Since October 1984 when South African Bishop Desmond Tutu was awarded the Nobel Peace Prize and Thanksgiving eve 1984 when three prominent Washington political figures were arrested for a sit-in at the South African embassy, the antiapartheid movement in the U.S. has been in high gear. Every day national and local media report the escalating political activity of South Africa’s black majority and the repressive backlash of the white South African government. The American public is also learning almost daily about expanding popularity in the U.S. of opposition to apartheid and of the political and economic pressure it has generated.

Most encouraging is the fact that the antiapartheid movement has begun to change U.S. relations with South Africa. Facing imminent action in the Congress to impose more stringent measures, the Reagan Administration watered down its faltering policy of constructive engagement and imposed limited sanctions against the Pretoria government.

Political and economic pressure also is being felt by the U.S. business sector as state and municipal governments, join churches, labor unions, colleges and universities in antiapartheid action. More and more often these actions include adopting policy vis-a-vis holding securities in U.S. corporations with investments in South Africa. This brief discusses various church policies on South African divestment, the act of selling securities in a company with investments in South Africa.

The Antiapartheid Movement Takes Off

During the spring of 1985, student protests in all parts of the U.S. consistently demanded that U.S. colleges and universities divest their holdings in U.S. companies doing business in South Africa. The American Committee on Africa calculated that sixty-seven schools had taken some sort of divestment action as of late September 1985. Simultaneously antiapartheid sentiment has spread in state and municipal government with eleven states and more than thirty-five cities taking some kind of economic action as of October 1985.

The Church Campaign

Since 1971 when the Episcopal Church filed a shareholder resolution asking General Motors to withdraw from South Africa, U.S. church investors have demonstrated against apartheid at corporate headquarters, conducted correspondence campaigns, met with corporate officials, sponsored shareholder resolutions which challenge U.S. corporate complicity in apartheid and in selected situations sold stock or closed bank accounts.

After September 1980 when Citibank joined in a $250 million loan to the South African government, over twenty U.S. Protestant church agencies and Roman Catholic religious communities closed Citibank accounts and divested Citibank stock worth over $100 million. Another thirty-six pledged to buy no certificates of deposit, notes or bonds or conduct any business whatsoever with Citibank because of its South Africa policies.

Giant Pension Funds Take Up the Banner

The churches have also led efforts to make U.S. corporate investment in South Africa an active concern of other institutional investors including foundations, unions, public and private pension funds. In 1982 the public pension funds of the State of California joined churches in sponsoring a South Africa resolution. In 1985 the $8.5 billion New York City Employees’ Retirement System (NYCERS) independently sponsored South Africa-related shareholder resolutions to seventeen U.S. corporations and co-sponsored three others with ICCR-member churches. Two of three companies receiving the jointly-sponsored resolutions, Motorola and Phibro-Salomon, have announced their withdrawal from South Africa. In 1986 NYCERS and the NYC Teachers’ Retirement System are sponsoring nineteen resolutions on South Africa. The State of Minnesota and the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), the largest private pension system in the U.S. worth $39 billion, are also filing on South Africa in 1986.

A More Focused Church Campaign

In May 1985 fifty-five Protestant denominations, Roman Catholic orders, dioceses, religious organizations and institutions, coordinated by ICCR, announced a new campaign to focus public pressure on twelve U.S. investors in South Africa because “they are key investors in apartheid”. The churches called on the companies to “cease immediately all sales and service relationships with the South African government and government-owned corporations” and to demand major changes in the South African government’s apartheid policies as a precondition for their remaining in South Africa. In October 1985, General Electric, established in South Africa in 1994 and one of the twelve target companies, disclosed it was negotiating sale of its South African holdings to interested groups of its South African employees.

Growing Church Interest in Divestment

U.S. churches are increasingly divesting holdings in U.S. companies doing business in South Africa. While the churches are united in their opposition to U.S. corporate support for apartheid, uniformly believing that U.S. corporations should withdraw (divest) from South Africa, opinions differ on the divestment strategy itself. A few church institutions, mostly pension boards, oppose church divestment. Action and discussion now is focused on how and when to divest, selective or full divestment.

Church policies on divestment basically can be divided into four categories: 1. total

An ICCR Brief appears in each edition of The Corporate Examiner, a monthly newsletter on corporate social responsibility. Each brief highlights a particular social area and focuses on one or more corporations. It also provides information about action options and resources for issues studied.

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divestment, II. selective divestment based on some set of criteria or ethical standard, III. divestment as a last resort and IV. no divestment. This brief describes the policies of a number of churches within this framework.

