

To: Members of Southern Africa Task Force

Date: January 28, 1977

From: Jim Bristol

Subject: Bank Loan Campaign

A brief memo to accompany the attached draft of a letter, and draft of a "Call to Protest American Bank Loans to South Africa". Neither of these were edited at the meeting held at the offices of the American Committee on Africa on January 18. They were prepared by the ACOA staff, and it is possible that they will undergo some revision, but basically they will not be altered.

To backtrack a moment: six or seven organizations were represented at the January 18 meeting, called by the ACOA. Included were CALC, the Episcopal Church, the FOR, the YWCA, ICCR, and AFSC. We decided to form "The Committee to Oppose Bank Loans to South Africa". At present, everything is to be kept as informal and flexible as possible. The Committee is to be described as "initiated by the American Committee on Africa". Those present on January 18 constituted themselves an informal steering committee. We will meet on call, probably toward the end of February.

ACOA will do the staff work--at least, for the present. We brainstormed re: possible organizations and individuals to approach for sponsorship. Letters will be addressed to individuals and organizations, asking for their endorsement of the campaign.

Throughout the campaign emphasis would be placed upon persuading organizations (in particular) and individuals to withdraw their accounts from banks involved in making the loans. These banks are found primarily in three locations: New York City, Chicago, and California (Bank of America).

Paul Irish of ACOA will bring us up to date on the Bank Loan Campaign on February 17. We will discuss how AFSC relates to it in our Task Force meeting on February 18, possibly making a recommendation to the Nationwide Peace Education Committee.

Enclosures

P. S. Henry Foner of the Fur and Leatherworkers Union arrived very late, but pledged full support for the campaign, and cooperation in many ways.

A Call to Protest American Bank Loans to South Africa

Ten years ago a campaign was initiated to protest American bank loans to South Africa. This protest focused primarily on a \$40 million revolving loan fund to South Africa from 10 United States banks and continued until the termination of the loan was announced on November 21, 1969.

In the seven years since then, the situation in South Africa has changed dramatically and once again U.S. banks are lending large amounts of money to that country:

- The racist apartheid system in South Africa has become even more oppressive. Not since the dark days following the Sharpeville Massacre 16 years ago have there been so many foes of apartheid banned, detained, and held without trial. The Christian Institute of South Africa estimates the number to be over 5000.
- Within South Africa demonstrations and protests against the apartheid regime have erupted and spread. Beginning on June 16, 1976 with a strike in Soweto by school children, action has spread to all the major urban centers in South Africa. In addition to the thousands arrested, reliable sources in South Africa indicate that over a thousand civilians have been killed by police and troop fire since the Soweto uprising. Still the protests continue. The demand is for an end to apartheid, for majority rule.
- South Africa is facing a severe internal economic crisis. The price of gold has slumped from \$175 per ounce in April, 1975 to \$123 in November, 1976. Unemployment is rising by 22,000 a month and may reach nearly 2 million by the end of the year. The rate of inflation is estimated at 11.5% with a no-growth economy. South Africa is faced with a balance of payments deficit estimated at \$1.7 billion for this year. This economic crisis is compounded by greatly increased defense spending, up to 42% from last year.

To meet this crisis South Africa has sought massive foreign loans. American banks have responded swiftly to the cry for help. Almost \$800 million in new loans had been granted in the first nine months of 1976. Senator Dick Clark (Chairman of Senate Subcommittee on African Affairs) recently estimated that U.S. banks and their overseas branches are now involved in South Africa to the extent of almost \$2 billion.

The loaning banks reply to criticisms for their aid to South Africa. One major U.S. bank has contended that granting credit facilities will "improve materially the general state of the economy (of South Africa) whereas the refusal to transact normal commercial business would work considerable hardship on that country's population as a whole.... At a time when the current U.S. diplomatic initiative in southern Africa gives rise to hope for peaceful change in that area, this process of change could be jeopardized by actions which would undermine economic stability and growth". Yet the growth of repression in South Africa, the continued implementation of the pass laws and other features of apartheid, the dramatic spread of protests against the apartheid system, all

contradict the claim of the investors and lenders that their economic assistance makes for change of the system.

