PUBLIC INVESTMENT AND SOUTH AFRICA

October 29, 1986

Dear Friends,

1986 has been a banner year for the divestment movement in the U.S. After years of opposition, the state of California passed a full divestment bill and, across the country, more and more cities and states are distancing themselves from apartheid. By September, at least 19 states, 70 cities and 13 counties had adopted binding measures restricting public fund investment in or purchases from corporations involved in South Africa. A major intent of these measures was to induce corporations to end all links with South Africa. Congress also took a first step in the direction of cutting links with Pretoria in October, when both chambers overrode a presidential veto and adopted a package of sanctions against South Africa. While these Congressional sanctions are much weaker than most state and local activists would want, they do represent a substantial defeat for the Reagan administration's constructive engagment policy toward Pretoria.

The pressure on U.S. corporations is also increasing. As this letter goes to print, Coca-Cola, General Motors, IBM and Warner Communications have all announced they are planning to withdraw from South Africa. "GM's been taking a hiding in the U.S. for its investment here," said GM's general manager in South Africa in explaining their action. "You can take it a little better when you're making money, but we've been losing money for years."

That GM and IBM in particular have been forced to end direct investment is significant, but both companies will continue to do business with the apartheid economy. Immediately after the announcement, both GM and IBM assured their South African customers that their products will still be available. The general manager of IBM South Africa, Jack Clark, will become the general manager of the new, as yet unnamed, company set up when IBM "withdraws. That new company will have an exclusive franchising and licensing agreement with IBM in the U.S. What's more, IBM in New York is making a new five year loan to the South African company to enable local managers to buy IBM South Africa. And GM, just to ensure its access to South African markets, has put a clause in the sales agreements that allows it the option to buy back the local operation at a future date.

These actions look much like a new form of corporate camouflage designed to take the divestment heat off while allowing companies to maintain business relations at whatever level they choose. In evaluating these actions and planning our response it is helpful to recall what we have been trying to accomplish.

Ultimately, the Black majority in South Africa will be the ones who bring an end to white minority rule. Even a casual observer of the television news will be aware that the Black challenge to apartheid has expanded dramatically in the last two years. By arguing for corporate withdrawal, the divestment movement in this country has been able to make a real contribution to this struggle for justice. Not only are we morally outraged by apartheid, but we are working to undercut the strength of that system and make South Africa's white minority pay dearly if it persists in clinging to its system of modern day slavery.

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In working toward this end, the anti-apartheid movement has opposed both trade with and investment in South Africa. Divestment activists have particularly focused on companies with direct investment, that is, partial or total ownership of businesses located in South Africa. But as the nature of U.S. economic relations with South Africa changes, the divestment movement needs to pressure for an end to all involvement--sales, investments, trade and licensing agreements--with the South African economy. In the coming months, we need to insure that state and local divestment and selective purchasing measures continue to target companies like IBM and GM.

We all put a tremendous amount of work into passage of the national sanctions legislation this year, and that legislation, despite its many limitations, was a clear victory for the anti-apartheid movement. The fact that cities and states all across the country had passed strong divestment measures was a major factor in persuading Congress to act. And during the Congressional debates, your actions were clearly a decisive factor.

The next round of state and local legislation will be key in maintaining the momentum of the divestment movement. The impact of the victory in California coupled with the Federal sanctions should make it easier to pass legislation in cities and states that haven't yet been able to do so. At the same time, there must be a clear focus on strengthening some of the legislation that has already been passed to insure that companies like GM and IBM won't be allowed off the hook. Anti-apartheid purchasing laws have been quite successful on a local level, and would be even more powerful if they were more widely enacted on a state level as well.

In addition, the sanctions battle isn't over yet; it has really just begun. The final sanctions bill that passed is far short of the comprehensive measures that ACOA supports and must be made stronger if they are to have any real effect. Because of the impact that state and local actions had on the sanctions debate this year, we are suggesting that in preparation for next year states consider adopting resolutions calling for strong, comprehensive sanctions against South Africa--sanctions such as those contained in the legislation that originally passed the House of Representatives.

I look forward to working with you on these various fronts in the coming months.

Sincerely,

Rob Jones

Rob Jones
Projects Director

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October 1986

The divestment movement scored a major victory in California this September, when the governor signed divestment legislation that will result in the sale of more than $9.5 billion in South Africa-related stocks and bonds. After more than five years of campaigning by legislators and community activists, in mid-July Republican Governor George Deukmejian reversed his opposition to divestment and agreed to a comprehensive state plan.

Although divestment activists had urged the governor to begin divestment immediately and eliminate the first one year phase, this action is a major victory for the divestment movement. The $9.5 billion to be divested more than doubles the total amount of money now affected by state and local action, bringing the total to more than $18.5 billion.

Around the country the issue of South Africa has continued to rank high on state agendas this year, with at least 36 states debating binding divestment measures since January. Since April, binding divestment measures have passed in Vermont, Maine and West Virginia, and Maryland has become the first state to adopt selective purchase legislation. This fall, strong divestment campaigns are slated for a number of states around the U.S., including Michigan, Florida, Ohio, New York and Washington state (if you know of other divestment actions being planned please write ACOA).

In addition, with the passage of divestment measures in Houston and Chicago, nine out of the top ten cities in the US have taken concrete steps to distance themselves from apartheid. The tenth city, Dallas, is now considering a divestment resolution.

This increased activity is indicative of the escalating level of opposition to apartheid both in the US and abroad. To date, 19 states, 13 counties, 70 cities and the Virgin Islands have passed some form of "peoples' sanctions" legislation requiring the sale of $18.5 billion in stocks and bonds in U.S. corporations and banks involved in South Africa. A summary chart of the binding measures that have passed follows:

STATE	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
California	Governor signs legislation mandating one year ban on investment in companies making new investments in S.A. followed by a three year phased divestment plan. Affects State Teachers Employment Fund and Public Employees Retirement Fund.	September, 1986	$9.5 billion

