# of prophets and profits

california/nevada interfaith committee on corporate responsibility

SEPTEMBER 1985 **CN-ICCR** **VOL. 8, NO. 2**

THE PRESSURES ON SOUTH AFRICA FOR CHANGE

Most of CN-ICCR's efforts in the last few months have concerned South Africa due to the rapid movement of events centered around that country. This short report of events will help provide the context of the other articles on South Africa in this issue *Of Prophets and Profits*.

The South African economy has been living on the inflated price of gold since 1980. Gold amounts to almost half of the country's exports, and thus a rise in its price reflects itself rapidly and directly in the economy. Gold rose from a little over $200 per ounce in 1979 to a high of $875 per ounce in January 1980. Since then the price has been dropping, dipping back to about $300 in early 1982, rising to over $450 by the end of that year and then generally declining to its present price in the low $300's. These shots in the arm of the economy in 1980 and 1982 have made South Africa very credit worthy until recently. However, the long decline in the price of gold over the past two and one half years together with large expenditures on security forces have taken their toll with a general weakening of the economy. This weakening was reflected with full force in mid-1984 with the devaluation of the South African currency, the rand, against the U.S. and European currencies and with in-

continued on pg. 3

CHANGE, CHANGING, CHANGED MOVE, MOVING, MOVED

At the Annual Meeting of NC-ICCR membership, held on March 31 in San Francisco, the membership voted to change the organization's name from *Northern California* to **California/ Nevada Interfaith Committee on Corporate Responsibility**. The was done because the judicatories of some of the churches extend into Nevada, and a good part of our membership comes from Southern California. Hence the change in name. It is terribly long, but we wanted to keep our identification with our sister organization in New York, with whom we share information and common effort. So from henceforth it is **CN-ICCR**.

No sooner than this was done we found we had to move. You will find us at

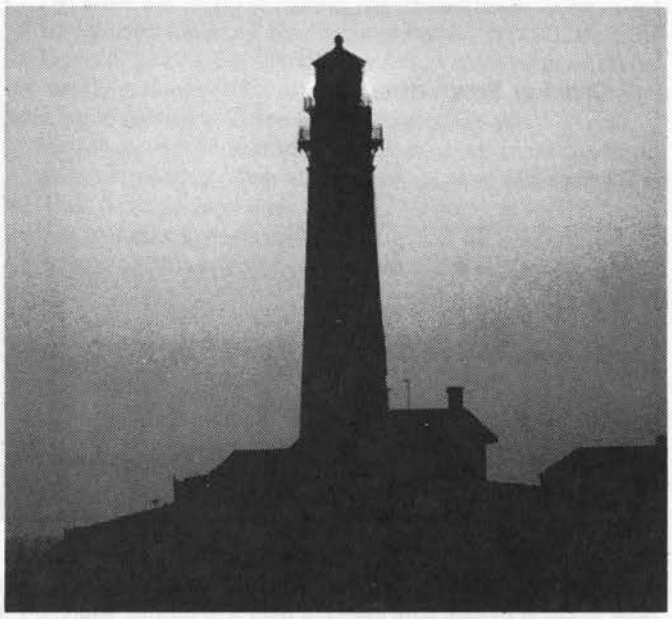
220 Golden Gate Avenue 9th Floor
San Francisco, California

Our mailing address is:
P.O. Box 6819 San Francisco, Ca 94101

Come visit us at our new offices. We will return from ICCR meetings in New York, Monday, September 23, 1985. So feel free to drop by. ■

CROCKER BANK— HAS THE LIGHT GONE OUT?

William Hall characterized Crocker National Bank in the *Financial Times* (London, June 20, 1985) as "... what might be politely described as one of the 'walking wounded' in the U.S. banking community. Its experience between 1980 and 1984 would make an ideal Harvard Business School case study on how not to run a bank." This is also the bank which tried to



become an international bank by jumping with both feet into lending in Chile and Argentina when both had governments accused of severe human rights violations. In fact Crocker has the highest amount of lending in these two countries relative to its capital of any bank in the U.S. As of the end of 1984, its lending in Chile equalled 30% of stockholder equity and its lending in Argentina equaled 40%. In terms of South Africa, Crocker was the last of the major California banks to stop lending to the South African government and state owned corporations. At the end of 1984, their lending in South Africa, as estimated by CN-ICCR, was about $110 million or 7% of stockholder equity. Church groups raised these issues through CN-ICCR's assistance with the bank over the years to little avail.

