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Proposal for an Amendment to the 1985 Divestment Resolution: Arguing for a South Africa-Free Portfolio

by

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Date: Thursday, May 5 at 12:53 pm From: Weston,Rebecca B To: Kelly,Shannon M Subj: boobidy

> We believe South Africa is particularly sensitive to criticism by the world of its policies. We believe that part of our political campaign is to make sure that as many people as possible criticize South Africa for its policies. Putting pressure on foreign companies about their participation in this immoral setup was also calculated to make sure that the foreign governments began to feel unhappy about participation of their firms in this country, and to assist generally in building up pressure to make South Africa shift its attitudes gradually to a more acceptable stance. It was a political stance which was calculated to bring pressure to bear on South Africa to shift policies to make them more acceptable to the world and to us as blacks (Steven Biko, in Woods, 175-6).

Part I: South Africa Free Portfolio is Viable

While the Trustees of Iowa College are legitimately concerned with maintaining and developing Grinnell College's stock portfolio to ensure the continuance of the College, a South Africa Free (SAF) portfolio will not threaten, and may even enhance, the returns on Grinnell's investments. Thus, we begin this proposal for divestment with an analysis of the effects of changing Grinnell's investment policy from one which includes South African related investments to one which excludes them. Our conclusion will indicate that "almost any interesting investment strategy can be pursued with the same success or failure in the SAF stock universe as in the entire stock universe" (Zevin, April 4, 1988 letter to Seidman, 6).

For the purposes of this analysis and our proposals, the term "divestment" shall refer to a policy following the guidelines for Divestment as articulated by the American Committee on Africa, the American Friends Service Committee, the Interfaith Center on Corporate Responsibility, TransAfrica, and the Washington Office on Africa in January 1987:

Guidelines for Divestment

> We support an end to all corporate involvement in or with South Africa and Namibia. A corporation is doing business in or with South Africa or Namibia if it, its parent, or its subsidiaries:
>
> 1) have direct investments in South Africa or Namibia, or have entered into franchise, licensing or management agreements with or for any entity in those countries; or
>
> 2) are financial institutions that have not prohibited new investments, loans, credits or related services, or the renewal of existing financial agreements, including those for the purposes of trade, with any entity in those countries; or
>
> 3) have more than 5% of their common stock beneficially owned or controlled by a South African entity.
>
> A company with operations in South Africa or Namibia for the sole purpose of reporting the news shall not be considered doing business in those countries.

The above guidelines are referred to by Milton J. Ezrati, Senior Vice President Manufactures Hanover Investment Corporation, Blake R. Grossman, portfolio manager at Wells Fargo Investment Advisors, William F. Sharpe, Timken Professor of Finance, Stanford University, and a consultant to Wells Fargo Investment Advisors, Dennis J. Grether, from SEI Funds Evaluation Services, and Robert B. Zevin, Senior Vice President and economist at US Trust Co.. These authorities will serve as the basis for our analysis presented below:

1) <u>Mainstream investors have deemed divestment policies centered</u>

around the Sullivan Principles anachronistic. According to Zevin:

> Many investors once excluded only those companies that had not received high compliance ratings under the Sullivan Principles. As a result of a series of statements by Reverend Sullivan over the past several years strongly recommending that all companies withdraw completely prior to the present time, and events in South Africa, the application of these criteria are now something of an anachronism. Concerned investors, such as Harvard, that still prefer to apply to criteria relating to the behavior of companies in Southern Africa rather than their simple presence, are now unusual" (ibid, 3).