STATE	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Colorado	State Treasurer bans new investment in companies that do business in South Africa and banks that make loans to the public sector. The portfolio was S.A. free by March of 1986.	August 1985	$100 million
Connecticut	Law requiring divestment of all state funds from companies that sell strategic products or services to the South African govt. or are not in the top two categories of the Sullivan Principles.	June 1982	$70-100 million
Iowa	Law requiring divestment of pension and educational funds from companies investing in S.A. that are not in top two categories of Sullivan Principles; from those companies that supply strategic products to the South African military or police; and from banks with loans to S.A. or to companies doing business there.	May 31, 1985	$50 million
Kansas	Kansas Public Employees' Retirement System adopts a policy of divestment of non-Sullivan signatory companies.	September 1985	$23 million
Louisiana	Law prohibiting deposit of state funds in banks with loans to S.A. govt. or its agencies.	July 23, 1985	Not determined
Maine	1)State Retirement Board divests from all non-Sullivan signatory companies and State Treasurer divests trust fund monies from companies doing business in S.A.	December 1984	$11 million
	2)Group of trust funds managing state lands votes to divest all funds from South Africa.	September 1986	$2 million
Maryland	1)Law prohibiting deposit of state funds in banks making new loans to the S.A. government or national companies.	May 25, 1984	Not determined
	2)Law placing moratorium on investment of state retirement and pension funds in companies that do not meet the top two categories of the Sullivan Principles.	June 1985	Not determined

STATE	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Maryland (continued)	3)Law prohibiting state purchases of South Africa-origin goods unless essential or unavailable elsewhere; firms in South Africa barred from contracts over $100,000 unless companies demonstrate non-discrimination, or provide essential or otherwise unavailable goods and services.	May 27, 1986	Not determined
Massachusetts	Law requiring divestment of all state pension funds from firms doing business in or with S.A.	Jan. 4, 1983	$90-120 million
Michigan	1)Law prohibiting deposit of state funds in banks making loans to S.A.	1980	Not determined
	2)Law requiring public educational institutions to sell all investments in companies doing business in South Africa.	1982	Not determined
Minnesota	The State Board of Investment votes to divest over 4 years and prohibits all new investment by pension funds in corporations doing business in S.A.	October 1985	$1.1 billion
Nebraska	Law requiring state pension funds to divest all stocks in companies not meeting highest rating of Sullivan Principles.	1984	$36 million
New Jersey	Law requiring divestment of pension funds from all corporations doing business in S.A. within three years. Over $720 million has already been divested.	August 1985	$2.7 billion
New Mexico	State investment council recommends divestment from corporations with at least 5 percent of assets, employees, or earnings in South Africa.	Nov. 20, 1985	$27 million
North Dakota	State Investment Board prohibits new investment in companies that have not signed the Sullivan Principles.	July 1985	Not applicable

STATE	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Rhode Island	Law preventing further investment of state monies or pension funds in any firm doing business in or with S.A.; divestment over a period of 4 years from firms doing business in S.A. not rated in category one of the Sullivan Principles and from all firms that supply strategic products to the S.A. military or police.	June 1985	$141 million
Vermont	1)State Legislature votes to divest state liquid assets and money market accounts from financial institutions which have deposits from or loans to South Africa, and to divest from companies doing business in or with South Africa.	May 1, 1986	$22 million
	2) State Employees Retirement Fund Board votes for full divestment.	April 1986	$39 million
West Virginia	Board of Investment votes to withdraw state investments from companies operating in South Africa or Namibia. Deposit of funds in banks with loans to the government of South Africa or its parastatals is forbidden. Divestment is running well ahead of schedule, with $205.2 million already divested.	May 16, 1986	$513 million
Wisconsin	State Attorney General rules that investment of state educational funds in firms doing business in S.A. violates state civil rights act.	May 19, 1977	$11 million
Virgin Islands	Law requiring divestment of territorial pension fund from S.A.-linked holdings within two years.	October 1984	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Alameda County (CA)	Ordinance prohibits investment of city funds in any bank or financial institution that has loans to the S.A. government or loans to any business for operations in S.A. or Namibia; prohibits county purchase of products manufactured in S.A. or Namibia and provides for selective purchasing with a 5% advantage for companies not in S.A. or Namibia, except in special circumstances.	June 1985	Not determined
Alexandria (VA)	Divestment of city funds from companies or banks doing business in S.A. that are not in the top two categories of Sullivan.	May 1985	Not determined
Amherst (MA)	Divestment from companies doing business in S.A. or producing nuclear weapons.	October 1984	Not determined
Ann Arbor (MI)	Board of Pensions votes to divest from all companies doing business in South Africa following City Council resolution on the issue.	September 1986	$19 million
Atlanta (GA)	City Council ordinance prohibits city employee pension funds from making new investments in corporations that do business with the S.A. government or state controlled companies; ordinance also prohibits deposit of city funds in banks that have not refused to make new loans to the S.A. government or government controlled companies.	August 1985	Not determined
Atlantic City (NJ)	Divestment within two years of city funds in firms operating in S.A. and banks with loans to S.A. Portfolio is now South Africa free.	March 31, 1983	Not determined
Baltimore (MD)	Pension fund trustees prohibit investment in corporations that do not meet the top two ratings of the Sullivan Principles.	August 1985	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Bergen County (NJ)	Bergen County Freeholders resolve that no county funds be deposited in banks that make loans to South Africa.	June 1983	Not determined
Berkeley (CA)	Binding referendum removes funds from banks doing business in or with South Africa.	April 17, 1979	$12 million
Boston (MA)	1)Prohibition on investment of city deposits and pension funds, and housing authority funds in any banks with outstanding loans to South Africa or Namibia or any firm doing business in those countries.	January 7, 1985	$11 million
	2)Selective purchase legislation prohibits procurement of goods and services from South Africa.	August 7, 1986	Not determined
Boulder (CO)	Divestment of city funds from corporations operating in South Africa.	July 16,1985	$6.1 million
Brookline (MA)	Brookline Retirement Board agrees to divest bonds in companies with investments in S.A. over 3 year period.	Jan. 15, 1986	$450,000
Burlington (VT)	Divestment of all city funds from corporations in South Africa.	April 30, 1985	$1.8 million
Cambridge (MA)	Cambridge Retirement Board will make no new investments in firms that do business in S.A.	February 1980	Not applicable
Camden (NJ)	Resolution prohibits future investments or deposits of city funds in banks that make loans to S.A. government and bans city purchases from corporations operating in S.A. or Namibia.	September 1985	Not applicable
Charleston (SC)	City Council votes to cease all business transactions with companies affiliated or associated with companies investing in South Africa, and requests firms located in Charleston to cease investing in South Africa.	Aug. 20, 1985	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Charlottesville (VA)	Divestment of pension funds from firms that have not signed the Sullivan Principles.	December 1984	$700,000 to $1 million
Chicago (IL)	City Council votes that city funds may not be deposited in institutions which have financial dealings with the governments of South Africa and Namibia or their agencies or parastatals, or which sell krugerrands. Selective purchasing with an 8% bidding preference for goods not from South Africa or Namibia, and for companies which do not sell to the governments of South Africa and Namibia.	May 30, 1986	$700 million (projected)
Cincinnati (OH)	Divestment of city funds from firms that do business in South Africa.	January 1985	$150 million
Cleveland (OH)	No deposit or investment of public funds in any financial institution doing business in South Africa or Namibia, unless reasonable alternatives for essential financial services are unavailable.	April 1986	Not determined
College Park (MD)	No deposit of city funds in financial institutions with investments in South Africa. Selective purchasing clause prevents purchase of goods and services originating in South Africa unless essential and unavailable elsewhere.	April 1985	Not determined
Columbus (OH)	City Council legislation prohibits deposit of city fund in banks making new loans to South Africa.	Sept. 24, 1985	Not determined
Cuyahoga County (OH)	County Investment Board prohibited from investing public funds in banks lending to the South African government.	March 12, 1984	Not determined
Davis (CA)	No further investment in banks doing business in South Africa.	1980	Not applicable

