



 THE UNIVERSITY OF IOWA

Investment in the Republic of the Sudan

The international community, including the US, has condemned the actions of the Republic of the Sudan in connection with the ongoing genocide in the Darfur region. Over 2 million “African” Sudanese, distinctive because of their dark skin, have been driven from their homes and over 90% of the villages in Darfur have been razed.^{1,2} The armed forces and the government-supported “Janjaweed”, an armed organization much like a militia that is composed of “Arab” Sudanese, have been actively murdering and raping Sudanese of “African” descent for over three years. The estimated death toll exceeds 100,000 and might already be as high as 400,000.³

This I-CAN research paper reports on the extent to which the State of Iowa Treasury, the State of Iowa Board of Regents, and the Iowa Public Employees Retirement System (IPERS) invest in companies that doing business in Sudan. In 1997, President Bill Clinton issued Executive Order 13067 which prevents US companies from doing business with the Sudanese government.⁴ President George W. Bush strengthened this embargo by signing the Darfur Peace and

¹ Committee on Conscience, “Alert:Darfur.” United States Holocaust Memorial Museum, www.ushmm.org

² Sudan Divestment Task Force, www.sudandivestment.org, October 12th, 2006.

³ “Alert:Darfur”, www.ushmm.org

⁴ “What You Need to Know About U.S. Sanctions,” US Department of the Treasury, April 27th, 2006.

Accountability Act of 2005.⁵ As a result, there are no US-based companies doing business in Sudan. Nevertheless, the State of Iowa does hold limited investments with international corporations that do business in the country.

Reasons for Divestment

Divestment may be used to economically punish targeted states or organizations, or might be used as a statement of principle if the economic impact of the divestment is limited.

Selection Criteria for Divestment in Corporations

There are many organizations that have chosen to divest from the Republic of the Sudan, but the selection criteria for companies varies widely from one to the next. Harvard University began the first divestment movement because of a single multinational corporation, PetroChina. Amherst College in Massachusetts has compiled a more comprehensive list of 22 “multinational companies that have direct business ties to the Sudanese government; or multinational companies whose business activities are in direct support of these companies and the activities of the government of the Sudan”.⁶ This more comprehensive list is used in this report in order to be as broad as possible in identifying corporations. However, it is important to recognize that investments are fluid and companies that invest and cooperate with Sudan may change and therefore this report should not be considered the last word in divestment from Sudan.

Divestment Elsewhere

Other universities, cities, and even some states have divested or commenced divestment campaigns. California, Illinois, Maine, New Jersey, and Oregon are currently the only states with laws explicitly prohibiting any investment in corporations associated with the Sudanese government.⁷ Connecticut, Ohio, and Vermont have passed non-binding legislation on divestment.⁸ Arizona, Louisiana, Missouri, and Pennsylvania have passed legislation aimed at divesting in any state which sponsors terrorism, of which Sudan is one.⁹ Massachusetts is the only state currently actively considering divestment, although many more states have citizen campaigns underway.¹⁰

State Agencies

State of Iowa Treasury

The State of Iowa Treasury contains the State Operating Fund. The investment portfolio within this fund is known as the Pooled Money Fund, which is invested in over 100 state agencies and

⁵ “Bush Strengthens Sanctions on Sudan,” www.washingtonpost.com, October 13th, 2006.

⁶ “Trustee Resolution on Investments in Sudan,” Amherst Magazine, www.amherst.edu/magazine, January 14th, 2006.

⁷ Sudan Divestment Task Force, www.sudandivestment.org

⁸ Ibid

⁹ Ibid

¹⁰ Ibid

has assets of \$2.3 billion.¹¹ This fund also has investments in corporations, but is legally bound to only invest in domestic US companies.¹² These companies must comply with US law prohibiting investment and cooperation with the Sudanese government and therefore the primary Treasury portfolio cannot contain any investments in firms that do business with the Sudanese government.

The Treasury also oversees two pension systems, the Peace Officers Retirement System and the Judicial Retirement System. These are allowed to invest internationally and currently have approximately 20% of their investments in non-US corporations.¹³ The Peace Officer's Retirement System is invested in at least one company known to do business with the government of Sudan, namely the China National Offshore Oil Company, or CNOOC.¹⁴ More specific information, such as the composition of the portfolio of the Judicial Retirement System, possible investment in other companies that cooperate with Sudan, or the amount of money invested were not made available in time for the publishing of this report.