There are other voices calling for support in South Africa. We are deeply impressed with the position taken by the Christian Institute of South Africa: "Governmental insistence of enforcing apartheid and its rejection of normal negotiations with freely chosen black leaders, have produced a situation in which there are few ways of preventing the escalation of violence and bloodshed into a major confrontation. One of the few remaining methods of working peacefully is through economic pressure, which could help to motivate the changes needed to bring justice and peace in South Africa."

We believe that the massive response of US and European banks to the needs of racist South Africa is both morally repugnant and politically shortsighted. We believe that the process of change inside South Africa will be drastically retarded by the credit extended by U.S. banks to the South African government and its affiliated corporations. The trend must be reversed.

We call upon the banks:

1. To end their present loans to South Africa as rapidly as possible.
2. Not to consider new loans and to end any discussions which may be in progress for credit arrangements.

We call on organizations and individuals to take action in the ways which are open to them: (by)

1. Writing letters and making phone calls of protest to the banks known to be involved in the loans.

(List of banks will be provided or attached)

2. Participating in protests and demonstrations at the banks involved.
3. Supporting action at stockholders meetings.
4. Withdrawing their accounts from the principal lending institutions.

A Call to the People of New York, Illinois, & California

Not to Use Banks Making Loans to the Racist Government of South Africa

Ten years ago a campaign was initiated to protest American bank loans to South Africa. This protest focused primarily on a \$40 million revolving loan fund to South Africa from 10 United States banks and continued until the loan was terminated on November 21, 1969.

In the more than seven years since then, the situation in South Africa has changed dramatically and once again US banks are lending large amounts of money to that country:

Racism

- . The racist apartheid system in South Africa has become even more oppressive. Not since the dark days following the Sharpeville Massacre 16 years ago have there been so many foes of apartheid banned, detained, and held without trial. The Christian Institute of South Africa estimates the number to be over 5000.

Resistance

- . Within South Africa demonstrations and protests against the apartheid regime have erupted and spread. Beginning on June 16, 1976 with a strike in Soweto by school children, action has spread to all the major urban centers in South Africa. In addition to the thousands arrested, reliable sources in South Africa indicate that over a thousand civilians have been killed by police and troop fire since the Soweto uprising. Still the protests continue. The demand is for an end to apartheid, for majority rule.

Economic Crisis

- . South Africa is facing a severe economic crisis. The price of gold slumped from \$175 per ounce in April, 1975 to \$130 at the end of 1976. There is an 11% rate of inflation, and the trade deficit and balance of payments shortfall is so critical that the government was forced to adopt a harsh austerity program, which cut all economic growth in 1976, so that the economy shrank by 1% in real terms. There is serious unemployment estimated at 600,000 of the registered black work force of 2.7 million. The net inflow of capital, \$184 million in the first quarter of 1976 had become a monthly outflow of \$4.7 million by the third quarter, and at the same time defense spending is up some 42% from 1975.

U.S. Banks and Apartheid

To meet this crisis South Africa has sought massive foreign loans. Banks

have responded swiftly to the cry for help. Almost \$800 million in new loans had been granted in the first nine months of 1976. Senator Dick Clark (Chairman of U.S. Senate Subcommittee on African Affairs) recently estimated that U.S. banks and their overseas branches are now involved in South Africa to the extent of almost \$2 billion.

The loaning banks have tried to justify their aid to South Africa. One major U.S. bank has contended that granting credit facilities will "improve materially the general state of the economy (of South Africa) whereas the refusal to transact normal commercial business would work considerable hardship on that country's population as a whole.... At a time when the current U.S. diplomatic initiative in southern Africa gives rise to hope for peaceful change in that area, this process of change could be jeopardized by actions which would undermine economic stability and growth". Yet the growth of repression in South Africa, the continued implementation of the pass laws and other features of apartheid, the dramatic spread of protests against the apartheid system, all contradict the claim of the investors and lenders that their economic assistance makes for change of the system.

Other Voices

There are other voices calling for support in South Africa. For example, the courageous Christian Institute of South Africa said recently: "Governmental insistence of enforcing apartheid and its rejection of normal negotiations with freely chosen black leaders, have produced a situation in which there are few ways of preventing the escalation of violence and bloodshed into a major confrontation. One of the few remaining methods of working peacefully is through economic pressure, which could help to motivate the changes needed to bring justice and peace in South Africa."

The massive response of U.S. and European banks to the needs of racist South Africa is morally repugnant and politically shortsighted. The process of change inside South Africa will be drastically retarded by the credit extended by U.S. banks to South African government and its affiliated corporations. The trend must be reversed.

