

MEMORANDUM ON CHEMICAL BANK AT THE UNITED NATIONS

The problem of how to combat the growing power and horror of South African apartheid is one with which the United Nations and other concerned bodies have wrestled for many years.

The greatest degree of agreement has been reached on the policy that, as a minimum, no positive support should be given to the apartheid state. The United Nations has led a campaign for economic sanctions and the General Assembly has called on member nations to cut off investment in and trade with that country. This attempted boycott has lacked effectiveness largely because it has not been supported by the western commercial powers, principally Britain whose financial stake in South Africa is very large, and the United States whose involvement is small in terms of her own economy but great in South African terms.

The American Committee on Africa, in furtherance of its own program and in support of United Nations' policies, has initiated and cooperated with other groups in carrying on a campaign for disengagement in the United States. The Committee's first focus was the ten-bank consortium which is responsible for a revolving credit fund of 40 million dollars on which the South African government can draw. Although South Africa is not currently drawing on that credit, it is of great importance to her. The \$40 million amount was first made available in December 1959, when South Africa's internal stability was not as secure as it is today. It was renewed in 1961, when as the result of the Sharpeville massacre and increasing world condemnation of apartheid, the flight of foreign capital had caused a financial crisis in South Africa. And so it now stands as a symbol that if apartheid is ever threatened or tottering again, U.S. banks can be counted on to come to the rescue. Moreover, the ten banks of the consortium, headed by Chase Manhattan and First National City, are among the most prestigious and influential in the country; business is apt to follow their lead, and U.S. investment and trade are undoubtedly influenced by their support for South Africa.

The United Nations has recognized the importance of this, specifically in resolution 2202 (XXI), December 16, 1966, appealing to all states "to discourage loans by banks in their countries to the Government of South Africa or South African companies." In February, 1967, the Special Committee on Apartheid expressed its concern about the renewal of this revolving \$40 million credit, and appealed to the U.S. Permanent Representative to prevent these loans.

The campaign of the American Committee on Africa against the banks, which is continuing and will be emphasized this fall as the time for the loan renewal again arrives, has won considerable support and achieved some success, particularly among the churches where leadership was already concerned about the implication of involvement in apartheid. One of the first gestures was by the publication, Christianity and Crisis, which withdrew a deposit of \$10,000 from First National City Bank in 1966. In February, 1968, the United Methodist Board of Missions withdrew a \$10 million investment portfolio from First National City, and in May, 1969, the Executive and Finance Committee of

the Episcopal Church recommended that the church withdraw its investments from three banks in the consortium. In early July the United Church of Christ similarly advocated such withdrawal.

The campaign has also included protests at meetings of bank stockholders, demonstrations at various banks, and withdrawal of accounts by individuals and organizations amounting to around \$23 million, but the value has been far beyond the millions withdrawn from the participating banks. In the case of the churches, a membership running into millions has been made aware of the moral implications of the involvement of the United States in apartheid. Other actions have resulted in publicity, and therefore, public information, on the subject which would not have occurred otherwise. Above all leadership has been given toward building the point of view that we (from individuals through banks up to government) can do something about apartheid, and we should.

One of the greatest impacts of such a campaign is psychological, both here and in South Africa. The revelation, therefore, that a key bank participating in the consortium is, and has been throughout the period of protest, the bank used by the United Nations and housed in the U.N. complex, is a crippling blow to the growing effectiveness of the campaign. The bank in question is Chemical Bank - New York Trust Company.

In the course of ACOA's bank campaign, a number of individuals who banked at Chemical took up the question of its support for the South African government. For the most part the bank's response was the standard answer given by corporations when questioned about South African holdings: it does not condone apartheid; it believes it can have more liberalizing influence by being there; its holdings are not substantial; and its dealings are in line with U.S. government policy.

Chemical Bank also explained that the South African Central Bank had had an account with them for many years and it felt an obligation to render assistance as it would to any customer. It carries, in addition, accounts from the New York agency of the Standard Bank of South Africa, and from another bank and a corporation in that country.

Chemical's favorable attitude towards South Africa was also revealed in an advertisement it placed in the New York Times for March 18, 1969. Under a picture of "An American Capitalist," the text read:

"This man arranged one of the largest ore deals of all time.

For three long years, he persuaded, he created, he planned. His plan - to convince the South Africans to build their own blast furnaces for converting raw ore into pig iron. Then, simultaneously, convince the Japanese to start importing pig iron from South Africa.

Chemical Bank was at his side.

We put our 145-nation International Division at his disposal. We supplied letters of credit. We came up with vital information on local politics. And strategic economic and logistic advice. To say nothing of the money it took to close the deal."

On the very day this advertisement was placed, a seminar of the Special Committee on Apartheid was being held at U.N. Headquarters. Thus the issue of the relationship between a bank which supports apartheid and also deals with the U.N. was raised. That this bank has the prestige, the influence, and the financial return that comes from its position as the bank of the United Nations is a scandal and intolerable flouting of U.N. decisions.

It is true that some actions against apartheid are difficult-to-impossible. But action vis-a-vis Chemical Bank would be relatively easy. It may not take the protest of many members of the United Nations to change the situation, and we hope that your delegation will be among the first to call for U.N. disengagement from this friend of apartheid. If Chemical Bank wishes to maintain its position at U.N. Headquarters, all it has to do is to remove itself from the consortium of banks making loans available to South Africa.

This September, ACOA and other groups will again be confronting the bank consortium, to try to prevent another extension of the \$40 million revolving credit, and shall muster all the strength we can from the American community for this purpose. We thought we were on the U.N.'s side - against apartheid. But if the U.N. does not implement its own resolutions, why should the banks listen to us?

BANKS PARTICIPATING IN THE CONSORTIUM EXTENDING CREDIT TO SOUTH AFRICA:

Bank of America (National Trust and Savings Association)

Bankers Trust Company

Chase Manhattan Bank

Chemical Bank - New York Trust Company

First National Bank of Chicago

Irving Trust Company

Manufacturers-Hanover Trust Company

Morgan Guaranty Trust Company of New York

Continental Illinois Bank and Trust Company

First National City Bank of New York

American Committee on Africa
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