

CITY GUIDE TO DIVESTMENT

Divesting from producers of controversial weapons: a guide for local authorities

More and more people are moving to cities. The growing trend towards urbanization means that the traditional role of Mayors and City Councils is expanding. To protect their citizens, municipal leaders must embrace a wide range of approaches towards securing their cities. This new reality is reflected in the UN Sustainable Development Goals, particularly Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.

In taking up their responsibility to make cities and human settlements safe and to protect their citizens from harm, municipal leaders can avoid financing the production of some of the worst weapons ever created. Weapons like cluster munitions or biological weapons have such indiscriminate and inhumane effects, they do not have a place in modern militaries. Despite being widely considered to be controversial and often prohibited by international treaties, these weapons are still produced in some parts of the world. Considering the changing nature of warfare towards more urban conflict, cities and other local authorities can take a stand and make sure they are not themselves linked to the production of controversial weapons through their finances. This guide provides some useful tools for cities that want to make sure they are not connected to the producers of controversial weapons.

Controversial weapons

Some types of weapons are designed to operate in such a way that they cause indiscriminate effects and disproportionate harm. The principles of 'distinction' and 'proportionality' are key concepts in International Humanitarian Law, which regulates the methods as well as the means of warfare. Some of these weapons are also prohibited under specific international treaties and conventions. Based on these principles, controversial weapons include at least biological weapons, chemical weapons, anti-personnel landmines, cluster munitions and nuclear weapons.

Despite widespread rejection of these controversial, they are still produced by a few state militaries and private companies. Research by PAX shows that at least 33 private companies are involved in the production, development and maintenance of nuclear weapons and cluster munitions.

The Treaty on the Prohibition of Nuclear Weapons

The Treaty on the Prohibition of Nuclear Weapons was adopted in the United Nations in July 2017. The treaty comprehensively prohibits the making, having and using of nuclear weapons. In addition, it prohibits assistance with other acts prohibited under the Treaty. Financing is a form of assistance contributing to the production of nuclear weapons. Many banks, pension funds, and insurance companies are already moving away from the nuclear weapons industry, as they don't want to be associated with illegal weapons. Cities opposing a new nuclear arms race can use this treaty as a good reason to examine their financial relationships with companies that are associated with nuclear weapons and by putting policies in place to prohibit such investments.

Why divest?

Public exclusions by investors, including municipalities, governments and financial institutions, have a stigmatizing effect on companies associated with illegitimate activities. There are numerous examples, from child labor to tobacco, climate change, and South African apartheid, for which divestment had a profound impact. Divestment generates stigma by drawing attention to inhumane practices and mobilizing the public against the offending companies, pressuring them to change their behavior. Any financial support delivered by an investor to a company demonstrates tacit approval of what that company does, including producing controversial weapons. In choosing how to invest, and how not to invest, investors can have a significant impact on a company's strategic decisions.

Divestment is an important and integral part of humanitarian disarmament because it helps further stigmatize and delegitimize indiscriminate weapons. Almost nobody wants to be known as a nuclear-weapons investor, just as financial institutions don't want to be known for investing in prostitution or child labor. Choosing to exclude producers of controversial weapons from portfolios sends a clear message that such activities are unacceptable. If even a few institutions or states divest from a company using the same justification, they can impact a company's strategic direction and involvement in illegitimate activities. Here are some examples:

General Electric

During the cold war, General Electric was participating in nuclear weapons production. After a campaign lead by Corporate Accountability International, GE "caved under enormous public and financial pressure and officially moved out of nuclear weapons business."

Lockheed Martin

US company Lockheed Martin, the world's largest arms manufacturer, announced an end to its involvement with the production of rockets, missiles or other delivery systems for cluster munitions and stated it will not accept such orders in the future. The arms manufacturer expressed the hope that its decision would enable it to be included in investors' portfolios again, suggesting that pressure by financial institutions had something to do with its decision.

Orbital ATK

After ceasing its involvement in the production of a key component of cluster munitions, Orbital ATK explained its decision in [] by saying: "[...] a number of governments have taken formal action aimed at slowing down and eradicating investments in companies profiting from the sale and use of cluster munitions. The list is composed primarily of European states but includes nations from other regions of the world, a display of the Convention's reach and an illustration of the direct threat being issued by governments with the ability to exercise control over the financial mechanisms underpinning CM production."

Around the world, consumers seek ways to fund and participate in socially responsible activities, whether by purchasing fair-trade products or shifting their investments towards socially responsible funds. Citizens want to know that their municipality reflects their shared values and principles. Joining this wave of enthusiasm helps to show that a city is exercising all options to make the city safe and protect citizens from harm.

