. Reynolds Industries	GT \$17.3	105	Wilbur-Ellis Co.	\$1.5
47	Air Products & Chemicals	\$17.0	107	American Hospital Supply	\$1.3
48	Sentry Insurance	\$17.0	107	Stanley Works	\$1.3
49	Chesebrough-Pond's	GT \$16.3	109	Fuqua Industries (Simplicity Pattern)	\$1.1
50	Dart & Kraft Inc.	\$16.0	109	Koppers Co.	\$1.1
50	Interpublic Group of Cos.	\$16.0	111	Johnson Controls	\$.9
50	U. S. Gypsum (Masonite)	\$16.0	112	Harrriott Corp.	LT \$.6
53	PepsiCo	\$15.0	113	Fuji Bank [Japan] (Heller Overseas)	GT \$.5
54	Bristol-Myers	\$14.2	114	CBS	\$.5
55	Lubrizol Corp.	\$14.0	115	A. H. Robins Co.	\$.4
55	Phillips Petroleum	\$14.0	116	Flow General Inc.	\$.3
57	Borden	LT \$14.0	117	Artes Resources Corp.	\$.1
58	Pfizer	\$13.0	117	Diamond Shamrock Corp.),.1
59	Firestone Tire & Rubber #	GT \$12.5	117	Dana Corp.	\$.1
			120	American Express	\$.08

Notes: (1) Imputed market capitalization if Burroughs' SA subsidiary were traded on stock exchange.
(2) Amount of Citicorp's SA subsidiary's net capital.

SOURCES: Based on available data as of June 1985. Assets data are incomplete and rankings should be considered provisional only. Main source is IRRIC, Foreign Investment in South Africa (1984).

**U.S. BANKS PARTICIPATING IN LOANS AND UNDERWRITINGS TO SOUTH AFRICA -
RANKED BY OUTSTANDING LOANS/UNDERWRITINGS PARTICIPATED IN (As of 1984)
1972 - May 1984 (with LOAN POLICY Codes)**

(NOTES: "Outstanding" loans are loans not yet fully repaid.
GT = Greater Than.
() = Loan/underwriting policy code, key below, or subsidiary/affiliate.)

Rank	Bank	Outstanding Loans (millions)	Rank	Bank	Outstanding Loans (millions)
1	Citicorp (G)	\$1,594.7	31	Irving Bank Corp. (G)	\$78.5
2	First Boston Inc.	\$956.4	32	Bank of Boston (First Nat'l Bk/Boston) (N)	\$50.0 (5)
3	Kidder, Peabody & Co.	\$938.8	32	Bankers Trust New York Corp. (G)	\$50.0
4	Goldman, Sachs & Co.	\$784.5	32	Dow Chemical Co.	\$50.0
5	Manufacturers Hanover Corp. (G)	\$736.4	32	Fidelcor (N)	\$50.0 (6)
6	Herrill Lynch & Co. (G)	\$704.7	32	First Chicago Corp. (G)	\$50.0 (6)
7	Morgan Stanley & Co.	\$635.3	32	First Washington Securities Corp.	\$50.0
8	Smith Barney Inc.	\$632.2	32	E. F. Hutton Group	\$50.0
9	Prudential Insurance (Bache)	\$620.4	32	Rothschild Inc.	\$50.0
10	American Express (G) (Shearson Lehman)	\$546.3	40	PNC Financial (G+) (Provident National)	\$38.9 (7)
11	J. P. Morgan & Co. (G)	\$541.7	41	European American Bancorp.	\$25.0
12	Arnhold & S. Bleichroder Co.	\$454.7	42	Midland Bank [UK] (Crocker National [Cb])	\$16.0
13	PaineWebber Group Inc.	\$427.1	43	First Wisconsin Corp. (G+)	\$4.7
14	Chase Manhattan (G+) (Lincoln First)	\$397.3 (1)	44	Centran Corp. *	\$4.6
15	Dillon, Read & Co.	\$371.6	45	Society Corp. *	\$2.4
16	Orexel Burnham Lambert Inc.	\$354.1	46	National City Corp. (N)	\$1.2 (6)
17	Aetna Life & Casualty (Montagu [UK])	\$248.1	-	Texas Commerce Bancshares (Cb)	\$0.0 (8)
18	Phibro-Salomon Inc. (Salomon Bros. [G])	\$229.1	-	Maryland National Corp. (G+)	\$0.0 (9)
19	Chemical New York Corp. (G)	\$192.0	-	Bank of New York Co. (N,E)	\$0.0 (10)
20	Sears Roebuck (Dean Witter Reynolds) (G)	\$182.2	-	United Banks of Colorado Inc.	\$0.0 (11)
21	Bear, Stearns & Co.	\$180.6	-	Bank of Montreal [Can] (Harris Bank [G+])	\$0.0 (12)
22	Private Export Funding Co. (PEFCO)	\$175.8	-	First Bank System (G+) (Banks of Iowa)	\$0.0 (12)
23	Continental Illinois Corp. (Cb)	\$170.2 (2)	-	First Interstate Bancorp. (E)	\$0.0 (12)
24	Dresdner Bank [WG] (ABD Securities)	\$164.0	-	Fleet Financial Group (G+)	\$0.0 (12)
25	Lazard Freres & Co.	\$162.7	-	Northern Trust Corp.	\$0.0 (12)
26	New York Hanseatic Corp.	\$148.0	-	Norwest Corp. (NW Nat'l Bk Minneap) (G+)	\$0.0 (12)
27	CoreStates Financial (N) (Phila. Nat'l)	\$120.5 (3)	-	Peoples Bancorp.	\$0.0 (12)
28	NCNB Corp. (G)	GT \$100.0 (4)	-	Security Pacific Corp. (G+)	\$0.0 (12)
29	InterFirst Corp.	\$100.0 (6)			
30	BankAmerica (G+) (Seafirst [N])	\$84.4			

SOURCES: These rankings are based on the outstanding amounts of those loans and underwritings in which the banks PARTICIPATED during 1972-May 1984, where data on such loans were publicly available. It is probable that banks have participated in more loans to SA borrowers than have been made public. These rankings are NOT based on a bank's own share of these loans (which is usually not known), NOR are they based on the known amount of a bank's own loans to SA borrowers (on which data are very sparse). SOURCES on loan/underwriting PARTICIPATION are studies by Beate Klein and others published by the U.N. Centre Against Apartheid and Corporate Data Exchange. Sources on banks' OWN loans (shown in the notes below) are IRRC, Foreign Investment in South Africa, recent issues of the Wall Street Journal, and bank announcements.

Notes: * Society Corp. is acquiring Centran Corp.

- (1) Chase subsidiary Lincoln First had \$10.0 million of its OWN outstanding to SA borrowers as of 12/83.
- (2) Continental Illinois had \$315-420 million of its OWN outstanding to SA borrowers as of 12/83.
- (3) CoreStates had \$20.7 million of its OWN outstanding to SA borrowers as of 12/83.
- (4) NCNB had \$217.0 million of its OWN outstanding to SA borrowers as of 12/83. A further \$130.0 million of its OWN was loaned to SA borrowers in 1984 (maturity dates of 1984 loans unknown).
- (5) Bank of Boston had \$75.0 million of its OWN outstanding to SA borrowers as of 3/85.
- (6) Bank says it has NONE of its OWN outstanding to SA borrowers as of 6/85.
- (7) PNC Financial had \$1.8 million of its OWN outstanding to SA borrowers as of 3/84.
- (8) Texas Commerce Bankshares had \$33.5 million of its OWN outstanding to SA borrowers as of 3/84.
- (9) Maryland National had \$17.9 million of its OWN outstanding to SA borrowers as of 12/83.
- (10) Bank of New York had \$11.5 million of its OWN outstanding to SA borrowers as of 12/83.
- (11) United Banks of Colorado had \$170,000 of its OWN outstanding to SA borrowers as of 12/83.
- (12) Bank had unknown amount GT \$0.0 of its OWN outstanding to SA borrowers as of 1983/84.

KEY to Bank Loan/Underwriting Policies:

- | | |
|---|---|
| N = No loans to any South African borrower. | E = Exceptions to official loan policy allowed in certain circumstances, (for instance, where bank considers loan beneficial to blacks specifically or to all equally). |
| G = No loans to South African government and its agencies or instrumentalities (parastatal corporations). | C = Policy places no restrictions on loans to any South African borrower. |
| G+ = No loans to South African government, its agencies or instrumentalities, Namibia, or homelands. | Cb = No policy against loans to any South African borrower but bank must consider loan beneficial to all equally. |
| Gb = No loans to South African government for military/security or balance-of-payments purposes. | |

ALASKA PERMANENT FUND CORPORATION

Meeting Minutes
November 11, 1985

Endeavor Room, Hotel Captain Cook, Anchorage, Alaska

I. CALL TO ORDER

Mr. Byron I. Mallott, Chairman, called the meeting to order at 9:35 a.m. in the Endeavor Room of the Hotel Captain Cook, Anchorage, Alaska.

II. ROLL CALL

Trustees Present: Byron I. Mallott, Chairman
Clyde M. Sherwood, Vice-Chairman
Arnold G. Espe
Mary A. Nordale
Hugh M. Malone

Trustees Absent: ~~Bob~~ Notti

Staff Present: David A. Rose, Executive Director; Richard Alexander, Investment Officer; Jim Kelly, Research & Liaison Officer; Becky Mitchell, Senior Secretary.

Others in Attendance: John Rubini, Assistant Attorney General, Department of Law; Thomas John, CIGNA Asset Advisers; Petter Jahnsen, Investment Officer, National Bank of Alaska; Al Stockman, Investment Officer, National Bank of Alaska; Brian Nerland, Alaska Pacific Bank; Willie Ratcliff, Liberty Builders; Louann Cutler, Administrative Aide to State Representative Al Adams; Anne Marie Falvey, Alaska National Bank of the North; Norman A. Bailey, Bailey, Donohue, Inc.; Ray Etrych, KTVA-TV News, Anchorage; Marion Butcher, Coalition of Conscience; Gordon Zerbetz, Anchorage Utilities; Jane Cuddy, Wedbush, Noble, Cooke; Larry Ramsay, IBM; and the following representatives of Commonwealth North: Bob Hagmaier, Dave Chatfield, Judy Brady, J. J. Brecht, Roger E. Henderson, Dick Block, Pete McDowell, Janna Brattain, Lin Sloane, and John Cairns.

III. APPROVAL OF MINUTES OF PRIOR MEETING

It was moved by Mr. Malone and seconded by Mr. Sherwood

THAT the minutes of the October 3, 1985 meeting of the Board of Trustees be approved.

The motion carried unanimously. (Mr. Espe was absent during this action.)

IV. OTHER BUSINESS

Mr. Rose informed the Trustees that, pursuant to Section 9.1 of the Corporation's bylaws, the staff's conflict of interest and financial disclosure statements concerning personal holdings of any entities or projects in which Corporation assets are invested, will herewith be appended to the corporate set of Permanent Fund minutes, commencing with the minutes of this meeting. The corporate minutes are held in the Corporation's Juneau office. Mr. Rose stated that the Trustees should submit similar disclosure statements as outlined in the bylaws, Section 9.1-9.2(c).

V. COMMUNICATIONS AND APPEARANCES

A. South Africa Divestiture Correspondence

Mr. Rose referred to correspondence from Ms. Marsha Wirth and Ms. Sarah Jordan. Both individuals urged the State of Alaska to divest itself of stock holdings in companies doing business in South Africa.

B. Commonwealth North

Mr. Dave Chatfield and Ms. Judy Brady, representatives of Commonwealth North, informed the Trustees that Commonwealth North is a civic group organized to examine public policy issues and make recommendations on governmental actions affecting the private sector. The organization has formed a committee to study the future of the Permanent Fund and to explore options for the future use of both the corpus and the income, as well as examine implications for the state under each option. (A copy of "The Future of the Permanent Fund - a Review of the Possible Uses of the Fund" is attached.)

Mr. Chatfield outlined the contents of the paper and stated that Commonwealth North looked forward to comments from the Trustees on the paper's various policy issues.

Mr. Mallott stated that while the Trustees would be pleased to provide comment on the paper, major policy issues are the responsibility of the Legislature and the State Administration. Mr. Rose complimented Commonwealth North on its comprehensive report, but voiced concern over the "special purpose endowment option". Mr. Rose stated that, from an investment/management standpoint, the use of the Fund's income for an endowment (such as

aid to cities or education) has a high element of risk unless stringent safeguards are applied. He said that under the endowment approach, a reserve is necessary so that during the good years, all payments are made and any surplus is directed to the reserve; this ensures that in poor years, the reserve can be used to make payments. Otherwise, Fund management is thrown into various levels of risk that many not be appropriate.

Ms. Nordale commented that the debate over any particular recommendation made by Commonwealth North should be structured for the benefit of Alaska and not for the benefit of any particular group of people or political attitude. She urged Commonwealth North to consult with representatives from various financial communities in the United States before Commonwealth North's conclusions are published, to ensure that Alaska's state and municipal credit ratings will not be jeopardized. As acceptable as a plan might be to Alaskans for whatever reasons, the plan may be totally unacceptable on another level by creating a financial climate which major investors may want to avoid.

Mr. Chatfield commented that some individuals have suggested that the Permanent Fund become a formal fund to provide backup for bond issues which will decrease bond issue cost and increase bond value. Ms. Nordale replied that according to various rating agencies, such as Moodys and Standard & Poor's, such a proposal would indicate poor state management skills, thus resulting in a drop in ratings.

Mr. Malone remarked that one of the most critical issues is the attempt to get inflation-proofing provisions at the top of the list for uses of Fund earnings; otherwise, the State faces the possibility that the real earnings of the Fund could be badly eroded.

Mr. Mallott and Mr. Malone asked if Commonwealth North had considered the annuity program proposal introduced in the Legislature. Ms. Brady replied that discussions had taken place concerning dividend recipients redirecting their dividends to some sort of annuity program. Commonwealth North plans to publish a paper on the subject before the next legislative session.

Mr. Malone noted that Commonwealth North finds it unacceptable that there is no clear purpose for the Permanent Fund, and wants to "fill that vacuum". Mr. Malone stated that the idea of searching for a purpose is worthwhile, but he urged the organization not to limit the search to what people think is merely politically

possible, but instead, start with what you think is the best. If that does not sell, compromise as little as possible in going to the next approach.

Mr. Mallott disagreed with Commonwealth North's contention that a vacuum existed. He stated that the Permanent Fund was created as a savings account, looking toward the inevitable decline in oil revenues and the need to meet state spending requirements. He added that in talking with Alaskans, their unanimous reaction is that Permanent Fund dollars should be saved. Ms. Nordale stated that people would endorse a use of the Fund if it is necessary, but it is not necessary at this time. She added that public correspondence reflects great concern that the use of the Fund will be politicized. Ms. Nordale advised Commonwealth North that when recommendations as to the uses of the Fund are made, it is essential that all potential consequences are realized and discussed.

Mr. Malone referred to Commonwealth North's option of the Permanent Fund corpus being the basis of a private corporation with all Alaskans as stockholders. Mr. Malone stated that this idea had been proposed several years ago in the form of "Alaska, Inc.", but it had not engendered a lot of discussion. He advised that more work should be done before recommending using the Fund as the endowment for government. Mr. Rose suggested that Commonwealth North should also research the impact of taxation on a private corporation. The group may find a tremendous amount of that income going to federal income tax.

Mr. Sherwood suggested that the organization look into the Alberta Heritage Savings Trust Fund -- an example of how funds were siphoned into a rainy day account which, in turn, was bombarded with purported emergency needs for use of the money; the situation was further fueled by tremendous pressure from the press to use the funds for various capital projects.

Mr. Peter McDowell, representing Commonwealth North, and former Trustee of the Alaska Permanent Fund, stated that the word he is receiving from the Trustees at this time is that the "status quo" has value.

Mr. Rose commented that Commonwealth North may find that there is no single approach. Timing is important, and under certain conditions, certain recommendations make more sense than others. He said that different goals may

be more desirable under different time frames and general conditions.

Mr. Espe stated that it was important to remember that the Fund cannot be separated from State fiscal policy. As revenues decline, will State spending be held down; and will a State income tax be reimposed?

There being no further discussion, Mr. Mallott called a five-minute recess.

R E C E S S

Mr. Mallott called the meeting to order.

V. REPORTS

A. Financial Operations

Mr. Rose stated that, as shown in the September financial report, the Fund is earning in excess of \$2 million per day and earned \$192 million in income for the first quarter. He noted that the Fund realized \$18 million in capital gains during the first three months of FY86, compared to less than \$500 thousand during the first three months of FY85. The Undistributed Income Account has risen to approximately \$830 million since June 30, 1985, and the Fund's earnings rate is sufficient to meet the probable appropriation for dividend payments next year, and inflation-proofing. A copy of the September financial report is attached to the minutes.

B. Investment Operations

Mr. Richard Alexander, Investment Officer, summarized the current status of real estate commitments which are in various stages of completion.

