

**Testimony of
Jerome B. Gordon
Boycott Watch
Before Connecticut General Assembly & Senate
Government & Elections Committee
On HB 5632**

March 17, 2006

**“An Act Concerning Divestment of State Funds Invested in Companies Doing
Business in Sudan”**

Good morning, Chairmen Sen. DeFranzo, Rep. Caruso and members of the Committee. My name is Jerome B. Gordon and I am a Vice President and analyst for Boycott Watch: (see: www.boycottwatch.org) an organization dedicated to uncovering and exposing false information in boycott calls and to expose boycotts used as “economic warfare” to harm free trade among nations. We believe that boycotts among nations do not foster peaceful resolutions of conflicts, – but economic cooperation does.

Boycott Watch President Fred Taub has been quoted in **The Wall Street Journal**, **Christian Science Monitor** and several other newspapers; and has appeared in radio and television news programs as an expert in boycotts. Boycott Watch has also been mentioned in at least two filings before the United States Supreme Court.

We at Boycott Watch do not view the proposed Connecticut Sudan Divestment legislation (HB 5632) as necessary.

Why?

Because there are existing federal sanctions against investment and trade in Sudan which is listed by our US Treasury Department as a “terrorist” state. The proposed legislation conflicts with existing federal Anti-Boycott compliance laws and regulations.

Moreover, recent history has given us the “success” of the federal government brokering in 2005 the Comprehensive Peace Agreement (CPA) between the Islamist Sudanese central government in Khartoum and the Sudan People’s Liberation Movement (SPLM) ending two decades of horrendous civil war between the northern Muslim and southern Christian Animist regions.

Finally, we will show that only at the federal level are there sufficient legal authority, traction and economic suasion to bring the potentially genocidal Darfur crisis to a halt.

Shareholder activism as embodied to HB5632 may have a useful place with regard to moral suasion vis a vis the Sudan by raising the public's awareness of the crisis.

We commend Connecticut State Treasurer Denise Nappier for fashioning bi-partisan legislative sponsorship and a broad base of concerned citizenry to support possible passage of the measure. The authorities provided under the present language of HB5632 leave disinvestment as a last resort but emphasize, research and discussions with targeted companies in the Connecticut retirement and state funds. Perhaps during those discussions with targeted companies and the Connecticut Congressional delegation that Treasurer Nappier and her staff might avail themselves of some of the suggestions that Boycott Watch that focus on economic initiatives at the federal level.

Boycott Watch suggests that beyond current federal sanctions against trade and investment in the Sudan, the U.S. government can avail itself of economic suasion via its funding and leadership of both the World Bank and International Monetary Fund (IMF) debt of \$24 Billion owed by Sudan. The U.S. government through its leadership at both the World Bank and IMF can do this by defeasing the Sudan debt and in return create an oil revenue trust. The proposed oil revenue trust would divert funds to repay the lower debt level and fund food, humanitarian, public health aid and peacekeeping efforts in Darfur and other regions in the Sudan threatened by the Islamist central government in Khartoum.

Sudan's estimated Gross Domestic Product of over \$19 billion in 2004 is swamped by the outstanding and unpaid debt. However, more than 70% of Sudan's export earnings are derived from export of crude oil. The remaining 30% of revenues is through export sales of agricultural products. Much of the over 5 billion barrels of estimated oil reserves and upwards of 700 million of proven reserves in the country are found in south, the Cordufan region and the Red Sea Province. In 2005, on average over 500,000 barrels of crude oil were pumped every day produced revenues of over \$3.0 billion.

In the 2005 Comprehensive Peace Agreement, the central Sudan government had to share oil revenues produced in the south 50/50 with the SPLM that effectively governs the south in the Sudan.

Such an oil revenue and development trust had been tried, albeit unsuccessfully, in neighboring Chad with the discovery of its own oil resources. The lessons learned from that IMF sanctioned experiment in Chad could dramatically improve the effectiveness of an oil revenue trust in Sudan.

How did the Divest Sudan campaign get its start and what is the current status across the US and here in Connecticut?

I have a good friend, Dr. Keith Roderick, Executive Director of the Sudan Campaign. Dr. Roderick has worked with former DC Congressional representative Walter Fauntroy, Honorary Chairman and national radio personality Joe Madison, the Campaign's president, to initiate the current Divest Sudan movement modeled on the DivestTerror project fashioned by Frank Gaffney, Jr. of the Center for Security Policy in Washington .

State Treasurer Denise Nappier in her news release of February 23, 2006 announcing proposed divestment of state pension funds from Sudan investments under HB5632, pointed towards similar actions by the States of Illinois, New Jersey and Oregon and more than two dozens states adopting resolutions along similar lines. Now, Connecticut, Maryland and other states and municipalities have signed on to the Gaffney "divest terror" doctrine. In 2001 Connecticut sold its holdings in China Petro because of "business ties to Sudan."

TerrorDivest estimated in its 2004 report that State of Connecticut Trust Funds (SCTF) held an estimated \$2.1 Billion in so-called exposure levels accounting for 22% of the \$17.2 Billion of pension funds under management. In its report "The Terrorism Investments of the 50 States," DivestTerror estimated that upwards of 34 companies held by SCTF had ties to Sudan.

Dr.Roderick of the Sudan campaign informed me that without lifting sanctions there should be consideration by the current administration in Washington to issue waivers to the South Sudan government for critical infrastructure materials and investments. HB5632 may have little impact and may conflict with ongoing efforts to alleviate problems with the Comprehensive Peace Act of 2005 that did not completely settle the more than two decade civil war between the Islamist North in Khartoum and the Christian Animist South in Sudan.

But let's look at what is driving Connecticut to consider measures like HB5632.