2) While SAF investments radically change the character of the available investment universe, such changes are not detrimental to investment performance.

a. Characteristics of a SAF portfolio. According to Grossman and Sharpe,

> "The 'small stock bias' of the SAF universe undoubtedly represents its most significant difference from the larger set of investable stocks. [...] The underweighting of capital good stocks stems primarily from the absence of a few very large firms, such as IBM and General Electric, while the overweighting of finance and utility stocks reflects the difficulty of international diversification in these sectors" (Grossman and Sharpe, 18).

b. Change in the investment universe does not significantly limit creative investment strategies. Zevin elucidates this point in an affidavit which successfully defended the city of Baltimore's divestment policy,

> "Portfolios of cash instruments, bonds of common stocks that exclude all South Africa related issues, still provide investors with ample opportunity to duplicate the risk and performance of each asset category. Since nothing essential is removed by divestment, any logical and profitable investment strategy designed to exceed the results of an asset category can be pursued with the same success or failure after divestment as before" (Zevin,

Affadavit, 3-4).

Milton Ezrati argues the same point when he writes,

> Most notably, the analysis shows that even though South Africa exclusion radically changes the character of the available universe of stocks, it need not necessarily skew relative investment performance (Ezrati, 38).

3) Loss incurred due to adoption of SAF policy is insignificant.

a. Primary loss due to transaction costs. According to Dennis J. Grether and Robert B. Zevin in "The Effects of Divestment on the Michigan Retirement System's Stock Portfolios," published in 1986:

> "The major sources of potential loss from divestment are the initial costs of transacting trades that are required solely to implement the divestiture policy; the continuing addition to transaction costs as a result of confining investments to South Africa free companies; and the costs of being restrained by the policy from making opportune investments. Initial transaction costs result from a mandated pace of divestment in excess of the ordinary rate of sales and repurchases out of the portfolio" (Grether and Zevin 6).

b. Definition of transaction costs. Zevin explains the correct usage of the term "transaction costs" in the following manner:

> "a list of stocks must be sold in a given period of time there will be a transaction cost due to this requirement. That cost will equal the value of stocks sold that would not have been sold in the ordinary course of management plus the equal value of new securities whose purchase is necessitated by the forced sales times the average cost of engaging in transactions. The higher normal trading turnover is and the longer the period of time allowed, the lower will be this cost" (Zevin, letter to Seidman, April 4, 1988, 4).

c. A five year phase in period, as recommended by Grether and Zevin, for SAF investment policy maximizes cost-benefits. In their analysis Grether and Zevin maintain,

"A slow process also postpones the full impact of any continuing transaction and opportunity costs associated with divestiture. However, the purposes of divestment are not fully served unless it <u>does</u> force sales that otherwise would not have taken place; <u>unless</u> some sales begin soon after the policy is adopted; and unless it leads to a position of complete divestiture within a socially meaningful period of time[...]For each year added to the divestment timetable initial transaction costs will be reduced by 25%. This is true no matter how long the divestment period already is, and how small the costs already are" (Grether and Zevin 7-8).

d. <u>Losses can be recovered in less than two year period</u>.

In the Grossman and Sharpe analysis, it is argued that:

"Because its [SAF portfolio's] subsequent expected performance is likely to be at least 35 basis points above that of the NYSE [New York Stock Exchange] index, its initial transaction costs could be recouped in less than two years" (Grossman and Sharpe, 27).

4) <u>With careful SAF investments, stability in portfolio can be maintained</u>. In discussing methods which can be used to gain control over what many detractors of SAF investments have claimed to be necessarily unstable investments, Ezrati concludes that:

Although the improved industry mix promises some heightened control of a South Africa-free portfolio relative to the Standard & Poor's 500 stock index [which includes 500 large stocks], an optimal selection of individual issues within industry can actually bring the investment characteristics of a portfolio close to those of the entire Standard & Poors 500. In this way, it is possible to regain a good measure of control over the South Africa-free portfolio. Indeed, it is possible in this way to create a South Africa-free index portfolio that will, in fact, track the performance of the 500 quite closely" (Ezrati, 48).

5) <u>Over time, an SAF strategy increases investment returns</u>.

According to Zevin:

"In actual fact over long historical periods the portfolio of all SAF stocks behaves very similarly to the portfolio of all stocks. While the SAF stocks make major and minor moves up and down in much the same rhythm, on average they do somewhat better. All of this actually has little to do with South Africa and much to do with the now well known phenomenon of superior performance by small capitalization stocks" (Zevin, ibid, 5).