Why is Crocker a case study on how not to run a bank? Certainly the $542 million loaned to Argentina has come back to haunt the bank. In 1984 $280 million of those loans were put on nonaccrual; that is, principal or interest was more than three months in arrears. Funds, though not the total amount, must

continued on pg. 2

then be set aside to cover the possible loss from non-payment. However, the bulk of the $1.13 billion of non-performing loans are in domestic real estate and agriculture. Because of these bad loans, Crocker took a loss of $324 million in 1984 which would have been over $400 million if it had not sold its headquarters building and raised $85 million through that one-time sale.

$358,000,000

Crocker Center

a 1,085,000 sq. ft. mixed-use complex in San Francisco, California

has been sold by

Crocker National Bank

and

Crocker Properties, Inc.

This transaction was arranged by the undersigned.

Goldman, Sachs & Co.

New York Boston Chicago Dallas Detroit
Houston Los Angeles Memphis Miami
Philadelphia St. Louis San Francisco
London Hong Kong Tokyo Zurich

Goldman Sachs

December 18, 1984

Because of these large losses, Midland Plc., the third largest bank in Great Britain with assets of over $70 billion, found itself bailing out Crocker with $250 million and taking over Crocker as a wholly owned subsidiary. Midland, in the early 1980's wanted to enter the large California market and acquired 57% of Crocker's stock in the hopes of gaining a strong position in that market. But so far, Crocker has not lived up to those expectations. As Frederick Wightman, group vice president of Duff & Phelps, put it (*San Francisco Chronicle*) 1/9/85) "In retrospect, Midland probably would not have embraced Crocker. But if they let go now, it would mean a $500 million dollar loss. Even a bank the size of Midland can't sustain that kind of loss." Midland is about three times the size of Crocker and has invested a total of $1.07 billion over the past four years in acquiring Crocker.

The Sisters of Social Service have filed shareholder resolutions since 1980 with Crocker asking for a policy of no lending to the South African government and parastatals. Finally on March 15, 1985, the Bank instituted such a policy; however, its lending relative to total assets is still the largest of any of the major California banks as estimated by CN-ICCR in the accompanying article on South African lending. The California-Nevada Annual Conference of the United Methodist Church in now in discussion with Crocker to determine if they will continue to keep their accounts in the bank. This is the result of a strong resolution on South Africa passed at the Annual Conference in June.

The World Debt Crisis was the focus of the shareholder resolution at the 1985 annual meeting, which was the last such meeting before the Midland takeover. It was filed by the Sisters of Social Service and requested the easing of debt terms to countries like Argentina and Brazil which now have more democratic governments who were not responsible for the debt in the first place. Lending only for basic human needs would have been permitted in the cases of Chile and the Phillipines where the governments still have allegations of human rights violations against them. This was an issue of interest to the business press and a long article resulted quoting John Lind of CN-ICCR as calling Crocker "...the worst performer over the years of any of the major California banks on both financial and social criteria." *American Banker* (5/23/85).

The remaining outstanding interest of

Crocker National Corporation

has been acquired by
a wholly owned subsidiary of

Midland Bank plc

The undersigned assisted in the negotiations and acted as financial advisor to the Special Committee of the Board of Directors of Crocker National Corporation in this transaction.

Kidder, Peabody & Co.
Incorporated

Now that Midland wholly owns Crocker, Midland has plans to locate most international lending in its own international division. Thus our concerns in the future will have to be taken to London. Midland's policy which it has held since 1977 is:

1. "Such new arrangements as we make for borrowers within South Africa are now confined to the finance of identifiable trade with the United Kingdom.