I. TOTAL DIVESTMENT

After years of filing shareholder resolutions and meeting with management, church investors in growing numbers, are choosing to rid their portfolios of all holdings in companies with investments in or lending to South Africa.

American Friends Service Committee
Sisters of Notre Dame de Namur, Connecticut Province

The first national church agency to move toward total divestment of holdings in companies with investments in South Africa was the American Friends Service Committee. In 1978 the AFSC announced it would sell 45,000 shares of stock worth about $1.3 million in firms operating in South Africa. Other church investors have followed, such as the Connecticut Province of the Sisters of Notre Dame de Namur who divested in 1979.

Reformed Church in America

The basic antiapartheid position of the Reformed Church in America was formally stated at its 1967 General Synod. The 1980 General Synod adopted a comprehensive program of "conscience and witness", to "affirm and support the liberation of South Africa". This program included a number of resolutions about divestment of church holdings:

To direct denominational agencies to write to each corporation that does business in South Africa and in which they have invested, encouraging it to withdraw its operations from the Republic of South Africa and informing it that, if, after a reasonable period of time, it refuses to withdraw, the Reformed Church in America will begin a prudent divestiture from the corporation.

To direct denominational agencies to strive to make sure that their money market investments be in banks and brokerages which do not grant or renew loans to the Republic of South Africa or semigovernmental corporations.

The American Lutheran Church

The Lutheran World Federation, at its June 1977 meeting in Tanzania, condemned apartheid as a matter of "status confessionis" (meaning "a state of confession"). It said that apartheid is so oppressive and contrary to Lutheran beliefs that it attacks the very heart of the church's confession of faith and must be rejected as a matter of the faith itself. The American Lutheran Church followed up on this vote with a multiple-strategy program of advocacy, short of divestment, with approximately thirty companies and banks having investments in South Africa, including a May 1980 withdrawal of certificates of deposit in Citibank valued at $2 million.

The ALC's 1980 General Convention unanimously called for withdrawal of U.S. corporations from South Africa (disinvestment) and described legitimate strategies for opposing apartheid, one of which was divestment. Though 1980 convention delegates said divestment is "not a necessary consequence of a declaration of status confessionis", they declared that at this moment in history in South Africa, divestiture is the most legitimate strategy in opposing apartheid and the most effective consequence of a declaration of status confessionis.

In May 1981 the Board of Trustees of the American Lutheran Church, with the ultimate legal authority over the church's investments, unanimously adopted a resolution, clarifying the church's view on divestment:

...the Convention requested that this divestment take place in a prudent manner that is consistent with legal requirements and does not place undue risk upon The American Lutheran Church portfolio;... Resolved, that in the buying and selling of securities, where, in the judgment of the Board of Trustees, the economic considerations are equal as between two or more securities issues under study, the Board of Trustees will, where applicable, choose in favor of the company not doing business in South Africa (or choose against the company doing business in South Africa).

Christian Church
(Disciples of Christ)

The Disciples first began formal consideration of the role of investments in support of apartheid in 1968, when their International Convention (forerunner of the General Assembly) passed a resolution which called on church units and individuals to examine their investment portfolios to see if the church was earning profits from American corporations in South Africa and encouraged action against apartheid. In 1972 the Task Force on Investments and the Use Voting Rights urged divestment where there is no corporate management responsiveness to the church's racial justice concerns. The 1983 General Assembly approved a "Resolution Concerning South Africa" which outlined the church's policy and procedure on divestment, urging all general administrative units, institutions, regions and congregations of the Christian Church (Disciples of Christ) to establish by 1985 a process for divestment from their investment portfolios all shares of stock of companies continuing to do substantial business in South Africa, whose policies and programs the churches have been unable to affect through negotiations, stockholder resolutions or other actions organized and/or coordinated by the Interfaith Center on Corporate Responsibility.

General Board of Church and Society
United Methodist Church

In implementing nine separate General Conference resolutions on peace, justice, human rights, racism and the general principles of the church, the Board of Church and Society adopted a "socially responsible investment policy" which called upon church officials to implement divestment:

The Finance Committee and the Trustees of the General Board of Church and Society to use its creativity and expertise to develop and bring to the Board of Directors a socially responsible investment policy providing a model for other organs, agencies and affiliates of the church which clearly and unequivocally divest all United Methodist-related funds from any banks and other financial instruments, vehicles or enterprises engaged in business with South Africa, including a May 1980 withdrawal of certificates of deposit in Citibank valued at $2 million.

United Church of Christ

Since 1965 when its Fifth General Synod recommended "economic sanctions as a remedial action pending changes in apartheid", the United Church of Christ has been escalating its expression of opposition to apartheid. The Seventh General Synod (1969) recommended that "all investments and funds be withdrawn from financial institutions doing business with South Africa", a theme raised by subsequent synods.