Zevin continues in his affidavit by arguing that the Grether and Zevin study, and "many more unpublished analyses by major investment management organizations reveal essentially the same facts. Average total returns for the SAF stock in an index and the total index differ by small and statistically insignificant amounts, although over the long intervals SAF stocks perform better than the divest stocks" (emphasis in original, Zevin, affidavit, 6).

Part II. Economic and Political Situation in South Africa

Part IIa: Synopsis of Current History in South Africa

> John Vorster, prime minister from 1966 to 1978, once commented that 'Each trade agreement, each new bank loan, each new investment is another brick in the wall of our continued existence.' The existence he means is white privilege and, in their efforts to eliminate it, black South Africans have repeatedly demanded disinvestment and mandatory economic sanctions against the government (Christianity and Crisis, June 16, 1986, 214).

Because the resistance movement in South Africa has recently been dealt some of the harshest banning orders in recent history; because the main opposition to Prime Minister Botha's Nationalist Party has shifted from the Progressive Federal Party to the white Afrikaner Conservative Party; and because South Africa's economy is becoming increasingly unstable thus, increasing the governments knee-jerk responsiveness, NOW is the time when the efforts of the students, the Board of Trustees, the College Community, and the international community are both the most necessary and the most effective.

According to Paul Maylam, the South African government is facing a crisis unprecedented in its economic and political history (Maylam, 105). Briefly, this crisis can be summarized by the following:

First, the regime is under mounting economic pressure from the escalating international campaign against apartheid through sanctions, disinvestment resolutions, and legislation that aims at making investments in South Africa unprofitable. According to Charles Becker of the Economic Institute of Boulder Colorado in a report presented at the 1987 Annual Meeting of the African Studies Association,

> Fear of political instability and US sanctions largely instigated Western bankers reluctance to extend South African loans; the credit crisis caused the rand to decline from 0.74 dollars per rand in 1984 to a low of 0.38 in September 1985 (accelerating a continuing decline: the figures were 1.16 $/R in 1981 and 0.91 $/R in 1983); the rand has since bounced back to 0.49 dollars as of August 1987 (Becker, 1987, 34).

The partial recovery of the rand leaves room for further economic pressure to be placed on the government of South Africa. In addition, rapid fluctuation in the economy further undermines the government's credibility and stability. The increasing strength of the resistance movement, coupled with increasing internal and external unrest, undermines the confidence of foreign investors, thereby leading to a proliferation in the flight of capital from the county. The South African economy remains saddled with an undervalued currency and a massive foreign debt (Maylam, 106).

Second, dramatic escalation of the liberation struggle has increased internal political pressure on the South African regime. The African National Congress (ANC) has increasingly been recognized by liberals in the international community as the alternative South African government in exile. Even conservatives recognize the ANC as the legitimate Black voice with which the international community must negotiate. The ANC has gained wider support among blacks, and unrest in the townships has become more widespread.

Finally, although unwilling and unable to act on these perceptions, even forces within the Nationalist government have realized that apartheid is becoming an anachronistic concept, creating a void which state ideologues have been unable to fill (Speech given by Professor James Butler during the conference on South Africa, April 5, 1988, Grinnell College). Government policy has become effectively directionless, determined by short-term pragmatic responses and trying to achieve the impossible task of simultaneously appeasing both hostile international consumers and politicians on the moderate left and the South African Conservative party on the extreme right.

However, while these external and internal influences have a detrimental impact on the apartheid regime, more pressure is needed to take advantage of current economic instability and to discourage the continuance of harsh repressive measures. This is evidenced by the fact that in response to the current crisis, the State's reform strategy is merely "aimed at defusing political conflict and restructuring the economy" without fundamental change (Maylam, 107). Even Mangosuthu Gatsha Buthelazi (Zulu chief propped up by the South African government), said that the most recent reform measures of May 3, 1988, "[the President's proposals were] too little, too late" (Des Moines Register, 5/3/88, 6A). The government will never consent to granting one person - one vote, and any approach that does not take true democracy as a starting point will never change the existing oppressive structure. Moreover, Botha's regime has responded to increasing internal instability by blocking all forms of resistance, and has taken drastic measures in its press bannings.

