



PERRY BULLARD
MICHIGAN STATE REPRESENTATIVE

May 23, 1985

HOUSE OF REPRESENTATIVES
STATE CAPITOL BUILDING
LANSING, MICHIGAN 48909
(517) 373-1289

CHAIR, JUDICIARY COMMITTEE
COMMITTEE MEMBER OF:
CORRECTIONS
ELECTIONS
TAXATION
TOWNS AND COUNTIES

To: Divestment participants

From: Jim Burchell, Aide to Rep. Perry Bullard

Re: Recount of the May 20 meeting; update on legislation

1) I'll reverse the order to get to some important news first. The legislation has been introduced and referred to the Civil Rights Committee. Representatives Smith and Bullard gathered 34 co-sponsors, including three Republicans. HB 4770 concerns the state employees' retirement system and the public school employee retirement system, while HB 4771 concerns the legislative retirement system.

The bills were sent to the Civil Rights Committee to insure that we got the legislation to the floor. Four members of the seven member committee are sponsors. Due to a continuing illness of the Chair of the committee, Rep. Terrel, The Vice-Chair, Rep. Juanita Watkins, will serve as the acting chair. Rep. Smith was appointed temporarily to the committee and will serve as the acting vice-chair.

2) Republican co-sponsors. It is excellent news that the bills got some Republican sponsors. It is very important that Representatives Honigman, Bankes, and Hillegonds signed the legislation. They should be thanked profusely. The other sponsors should be thanked as well, of course, but we are going to need more Republican support for this to get to the Governor's desk, so it is positive reinforcement is very important.

3) What you received with this memo. I have sent you the following: several information packets, 2 lists of Representatives with complete descriptions of their districts, 10 lists of Civil Rights Committee members, 15 response forms for use in getting more supporting individuals and organizations signed up, a list of participants to date, a list of free resources available, and a SA Q&A.

4) The meeting.

A. Networking. It is recognized that we need to reach out to more diverse groups in order to pass this legislation. To that end we have given responsibility to some individuals to seek out that support within key constituencies. Ann Duberville will focus on the unions. I will seek statewide editorial support. Chuck Barbeiri will start on the churches. Akua Budu will work on the Detroit media. Dave Wiley will work with academics.

B. Coordinating Committee. To endure ongoing planning for the campaign we formed a coordinating committee. The members are Jim Burchell, Akua Budu, Chris Root, Frank Beeman and Pat Beeman. We will meet next Tuesday, May 28 at 3PM in Room 303 in the Capitol Building in Lansing.

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C. We will hold a Detroit meeting for Detroit based anti-apartheid groups on June 4, place to be determined. The coordinating Committee will meet at 6PM and the larger meeting will start at 7PM.

5) The Work. Right now we need to focus on the following:

- A. Expanding our support network throughout the state.
- B. Get the word out.
- C. Lobby committee members.

6) Coming soon. We will come up with a target list of legislators who should receive special attention. Also the hearing should be held within a few weeks.

That's it for now.



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HB 4770 and HB 4771

**Divesting Michigan Pension Funds of Investments in Firms
Operating in South Africa**

***Fighting Apartheid
Protecting Public Employees' and Retirees' Pensions***

PENSION FUNDS AFFECTED

**The State Employees' Retirement System
The Public School Employees' Retirement System
The Legislative Retirement System**

NO NEW INVESTMENTS

**The legislation prohibits new pension fund investments in
organizations operating in South Africa.**

A FIVE YEAR TIMETABLE FOR PRUDENT DIVESTMENT

**The legislation establishes a five year timetable for the prudent
divestment of the pension fund investments, divesting twenty percent
of the affected assets each year:**

- no less than 40% within 2 years**
- no less than 60% within 3 years**
- no less than 80% within 4 years**
- no less than 100% within 5 years**

INVESTING STATE PENSION FUND DOLLARS IN MICHIGAN

**The proceeds from the divested assets shall be invested in entities
that do business or are located in Michigan, to the extend possible and
prudent.**



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Divesting Michigan Pension Funds of Investments in Firms Operating in South Africa

1) What is divestment?

Under the proposed legislation, the managers of the three retirement systems affected would be required to sell investments in firms which operate in South Africa. To protect the pension funds, the legislation calls for a five year divestment timetable by which at least 20% of the affected assets must be divested each year. They are required to try to invest the proceeds from these sales in firms doing business in Michigan, if such investments are prudent.

2) How much money is involved?