Ten years after the UCC's first call for economic sanctions, the Fifteenth General Synod (July 1985) condemned Reagan Administration "constructive engagement", saying:

It is important that the Church of Jesus Christ not be engaged in similar "engagements" with corporations that con-
structively support the present regime in South Africa, "Selective or phased divestment" in essence is no different from the Reagan Administration's supportive foreign policy towards South Africa.

The church emphatically condemned investment in companies which do business with South Africa:

We believe it is a sin to directly or indirectly support the present regime in South Africa by investing in businesses which do business with South Africa. We are now called by God through Jesus Christ, the Word of Life, to withdraw the resources of the church from direct and indirect support of apartheid and, thus, we commit ourselves to full divestment now.

The Fifteenth General Synod also adopted "A Proposal for Action" which called on all agencies of the church on every level immediately to begin divestment, concluding within two years.

Unitarian Universalist Association

In June 1985 the Board of Trustees of the Unitarian Universalist Association voted to fight apartheid through "full divestiture of stocks and bonds of companies doing business in South Africa". The plan calls for the sale of $7 million of UUA securities, "completely at one time, rather than over a period of months or years", but permits the association to keep "a token amount of stock (1,000 worth) in order to exert pressure through shareholder activities". This new policy strengthens earlier church policy which called for divestment from firms doing one percent or more of their business in South Africa.

The General Board of Pensions of the United Methodist Church, for example, has chosen to divest holdings in companies which do not endorse or fail to perform satisfactorily on the Sullivan Principles on employment in South Africa. For the most part, however, churches believe the Sullivan Principles have very limited effect on apartheid, applying to less than one percent of the South African workforce. Most U.S. churches, actively opposed to apartheid, now believe that U.S. corporations should withdraw from South Africa, Sullivan Principles notwithstanding.

General Board of Pensions United Methodist Church

In February 1978 the General Board of Pensions decided to use its financial position to encourage American companies to sign the Sullivan Principles and then in July 1985 passed an implementation plan for its antipartheid program:

- The General Board of Pensions shall divest from any company in its investment portfolio operating in South Africa that refuses to adopt the Sullivan Principles within a 24-month period after the later of July 11, 1985 or within 24 months after the company's addition to the board's portfolio or fails to demonstrate adequate initiative in implementing the goals of the Sullivan Principles.

National Council of Churches of Christ in the U.S.A.

For fifteen years the NCC has actively addressed corporations about their investments in South Africa using shareholder resolutions and other action strategies. In 1980 the NCC joined with other churches and religious communities to protest Citibank's loan to the South African government, closing its Citibank accounts. In October 1985 the NCC's Finance and Services Committee adopted divestment policy:

The NCC supports and participates in the growing divestment movement in this country. City and state pension funds, universities, seminaries, churches, unions and foundations with over $100 billion in portfolio worth are divesting selectively or fully from the stocks and bonds of companies with investments in South Africa, providing a significant challenge to the South African government and the U.S. business community.

The NCC endorses the position of divesting from securities in all corporations with investments in South Africa. In its full divestment process the NCC will work to be as effective a public witness as possible. In cooperation with ecumenical partners, the NCC will continue to target particular companies for dialogue and pressure, including shareholder resolutions when appropriate and will divest from companies who do not respond satisfactorily.

Presbyterian Church (U.S.A.)

The Presbyterian Church (U.S.A.), through its two predecessor denominations, has actively sought an end to apartheid since 1960. The church's decision to pursue selective divestment, made at its 197th General Assembly in June 1985, followed widespread discussion which was summarized in the 1985 document, "Divestment for South Africa, An Investment in Hope" (excerpts reprinted in ICCR brief Volume 14: Number 1, 1985). This document proposed a "Statement of Policy and Recommendations for South Africa Related Divestment" and "Guidelines for the Implementation of South Africa Related Divestment", adopted by the 197th General Assembly:

The General Assembly now registers its conviction that divestment, if carried out in a carefully planned and coordinated way, has the potential for more effective impact on both corporate and public policy than continued shareholder action. It unites the search for greater effectiveness in combating apartheid, the search for integrity as an institution whose actions should express its confession and the search for meaningful expressions of solidarity with the oppressed South African majority.

The General Assembly declares its conviction that a selective divestment policy and strategy, proceeding in a deliberately phased progression, will serve that end more effectively than a one-time comprehensive divestment action.

A selective and phased approach allows the Presbyterian Church to proceed from phase to phase on the basis of experience, defining and incorporating over time the portfolio requirements of incremental, small decreases in the available options rather than attempting a massive adjustment at one time.
The 197th General Assembly chose four companies for divestment.

