



Darfur conflict hits close to home

Alcatel, Ericsson, Siemens pressured to sell off millions in Sudan investments

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A conflict that has taken hundreds of thousands of lives in Sudan's western Darfur region is having unexpected consequences for a number of mostly foreign companies, including at least three with large presences in the Metroplex.

Alcatel SA, Telefonaktiebolaget LM Ericsson and Siemens AG are among more than 130 companies that are targets of a growing stock-divestment campaign by states and pension funds. Six states have passed binding or nonbinding legislation on the divestment issue, and Illinois, New Jersey, Maine and Oregon have decided to divest completely. At least 11 other states, including Texas, have had divestment legislation introduced.

Sudan has been in a civil war for decades, with thousands dying from fighting or other reasons. The divestment campaign is centered on the Sudanese government's alleged alliance with pro-government and pro-Arab militias in the western Darfur region to "cleanse" areas of non-Arab black Africans.

An estimated 200,000 people have died in Darfur since the campaign began in 2003. In late 2004, then-Secretary of State Colin Powell called the Darfur carnage genocide.

By dumping stock, the states and pension funds hope to drive down share prices of the companies in their rifle sites, thereby forcing the companies to drop their Sudanese investments. In 2005, the Texas House passed a non-binding resolution by Rep. Lon Burnam, D-Fort Worth, encouraging Texas pension fund managers to divest from Sudan. The resolution wasn't taken up by the Senate. Burnam says he plans to raise the Sudan issue again in the next session, which starts in January.

Meanwhile, other pension funds and university endowments are moving forward with divestment, regardless of legislation. In March, the University of California's endowment dumped holdings in nine foreign companies, none with apparent Metroplex ties. And in April, the Providence (R.I.) City Council voted to drop an \$800,000 investment in Alcatel, whose U.S. base, Alcatel USA, is in Plano, pending completion of the company's merger with Lucent Technologies.

Officials with the Employees Retirement System of Texas and the Teacher Retirement System of Texas say their organizations haven't adopted formal positions on Sudanese divestment, though the former has adopted a resolution by a pension-fund trade group against investing in companies that "support terrorism."

Officials from three other state pension funds with investments in Sudan could not be reached. They are the Dallas Police & Fire Pension System, the Houston Police Pension System and the San Antonio Fire & Police Pension Fund.

A trade rule prevents U.S. companies from doing business with Sudan and five other countries that supposedly sponsor terrorism, though published accounts say some can legally do business in Sudan through subsidiaries. Though rules vary from country to country, foreign businesses do not generally operate under the same restrictions as U.S. companies, which is why most of the businesses being targeted by the divestment movement are based outside U.S. borders.

List of targets

A full list of all businesses working in Sudan isn't publicly available.

Two research concerns, Rockville, Md.-based Institutional Shareholder Services and Boston-based KLD Research, compile such lists, but disclose them only to pension funds, money managers and other clients. KLD confirms, however, that it has 134 companies worldwide on its list, including nine based in the United States.

Eric Reeves, a Sudan activist and researcher at Northampton, Mass.-based Smith College, says 23 companies chosen for divestment by Amherst College are the "gold standard."

"If I picked 23 companies to relentlessly target, it would be this list," says Reeves, an English professor at Smith who helped start the divestment movement against the Sudan.

Alcatel, Ericsson and Siemens all are on that list. According to the companies, published accounts and the Sudan Divestment Campaign -- a largely student-run activist group -- here's a rundown of the types of business each does with that country:

- Germany's Siemens, a \$90 billion electronics and engineering firm, says it has signed contracts worth less than \$20 million in recent years in Sudan. Its projects "directly impact civilians, including in medical, power and communications," the company says. Published accounts say the company's activities there have included building a power plant in the capital of Khartoum, sales of medical products and work on various infrastructure development.

North American investors owned about 12% of Siemens shares as of Sept. 30, 2005, Siemens says. Of that group, institutional investors represent the majority, according to the company.