2. "This policy does not, however, envisage our ceasing to grant conventional banking support to those among our commercial customers who have South African interests."

Thus Midland has not lent for general purposes to the South African government or business in that country except insofar as the lending was traded related to the U.K. It has however, lent to customers outside of the country for trade or operations within South Africa. This was a much better policy than Crocker's until March when Crocker announced a ban on lending to the goverment sector. It still represents a better policy with regard to lending to the private sector of the South African economy.

With Midland's buy-out of Crocker, there are now four of the five major U.K. banks with subsidiaries operating in California. Thus as bvanks become more internationalized, the corporate responsiblity network must also become internationalized and

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SEPTEMBER 1985 CN-ICCR VOL. 8, NO. 2

SUPPLEMENT

SHORT-TERM LENDING: THE ACHILLES' HEEL OF SOUTH AFRICA

August was a difficult month for the South African financial markets. It began with the report that Chase Manhattan Bank was refusing to roll over short-term debt because of the political risk involved with the current rioting in that country. Chase is a major U.S. bank creditor with about a half billion dollars in loans outstanding in that country. A number of other banks like Security Pacific indicated that they were following suit or had already ceased lending. By the end of the month, the South African currency (rand) was plunging relative to the dollar. Finally in the last week of the month, South African authorities shut down their financial markets to prevent currency flight and the further plunge of the rand.

On Sunday night, September 1st, just before the markets were to reopen, Gerhard de Kock, the head of the Reserve Bank of South Africa, announced:

1. A moratorium on debt repayments of principal until the end of the year. This forces foreign banks effectively to roll over all the short-term debt as well as any long-term debt falling due during that four-month period. Interest will be paid during the moratorium.
2. Two types of currency were created; one is the financial rand which can't be converted into foreign currencies. Any divestment by foreigners would be paid in financial rand and thus proceeds from the sale of foreigned-owned assets can not be expatriated from the country. The only way a foreign corporation can sell its assets in South Africa for dollars is by selling to another foreign corporation.

This second point is to prevent disinvestment and is obviously a last-ditch stand. Such controls discourage any new investment since there is no possibility of withdrawing that investment once it has been made. However, foreign corporations can still take profits out of the country. This means that corporations can still disinvest slowly by not reinvesting in the maintenance of their facilities and letting them depreciate. This process is similar to U.S. Steel's failure to reinvest in modern steel mills in the U.S. and thereby divesting itself of much of its steel production. While this South African strategy will stop disinvestment in the short run, if the political situation remains unstable for several years, South African industries owned by foreign corporations may start falling apart.

BANKING: Going back to the financial crisis in the banking sector which resulted in the debt moratorium, the third largest South African bank (Nedbank) was the major focus of concern. The two larger banks, Barclays National and Standard Bank, both have considerable British equity in them and were assumed to be at least partially backed by their British parent banks. Nedbank is primarily South African and had aggressively borrowed short term to re-lend to South African government parastatals and private sector clients for long terms and high interest rates (Financial Times (London) and New York Times, September 6, 1985). In fact it is estimated that 35% of Nedbank's assets are foreign currency denominated. Borrowing short and lending long-term is of course a dangerous game not only because of the mismatch in maturity dates but because of the rapid destabili-

zation of the financial system by the political situation. As a result of the crisis, some $50 to $100 million in fund transfers to Nedbank were held up in New York for a day in early September and its New York office was closed for several days by U.S. banking authorities out of fear that the bank would not have funds sufficient for its operations. Church investors who will be discussing with U.S. banks this Fall bank lending to South Africa should quiry them relative to their exposure to Nedbank and should ask them what they knew of Nedbank's on-lending of short term funds to the South African owned parastatal corporations like the Electricity Supply Commission.

The result of all these machinations is summarized well by Peter S. Magnani of Bank of America who said: "Looking at the current situation, its doubtful we'll do much business there (in South Africa) including letters of credit" (New York Times, September 7, 1985). Letters of credit are the life-blood of international trade. Thus without such financing, U.S.-South African trade may decline to a trickle.

