



NASACT NEWS RELEASE

For Immediate Release
August 30, 2004

Contact: Barbara Hafer
717-787-2991

State Officials, Funds Find Report Large on Hype, Little Help in Linking Investments to Terrorism

Washington, D.C., August 30, 2004—A Washington-based organization's report accusing states and their public pension funds of investing in terrorism is large on hype, but does little to actually link investments to terrorist activities or provide assistance to investors trying to ensure they are not doing so, said national organizations representing those targeted by the report. The so called "fifty states" report fails to go beyond naming its rolodex of companies operating in countries such as Sudan, North Korea, and Libya. If it had, it would have noted that these companies are legal entities which the U.S. sanctions to operate in or with these countries.

“We want nothing more than to ensure we are reinforcing national security policies through our investment positions,” said Barbara Hafer, Treasurer of Pennsylvania, former president of the National Association of State Auditors Comptrollers and Treasurers, and the spearhead of the Economic Terrorism Commission, “but this report and the data on which it is based seems to be using the threat of terrorism to intimidate everyday investors who follow the laws.”

National organizations representing state governments, officials, public retirement systems, and millions of public employees, retirees, and beneficiaries sent a letter to the Center for Security Policy on August 30, 2004 taking issue with “the faulty premise and inflammatory title of the report and the data upon which it was based.” The letter noted that the report, titled “Terrorism Investments of the 50 States,” merely looked at whether any investments within a portfolio included companies or subsidiaries with a business tie to a country on the State Department’s list and the findings “ignore the fact that companies may legally operate within these nations according to the policies established by the U.S. government, which permit various types of business in or with the countries on the list if it is believed they further foreign policy goals.” Following the logic of the report’s authors, the letter stated, one “could just as easily level the very same inflammatory accusations against virtually any U.S. investor, whether institutional or individual.” “Divesting every company highlighted in your report,” the letter added, “may simply result in punishing companies whose activities abroad the U.S. government supports or does not oppose, punishing companies whose activities abroad in no way compromise national security, and unnecessarily harming American companies, jobs, and shareholders.”

The letter avowed that states and their pension funds “continue to do everything within their power to ensure their investments are not compromising national security and would not be assisted in their efforts by the information presented in the report.” The subscription software product on which the report was based is a joint venture between the Investor Responsibility Research Center (IRRC) and the Conflict Securities Advisory Group (CSAG), who assisted with the report and shares the same mailing address as the Center for Security Policy.

The letter also highlighted that many of the organizations joined together shortly after September 11, 2001 to form the Economic Terrorism Commission to urge federal officials to provide states and their funds with information to guard against making investments with hidden terrorist links. The notion that state and local government employee retirement systems should independently decide which companies

are national security risks is misguided. A federal list of prohibited investments based on U.S. national security concerns could identify companies, which could be de-listed from national exchanges, excluded from investment programs, and/or removed from benchmarking indexes. "Indeed, we suggest it may prove far easier and more productive in the long run for the federal government to direct appropriate prohibitions and sanctions against the companies engaging in activities determined to be contrary to national security interests, rather than against U.S. investors. This would avoid the imposition of unnecessary and potentially ineffectual punishment on U.S. investors, to say nothing of the U.S. employees who work for the companies in question in activities which are entirely unrelated to the subject behavior."

Attachment (1)

####