As of March 31, 1985 the Public School Employees' Retirement System held investments worth \$7.329 billion, of which \$2.193 billion was invested in firms operating in South Africa. The State Employees' Retirement Systems held investments worth \$2.166 billion of investments, with \$648 million invested in firms operating in South Africa.

3) Why divest?

We must protect the integrity of these pension funds. To invest 30% of the pension fund assets in a politically unstable country in which the majority population is likely to explode out of anger from decades of repression, threatens the viability of the funds. If, or when, the explosion occurs, U.S. corporate interests may be targetted for violence due to their complicity with apartheid. Any subsequent losses to these corporations, plus the psychological impact of the violence on the financial markets, would decrease the value of the pension fund holdings in these corporations. The retirees, current public employees, and, ultimately, the taxpayer would pick up the tab.

Black South Africans constitute 72% of the country's population yet the ruling white minority denies them the political rights Americans take for granted. This black majority can only live legally on only 13% of the land. The system of apartheid actually makes integration illegal.

The presence of U.S. corporations supports apartheid by providing desperately needed foreign capital to South Africa's stagnating economy. U.S. corporations control 70% of the nation's computer market, 45% of its oil market and 33% of its auto market. Without this critical presence, the economic structure which pays the bill for apartheid would crumble.

By divesting we are telling these U.S. firms to get out of South Africa if they want to enjoy continued investments from Michigan's pension funds.

4) Don't U.S. corporations exert a moderating influence on the South African government?

NO. Clifton Wharton Jr., former President of Michigan State University and now Chancellor of the State University of New York and chairman of the Rockefeller Foundation, once thought so. He now writes "if this position was ever tenable, it is no longer.... U.S. firms and corporations should withdraw all personnel and investments from South Africa.... What has altered my view? A slow but inexorable tilt in the balance of outrage, as the damning evidence continued to mount.... Far from any generalized liberalization having resulted from the presence of American companies, the great majority of black South Africans have seen their economic well-being and human rights actually eroded during the last three years." The words of this corporate and academic leader say it all.

5) Will divestment harm the pension funds?

NO. In fact, in many cases pension fund performance has improved following divestment. Five states, 20 cities and numerous universities have divested a total of \$1.3 billion nationwide to date. There have been no reports of any instance where such divestment harmed the pension funds.

But let's turn that question around. What could happen to the pension funds if we *don't* divest? The world has witnessed increasing tensions in South Africa in recent months. Since September, 1984, 200 South Africans have been killed in protests against apartheid. The governing regime refuses to grant political freedoms to the black majority. It meets peaceful protest with shotguns loaded with buck shot. And U.S. corporations conduct business as usual.

In the probable event that the anger of the oppressed black majority explodes, it is highly likely that the U.S. presence will be targeted for violence. What will happen to the value of those U.S. investments when they go up in smoke? As an example of what this could mean to Michigan's pension funds, look what happened to the value of the funds' holdings of Union Carbide stock after the Bhopal disaster. The funds lost approximately \$9 million. Can the pension funds afford such losses on a much larger scale?



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The Role of United States Corporations in South Africa: Propping up Apartheid

South Africa's stagnating domestic economy depends on foreign capital

Gross domestic fixed investment has been in decline since 1981, thus making foreign investments crucial.

The total financial involvement of U.S. corporations is \$14 billion, including \$4.5 billion in bank loans and \$2.3 billion in direct investments by 300 U.S. based multinationals

U.S. firms control 70% of the computer market, 45% of the oil market, and 33% of the auto market.

In the event of civil disturbances, U.S. firms will assist in the repression.

In the late 1970's, the South African regime designated General Motors and other industries of strategic importance as "Key Point Industries". In the case of a national emergency GM and other U.S. firms would have to shift to war production.

One provision these firms agreed to was to form its white workers into commando units to defend their plants against black insurgents.

IBM and Control Data for years have assisted the regime by automating the racially classified population registry, the department of prisons, and military research.

The divestment campaign is working.

Many jurisdictions have acted.

Connecticut, Massachusetts, Michigan, Maryland and Nebraska have passed divestment legislation, along with 20 cities. \$1.3 billion in public funds have been withdrawn from companies which operate in South Africa.

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The divestment campaigns have scared investment away from South Africa.

Private U.S. investment in South Africa declined 10% from 1981 to 1983.