IIb. Analysis and Implications of Most Recent Events Banning of Major Anti-apartheid groups, and Press Ban

On March 30, 1960, the ANC, a major force behind the Black Liberation Movement in South Africa under the leadership of Nobel Peace Prize Winner Chief Albert Luthuli, was banned under the pretext of protecting law and order, and maintaining 'peaceful relations between the many racial groups' in South Africa. This ban was only one aspect of the repression imposed by the concurrent State of Emergency.

Far from maintaining peace and justice (though it further reified the 'law'), this ban closed many channels for nonviolent resistance previously available and used by the ANC. The ANC subsequently was driven underground and has since been forced to turn to controlled, violent means of protest.

In June 1986, another State of Emergency was declared and is still in effect.

On February 24, 1988--two months ago, the United Democratic Front (UDF), founded by Rev. Alan Boesak in 1983 in order to unify and expand upon the nonviolent resistance movement was banned. Additionally, the Congress of South African Trade Unions (COSATU), an organization that has increasingly become a major force behind organized, nonviolent and legal resistance, was banned from all political activity. Current legislation in parliament is pending that would make all labor strikes illegal. Furthermore, 16 other prominent Black anti-apartheid organizations (including those that unify and support parents of detained children) were also banned.

In the words of Adriaan Vlok, "Law and Order Minister," these bannings are necessary in order to "contribute to a climate of stability, peaceful coexistence and good neighborliness among all population groups" (Washington Post, 2/25/88, 34A). The bans are a desperate attempt by Pieter Botha and his Nationalist Party to salvage his eroding support among conservative whites who fear and resist even Botha's dangerously superficial and deceptive reforms. Once again, Pretoria has systematically closed off all channels for nonviolent protest and at the same time, cut off all possibilities for nonviolent reform and negotiation with the legitimate Black leaders.

On February 29, Archbishop Desmond Tutu and Rev. Alan Boesak (also President of the World Alliance of Reformed Churches) were among 150 demonstrators arrested for marching in protest of the bannings. Both have maintained that the "government's actions will drive more anti-apartheid activists underground and leave them with violence as the only available option" (Washington Post, 2/25/88, 34A).

Among those also arrested in the protest were CBS News Reporters who were trying to cover the protest. That the press was arrested is indicative of the critical problem for international anti-apartheid activists: the South African imposed censorship of the press. Until the most recent news splash, Botha has succeeded in keeping the racist, oppressive and structurally violent apartheid laws out of the headlines.

When "information" does get out of South Africa, Botha designs the news releases in such a way to lead the international community to the irrational and inconceivable conclusion that the only violence taking place in South Africa is on the part of the Blacks. According to the African-American Institute in a report published in 1987, "the new emergency regulations [...] are indirectly at the press: it is difficult now to get anywhere near the unrest and therefore virtually impossible to give a correct picture of what is happening in South Africa."

Responding to the critical developments in South Africa, House leaders in Washington have "announced a drive to pass tougher sanctions against the South African government and expressed outrage on the bans on protests" (Des Moines Register, 2/26/88, 9A).

IIc. IOWA responds by calling for harsh divestment policy

In Iowa, the Senate State Government Committee has recently approved a bill under the direction of Jean Lloyd-Jones (D) which would require the state to "divest itself of all investments in companies doing business in South Africa." In explanation of this recent move, Lloyd-Jones stated that two years ago (in a divestment resolution similar to that which Grinnell College adopted in 1985) "an exception [in Iowa's divestment policies] was made for companies adhering to the Sullivan Principles." However, Lloyd-Jones states that "the Principles have not gone far enough to correct conditions in South Africa[....] It had an impact on the situation, but it did not by itself bring about change." The Des Moines Register summed up Lloyd-Jones's argument by stating that the "backers of divestment therefore felt it was time to take another step" (Des Moines Register, 3/3/88, 2A).

