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PRESS RELEASE

Dozens of civil rights, religious, and labor organizations and many concerned individuals from across the state joined together on Tuesday, September 9, at the state Capitol to show their opposition to apartheid in South Africa and their support for state legislation that would require public employee pension funds to divest of all holdings in companies that operate in South Africa.

The participants formed a human circle around the Capitol building in Lansing called "Hands Around the Capitol for South Africa." It was the first time such a political demonstration has been held in Michigan's capitol. Governor James Blanchard, members of the Legislature, and hundreds of Michigan citizens joined in the circle of concern for South Africa.

Governor James Blanchard appeared at the event to express his support for divestment as an important way to put pressure on the South African government to eliminate apartheid. Representatives Virgil Smith and Perry Bullard, the principal sponsors of the divestment legislation, coordinated the event. The Rev. Mangedwa Nyathi, a South African Baptist minister, spoke of the urgent need for economic pressure against the minority govern-
Press Release -- 2

The invocation was delivered by the Rev. Eleanor Morrison, pastor of the First Congregational United Church of Christ in Portland, Michigan.

The demonstration was timed to coincide with the return of the Legislature for its fall session. Rep. Virgil Smith, the primary sponsor of House Bill 4770, the main divestment bill which the House of Representatives adopted in December 1985, said that the demonstration is intended to press the Senate to take up the legislation and pass it without any weakening amendments. "This is a critical moment to adopt the divestment bill," Rep. Smith said. "The crisis in South Africa becomes more serious every day. There are really only two choices for South Africa -- a growing violent confrontation within the country or significant international economic pressure to force the government of South Africa to negotiate with legitimate black leaders." Smith added, "Michigan must do its part to contribute to the nonviolent pressure on the apartheid government to dismantle the system of legalized racism and establish a foundation for equal political participation for all.

Rep. Perry Bullard, another long-time advocate of divestment in the state Legislature, noted that there has never been a stronger momentum for economic action against the South African government. The national divestment movement received a big boost in August when the California Legislature adopted a total divestment policy mandating the divestment of $10.6 billion of state funds. California's Governor George Deukmejian has said he intends to sign the bill. Economic sanctions against South Africa are also being debated in Washington; Congress is expected to send a strong sanctions bill to President Reagan this month. Bullard said, "I am enthusiastic about the chance that the Senate will pass the divestment bill. If California can adopt a total divestment policy three times the size of Michigan's and the
bill can be signed by a Republican governor who is a close friend of Ronald
Reagan, then surely we ought to be able to take similar action in Michigan."

Leaders of both of the state's political parties support divestment of
Michigan pension funds. Governor Blanchard has long supported divestment,
and Republican gubernatorial candidate Bill Lucas announced in July that he
has changed his position and now supports total divestment to be completed
over two years. "Now that that both Governor Blanchard and Bill Lucas both
support divestment, I hope that members of the state Senate will follow
their parties' leadership on this matter," Bullard said.

Smith and Bullard also expressed their firm opposition to any amend-
ments to exempt some companies from the divestment program. "If we are
going to divest, we need to go all the way to be effective," Bullard said.
"If we exempt companies that claim to be helping black people in South
Africa and use that as a rationale for continuing to invest there, the Botha
government will know that we are just bluffing," he said.

Rep. Virgil Smith also pointed out that state retirees who depend on
retirement checks from the pension system will not see their checks
decreased as a result of divestment. "We worked very closely with the
relevant retiree organizations to ensure that individual retirees would not
be hurt in the unlikely event that divestment is costly to the pension
system as a whole," Smith said.

The Senator Committee on Economic Development, Trade, and Tourism,
chaired by Senator Harry DeNaso, will meet at 2:00 p.m., right after the
demonstration, to vote on the divestment bills, House Bills 4770 and 4771.