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Detroit (MI)	City Council ordinance prohibits city from using banks that do business with the S.A. government and prohibits investment in any subsidiary or affiliate of a U.S. firm doing business in S.A.	March 28, 1985	Not determined
East Lansing (MI)	City Council votes to use competitive suppliers which do not operate in South Africa when purchasing goods and services.	August 3, 1977	Not determined
Erie (PA)	City Council bars deposits and investments in banks and corporations doing business with South Africa.	Sept. 15, 1985	Not determined
Fairmont (WV)	Prohibits purchase of goods originating in South Africa, or purchase from companies dealing with the government of South Africa.	June 1986	Not determined
Fort Collins (CO)	No deposit of city funds in banks with loans to the South African government or which sell Krugerrands.	Aug. 20, 1985	Not determined
Freeport (NY)	Village Board prohibits deposit of funds in any bank or financial institution with loans to South Africa.	August 1985	Not determined
Fresno (CA)	City council ordinance requires pension funds to divest from all companies doing business in S.A. or Namibia and bans investment in banks which lend to South African government or parastatals.	August 1985	Not determined
Gainesville (FL)	Resolution directs pension fund managers, whenever possible, to not invest in corporations that do business in S.A.	Sept. 30, 1985	Not determined
Grand Rapids (MI)	City Commission prohibits deposits of idle funds in banks lending to S.A. government or to firms doing business in S.A.	Oct. 26, 1982	Not determined
Harrisburg (PA)	City council resolution bans city government from purchasing products originating in South Africa or Namibia, and from contracting with firms involved in S.A. or Namibia.	June 10, 1986	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Hartford (CT)	Prohibits investment of city pension funds in firms operating in S.A. that have not signed the Sullivan Principles.	1980	Not determined
Hennepin County (MN)	Prohibition of direct purchase of securities of corporations that do business in South Africa. Selective purchase law requires purchase of goods from companies not in South Africa when all other factors are equal.	Dec. 17, 1985	Not determined
Houston (TX)	City council prohibits investment of money and purchase of goods from companies which have business with certain government agencies in South Africa and Namibia, including the military, police, and prisons.	July 23, 1986	Not determined
Howard County (MD)	Prohibits deposit of county funds in banks and companies with loans to or investments in the Republic of South Africa.	April 9, 1986	Not determined
Jersey City (NJ)	Divestment of public funds deposited or invested in banks or corporations with loans to or investments in South Africa.	September 1985	Not determined
Kansas City (KS)	City council resolution calls on city to seek alternatives, whenever possible, to purchases, bids, and contracts with companies in South Africa.	October 1985	Not determined
Kansas City (MO)	City Council legislation requires divestment of funds from South Africa.	Aug. 29, 1985	Not determined
Los Angeles (CA)	1)City Council unanimously recommends pension fund divestment over 5 years from all companies operating in S.A. Trustees of 2 of 3 city pension funds have adopted this divestment plan. Mayor's executive order terminates investment or deposit of city funds in banks that do business in S.A. or that sell or promote Krugerrands.	Aug. 16, 1985	$600 million