As members of the Grinnell College community, we must participate in the liberation movement as much as we can given our limited resources.

Part III. Problems with the Current resolution

The Divestment Resolution passed by the Board of Trustees in May, 1985 states that Grinnell College "shall not invest in companies which are providing strategic or technological support for the implementation of apartheid by the Republic of South Africa." Under this policy, divestment has been limited to corporations which maintain assets in South Africa. This limited definition of divestment has encouraged corporations to sell their assets while retaining economic ties to South Africa through "shell" corporations. These shell corporations, through the use of trusts and franchises, continue to provide strategic and technological support for the Apartheid policies of the Republic of South Africa.

Grinnell College should adopt a consistent divestment policy which effects both shell corporations and corporations which continue to hold assets in South Africa. This definition of divestment is consistent with the guidelines for divestment articulated by Sharp, Ezrati, and Zevin cited above. We should adopt this policy for the following three reasons:

First, the Sullivan Principles are no longer an effective or justifiable litmus test by which to determine divestment policies. Apartheid is a system of psychological, emotional, economic and political oppression which cannot be overcome by limited change in the work place. According to Elizabeth Schmidt, a researcher into Southern Africa,

> The Sullivan principles are not simply irrelevant to the struggle for freedom and justice. They are antagonistic to it. They disguise the true nature of American corporate involvement in South Africa. With

> their emphasis on community development and betterment projects, they divert attention from the real issues...[sic] The goal cannot be to make black life under apartheid more palatable but to abolish the system completely (Hanlon and Omond, 1987, 168).

Implicit in the Sullivan Principles is a faith in modest reform that protects the white economic power structure. The small percentage (0.4 percent of the Black population, see below) of Blacks employed by American corporations are co-opted into a world of racist, white corporate ownership. Furthermore, the Sullivan Principles are merely a form of white paternalism and control which undermine the goal of the Black consciousness movement expressed in the philosophy of Steven Biko. Indeed, according to Micheal Massing, the training and managerial experience obtained by Blacks because of the Sullivan principles are token: "blacks hold only two percent of all managerial positions at Sullivan companies (they constitute 73% of the South African population)" (Atlantic, February 1987, 28). While the principles make short run existence more bearable for the 2 percent of Blacks who have obtained managerial positions in the whole of South Africa (even less in American owned corporations), in the long run, these "gains" accrued by the principles serve to alienate a token black middle class from the struggle of impoverished blacks in the country. These managers, while few in actual numbers and whose positions are actually detrimental to the liberation movement, enable supporters of apartheid to argue that superficial reform is real reform thereby deferring real liberation for the majority of South African citizens. Moreover, the Sullivan principles create the false impression that American signatories are assisting the liberation struggle, thereby discouraging international pressure for real change.

Second, when a shell corporation has been formed, goods and services continue to reach South Africa through franchise rights and licensing and distribution agreements. Since these shell corporations are officially based in South Africa, corporations are able to complete sales which were previously restricted under the limited United States sanctions. According to Harrison J. Golden of the "New York Times," "[...] General Motors, the International Business Machines Corporation and General Electric are selling their South African operations. Those companies now virtually admit that their announced departures are little more than subterfuge to enable them to escape economic sanctions in the United States" ("New York Times," December 16, 1985, 35). These covert divestments are far more deleterious than overt investments. According to Massing, of the Atlantic magazine, "some have argued that disinvestment, as currently practiced, represents the worst of both worlds: it allows companies to benefit from apartheid without incurring responsibility for reforming it" (emphasis added, Atlantic, February 1987,26).

Finally, the entire government of South Africa is inherently involved in the maintenance of Apartheid. Sales to the public sector in any form fall under the definition of "strategic or technological support." Support for the Apartheid regime has traditionally been defined as the provision of goods or services to the police, military or other apartheid enforcing agencies. However, ascertaining information regarding the distribution of goods and services is impossible due to the current press bans.