Examples of local authority divestment

Research by PAX shows examples of over 100 financial institutions that have already adopted policies restricting investment in nuclear weapons and/or cluster munitions. At the local level, municipalities and cities are also taking action. Examples include the cities of Ojai, Cambridge, and Takoma Park in the United States that have each adopted resolutions to divest from nuclear weapon producers. The West Midlands Pension Fund (United Kingdom) decided in 2017 to divest from the only cluster munition producer in which it held assets.

More generally, municipalities are also calling on their governments to join disarmament treaties. In 2018, 322 local authorities in Japan called on the Japanese government to sign the Treaty on the Prohibition of Nuclear Weapons. Over 150 municipalities in Italy including Turin, Padua and Bergamo, the cities of Melbourne and Sydney (Australia) and the US state of California did the same.

Join the ICAN cities appeal

In October 2018, Melbourne became the first city to join the International Coalition to Abolish Nuclear weapons (ICAN) Cities Appeal. By joining this appeal, cities call on their government to support nuclear disarmament by signing the Treaty on the Prohibition of Nuclear Weapons. Options for concrete actions following up from signing the appeal include divesting from all nuclear weapon producers. For more info: www.icanw.org

How to divest

Cities and municipalities that want to make sure they are not linked to controversial weapons companies, can put in place a responsible investment policy. The following is a brief overview of the steps needed for local authorities. More detailed information on each of these steps is available on www.dontbankonthebomb.com.

1. Announce

Municipal leadership can announce the intent to join the ICAN City Appeal or to direct appropriate authorities to bring together a policy preventing city finances from being linked to the controversial weapons sector.

2. Adopt

The City Council or other municipal leadership can adopt a resolution explicitly prohibiting investments in companies involved in the production, development, testing, maintenance or trade of nuclear or controversial weapons and the key components of such weapons.

3. Assess

The responsible authorities in the municipality can assess if there are any current controversial or nuclear weapon holdings in the existing city portfolios, and a timeline for divestment.

4. Apply

The new policy can be applied by instructing any city investment managers to put in place negative screening criteria to make sure that no controversial or nuclear weapon producers are part of the municipal portfolio.

5. Amplify

It is important to promote and supplement divestment efforts: tell companies why you're divesting and share the experience with other municipalities.

Adopt a resolution

Nuclear weapons are among the most controversial weapons ever developed. They pose an unacceptable threat to people everywhere. This is why, on 7 July 2017, 122 nations voted to adopt the Treaty on the Prohibition of Nuclear Weapons. All national governments are now invited to sign and ratify this crucial global agreement, which prohibits the use, production and stockpiling of nuclear weapons and lays the foundations for their total elimination.

Cities and towns can help build support for the treaty by endorsing the ICAN Cities Appeal. Cities and municipalities can send a strong signal that no activity related to nuclear weapons is acceptable, by adopting a resolution or city order on divestment.

This can be done in different ways, including a city council resolution, a city order, a statement or press release by the mayor, or an instruction by the mayor to divest the city's funds from nuclear weapon producers. A sample directive is included below. The text can be adapted to best suit the local context and the type of action (order by the mayor, resolution by the city council, or other appropriate forms of action) chosen. Key elements to include are the adoption of a socially responsible investment policy for the city; a prohibition on new investments in nuclear weapons producers; a divestment plan for any current investments; and an oversight mechanism to ensure effective implementation of the policy in the future. It is also important to make the investment policy publicly available, for example on the city council's website.

Also, please inform us of any steps taken by your local authority at info@dontbankonthebomb.com. For more information specifically for US cities, please contact ariel@futureoflife.org.

Divestment from nuclear weapon producers – sample directive

The City shall adopt a socially responsible investments policy applicable to all funds under its jurisdiction and control, including those managed by external managers or consultants.

From the date of adoption of this Resolution, the city shall refrain from any new investments in businesses that knowingly engage in work related to the development, testing, production, manufacture, stockpiling or transfer of nuclear weapons or key components of nuclear weapons.

The City shall develop a plan to divest itself of all such existing investments under its control within two years.

The policy shall be reviewed by the City Council at an annual public meeting.

The City Council hereby directs the City Treasurer, City Manager, and City Finance Director to prepare a proposed socially responsible investments policy and divestment plan, in line with these requirements, for consideration and adoption by the City Council.

The policy shall be made publicly available on the city website on adoption.