Thus as was predicted in our March issue Bank Lending in South Africa, U.S. banks have played a destabilizing role in the South African economy with their large amount of short-term lending being the Achilles' heel of the economy.

The major New York banks, who have done the bulk of the U.S. lending to South Africa, find themselves in a difficult dilemma. They want to be on the negotiating committee dealing with the debt moratorium in order to be assured that their interest in their $2 billion of short-term debt is adequately represented. On the other hand, they don't want to be publicly singled out as a focus of anti-apartheid concerns in the U.S. It is obvious that South Africa wants to convert some of its short-term debt into medium-term debt with a maturity of up to five years.

Church and other groups will undoubtedly pressure the banks to keep the length of term of any renegotiated debt as short as possible. This would keep the pressure up on the South African government to end the apartheid system. Depending upon the deepening of the political crisis, the banks may also want to keep the term short in order to get their money out as fast as possible because of the political risk. Finally, pressure will remain to make no new loans to any sector of the South African economy, independent of the political events.

CROCKER BANK—
coordinated. As a first step, CN-ICCR is now networking and developing strategies with church groups in the U.K. as can be seen from the accompanying article on Barclays. This coordination must now extend to Midland as well. ■

THE PRESSURES *continued from pg. 1*
creased domestic rates of unemployment. These economic forces came into play with political unrest developing just as Bishop Tutu received the Nobel Peace Prize and the rest of the world focused its attention on the country.

Photo courtesy of Pacific Churchman

Steve Mufson of the *Wall Street Journal* (8/13/85) points out the reasons why the present situation is different from the events 1976 and those preceeding: "Even the most chaotic and disparate unrest fits into the overall black strategy: to make this country ungovernable under the current system. Even with hundreds of black leaders in prison, South African blacks are making clear that there can't be business as usual until substantive change is made." Business is hearing this statement. As mentioned in our previous newsletter, six business groups including *Die Afrikaansa Handelsinstituut* submitted a statement on January 7, 1985, endorsing universal citizenship, meaningful political participation, full participation in the economy, end of forced removal of people, etc. In March of this year, the American Chamber of Commerce in South Africa submitted a paper to the Special Cabinet Committee of the South African Government. It urged an end of influx control and migrant labor with recognition of permanent black communities with the right to own land, and an end of forced removals of black populations from these townships. They also urged the opening up of central business districts to all races, citizenship for Blacks and democratic participation in the local and national governments. (The complete text can be obtained from CN-ICCR.)

Parallel to all these events in South Africa, was a decision by the City of New York, where most of the major bank lenders to South Africa operate, not to use banks which lend to the South African government and state owned corporations. Immediately, Citicorp and Morgan, the two major banks with no policy of this type, announced that they would do no further government lending. By this point so many cities and states had legislation of this type in place that very few banks were lending to the government sector. Thus the American Bankers Association could endorse sanctions against such lending before Congress.

With the continued rioting in South Africa and the worsening economy feeding on one-another especially in July and August, more and more U.S. banks have stopped, at least temporarily, all lending to the South African economy. On August 1st, Chase Manhattan took the lead in stopping all lending and various other banks soon followed with announcements. Security Pacific said it had not been lending for several months and a number of the other banks put a temporary ban on all lending. Barclays Bank reduced its equity in Barclays National Bank of South Africa from 50.54 to 40.4% in August by not subscribing to a new stock issue. Ford merged with AngloAmerican earlier this year to reduce its equity in South Africa to 40% while in August, Philbro-Salomon, BBDO International and Apple Computer all announced that they were pulling out.

The National Conference of the South African Council of Churches stated on June 28th that is "believes that the pressure in western countries for disinvestment and divestment have been most effective in moving white South Africans into a more serious consideration of the cause of the political conflict in this country, and passed a resolution "to ask our partner churches in other countries to continue their efforts to identify and promote pressures to influence the situation in South Africa towards achieving justice and peace in this country and minimizing the violence of the conflict."

