



Campaign To Oppose Bank Loans To South Africa

198 Broadway, Rm. 402 • New York, N.Y. 10038 • (212) 962-1210

# • COBLSA NEWS •

Summer 1979

*Each trade agreement, each bank loan, each new investment, is another brick in the wall of our continued existence.*

*—John Vorster, Ex-Prime Minister of South Africa*

## U.N. ACTS ON BANKS . . .

The Secretary-General of the United Nations, Dr. Kurt Waldheim, has been asked to take another look into the banking practices of this august body, including where the multi-million dollar pension fund is invested.

This came after the UN Special Committee Against Apartheid held hearings on the Bank Campaign and heard from Rev. David Haslam of the London-based End Loans to Southern Africa, Ms. Pat Baker of the Toronto Committee for the Liberation of Southern Africa, Mr. George Houser of the American Committee on Africa, and Mr. Tim Smith, Interfaith Center for Corporate Responsibility.

It is not the first time that the UN has discussed the bank loans to South Africa. On November 9, 1976, the General Assembly passed a resolution noting "with grave concern that governments continue to collaborate with the racist regime of South Africa and thereby encourage it to persist in its criminal policies." Further, a call was made for governments to prohibit loans and investments and all agencies of the UN were requested to refrain from dealing with corporations and banks that financed apartheid.

Thirty months later, these representatives of the Bank Campaign in the Western World were reporting that the situation had not changed and Mr. Houser very provokingly pointed out that the United Nations was dealing with Chemical Bank, one of the big lenders of South Africa, through a newly discovered, devious way of correspondent banking relationships. "If Chemical does not change its policy,

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1960 demonstration against Pass Laws, Johannesburg, S.A. (Intn'l Defense and Aid Fund)

## . . . WHILE LOANS FIND NEW ROUTE TO SOUTH AFRICA

By Truman Dunn

It is called the correspondent bank relationship. This harmless-sounding system is used by American and European Banks to make short term high interest loans to other banks operating in South Africa. Some of the banks involved in this scheme are those that had got themselves a lot of publicity by making statements about no longer making loans to South Africa.

Most banks who claim that they will make no loans to the South African government, still continue to be involved in the financing of trade with South Africa. This trade financing is crucial to South Africa, since most trade is in such commodities as heavy

machinery, aircraft, computers, and automobile spare parts, all of which are of strategic importance. In order to conduct this trade financing, American banks must have correspondent banks in South Africa.

Essentially a correspondent banking relationship is an agreement between two banks to provide services for each other. Unlike a subsidiary or an associate banks, there is no direct ownership involved. While one of the primary purposes of a correspondent banking relationship is to conduct trade financing, it is also useful for interbank loans, corporate transactions and other services. What it means in practical

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# Checking Redlining

By Tina Simcich

Here is a method of finding out if your neighborhood is redlined:

1. First find out which part of your neighborhood is a census tract; that is the few blocks the Bureau of Census uses to determine the population in your area.

2. All commercial and savings banks must make the Home Mortgage Disclosure Statement available to any person or organization that requests it and also provide copying facilities at 10¢ a page. This lists all mortgage loans held by the bank in each census tract, all new loans made in the current year, and the total out-of-state mortgages for the state-chartered banks. Call the state banking department to complain if your bank does not give you complete data within a few days.

3. Under the 1978 Community Reinvestment Act, all banks must prepare a statement showing how they define their local markets and meeting the local credit needs. This should be available to the public. If the bank can be shown to be neglecting local needs, applications to open new branches in the area can be challenged by the local groups.

4. For \$5.00 you can get a list of every branch of all banks throughout your state with total deposits. Compare this amount to the figure invested

in mortgage loans by the same banks. The difference between the total deposits and the loans made out to the mortgages will indicate how much capital is not used to improve your area. For this complete list write to the Federal Depository Insurance Corporation (FDIC) Data Requests, 550 17th Street, N.W., Washington, D.C. 20429 or telephone 800-424-9475. □



Against the Grain

Chemical Bank is by no means the only one. Riggs bank in Washington D.C. admitted its correspondent relationship with a South African bank very easily over the telephone. In fact, the banks will always admit this practice and claim that it is not a serious involvement because the loans made are short-term, not exceeding six months at the most.

