

Lawmaker Wants Public Divesting of Sudan

Written by Robert ID1200
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The last time a Texas legislator got up in arms about the state's investments, the target was gangsta rap music.

In 1997, former Sen. Bill Ratliff, a Republican from small-town East Texas, slipped an amendment into the state appropriations bill to force public pension funds in Texas to rid their portfolios of any company that published music that "describes, glamorizes or advocates" activities such as drug use and criminal violence.

The measure was quickly dubbed the "Snoop Dogg rider"; (in reference to hip-hop rap artist Snoop Dogg famous for his 90's gangsta rap).

This session, the target is much more distant: the war-ravaged country of Sudan.

But these types of socially motivated investment regulations have a long record of questionable effectiveness and legality.

Michael Williams, a Republican railroad commissioner from the oil patch, and state Rep. Lon Burnam, a Democrat who represents inner-city Fort Worth, are focusing on Sudan because of that country's long civil war and its more recent support for "ethnic cleansing" in the Darfur region. The House Pensions and Investments Committee has approved Burnam's House Bill 815, which would prohibit state pension and investment funds from investing in companies that do business in Sudan.

It's hard to argue against such a ban, and so far no one has dared to try.

The 21-year-old civil war in Sudan, now in a cease-fire, has claimed more than 2 million lives. In Darfur, in western Sudan, government-sponsored militias have slaughtered citizens in their assault on rebel tribes. The region has suffered 180,000 deaths, and more than 2 million people have been displaced from their homes over the past two years.

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"The human suffering in Sudan surpasses anything the world has seen in a long time," Williams told the committee during testimony March 31.

Sudan demands "a coordinated response" of disinvestment, Williams said. That tactic will help persuade Sudan's rulers to stop killing their own people and to sever ties with Islamic terrorists, he said.

Burnam cites the Center for Security Policy's claim that the two biggest Texas pension funds — for teachers and state employees — hold stock in 61 companies that do business in Sudan.

But certifying that claim borders on the impossible.

The center won't disclose the names of the companies. It buys the information from an investment advisory firm, Conflict Securities Advisory Group of Washington, which says its investing screens are proprietary information that must be purchased.

Colin Leyden, a spokesman for Burnam, said any questions about the merits of the center's list are irrelevant to the larger point: that selling the stock of companies doing business in Sudan will force them, and others, to consider human rights as part of their business strategy.

Williams said disinvestment by Texas would also complement Bush administration efforts to pressure Sudan.

Legal battles

President Bush has applied diplomatic pressure, and an investment ban was put in place in 1997 under President Clinton. The government banned American companies, though not their foreign subsidiaries, from doing business in Sudan because of its support for terrorists.

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That existing federal ban could ultimately doom Burnam's measure. Saying that only Congress can make foreign policy, the U.S. Supreme Court in 2001 struck down a Massachusetts law that prohibited the state from doing business with companies that trade with Myanmar. The U.S. government's sanctions against Myanmar pre-empted state action against the country, the court ruled.

The rap rider was also struck down in court the year after it was passed. A state district judge in Travis County ruled in 1998 that the rider improperly made general law for the state. Appropriations riders are supposed to focus on how the state's money is spent, not how it is invested.

The push to withdraw capital from companies that do business in Sudan is part of a global action against "Terrorism Inc." Last year a conservative think tank — the Center for Security Policy, headed by Frank Gaffney, a former Reagan administration defense official — published a list of the "terrorism investments" of state pension funds.

The group, based in Washington, calls for public pension funds to jettison investments in companies that do business in or with Sudan, Iran, Libya, North Korea and Syria. The list, assembled while Saddam Hussein was still in power, also includes Iraq.

Uncertain influence

In a global economy in which investments flow easily through political boundaries, it's far from clear that imposing investment bans specific to any country or issue will work.

Further, the effect of selling stocks of companies that may have only remote ties to Sudan pales next to the need for massive foreign aid and peacekeeping troops to stabilize the region.

Pension funds owned by the public remain attractive targets for social investing initiatives.

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William "Shack" Nail, the longtime deputy director of the \$20 billion Employees Retirement System of Texas, told the House pension committee he's seen state legislation that attempts to restrict investments in Northern Ireland, South Africa, China and Korea.

But he questioned the practice. "As a policy matter with the state, where do you draw the line?" Nail asked. "Is it rap music, alcohol, tobacco?"

Tracking disparate social issues can be costly and, if a fund has to sell substantial parts of its portfolio, it could hurt the bottom line. Institutional investors — among the market's biggest players — have shown little enthusiasm for social investing. In 2001, the CommonFund, a Wilton, Conn., investment manager, launched a "socially responsible" fund for its clients, many of whom had expressed interest in such an offering.

The result: "Nobody showed up" to invest in it, said Jud Koss, a managing director at CommonFund, which manages \$32 billion for about 1,600 nonprofit organizations. Similarly, Koss said, a recent push to sell the stocks of companies doing business in nations that sponsor terrorism hasn't reached most institutional investors.

"Those sparks haven't made it here," he said.