"We have not seen any material change in the percentage of Siemens stock traded through" the New York Stock Exchange, the company said in response to a question about how many of its shares have been divested.

Siemens Communications CPE, which sells DSL gear, is based in Dallas. Employment figures for that unit weren't available. In addition, Grand Rapids, Mich.-based Siemens Logistics and Assembly Systems employs 509 people locally, according to the Dallas Business Journal's Book of Lists 2006.

In addition, Siemens Dematic Postal Automation L.P. has 550 of its 600 employees at its Arlington headquarters, according to Hoover's. The business makes automation equipment for postal services.

- Ericsson, whose U.S. base, Ericsson Inc., is located in Plano, has been involved in building out Sudan's telecom infrastructure. In March, for instance, it inked a deal to help the Sudanese Mobile Telecommunication Co. expand its capacity to 3.2 million subscribers, up from 2 million. The deal was worth 78 million euros, or \$100.3 million at current exchange rates.

Ericsson maintains an office in Sudan, according to its Web site (www.ericsson.com).

"Our core industry encourages communication, and access to communications promotes democracy and leads to socio-economic benefits. Pulling out of Sudan would most likely be worse for the people there," Ericsson said in a statement issued to this newspaper.

Ericsson employs 1,028 people locally, per the Book of Lists.

- Alcatel said it is helping to upgrade the phone system in and around the Sudanese capital of Khartoum. Published accounts put the value of its Sudan contracts at \$15 million, though it's unclear whether the pacts are with the government or Sudanese private industry.

Like Siemens and other companies that do business in Sudan, Alcatel maintains that its work is ultimately beneficial to the country's populace. The company argues it is helping provide communications services, and thus is helping promote democracy and economic development.

But Reeves, the Smith College activist, contends that while Sudan is roughly the size of the United States east of the Mississippi River, only a region the size of Delaware -- the area around the capital of Khartoum -- benefits from foreign investment.

"What (foreign investment) does is to insulate the regime from its mismanagement of the economy," he says.

'Symbolic hit'

What impact, if any, divestitures by pension funds and states might have on companies that do business with Sudan -- and, by extension, the Sudanese government -- remains an open question. Witness a March 6 letter Alcatel's Chief Financial Officer, Jean-Pascal Beaufret, sent to the Securities and Exchange Commission.

The letter, sent in response to SEC comments on the company's annual financial report, estimates pension funds and endowments owned just less than 1.4% of Alcatel shares (including those represented by its American Depositary Receipts, which are publicly traded in this country).

The company said that represented "a small fraction" of its U.S. investors, and that a total divestment by all American pension funds and endowments likely would not have "a material impact on the market value of our securities." It also maintained that it complies with U.S. laws and regulations when doing business with Sudan, Iran, Libya and Syria.

The company declined to comment beyond what it said in that letter.

Usha C. V. Haley, a professor and director of the Global Business Center in the School of Business at Connecticut's University of New Haven, argues that history shows divestment efforts have little impact on corporate behavior.

"It's a symbolic hit," she says. "It's like protesting outside the headquarters."

In a study of the impact of various divestment-type actions between 1982 and 1987 against some 322 companies operating in South Africa, Haley looked at "several hundred" variables, including stockholder resolutions and divestment legislation by states, counties and cities.

Only one was effective, she says: Legislation against purchasing goods and services from companies doing business in South Africa. Massachusetts, for instance, decided not to do business with Apple Computer.

"Massachusetts could target the bottom line of companies. That, unfortunately, is what a lot of boycotters and sanctions don't do, and can't do," she says.

The most effective tool, Haley says, is government regulation, such as the U.S. decision to remove the ability of American companies to claim tax exemptions for certain overseas operations.

Reeves, the Smith College activist, concedes there may be some truth in Haley's argument. But he points to a campaign he helped lead against a Canadian oil company, Talisman Energy, that pulled out of Sudan following a drop in its share price that Reeves attributes to sales of the company's stock by pension funds and other institutions.

The company's 2003 departure from Sudan "was clearly pushed by divestment," he says.

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