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Los Angeles (continued)	2)City Council ordinance introduces selective purchase legislation on contracts, such as vending and personal services, not under City Charter's competitive bid requirement. Within this category, City will not purchase goods from South Africa, or from companies operating in South Africa, except news agencies and transportation companies.	April 1986	Not applicable
Madison (WI)	Ordinance urges city to seek contracts with firms not in S.A. and declares investment in S.A. an enforceable reason for ending contracts.	December 1976	Not applicable
Miami (FL)	Divestment of city funds from U.S. firms in S.A. or Namibia and from banks lending to the South African or Namibian governments, to South African firms, or to U.S. companies doing business in South Africa.	Feb. 14, 1985	Not determined
Middletown (CT)	Divestment of public pension funds.	September 1985	$7 million
Minneapolis (MN)	Prohibits investment of public funds in companies operating in South Africa and not in Sullivan Principles highest category. Prohibits investments in firms which advertise Krugerrands, or buy securities of the South African government, except for non-discriminatory educational, housing and health programs.	Nov. 15, 1985	Not determined
Monroe County (NY)	No bank deposits or investments in banks and companies which support apartheid, or do business with the governments of South Africa and Namibia, or their agencies, unless for education, housing, or health facilities available to all. Ban on purchase of products originating in South Africa unless necessary and unavailable elsewhere. Ban on contracts with companies supporting apartheid except as required by law.	1985	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Montgomery County (MD)	No investment of county pension funds in South Africa-related holdings.	March 1985	Not determined
New Castle County (DE)	County Council ordinance requires pension fund to divest within two years.	January 1986	Not determined
New Haven (CT)	City Pension Board divests from companies that are not in the top two ratings of the Sullivan Principles.	August 1985	Not determined
New Orleans (LA)	City council orders divestment of city pension funds from companies doing business in S.A., bars city banking with financial institutions doing business in S.A., and seeks to do business with companies which operate primarily within Louisiana.	June 20, 1985	$2 million
New York City (NY)	1)NYC Employee's Retirement System adopts 5 year phased divestment plan.	August 3, 1984	$900 million
	2)City Council prohibits deposit of city funds in banks that make loans to the S.A. government or that advertise or promote the Krugerrand.	March 15, 1985	Not applicable
	3)Ban on city purchases of South African and Namibian goods and 5% preference for firms not dealing with the South African military, police, prisons, or Ministry of Cooperation and Development.	March 1985	Not applicable
	4) Firemen and Police Retirement System adopts legislation comparable to NYCERS legislation, with shorter implementation period.	August 1986	$800 million
Newark (NJ)	1)Ordinance mandates two-year divestment from banks or firms with loans or investments in South Africa or Namibia; bans purchasing from firms operating in South Africa or Namibia; prohibits entertainers who perform in South Africa from playing in city facilities.	August 1984	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Oakland (CA)	City ordinance prohibits investment of city funds in corporations doing business in South Africa or Namibia; prohibits investment or deposit in any bank or financial institution that lends to the government of, or businesses organized in, South Africa or Namibia; prohibits county from purchasing any commodity made in South Africa or Namibia and provides for selective purchasing with a 5% advantage for companies not in South Africa or Namibia.	July 23, 1985	$150 million
Omaha (NE)	Divestment of city and retirement system funds from companies doing business in South Africa or Namibia. Bans purchase of goods originating in South Africa.	Oct. 4, 1985	$38 million
Palo Alto (CA)	City Council prohibits deposit of city funds in banks or corporations which have dealings with either the public or private sector in South Africa.	December 1985	Not determined
Philadelphia (PA)	Divestment of city pension funds from firms in S.A. and from banks making loans to the government of S.A. or Namibia.	June 1982	$90 million
Pittsburgh (PA)	1)Pension Board votes to divest from companies doing business in South Africa.	Jan. 17, 1985	Not determined
	2)Amendment to Pension Board legislation prohibits city from entering into contracts with the governments of South Africa and Namibia, South African and Namibian corporations, and American businesses in South Africa and Namibia unless alternatives do not exist or would constitute undue financial burdens.	Feb. 25, 1985	Not determined
Portsmouth (VA)	Portsmouth Retirement system bans investments in South Africa, and in businesses which are not signatories to the Sullivan Principles.	December, 1985	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Prince Georges County (MD)	County government prohibits contracts with companies investing in S.A. or Namibia, except when essential. Legislation also prohibits deposit of county funds in banks with loans to S.A. government or parastatals and directs pension funds to study impact of divestment.	Oct. 15, 1985	Not determined
Rahway (NJ)	Ordinance prohibits deposit of city funds in banks with loans to the S.A. government, or investments in any firm operating in South Africa.	June 1984	Not determined
Raleigh (NC)	City Council prohibits deposit of city funds in banks with loans to companies which practice discrimination in South Africa; bans purchase of products originating in South Africa unless necessary. Restricts purchase of goods from companies which sell to the government of South Africa or refuse to adhere to the Sullivan Principles.	Jan. 21, 1986	Not determined
Richmond (CA)	City Council prohibits deposit of city funds in banks which lend to the South African or Namibian governments, or to corporations organized under the laws of South Africa; bans purchase of goods manufactured or produced in South Africa or Namibia. Provides a 5% preference in city contracting for companies which do not operate in South Africa or Namibia.	Feb. 10, 1986	Not determined
Richmond (VA)	1) Bans new investment of public funds in firms doing business in or with S.A. Mandates divestment of funds now invested unless feasible alternatives are unavailable.	June 1985	Not applicable
	2)Selective purchasing amendment bans purchase of goods from companies operating in or trading with South Africa, unless necessary.	December 1985	Not applicable

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Rochester (NY)	Withdrawal of public funds from banks with outstanding loans to South Africa or to Namibia and divestment of stocks of banks or financial institutions lending to South Africa or to Namibia; divestment of pension funds from firms which support apartheid and from banks or financial institutions with loans to S.A. or Namibia; selective purchasing clause bans purchase of goods originating in South Africa unless necessary. Bans contracts with companies dealing with the governments of S.A. and Namibia, or refusing to adhere to the Sullivan Principles.	July 1985	Not determined
Rockland County (NY)	1)Bans deposit of county funds in Barclays Bank due to its operations in S.A. and its support for British rule in Northern Ireland.	1984	$1.6 million
	2)Bans deposits or investments of county funds in banks with loans,investments, business or branches in South Africa, Namibia, Libya, Northern Ireland or the Soviet Union.	May 6, 1986	Not determined
San Diego (CA)	Resolution by the City Council urging the Retirement Board to divest by the end of 1986. Board agrees to divest.	June 1985	$35 million
San Francisco (CA)	1)Divestment of city pension funds from firms operating in South Africa within two years.	April 30, 1985	$335 million
	2)Ordinance prohibits purchase of goods and services from corporations doing business with S.A., unless unavailable elsewhere, or if alternatives are more costly or contract is less than $5000.	January 1986	Not determined
San Jose (CA)	No further purchase of securities issued by the S.A. government or U.S. firms with S.A. subsidiaries; no further links to banks that invest in or do business with S.A. or that lend money to U.S. firms operating in South Africa.	June 1985	Not applicable

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Santa Barbara County (CA)	Board of Supervisors prohibits investment in businesses organized under the laws of South Africa, U.S. multinationals with operations in South Africa, and banks with either branches in South Africa or loans to the government of South Africa, or to private corporations in South Africa, wherever legally possible and consistent with sound investment policy.	Aug. 18, 1986	$225 million
Santa Cruz (CA)	Prohibits investment of public funds in banks doing business in or with South Africa.	Nov. 8, 1983	Not determined
Seattle (WA)	Legislation prohibits deposits with banks doing business with the government of South Africa, or any other nation which has institutionalized racism, when comparable options are available.	April 22, 1985	Not determined
Sonoma County (CA)	Prohibits investment in companies with operations in S.A. or purchase of goods or services from corporations that do business in South Africa whenever possible and when consistent with state laws.	September 1985	Not determined
St. Louis (MO)	Board of Aldermen mandates full divestment of city employee pension fund and firemen's pension fund.	March 1986	Not determined
Stockton (CA)	Divestment of city funds from South Africa linked holdings. Selective purchase ban on the purchase of any goods or services supplied by the government of South Africa.	June 1985	$8 million
Topeka (KS)	City council resolution urges city to use alternatives to investing in companies involved in South Africa and not to do business with companies in South Africa "whenever possible."	Jan. 30, 1986	Not determined
Tucson (AZ)	City council directs total divestment of retirement fund investments in companies doing business with South Africa.	Sept. 3, 1985	$11 million

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Washington (DC)	1)Divestment of D.C. pension fund from South Africa related holdings over two years.	Oct. 4, 1983	$44 million
	2)6 percent bidding penalty against companies with business interests in South Africa and Namibia.	May 23, 1986	Not determined
Westchester County (NY)	County Board directs county not to deposit funds in banks that do business with the South African government or any of its instrumentalities.	1985	Not determined
West Hollywood (CA)	City and county ordinance bars deposit of city funds in banks with loans to South Africa; also prohibits purchase of goods and services from companies that do business in South Africa. In February 1986 selective purchase clause amended to allow purchases from companies in South Africa if products are necessary and not available elsewhere at comparable prices.	April 4, 1985	Not applicable
Wilmington (DE)	1)Divestment of pension funds from firms doing business in S.A.	July 18, 1985	$400,000
	2)Executive order and concurring City Council resolution ban business with or exchange of any material or goods to or from South Africa. The port of Wilmington shall accept no ships off-loading cargoes from South Africa. Selective purchase legislation prohibits procurement of goods and services supplied by or originating from South Africa.	July 3, 1986	Not determined
Youngstown (OH)	Divestment of city funds from banks investing in S.A. or institutions related to the South African or Namibian government.	Jan. 24, 1985	Not determined