The 32-story office building investment the Corporation has committed to with AETNA is in the final stages. Documents have been signed for EPIC Center, a 22-story office building in Kansas, through Kennedy & Associates, with funding scheduled for the first quarter in 1987. Documents are being reviewed for the Arboretum Lakes Office Building (Kennedy & Associates); finalization is scheduled for the first quarter of 1986. Documents were signed in October for the ERA Tower in Philadelphia (Heitman & Associates), with estimated funding scheduled for December 1985. Documents are being prepared for the following investments: St. Louis Center, St. Louis,

Missouri (estimated funding, December 1985); McKinley Mall, Buffalo, New York (estimated funding, January 1986); MN-TX, Minneapolis (estimated funding, December 1985).

Mr. Alexander informed the Trustees that during a recent trip to New York, The Boston company had proposed that the Corporation invest in the Wilshire Glendon Building, a 16-story, 205,000 square foot office building with five levels of parking. The investment would consist of a participant share in a twenty-year mortgage with interest at 10.5% for the first five years, and 11% for the remaining 15 years. Amortization would commence on the sixth year. Share appreciation would be 50% of the value at the time of sale, less the loan balance. The property is located on Wilshire Boulevard in the Westwood area of Los Angeles. The building is just getting started, and other buildings in the area are 97% leased. Mr. Alexander said the Corporation would not provide funding until the building was 35% leased. The loan amount would be approximately \$44 million, with the Permanent Fund's investment at 31.8%, or approximately \$14 million. The estimated funding date is June, 1987. Partners include the Texas Teachers Retirement Fund. This project has not yet been approved by staff.

C. Legal Operations

Mr. Rose explained to the Trustees that during the negotiation and finalization of legal documents surrounding various real estate investments, that staff is making a certain amount of policy with respect to what "makes or breaks" a deal, or what staff insists on in contractual documents. Policy is being made absent the Trustees' direct concurrence, although Mr. Rose and legal counsel believe it to be in the most conservative vein. He stated that a substantial amount of flexibility is required during negotiations, and occasionally staff makes policy that the Trustees have not necessarily been apprised of. Mr. Rose said that more research will be done in this area over the next few weeks, and a paper describing specific instances will be presented at the next Board meeting. The annual conference among staff, consultants and investment advisors is scheduled for November 22 in San Francisco. Mr. Rose stated that the Corporation may levy upon those advisors more stringent requirements for early disclosure of certain transactional structure in their original investment briefs.

Mr. John Rubini, Assistant Attorney General, Department of Law, referred to his memorandum of November 12, 1985, concerning "de facto policy decisions". (A copy of the

memorandum is attached to the minutes.) Mr. Rubini stated that there are two major problems which occur as each transaction is made: (1) Through normal negotiations processes, questions arise that have to be addressed and answered at the time, which occasionally results in the adoption and enactment of policy; and (2) the statutory mandate on the subject is not clear. Important questions to be addressed are: What investment decisions can staff delegate to the investment advisors; and to what extent does a minority partner have to make those decisions?

Mr. Malone requested that, during real estate discussions, the Trustees be informed of tax considerations, transactional structure, and other points of law that might be relevant to a particular transaction, even though it may be after the fact in some instances.

D. Account Status, CIGNA Asset Advisers, Inc.

Mr. Tom Johns, Senior Vice President, Sales, CIGNA Asset Advisers, Inc., presented a report to the Trustees on the status of the investment pool, "Fund S". Mr. Johns stated that Fund S was fully invested as of October, 1985. Total cash on hand amounted to approximately \$17 million, with uncommitted cash at less than \$6 million. The acquisition phase of Fund S having been completed, attention will now focus on the aspects of property management. Through management procedures, each property can be monitored to assure that its performance meets the objectives of the plan and maximizes the return to each investor. Total deposits by the Alaska Permanent Fund Corporation to Fund S are \$25 million; distributions to the Permanent Fund from Fund S to date are \$1,123,379; current value of partnership share was \$26,397,077; the annualized dollar weighted rate of return for the 12 months ended September 30, 1985, was 12.16%. (A copy of CIGNA's report, which lists Fund S investments, is attached to the minutes.)

VI. PUBLIC PARTICIPATION

Ms. Marion Butcher, representing the Coalition of Conscience, presented a letter to the Trustees dated November 11, 1985, concerning the testimony of Trustee Hugh Malone before a House State Affairs public hearing on the divesting of state funds from companies operating in South Africa. Ms. Butcher outlined the various points contained in her letter. (A copy of Ms. Butcher's letter is attached to the corporate minutes.)

Mr. Mallott stated that he looked forward to reviewing Ms. Butcher's letter in depth, and should she care to meet with the Trustees on a scheduled basis, the meeting agenda could be arranged to accommodate her presentation.

Mr. Willie Ratcliff addressed the Trustees about his concerns that the Permanent Fund should divest in companies doing business in South Africa. He also suggested that more Permanent Fund dollars be made available in Alaska for projects benefiting state residents such as housing.

VII. UNFINISHED BUSINESS

A. Performance Measurement Request for Proposal

Mr. Rose referred to the Request for Proposal for the Alaska Permanent Fund Corporation's Portfolio Performance Evaluation, which was prepared in consultation with the Corporation's advisors, George Bennett, and Robert Greeley. Proposals should be received by the Corporation the following week and will be evaluated. Mr. Mallott authorized Mr. Rose to inform the Board members of the results of the evaluation and solicit their comments by telephone.

VIII. NEW BUSINESS

A. December Meeting

The Trustees agreed to the December 9, 1985 meeting in Juneau as originally scheduled.

B. 1986 Meetings

It was the consensus of the Board that meetings for the next calendar year would be scheduled for the second Monday of each month.

Mr. Rose stated that he had invited a professor at Columbia University to speak to the Trustees at the January meeting on the subject of international financial investments.

C. Status of Computer Project

In response to Mr. Sherwood's request for information about the Corporation's computer system, Mr. Rose informed the Trustees that the contract with Computer Center Inc. was discontinued. Through an arrangement with the Department of Administration, the Corporation will have Mr. Dave Bryant review in detail all computer

work done for the Corporation to date to determine what direction the Corporation should take in the future. The preliminary reading is that the Corporation will attempt to use much of the material already on hand. Mr. Rose said the Corporation is also reviewing the systems being developed by the Department of Revenue, as well as the Alaska Housing Finance Corporation's system for mortgages. The Alaska Permanent Fund Corporation's system will commence with automation of the general ledger in approximately two or three weeks.

D. Batterymarch Financial Management

In response to Mr. Espe's request concerning information about the status of Batterymarch Financial Management vis a vis further allocation for investment, Mr. Rose stated that staff, pursuant to instructions from the prior Board meeting, has (1) made no new contributions to fund Batterymarch; (2) continued with them as manager; and (3) continued to monitor the company. Mr. Rose informed the Board that Dean LeBaron, President of Batterymarch, had offered to address the Trustees at today's meeting. Mr. Rose told Batterymarch representatives that enough discourse had taken place during the annual meeting, and the Board was now looking forward to better investment results, not further discussion.

IX. TRUSTEES' COMMENTS

Mr. Malone reported to the Board that, in September, as a representative of the Board of Trustees, he had attended the House State Affairs Committee meeting on South Africa divestment. Many questions were raised at the meeting, and Mr. Malone asked that Corporation staff research the following items relating to the divestiture of funds in companies doing business in South Africa: (1) What degree of financial liability exists, and how much money is at risk in companies which the Fund is now investing, should those companies lose their assets or their business connections in South Africa? (2) If the companies were to write off their ability to do business, how much will that impact the value of the holdings of the Fund?

Mr. Malone stated that at a public meeting held in Kenai, the contention was offered that institutional funds could generally do better by staying out of companies doing business in South Africa and jurisdictions similar to South Africa. Mr. Malone provided Mr. Rose with a paper written by John Harrington, President of the Working Assets Money Fund, and asked that the Permanent Fund investment staff look at the paper's major assumptions to determine if rates of return


would be higher if the Fund were to avoid investment in companies doing business in South Africa. Mr. Malone stated that such an investment style might carry high risks, but the staff should research the assumptions.

Mr. Malone also asked that Mr. Rose provide copies of Mr. Harrington's paper to Board members.

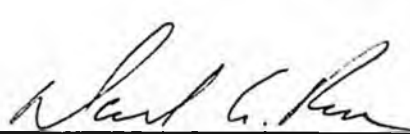
X. ADJOURNMENT

There being no further business to come before the Trustees, the meeting was adjourned at 12:35 p.m.

Approved: _____


Chairman, Board of Trustees

Attest: _____


Secretary

ECONOMIC ACTION AGAINST APARTHEID:
An Overview of the Divestment Campaign
and Financial Implications for Institutional Investors

by
Brooke Baldwin
&
Theodore Brown



(associated with the American Committee on Africa)

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BROOKE BALDWIN is a graduate student in American studies at Yale University. She is an advisory board member of the Southern African Program for the Peace Education Division of the American Friends Service Committee, a member of the Yale Coalition Against Apartheid, and has done extensive research on the implications of U.S. investment in South Africa.

THEODORE BROWN is the founder and President of the Institute for Corporate Research and Education in San Francisco. He is a former financial consultant with Shearson/American Express, specializing in socially responsible investments. Mr. Brown has written on investment and corporate responsibility issues for Mother Jones magazine and Business and Society Review.

THE AFRICA FUND, founded in 1966, provides humanitarian aid to Africans struggling for independence and promotes public understanding of African issues through research, publications and public education projects. A complete list of publications and annual report are available on request.

Contributions to The Africa Fund are tax deductible.

ECONOMIC ACTION AGAINST APARTHEID
An Overview of the Divestment Campaign

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This study was made possible by a grant
from The New World Foundation

Publication of this study was made possible by a grant
from the Africa Office of the National Council of Churches

INTRODUCTION

U.S dollars play a critical role in propping up the apartheid system. By 1984 U.S. corporations had direct investments worth \$2.3 billion in South Africa, and U.S. banks had outstanding loans to South Africa worth more than \$4.5 billion.

Because U.S. involvement provides capital and technology needed by the white majority to maintain its absolute domination over the black majority, millions of Americans are moving to divest their funds from the corporations and banks that continue to collaborate with apartheid.

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 such companies. Five states, Connecticut, Massachusetts, Michigan, Maryland, and Nebraska, and over twenty cities, including Boston, New York, Newark, Philadelphia, Washington, D.C. and Wilmington, have enacted divestment legislation. Similar legislation is now pending in more than 28 other states, and Congress is debating legislation to restrict U.S. economic and military links with South Africa.

The divestment campaign is being felt where it matters - in South Africa. A corporate apologist for South Africa reported recently: "In one respect at least, the divestment forces have already won. They have prevented ... billions of dollars in new U.S. investments in South Africa".

SOUTH AFRICA - RUNNING SCARED

by

Brooke Baldwin

On March 3, 1985, the Ministry of Foreign Affairs of the South African government announced the creation of a special post "to coordinate action against overseas campaigns for divestment from South Africa." This action followed only days after the resignation of the director of the American Chamber of Commerce in South Africa so that he could launch the American Association for Trade and Investment, a group dedicated to providing "an aggressive response" to the divestment campaign. Both of these actions within South Africa followed by less than a year the formation in the United States of two corporate committees devoted to lobbying against pending state and city divestment legislation. One, an unnamed committee of about 25 major U.S. companies, including Ford, General Motors, Mobil and others, has been organized to oppose divestment proposals at the state level. The other, the Corporate Committee for Change in South Africa, was recently formed by about a dozen U.S. corporations to lobby against divestment proposals before cities and other local governments. (The Washington Post, Dec. 2, 1984)

The formation of these openly vocal opposition organizations by the South African government and the U.S. business community, establishes for the public record the position which they have occupied behind-the-scenes for years. Rather than a departure from past policy, this represents an opening up and stepping up of a defensive campaign designed to protect and maintain a U.S. corporate presence in South Africa.

This report will address the question of what constitutes that corporate presence and why its supporters now perceive the threat of the divestment campaign to be so great as to require an increased and increasingly public defense. This will entail as a major focus an analysis of the extent and aims of the divestment movement as it is occurring on Capitol Hill and in the nation's churches, unions, universities, cities and states.

U.S. financial involvement in South Africa currently stands at about \$14 billion, including bank loans, shareholding and \$2.3 billion in direct investment by some 300 U.S. based multi-national corporations with on-ground subsidiaries. While the South African foreign ministry claims that this investment is "not of determinant political importance in a country which draws the lion's share of its investment capital from domestic and other foreign sources" (New York Times, Oct 28, 1984), the government's own actions and admissions are among the evidence which contradicts this claim.

As early as 1982, Dr. Van der Merwe, head of the Reserve Bank's balance of payments section, admitted that increasing political pressure on foreign companies to limit their investments in South Africa had contributed to a

shift in investment patterns away from direct investments toward loans: "Under these pressures, many institutions have begun to give preference to short and medium-term investments instead of those of a more permanent nature." (Rand Daily Mail, Johannesburg, Dec. 6, 1984). In March, 1984, the Finance Minister repeated this admission that loans had become of relatively greater importance in foreign investment than equity investment (Financial Mail, Johannesburg, Aug. 17, 1984). This finding was substantiated by U.S. Commerce Department reports that U.S. private investment in South Africa was down more than 10% from \$2.6 billion to \$2.3 billion from 1981 to 1983 (Washington Post, Dec. 2, 1984).

Steve Bisenius, President of the American Association for Trade and Investment, has warned of the vulnerability of dependence on short-term loans, especially in the face of pending U.S. federal legislation prohibiting private bank loans to South Africa. He pointed out in an interview with the Financial Mail (Feb. 1, 1985) that if the 1985 bill sponsored by Senators Kennedy, Weiker, Proxmire and Sarbanes was passed, it would mean that the period of existing loans could not be extended, so that South Africa would face paying debts so staggering that it would result in default, ruin South Africa's international credit rating and "drop the rand through the basement".

The Rand Daily Mail (Jan. 4, 1985) has reported that gross domestic fixed investment has been in decline since the end of 1981. This has partly been due to the business cycle, but also because the fear of disinvestment has diminished business confidence. In addition, John Chettle of the South Africa Foundation, a "foreign agent" registered with the U.S. Justice Department, who only two years ago was predicting the impossibility of successful divestment legislation, told the South African press that this withdrawal of existent direct investment was only the tip of the iceberg. The real damage to the economy, he said, had come from the loss of incalculable new investment:

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. (Financial Mail, Feb. 1, 1985)

Chettle's concession is borne out by financial analysts. The Financial Mail, to whom Chettle spoke in February of 1985, commented that trade has stagnated in South Africa since 1980, with fully twenty to thirty U.S. companies abandoning the South African market and only eleven new firms moving in. A month later, the Wall Street Journal, in an article about the influence of the divestment movement on investment, repeated the finding that there are "few exceptions to no new investments" and added the ironic note that one of those few exceptions has been an insurance brokerage firm which specializes in protecting corporations against "fires, revolutions and other calamities." (Wall Street Journal, March 11, 1985).

Business Environment Risk Information (BERI SA), which specializes in risk analysis for international corporations, has confirmed the wisdom of both the general trend away from investments in South Africa and the decision of the corporate insurance "troubleshooter" to move in, by recommending against long commitments in a country which it sees as approaching high operational risk and prohibitive political risk.

It would seem that the Foreign Ministry's claim that U.S. investment is of no "determinant political importance" lacks credibility in light of these facts. Far more credible is the Financial Mail's (Aug. 17, 1984) conclusion:

The build-up of foreign political pressures, and the willingness of some foreign interests to liquidate long-standing South African investments, suggests that the disinvestment campaign could have a cutting edge that should not be lightly regarded [by a country where] imported capital will continue to be vital to economic growth in the foreseeable future.

The South African government's own actions also belie its pretense of non-concern with the importance of continued U.S. investment. Examples are plentiful.

As the divestment movement has gained momentum, government lobbying has escalated in response, with almost 25 percent of its total \$7 million lobbying expenditures for the ten year period from 1974 to 1983 being spent in 1983 alone. This total figure excludes the \$200,000 which the South African Foundation spends annually in Washington, and the \$1.5 monthly budget for promoting the Krugerrands. (Fantu Cheru, "The Financial Implications of Divestment"). In 1982, the South African Consul in Chicago produced a detailed twelve-page analysis claiming that Michigan divestment would run counter not only to the fiduciary responsibilities of university trustees but also to U.S. national interest. Also in 1982, the Washington law firm of Smathers, Symington and Herlong, on a \$300,000 annual retainer to the South African government as a registered agent, sent a lobbyist to Boston to fight Massachusetts' land-mark total divestment bill. And in 1983, the Pretoria government provided four Nebraska state senators with a \$25,000 three-week tour, intended to win their anti-divestment votes. These efforts and expenditures are representative of lobbying which continues throughout the country.