Sudan is the largest state in Africa. It has diverse tribal and religious groups. It has rarely had moments of peace since its independence in 1956.

The situation in the Darfur region of the Republic of the Sudan and adjacent Chad has reached crisis proportions with more than 1.8 million forced from villages by rampaging jinjaweed "Arab" militias backed by Sudanese government air and ground forces. The word genocide, as to what has occurred in Darfur, comes readily to mind to describe the slaughter, destruction, pillage, rape, enslavement and displacement of tens of thousands of families. The campaign against Black Muslim Darfurians is eerily familiar to all who remember the sectarian slaughter of nearly 800,000 Tutsis by Hutus in Rwanda in 1994.

How easily we forget man's callous inhumanity to man which has erupted at frequent intervals whether it be the Nazi destruction of six million European Jewish men, women and children during WWII, the 2 million Bangladeshis killed by fellow Muslim Pakistanis in 1971 or the more than 2 million fellow Cambodians killed by the Communist Pol Pot regime in the mid-1970's.

In the Sudan itself the nearly two decades of un-civil war between the Islamist North in Khartoum, its capital, versus the animists and Christians in the South cost the country more than 2 million lives.

Many thought that the CPA reached between the warring parties in 2005 under the aegis of the U.S. government as an honest broker would end the strife, murder and mayhem among the nation's tribes.

It didn't because the central government began attacks against irredentist Darfurian rebels from the Sudan Liberation Army (SLA) and Justice and Equality Movement (JEM) and began a deliberate program of ethnic cleansing.

The result is an estimated 400,000 dead men, women and children and more than 220,000 refugees in camps on the border and in neighboring Chad creating a humanitarian crisis of biblical proportions.

The UN and the Bush administration are seeking to deploy a rapid reaction force of upwards of 20,000 NATO and UN peacekeeping troops to augment the overwhelmed 7,000 members of the African Union Mission (AUM) peacekeeping force. Meanwhile international humanitarian NGOs are facing an overwhelming task of provisioning Darfurian refugee camps, providing public health and food programs in a desperate attempt to avoid death through malnourishment, starvation and disease.

The world, the nation and this state are outraged.

What can be done do to save the Darfurians against the onslaught of rampaging Arab jinjaweed militias and their Sudan government forces?

First, the authorization and appropriations by the Congress of \$100 million of emergency funds for the AUM peacekeeping force. This amount is woefully deficient given the enormity of the tasks facing this country, the UN, AUM and NATO.

Second, the deployment of UN and NATO rapid reaction forces to shield the Darfurian refugees from attacks by jinjaweed militia and Sudanese armed units by establishing “no fly zones” that worked so effectively in Iraq.

Third, the proposed legislation at the state level like HB 5632.

Fourth, the Boycott Watch suggested Sudan debt reduction deal via the World Bank and IMF in exchange for funding an oil revenue trust to fund Darfur and Sudan relief and peacekeeping forces to bring the Genocide to a halt.

We at Boycott Watch have several problems with the proposed legislation.

First, secondary boycotts of the type envisioned by HB 5632 are generally non-productive. In fact they may end up hurting the very people they seek to aid.

One only has to look at the history of the South African divestment campaign in the 1980's to realize that ultimately the persons most disadvantaged were not the white political leaders of the Republic's Afrikaner apartheid political leadership in the Pretoria parliament, but those Bantu township residents living under horrendous restrictions, wretched housing and public health conditions deprived of meager livelihoods. It was the pioneering efforts of Rev. Leon Sullivan, the only Afro American board member of General Motors in 1977, launching the “Sullivan Principles” espousing corporate codes of ethics for US companies investing in South Africa coupled with UN, EU and US economic sanctions legislation and both international financial agencies and major commercial banking institutions that eventually brought down apartheid in the early 1990's. Calls for divestment by state and municipal pension funds were supportive, but secondary.

Second, the proposed Connecticut legislation duplicates and conflicts with existing US sanctions against investing and trading with the Sudan-listed as a terrorist state by the U.S. Treasury Department.

Third, HB 5632 conflicts with the Export Administration Amendment of 1977 administered by the Office of Antiboycott Compliance under the Bureau of Industry and Security of the US Department of Commerce. This federal law is addressed at foreign boycotts of allied foreign countries, and was formed by Congress to prevent individuals persons using boycotts to create de facto foreign policy, which Congress asserted as its domain as the basis for this law. The law applies to all ‘US persons,’ meaning citizens and non-citizens, thus including state legislatures. The two extant examples are the Arab Boycott of Israel that figured prominently in the demise of the recent Dubai Worlds Port acquisition of management contracts at several major U.S. ports and the current Boycott against Denmark by Iran and several Arab League nations.

Fourth, to support divestment by the State of Connecticut common retirement system of purported investments in companies currently engaged in doing business with Sudan would be ephemeral in view of existing US sanctions and the fact that most of the companies doing business in the Sudan are: Canadian, French, Norwegian, Indian,

Chinese, Malaysian, Kuwaiti, Saudi, Swedish, South Korean. Moreover, divestment would incur frictional costs in the forced sale of targeted company equities and may impact adversely on the overall portfolio yield and retiree benefits.

We cannot rely on the ineffective economic warfare “weapon” envisioned in HB 5632. Instead we need to use the enormous power and suasion of our national government to turn the economic resources of the Sudan towards the immediate aid and assistance of their own refugees in Chad.

It is for all of the above reasons, that we at Boycott Watch cannot support HB 5632 but instead suggest that the Connecticut legislature pass concurrent resolutions in support of federal initiatives as outlined above to stop the looming Darfurian genocide crisis now.

Thank you for your attention.