One of the banks that is used in South Africa is Volkskas Bank, a government created commercial bank to serve the police, military and other government agencies. Its board members include government members and executives of the racist ruling party, the Nationalist Party. This means that every dollar Chemical, Riggs or any other bank that has a correspondent relationship with Volkskas, make available, goes directly to the government. The Chemical Bank executive argued that Volkskas was being used because

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## • U.N. on Banks

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the United Nations will be open to charges of hypocrisy, of having compromised in an area where no compromise should exist," declared Mr. Houser.

There is a strong possibility that the issue of bank loans will come before the General Assembly again this Fall. However, there will be a big difference now in that the momentum has been increased by these hearings to force the world body to look into its own backyard.

Speaking for groups in Europe, Rev. Haslam likened the apartheid system to "a monster" that was fed by bank loans from the West. Outstanding debts totalled \$8.6 billion at the end of 1977. He destroyed the myth about apartheid being too powerful to destroy. "We can poison the monster," he declared.

Rev. Haslam suggested four methods. A world-wide boycott and international days of action against Barclays and Standard Chartered Banks, increased pressure through international organizations like the UN, OAU and the World Council of Churches. While anti-apartheid groups had forced British and American banks to reduce their loans drastically, he said that vast amounts were flowing from West Germany and Switzerland.

Ms. Baker said that while Canadian banks made few disclosures concerning their loan practices, at least seven federally-chartered banks were involved in lending to South Africa. "They may claim, as does the Toronto-Dominion Banks, that Western investment, in fact, 'liberalizes' and eases apartheid. As if the clear trend in South Africa were not towards greater and greater oppression," said Ms. Baker.

Mr. Tim Smith pointed out that the loans to the private sector and trade-related financing had increased. "I would like to warn the United Nations that it would be compromising its anti-apartheid stance by having its pension fund invested in banks and corporations doing business in South Africa," he said. □

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Complete text of testimony available at COBLSA, 198 Broadway, New York, N.Y. 10038. □

## • Loan Routes

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terms is that an American bank can make loans to a South African correspondent on request.

One of the American banks that has such a system is Chemical Bank of New York. Recently we spoke to a senior vice-president of Chemical and he said that if a correspondent bank requested \$5-million and their credit was good, Chemical would give the loan. When asked how this money would be prevented from going to finance strategic or military programs of the South African government, he said that he did not know because this loan would simply be made on "TRUST." There was no way or any desire by Chemical to find out whether the money ended up in the pocket of the government or not because faith was put with the correspondent institution.

## CONTRIBUTORS

Material edited by D.S. Kumalo at COBSA, 198 Broadway, New York, NY 10038. Some of the stories contributed by interns Terri-Ann Lowenthal, Karen Loplato and Dominique Colon.

DUMISANI S. KUMALO, a South African, has been selected as national coordinator for COBSA starting June 1, 1979. The bank campaign, initiated and sponsored by the American Committee on Africa and Clergy and Laity Concerned since 1977, has affiliates active in thirteen regions of the United States. Kumalo was a founder of the Union of Black Journalists in South Africa, an organization active in the Black Consciousness Movement that was outlawed by the government on October 19, 1977. He is in exile.

## • Loan Routes

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it was a commercial bank. But the bank, as its name suggests, "the cash-box of the nation (white)" was founded for financing apartheid. Another institution used by the banks is the Credit Bank. The holding company for this one is Bankorp, which is owned by SANLAM, the second largest life insurance company that is also one of the para-statal of South Africa. It owes its massive business from insuring the lives of the police, soldiers, government ministers and four million government supporters in the country. Because the government is using Volkskas and Credit Bank for these loans, the latter is the fastest growing bank in South Africa.