In 1982, when the South African government rewrote portions of its repressive legislation and replaced the Terrorism Act by the Internal Security Act, Section 54 (1)(a) and (2)(b) of the latter defined the support of divestment as "subversion" punishable by five years to life imprisonment. A New York Times study of how withdrawing investment can "hurt apartheid" is but one of many sources which have cited this security law as proof of government alarm over divestment efforts. (New York Times, Oct. 28, 1984).

On March 1, 1985, amidst interruptions and racial insults from other Members of Parliament (MP), a National Party MP, usually noted for his cautious conservatism, defended the failure of the government to evict Indians and "Coloureds" from a white residential area, arguing that such evictions would offend the rest of the world and add further impetus to the growing divestment threat. The Rand Daily Mail (March 2, 1985), which reported the incident in an article entitled "Learning the Hard Lesson", contended that MP Meyer was reflecting the views of the Cabinet, who seemed to have come to realize that world opinion cannot be ignored when that opinion is backed up by the threat of damaging economic sanctions.

Meyer's speech came only two days before the government created the new post designed to counter divestment, a move which the Sunday Times, Johannesburg, (March 3, 1985) assessed as an "indication of the seriousness with which the government is treating the campaign". The Times added that further evidence of concern was an all-party seminar held that week to inform public representatives about the "extent and implications of the anti-South Africa drive". It also concluded that Botha's recent defensive speeches disclaiming government responsibility for the UDF treason trials came "as a clearing of the decks before the onset of the major disinvestment campaigns in the U.S. Congress and Senate".

Two months before he was even appointed to the new anti-divestment post, Dr. Mark Burgher, in his capacity as assistant director of Foreign Affairs, toured the country, warning groups of businessmen in Durban, Cape Town and Johannesburg that divestment lobbying could produce significant results. And the Rand Daily Mail (Jan. 10, 1985) reported that the Deputy Director General of Foreign Affairs believed that the South African business community had proved they were taking divestment seriously when they presented visiting Senator Kennedy with a memorandum on the subject.

This memo is but one piece of compelling evidence that the local business community in South Africa is just as concerned as its government with the threat of the divestment movement. The Financial Mail (Jan. 18, 1985) termed the signatories of the memo, spokesmen for six influential South African employer bodies, including one Afrikaans group known for its government support, "Mr. Botha's Mutineers". The memo called for sweeping fundamental changes in government policy, including meaningful political participation for Africans, full black participation in private enterprise and an end to forced removals. The Mail emphasized that this was not a manifesto from the Left, but a "challenge to the government" from moderate business leaders "to change its ways before it draws down on South Africa universal odium, sanctions and disinvestment".

The Federated Chamber of Industries' signatory spoke against forced removals as "only aiding those who want steps like U.S. disinvestment." The Associated Chamber of Commerce spokesman admitted that to some extent the memo was a "preemptive strike against disinvestment." And the Standard bank spokesman's comments on inflation and the depreciated rand prompted the Financial Mail to conclude, "In the absence of windfall gains from

booming commodity markets, South Africa has only one source from which the capital necessary for the development of the economy can be derived. That is direct foreign investment ... With the growth of disinvestment sentiment overseas, we should be doing everything in our power to attract capital to this country."

The Financial Mail's call for the government to create a more attractive business climate for new investors was joined by the business community's call to protect existing investments against further erosion. A memo declaring good intentions was not enough. Thus, on March 7 and 8, 1985, South African businessmen travelled to Leeds Castle, England to join their American and European colleagues in a conference designed to discuss the role they could play in promoting apartheid reform, thereby staving off the divestment threat.

South African corporations had already joined together with American corporations operating in South Africa to finance a ten-page advertisement in the October 1984 Fortune magazine. The thesis set forth in the ad was that the withdrawal of U.S. investments from South Africa would eliminate a progressive force for social change. The sponsors of the ad were among those who gathered (at Leeds Castle) to hear a keynote speech by the Rev. Leon Sullivan, author of the Sullivan Principles Employment Code, a code of conduct for U.S. corporations in South Africa, adherence to which allegedly qualifies U.S. companies to proclaim themselves a progressive influence in countering apartheid.

Sullivan had recently amplified his code with a new principle calling upon U.S. firms in South Africa to oppose apartheid laws actively. Sullivan and his chief administrator have claimed in recent interviews that their goals are not antithetical to the divestment movement, but are actually in conjunction with it. However, it is apparent that the Sullivan Code subscribers have come to use adherence to the Principles as their main justification for continued investment and exemption from divestment action. While an analysis of the main body of the Principles will be considered in a later section on divestment options, an understanding of the acceptance of this latest amplification is central to an understanding of reaction to the divestment campaign by both American businesses and those European and South African businesses which joined them in England.

In February 1985, Leon Sullivan told the Washington Post that he disagreed with his subscribing companies on the divestment campaign, that he did not represent the companies but used them as a strategy. His strategy, he claimed, is to dismantle apartheid through a combination of pressures on the system, including both his Principles and divestment legislation. However, the recent judgement of the Wall Street Journal (March 11, 1985) concurs with what was already considered common knowledge, that regardless of Sullivan's belief that he is using the companies, they are certainly using him: "For years," the Journal stated, "as the divestment fever has spread, companies have relied on the voluntary Sullivan Principles as their greatest antidote."

The drafting of, and agreement to, the anti-apartheid lobbying amplification by Sullivan signatories provided the occasion for both the Wall Street Journal report and, more generally, for a renewed opportunity for public examination of how the Principles are exploited to alleviate divestment pressures. Concurrent with the Leeds Castle meeting, for instance, the American Chamber of Commerce in South Africa issued its own version of the Code's call for reform. The New York Times' conclusion that "the move appeared to be an attempt to counter a growing campaign in the U.S. for the withdrawal of investment" was supported by the remarks of Frank Lubke, the new Chamber chairman:

The time has come - and it may be far too late - for the business community in this country to take a stand on discriminatory legislation ... I think South Africa has underestimated the disinvestment issue. The threat of disinvestment is very real to companies here and it would have a major effect on the social work U.S. companies are doing in South Africa for the communities of their black employees. (New York Times, March 20, 1985)

Lubke's words seem appropriate to the Wall Street Journal's characterization of the signatories as reluctant reformers:

However reluctant companies are to going along with the latest requirements, maintaining good standing with the code is their best defense against the growing forces seeking more radical alternatives such as U.S. disinvestment. (Wall Street Journal, Feb. 15, 1985)

Indeed, while some companies such as Loctite and Stanley Works have indicated that they feel too uncomfortable with a political role to sign the Principles with the new requirement, others have admitted that their continued good Sullivan rating is valued highly enough to overcome their discomfort with an adversarial role. For example, a Cigna vice-president, while likening such lobbying to the Japanese in America telling us how to run our country, added, "but it's important to us to keep an acceptable rating." (Wall Street Journal Feb 15, 1985). And an Upjohn executive who actually helped draft the amplification admitted that its acceptance "was probably facilitated by the political atmosphere". Wall Street Journal, March 11, 1985). Such statements prompted one staff writer to call the amplification "a new public relations weapon in [the] fight against divestment", and another to register skepticism about how adversarial these reluctant reformers would actually be. (Wall Street Journal, March 11, 1985 and Feb. 15, 1985).

Anthony Lewis, after years of arguing for a constructive role for U.S. corporations in South Africa, wrote in his March 28, 1985 column in the New York Times, "It is time to stop lending that system, by our presence, an appearance of legitimacy". In answer to the promises of reform made by the Sullivan signatories, and speaking to a recent Op-Ed piece in which the President of IBM pledged to remain in South Africa as a force for change, Lewis stated:

As Mr. Akers wrote himself, "Business people are not social reformers in disguise". The notion that P.W. Botha will be moved by their political exhortations is, frankly, laughable. What does move Pretoria is no secret. It is the threat of disinvestment: of American companies pulling out ...

Two arguments made by Lewis may require some amplification. First, some explanation is needed as to why he regards it as laughable to believe that business lobbying could dismantle apartheid. And, second, some reflection must be given to the assertion that Pretoria's basic motivation for fearing divestment is the loss of a sense of legitimacy.

Even if one were to cast aside doubts that Sullivan signatories wish to be active anti-apartheid lobbyists, one must question their credibility with the South African government as agents for structural change of a system in which they have long profitably operated. When, in the late 1970s, the government designated General Motors and other industries of strategic importance to the regime as Key Point Industries, subject to government take-over in case of national emergency, General Motors, not wanting to jeopardize government contracts, complied. In a confidential contingency memo, which was leaked to anti-apartheid activist, GM indicated its ability to convert to war production, and at no point stated that it would fail to follow government orders to form its white workers into commando units to defend the plant against black insurgents. The Petroleum Products Acts of 1967 and 1977 made remaining in South Africa conditional upon corporate agreement to produce specialized strategic products upon government demand and corporate willingness to sell to the government, including the military and police. Such agreement encompassed selling to the government before meeting the needs of any commercial customers. Mobil and Caltex have both complied with these requirements and have argued that to do so was their civic responsibility. And for years, the racially classified population registry, the department of prisons, defense force military research related to the military and the nuclear industry have benefited from automation by such U.S. companies as IBM and Control Data.

In short, the apartheid regime has conducted business with the U.S. corporations in South Africa in fields directly related to the oppression of blacks for decades. And all U.S. corporations, even those not in strategically sensitive sectors, have dealt with their black labor force in compliance with apartheid laws directing labor relations. One cannot take too seriously the suggestion that the government will end influx control, the system under which black workers are denied all freedom of movement, because a company which helps it racially classify its population, asks it to.

If this, then, is why the South African government does not fear eleventh hour reformist demands from the American business community, why do they so fear the threat of divestment and disinvestment? Lewis suggests that a sense of legitimacy and belonging to the Western alliance is of utmost

importance to the government, which realizes that it derives that legitimacy largely from its association with the U.S. A further example of government concern is the loss of vital revenue at a time when South African economists have predicted that the rapidly weakening rand could plummet to 25c or even 10c to the U.S. dollar (Daily News, Durban, Jan. 18, 1984 and The Star, Johannesburg, Jan. 18, 1985). A factor which looms even larger is the government's fear of loss of investment and the technology which accompanies that investment in specific sectors vital to national security and economic viability.

United States firms control, for example, 70% of the computer market, 45% of the oil market, and 33% of the motor vehicle market. Steven Bisenius, in warning against the dangers of disinvestment, is only one voice in a chorus who has declared that at stake is "the cut-off of new technology which accompanies U.S. investment in South Africa. I don't think South Africa's economy can afford to lose this important input" (Financial Mail, Jan. 11, 1985). The Rand Daily Mail (Jan. 4, 1985) declared that South African corporations "could not hope to substitute adequately" for U.S. technology and managerial skills and added that their loss "would be such a hammerblow to business confidence" that it might actually discourage new South African investments.

The crippling impact of restrictions on the supply of foreign technology was underscored in a cable sent by the U.S Embassy in Pretoria to the State Department:

A grave problem would be the supply of spares for existing high technology equipment. SAG [the South African government] has built up a reserve of stocks of more than one year which will act as a cushion, but there is no possibility all replacement parts for imported goods which keep the economy going ("even office elevators") can be locally produced. (Automating Apartheid, 1982)

A South African business analyst concurred, stating that "no other sector of the economy is as utterly dependent as the computer industry is on the multinationals ... it is a sector through which a stranglehold can be applied on the whole economy" (Automating Apartheid, p.6).

Recent events suggest that oil is equally vulnerable to a U.S. stranglehold. On August 17, 1984, the Financial Mail, in considering the impact divestment could have on South Africa, stated, "No doubt, ways can be found to circumvent whatever divestment laws come into existence in America, or elsewhere. South Africa, after all, was able to overcome the oil boycott and the arms embargo - but in both cases at heavy financial cost". Several months later, the Star, Johannesburg (Jan. 24, 1985), indicated how heavy those costs are, as an announced 40% increase in oil costs was predicted to bring inflation to a record high of 20%. The Star reported that while politicians and businessmen alike were despairing over the tidal wave of price increases which was sure to follow, the Energy Ministry was warning that the 40% increase might not be the only one of

1985.

In March 1985 the African National Congress of South Africa (ANC) and the South West Africa People's Organization of Namibia (SWAPO) issued a report reviewing the impact of the 1979 United Nations General Assembly resolution calling for an oil embargo on South Africa. This study indicated that just under \$2 billion a year is being devoted to overcoming the embargo imposed by most of the world's oil exporting countries. This amount exceeds South Africa's military budget for 1984.

The ANC/SWAPO report indicates that South Africa remains dependent on imported crude for 60% of its energy needs, despite development of the cost-inefficient SASOL coal-to-oil conversion plants, thus underscoring the impact withdrawal of U.S. corporations in this sector could have.

The Rand Daily Mail on January 4, 1985, labeled as bravado government claims that there is no reason to fear American divestment because other foreign investors will rush to fill the void. Citing the American penchant to believe that "what is good for America is good for the world", the report predicts that once U.S. corporations have begun to withdraw, they will pressure others to act similarly.

This prediction is backed up by the opinion of Dr. Albert Wessels, a leading member of the Afrikaans business community, who, through his Toyota links, has come to believe that Japan would find it "exceedingly difficult to stay in South Africa once the Americans have gone" (Rand Daily Mail, Jan. 4, 1985). And, on March 20, 1985, in an interview on Nightline, Harry Oppenheimer, former chairman of Anglo-American, echoed his Afrikaans colleague when he declared that those who predict European countries will step in if the U.S. withdraws are "just whistling to keep their courage up".

Constructive Engagement, Countering Divestment

The Reagan administration's policy of constructive engagement has been important to the South African government's efforts to combat the divestment campaign. In advocating constructive engagement, the administration seeks to encourage peaceful change through diplomatic channels, and is strongly opposed to economic sanctions. It has praised US corporations in South Africa as a positive force for change, and Secretary of State Schultz has urged corporations to adopt the Sullivan Principles on a voluntary basis.

Speaking before the World Affairs Council in February 1984, Schultz reiterated a frequently expressed Administration view that "a process of change has indeed begun". He continued: "economic development is a powerful engine for social and political evolution. Those who advocate disinvestment and economic sanctions would pull the rug out from under those South Africans who have taken the first concrete steps towards a more

equal and more equitable society".

One measure taken to implement the Administration's opposition to divestment came with the funding by the State Department of a survey of Black worker attitudes undertaken by South African sociologist Laurence Schlemmer, himself an opponent of divestment. The poll sought to prove that Black workers in South Africa want U.S. firms to remain in the country. Congressional aides in the House Subcommittee on Africa maintained that the survey was commissioned by the Reagan Administration "to torpedo the divestment movement" (Guardian Oct. 3, 1984).

While funding the Schlemmer poll was a somewhat indirect manifestation of Reagan Administration opposition to the divestment movement, its overall position on the issues has been outspoken. In February 1985, U.S. Ambassador to South Africa, Herman Nickel, speaking to an Afrikaans group in Johannesburg, declared: "Let me assure you, the Reagan administration will do all in its power to defeat punitive measures designed to damage the South African economy" (The Citizen, Feb. 22, 1985). Within a week, Chester Crocker, Assistant Secretary of State in charge of African Affairs, declared that punitive sanctions against South Africa are "a path of madness" (Windhoek Advertiser, March 1, 1985). And at a March 21, 1985 press conference, President Reagan himself made clear that the latest police slayings of unarmed protestors would not move his Administration away from constructive engagement toward the path of punitive sanctions.

Despite this strong Administration opposition to economic interdictions of apartheid the combined anti-divestment forces appear uncertain that they can assure them of victory. Steven Bisenius, in citing the 68 pieces of legislation introduced in the United States in the past two years, has declared that "the real threat lies at lower levels of government" (Sunday Express, Oct. 28, 1984).

Professor Carl Noffke, director of the Institute for American Studies at the Rand Afrikaans University, issued a position paper for the South African Forum, a business lobby, at the end of 1984 which warned, with great foreboding, that disinvestment, not drought or the recession, will be the greatest challenge South Africa has to face in 1985. "Advocates of disinvestment have made more progress in the past twelve months than in the past twenty years", he stated in calling on the business community to launch an "emergency counter-divestment campaign." (Sunday Tribune, Dec. 16, 1984).

Clearly, activities of the South African government, South African business and South African-invested multinationals in the first months of 1985 indicate that they have heeded Professor Noffke's warnings and are devoting considerable resources and energies in taking up the challenge. This appears to have had the effect of turning the challenge back upon the divestment movement, which has intensified its campaign and increased the pressure.

Events in South Africa clearly have a significant effect on U.S. levels of concern and action regarding U.S.-South Africa links. Immediately following the killings by police at Uitenhage, Steven Bisenius bemoaned the fact that "such emotion-laden events cannot possibly help our [anti-divestment] campaign" (New York Times, March 23, 1985). An analysis of the Mass Divest Campaign, published by Massachusetts organizers as a manual to aid the passage of future legislation, pointed out that their total divestment bill was passed in a period of relative quiet in South Africa. A period of turmoil, they argue, would have given a background of urgency to the campaign and made the job of building support for passage easier.