At about the same time the Presbyterian Church U.S.A. and the United Church of Christ voted at their national assemblies for some form of programed divestment of corporations doing business in South Africa. Earlier on May 20th, agencies of all the major protestant churches, many Roman Catholic congregations and one Diocese endorsed a focus list of a dozen companies in South Africa on which to focus their efforts. All are felt to support the apartheid system economically through:

- products and services used by the police and military,
- by the large size of their assets in the country,
- by the number of employees and volume of sales, and or
- by the strategic nature of their involvement or financial services rendered.

They include:

- Burroughs
- Chevron
- Citicorp
- Control Data
- Fluor
- Ford Motor
- General Electric
- General Motors
- Internation Business Machines
- Mobil
- Newmont Mining
- Texaco

CN-ICCR will help coordinate the activities around the west coast corporations, which will probably begin with a meeting with Chevron in late September.

With all this activity going on to pressure South Africa to end apartheid, what is the prognosis for the future? Congress will very likely pass a sanctions bill in September and is likely to override any veto of the President. The real question is the balance of power in South Africa between the business community and the liberal whites versus the very conservative Africaaners. Obviously the more economic pressure there is, the more likely that change will occur. ■

U.S. BANK LENDING IN SOUTH AFRICA THE MAIN PRESSURE POINT

CN-ICCR maintains that the lending by U.S. banks in South Africa is the most important imediate pressure point on the South African economy. As a result, this bank lending is a major focus on our present program.

There are two reasons why the reduction or cessation of lending by U.S. banks is a very effective pressure point on the South African economy: First, U.S. bank lending amounted to $4.7 billion at the end of 1984, as shown in figure 1, while U.S. direct investment in offices, plants and other facilities by U.S. corporations was only somewhat over $2.3 billion at the end of 1983 and not increasing. Thus loans outstanding by U.S. banks in South Africa at the end of 1984 represented twice as much capital as all direct corporate investment.

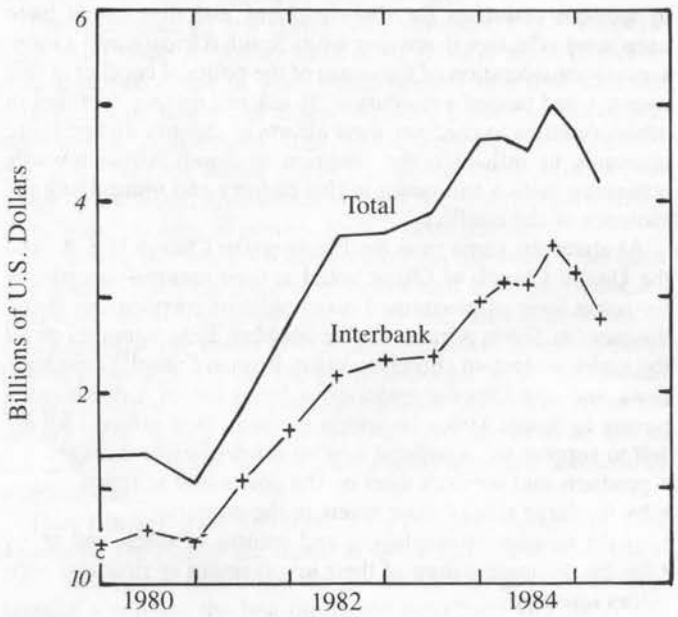


Figure 1. Lending by U.S. banks to the South African economy. Solid line represents total lending; line crosses for data points represents lending to South African banks.

Secondly, U.S. bank lending is mostly short term. About 85% of the lending at the end of 1984 fell due within one year or less. Thus most of this capital can be pulled out in less than one year merely by ceasing all present lending. If all U.S. banks had stopped lending at the end of March 1985 when their total lending was $4,199 million, by the end of March 1986 their lending would only be $660 million. In contrast the sale of factories and other facilities in South Africa would be more difficult to arrange because buyers must be found and financing must be developed for the buy-out.

Finally if U.S. banks stop lending there will be considerable pressure on banks in other countries to limit their lending because of the smaller market for the loans and securities.