We suggest that you approach your local bank and ask them if they have a correspondent relationship with any South African bank. Normally they will admit it and claim it is no major part of their business. This is not true because the short-term loans are made with your long-time savings or pension funds. We must get the banks to stop this new devious loan system. Do not be impressed by their public statements or how they abhor apartheid when they in fact finance it on a short or long-term basis. □

# Action Notes on Groups



photo: Len Mastroracco

Berkeley students protest Bank of America's loans to South Africa.

## NEW YORK

Columbia University sold \$2.7-million stock in banks lending to South Africa. *New York COBSA*: has targeted Citibank because of its \$1.3-billion loans making it the largest lender. Major mailing campaign starts on October 1. A list and information on alternate banks is being compiled and will be published in a small brochure. Moves to work closer with trade unions are being explored.

## NEW HAVEN, CONN

Yale University sold \$1.6-million stock from J.P. Morgan and Co., holding company for Morgan Guaranty Bank and withdrew \$2-million from Manufacturers Hanover Trust bank.

## PHILADELPHIA

The stubborn Provident Bank gave in under pressure of picketing to announce that it would retire the loan to the South Africa Railways.

## WASHINGTON, DC

The Bank Campaign was launched on June 15 with a Press conference that attracted the diverse media. Riggs Bank was the target for having a roll-over credit of \$1.5-million to ISCOR and \$73-million to the Chilean military. Hilda Mason, DC City Councilor has introduced a bill to stop apartheid loans by banks dealing with the city. Over \$44,000 was withdrawn on the day of the picket by groups including the Non-Intervention in Chile group which is working in the Campaign. The next major action is September 11, anniversary of the coup in Chile.

## CHICAGO

The Chicago Bank Campaign, coordinated by Chicago CALC and Coalition on Southern Africa, joined with the Chile Solidarity Group and leafleted the Continental and First National Banks. There is a move to reactivate a Chicago City Council resolution calling for investigation of the loan practices of 30 banks that receive city funds. The Illinois House of Representatives is considering a resolution that would keep State funds, including pensions, from banks dealing with apartheid...

Forty Lutheran activists from all parts of the country met at Augustana Church in Chicago on June 22-23 and formally established a Lutheran Coalition on Southern Africa with three goals: to push for divestment of South Africa related investments held by their church; for withdrawal of funds from banks loaning to apartheid, and opposition to apartheid as a status confessionus (an article of faith) within the United States denominations of the Lutheran Church, the American Lutheran Church and the American Evangelical Lutheran Church and Lutheran Church-Missouri Synod. For more information contact Kim Zalent, 202 South State St., Suite 600, Chicago, IL 60604, 312-663-0703.

## NEBRASKA

A hearing is scheduled in Nebraska on a Legislative Resolution that calls on the State's Investments Council to review the list of corporations and banks that invest in South Africa. Resolution 43, which is being debated, would de-

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clare the \$25-million presently going to South Africa to be contrary to the principles of human rights embodied in the Nebraska Constitution. The Peace Educators are organizing support for this law.

## CANADA

*Vancouver:* The South Africa Action Committee used the recent federal elections to spread information on the bank campaign. The Task Force on Churches and Corporate Responsibility attended five Canadian banks' shareholder meetings and questioned loans to Chile as well.

*Ontario:* In March the Senate of the University of Guelph endorsed the principle of divestment. It sponsored a Day of Divestment in which 250 withdrawals amounting to over \$70,000 were made at the Canadian Imperial Bank of Commerce and re-deposited at the local credit union...

The Canadian Union of Public Employees withdrew over \$1-million from the Imperial Bank of Commerce and deposited it in the Ottawa Community Credit Union.

*Quebec:* On May 1 the Board of Governors of Dawson College withdrew \$25-million from the Bank of Montreal.

*Nova Scotia:* Support groups of OXFAM and TCLSAC leafleted the Bank of Nova Scotia and the Toronto Dominion Bank shareholder meetings.