The turmoil of the past year, so tragic in its consequences to the lives of many Black South Africans, provided a new awareness conducive to change in U.S. attitudes towards investment in South Africa.

New divestment actions are currently being proposed at a rate hard to keep track of. An analysis of the divestment options organizers have chosen among in the past, and the consequences of their choices, may clarify those options for concerned Americans seeking to make choices today.

THE GROWTH OF THE MOVEMENT FOR DIVESTMENT

The anti-apartheid movement in the U.S. has a long history (the American Committee on Africa was founded, for instance, in 1953). The 1960 Sharpeville massacre, in which South African police gunned down sixty-nine people protesting pass laws, triggered student, church and community actions. Students for a Democratic Society, to give one example, organized a protest on Wall Street against Chase Manhattan Bank because of its loans to South Africa. Then, in the wake of the 1976 Soweto uprising, anti-apartheid activism resulted in significant successful divestment actions. As student groups in the U.S. formed in solidarity with the student protestors of South Africa, college campuses became the locus of the divestment campaign.

On the Campus

The first college divestment, in April of 1977, followed a building occupation by students at Hampshire College. That Hampshire was first is not surprising, for innovative actions in a social movement are frequently accomplished under propitious political and social circumstances, where minimum resistance is anticipated and encountered. Hampshire is a small college in a rural section of western Massachusetts known as the Five College Area. Set in a region noted for the special atmosphere generated by the proximity of several liberal schools, Hampshire was in its first decade of existence as a progressive educational alternative. And the amount of money at stake was only \$40,000.

Two of the three other divestments accomplished in 1977 occurred at two

more of the colleges in the Five College Area. The University of Massachusetts' total divestment and Smith's partial divestment benefited from the same politically supportive environs and from the example of Hampshire. Successful actions provide impetus for future divestments, especially among neighboring or closely related institutions. Five College involvement was made complete with partial divestment occurring at Amherst in 1978 and at Mt. Holyoke in 1981.

However, total divestment has continued to elude not only Amherst, Mt. Holyoke and Smith but most colleges and universities across the U.S., even where student campaigning has been vigorous. This reflects the resistance of fiscally conservative trustees. Despite evidence to the contrary, trustee arguments presented against divestment express the fear of increased transaction costs or losses due to the purchase of volatile investments in a restricted universe of potential stocks. Trustees are also concerned over the potential loss of endowments from corporate donors and alumni donors who have close ties to companies which would be affected by adoption of a divestment policy. Indeed, many trustees themselves are on the boards of such companies. The positions of university trustees themselves are not subject to election by the student constituency usually responsible for divestment demands. Trustees, rather, are answerable to administrators and alumni whom they perceive as being opposed to divestment.

Student groups have adapted to the special nature of university trustee opposition by adopting a two-pronged strategy. First, they researched the extent and nature of portfolio companies' involvement in South Africa and documented how university disassociation from that involvement could be accomplished with fiduciary responsibility. Then, through negotiations with university officials, they encountered and learned to refute standard arguments, for instance, that U.S. corporate presence is a progressive influence, and that withdrawal would harm the Black population.

Second, they learned that since trustees do not feel answerable to students, they had to conduct campaigns aimed at bringing trustee decisions before public scrutiny and into public question. While preparing for carefully documented presentations at board meetings, they simultaneously organized demonstrations designed to raise public awareness and induce what they saw as frequently reluctant administrations to respond to their concerns.

Through the 1979-80 school year, student anti-apartheid/pro-divestment groups remained strong enough to encourage many schools to establish "ethical investment" policies and appoint advisory committees to oversee policy implementation. By the end of 1980, thirty schools had actually divested some stock, including notable total divestments such as the Oregon State Schools, which sold holdings of twenty-seven corporations valued at \$6 million in 1977-78; the University of Wisconsin, which sold holdings of twenty-five corporations valued at \$11 million in 1978; and Michigan State, which sold holdings of fifteen corporations and banks valued at over \$8

million in 1979-80.

In the 1980-81 school year, active support for divestment lost steam at most schools. A special vulnerability of university divestment organizing was becoming apparent; while the source of administration opposition remains relatively constant, student groups are constantly in flux. Leaders graduate, taking with them research expertise, organizing skills, political contacts and enthusiasm. When the students who had been inspired to organize by Soweto in 1976 and the death of Steve Biko in 1977 graduated, they often left behind a legacy of ethical investment policies without an organizational structure to assure continuing pressure for implementation.

The experience of Western Michigan University, one of the few schools to accomplish divestment from 1981 through 1983, provides insight into one solution to such problems. Western's typically small core group of twenty-five had one important difference - participation by faculty not subject to four year turnover. The group spent its first year, in 1978, trying to lobby WMU trustees. When they met with intransigence, they organized an October 1979 rally of 125 demonstrators, who disrupted a trustees' meeting, demanding divestment be placed on the agenda. An ensuing sit-in resulted in the arrest of eleven, whose trials, delayed until the next school year, helped maintain a high profile and interest level in the issue. The trials, widely publicized, ended in a not guilty verdict and broad-based student support.

Their experience appears to have taught organizers the potential usefulness of media attention. In the spring of 1981, the students again insisted on presenting their position to a reluctant trustees' meeting, this time followed by TV cameras and armed with a resolution condemning apartheid. A Black trustee supported their demand that the board pass the resolution, and, with TV cameras rolling, there was little else they could do.

Later that year, the faculty senate called for divestment, which led to money being withdrawn from several banks in 1981 and 1982. Finally, in 1983, total divestment from corporations was accomplished, well after the graduation of the founding members of the South African Solidarity Organization. Total divestment on their own campus was actually their second major victory, for SASO was also part of a coalition of groups which pushed through a state bill in 1982 which required all state educational institutions to divest from U.S. corporations investing in South Africa.

By the fall of 1983, the student coordinator of the American Committee on Africa reported a reactivation of campus concern. No spectacular event in South Africa had catalyzed action but organizers sought to sustain what had seemingly been spontaneously generated by consolidating and connecting campus groups. An ACOA-sponsored fall organizational conference for student groups linked individual campuses in a network for the exchange of research and strategy.

Such networking has sought to achieve several ends. Victory on one campus which is part of such a network can provide positive reinforcement and a strategic model for still unsuccessful groups to emulate. There is also fear among university trustees, administrators and investment officers that divestment on their part will single them out as radical or financially irresponsible in the national educational community. Each divestment, especially when publicized, and especially when occurring on a "mainstream" campus, makes new divestments easier for officials to concede. In October of 1984, Michael Spicer, Deputy Director of the South African Institute of International Affairs, expressed this well when he declared that he was gratified that Harvard was not divesting because it is "in some ways the bellwether for U.S. universities: if it jumps on the anti-apartheid handwagon, others will follow" (Sunday Express, Oct. 28, 1984).

The October 1983 conference initiated planning for national weeks of action to take place between the anniversaries of the March 21 Sharpeville massacre and the April 4 assassination of Martin Luther King. It also set up a follow-up structure for regional meetings to continue contact, research sharing and strategic planning among groups.

The debate over alternative institutional strategies continued through 1984, with administrations resisting student demands for full divestment and seeking instead to develop alternative responses. Such responses most commonly involved either the use of proxies and resolutions at shareholder meetings, or selective divestment, generally based on the criteria of whether corporations are signatories of the Sullivan Code. There was partial divestment under a new ethical investment policy at Brown; partial divestment under Yale's existing policy which had remained unenforced for years; partial divestment at Wesleyan; and total divestment at the City University of New York, which received tremendous faculty support.

Accelerating activity in the 1984-85 academic year appears to have been in part a product of the developing networking of pro-divestment campus organizations and also a reflection of reaction to intensifying repression in South Africa. Though national news failed to take note of divestments at schools such as Washington's Evergreen State, this does not diminish the fact that the campaign has reached out that far.

The Weeks of Action in 1984 focused attention on campuses nationwide on the role students could play to aid the liberation of South African through projects such as material aid, cultural boycotts and divestment. Campus groups reached beyond their own membership to educate and broaden their base of support. At Yale, for instance, 4,000 individual students, staff and faculty members and two dozen campus and community organizations pledged their endorsement of the Coalition Against Apartheid's call for a new Yale policy of total divestment. The coalition also developed a new method of allowing students to demonstrate their opposition to Yale investment in South Africa by sponsoring a Yale Senior Class referendum in which a majority voted to keep their class and alumni gifts South Africa-free.

Weeks of Action repeated in 1985, in a general climate of growing awareness about U.S. links with apartheid produced simultaneous demonstrations on campuses and in cities throughout the country on April 4th, which enlisted unprecedented public participation and captured national media attention. The activities reflected the increasing growth of coalitions linking campus groups with trade unions, religious organizations and community groups working to achieve divestment legislation at a state and city government level.

Crowds gathered in Detroit, Chicago, Baltimore and Philadelphia. Rosa Parks, speaking to protestors at Berkeley, made the symbolic link between the anti-apartheid liberation struggle and the civil rights movement for which Martin Luther King died. The civil disobedience of the 300 students at Columbia who barricaded the same administration building that anti-war demonstrators occupied in 1968 made the symbolic link with student movements of the past decades. Five hundred students protested at the University of Iowa, in a week when a state divestment bill was being debated. Several thousand turned out at Harvard to hear Mel King, sponsor of the Massachusetts divestment legislation, and Jesse Jackson challenge President Bok's refusal to adopt full divestment as a policy.

The arrests of 59 of the 4,000 protestors at the South African Embassy in Washington on a day declared by the mayor as D.C. Employees Day Against Apartheid, established the link between the student network and the growing movement of U.S. citizens of all walks of life to oppose U.S. involvement in South Africa. And the appearance of the mayor of New Haven to voice his full support for city divestment at a Yale meeting indicated the links which student groups are forging with their local communities.

The capacity schools have demonstrated to organize singly and in coordination with each other and larger community groups suggests continuing growth in the student divestment movement. Recent developments indicate however, that there are still profound differences between students and administrations, and a variety of organizational difficulties which student groups confront as they seek to win their goals.

Further, in negotiating investment policies, or implementation policies, or implementation of existing policies, groups often found difficulty in assessing the necessity of weighing the merits of compromises offered them. There have been differences on whether to accept as a victory a partial divestment, which might be interpreted as a stepping stone which will lead to an easier total divestment in the next round of negotiations.

Some groups believe that such partial divestments might be token actions taken by administrations who want to avoid taking a stronger position and hope to pre-empt further student action. The developments at Yale provide an example of the complexities involved.

When the 1984 Yale Senior Class Referendum to keep the class gift South Africa-free was passed by a 90 percent majority, referendum organizers

explained that the Coalition Against Apartheid had, through its campaign brochures and publicity, equated a vote for the measure with a vote against apartheid, and, conversely, a vote against the measure with a vote for apartheid.

Late in 1984 the Yale administration divested itself of three non-Sullivan signatories. This was its first corporate divestment since the Yale Corporation adoption of a policy in 1978. The policy called for divestment from banks that provided loans to the government and parastatals and from corporations that provided strategic aid. The Sullivan Principles clause was included although it allowed for continued holding of non-signatories who could satisfy the Yale Corporation that they were good employers. At the time of the divestment Yale held over thirty non-signatories, and had not divested any strategic companies. Nonetheless, the administration portrayed their minor concession to student divestment demands as a major stand against apartheid. Today the Coalition Against Apartheid continues to argue that Yale's ethical investment policy remains virtually unenforced despite this one divestment which, they say, the administration uses as evidence of their "vigorous pursuit" of policy.

State and City Divestment Campaigns

This question of partial divestment and compromise options frequently confronts coalitions engaged in seeking to organize city and state divestment campaigns.

Such groups, especially those working closely with the bills' sponsors, have helped determine wording of proposed bills and have found themselves proposing the withdrawal of bills which have been amended to include unacceptable compromise. Some examples of the decisions state and city groups have made in working for disparate laws, from total divestment to partial divestment based on various criteria, illustrate the options most commonly facing those who have agreed that some form of economic action is valid.

The experience of various divestment advocacy groups studied indicates that the degree of success any group will attain is dependent on several factors: the prevailing political climate and economic conditions of the region; the political composition of the legislative body considering the bill or ordinance; the size or perceived political power of the area's minority population; the composition, organizational strength and political experience of the advocacy group; the ability of the group to draw upon the resources of the national anti-apartheid network, including sponsors of successful legislation elsewhere; the degree of contact and cooperation between the group and the bill's sponsors; the political strength and degree of commitment to the bill of its sponsors; the active participation of black elected officials; the endorsement of those unions whose pension funds would be affected; the degree of opposition encountered from corporate and South African government lobbyists and the ability to provide

influential testimony to refute their allegations; the ability to enlist bipartisan support; and the ability either to enlist the governor's or mayor's support or to forestall or override a veto.

Experience has shown that the presence of some negative factors on this list does not doom a campaign to failure. A partial divestment bill was passed in Nebraska, a state with an extremely small Black population and a conservative political climate; and the Massachusetts total divestment bill was the only bill in a conservative governor's four year term to win an override of his veto. Groups have had to assess their particular situation to determine if they can completely overcome negative factors or if the absence of certain conditions should prompt them to consider political compromise. They are then faced with determining the degree and nature of compromise acceptable to them.

To illustrate this, it is possible to draw on a few of the many examples that the history and the success record of the divestment movement now have to offer.

Connecticut

In 1978, only a handful of university divestments were on the books, including Smith's divestment of Firestone stocks in 1977. In the Connecticut gubernatorial campaign, an unsuccessful candidate declared that it was shameful that the state had done nothing about its holdings in South African-invested corporations. His remarks caught the attention of a former student leader in the Smith anti-apartheid group, who, with a few friends, formed the Connecticut Anti-apartheid Committee (CAAC) in 1978.

Their small coalition of about twenty members was composed of those who continue to dominate the roster of divestment advocacy groups: trade unionists, community activists and churchpeople. In uncharted water, they set the course later campaigns would follow. They designed and distributed a pamphlet; obtained the endorsement of groups, including local labor councils (with an emphasis on unions whose pensions would be affected by the law), local branches of PUSH and NAACP, and several state representatives; cultivated press contacts; mailed a monthly newsletter; showed films and sponsored forums, including some making the link between apartheid and racism in the U.S.; and co-sponsored with the AFL-CIO and the UAW a one week tour of the exiled Black South African projects director of the American Committee on Africa.

The coalition's work resulted in the introduction of a total divestment bill in 1980. Their political strength was not sufficient, however, to save the original total divestment bill from being amended by the addition of a Sullivan Principles clause. The bill's sponsors agreed to the amendment to save their bill from being killed in the Appropriations Committee. Thus, the nation's first binding divestment legislation, passed in 1980, resulted in the divestment of eight Connecticut-based companies that were non-

signatory to the Sullivan Principles.

In January 1981, a total divestment bill was reintroduced with legislative sponsorship of the leader of the Black caucus. Testimony in endorsement was presented by representatives of state employee unions whose pensions would be affected. The chairman of the influential finance committee was persuaded away from support for the use of the Sullivan Code as a litmus test for divestment, and the bill was approved by committee after one-to-one lobbying. Lobbying of the full house followed with key targets identified as majority and minority leaders, the house speaker, Black legislators and senior representatives from large cities. A presentation on the financial feasibility of the action was made to the state treasurer by a pension analyst. The bill mandating total divestment passed both houses by a two thirds majority.

Following this vote a delegation of twelve representatives of affected Connecticut-based corporations met with the state treasurer. This led to a gubernatorial veto, on the grounds that total divestment would be too sweeping, penalizing state firms that were, through Sullivan compliance, a progressive influence in South Africa.

The resultant response from community supporters of the legislation led the New York Times to call the issue the "most emotionally charged bill before the Connecticut legislature". Finally, while the veto override received a majority vote, the full divestment proponents were unable to maintain their two thirds margin of original support of some representatives weighed party allegiance against commitment to the bill.

The Governor set up a Task Force to study and recommend appropriate legislation. Two Connecticut Anti-Apartheid Committee members were appointed to a Task Force whose majority membership represented business interests. CAAC influence was responsible for inclusion, in the proposed bill, of divestment criteria going beyond Sullivan non-signatory status. Once the financial consultant commissioned by the Task Force reported on the economic viability of the bill, the group recommended Connecticut divest of Sullivan non-signatories, companies failing to receive Sullivan ratings of I or II companies failing to recognize the rights of Blacks to unionize, and companies providing strategic aid to the South African government, military or police.

This bill became law in 1982. It placed little pressure on Connecticut-based companies which were virtually exempted by the partial criteria. It was accepted by the CAAC, who believed that until total divestment was politically attainable, strategic criteria, unlike Sullivan compliance, did constitute a meaningful interim compromise.