The Banks

Banks are reluctant to disclose the loans they make to the South African government. As one Citibank official told Business Week about its recent credit: "This is an embarrassing loan." Research has uncovered a number of the recent bank loans to South Africa:

New York

CITIBANK headed a consortium of banks making \$110 million loan direct to the South African government, helping with its balance of payments problems. In 1976 Citibank also participated with other banks in loans to South African government - controlled corporations: \$200 million to the Electricity Supply Commission (ESCOM); \$80 million to the Iron & Steel Corporation (ISCOR); \$20 million to the South African Broadcasting Corporation and \$138 million to Richards Bay Minerals. A Citibank official estimated the bank's total loans to South Africa in Congressional testimony at \$300 million.

CHASE MANHATTAN participated in the \$200 million loan to ESCOM, the \$80

million loan to ISCOR and a \$25 million credit to the Industrial Development Corporation.

MANUFACTURERS HANOVER participated in the \$200 million loan to ESCOM and made a \$30 million loan to the Phosphate Development Corporation (Foskor).

MORGAN GUARANTY participated in the \$110 million loan to the South African government, the \$200 million loan to ESCOM and made a \$75 million loan to the government-owned South African Railways.

Illinois

FIRST NATIONAL BANK OF CHICAGO participated in the \$110 million loan to the South African government.

CONTINENTAL has not disclosed its current loans but stated recently: "Continental Bank in recent years has made loans in South Africa to support international trade, including US exports, and to assist economic development."

California

BANK OF AMERICA participated in the \$110 million loan to the South African government.

Other banks known to make loans to South Africa include the European American Banking Corp., in New York; The Bank of New York; the European Banking International Corp. in Chicago; and Barclays Bank.

Alternate Banks

You can deposit your funds in any bank that does not make loans to South Africa. Examples of such banks which do not make loans to South Africa are listed below:

New York

The Bank of Commerce	The Chinese American Bank
Banco de Ponce	United States Trust Company
Bank of North America	The First Women's Bank
Chelsea National Bank	Amalgamated Bank of N.Y.
Freedom National Bank	Central State Bank
Marine Midland	Merchants Bank of New York

In addition - any savings bank
(Complete list for N.Y., Illinois & California in formation)

Join thousands of Americans who support the freedom struggle and protest U.S. support for apartheid South Africa. Withdraw your account and indicate your action on the attached blank. Urge your church, union or other organization to take part.

Contact: The Committee to Oppose Bank Loans to South Africa
305 East 46th Street - Room 1700
New York, N.Y. 10017

(an appropriate blank will be attached to the printed statement)

TABLE I

MAJOR LOANS TO SOUTH AFRICA BY U.S. BANKS - 1976

<u>Borrower</u>	<u>Amount</u>	<u>Period (Years)</u>	<u>Rate</u>	<u>U.S. Banks Involved</u>	<u>Source of Information</u>
Escom	\$200m	5	1.75% over Libor*	Citibank Chase Morgan Manfrs. Han.	F.M. 30 Jan 76 & F.M. 2 July 76
ISCOR	\$ 80m	5	1.75% over Libor	Chase Citibank Orion	Africa News Oct 18 1976
Richards Bay Minerals (Con- sortium; 1/4 partic- ipants, IDC (SA) 20% Union Corp. 30% Quebec Iron & Titanium Corp. 40% & SA Mutual Life Assurance 10%	\$138m	6	2.0% over Libor	Citibank	F.M. July 2
South African Railways	\$ 75m	5	1.75%over Libor	Morgan	Africa News Oct 18
Foskor (Phos- phate Dev. Corp)	\$ 30m	Unknown	Unknown	Mnfrs. Han.	F.M. July 2 76
S.A.B.C. (South African Broad- casting Corp.)	\$ 20m	5	1.75% over Libor	Citibank	F.M. July 2 76 11/15/76 Business Week / Sen. D. Clark Hearings 9/23/76
South African Government	\$110m	5	1 7/8% over Libor	Citibank) Morgan) Bank of Amer.	F.M. 6 Aug 76
SA Airways/Rail- ways (for Boeings)	\$ 99m	10	about 9.25%	European Bank- ing Corp. (link- ed to EABC; US headquarters in Chicago)	F.M. July 2
Industrial Development Corp.	\$ 25m	5	Unknown	Chase and Ex-Im Bank	SA Digest Oct 15 76

Notes: *Libor - London interbank offered rate.