30 U.S. firms have abandoned the South African market since 1980, with only 11 new firms moving in.

Quotes from the Financial Mail, a leading Johannesburg newspaper:

"In one respect at least, the divestment forces have already won. They have prevented ... billions of dollars of new U.S. investment." (Feb. 1, 1985)

"The build up of foreign political pressures, and the willingness of some foreign interests to liquidate long standing South African investments, suggests that the disinvestment campaign could have a cutting edge that should not be lightly regarded (by a country where) imported capital will continue to be vital to economic growth in the foreseeable future." (August 17, 1984)

The South African government takes the divestment campaign so seriously, that the Internal Security Act of 1982 defines support of divestment by a South African as "subversive", punishable by 5 years to life imprisonment.

The divestment campaigns have spurred South African business groups to call for change.

In January of this year spokesmen for 6 influential South African employer groups called for sweeping changes in government policy including meaningful participation for black South Africans.

The Financial Mail wrote that this was a "challenge to the government" from moderate business leaders "to change its ways before it draws down upon on South Africa universal odium, sanctions and divestments". But the regime has not responded with meaningful reforms. Conditions have only worsened.

MICHIGAN ANTI-APARTHEID ACTION ALERT

The Michigan legislature will consider a divestment bill on South Africa during the current session. Your help is urgently needed.

THE BILL: House Bill _____, which Representative Virgil Smith of Detroit and Perry Bullard of Ann Arbor introduced on May 20, 1985, requires the two largest pension funds for state public employees to divest of all holdings in companies that operate in South Africa. Companion Bill _____ requires that the legislators' own pension fund divest of companies profiting from apartheid.

WHY IS THIS BILL IMPORTANT? This legislation is part of a national movement of concerned Americans! All across the country, Americans are saying "No!" to the racist system of apartheid and to U.S. government and corporate support for the South African government. Almost 3000 people have been arrested in 28 cities in anti-apartheid protests. In both houses of the U.S. Congress strong bi-partisan support is being given to legislation calling for economic sanctions with more than 100 co-sponsors in the House of Representatives. Divestment bills have been introduced this year in 28 state legislatures.

These anti-apartheid actions are a critically important response to the killings by the police, harassment of trade unions, banning of political meetings, and systematic repression of 22 million black people in South Africa. South Africa has made the recent token reforms only under international pressure.

WHAT YOU CAN DO: Write or phone your Representative today, and urge your friends and colleagues to join you. The divestment bill needs your support! Telephone 517-373-1837 (State of Michigan) or 313-256-1837 (Detroit area) to learn who is your Representative. Mail letters to your Representative to:

The Honorable _____
Michigan State House of Representatives
State Capitol Building
Lansing, Michigan 48909

You may wish to make the following points in your letter:

- o South African government repression is increasing (see above).
The U.S. policy of "constructive engagement" with active support of S.A. has not worked, and international economic pressure is now needed.
- o The state of Michigan has a proud tradition of opposing apartheid. Already, state law requires that no state funds be deposited in banks lending to South Africa and that public universities sell stock in companies operating in South Africa. It is now time for the state to end one of its last economic supports for corporate involvement in South Africa by divestment of public employee pension funds.
- o Divestment is practical, can be accomplished carefully and prudently, and need not mean any loss of pensioners' funds. Numerous financial investment studies and the experience of cities and states that have already divested demonstrate that portfolios excluding companies operating in South Africa actually have performed better than non-excluding portfolios, with only a minimal increase in risk.
- o Ask your Representative how he or she will vote on the divestment bills.

Please mail your letter today! Let us know how your Representative responds. Thank you for your support. When you receive a response from a legislator, please send a copy of it to Rep. Perry Bullard, Room 303 Capitol Building, Lansing, MI 48909
Attn: Jim Burchell
May, 1985

WHAT YOU CAN DO TO SUPPORT THE MICHIGAN DIVESTMENT BILL

- (1) Write to your Representative in support for House Bill _____. Ask for his or her commitment to support the bill.
- (2) Send a similar letter to Governor James Blanchard, State Capitol Building, Lansing, MI 48909.
- (3) Ask organizations in your community to support the bill and endorse MichDivest's campaign for passage of the legislation. Send an organizational statement favoring the bill to your Representative.
- (4) Organize a meeting with your Representative for yourself or a group from your community to discuss divestment. Raise the issue at public meetings that your Representative addresses.
- (5) Work within organizations of which you are a part to organize their members statewide in support of House bills. Insert an article or letter in the organizations' newsletter about apartheid and the bills. Ask state officers to take a stand on the bills and communicate them to the Michigan House, Senate, and Governor.
- (6) Urge your local Democratic or Republican party organization to support the divestment bill.
- (7) Write a Letter to the Editor supporting divestment for your local newspaper. Sample columns are available from MichDivest.
- (8) Speak on local radio or television talk shows on the need for action against apartheid and how people in Michigan can participate.
- (9) Stay in touch with MichDivest. Keep us informed of your organizing efforts. We need to know how your Representative is responding. And we can inform you of the latest developments in the campaign. Call Jim Burchell in Representative Perry Bullard's Office at 517-373-0155 or 313-769-5051, with your updates or if you need more information. Send a copy of any response you receive from a legislator you have sent a letter to. Send it to Rep. Bullard, Room 303 Capitol Building, Lansing MI 48909 Attn: Jim Burchell.