Inclusion of criteria relating to the Sullivan Principles in divestment legislation is one of the most heavily debated issues in the campaign to achieve some form of divestment legislation. Rejection of Sullivan compliance as a divestment criterion is common to a variety of actors in

the divestment campaigns. In June 1984 a large number of concerned non-governmental organizations voted unanimously to include this position as part of the Declaration of the United Nations North American Regional Conference for Action Against Apartheid. The first of seven tasks the declaration outlines for the "intensified isolation of the [apartheid] regime" includes "ending of all investment in South Africa". Section 9(a) continues:

This call for ending of investment is one for total divestment of funds already invested. We do not recognize the validity of the Sullivan Principles or other guidelines which dictate terms under which certain investments are deemed acceptable. There are no conditions under which a transnational presence in South Africa can be considered a progressive influence as some allege. All investment supports apartheid and must be withdrawn.

The first set of Principles, issued in 1977, address themselves mainly to questions of workplace reform - desegregation of plant facilities, equal pay for equal work, job training programs - essentially leaving unchallenged the structure of apartheid. Critics of the Principles, including trade unions in South Africa have argued, that workers leave Sullivan plants at the end of the day to return to segregated, inferior housing in a society where they cannot vote or receive adequate education for their children. If laid off, they argue further, there is no guarantee that the workers will not be forcibly removed to a distant bantustan once they have become "superfluous appendages" to the labor market. Sullivan signatory workers, even if slightly better treated, remain only labor units, albeit better remunerated ones. And, such workers constitute less than one per cent of the Black workforce. Thus, an insignificant proportion of the Black labor force may benefit, while at the same time the corporations continue to bolster apartheid by paying millions of dollars of taxes and supplying a range of strategic products, critical technology and vital capital to the system.

Besides, critics of the Sullivan Principles argue, compliance does not even benefit workers to the extent ratings imply. Equal pay for equal work, for instance, does occur when a Black and a white worker each occupy the same pay grade, but in most plants the lowest pay grades are almost exclusively occupied by Blacks and the highest grades are almost exclusively occupied by whites. Job training programs have increased the percentage of black managers in any plant by only one or two percentage points. It is true, they concede, that tens of millions of dollars have been contributed by the corporations to model schools and housing projects, but this results in a few show places, all still operating within the framework of apartheid and far outnumbered by hundreds of overcrowded schools and squalid squatter camps.

Thus, the Connecticut Anti-Apartheid Committee continues to argue that even highly rated Sullivan companies in its state's portfolio should be sold. The Connecticut experience has also revealed the difficulties of

implementing a divestment option based on the use of strategic criteria. The Hartford Advocate (May 12, 1982) reported that when the senate passed the divestment law, state treasurer Henry Parker admitted that he did not know which companies were strategic nor how that would be determined. "I wonder about how we're going to do it, too," he said. Replies to letters sent to six computer companies "skirted the issues" (November, 1983, IRRC News for Investors).

An Investment Officer for Social Compliance was appointed to develop a system of implementation. In September 1984, Connecticut sold NCR and Sperry Rand under the strategic clause because of the companies' failure to respond to questions asked of them. Four computer companies which anti-apartheid researchers consider to be heavily implicated in the act of automating apartheid remain in the portfolio. As of January 1984, computer companies were the only sector Connecticut had investigated under the strategic criteria set out in its divestment bill.

The CAAC continues to believe that the Connecticut legislation falls seriously short of adequate divestment action. It has begun to work in support of newly introduced federal legislation in hopes that passage of this year's strong bills will provide a political climate conducive to stronger state laws. Corporate lobbyists have begun proposing the Connecticut model in states where total divestment bills are pending as a compromise which will exempt from divestment many of the largest investors in South Africa.

Massachusetts

In Massachusetts a strong coalition worked with legislators to facilitate passage of a total divestment law despite efforts by a conservative and politically powerful governor to veto the legislation. In many respects the campaign for a Massachusetts bill paralleled the Connecticut experience. It, too, was the result of volunteer work, outreach programs and active lobbying accomplished by a coalition of trade unions, religious organizations and community/anti-racism groups. And it encountered opposition from both a South African government lobbyist and a conservative Republican representative (a regional manager for state-government relations at Ford), who introduced a Sullivan Principles amendment. Unlike Connecticut a veto was overridden and the bill was preserved in unamended form.

The key differences seem to be in the relationship the Mass Divest advocacy groups had with the bill's legislative sponsors, the influence those sponsors had in their legislature, the perception both group members and sponsors had of the possibility for complete success, and a slogan. The slogan, "Make it in Massachusetts, Not in South Africa", reversed a major reservation raised by corporate lobbyists and taken up by Connecticut politicians, namely they argued that total divestment would lead to a bad business climate which would result in the loss of jobs for their

constituents. The slogan referred to a provision in the Massachusetts bill which specified that divested funds should be reinvested in the state "to the extent possible". The trade unions and the general public thus perceived divestment as a mechanism for increasing, not threatening, jobs.

The position Mass Divest and the bill's sponsors took from the start was that "nothing short of total divestment was acceptable". Throughout the campaign, their literature adhered to the political/moral point that no investment in South Africa is good investment. And at the crucial political moment when faced with the prospect of accepting a compromise based on the Sullivan Principles, or having to start all over again if an override vote failed, the group chose not to compromise. Their resolve was based on a belief in "winnability" of their bill.

The belief and resolve originated partly from the knowledge that they had demonstrated to legislators that large blocks of influential constituent votes - state employees unions, Blacks and the Catholic church - were in support. But it appears also to have resulted from the close relationship between Mass Divest, a senior, white liberal, Democratic senate sponsor, Jack Backman, and popular, Black Independent house sponsor, Melvyn King and the unswerving support this leadership gave to the full divestment bill. The only veto overridden in Governor Edward King's four year term was accomplished by a vote of 32-5 in the senate and 134-2 in the house.

The Mass Divest coalition which was responsible for the achievement of the nation's first total divestment bill in 1983 has continued active involvement in building the national divestment campaign and the Massachusetts bill has been widely cited as model legislation. Mass Divest was directly involved in the drafting and passage of the 1984 Boston ordinance, which extends the scope of its Massachusetts parent law. Total divestment, in the language of the Massachusetts law, prohibits investment of state pension funds in any bank with outstanding loans to the Republic of South Africa or its instrumentalities and in any company doing business in the Republic. Boston law pertains not only to pension funds but also to housing authority and general public funds. Additionally it extends to banks with loans to, and companies doing business in, illegally occupied Namibia, and to banks with private sector loans within South Africa and Namibia.

Both Governor Michael Dukakis of Massachusetts and Mayor Raymond Flynn of Boston have sought to encourage colleagues to support full divestment. In 1983, newly elected Governor Dukakis - under whom the Massachusetts law was implemented - reported that his state's experience demonstrated that "timely and careful divestiture can result in net increases in pension earnings". And Mayor Flynn sent a letter to one hundred fellow mayors of major cities urging them to follow Boston's example. He also introduced a resolution supporting divestment at the January 1985 U.S. Conference of Mayors, where it was endorsed.

Michigan

Michigan provides an interesting example of a third option in the campaign to achieve divestment legislation. In 1980 Michigan passed a bill prohibiting the state from depositing surplus funds after July 1982, in any bank with existing loans to the government of South Africa, its parastatals, or South African subsidiaries of U.S. corporations.

The bank bill, limited in the funds it affected, served as an instance of achieving what is currently politically possible while leaving the door open for future, more expansive actions. Proponents of total divestment argue that partial divestment bills, such as those which only mandate divestment from non-Sullivan signatories, in appearing to endorse the validity of exclusionary criteria, entrench those criteria. To supplant a partial law with a total one appears to fault the judgement of those who voted before and to question the arguments justifying the partial law's criteria. In short, critics maintain, it suggests that a mistake was made, placing passage of a new law in a confrontational setting. Partial divestment laws, therefore, may become stumbling blocks, not stepping stones to future total divestment legislation.

This bank bill, on the other hand, avoids the disadvantages of restrictive criteria. Passed at a time when legislation affecting much larger pension funds would have been difficult to win, it gave sponsors a way to place Michigan on record as recognizing divestment as a valid and economically responsible means to disassociate itself from apartheid, without also placing the state on record as endorsing the Sullivan Principles.

Two years later, in 1982, the same sponsors took one more step toward their ultimate goal. They proposed that state educational institutions should no longer be allowed to invest in any corporations operating in South Africa and the bill was passed. They were gradually "upping the ante" of state funds affected by total divestment policy. The Ann Arbor News (Dec. 5, 1982) reported that sponsor Perry Bullard stated that he "went after the schools" because the pension committee was unsympathetic. Again, what was politically possible was targeted. Pension committee members, who were receiving regular visits from the South African Consul in Chicago and representatives of the South Africa Foundation were, for the time being, circumvented.

Even this gradualist approach met with strong opposition. A Ford executive lobbied using the Connecticut bill and the South African Consul in Chicago published a twelve page analysis of how the Education Bill would run counter to the fiduciary responsibilities of university regents. The experience of Michigan State University, which had already divested independently in 1977 and had realized a financial gain, served to counter the charges. But the Regents of the University of Michigan, upset over the challenge to their autonomy by the state, fought the move on that basis, and signalled their intention to challenge the legislation in court. Judgement is still pending.

1983 and 1984 saw attempts to extend divestment strictures to state pension funds with the sponsors of the earlier legislation continuing to broaden the base of support for the campaign. The Michigan Coalition on Southern Africa has also been mobilizing public support for divestment legislation at the municipal level and recent months have seen intense debate on the issue in several city councils including Detroit and Ann Arbor.

Nebraska

Nebraska's passage of a partial divestment law in April 1984 (which will go into effect in 1987) demonstrates that the art of achieving the politically possible can be practised by determined enough practitioners even in a political environment most consider impenetrable. Before Independent senator Ernie Chambers, the only Black member in a Republican controlled legislature, won victories for his bill which mandates divestment from banks making loans to the South African government and all corporations operating in South Africa except those receiving the highest Sullivan rating, one Nebraska paper speculated that divestment had "about as much chance of passage as Burma winning the 1984 Olympics". And yet Nebraska now has a law which exempts from divestment only those companies with a Sullivan rating of 1 (about 30 corporations in any given year).

To characterize this as a victory in spite of strong political, corporate and South African government opposition would be slightly inaccurate, for this law, resulting in the main from Senator Chambers' efforts, also, paradoxically, drew support from public indignation about the nature of the opposition it encountered.

In a 1980 ground-breaking ceremony in South Africa, the chairman of Hewlett Packard, referring to Nebraska's 1980 non-binding divestment resolution, declared, "Even now, some states back home say they intend to boycott United States companies which trade with South Africa. Well, that doesn't worry us at all; we're going to continue to trade. I'd much rather lose business with Nebraska than with South Africa". The memory of this insult remained with Nebraskans, who reacted very skeptically to a South African paid junket to the Republic for several state senators in 1983.

Denunciatory editorials abounded. Chambers wrote a satiric letter to the South African Consul in Chicago (who had supplied each legislator with a slick packet of anti divestment information) implying that the consulate must be operating a secret pro-divestment mission, for the "junket has galvanized public opposition and generated negative press".

Pre-trip opposition to the tour turned to post-tour outrage when Chambers revealed that one senator on the tour had mailed home a post-card of a bare-breasted African woman bearing a sexually suggestive and racist handwritten message. Even the state's most conservative papers were appalled.

Ultimately, the Governor refused to veto the 28 - 19 victory, despite an

18-page denunciation of the legislation which he received from the South African Chicago-based consul.

Legal Challenges

Apart from the financial, political and moral questions which have been strongly debated as the divestment movement has grown, several legal questions have also been raised. The District of Columbia total divestment bill of 1983, which withstood a conservative challenge during the Congressional review process required by the Home Rule Act was also subjected to legal scrutiny by opponents who claim local divestment laws violate constitutional powers regarding interstate commerce and the federal power to conduct foreign relations. A memorandum on these questions prepared by the Lawyers Committee for Civil Rights under Law argued that divestment laws are not regulatory statutes barring anybody from doing business with South Africa, but proprietary statutes determining only how local governments invest their own funds. This opinion was important as divestment opponents have for some time been indicating an intention to initiate legal challenges to legislation. Peter Sorour, Director-General of the South African Foundation, has stated that a major reason he is "heartened" by US corporate "cooperation in counteracting divestment moves" is that while South African organizations such as his cannot legally test US state and municipal decisions, the U.S. corporate groups could step forward as plaintiff in such challenges.

To date there have been no challenges by such groups, and there is a growing body of prestigious expert legal opinion upholding the view that divestment may be properly undertaken without violating any legal responsibilities.

Selective Purchasing: A Further Option

The District of Columbia in 1985 is now pursuing another economic sanction option which actually has precedents older than corporate divestment. In 1976, Madison, Wisconsin passed a selective purchasing bill which required city officials to seek contracts with firms not operating in South Africa. And, in 1977, East Lansing, Michigan passed a resolution favoring suppliers of goods and services of firms not operating in South Africa.

This option was then not utilized until a 1984 Newark, New Jersey ordinance combined divestment and selective purchase clauses. In 1985, New York City passed an ordinance to ban city purchases of South African goods and to favor purchases from US firms which do not sell to the South African military, police, prisons or Ministry of Co-operation and Development. Minnesota and Philadelphia are among others considering such actions.

Since a desired effect of economic sanctions is to pressure US companies to withdraw from South Africa, or at least to stop supplying the country

strategic aid, this option seems likely to win increasing support in the near future. It avoids the criticism made of divestment, that the stock and institutional investor sales will simply be picked up by another buyer at no cost to the targeted corporation. If large government bureaucracies, a lucrative and dependable market, stop buying office equipment, for instance, from a supplier, the company cannot easily find new buyers. Its market could actually be diminished.

Religious Organizations

Movement toward actions which have the greatest chance of affecting corporate policy, and of effecting real change, has become increasingly characteristic of the behavior of many large institutions long involved in some form of anti-apartheid work. A change in general climate and often increasing constituency pressure within the institution has broadened the range of economic options such institutional officers are willing to consider. This movement, though somewhat cautious in nature, has been evidenced in the actions of church investors, whose shareholder resolutions in the early 1970s were among the first attempts to influence corporate behavior in South Africa.

Shareholder resolutions have asked companies to sign the Sullivan Principles, to stop sales to the military and police, or not to expand so long as apartheid continues. They have asked banks to stop Krugerrand sales and to stop loans to the government.

The Interfaith Center on Corporate Responsibility, an umbrella agency representing 17 Protestant denominations and 200 Catholic orders and dioceses, continues to champion the resolutions as a strategy, pointing to the fact that many resolutions have been withdrawn after successful negotiations with targeted corporations. Anti-apartheid activists point out, however, that most negotiated settlements have resulted in agreement to sign the Sullivan Principles, an action these critics find meaningless. Critics are also dubious about other such arguments, questioning the extent to which, for instance computer companies are actually complying with policies they adopted of no sales for repressive purposes, and doubting the importance of a company promise not to expand at a time when it is only operating at 60 percent capacity. The most meaningful victories appear to have occurred when targeted banks have stopped public sector loans or Krugerrand sales, and in many cases these actions have resulted from pressures produced by a broader range of actions than shareholder resolutions alone.

Traditionally, those resolutions which have not been withdrawn have garnered only about 5 percent of shareholder votes. New SEC regulations requiring that a resolution receive a 5 percent instead of 3 percent vote to qualify for resubmission the next year prevented an additional six South African related resolutions from qualifying for 1985. It is too early to know what effects some municipal or union pension proxies being voted in

1985 might have on the process.

Tim Smith, Director of the Interfaith Center, while not abandoning the resolution route, has stated that he believes that resolutions will become more meaningful and tougher in their demands in the future. This statement includes his hope that the resolutions will drop the Sullivan Principles as any form of criteria for relating to a corporation.

Movement toward tougher resolutions is not the only movement church investors have made. Many church bodies have adopted resolutions directing their financial officers to formulate divestment plans, and some have actually accomplished significant divestment of church funds. As early as 1977, the governing board of the National Council of Churches adopted a statement declaring its support for the end of all "economic collaboration between South Africa and private US industry until Black majority rule is a reality". It also affirmed support for undertakings to "withdraw all funds and close all accounts in financial institutions which have investments in South Africa or make loans to the South African government and businesses" and urged "constituent membership to adopt this policy". Following this, the National Council, Union Seminary and the United Methodist Church together withdrew 65 million dollars from Citibank. The World Council of Churches has also ended dealings with Western European banks lending to South Africa, and has a policy encouraging divestment.

In 1980 the American Lutheran Church began actual prudent divestment proceedings. After four years of implementation, only six of the original 40 South African invested corporations remain in the portfolio, and all must be sold prior to the church's 1987 merger with the Lutheran Church of America. The action serves as a good model of prudent divestiture which has not damaged church investments, according to Tim Smith.