The traditional definition is no longer a workable one. Furthermore, South African law, specifically the Price Control Act, "empowers the government to prohibit any person or company from refusing to sell its products to any customer in South Africa, including the police and military"(Investor Responsibility Research Center, Inc., 1984). According to Jim Cason and Mike Fleshman:

> GM and a number of other companies have been compelled to store arms and train militias in co-ordination with the police to help quell unrest. [...Furthermore], under South African law, GM and all other US corporations are required to do business with the army and police and could be prohibited from releasing information about those sales to their parent corporations" (Christianity and Crisis, June 16, 1986, 213-4).

Sales in the private sector also lend support to Apartheid. Divestment is aimed at lowering the value of the rand and weakening the South African economy. If divestment is to be made effective, maintaining a distinction between the private and public sector is impossible.

Part IV. Proposed amendment to the 1985 resolution

Whereas, The Trustees of Grinnell College have found and continue to find the apartheid policies of the government of the Republic of South Africa to be morally repugnant and unforgivable; and

Whereas, The Trustees believe that further and continued action on their part is warranted; and

Whereas the Sullivan Principles are no longer a sufficient or justifiable measure by which to evaluate corporate activity and involvement with the Republic of South Africa;

Therefore Be it Resolved that Grinnell College shall not invest in companies which are providing strategic or technological support for the implementation of apartheid by the Republic of South Africa. Such support includes, but is not limited to, sales to the public or private sector, the existence of licensing and distribution agreements and economic ties maintained through the establishment of trusts.

A company with operations in South Africa for the sole purpose of reporting the news shall not be considered doing business in those countries.

A committee of six members made up of three students and three Trustees will provide a list of companies in which Grinnell College shall not invest. A member of the administration shall serve as a non-voting advisor on the committee. This list shall be updated on a yearly basis.

So as not to have an undue adverse effect on the college portfolio, the total divestment process will take place over, but not exceeding, a five year period.

The Trustees acknowledge that the Students to End Apartheid will lead an independent fund raising campaign. The proceeds from half of these fund raising efforts will be directed towards providing scholarships for black South African Students. An equal amount of effort will be directed towards raising funds for an organization in South Africa annually specified by Students to End Apartheid.

The Trustees further acknowledge that Students to End Apartheid is further committed to researching alternative avenues of opposition to the apartheid regime. These avenues include but are not limited to alternative, socially responsible investment options, and student teaching and training internships in the front-line states. In the event that these options prove viable and economically feasible, Students to End Apartheid will submit subsequent recommendations to the Board of Trustees for a vote.

The Trustees direct the administration in its best judgment to use its efforts to refrain from purchasing products and services provided by companies which do not qualify for investment by the college. We urge all members of the college community to take similar action, including faculty, staff, alumni, students, and student families. Also, the Trustees direct the administration to send information concerning boycotts to student families and alumni.

The Trustees further urge the college community to explore other avenues of opposition to the apartheid regime.

Part V Responses to Traditional Arguments Against Divestment

In the following section, it will be proven that proxy votes do not effectively pressure corporations to disinvest, that blacks will not be significantly hurt by disinvestment, and that disinvestment is an effective means by which the United States can effectively act against apartheid.

1. It has been argued by opponents of divestment that stock-holders, by selling their shares, loose their voice in the company. However, pressure through proxy resolutions is substantially less effective than divestment. Our current voice through proxy voting is extremely minimal. The number of votes we have in any given corporation in relation to the overall number of share holders in that corporation, especially those with larger blocks of votes, is minimal and thus, ineffectual. According to William Johnston, president of the Episcopal Church - people for a Free Southern Africa:

> It's clear after 15 years that voting proxies is totally outdated and meaningless to the struggle for a new South Africa. Last July, South African business supported Botha's State of Emergency. A month later they called for Botha's resignation. Why? Because American banks refused to roll over loans. Divestment works, and that's why South Africans across the board are urgently demanding immediate divestment and complete sanctions" (Christianity and Crisis, June 16, 1986, 216).