CITY/COUNTY	NATURE OF ACTION	DATE ENACTED	AMOUNT AFFECTED
Ypsilanti (MI)	Fire and Police Pension Board divests from companies that are not Sullivan signatories, and decreases the percentage of the portfolio in Sullivan signatory companies.	Oct. 7, 1985	$887,500

American Committee On Africa
198 Broadway, New York, N.Y. 10038 / (212) 962-1210 / Cable AMCOMMAF

To: Key Friends of ACOA

From: Jennifer Davis, Executive Director

Date: October 25, 1986

I wanted to share with you this brief summary of what the sanctions bill which has passed over President Reagan's veto does and does not do. I think this summary can be a valuable resource for all of us as we begin the drive to ensure that next year Congress will act to break all economic ties with South Africa.

Although the vote to override the veto was a stinging rebuke to the Administration's constructive engagement policy, the bill still falls far short of ending U.S. investment and trade with South Africa. It is this complete end to U.S. economic support for apartheid which Black South Africans have been demanding. Comprehensive economic sanctions would put real pressure on the South African government and, as a result, would significantly aid the struggle for majority rule.

The main weakness of the sanctions bill is that it bans new investments and bank loans at a time when the deteriorating economic situation in South Africa and the growing divestment movement in this country has already virtually ended these types of capital transfers. Below we have provided a brief summary of the main provisions of the sanctions bill.

New Investment: Bans new investment, except in firms owned by Black South Africans. However, there is virtually no new American investment in South Africa at this time.

Reinvestment of Profits: Permits U.S. companies to reinvest profits in South Africa. Also permits U.S. ownership of stocks and securities in South African corporations.

Bank Loans: Prohibits new bank loans to the South African public or private sector. Again, this comes at a time when no U.S. banks are making new loans to South Africa. The bill does permit short term trade credits which, in the past, have accounted for a substantial part of U.S. lending.

Trade: Although U.S. imports of coal, iron, steel, textiles, uranium, and agricultural products are banned, 82% of U.S. trade with South Africa will be permitted to continue. The bill also incorporates into law the previous executive order banning the importation of Krugerrands and the export of computers to some South African government agencies.

Landing Rights: Denies landing rights for South African Airways and prohibits direct flights between the U.S. and South Africa. South African Airways will now run connecting flights from Europe.

Tax Credits: U.S. companies will no longer be able to claim a credit on their U.S. corporate income tax for taxes paid to the South African government.

Liberation Movements: Calls for a CIA investigation of "communist infilitration" of anti-apartheid organizations in South Africa and a legal investigation of ANC activities in the U.S.

American Committee On Africa
198 Broadway, New York, N.Y. 10038 / (212) 962-1210 / Cable AMCOMMAF

PREEMPTION - THE FEDS FIGHT BACK AGAINST LOCAL LEGISLATION

Consistent with its policy of clinging to "constructive engagement," and attempting to block any economic actions against the white minority regime in South Africa, the Reagan administration has for many years stood in opposition to state and local anti-apartheid actions. The administration's rationalization for this position has been that these laws infringe upon the Federal government's exclusive powers to formulate U.S. foreign policy. Some members of Congress, with Administration support, have recently attempted to use the passage of national sanctions legislation to freeze state and local anti-apartheid action.

THREAT IN THE SANCTIONS BILL

During the debate on sanctions in the Senate, Foreign Relations Committee Chairman Richard Lugar argued that once the Federal government passed sanctions, existing state and city legislation on the issue would be superceded. Although there was no specific language in the sanctions law mandating preemption, it was felt that because Lugar was the original sponsor of the sanctions bill his comments could be interpreted by the courts as indicating the intent of Congress.

In response to this threat, ACOA mobilized grassroots opposition, contacted sympathetic members of Congress and helped draft language for a House resolution on the issue. During the final House debate on the sanctions bill, a concurrent resolution was passed specifically indicating the House did not intend the legislation to "...limit, preempt, or affect in any fashion..." state and local legislation. Thus, the threat of Federal preemption of local measures has been temporarily eliminated.

SELECTIVE PURCHASING MEASURES UNDER ATTACK

In a separate but related action earlier this year, the Administration began to use Federal competitive bidding laws to attack local anti-apartheid selective purchasing legislation. In April, the Federal Department of Transportation (DOT) notified New York City that its anti-apartheid selective purchasing law violated Federal competitive bidding guidelines when applied to Federally funded contracts. The DOT then threatened to cut off Federal funding for the City's transportation projects.

ACOA has been working with New York City as it opposes the DOT's action. It is clear that cities often take actions to restrict contracting and purchasing using criteria such as equal opportunity employment and preferences for home state companies. If these actions are legal, then it is inconsistent for the DOT to argue that apartheid related restrictions are somehow different and illegal.

(over)

The national sanctions law contains a clause preventing the Federal government from cutting off local funding because of anti-apartheid purchasing laws until January 1, 1987. But the DOT has acknowledged that -- after January 1, 1987 -- it will begin cutting Federal funding for all cities that apply selective purchasing measures to Federally funded contracts.

HOW CAN WE RESPOND TO THIS THREAT?

The approach taken by the administration so far has been to contact a city or state (often through the office of the comptroller or other financial officer) and say that their particular purchasing law is in violation of Federal guidelines, making no mention of the fact that all such laws are under attack. As a result, legislators are often the last to learn of attempts to weaken local laws in response to Federal pressure. ACOA believes that these moves must be defeated. A unified response coming from all the states and cities that have passed anti-apartheid legislation would be a first step in assuring that the gains of the divestment movement are protected from this blatantly political attack. In the coming months, ACOA's Projects Director, Rob Jones, will be energetically working with cities and states to formulate and implement the best strategy to ward off this attack.

10/23/86

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American Committee On Africa
198 Broadway, New York, N.Y. 10038 / (212) 962-1210 / Cable AMCOMMAF

Fears of U.S. Companies Rise On Cost of South Africa Ties

By NICHOLAS D. KRISTOF

Special to The New York Times

LOS ANGELES, Sept. 8 — New pressures are increasing the burden on American companies operating in South Africa, prompting many to leave or consider doing so.