State of Iowa Board of Regents

The State of Iowa Board of Regents maintains endowments for each of the state universities. The State University of Iowa Endowment invests funds for both the University of Iowa and the University of Northern Iowa. The portfolio currently holds 389 stocks in international companies totaling over \$35 million. The SUI Endowment has been identified as holding stock in one company on the Amherst List (Appendix A). This comprises 1.5% of the total international assets of the Endowment and is as follows¹⁵:

- Siemens AG:
 - Siemens AG- 6,332 shares at \$551,000

The Iowa State University Endowment invests funds for both Iowa State University, the Iowa School for the Deaf, and the Iowa Braille and Sight Saving School. The portfolio currently holds 390 stocks in international companies totaling over \$24 million. The ISU Endowment has been identified as holding stock in one company on the Amherst List (Appendix A). This comprises 1.5% of the total international assets of the Endowment and is as follows¹⁶:

- Siemens AG:
 - Siemens AG- 4,274 shares at \$372,000

Iowa Public Employees Retirement System (IPERS)

IPERS is the pension system for the employees of the state and invests in a wide range of securities. It currently holds over 3,000 individual stocks with assets of over \$20.3 billion.¹⁷ Of

¹¹ Interview with Kim Dentlinger, State of Iowa Treasurer's Office, October 16th, 2006.

¹² "Investment Policy for the Pooled Money Fund," Section II, Part B, Subsection 7, Office of the Treasurer of the State of Iowa, www.treasurer.state.ia.us, June 7th, 2005.

¹³ Interview with Kim Dentlinger, State of Iowa Treasurer's Office, October 16th, 2006.

¹⁴ List of International Companies, Kim Dentlinger, October 16th, 2006

¹⁵ "SUIEndowment," State of Iowa Board of Regents, June 30th, 2006.

¹⁶ "ISUEndowment," State of Iowa Board of Regents, June 30th, 2006.

¹⁷ "IPERS Investments Holding List," IPERS, June 30th, 2006.

these stocks, seven have been identified as investments in corporations on the Amherst List (Appendix A). These seven total \$24,173,472.39, comprising approximately 0.12% of the total assets of IPERS and are as follows:¹⁸

- Alcatel SA*:
 - Alcatel SA EUR 2.0 RFD- 516,069 shares at \$6,533,496.39
 - Lucent Technologies- 70,000 shares at \$60,829.42
 - Lucent Technologies Inc WTS- 7,875 shares at \$2,126.25
- China National Offshore Oil Corporation:
 - CNOOC FIN 2003 LTDGTD NT- 550,000 shares at \$474,655.11
- China National Petroleum Corporation:
 - PetroChina Co HKD 0.1- 1,252,000 shares at \$1,337,968.51
- Petronas:
 - PETRONAS CAPITAL LTDEURO GTD NT- 2,070,000 shares at \$2,387,023.09
- Siemens AG:
 - Siemens AG- 153,745 shares at \$13,377,373.62

*Please note that although only Alcatel SA is on the Amherst List, the shareholders of both Alcatel and Lucent Technologies have agreed to a merger. Therefore, dependant upon where the new company will incorporate, it will either divest from Sudan under US law or continue to invest in Sudan as an international corporation. Stock from both corporations has been included to account for the possibility of the latter.

This report was prepared in November, 2006 by the Iowa Civic Analysis Network (I-CAN), a non-partisan public policy undergraduate research group at the University of Iowa. For additional research on this or other issues, please visit our website at <http://www.uiowa.edu/~ican> or contact us at studorg-i-can@uiowa.edu.

Appendix A Amherst College List

¹⁸ Ibid

ABB Ltd.
Alcatel SA
Alstom S.A.
Bharat Heavy Electricals Limited
China National Offshore Oil Corp. (CNOOC)
China National Petroleum Corp. (PetroChina)
China Petroleum and Chemical Corp. (Sinopec)
Harbin Power Equipment Co. Ltd
Lundin International SA
Muhibbah Petrochemical Engineering Sdn Bhd
Nam Fatt Co. Bhd
Oil & Natural Gas Co. Ltd. (Arakis Energy)
Oil & Natural gas Co. Ltd. (ONGC Videsh Ltd)
Ranhill Bhd
PECD Berhard
PETRONAS
Schlumberger Ltd.
Siemens AG
Sumatec Resources (IR OilRigs International Ltd)
Tatneft
Videocon Industries Ltd.
Weir Group PLC (Weir Pumps Ltd.)