Don't Believe the Hype!
A Series on Miseducation: Bulletin No. 2

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Subject: Sanctions are Dead?
Don't Believe the Hype!

This summer Bush unilaterally repealed U.S. sanctions. To do so, he claimed that movement away from apartheid was irreversible. It's simple hype. No political prisoners says George Bush. Not so, says Amnesty International, South Africa's Human Rights Commission, etc. Apartheid laws are gone says the White House. Not so, say independent South African journalists (see our Hype Bulletin No. 1). Mandela is free says De Klerk. Not so says Nelson Mandela: Freedom awaits democracy, something De Klerk is adamantly against. The list goes on and on.....

The media hype and White House blitz threaten to undermine grassroots action in support of those struggling against apartheid. Sanctions have been pivotal. As Mandela said, the lifting of sanctions is nothing less than a blatantly racist act. What few realize however is that sanctions weren't only a White House and Congressional affair. Thousands of activists pushed through sanctions by their cities, states, universities, churches, and trade unions. These remain in place -- and remain a powerful tool against apartheid. Across the U.S. activists are struggling to retain and even strengthen local sanctions. We need to do no less here at the University of Illinois.

We present below an analysis of "people's sanctions," provided by the American Committee on Africa.

Amandla! Awethu!

STATE & MUNICIPAL GOVERNMENTS TAKE AIM AT APARTHEID

Campaigns to isolate South Africa have been at the center of the anti-apartheid movement in the United States. The most effective actions taken to force U.S. companies to end their South African business ties have been those taken at the state and municipal level. These "people's sanctions" include both divestment of public funds from companies that do business in South Africa and selective purchasing which restricts purchases from those companies. As of April 1991, people's sanctions had been adopted by 28 states, 24 counties and 92 cities. Conservative estimates put the amount divested from companies that do business in South Africa at over $20 billion, including $3.8 billion and $4.2 billion respectively from the retirement funds of the states of California and New Jersey.

In large part because of this action by state and municipal governments, more than 200 U.S. companies have withdrawn from South Africa since the beginning of 1985. Many of these state and municipal measures include not only companies with subsidiaries in South Africa but those with licensing, franchising or distribution agreements.

Selective Purchasing

State and city selective purchasing policies favoring those companies that do not do business in South Africa are increasingly forcing companies to end all their business ties to apartheid. A few recent examples include:

* J.P. Morgan announced in April 1991 that it was withdrawing from the business of processing American Depository Receipts (ADRs) for South African companies when threatened with the loss of being a co-managing underwriter for more than $2 billion in Massachusetts state bonds. Morgan has been the target of a campaign by the Amalgamated Clothing and Textile Workers Union (ACTWU) which released a report on Morgan's role in the ADR business at a press conference in Boston with State Representative Byron Rushing. It was on the basis of this report that the State of Massachusetts notified Morgan it was in violation of the State's selective purchasing policy. By withdrawing from the ADR business, Morgan is effectively ceasing to be a conduit for Americans to own shares in South African companies.

* Dell Corporation, a Texas-based computer company, told its South African distributor in October 1990 that it was forced to end its distribution agreement because of selective purchasing legislation in the county of Los Angeles, the city of Pasadena and the state of Michigan. "We had no orders from them for three or four months," said a Dell spokesman. "Based on that, we terminated the relationship [with South Africa]."

* Xerox Corporation announced that it was terminating its distribution agreement in South Africa when it expires in June 1991. Xerox has been under pressure from many city governments across the country.
Since the beginning of 1990, a number of cities have adopted or strengthened their selective purchasing policies including Detroit, Jersey City, Los Angeles and New York. The State of Maine is currently considering selective purchasing legislation.

In a major victory for the campaign to get Shell out of South Africa, Governor Jim Florio has directed the New Jersey Turnpike Authority not to renew Shell's contract to operate service stations along the state's most traveled highway when it expires in April 1992. Shell will lose an estimated $50 million in revenues as a result of losing the contract.

Corporations continue to lobby against this type of legislation. IBM has succeeded in at least delaying passage of selective purchase legislation in Hartford, Connecticut. Realizing that even if federal sanctions are lifted, significant new investment in South Africa is unlikely as long as states and cities continue to target companies that do business with apartheid, South African Ambassador Harry Schwarz is reportedly intensifying his efforts to get state and municipal governments to lift their sanctions.

Divestment Actions

State and city divestment actions also continue to pressure companies that do business in South Africa. The New York City Employees Retirement System divested $562 million in 1990, continuing a trend that has seen billions of dollars divested from companies that do business in South Africa. In 1990 both Virginia and Hawaii adopted divestment policies which will result in the divestment of more than $1 billion.

Bank Loans

State and municipal action played a key role in ending U.S. bank loans to South Africa, which had reached $4.7 billion by the end of 1984. The early 1980s saw a dramatic increase in state and municipal actions against apartheid, with six states, five counties and more than thirty cities restricting their business with banks making loans to South Africa by the end of 1985. As a result, numerous regional banks adopted policies of not making any new loans to South Africa. When Chase Manhattan, one of the largest U.S. lenders to South Africa, followed in mid-1985, it caused a panic. Faced by the prospect of massive capital flight, the South African government was forced to declare a debt repayments standstill. Since that time, South Africa has received few new international loans.

States and cities have also continued to pressure U.S. banks that have other financial ties to South Africa. As a result of this pressure, the Bank of New York ended correspondent banking ties with South African banks in 1990 as did Continental Bank Corporation in 1989. As already mentioned, J.P. Morgan ended dealing in ADRs in 1991 as did Security Pacific in 1990.

Foreign banks have also been targeted for their ties to South Africa. For example, Hudson County, New Jersey removed $28 million from National Westminster USA because its London based parent company continues to make trade loans to South Africa and has correspondent banking ties.

Conclusion

State and municipal action has played an important role in ending U.S. corporate involvement in South Africa. This has increased the isolation of the apartheid regime and strengthened the democratic movement. The release of Nelson Mandela and the unbanning of the African National Congress and other political organizations was an important victory for the democratic movement in South Africa. These victories are the result of the combined internal struggle of the democratic movement and international campaigns to isolate South Africa.

State and municipal governments can play an important role in keeping the pressure on until apartheid has truly been abolished and democracy firmly established.

If you would like to become involved in one of these campaigns or start a campaign to get your state or city to adopt anti-apartheid legislation, contact the American Committee on Africa, 198 Broadway, New York, NY 10038 (212) 962-1210.

Terms

* Selective purchasing - a policy that gives preference in the purchase of goods and services to those companies that do not do business in South Africa.

* Divestment - the sale of stock and other equities from companies that do business in South Africa.