State and Municipal Action Against Investment in South Africa

CAISA

Campaign Against Investment in South Africa
OVERVIEW

Citizens concerned with the investment of public money are forming action coalitions in cities and states across the country. In an important new development, the divestment of public funds from corporations and banks involved in South Africa is being linked to responsible investment in the United States.

Concern about South Africa has been stimulated by the increased resistance in that country to the apartheid regime. Opponents of the white minority government have risked harassment, imprisonment, torture and even death in their pursuit of freedom. They insist that foreign investment strengthens the status quo and postpones the day of fundamental change. South African support groups in the U.S. which have been active on behalf of South African liberation are now working with state and city legislators, trade unions, student, civil rights, church and community groups to end U.S. economic support for the white minority government. Legislators and citizens already involved in socially responsible investment of public money see the importance of linking their interests with those of groups who work to break all U.S. ties with apartheid.

Because public employee pension funds amount to billions of dollars ($178.9 billion in 1979) responsible investment has vast social and economic implications. The investment of trust funds, surplus funds, and educational funds is also being studied. In states and cities bills and resolutions are being introduced which prohibit or discourage investment in South Africa and mandate or encourage investment in economically and socially responsible projects in the U.S.

Why Action Against South Africa is Needed

Foreign investment in South Africa strengthens the white minority government, and helps perpetuate a profoundly unjust social and economic system. Investing in South Africa is investing in a country where the average annual earnings for whites in the non-agricultural sectors of the economy are $8,033, while the average for Africans is $2,113. It is investing in a country where the government spends $800 a year on education for each white child and $100 for each black child. It is investing in a country where one half of the children born in the black reservations die before the age of 5, a death rate 25 times higher than that of white children.
The rise in black protest—student and workers strikes, bus boycotts, and the dramatic attack by the liberation movement, the African National Congress, on the Sasolburg oil-from-coal complex—signals an increase in opposition to the apartheid regime. There is no question that change will come to South Africa, but when and how is still hotly debated.

Contrary to the corporate argument that foreign investment is an instrument for change, the increase in U.S. economic involvement in South Africa has been paralleled by an increase in restrictive and repressive legislation that has not been opposed by the corporations. Under the Draconian security laws, anyone who calls for disinvestment risks imprisonment, with a minimum five year term. Nevertheless, organized black opposition to the apartheid government is calling for the end of foreign investment in South Africa.

Socially Responsible Investment In The United States

The people of Berkeley, California declared in a successful referendum, "Public monies should be removed from banks and other financial institutions doing business in or with South Africa and reinvested according to a policy that takes ethical, social, and economic considerations into full account."

A fundamental question about divestment must always be raised: "What will be the financial impact on the portfolio?" An answer to that question is developing from the experience of institutions that have divested. The University of Wisconsin, for example, divested $11 million from firms with involvements in South Africa. After two years the head of the investment advisors concluded that the university's portfolio had been reconstructed with no ill-effects.

Robert J. Schwartz, an investment advisor to union pension funds, institutional investors, and individuals has more than ten years experience in the area of socially responsible investment (SRI), creating criteria for disinvestment and investment alternatives. Testifying in relation to Michigan divestment legislation that focused on South Africa, he made the following statement: "Socially responsible areas have evolved over the years to now exclude financial support for companies in South Africa, anti-union companies, environment polluters, violators of Occupational Safety and Health Administration standards, and industries involved in the manufacture of products detrimental to health . . .

Portfolio performance is largely dependent upon
the investment manager. By careful selection, the exclusion of companies in South Africa may be replaced by more profitable investments. Last year (1979) the best results in portfolios were obtained from holdings in smaller companies . . . . The performance measurement for the years 1976-1979 of the SRI funds which I manage have out performed the major indices of stocks and bonds combined in each of the years . . . ."

What is included in the portfolio becomes the next important question. One set of criteria includes compliance with job safety, anti-pollution and fair employment laws. Investments that are well suited for an emphasis on community economic development include affordable housing, commercial and industrial real estate (income producing properties with an equity position), small businesses, and literally dozens of large, medium, and small corporations that are U.S. based and whose stock trades both on the major exchanges and over-the-counter.