In 1980, the Reformed Church, believing that it was incumbent upon itself to disassociate itself from the activities of the Reformed Church in South Africa, made a decision to divest. The only problem it reports having had with implementation is one similar to that of the American Friends Service Committee: occasionally an investment manager will buy non-approved stocks or stocks in South African invested companies will be received as a gift. However, both of these groups have essentially divested of all South African related holdings, and neither have reported losses or serious difficulties in maintaining a South Africa free investment posture.

The Church of the Disciples of Christ resolved in 1983 to establish by 1985 a process for the divestment of companies which continue to do substantial business in South Africa in a manner harmful to the Black population. The original draft was stronger, affirming total divestment. The 1985 statement has not yet been released, though some believe it will probably use the model of the new policy statement of the Presbyterian Church.

The Presbyterian document is complex, but it essentially calls for a social accounting of all U.S. businesses in South Africa. Those providing

strategic aid or having particularly large assets or Black workforces will be put into a pool from which a committee will select about 12 target companies. If, after negotiation with the church, these companies fail to improve their practices, they will be divested. One interested churchman, skeptical of the force or efficacy of the policy has called it "the dirty dozen campaign".

The Presbyterian approach illustrates much about the church's attitude toward ethical investing. In some ways it seemed natural for religious organisations to become involved in the South African economic sanctions campaign, because churches have theological grounds and historical precedent for making investment decisions based upon social and moral criteria. Many churches also do not invest, for example, in firearms or nuclear or tobacco companies. On the other hand, it has been difficult for many to participate in sanctions which call for withdrawal from investment because of the Church's tradition of employing moral engagement and persuasion. Thus the policy of the Episcopal Church, remains that it is better to stay and negotiate. The Presbyterian Church is demonstrating a tendency to move from that position, but a reluctance to leave it altogether. On the other hand, the Methodist resolution adopted in March 1985 instructs its officers to develop a model for total divestment to be enacted at the next national meeting in 1988.

Trade Unions

The Trade Union movement has also been actively involved in the economic sanctions campaign against South Africa, its involvement encompassing not only divestment of union funds from U.S. corporations and banks active in South Africa, but also active participation in campaigns for the divestment of municipal and state pension funds. Although those funds contain the future pensions of union members they are rarely controlled by the unions but rather by state or city appointed trustees. But union cooperation has been instrumental in winning the votes of legislators who would not have voted for divestment without pressure from the voters directly affected. In several instances union leadership has been responsible for the very existence of proposed bills. District Council 37 AFSCME played a decisive role in achieving the passage of a selective purchasing bill in New York City. D.C. 37, Local 237 of the Teamsters, and Local 100 of the Transport Workers Union, were key to the decision by the Board of their members' pension fund, the New York City Employees Retirement System, to adopt a divestment policy.

Unions have long been involved in campaigns involving the withdrawal of funds from banks. In 1979 the United Food and Commercial Workers, with their support of the AFL-CIO engaged in a pressure campaign aimed at getting the Seattle First National Bank to discontinue loans to South Africa. Responding to a call from the World Council of Churches, the Committee of Interns and Residents, withdrew funds from Citibank, and then on its own initiative removed funds from banks on a 1982 United Nations

list of banks with outstanding loans to the South African government. This resulted in the withdrawal of about \$2 million from Manufacturers Hanover. These examples are not exhaustive but only illustrative.

In January of 1978, the National Union of Hospital and Health Care Employees became the first national labor-management pension fund to ban investments in South Africa. The union movement has not escaped the debate on whether and how to divest. Thus the AFL-CIO supports general economic sanctions against South Africa, but non divestment, while the Coalition of Black Trade Unionists has taken a position of strong support for full divestment, at the same time working to achieve a national sanctions policy.

The Drive For Sanctions

Union recognition that support of sanctions on the federal level is of utmost importance is a recognition shared by most of the forces that have been active in the divestment campaign in recent years. Indeed the link between local and institutional divestment campaigns and the move to change U.S. policy from the Reagan Administration's policy of constructive engagement to one of economic and political pressure is strong.

Staff members at the Washington Office on Africa, an organization active in both national legislation and in local campaigns, point out that all of the national sponsors of the Anti-Apartheid bill of 1985 are from states or cities with divestment policies. Congressman Gray is from Philadelphia, Wolpe from Michigan, Solarz from New York and Fauntroy from the District of Columbia. Senator Kennedy, from Massachusetts and Senator Weicker, from Connecticut also fit the profile. Last year, when Pennsylvania Senator Heinz was a swing vote on the Export-Import Administration Amendment, which placed restrictions on economic dealings with South Africa the mayors and sponsors of divestment bills in Pittsburgh and Philadelphia held press conferences to urge his support for the legislation. Though he occupied a "safe seat" he moved away from opposition to all of the sanctions proposed in the legislation. Politicians and unions are not the only groups forming the links between national and local campaigns. The grass roots movement which has been so instrumental to the success of local divestment campaigns is now mobilising to support national legislation and indeed the introduction of a wide range of bills this session reflects the recognition that U.S. relationships with South Africa are now an issue of general public concern.

When the April days of protest and lobbying occur in Washington this year, those marching under the anti-apartheid banner and lobbying for passage of legislation will be largely those who belong to local divestment advocacy groups. Over a dozen South African bills have been introduced in the House, and for the first time, strong anti-apartheid legislation has been proposed in the Senate. HR 997 sponsored by Rep. Ron Dellums mandates immediate corporate disinvestment from South Africa, a trade embargo, and

additional Sanctions. HR 1460, co-sponsored by Rep. William Gray, Howard Wolpe, Steve Solarz and Walter Fauntroy and by Senators Kennedy, Weicker, Proxmire, Sarbanes bars new corporate investment in South Africa, bank loans to the South African government, Krugerrand coin imports, and computer exports to the South African government or its agencies. Other bills would bar nuclear-related exports, coal and uranium imports. Significantly none of these bills contain any mention of the Sullivan Principles.

Local groups such as the Connecticut and Maryland pro-divestment coalitions hope that devoting their energy and experience to support of Federal legislation will not only aid the national movement but that the fruits of that campaign will help their local efforts. Many a local organizer reports hearing from cautious local legislators that national legislation would pave the road for passage of local bills.

Divestment experience has shown that any divestiture, however small, concerns affected businesses and the South African government, but the larger the funds affected, the larger the impact. To put the political power and vast resources of the U.S. government behind sanctions can only be to multiply the impact which local and institutional divestment have achieved thus far. From April 19th to the 22nd, university, community, church and union grass roots supporters of the anti-apartheid campaign will be converging on Washington to raise their voices for withdrawal from South Africa once again. It will not be the last call they make, but it is likely to be a vital one, uniting many forces in a call for a new national policy to impose sanctions on apartheid. The history of the divestment campaign continues, with a growing arsenal of sanctions from which to choose and an expanding field in which to use them.

THE FINANCIAL IMPLICATIONS OF DIVESTMENT

by

Theodore Brown

Reports are arriving daily from Johannesburg, Soweto, Cape Town, of demonstrations, riots, and killings of black demonstrators by the police. After decades of protest against the racist socio-economic system of Apartheid, that system is now being profoundly challenged.

Any argument for divestiture of American capital from South Africa must begin with the financial one. It is simply not prudent to invest large sums of money in such a destabilized political situation. The risk of losing one's investment increases with each day.

The rationale for an American company to continue its investments in such a destabilized market is either a risk/reward decision that the potential return on such an investment is worth the extraordinary risk, or top level management simply misreads the volatility of the investment.

An institutional investment fund should avoid such a company in either case. A portfolio manager is primarily concerned with the safety of the assets under his control, and the risk taken by corporate management, by investing in South Africa, is simply too great for the typical institutional fund.

The goal of this study is to examine the prudence of divestment from American companies doing business in South Africa for major institutional stock portfolios. The study will analyze the various types of risk associated with the divestment question; it will examine the financial performance, during the last five years, of South Africa invested securities (SAI) versus South Africa free (SAF) securities, as well as other performance questions; and it will report on the various divestment laws in place and their various investment implications. It will conclude with a few recommendations for future divestment action.

RISK

Webster's defines risk simply as a possibility of loss or injury.

For an investment fund, risk is the possibility that a stock selection will misfire resulting in an actual loss of asset value or in underperforming the market averages. The latter point is important since most professional money managers are judged based on their performance relative to such market averages as the Standard and Poors (S&P) 500.

QUALITY: There are three major types of risk relevant to the divestment question for portfolio managers. First is the company quality risk, an analysis based on a company's growth and stability of earnings, its product and industry position, corporate resources and management policies.

Standard and Poors Corporation, one of the most highly regarded investment analysis firms, has a ranking system of quality for common stocks based on the factors identified above. The rankings represent sophisticated analysis and are as follows:

A+ Highest	B+ Average	C Lowest
A High	B Below Average	D In Reorganization
A- Above Average	B- Lower	

Generally, a major investment fund concerned with risk limits its investment selections to the "investment grade" rankings of A- or better. Of the 285 companies listed by the Investor Responsibility Research Center in December, 1984 as having operations in South Africa, only 108 were ranked A- or better. This was down from the 124 that had such high rankings in 1980. Since most investment managers, concerned with safety, would not invest in companies with rankings of lower than A-, reducing their potential investment universe by 108 companies does not pose much of a burden.

LIQUIDITY: A major argument presented by those opposed to divestment is that the South Africa-free (SAF) investment universe is made up of significantly smaller and therefore riskier companies. They point to market liquidity as an especially acute problem. The idea is that large funds move massive blocks of stock and if they are forced to invest in smaller market capitalization (value) companies, their activities will actually alter the market for that stock, resulting in less than optimal results.

While this would be true if the SAF market did indeed consist of small capitalization issues, reality is different. This study found 270 SAF companies in 1980 that had an S&P ranking of A- or better and a market value of \$100,000,000 or more, offering adequate liquidity for funds of all sizes (assuming that a fund is not allowed to own more than 5% of company's common stock, as with most large funds).

Some argue that the forced sales of South Africa-invested (SAI) securities will depress the price of the stocks to be sold, but there is little reason for this to happen. Huge blocks of stock are traded daily by such institutional brokerage houses as Saloman Brothers, Goldman Sachs, and Lehman Brothers with no discernible impact on the market. Just recently, 1 million shares of IBM were sold in a single transaction valued at \$125+ million without affecting the market in any significant fashion.

The only real risk is that of timing and market rumors. If a major

fund is forced to sell a security in a very short period of time, rumors that such a sale is going to take place will likely circulate throughout the markets. Savvy traders will probably sell out their own positions, thereby depressing the value of the shares. A longer time period for divestment would solve this problem and allow a good manager to work around the volatility of the stock markets.

COUNTRY RISK: As was discussed in the opening paragraphs of this paper, a major risk to the portfolio is the volatility of the political situation in South Africa. Investors in nuclear power are keenly aware of the importance of political issues to the performance of their investments. While most companies operating in South Africa are sufficiently large that they are not likely to go bankrupt because of revolution in South Africa, the stock market does not treat uncertainty well. The mere perception that a company might lose its investment in South Africa is often enough to depress the price of the company's stock. Therefore, given the political trends, a portfolio manager would be well-advised to be divesting as soon as possible, with or without a law forcing him to do so.

FINANCIAL PERFORMANCE

The critical issue for any investment portfolio is this - given a certain level of risk, what is the total return on invested funds? A number of studies have been done on the impact of divestiture using such hypothetical models as the S&P 500 unconstrained by any divestment restrictions versus a SAF S&P 500 (U.S. Trust, 1982). That particular study found that there was little difference between the risks and performance of the two portfolios.

Other studies have attempted to construct a portfolio of SAF securities that are designed to track closely the S&P 500 market index (Rudd, 1979 and CEP, 1980). Both of these studies found that the South Africa-free portfolios incurred slightly higher risks due to the decrease in portfolio diversification. This finding was statistically insignificant and probably irrelevant given that most institutional portfolios consist of holdings of 50-75 different stocks, and few, if any actually hold all 500 companies in the S&P index (The University of California retirement system has 1/2 of its \$3 billion equity portfolio invested in only 15 different stocks, less than optimal diversification.)

A few studies (Daniels and Bell, 1982; Capital Management Sciences, 1982; U.S. Trust, 1982) examined the actual performance of the State of Connecticut under its divestment laws. The Daniels and Bell study indicated that the SAF portfolio substantially outperformed unconstrained portfolios with no negative risk impact. The U.S. Trust and Capital Management Sciences studies indicate that there is higher risk associated with a South Africa-free portfolio but that returns are substantially higher. The Capital Management Sciences' interpretation of its results focused heavily on the risk question, although statistically, they were not very much higher.

Most of the studies have generally concluded that there is a slightly higher risk to a divested investment portfolio, due largely to the smaller market capitalization of SAF stocks and reduced diversification. They also generally agreed that the potential return on a South Africa-free portfolio is substantially higher than for an unconstrained portfolio.

COMPARATIVE ANALYSIS: No study analyzed the performance difference between portfolios of relatively balanced quality and sufficient liquidity, one South Africa-invested, the other South Africa-free. This study does exactly that. The purpose of such a straight up, simplified analysis is obvious - by comparing the actual results of two different portfolios with comparable quality and liquidity one gets a clearer picture of the financial implications of divestment.

This study pulled a listing of all common stocks with a ranking of A- or better from the January, 1980 Standard and Poor's Stock Guide. The SAI companies were separated from the rest (there were 124) and to balance the study, the 124 largest (market capitalization) SAF companies were also separated (see Appendix A & B). The stock price movements and dividend payments were then tracked from the beginning of 1980 through the end of 1984, a five year period in which the stock markets were extremely volatile. Investors suffered from the deepest recession since the 1930's, and enjoyed the greatest bull market rally in history.

The results generally agree with most of the other studies on divestment - a South Africa-free portfolio substantially outperforms its counterpart with slightly higher, but probably irrelevant risk.

The total return (dividends plus price appreciation) figures show that the SAF portfolio had an average total return of 20.75%, which was a 29.2% better performance than the SAI portfolio total return of 16.06%.

The average BETA for the SAF was 1.07, or 7% more volatile than the S&P 500, and for the SAI, .98, or 2% less volatile than the S&P 500. The 9% difference in volatility is only marginally significant.

Finally, the average market value of the two portfolio's shares in 1980 are quite different, with the SAI having an average value of \$2.4 billion and the SAF one of \$1.5 billion. Such figures are somewhat skewed by the extraordinary size of such SAI giants as IBM at \$37.5 billion and Exxon at \$24.9 billion, but there can be no doubt that the market capitalization of SAI companies is, in general, substantially larger than the SAF companies. This study contends that the figures are irrelevant. The average SAF market size of \$1.5 billion, or even the smallest size in the study of \$486 million (Allied Stores) poses no threat to liquidity.

TRANSACTION COSTS: Much has been made of the extra costs that would be incurred from the brokerage fees charged during the divestment process. This is essentially a non-issue. One partner in a national brokerage firm called it a smoke-screen issue, designed to hide the typical investment manager's distaste for the politics of divestment.

One study (Wilshire Associates, 1984) pointed to past estimates that transaction costs could amount to as much as 23.8 % of the value of the trade. They also reported that, on average, a fairly sizeable trade of \$250,000 would incur round trip (buying and selling) fees of 1.3% on large capitalization companies.

In fact, a review of the pricing mechanisms today show that the fees charged amount to nothing like 1.3%. At the highest end, the fees for such a transaction are unlikely to exceed 1%. The only time one might see outrageous transaction costs of 23% is when a private investor buys a small number of shares of a penny (less than \$1) stock at a full service retail brokerage firm. Institutions operate in an entirely different manner and generally solicit bids from a number of different brokerage firms, firms that will buy the entire block at one time with very small per share charges.

Others have argued that ownership of smaller capitalization issues will require more trading than normal. Since institutions generally are much more active in the markets than private investors, with an average annual turnover of anywhere from 25 to 75%, according to Dr. Robert Schwartz, Vice-President of Shearson Lehman/American Express, any additional trading would melt easily into the annual number of transactions

DIVESTMENT LAWS

A few brief comments are appropriate on differences in the divestment laws in effect or under consideration. Some of the laws require total divestment from the securities of all companies engaged in business in South Africa, either directly or through loans. There is no reason, other than unskilled management, for such a total exclusionary policy to have a negative impact on the performance of a fund.

The other type of divestment law is represented by the State of Connecticut. Their law directs the Treasurer to disinvest all state funds invested in companies doing business in South Africa that do not meet three specific guidelines:

- 1) Corporation must be a Sullivan Principles signatory with a rating in the top two categories.
- 2) Corporation does not supply strategic products and services for use by the South African government, police or military.
- 3) Corporation must recognize the right of all South African workers to organize and strike for economic

and social objectives.

These guidelines are likely to necessitate increased expenditures for research. While the first guideline's data is provided by the Arthur Little & Co. accounting firm, the other information is not as readily available.

Most of the laws have liberal divestment time frames. The proposed legislation for the State of Wisconsin, for example, allows 3 years for divestment, while the City of Berkeley, Calif. requires the redepositing of public monies "with all prudent haste". Again, such time restrictions should allow plenty of time for even the most conservative portfolio manager to divest successfully.