The May 1984 General Conference, speaking for the entire United Methodist Church, produced a comprehensive program of action against apartheid which encouraged divestment:

We encourage United Methodists and United Methodist agencies and institutions to join with others in their communities to close accounts with and withdraw funds from banks and divest from corporations doing business in South Africa ....

General Board of Global Ministries
United Methodist Church

In an October 1985 resolution on "Divestment and South Africa", the Board of Global Ministries adopted divestment criteria which target companies for their role in South Africa, resolving that:

The General Board of Global Ministries and its units by December 31, 1986 be divested of all U.S. corporations that provide products or services to the South African military or political; or who plan a significant role in the South African economy due to the magnitude of the assets, sales or number of employees (such corporations will be those with over $100 million in sales, possess over $50 million in assets, or employ over 1,000 employees); or whose products are strategic to the undergirding of apartheid (such products shall be chemicals, computers, mining, transportation, energy, electronics and communications).

General Board of Publication
United Methodist Church

The Board of Publication adopted a phased approach to divestment which it described as "a blend of church strategies":

The Board shall divest, in a prudent and orderly manner, of its stock or securities in any corporation which fails to become a signatory of the Sullivan Principles within a reasonable period of time following its first stockholders meeting occurring after the passage of this resolution. A similar divestment shall begin in 1985 with regard to the stock and securities of any corporation which provides products, services or technology of particular strategic importance to the maintenance of the apartheid system .... The Board shall begin divestment in an orderly and prudent manner of all stock and securities of corporations with investments in South Africa in June of 1987 if apartheid is not dismantled by that time.

III. DIVESTMENT AS A LAST RESORT

A number of church investors will divest holdings in a company after efforts (short of divestment) to have the company alter its South African policies do not produce change. In 1980 when Citibank joined in a $250 million loan to the South African government, numerous church investors, most of whom had no formal policy on divestment, sold stocks and bonds, closed accounts and pledged to do no business with Citibank. For many of these investors the $250 million loan to the South African government was the last straw.

Archdiocese of Milwaukee

The Roman Catholic Archdiocese of Milwaukee divested Citicorp bonds worth $300,000 because of the bank's 1980 loan to the South African government. While the archdiocese has made no formal policy statement on divestment itself, it has adopted policy against holding investments in banks and corporations under certain circumstances, spelling out seven ethical principles guiding investment decisions. The archdiocese has pledged that:

If the corporate practices are contrary to the guidelines established regarding apartheid in South Africa, the [Corporate Responsibility] Committee will recommend that the Archdiocese consider alternative actions.

In the case of Citibank, this meant divestment.

Lutheran Church in America

At its 1982 convention the Lutheran Church in America directed that investments under control of the church itself be studied and that:

the Office for Administration and Finance act in a prudent manner consistent with legal requirements to exercise the option of divestment of securities of corporations which have direct investments in South Africa and the withdrawal of funds from banks which make direct loans to the government or paralegal agencies in South Africa.

According to a 1985 LCA report on divestment, the church has divested holdings in such companies though "the amount of money involved is relatively small when compared to the LCA Pension Fund". The report explained that because of the limits on the church's authority over management of its separately incorporated pension fund, "the LCA's policy has tended to be to use divestment as a step of last resort".

IV. NO DIVESTMENT

Among church investors which are members of ICCR, there are few who oppose divestment under any circumstances. For the most part opposition to divestment can be characterized as a reluctance to divest, either because of fiduciary obligations or a belief that other strategies are more effective. For example, the Board of Pensions of the Lutheran Church in America is an independent corporation charted in the State of Minnesota. According to a 1985 LCA report on divestment:

Members of the Board feel they have an extremely high fiduciary responsibility to any and all participants in the plan and they maintain that no part of the church (including our national convention) can require them to sell or buy stock for social purposes. The Board has cooperated with respect to filing shareholder resolutions and voting proxies but they have not responded to requests to divest of certain stocks.

Some argue this fiduciary responsibility legally obligates pension trustees to achieve the highest possible financial return on the pension member's investment. So long as pension members or trustees feel earnings might be lost because of divestment, there will be reluctance among pension funds to divest. However, states, cities, universities and churches with tens of billions of dollars have studied the financial aspects of the issue and now believe that divestment can be carried out in a prudent manner without affecting the portfolio value or lessening return on investment.

As investor pressure intensifies on U.S. banks and corporations, more and more corporations will cut ties to South Africa, making them more desirable investments. Evidence is mounting that investor pressure is being felt by U.S. corporations and banks and that a new breed of investment advisors are meeting the ethical and fiduciary needs of their socially responsible clients.