American corporations are having to grapple with the possibility that remaining in South Africa may cost them substantial business with local and state governments at home and could drive down their stock price, according to many investment experts, consultants and corporate executives.

At least 18 American companies have pulled out of South Africa so far this year, and many of the 250 remaining seem to be re-examining their options. "In five years almost no American investment will be left in South Africa," Pierre A. Rinfret, who runs an international business consulting firm in New York, predicted recently.

Even the International Business Machines Corporation, one of the largest companies in South Africa, said earlier this year that it was "increasingly discouraged" with the situation there. In conversations, both on and off the record, executives at several companies appeared far less sanguine about their South African operations than they were just a year ago.

Two new forms of pressure appear to be most important. First is the growing number of cities around the country that are protesting South Africa's racial policies by refusing to buy equipment from companies doing business there. Second is the concern, which is only now coming into focus, that the rising number of pension funds selling shares in such companies will drive down the stock price and make it more difficult for these concerns to raise new capital. Gene T. Endicott, a spokesman for the Hewlett-Packard Company, said of the "selective purchase ordinances" prohibiting cities from doing business with companies operating in South Africa: "These could potentially have a real impact on our ability to do business with large municipalities. We have a lot of products that can be utilized by these customers."

At least 30 cities, mostly in the last 12 months, have passed laws that curtail the awarding of contracts to corporations operating in South Africa. So far in 1986 the additions to the roster include Los Angeles; San Francisco; Raleigh, N.C.; Topeka, Kan.; Washington, and the state of Maryland. Usually there is an exception applying to goods that are unavailable elsewhere, or unavailable except at a substantially higher price.

"Although we're not precluded entirely from doing business with San Francisco or Los Angeles, it does have a real impact on our sales," Mr. Endicott said.

Daniel F. Collins, a spokesman for the Bell & Howell Company, which withdrew from South Africa this spring, said it did so in large part because of the growing number of cities passing selective purchase ordinances, which could affect Bell & Howell's microfilm and textbook lines. "We saw a very real possibility that some of our business would be affected by municipal decisions to bar purchases," Mr. Collins said.

Just last month, the Fluor Corporation lost a $2.5 million contract with Los Angeles because of its involvement in South Africa. In all, the city estimated that its ordinance, which was passed in July, would affect more than $100 million in contracts a year.

Rick Maslin, a spokesman for Fluor, said the company planned to remain in South Africa. But he said that there had been debate on the issue within the company.

Most corporations, like Fluor, say that, while they are constantly evaluating the situation, they have no plans to leave. They stress that they can do more good for black South Africans by remaining in that country, as a force for change, than by leaving. But executives add that their principal obligation is to shareholders, and that, if circumstances in the United States or South Africa make it unprofitable to operate there, they are likely to withdraw.

In the past, however, companies that have withdrawn from South Africa have done so with no advance notice. In the summer of 1985, for example, many American banks were denying any intention of leaving South Africa at the same time that they were privately cutting off lending to that country, forcing a banking crisis in South Africa that led to a debt moratorium.

California and Baltimore

Another reason why companies feel greater anxiety is the rapid growth of the movement for divestment of stocks in companies operating in South Africa. Just last month, the California Legislature passed a measure requiring the sale over the next four years of more than $11 billion in securities of such companies. And just over a week ago the Archdiocese of Baltimore said it would sell all its holdings in companies operating in South Africa — the first such move by a Roman Catholic diocese in this country.

Thoughout the country, more than $30 billion in securities is scheduled for divestiture.

Some $150 billion now appears to be invested in stock portfolios held by investors who are in the process of selling at least some South Africa-related stocks, according to David P. Hauck, a senior analyst at the Investor Responsibility Research Center, a research group in Washington financed by institutional investors.

That $150 billion figure amounts to a bit less than 7 percent of the total value of the stocks on the New York Stock Exchange. This small, but not negligible proportion of the nation's investment capital would shun at least some South Africa-related stocks.

More and more stock market analysts are wondering if the effects will be observable on stocks of companies on the divestment lists. So far there does not seem to have been such an impact. The amounts divested have been relatively small, and investment managers usually have several years to sell stocks. Even if there were a fractional price impact, it would be drowned amid the daily price lurches on Wall Street.

Hugh A. Johnson Jr., senior vice president of the First Albany Corporation, a regional brokerage firm, said that a year ago he would have denied that divestment would affect the stock market. But now, he added, "the list is getting longer and it's starting to feel uncomfortable." In a few years, he said, companies on divestment lists might find it modestly more difficult to raise new capital, because many pension funds might be unable to purchase new issues of debt or equity.

Robert B. Zevin, economist and senior vice president at the United States Trust Company in Boston, said that divestment probably would have an impact on prices of some stocks, largely because some other investors would also steer away from them. While only 7 percent of investors might be prevented from holding a South Africa-related issue, other investors could also shun the stock in the expectation that the 7 percent would sell their holding and depress the price.

Mr. Zevin said, "I think you can make a case for staying away from them" as a long-term strategy. "The fact that we are in the midst of a rising tide of divestment has got to be a negative for the price of those stocks," he added.

Robert S. Salomon Jr., a managing director of Salomon Brothers Inc., said that, if stock prices did face the likelihood of becoming depressed, managers would probably pull out of South Africa before the stock impact became pronounced.

But so far several companies said they have not even thought of the possibility of an effect on their stock price or on their ability to raise capital. Some others dismissed the possibility, saying that the effect of divestment would be drowned in all the other factors that make stock prices fluctuate.

'Not a Concern' to Wynn's

"It's not a concern of ours at all," said John F. Lillicrop, president of Wynn's International, an auto parts and petrochemical company that sells petrochemicals in South Africa. And I.B.M. said in a statement that many factors influence stock prices and that it would be inappropriate to speculate on the impact of divestment.

Other companies, on the other hand, are worried. "Obviously we're concerned," said Ronald G. Turner, vice president of the Baker International Corporation, which makes equipment for the oil and mining industries and has a mine tool subsidiary in South Africa. California's divestment law will require the state's Public Employees' Retirement System to sell 1.25 million shares of Baker stock, or about 1.8 percent of its outstanding common stock.

Mr. Turner said that Baker's directors were aware of the situation, but that he did not know whether they would take any action regarding the company's operation in South Africa, which has 700 employees.

Meanwhile, companies in South Africa face other worries. Many adhere to the Sullivan Principles, a voluntary code of conduct drawn up by a Philadelphia minister, the Rev. Leon H. Sullivan. They cite their adherence to the code as an indication that their presence in South Africa benefits blacks. Mr. Sullivan, however, has said that, if apartheid was not ended by next May 31, he would call for the withdrawal of American corporations from South Africa. That could significantly increase the pressure on companies operating there.