A problem arises, though, when the divestment time frame is too short. The University of Massachusetts, for example, voted to divest within a 90 day time period. While this constraint posed few problems for UMass' \$2.6 million fund, a \$2.6 billion fund is likely to have much more difficulty with such a limitation, given market timing questions, pre-emptive action by other investors, and general unfamiliarity with the issues among most money managers.

A few laws, such as that proposed for the State of Maryland, require not only divestment, but also require that funds be invested within the State, for development purposes. While this goal is most applaudable, a problem for reinvestment may be the relative dearth of alternative investment vehicles to soak up the divested funds. This is an arena which requires further analysis.

CONCLUSION AND RECOMMENDATIONS

Change comes very slowly to Wall Street. Most investment professionals are extremely conservative and resistant to any alteration in their way of doing business.

The divestment movement brings radical, overtly political ideas into the conservative, covertly political institution of the stock market. But money talks, and the evidence clearly shows that divestment policies can be financially beneficial for even the largest portfolios.

While divested portfolios tend to be slightly riskier from a purely market perspective, the increased risk is well within the "prudent man" constraints all managers work under. The potential increased rate of return and the political risk of remaining invested in destabilized South Africa are sufficient to warrant full divestment.

APPENDIX A:
SOUTH AFRICA-FREE SECURITIES

COMPANY NAME	S&P RANK 1980	PRICE 12/30/79	MKT VAL 12/30/79 000's	DIVS* 80-84	PRICE* 12/30/84	TOTAL % RETURN ANNUAL AVG 80-84	BETA 80-84
Allied Chem	A-	49 1/8	\$1,417,894	12.00	51 3/4	5.9	0.82
Allied Stores	A+	23 7/8	\$485,816	10.50	49 1/2	30	0.64
Alum Co Amer	A-	54 7/8	\$1,929,240	14.90	74	12.4	1.06
AMAX	A-	45 5/8	\$2,406,810	6.05	16 1/4	-9.8	1.57
Amer Brands	A	67 7/8	\$1,813,213	33.93	128 1/2	28	0.73
Amer Broadcast	A	39 1/4	\$1,091,621	8.00	63 1/8	16	0.78
Amer Natl Res	A	47	\$1,083,679	16.23	58 7/8	12	0.86
Amer Standard	A-	54 1/4	\$745,829	18.10	60 3/4	9.1	1.09
AMP Inc.	A	40 1/4	\$1,455,440	6.22	100 1/8	33	1.14
Anheuser-Busch	A	22 1/2	\$1,015,605	7.12	72 1/2	51	0.21
Archer-Daniels	A-	30 7/8	\$1,071,053	.95	28 3/8	-1	1.05
Atlantic Rchfld	A	80	\$9,221,600	23.60	88 1/4	7.9	1.18
Auto Data Proc	A-	35	\$531,510	4.78	78	27	0.94
Avon Products	A	39 3/8	\$2,368,288	12.45	21 7/8	-2.6	0.96
Becton-Dicknson	A+	34	\$678,606	5.09	39 5/8	6.3	1.03
Big Three Indus	A+	42 1/4	\$849,521	6.36	41 3/4	2.8	0.93
Boise Cascade	A-	33 7/8	\$901,007	9.25	40 5/8	9.4	1.52
Burlington Nthn	A-	56 1/8	\$709,139	8.92	188	50	1.7
Cameron Iron Wks	A-	74	\$703,074	4.62	37 1/2	-8.6	0.99
Campbell Soup	A	30	\$939,010	10.80	69 1/2	34	0.25
Capital Cities	A-	48 5/8	\$650,748	1.00	164 5/8	48	1.12
Champion Intl	A	23 7/8	\$1,203,754	4.64	22 1/4	2.7	1.37
Clark Equipment	A-	38 3/8	\$501,676	8.53	24 7/8	-2.6	0.83
Colt Industries	A-	43 7/8	\$564,584	18.58	103	35	0.94
Combustion Engr	A	59 1/4	\$967,849	16.5	64 1/4	7.2	1.32
Consldatd Foods	A-	26	\$767,156	10.98	63 1/2	37	0.48
Consol Nat Gas	A-	40 5/8	\$795,884	19.16	83 1/2	31	0.42
Contl Telephone	A-	16 1/8	\$815,667	7.75	22 1/4	17	0.59
Corning Glass W	A-	56	\$991,480	11.11	69	8.6	1.23
Crown-Zellerbach	A-	43 1/2	\$1,105,509	8.48	33 7/8	-5	1.34
Dana Corp	A-	25 3/4	\$839,733	8.33	40	18	0.78
Dayton-Hudson	A	42 3/8	\$1,003,949	8.60	126	44	0.95
Delta Airlines	A	39 1/8	\$777,844	3.73	87 1/2	27	1.45
Digital Equip	A-	68 7/8	\$2,796,738	nil	110 3/4	12	1.42
Disney Corp	A+	44 7/8	\$1,449,148	5.32	59 7/8	9.1	1.14
Donnelley & Son	A	27 7/8	\$515,827	7.48	98	56	1.12
Dover Corp	A+	31 3/4	\$566,801	6.57	68 1/2	27	1.38
Dow Jones & Co	A	40 1/4	\$624,922	10.88	167	68	1.22
Eaton Corp	A	25 5/8	\$666,916	7.16	53 1/8	27	1.27
Eckhardt (Jack)	A+	27 5/8	\$652,116	6.63	43 1/8	56	1.17
Emer on Elec	A+	35 1/8	\$2,107,430	10.24	69 1/2	25	1.19
ENSEARCH	A	29 1/8	\$862,770	10.92	31 1/2	9.1	1.19
Ethyl Corp	A	28 7/8	\$541,724	7.85	64	30	0.99
Fedtrd Dept Strs	A+	27 5/8	\$1,334,094	10.28	51 5/8	25	0.75
Fort Howard Pap	A+	45 3/8	\$610,430	11.16	118 1/4	37	0.94
Gannett News	A	47 7/8	\$1,663,034	12.89	105 3/4	30	1.03
General Mills	A+	25	\$1,255,675	8.84	50 7/8	28	0.74
Genuine Parts	A+	23 5/8	\$651,105	6.26	47 5/8	26	0.96

COMPANY NAME	S&P RANK 1980	PRICE 12/30/79	MKT VAL 12/30/79 000's	DIVS* 80-84	PRICE* 12/30/84	TOTAL % RETURN ANNUAL AVG 80-84	BETA 80-84
Georgia-Pacific	A	26 3/8	\$2,595,300	4.85	25	2.6	1.48
Gould Inc.	A+	23 1/4	\$645,443	7.56	21 1/8	4.7	1.39
Grainger	A	37 3/8	\$526,838	5.61	57 3/8	14	0.99
Gr Nthn Nakoosa	A	32 1/8	\$511,526	9.80	54 3/4	20	1.01
Halliburton	A+	85	\$4,998,425	17.40	57	-4.2	1.43
Harris Corp	A-	32 7/8	\$861,489	4.24	27 1/8	-.9	1.46
Heinz (H.J.)	A+	40 1/2	\$906,755	16.28	129	52	0.75
Helmerich/Payne	A	41 7/8	\$528,128	2.90	40	.4	1.74
Hilton Hotels	A	31 5/8	\$822,124	8.02	57 5/8	22	1.46
Holiday Inns	A-	18	\$576,000	3.94	43 3/4	33	1.31
Hosp Corp Amer	A-	44 1/2	\$864,947	4.88	113 1/4	33	1.55
Houston Nat Gas	A	40 1/4	\$1,553,288	8.14	40 3/4	4.2	0.93
Interco	A	39	\$557,973	14.24	59 3/4	18	0.74
InterNorth	A+	58 1/2	\$1,301,801	21.01	84 1/2	16	1.3
Jim Walter	A	30 1/4	\$485,845	7.13	39 7/8	11	0.88
Kaneb Services	A	23 1/8	\$488,701	4.19	9 1/4	-8	1.51
K-Mart	A+	23 3/4	\$2,917,331	5.14	35 1/4	14	0.89
Knight-Ridder	A	26	\$826,358	5.11	58 1/2	29	0.95
Koppers	A	27	\$703,701	5.80	18	-2	1.22
Kroger Co	A-	19	\$521,445	8.64	39 1/4	30	0.83
Levi Strauss	A	36 3/8	\$1,508,908	7.94	25 1/4	-2	1.09
Louisiana Land	A	46 1/4	\$1,756,806	7.20	31	-3	1.12
Macy (RH)	A	54	\$562,464	10.48	184	52	0.87
Mapco	A	36 5/8	\$689,429	7.65	26 1/8	-2	0.73
Masco Corp	A+	25 1/2	\$650,786	4.16	56	27	1.52
May Dept Stores	A+	24	\$696,816	9.49	57 1/8	36	0.87
McDonald's Corp	A-	43 3/8	\$1,743,588	6.17	116 1/8	36	0.83
McDonnell Douglas	A-	36 1/2	\$1,371,123	6.07	72 1/4	23	1.43
Mead Corp	A-	24 3/4	\$638,501	7.70	34 1/4	14	0.87
Melville Corp	A	27 1/2	\$687,963	10.26	74 1/2	42	0.86
Murphy Oil	A-	85	\$1,056,125	12.75	78	1.3	1.33
Natl Distil/Chem	A-	28 3/4	\$898,955	10.80	26 1/8	5.6	0.52
Northern Telecom	A	43 3/8	\$1,457,096	5.40	102 3/8	29	1.59
Northrop	A	41 1/8	\$584,510	10.80	105 3/4	37	1.5
Northwest Indus	A-	34 7/8	\$1,045,971	13.55	45	16	0.82
Ocean Drill/Expl	A-	86 1/4	\$1,086,664	17.75	88	4.5	1.51
Owens-Corning Fib	A	28 1/2	\$868,737	7.40	32	7.6	1.22
Cwens-Illinois	A	20 1/4	\$576,153	9.26	40 1/4	29	0.82
Pacific Lumber	A	47 1/2	\$571,900	15.20	49 3/4	7.3	1.38
Panhandle Estrn	A+	60 7/8	\$1,114,560	24.31	74 1/2	12	1.04
Penny (J.C.)	A-	26 1/2	\$1,832,078	11.86	46 3/8	24	0.8
Pennzoil	A-	44 1/8	\$2,190,806	12.30	44 1/2	5.7	1.39
Phillip Morris	A+	36	\$4,482,144	13.08	80 5/8	32	0.93
Pillsbury	A+	35	\$701,085	13.40	89	39	0.56
Pioneer Corp	A	33 1/2	\$616,769	11.25	62 1/2	24	1.22
PPG Industries	A	28 7/8	\$936,445	14.01	65 3/4	35	1.17
Quaker Oats	A	28 3/8	\$562,166	10.73	76 1/4	41	0.67
Ralston-Purina	A+	11	\$1,187,271	4.48	35 3/4	53	0.25
RCA	A	22 1/8	\$1,656,167	8.17	36 1/8	20	0.88
Safeway Stores	A-	35 1/2	\$927,154	16.7	54 1/4	20	0.71
Schlumberger	A+	93 3/4	\$11,918,062	11.43	85 3/4	.7	1.16

COMPANY NAME	S&P RANK 1980	PRICE 12/30/79	MKT VAL 12/30/79 000's	DIVS* 80-84	PRICE* 12/30/84	TOTAL % RETURN ANNUAL AVG 80-84	BETA 80-84
Scott Paper	A-	18 1/4	\$709,706	6.02	34 5/8	25	1.3
Sears, Roebuck	A	18	\$5,720,544	8.54	31 3/4	24	0.84
Sears-Roebuck Tools	A	26 7/8	\$531,104	5.12	34 3/4	9.6	0.98
Southland Corp	A+	28 3/4	\$658,835	6.53	40 5/8	13	0.82
Standard Oil Ind	A+	78 7/8	\$11,939,860	29.40	105 3/4	14	1.45
Sun Co.	A	69 7/8	\$4,126,189	24.15	92 1/4	13	1.22
Syntex	A-	41 1/8	\$688,803	13.33	97 1/4	34	1.15
Tektronix	A-	59 7/8	\$1,090,444	5.49	57 3/4	1.1	1.48
Texas Eastern	A+	66 1/2	\$1,670,946	17.00	59	2.8	1.14
Texas Instru	A	88	\$2,009,776	12.00	119 1/2	9.8	1.46
Texas Oil & Gas	A	30 5/8	\$1,323,000	2.66	71 1/2	28	1.48
Textron	A+	26 3/8	\$871,114	10.75	33 7/8	14	1.09
Time Inc	A	47 1/2	\$1,064,000	10.93	85 1/2	21	1.14
Times-Mirror	A	36 1/2	\$1,237,752	11.08	80 3/4	30	1.33
TRW Inc	A	38 3/8	\$1,127,765	14.65	72 1/2	25	1.03
Union Camp	A	42	\$1,020,138	17.13	70 3/4	22	1.32
Union Pacific	A+	72 1/4	\$3,447,842	9.55	40 7/8	-6	1.78
United Telecom	A	19 3/4	\$1,322,974	10.12	22 1/4	13	0.64
Unocal	A	44 3/4	\$3,876,469	10.43	74	18	1.5
Wal-Mart Stores	A-	34 3/4	\$524,551	2.41	227 1/4	112	1.21
Westvaco	A	30 5/8	\$517,226	10.20	55 7/8	23	1.08
Weyerhaeuser	A-	31 3/4	\$3,975,830	7.58	29 1/8	3.1	1.17
Whirlpool	A	18 3/4	\$678,694	9.85	46 1/2	40	0.93
Winn-Dixie Strs	A+	27 3/8	\$655,303	12.97	53 1/8	28	0.34
Woolworth	A-	25 1/8	\$736,389	10.50	37	18	0.62
TOTALS AND AVGS			100,148,400,000			2573.4	132.16

1980 avg market value= \$1,452,809.7

annual average Total Rate of Return= 20.75

average BETA 1980 - 1984= 1.07

*Dividends and prices adjusted for re. stock splits.

NOTE: Average market value divided by 124 companies.

Sources: Standard and Poors Stock Guide Jan 1980 - Year End 1984
Daily Graphs - NYSE and AMEX Week Ending Feb 15, 1985

Market Value: represents the price of the common stock multiplied by the number of shares outstanding (thus potentially available to be traded).

BETA: Defines the stock's sensitivity to the movement of the general market in either direction over the last five years. A Beta of 1.5 means that over the past five years, the stock moved 50% greater than the S&P 500, either up or down depending on the direction of the market.