Economic pressure is both more effective and credible than rhetorical votes at a share-holder's meeting.

2. Another common argument against divestment is that disinvestment hurts blacks more than it does the racist regime;

that disinvestment is counterproductive. However, according to Elizabeth Schmidt, "American multi-nationals employ only 0.4 per cent of the African labour force in South Africa" (Hanlon and Omond, 168). They employ a considerably larger number of whites. Thus, the white minority would suffer far more than the black majority. Moreover, the black political leaders and workers demand that corporations disinvest, regardless of marginal benefits gained by United States investments. According to Massing, from Atlantic magazine:

> In general, black workers give American companies a modest edge over South African ones, saying that the pressure exerted on U.S. companies has made them somewhat more responsive to workers' demands. The difference is so slim, however, that no one sees it as an argument against disinvestment.. Most union leaders have endorsed disinvestment as a form of protest against the government, and many rank-and-file members support this stand" (Atlantic, February 27, 28).

This point is further evidenced by that fact that "a recent poll in South Africa showed 77 percent of blacks supported sanctions as a way of ending apartheid" (Christianity and Crisis, June 16, 1986, 214). Blacks in South Africa simply do not have much to loose, for they are already living in extreme poverty.

3. While disinvestment does not significantly hurt the Blacks, sanctions, when correctly applied, have proven to economically cripple South Africa. After the oil embargo of 1973, and through 1984, the Botha regime was forced to spend roughly $25 billion in its emergency sanctions-busting campaign. This made South Africa the first major country in the world to default on its foreign debt after it froze its payments in 1985. Finally, after complete economic chaos, South African business leaders agreed to

meet with the banned African National Congress for the first time. Moreover, the impact of US disinvestments have been understated, according to a secret 1983 State Department study which "put the total U.S. stake in South Africa at more than $14 billion and concluded that sanctions and disinvestments would have a far more devastating impact on the economy that previously thought" (Christianity and Crisis, June 16, 1986, 214).

4. Another argument that detractors have used to discourage disinvestment is that foreign corporations will take the place of the American firms as soon as they pull out. This argument is only partially true, and the extent to which this would happen has been extremely exaggerated. According to Joseph Hanlon and Roger Omond (263), "South Africa's friends, such as Taiwan and Isreal, are small and can only take up a tiny proportion of South African exports. Thus, to sell its products, South Africa will have to cut its prices drastically to make sanctions-busting worth while." This, of course, would greatly lower the country's overall income from exports.

Furthermore, divestment serves as the necessary ground work for effective sanctions which would deter foreign corporations from replacing U.S. corporations.

> Full economic sanctions by the Congress remains an important goal for the anti-apartheid movement, but this has been politically impossible to achieve. So activists have focused on divestment, to put pressure on U.S. corporations to leave South Africa and to create the political climate required for passage of full sanctions legislation (Christianity and Crisis, 214).

One such bill (HR 1580), drafted by Honorable Dellums (D), authorizes the President to "limit the importation into the United States of any product or service of a foreign country to the extent to which such foreign county benefits from, or otherwise takes commercial advantage of, any prohibition imposed by or under this Act" (Section 7 of HR 1580, put before the 100th Congress, 1st Session, March 12, 1987).

5. Finally, it is morally imperative that we divest from corporations that are doing business in South Africa. South Africa oppresses and discriminates against 80% of it's citizens. The government systematically denies their rights to humanity, alienating them economically, politically, and psychologically. US corporations that have investments in South Africa are supporting and making profits from ~~the~~ a racist economy. By placing its money with these companies, Grinnell is expressing its tacit approval of apartheid--anti-apartheid rhetoric notwithstanding. To maintain this support of apartheid is to compromise Grinnell's ideals. In the College's catalog, it is stated that the purpose of the college is to liberally educate its students. It defines a liberally educated person to be "one who fulfills social responsibilities...." We have learned that it is not socially responsible to uphold and make profits from government that systematically keeps 80 percent of its population out of the government, in dire poverty, and social marginalization.

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