SAMPLE LETTER

Dear Representative _____:

I strongly urge you to support House Bills _____ which require Michigan public employee pension funds to divest from companies that operate in South Africa.

I firmly believe that public funds of this state should not be used to support racial oppression in South Africa. U.S. corporations help to shore up the economic and political system of apartheid. U.S. investment there is concentrated in the strategic sectors of oil and energy, computers, and trucks and automobiles. U.S. firms sell equipment to the South African military and police and provide computers to implement the pass laws that control where Africans may live and work. The S.A. government and many American corporations argue that their presence in South Africa is a force for change, but during the past 25 years, while U.S. investment has tripled, repression against the black majority actually has grown measurably worse.

New and prominent voices are being raised in the United States in favor of divestment. Clifton Wharton, Jr., a director of Ford Motor Company, former president of Michigan State University, and currently Chancellor of the State University of New York and Chairman of the Rockefeller Foundation, said in December:

U.S. firms and corporations should withdraw all personnel and investments from South Africa, and as rapidly as they can. In commerce and foreign policy alike, we must treat the South African government as the pariah it long ago chose to become. What has altered my view? A slow but inexorable tilt in the balance of outrage, as the damning evidence continued to mount.

South African blacks are also increasingly calling for divestment. Nobel Peace Prize winner and Anglican Archbishop of Johannesburg, Desmond Tutu, has recently given his support to the principle of divestment. Many South African workers' organizations, whose members would be most directly affected by corporate withdrawal, also now call for divestment. FOSATU, the largest federation of black trade unions, declared in 1984: "It is FOSATU's considered view that the pressure for disinvestment has had a positive effect and should therefore not be lessened." These South African trade unionists are taking considerable risks to ask for our help, because advocating divestment in the South African police state is a crime punishable by up to 20 years in prison.

Divestment is a viable way that Michiganians can oppose apartheid. Studies by the Franklin Research Company, Chemical Bank, the U.S. Trust Company, and Trinity Investment Management Corp. have found that portfolios that exclude companies operating in South Africa have out-performed those that do not with only a minimal amount of added risk. Massachusetts, Connecticut, Maryland, Nebraska and the District of Columbia are currently enforcing laws that take public funds out of companies operating in South Africa. The Michigan House Bills provide for a five-year period to divest prudently, minimizing any effects on pension profits.

The state of Michigan has been in the forefront of American concern about apartheid. The state already is carrying out legislation mandating that public university funds not be invested in corporations operating in South Africa and that state funds not be deposited in banks making loans to South Africa. I hope that you will maintain this proud tradition by voting for both House divestment bills. Increased international pressure on the South African government can hasten the day of justice and peace for all in that troubled land.

Sincerely,

! MichDivest !

Divest Michigan's Pension Funds
With HB 4770 and HB 4771

Fighting Apartheid
Protecting Public Employees' and Retirees' Pensions

Please complete this and return it to:
State Representative Perry Bullard
Room 303 Capitol Building
Lansing, Michigan 48909
Attn: Jim Burchell

Name of Organization or Individual _____

Address _____

Phone number(s) _____

Name of contact person(s) _____

Address _____

Phone number(s) _____

_____ **YES! We endorse HB 4770 and HB 4771 and the campaign to divest Michigan's pension funds of investments in firms operating in South Africa. Include our organization's name in your literature.**

_____ **YES! We'll join MichDivest. By doing so we will commit our organizational resources, to the extent possible, to the passage of HB 4770 and HB 4771, divesting Michigan's pension funds of investments in firms operating in South Africa.**

_____ **We're not sure yet. Please send some more information.**

Does your organization have a newsletter? _____

If so, will you print ! DIVEST ! alerts and information in it? _____

How many people does your newsletter reach? _____

How many members does your organization have? _____

In which areas of the state does your membership live? _____

Can members of your organization take any of the following actions in support of divestment? (Check which ones)

___ **Write letters to legislators** ___ **Lobby legislators in Lansing**

___ **Visit editorial boards** ___ **Write opinion editorials/letters to the editor**

___ **organize support in your community** ___ **Participate in a phone tree**