Sources: F.M. - Financial Mail (SA); Hearings - Senate African Affairs Subcommittee Hearings Sept. 23, 1976; Africa News, Durham, N.C.; South African Digest (SA).

This is probably not all, but it TOTALS \$777million in loans having been granted to S.A. Government or Government controlled corporations in the first nine months of 1976 alone - an astronomical loan growth rate for a "high risk" borrower.

According to Senator Clark U.S. banks (and their overseas branches) are now involved in South Africa to the extent of almost \$2 billion; \$672 million in short term loans, \$181 million in long term loans and \$1.108 billion in loans from the overseas branches of U.S. principals.

It seems certain that this trend will be maintained. On August 6th the South African Financial Mail reported that although the FLUOR/SASOL application for Ex-Im credit had been refused, a major U.S. investment banking house, Dillion Reade and Company has agreed to plan the financing strategy for SASOL 11's nearly \$2 billion cash needs.

According to the Financial Mail, that strategy may still include seeking Ex-Im financing.

DR has named Peter Flanigan as the chief architect of the SASOL financing effort. As chairman of the Council on International Economic Affairs Flanigan has been a senior economic advisor at the White House for the past 7 years. He is known for his persuasive contacts not only in Wall Street but in other major financial centers around the world.

At the moment, he is avoiding Washington. "It will take time to make headway there," the DR spokesman told the FM. "No political decision can be made at least until after the November elections - and perhaps not until after a new Administration comes into power in January."

Flanigan toured European business capitals in early August seeking energy firms interested in bidding on SASOL construction contracts and sources of financing for the project.

Note: Figures as at November 8, 1976

The Committee to Oppose Bank Loans to
South Africa

(If we want to we can have on the bottom of the letterhead initiated by ACOA and some other organizations)

Dear friend:

We write to you out of our deep concern that a number of American banks are making large loans to the South African government. The enclosed statement briefly puts forth the case for this concern. These loans make Americans partners in Apartheid.

The banks do not seem to share our concern. They seem to think these loans can be construed as non-political and can be judged only from a narrow economic base. But this is not true of many Africans of South Africa who deplore financial assistance to the white South African government. It is not true of at least a minority of the whites of South Africa as indicated by the Christian Institute statement of October 1976 which called for no further investment in South Africa because "Investment in South Africa is investment in apartheid, and thus immoral, unjust and exploitative." While "the argument that economic growth can produce fundamental change has proved false". Likewise it is not true of the United Nations which in a resolution passed in the 1976 session called upon "all governments to take effective action to prohibit all loans to or investments in South Africa by banks and corporations within their national jurisdiction."

The banks argue that an economically strong South Africa will not only better the lot of the whites, but also of the the African laborer. They sometimes extend this argument to indicate that economic growth is the way gradual peaceful change can take place. A quick reference to recent history totally destroys this argument. American investments have grown from about \$50 million to nearly \$2 billion in the last 25 years. In that time the conditions of apartheid, the oppressive nature of

the regime have worsened drastically.

Any kinds of action can be taken to let the banks know we protest their loans. Some of these actions may take place at stockholders meetings. Some may take the form of letters or phone calls to the managers of the banks. There may also be demonstrations at the banks. We are particularly calling upon you to join in an action which cannot be misunderstood. Individuals and organizations feeling strongly about the wrongness of the bank loans will want to withdraw their accounts from the offending banks. There are alternative banks available. We are enclosing a sheet indicating the major offending banks involved in the massive loans and also a listing of alternative banks which are not involved in these loans.

We ask you please to read the enclosed statement and return it to us. We hope that a significant number of people and organizations will have adopted this course of action by June 16th, the anniversary of the uprising in Soweto. Together we can make some impact on bank policies in this respect.

Statement of Agreement with Committee to Oppose Bank Loans to South Africa:

Deeply concerned about the massive bank loans which help strengthen the South African regime in its repressive action against the African people, I (we) with withdraw my (our) account from _____ bank.

Date

Name (individual)

Organization

Signature

Alternative

I _____ do not have accounts at any of the banks involved in the loans my organization

to South Africa. But I (we) support the action of withdrawing accounts.