Among the numerous organizations supporting the "Hands Around the
Capitol" demonstration are the NAACP; UAW-Michigan CAP; Michigan Human
Rights Commission; AFSCME Council 25; Women's Assembly; Democratic Party of
Michigan; Michigan Education Association; Lansing Black Pastors Conference;
Michigan Agenda; American Civil Liberties Union of Michigan; Michigan Con-
ference of NOW; Black Associates in State Government; Women in State Govern-
ment; Michigan Network; TransAfrica Detroit Chapter; Free South African
Movement Detroit Chapter; Ingham County Democratic Black Caucus; Lansing
Chapter of National Lawyers Guild; Lansing Black Lawyers Association; Groundwork for a Just World; Detroit Human Rights Commission; United Church of Christ Detroit Association; New Jewish Agenda Metropolitan Detroit Chapter; Michigan Anti-Apartheid Coordinating Council; Catholic Diocese of Lansing Peace and Justice Office; Clergy and Laity Concerned; Michigan State University (MSU) Southern Africa Liberation Committee; MSU Coalition against Racism and Apartheid; Peace Education Center (Lansing); Shrine of the Black Madonna Community Action Council (Detroit); Covenant for Peace; Women's International League for Peace and Freedom Lansing Chapter; St. John's Student Parish Justice and Peace Committee (Lansing); Institute for Global Education (Grand Rapids); Koinonia House (Grand Rapids); Aquinas College Social Action Committee.
South Africa Divestiture

The Issue of Divestment and South Africa

- "Divestment" (or "divestiture") means the sale by institutional or individual investors of stocks or bonds in firms that operate in South Africa.

- The purpose of divestment is to put pressure on the white minority government of South Africa to end apartheid, a system of legally enshrined racism which denies the 24-million black majority political rights and severely restricts their economic and social activities. Influence is sought through U.S. companies because they are the most significant American presence in South Africa.

- More than 300 U.S. firms invest over $2 billion in South Africa. Many of them provide important strategic support to the state and the white-controlled economy. U.S. firms control 45% of the oil market, 33% of the auto market, and 70% of the computer market.

- Ten states, 36 cities and counties, and more than 50 colleges and universities already have adopted some form of divestment policy.

Divestment Legislation in Michigan

HBs 4770 and 4771, adopted by the Michigan House in December 1985, require:

- Divestment by the state's two largest public employee pension funds, the State Employees' Retirement System and Public School Employees' Retirement System (HB 4770), and the Legislative Retirement System (HB 4771).

- All affected securities must be sold over a period of five years. No new stocks or bonds may be bought in the affected corporations, and not less than 20% of the affected securities must be divested during each year.

- The benefits of retirees are protected. The Treasurer must submit an annual report of any diminution or increase in investment earnings attributed directly to divestment; any diminution will be compensated for, firstly, from any increase in investment earnings caused by divestment in previous years and, secondly, from appropriation from the general fund.

- Divestiture would be suspended at such time as the Michigan Civil Rights Commission determines that full citizenship and political rights have been granted to all South Africans and restrictions on the freedom of all South Africans to live, travel, and work within their country no longer exist.

- Approximately $3 billion of securities would be affected, representing about 28 percent of the pension funds' assets (as of February, 1986).

- Approximately 35 of the 85 companies in the retirement systems' portfolio operate in South Africa, including Michigan-based firms such as General Motors, Ford Motor Co., Burroughs, Dow Chemical, and Federal-Mogul.

Michigan has already adopted two other laws concerning South Africa:

- PA 325 of 1980 prohibits the deposit of any state surplus funds in banks making loans to South Africa.

- PA 512 of 1982 requires public educational institutions to divest.

Financial Implications of Divestment

- The five-year time period to implement divestment is longer than that provided in divestment policies of any other state and is intended to minimize costs. Five years is approximately the length of a stock market cycle, so few stocks should have to be sold at a loss.

- "The costs of divestment, phased over five years, are surprisingly small." This is the conclusion of a study by two financial experts conducted for the Treasury Department. Their statistical study showed a possible cost of $23 million over five years, which represents an annual cost of less than one-twentieth of one percent of the value of the pension assets. This is a comprehensive study, including added transactions costs, administrative costs, and opportunity costs.

- Individual retirees will not bear even the relatively small possible costs to the pension systems as a whole, due to the legislative guarantee that was negotiated with major retiree organizations [see description of HB 4770, above].