APPENDIX B:
SOUTH AFRICA-INVESTED SECURITIES

COMPANY NAME	S&P RANK 1980	PRICE 12/30/79	MKT VAL 12/30/79 000's	DIVS* 80-84	PRICE* 12/30/84	TOTAL % RETURN ANNUAL AVG. 80-84	BETA 80-84
Abbott Labs	A+	41 1/8	\$2,480,578	9.4	83 1/2	25	1.00
Air Prods/Chem	A+	36 3/4	\$1,040,246	5.15	46	7.8	1.25
Allis-Chalmer	A-	35 5/8	\$428,726	5.50	5 7/8	-13	1.85
Amer Cyanamid	A	34	\$1,625,880	10.28	50	15	1.08
Amer Express	A+	29 7/8	\$2,129,759	14.85	75 1/4	40	1.37
Amer Home Prod	A+	27 1/4	\$4,244,515	12.29	50 1/2	26	0.63
Amer Hosp Sup	A+	31 1/2	\$1,176,746	7.03	43 1/8	12	1.39
Amer Intl Grp	A+	59 1/2	\$2,238,449	3.77	127 1/4	24	0.88
Armco	A-	25	\$1,098,675	6.62	9 3/4	-6	0.95
Ashland Oil	A	40 1/8	\$1,219,118	12.60	24	-2	1.45
Automa Switch	A-	45 3/4	\$186,888	7.72	96	25	0.64
Avery Intl	A	18	\$162,198	5.12	64	57	0.99
Baker Intl	A+	53 1/2	\$1,753,356	7.77	33 1/4	-10	1.52
Bausch & Lomb	A	38 1/2	\$447,244	8.21	51 1/2	11	0.64
Baxter-Traven	A+	47 1/2	\$1,607,257	3.78	52 1/2	3.7	1.01
Beatrice Co	A+	20 1/2	\$1,974,888	8.57	28	16	0.51
Black/Decker	A+	23	\$966,069	4.06	23 1/2	3.9	0.98
Boeing	A	30 5/8	\$3,248,252	12.60	85	44	1.43
Borden	A+	23 7/8	\$742,966	12.97	64 3/4	45	0.52
Borg-Warner	A-	35 7/8	\$744,047	16.65	85 1/2	37	1.30
Bristol Myers	A+	37	\$2,421,317	13.41	104 3/4	44	0.66
Bucyrus Erie	A	20	\$408,240	4.51	14 3/8	-1	1.11
Burroughs	A+	78 3/8	\$3,219,096	14.85	56 3/4	-2	1.10
CBI Indus	A-	38 1/4	\$696,188	8.75	25	-2	1.05
CBS Inc	A+	52 3/8	\$1,456,811	16.85	72 3/8	14	1.07
CPC Intl	A	60 3/8	\$1,436,382	22.82	80	14	0.77
Carnation Inc	A+	25	\$932,975	9.18	81 1/2	52	0.78
Caterpillar	A	54	\$4,666,410	11.22	31	-4	1.15
Celanese Corp	A-	47 3/8	\$683,053	22.85	81 1/8	24	0.65
Champion Spark	A	10 1/8	\$386,775	3.98	8 1/4	4.1	0.75
Chese-Ponds	A+	22	\$709,522	9.36	33 5/8	19	0.70
Chevron	A+	56 3/8	\$9,636,630	25.30	62 1/2	11	1.33
Coca-Cola	A+	34 1/2	\$4,262,716	14.36	62 3/8	24	0.58
Colgate-Palm	A	14 3/8	\$1,177,399	7.05	24 7/8	28	0.45
Cooper Indus	A-	60 7/8	\$908,012	14.84	56 3/4	3.5	1.37
Deere & Co	A+	39 1/8	\$2,374,418	9.35	29 3/4	0	1.20
Diamond Sham	A-	31 1/2	\$1,666,098	10.11	17 3/4	-2	1.32
Donaldson Co	A-	19 7/8	\$102,396	3.81	17 1/2	1.4	1.10
Dow Chemical	A	32 1/8	\$5,814,850	10.25	27 1/2	17	1.20
Dr Pepper	A	11 7/8	\$239,875	2.99	21 3/8	21	N/A
Dresser Indus	A	52	\$2,018,640	8.36	18 1/4	-10	1.48
Dupont	A-	40 3/8	\$5,842,989	16.15	49 1/2	13	1.20
Dun & Bradstr	A+	43 7/8	\$1,223,542	15.43	131 1/4	47	0.97
Eastman Kodak	A+	48 1/8	\$7,776,509	20.15	71 7/8	18	0.76
Eaton corp	A	25 5/8	\$666,916	8.77	53 1/8	28	1.27
Echlin	A-	15 1/2	\$247,287	3.39	25 1/8	17	0.85
Emery Air Fr	A+	16 5/8	\$261,628	4.73	17 3/8	6.5	1.30

COMPANY NAME	S&P RANK 1980	PRICE 12/30/79	MKT VAL 12/30/79 000's	DIVS* 80-84	PRICE* 12/30/84	TOTAL % RETURN ANNUAL AVG. 80-84	BETA 80-84
Emhart Corp	A	31 1/4	\$376,938	14.76	59	27	0.95
Exxon Corp	A+	55 1/8	\$24,982,925	34.30	90	25	0.69
FMC Corp	A	26	\$835,172	10.10	56 3/8	31	0.91
Ferro Corp	A	20 7/8	\$158,149	7.14	24 3/8	10	0.97
Foote/Cone/Bel	A-	24	\$170,112	11.50	51	32	0.69
Foster Wheel	A+	26 1/2	\$446,578	4.85	11 1/8	-8	1.36
Fruehauf	A-	27 3/4	\$338,606	9.55	34	11	0.65
Gelco	A-	29 3/4	\$200,366	7.72	25 1/8	2	1.52
Genl Electric	A+	50 5/8	\$11,458,209	20.00	113 1/4	33	0.92
Genl Foods	A	33 5/8	\$1,679,401	13.40	55 7/8	21	0.68
Genl Signal	A	37 5/8	\$895,701	8.84	47	9.6	1.11
Gillette	A-	26 3/8	\$796,655	12.60	56 5/8	32	0.5
Grace & Co	A	40 1/2	\$1,795,730	14.90	39 3/4	6.9	1.36
Hewlett-Pack	A+	59 1/8	\$3,482,876	2.30	135 1/2	27	1.48
Honeywell	A	83 1/4	\$1,850,398	15.50	126 1/2	14	1.29
Illinois Tool	A	25	\$305,675	6.59	56 1/2	30	0.74
IT&T	A-	25 1/2	\$2,921,484	13.64	29 3/8	14	1.07
Ingersol Rand	A	52	\$986,232	18.40	45 1/2	4.6	1.14
IBM	A+	64 3/8	\$37,554,701	21.87	123 1/8	25	0.78
Intl Flav/Frag	A	19 5/8	\$719,256	5.71	28	14	0.55
Interpublic Gr	A	33 3/8	\$147,618	10.12	68 3/4	27	0.43
Johnson/Johns	A+	79 1/4	\$4,843,047	16.51	108 3/8	12	0.89
Joy Manufact	A-	30 5/8	\$398,707	11.84	37 3/4	12	1.11
Kellogg	A+	18 7/8	\$1,442,597	8.96	40	32	0.52
Kimberly Clar	A+	40 3/4	\$953,672	13.33	95 1/4	33	0.76
Lilly (Eli)	A+	59 3/4	\$435,452	15.08	66	7.1	0.66
Loctite	A-	32 1/4	\$314,953	3.46	34	3.2	1.12
Lubrizol	A	55 1/8	\$1,091,916	9.68	42 3/4	-1	1.12
Marsh/Mclenan	A+	70 3/8	\$980,465	24.20	118	20	0.68
Martin Mariet	A	46 1/2	\$1,161,012	15.73	100 1/8	30	1.80
Medtronic	A-	69	\$527,298	6.44	54	-2	1.15
Merck & Co	A+	72 1/4	\$5,439,703	15.60	94	10	0.72
Midland-Ross	A	27 3/8	\$319,849	7.23	17 7/8	-2	0.88
MMM	A+	50 1/4	\$5,897,541	18.10	78 5/8	13	0.91
Mobil	A+	55	\$11,667,865	22.40	54 1/2	7.9	0.99
Monsanto	A-	59 5/8	\$2,146,738	23.35	88	17	1.01
Motorola	A-	51 1/8	\$1,591,726	9.32	101 1/4	23	1.49
Nabisco	A	21 7/8	\$704,375	11.55	53 3/4	40	0.28
Nalco Chem	A	34 1/2	\$685,756	11.38	53	18	1.25
Norton Co	A	33	\$541,926	10.83	35 7/8	8.3	1.20
Parker-Hannif	A+	28	\$401,940	8.46	47 1/4	20	1.39
Parker Pen	A+	15 1/8	\$254,629	2.79	15 5/8	4.3	0.72
Pennwalt	A	31 3/4	\$271,907	13.20	39	13	0.86
Pepsico	A+	24 7/8	\$2,258,650	8.66	42 7/8	21	0.57
Perkin-Elmer	A+	42	\$825,468	5.24	52 1/4	7.3	1.51
Pfizer	A+	39 1/4	\$2,865,643	11.16	84 1/2	29	0.71
Phillips Petrl	A	48	\$7,412,544	12.15	44 3/4	3.7	0.96
Raytheon	A+	67	\$2,100,115	14.80	80 1/4	8.3	1.36
Revlon	A+	45	\$1,500,390	10.35	34 1/2	0	0.86
Rexnord	A	16 5/8	\$324,819	4.79	14	2.6	0.77
R.J. Reynolds	A+	34	\$3,439,066	15.92	72	32	0.85

COMPANY NAME	S&P RANK 1980	PRICE 12/30/79	MKT VAL 12/30/79 000's	DIVS* 80-84	PRICE* 12/30/84	TOTAL % RETURN ANNUAL AVG. 80-84	BETA 80-84
Robins (A.H.)	A	8 7/8	\$231,682	3.16	19 7/8	32	0.82
Rohm & Haas	A-	48 1/8	\$622,489	16.28	127 3/4	40	1.24
Schering Plou	A+	30 3/8	\$1,615,555	9.65	36	10	0.52
Searle	A-	18 7/8	\$993,221	3.12	64 7/8	52	0.91
Smith Intl	A	69 3/4	\$704,894	8.23	21	-12	1.64
Smithkl Beckm	A	62 7/8	\$3,822,800	13.01	52 1/4	.75	0.86
Sperry Corp	A+	50 1/2	\$1,804,567	10.70	41 5/8	.72	1.50
Square D	A	23 1/4	\$555,419	10.32	39 3/8	23	0.94
Squibb	A+	37 3/4	\$1,721,475	7.71	53 7/8	13	0.63
Stand Oil Ohio	A	88 1/4	\$10,442,093	24.42	84	4.5	1.33
Stanley Works	A	41 7/8	\$506,813	8.93	51 3/4	8.9	0.96
Stauffer Chem	A	22 1/2	\$986,377	7.83	17 1/2	2.5	0.97
Sterling Drug	A+	20	\$1,204,880	6.03	28 7/8	15	0.35
Sybron	A-	16 5/8	\$158,652	6.42	19 1/2	11	0.90
Tenneco	A	38 3/4	\$3,997,334	15.59	37 7/8	7.6	1.25
Texaco	A-	28 7/8	\$7,836,559	16.37	34 1/8	15	0.94
Timken Co	A+	51	\$571,404	16.70	52	6.9	0.87
Twin Disk	A-	18 1/2	\$66,914	5.91	16 7/8	4.6	0.45
Union Carbide	A-	42	\$2,769,774	19.50	36 3/4	6.8	1.05
U.S. Gypsum	A-	31 1/2	\$501,196	14.85	59 3/8	27	1.09
United Tech	A	43	\$1,790,821	11.75	72 1/2	19	1.47
Upjohn	A+	47 1/4	\$1,406,066	12.55	70 1/8	15	0.77
VF Corp	A	21 1/2	\$199,477	15.73	106 1/2	94	1.08
Warner Comm	A-	49 3/8	\$982,958	9.33	61 1/8	22	1.04
Warner Lambrt	A	20	\$1,592,320	7.23	34 3/4	22	0.72
Xerox	A+	62 1/8	\$5,226,266	16.95	37 7/8	-2	1.16

TOTALS \$297,967,090 1992.02 120.94

1980 avg market value \$2,402,960.40

average Annual Total Return 16.06%

average BETA 1980-1984 0.98

*All dividends and prices are adjusted for relevant stock splits.

NOTE: Average market value divided by 124 companies.

Average BETA divided by 123 companies.

Sources: Standard and Poors Stock Guide Jan 1980 - Year End 1984

Daily Graphs - NYSE and AMEX Ending Feb 15, 1985

Foreign Investment and Sou. Africa, IRRIC, December 1984

Market Value: represents the price of the common stock multiplied by the number of shares outstanding (thus potentially available to be traded).

BETA: Defines the stock's sensitivity to the movement of the general market in either direction over the last five years. A Beta of 1.5 means that over the past five years, the stock moved 50% greater than the S&P 500, either up or down depending on the direction of the market.

APPENDIX C

DIVESTMENT ACTIONS ON SOUTH AFRICA
BY U.S. COLLEGES AND UNIVERSITIES

	SCHOOL	AMOUNT AFFECTED	YEAR
0	Amherst College.....	\$1,300,000.....	1978-82
0	Antioch University.....	NA.....	1978
0	Boston University.....	6,600,000.....	1979
0	Brandeis University.....	350,000.....	1979
0	Brown University.....	4,600,000.....	1984
0	California, Univ. of.....	4,000,000.....	1979
	(Berkeley)		
0	California, Univ. of (LA).....	25,000,000.....	1980
	Associated Students		
0	Carleton College.....	295,000.....	1979
0	City Univ. of New York.....	10,000,000.....	1984
0	Colby College.....	900,000.....	1980
0	Columbia University.....	2,700,000.....	1979
0	Dartmouth College.....	2,000,000.....	1985
0	Evergreen State College.....	NA.....	1985
0	Georgetown University.....	11,000,000.....	1985
0	Grinnell College.....	9,000,000.....	1985
0	Hampshire College.....	40,000.....	1977
0	Harvard University(first).....	50,900,000.....	1981
0	Harvard University(second).....	1,000,000.....	1985
0	Haverford College.....	NA.....	1982
0	Howard University.....	1,800,000.....	1978
0	Iowa, Univ. of.....	2,250,000.....	1985
	(90% total)		
0	Lutheran School of Theology.....	NA.....	1981
0	Maine, Univ. of.....	3,000,000.....	1982
0	Massachusetts, Univ. of.....	600,000.....	1977
0	Eastern Michigan Univ.....	2,500,000.....	1980
0	Michigan State University.....	7,200,000.....	1979-80
0	Michigan, Univ. of.....	306,117.....	1979
0	Western Michigan Univ.....	200,000.....	1983
0	Mount Holyoke College.....	459,000.....	1981
0	New Brunswick Theological.....	NA.....	1982
	Seminary		
0	New York, State Univ. of.....	4,000,000.....	1985
0	New York, State Univ. of.....	80,000.....	1978
	(Oneonta)		
0	New York, State Univ. of.....	80,000.....	1985
	(Stonybrook Foundation)		
0	New York Univ. Law School.....	11,000.....	1978
	Student Bar Assn.		
0	Oberlin College.....	NA.....	1980
0	Ohio State University.....	250,000.....	1978-79
0	Ohio University.....	60,000.....	1978
0	Oregon State System of Higher.....	6,000,000.....	1977-78
	Education		
0	Pennsylvania, Univ. of.....	800,000.....	1983
0	Rutgers University(first).....	NA.....	1980
0	Rutgers University(second).....	7,000,000.....	1985
0	Smith College.....	697,728.....	1977
0	Swarthmore College.....	2,200,000.....	1981
0	Tufts University.....	100,000.....	1979
0	Union Theological Seminary.....	4,000,000.....	1980
0	Vassar College.....	6,500,000.....	1978
0	Western Washington Univ.....	NA.....	1985
0	Wesleyan University.....	367,000.....	1980
0	Williams College.....	700,000.....	1980
0	Wisconsin, Univ. of.....	11,000,000.....	1978
0	Yale University(first).....	1,600,000.....	1979
0	Yale University(second).....	4,100,000.....	1984

0 Total Divestment 0 Partial Divestment NA not available

NB. \$ figure is for amount affected, as in some cases divestment has not yet been completed

Govt prepares for US disinvestment

Mall Correspondent

DURBAN. — The Government is preparing South Africa for the economic shock of further American disinvestment, which it regards as highly likely.

In a series of private meetings with businessmen around the country, a senior official of the Foreign Affairs Department has warned businessmen to brace themselves for the blow.

The Government has been tight-lipped to date on

the subject of disinvestment and has played down suggestions this could have significant repercussions.

But an assistant director in the Foreign Affairs department, Dr Mark Burgher, has talked to groups of businessmen in Durban, Cape Town and Johannesburg, warning that disinvestment lobbying in the United States could produce significant results.

Mr J L Viljoen, deputy director of Foreign Affairs, confirmed that Dr Burgher

had visited businessmen in the three cities.

The department's Deputy Director General, Mr Carl von Hirschberg, said: "It's quite likely that certain disinvestment measures proposed in the US Congress before its adjournment in November will come into effect in the next session."

Although the official Reagan administration policy was against disinvestment, American cities,

states and organisations were being spurred by the "disinvestment lobby" to take action which could strike telling blows on the SA economy, he said.

He said it was obvious local business viewed disinvestment seriously, from business organisations like Assocom, the Afrikaanse Handelsinstituut, the Federated Chamber of Industries and Seifsa had presented visiting Senator Edward Kennedy with a

memorandum on the subject

And church-related groups have filed a record number of stockholder resolutions with various firms, challenging US business practices in South Africa, reports UPI.

The National Council of Churches said on Tuesday that, for the first time, the groups were also joined by a New York City pension fund in their challenge of the country's apartheid policies.

Sunday Times (SA)
March 3, 1985

Special Govt post to deal with anti-SA campaign in U.S.

By NORMAN WEST and BRIAN POTTINGER

THE Department of Foreign Affairs has created a special post to deal with the mounting campaign in the United States for disinvestment in South Africa.

The new job is an indication of the seriousness with which the Government is treating the campaign.

Further evidence of its concern came in an all-party seminar this week to inform public representatives about the extent and implications of the anti-South African drive.

Meanwhile, Foreign Minister Pik Botha has responded to American criticism of the recent arrests of black opposition figures, who have been charged with treason.

The criticism came in a statement from US Secretary of State George Schultz, who said the arrests detracted from the Government's stated commitment to reform.

At the same time, Mr Schultz stressed that "it is the judgment of the US Government that a genuine process of reform is underway in South Africa."

Mr Botha said yesterday he appreciated the US Government's acknowledgement of positive reformist steps domestically, but challenged the US on its objections to the charging of resistance activists for treason.

He said the Government regretted that it had been necessary to arrest UDF and other activists on treason charges and maintained it was not done on the orders of the Government, but as a result of due legal process.

The decision to prosecute the activists was taken by an attorney-general and was based on a police investigation in accordance with the same or comparable legal procedures and principles applicable to all civilised countries in the world.

The statements come as a clearing of the decks before the onset of the major disinvestment campaigns in the US Congress and Senate.