Running a Successful Campaign

In states as widely separated as Massachusetts, Michigan and Nebraska, legislators have taken up the issue of state funds in corporations and banks that operate in South Africa. The commitment of such legislators has been crucial for success, but without an organized constituency the legislator's task is difficult if not impossible. This new arena of legislative action is important because it demonstrates the ability of local people to effect change. The groups that come together to work for the legislation may represent quite different segments of the community and working on this issue can build valuable coalitions that can act on other issues as well.

Although no two communities will be the same, the example of what was done in Massachusetts is a good one. The following bill was introduced in the Senate: After January 1, 1981, no funds shall be invested in any financial institution which makes loans to the government of the Republic of South Africa or to its instrumentalities and no assets shall remain invested in the stocks, securities or other obligations of any company which either has five hundred or more employees in the Republic of South Africa or has investments of ten million dollars or more in the Republic of South Africa or has contractual or sub-contractual relationships with the Republic of South Africa or its instrumentalities.

The primary impetus for the legislative action came from liberal legislators in general and the Black Caucus in particular. Earlier divestment efforts on university campuses in the state had helped prepare
the public for the issue.

The question of divesting public funds from corporations and banks that operate in South Africa was debated at public hearings and seminars. Articles on the subject were carried in local labor papers. A Pension Fund Task Force produced a report on alternative investments for the state employee's pension fund which would benefit Massachusetts. The work was assisted by community representatives including members of the local southern Africa group.

The endorsement of the public employees union was crucial for building the campaign. It was their money that was being discussed, and their support silenced opposition arguments based on fiduciary rationales. Other ingredients were support from church and community groups, and good press coverage. Although the bill passed both houses of the legislature, a technicality prevented it from becoming law. A similar bill will be introduced in 1981, and it is expected to succeed. The experience of Massachusetts should be applicable wherever there is a public pension plan with South African holdings, black legislative representation, multi-racial, church, and labor support.

The Strategy For The National Campaign

The Campaign Against Investment in South Africa brings together elected officials, groups supporting South African freedom, and community groups. A legislative advisory board is made up of interested elected officials, many of whom have already introduced bills in their state or city. Southern Africa focused groups bring knowledge of the South African system and how U.S. economic involvement undergrids it. Community groups with a concern for the well being of their neighborhoods bring the constituency and focus on alternative responsible investment.

Campaign Against Investment In South Africa

The following organizations are participating in or acting as resources for this campaign.

AMERICAN COMMITTEE ON AFRICA
198 Broadway
New York NY 10038
212-962-1210

AMERICAN FRIENDS SERVICE COMMITTEE
1501 Cherry Street
Philadelphia PA 19102
215-241-7169
CLERGY AND LAITY CONCERNED
198 Broadway
New York NY 10038
212-964-6730

CONNECTICUT ANTI-APARTHEID COMMITTEE
P.O. Box 727
Waterbury CT 06720
203-756-0296

INTERFAITH CENTER ON CORPORATE RESPONSIBILITY
475 Riverside Drive
New York NY 10115
212-870-2294

TRANSAFRICA
1325 18th Street
Washington DC 20036
202-223-9666

UNITED METHODIST CHURCH OFFICE FOR THE U.N.
777 United Nations Plaza
New York, NY 10017
212-682-3633

WASHINGTON OFFICE ON AFRICA
110 Maryland Avenue NE
Washington DC 20036
202-546-7961

Legislative Advisory Panel
Senator Julian Bond, Georgia
Senator Jack Backman, Massachusetts
Senator William Curry, Connecticut
Senator William Owens, Massachusetts
Rep. Perry Bullard, Michigan
Rep. William Dyson, Connecticut
Rep. Virgil Smith, Michigan
Rep. Mel King, Massachusetts
Rep. Al Price, Texas

Consultants
John C. Harrington, Chairperson
Governors Public Investment Task Force, California
Ann Beaudry, Program Director
Nat. Center for Economic Alternatives, Wash.DC
Randy Barber
Pension Investment & Control Issues, Wash.DC
James Farmer, Executive Director
Coalition of American Public Employees, Wash.DC