

American Committee On Africa

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

US: ACOA

US businesses are taking more political heat for their ties to South Africa

By Jeffrey J. Carmel

Staff writer of The Christian Science Monitor

The smoldering issue of American business involvement in South Africa is drawing renewed attention in the United States:

- There is steady pressure for state and city pension funds to divest themselves of stock in US corporations doing business with South Africa, a nation where racial separation (apartheid) is government policy.

Three states, the District of Columbia, and several major American cities have passed binding legislation; similar bills are pending in 26 states and 20 cities.

- The Senate is debating a bill proposing tighter curbs on US business interests in South Africa — worth some \$2.3 billion.

The House version of the bill, passed last fall, contained five amendments to the Export Administration Act of 1979, including: banning all new investment in South Africa by US firms; banning US banks from lending money to the South African government; requiring US enterprises in South Africa to establish fair employment practices; and prohibiting imports of Krugerrands and other South African gold coins into the US — valued at some \$530 million in 1982.

- Most of the 1984 Democratic presidential candidates have endorsed the legislation, especially the Rev. Jesse Jackson, who has focused on US business relations with South Africa in campaign debates.

- At the same time, the US Chamber of Commerce has gone on record in favor of "maintaining commercial ties with South Africa as the best way to bring about change in that nation's racial policies and provide employment opportunities for the country's black majority." US corporations there employ some 120,000 blacks out of a potential work force of almost 8 million.

South Africa-watchers point out that divestment efforts — targeted at some 350 US investors in South Africa — have been under way for several years, especially on university campuses. They suggest several reasons, however, for the impetus now at city and state levels.

Grass-roots anti-apartheid groups in the US, newly registered black voters, and the Congress, these observers say, are responding to President Reagan's relatively soft line toward South Africa (compared to the Carter administration) — and to what they view as superficial social and political reforms in South Africa.

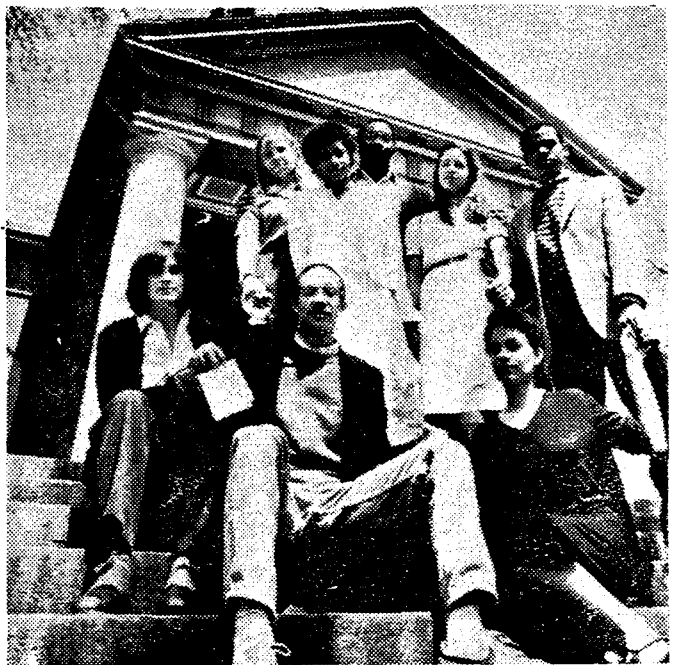
"There is a lot of concern in this country that Reagan's embracing of the South African government leaves no one to help defeat apartheid," says Dumisani Kumalo, project director of the American Committee on Africa.

Mr. Kumalo suggests one reason for the current conciliatory attitude is that Mr. Reagan is desperate for a foreign policy success after the failure in Lebanon. The US has recently stepped up its negotiation efforts in southern Africa, hoping to secure a settlement in South West Africa (Namibia). Such a settlement has eluded both Carter and Reagan administrations; pinning it down would give President Reagan a diplomatic plum.

Given this situation, Kumalo says "divestment has become the only thing that directly puts pressure on the South African government. It's the most peaceful action any American can take — cutting off funds."

So far, Massachusetts, Connecticut, Michigan, and the District of Columbia have passed the binding divestiture legislation. At least 20 major cities, including Philadelphia; Hartford, Conn.; and Berkeley, Calif., have also passed laws, according to Kumalo.

Divestment legislation does not happen overnight. It must go through three legislative sessions to become law. The legislation also "varies in terms of degrees," according to David Hauck of the Washington-based Investor Responsibility Research Center, a group that examines public policy questions affecting US organizations.



1983 student protest against Harvard's South Africa ties

Mr. Hauck explains that while Massachusetts; Washington, D.C.; and Philadelphia passed blanket divestiture bills, others laws were conditional. Michigan, for example, passed two bills, one prohibiting banks from investing in targeted US companies, and a second bill aimed at state university investments.

The Connecticut law, Mr. Hauck adds, forbids the state from holding stock in any business that sells strategic or military goods to South Africa or that has not worked to implement the Sullivan principles, a set of voluntary guidelines on equal employment opportunity.

Other observers suggest that members of Congress — even conservative Republicans — may look at the local and state efforts toward divestment and use the issue for political mileage with newly registered black voters.

"There is pressure on politicians to realize that a vote 'for' [divestiture] is a vote for freedom, and a vote 'against' is a vote for racism. That's hard for the politicians to resist," says John H. Chettle, director for North and South America of the South Africa Foundation, an organization representing South African business in the US. (The foundation is registered in the US as a foreign agent, but disclaims any ties to the South African government or its policies.)

Mr. Chettle says "the congressional impetus could hardly come at a worse moment. If South Africa's major trading partner cuts off Krugerrands, for example, a major export item, there would be immense revulsion in South Africa. If they get kicked in the teeth by Congress, it's not going to help one bit."

The South Africa Foundation, along with many US businesses with South African interests, stridently maintain that the presence of American corporations in South Africa can contribute to social change in that country. In response to the anti-South Africa legislation, Chettle has countered with the claim that many pensioners in the US will lose "hundreds of billions of dollars" if the city and state divestiture moves continue.

The foundation bases its argument on a study of the District of Columbia pension fund by Meidinger Inc., a Kentucky-based investment analysis company. The company concludes the fund would lose billions under the divestment law as it could not buy top Standard & Poor's stocks and whole industrial sectors of the market.

Other investment analysts suggest Meidinger and the South Africa Foundation are overstating the economic consequences of such divestiture.

"There is too much hiding behind the theoretical to avoid having to do the harder, more comprehensive work," says Robert Schwartz, a broker at Shearson-American Express in New York.

Dr. Schwartz argues that Franklin Research and Development Corporation of Boston made a study of the same District of Columbia pension fund including computer runs of stock performance over a 10-year period. The results suggest it is possible to get the same if not better returns from South Africa-clean portfolios.

The debate is far from over. But as David Hauck points out, in the long run, "the divestiture issue is just one piece of the whole puzzle."

FRIDAY, MARCH 2, 1984