## RESOURCES

Here are some of the resource materials available for the bank campaign. There are more on request.

**BANK LOANS TO SOUTH AFRICA 1972-1978:** Corporate Data Exchange, April 1979. Documentation of world-wide lending to South Africa. Available from Center Against Apartheid, United Nations, New York, N.Y. 10017. Free.

**HOME MORTGAGE LENDING PRACTICES OF NEW YORK'S FIVE LARGEST COMMERCIAL BANKS:** NY COBLSA, 4R 313 W. 78th St., New York, N.Y. 10024. Analysis made from Mortgage Disclosure Statements of Citibank, Chase Manhattan, Manufacturers Hanover Trust, Chemical and Bankers Trust. \$2.00.

**PENSION FUNDS, JOBS AND TAXES:** California Public Policy Center, Bradbury Building, Rm. 224, Los Angeles, CA 90013. Two-page piece on benefits of alternate investments such as Ginnie Mae and Fannie Mae mortgage-bank securities.

**DISCLOSURE:** Monthly magazine covering banking and regulatory issues and focussing on neighborhood struggles. \$10 for nine issues. NTIC Publications, 1123 W. Washington, Chicago, IL 60607.

**THE NORTH WILL RISE AGAIN: PENSION, POLITICS AND POWER IN THE 80's:** Jeremy Rifkin and Randy Barber, Peoples Business Commission. Order Department, Beacon Press, 25 Beacon Street, Boston, MA 02108. \$4.95.

**SOUTHERN AFRICA MAGAZINE:** Monthly. 17 West 17th Street, New York, N.Y. 10011. Individual \$10 per year, institutions \$18 per year.

**ACOA LITERATURE DEPARTMENT:** Over 100 titles of pamphlets, research documents and books on Southern Africa. Richard Knight, ACOA, Rm. 402, 198 Broadway, New York, N.Y. 10038.

**DIVEST T-SHIRT:** This is a popular T-shirt with "U.S. Out of South Africa Now" on the front, and, in red, black and green, the map of Africa with "DIVEST" written in bold letters on the back. The retail price is \$5.00. For 12 or more shirts, \$4.00 each. Write: Shirts, ACOA, 198 Broadway, New York, N.Y. 10038.

**LIST OF ALTERNATE BANKS:** Write COBLSA, 198 Broadway, New York, N.Y. 10038. □

## OREGON

The US National Bank of Oregon has become the first bank to sell its stock from the Private Export Fund Corporation (PEFCO), a consortium of 56 major US banks. This came after the Eugene Bank Campaign group successfully pressured the public to withdraw \$300,000 in April this year.

## SEATTLE

A new bank campaign group has started here and the targeted bank is Seattle First which has loans totalling over \$10-million dollars to South Africa.

## CALIFORNIA

The Stop Banking on Apartheid Campaign (SBOA) organized church congregations throughout the State to observe April 1 as a Day of Concern on Bank Loans. Over 10,000 leaflets were distributed with church bulletins. At an anti-nuclear rally of over 25,000, an SBOA coordinator spoke on bank loans. The Berkeley Responsible Investment initiative that passed a resounding vote on stopping bank and trade links with apartheid was also supported by SBOA. Together with the Free Chile Center SBOA demonstrated at the Wells Fargo Bank shareholder meeting and 14 per cent voted for ending the loans. Stanford University Trustees joined in support of the motion. More than 12 per cent of Bank of America shareholders voted for the end of loans and over one third abstained. Teresa Huges, Assemblywoman from LA, entered a bill in the CA legislature protesting sale of Krugerrands. □

- I support the bank campaign against loans to South Africa.
- Please put me on the mailing list to receive the newsletter and other COBLSA information.
- I donate \$\_\_\_\_\_ to help defray the costs of the bank campaign.

Return to: Campaign to Oppose Bank Loans to S.A.  
198 Broadway, Room 402  
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