And the situation in South Africa — escalating violence and a faltering economy — is also making business in that country less profitable and less desirable.

"Obviously if South Africa becomes embroiled in total chaos the economic reasons for pulling out will become very persuasive," said Roger C. Smith, chief financial officer of the Phelps Dodge Corporation, which is looking for a buyer for one of its South African mining companies.

How Cities and States Are Protesting Apartheid

A sample of actions taken by some U.S. cities and states that are affecting American companies investing in South Africa.

Chicago — **Adopted: May 1986.**

Ordinance gives an 8 percent bidding preference to companies not operating in South Africa, meaning a company doing business in South Africa will not win a Chicago contract unless its bid is 8 percent lower than that of a company not in South Africa. Ordinance also forbids city funds from being deposited in banks dealing with the South African Government.

Los Angeles — **Adopted: July 1986**

Ordinance bans the purchase of goods or services from companies operating in South Africa, except where accepting the lowest bid is required, and prohibits the purchase of materials produced or assembled in South Africa. In 1985, two city pension funds agreed to divest over five years any holdings of companies operating in South Africa.

New York City — **Adopted: 1985**

Ordinance bans the purchase of goods made in South Africa or Namibia and creates a 5 percent bidding preference for companies not dealing with the South African military, police or agencies that enforce apartheid.

San Francisco — **Adopted: January 1986**

Ordinance prohibits the purchase of goods or services from corporations operating in South Africa, unless the goods are unavailable or more costly from other sources or the contract is worth less than $5,000.

Washington — **Adopted: May 1986**

Ordinance institutes a 6 percent bidding penalty against companies operating in South Africa or Namibia.

State of Maryland — **Passed: May 1986**

Law bars awarding contracts greater than $100,000 to companies operating in South Africa, unless the company can show it does not discriminate or its products are essential or unavailable elsewhere. The state simultaneously put a moratorium on the investment of state funds in companies that do not meet the highest ratings of the Sullivan Principles.

Source: American Committee on Africa, New York City

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The Washington Post

FRIDAY, OCTOBER 24, 1986

District Eyes IBM, GM Ties to S. A.

By Michael Isikoff
Washington Post Staff Writer

Despite selling their South African operations, International Business Machines Corp. and General Motors Corp. apparently have failed to comply with District requirements that they stop doing business in that country and therefore still may run afoul of city laws designed to penalize such firms, city officials said yesterday.

The comments by District officials were echoed nationally yesterday as some local government officials and anti-apartheid activists expressed varying degrees of anger over an emerging pattern of new, more discreet business links between U.S. companies and South Africa.

Because both GM and IBM have confirmed their products still will be imported and sold in South Africa through exclusive licensing and franchise agreements, many activists predicted the companies still will face intense domestic pressures, including municipal divestment and selective purchasing laws aimed at U.S. firms with South African ties.

"I have serious doubts that these companies would qualify as clean under our laws," said D.C. Council member John Ray, who authored the city's divestment and anti-South Africa procurements laws. "It looks to me like these companies are creating loopholes that give the impression they're out of South Africa so they can protect their flanks and get around these kinds of laws . . . I'm personally very concerned about this."

The problem for GM, IBM and some other U.S. firms will be more acute in cities with even stricter laws than the District's. An official in charge of enforcing a Los Angeles city law barring city contracts with any company selling to South Africa said yesteray that the actions by GM and IBM "do not get them off the hook."

"They would still clearly be disqualified—no doubt about it," said Mark Fabiani, legal advisor to Los Angeles Mayor Thomas Bradley. "They will have more than enough business ties with South Africa to fall within the scope of the Los Angeles law."

The passage in the past year of so-called "selective-purchasing" laws by state and local governments has been cited by many industry analysts as among the most significant developments in pressuring companies such as GM, IBM and others to sell their South Africa operations. Even more than divestment laws—in which pension funds sell their stock in firms doing business in South Africa—selective-purchasing legislation hurts some U.S. companies directly in the pocketbook by cutting off city contracts to those firms.

See PULLOUT, F2, Col. 1

How these laws are interpreted in light of the new business relationships being entered into by U.S. companies emerged yesterday as a central issue for the anti-apartheid movement. In the past, the proponents of the laws often have focused on companies with direct investments in South Africa through subsidiaries. While acknowledging that the language in many such statutes is ambiguous, some activists said now there will be efforts to clarify and, in some cases, expand the laws to specifically include firms such as IBM that continue to supply key technology through other means.

The new pressure from anti-apartheid activists also is likely to include arrangements being entered into by the Coca-Cola Co., which announced last month it was selling its South African canning and bottling facilities to a multiracial group of local investors. Tandi Gcadashe, an advisor to the Georgia Coalition for Divestment in South Africa, said the group will continue to campaign against the company and may even move towards a boycott because the company intends to sell Coke syrup and provide an exclusive licensing agreement to the new South African owners.

"It's a sham," Gcadashe said. "They're still selling their product there, they're still making money and they're still doing business. Nothing has changed."

In what was initially seen as major victories for the anti-apartheid movement, GM and IBM both announced this week they were selling their South African subsidiaries to local managers. But IBM confirmed yesterday that it is negotiating with the new prospective owners of IBM South Africa to provide a three-year renewable contract for importing and selling IBM products and services, along with a five-year renewable contract for spares and services.

The new South African owners will hold an exclusive IBM franchise in the country, a company spokeswoman said. In addition, spokeswoman Maxine Yee said that a potential deal is "still being negotiated" to provide the new South African-owned company access to future IBM technology.

The District government has two measures that apply to companies with ties to South Africa. A divestment law forbids the D.C. Retirement Board from investing in the stock of any firm "doing business in or with" South Africa. The mayor's office keeps a list of prohibited companies, on which both GM and IBM are included.

In the past, this law generally has been interpreted to include only those firms with actual South African subsidiaries. But Sofia Green, legal advisor to the Deputy Mayor for Finance, said the District is "taking a look" at the new arrangements entered into by GM and IBM to apply and hoped to reach a determination shortly.

An even stricter law, which took effect this year, penalizes those companies with South African ties when they bid on city contracts. These companies are not barred from winning contracts, but other companies are given a bidding advantage. That law, also authored by D.C. Council member Ray, applies to companies "engaging in commerce with" South Africa "without maintaining a physical presence."

