Dear Friend:

The past six months have been among the most exciting so far for the divestment movement. For the first time, the apartheid issue has been elevated to national news and actions. The escalating struggle against apartheid inside South Africa has caught the attention of the world. This spring I travelled in 15 states and discovered that divestment was being widely discussed in local media and meetings.

As a result, one more state and several major cities in the US have voted to divest their funds from banks and companies dealing with South Africa. The state of Iowa adopted a bill aimed at withdrawing $300 million dollars and it was joined by the cities including Burlington, Miami, Pittsburgh, Richmond, Seattle and San Francisco. In Los Angeles, Mayor Tom Bradley announced that he is asking the city commissioners to divest $700 million dollars, and in New Orleans a commission is looking into divestment.

On March 15, New York City, which has already divested retirement funds, enacted an ordinance to ban deposits in banks making loans to the South African government, and severely restricts purchases from corporations selling to the South African military police, prison system or Ministry of Cooperation and Development (which enforces the pass laws). As a result of the city action, Citibank, Manufacturers Hanover Trust, and Morgan Guaranty Trust announced that they were liquidating all present loans to the South African government and would make no future loans.

Meanwhile, the U.S. Congress has for the first time seriously considered legislation aimed at applying sanctions on South Africa. On June 5, the House of Representatives passed HR 1460, the Anti-Apartheid Act of 1985 which bans bank loans, computer sales, import of Krugerrands and halts new investments to South Africa. The vote was a bipartisan and overwhelming 295 to 127. A similar bill S635 is pending in the Senate where it also has bipartisan support. A vote is expected soon.

Partial and unexpected support for the campaign came from the American Bankers Association, the largest banking industry and trade group with a membership of 13,000 financial institutions, which condemned apartheid and urged an end of loans to the South African government.

A few weeks ago, I travelled to Germany to a meeting of 30 activists representing anti-apartheid groups in more than 20 European countries. Although the divestment movement may not be as visible and powerful in Europe as it is in the U.S., it is gaining strength. This is especially true in Germany, a country which is making as many bank loans to apartheid as the American banks. In London, several Members of Parliament are looking into their own economic sanctions and several have visited Washington to talk to their American counterparts.

Meanwhile, in Pretoria, the apartheid regime is in a panic. In March
it created a special government post in the Department of Foreign Affairs to deal with divestment and Dr. Park Burgher, a senior official of the same department, was sent around the country "to hold a series of meetings with businessmen to prepare them for the shock of further American divestment." (See enclosed clip).! The Johannesburg Rand Daily Mail reported that the South African government had indicated that although it was comforted by the Reagan Administration's opposition to divestment, it recognized that the "divestment lobby would take action that could strike telling blows on South Africa."

In June there were a flurry of top-level business meetings in London and New York attended by South African government officials, including at least one Cabinet Minister, and homeland leader Gatsha Buthelezi to try to convince investors that they must continue doing business with apartheid. But as the Wall Street Journal recently reported, many corporate planners and politicians believe U.S. involvement in South Africa is now at a turning point.

In New York, mid-June, a new political risk survey released by Frost and Sullivan, a prestigious international firm, concluded that "South Africa is showing a deteriorating risk picture, in both the short and long term." Frost & Sullivan conducts political risk surveys annually of over 80 countries, primarily for large multi-national corporations.

ACOA recently finished an updated complete summary of bills introduced in states and cities across the country since January. It is available on request. We also have available a 50 page report by ACOA's associate, the Africa Fund, titled Economic Action Against Apartheid: An Overview of the divestment Campaign and Financial Implications for Institutional Investors.

The report was prepared for a conference of several hundred institutional investors held in New York this spring by the New World Foundation. There are two sections of the report which you may find particularly helpful in working for divestment. The opening section (pages 1-11) highlights the tremendous impact the divestment movement is having on both government and business leaders in South Africa. The second half of the report contains a special study prepared for the fund by Theodore Brown, on the financial implications of divestment. Brown is a former financial consultant with Shearson/American Express. His careful analysis shows the weaknesses of the arguments predicting financial losses. Copies of this report are available for $5.00. Also available, for $6.00, is a legal study prepared for the same meeting by a leading Washington lawyer, Thomas A. Troyer.

During the summer, we will be issuing a comprehensive newsletter detailing divestment actions in Washington, states, cities and universities.

Sincerely,

Dumisani Kumalo
Projects Director
Please send me:

_________ Summary of State and Municipal Divestment Actions (update June 1985) 14pp. (typescript) $2

_________ Summary Chart on Public Fund Divestment (measures passed) 6pp. (typescript) $.50

_________ Economic Actions Against Apartheid: An Overview of the Divestment Campaign and Financial Implications for Institutional Investors, by Brooke Baldwin and Theodore Brown. $3

_________ Divestment of South Africa Investments: A Legal Analysis for Foundations, Other Charitable Institutions, and Pension Funds, by Thomas Troyer $6

I enclose $_______ (Please include 15% postage and handling).

Name ________________________________

Address ________________________________