The Washington Post

THURSDAY, OCTOBER 23, 1986

IBM, GM Map Restructuring In S. Africa

By William Claiborne
Washington Post Foreign Service

JOHANNESBURG, Oct. 22—Despite the initial shock waves that went through South Africa's business community after back-to-back announcements by General Motors Corp. and IBM Corp. that they intend to shed their subsidiaries here, it will be business as usual for both of the U.S. corporate giants behind the facade of new company logos in terms of sales and service, executives of the firms said today.

Many of the 28 other American companies that have said this year they will pull out of South Africa in all likelihood also will have their disinvestment accompanied by uninterrupted sales and profits in South Africa, industry analysts said.

In fact, millions of dollars will be flowing into South Africa as U.S. firms scramble to reorganize their financial structures so that they can continue to profit from sales to South Africa but still distance themselves corporately from the racial policies of this country, economic analysts said.

Initially when U.S. firms began talking about leaving South Africa, the business community here expressed fears of a loss of confidence in the economy and a downturn in the growth rate. But as the terms of the disinvestment have begun to emerge, South African businessmen have shown increasing optimism that while foreign investment will be sharply curtailed, the effect on employment and economic growth will not be as severe as thought.

With three of the 12 major U.S. firms in South Africa pulling out—General Electric Corp. was the first—South African government economists say they expect a bandwagon effect, with additional disinvestment moves to follow. [Related story on Page E1]

See SOUTH AFRICA, A26, Col. 1

IBM, GM Revamp Structures to Continue Sales in South Africa

SOUTH AFRICA, From A1

The nine remaining U.S. firms identified by the U.S. Ecumenical Council as "key corporate supporters of South Africa" are Burroughs, Citicorp, Ford Motor Co., Chevron, Texaco, Mobil, Control Data Corp., Newmont Mining and Fluor.

The Warner Communications Group, which controls nearly a third of the South African record market, became the third U.S. firm this week to announce it is selling its operations here to local interests. In a statement today, the subsidiary, WEA Records S.A., said negotiations with Warner had been under way for "some months."

Honeywell Corp., which has no manufacturing operations in South Africa but has a sales and service subsidiary here, said today it was considering pulling out but that no final decision had been reached, according to news agency reports from Minneapolis.

IBM and GM spokesmen stressed that the planned sales of their South African subsidiaries to local interests mean that the parent companies eventually will have no assets, no capital and no employes here—measures being taken, in part, in response to the slow pace of reform of South Africa's apartheid system of racial separation and continued white minority rule.

But, the firms' officials hastened to add, the U.S. parent companies will continue to benefit from sales of their products and services here, while at the same time regaining much of their capital investments from repayment of loans made to South African investors to enable them to buy up the subsidaries.

In the case of General Motors, disinvestment will turn a losing operation into a profit-making one and probably will yield the parent company more money from South Africa than it has made for years, industry analysts said.

Similarly, IBM in New York will not only continue to profit from sales of its products and services in South Africa, but over the next five years or so will regain with interest the loan it makes to the South African buyers of its subsidiary here—a final investment that it intends to make before the mid-November sanctions deadline for new U.S. investment in South Africa.

"They're not cutting us off so much as they are cutting us loose," said an executive of IBM South Africa. He added, "What they are saying is, 'As far as necessary, we are going to make this move.' But it will still be a very lucrative deal for them and for us."

South African IBM officials said that under a letter of intent to sell the subsidiary to a new local company or trust, which was signed in New York on Thursday, the disinvestment will work this way:

The new company will continue to hold the exclusive IBM franchise here and will be given a three-year renewable contract for importing and selling IBM products and services, along with a five-year renewable contract for spares and services.

In order to comply with the U.S. sanctions law, IBM products and services will not be made available to military and police agencies involved in enforcing apartheid.

The deal also guarantees the new company access to future IBM technology, including engineering systems support, the international computer terminal network and education courses—all of which will mean continued profits for the parent firm from South Africa.

Before the sanctions deadline for making such investments here, IBM in New York will make a loan of an as yet unspecified amount to enable the local investors to buy out the subsidiary. The loan is to be paid back over five years or more out of working capital and profits.

Jack Clarke, managing director of IBM South Africa, told the subsidiary's 1,400 employes yesterday, "In effect, what we have is a change of ownership."

"It will virtually be business as usual," Clarke added, "except that IBM [South African] employes will have a greater stake and will run the operation independently of the American parent company."

An IBM dealer here, after being briefed on the deal at a company cocktail party, said, "Nothing has really changed except that IBM no longer has to account for its presence in South Africa."

A company executive said today that although details have not yet been worked out, IBM in New York will retain a buy-back option that it can exercise if the political situation in South Africa changes.

When asked what would happen if antiapartheid pressure in the United States intensifies and the IBM parent company is compelled to completely cut off its products, services and spare parts, an IBM South Africa spokesman replied, "We have anticipated that question, hoping it won't happen. IBM in New York is aware of our concern, and subsequent negotiations will be held to guarantee the protection of our employes, customers and dealers, to make it up to them if that happens."

An industry source who asked not to be identified said that sanctions-busting measures already being implemented by South African importers—such as shipping goods through "unconventional" trade routes—could be employed.

The deal for General Motors' disinvestment is similar to that of IBM, although it appears to have been motivated as much by economic considerations as by the political situation. GM has not made a profit in South Africa since 1981 as its share of the market here has been cut from 12 percent five years ago to just over 5 percent.

General Motors, second only to Mobil among the largest U.S. operations here, has said it intends to sell its subsidiary to a group headed by local management for an undisclosed figure. Gross assets of GM S.A. Ltd. total about $180 million.

Under the deal, GM Corp. has agreed to pay off its subsidiary's creditors, allowing the management buyers to start off with a clean slate. Also, according to industry sources, the buyers will be given favorable treatment in determining the firm's assets here, and most likely will be given a delay of 18 months or so in paying the purchase price out of anticipated profits.

General Motors is said to have agreed to spend more than $45 million to cover its subsidiary's debts.

In exchange for this investment, which also must be made before the mid-November sanctions deadline, the parent company will receive GM license fees for the use of its trademarks and continued income from South Africa from the sale of automobile kits and components manufactured by GM in the United States, Japan and West Germany.

The new South African company and its 200-dealer network will maintain the exclusive franchise for sale of GM-made Opels from West Germany and Suzukis and Isuzus from Japan, assuring the parent firm uninterrupted income from South Africa even though it has shed its assets, capital and U.S.-affiliated employes.

General Motors will also protect its long-term interests in South Africa with a buy-back option, company officials said.

The parent company will end up with a better balance sheet, according to industry analysts, by retaining its sales in South Africa through an exclusive agent.