In order to help groups in the U.S. focus on the major U.S. benk lenders in South Africa and to provide basic information on the purposes of the lending, CN-ICCR has just issued a report entitled *U.S. Interbank Lending in South Africa for U.S.-R.S.A. Trade*? (With a Listing of the Overall Exposure of Individual U.S. Banks). This report was written after being contacted by CBS News on the topic and at the request of church groups who will be negotiating with bankers on their private sector lending. Negotiators need to be prepared to counter bankers' arguments that most of their lending to South African banks is trade related. The report shows that most of the interbank lending is not directly related to U.S.-South African trade but rather represents more general interbank loans, deposits, and trade not related to the U.S.

This report also includes estimates of the amount of lending of each of the top 25 banks in the country which provide at least 85% of all lending from banks in the U.S. This is an unusually high concentraiton of lending from this small number of banks compared to bank lending to other countries. The report is being used by church groups nationally to target banks for action, and John Lind of CN-ICCR served as a resource person for the Presbyterian Church USA in the deliberations of their Mission Responsibility through Investment Committee on this topic.

Th accompanying table shows estimates if the lending in South Africa of the five major California banks from this list of 25 banks. Relative to each bank's total assets, Crocker is estimated to have the highest exposure with Securit Pacific, second and BankAmerica third. In absolute amount, BankAmerica is the largest lender because it is the largest bank by well over a factor of two.

As was mentioned above, the banks can rapidly pull out of

continued on pg. 9

Table I: South African lending by California Banks

Bank	Total Lending in South Africa Millions of US$	Lending as Per Cent of Total Assets	Position on No Lending in South Africa Public Sector	Private Sector
BankAmerica	200	0.17%	Policy	——
Security Pacific	150	0.33%	Policy	Present Practice[1]
First Interstate	10 E	0.02% E	Practice[2]	——
Wells Fargo	0	0	Policy	Policy
Crocker (Midland)	110 E	0.49% E	Policy	——

E - Estimate by CN-ICCR, see John E. Lind, *Is U.S. Interbank Lending in South Africa for U.S.- R.S.A. Trade*?

1. "Security Pacific Corporation said yesterday that it had in practice, though not as a matter of policy, not lent any money to South Africa for several months... 'We are not currently making private-sector loans to South Africa,' said Susan Taha, a senior vice president." *N.Y. Times* (8/3/85).

2. First Interstate's policy does not totally preclude government sector loans, but in practice none have been made in the last 8 years.

BARCLAYS - FACT SHEET

by

John E. Lind

MORE ABOUT THE BANK THAT KNOWS MORE ABOUT THE WORLD.

Barclays Plc. is the largest bank holding company in the United Kingdom whose total assets at the end of 1984 were US$85 billion (73.6 billion). Its asset size make it comparable to the third and fourth largest banks in the U.S., with assets lying between those of Chase Manhattan and Manufacturers Hanover and smaller than either Citicorp or BankAmerica.

Its two largest groups of subsidiaries outside of the U.K. are in the U.S. and the Republic of South Africa. The U.S. subsidiaries are wholly owned while those in South Africa are only 40.4% owned by the parent. Thus their influence in South Africa is much larger than their assets appear to be. The pie chart in figure 1, shows the distribution of Barclays assets world wide as given by their annual report for the end of 1984.

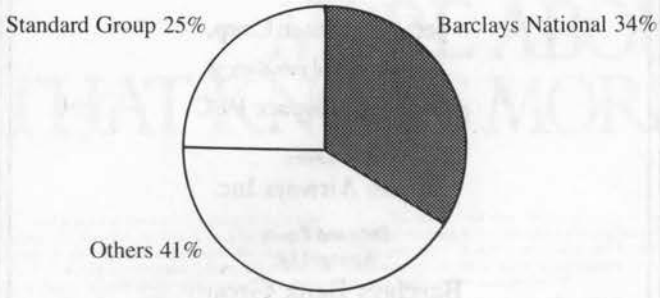


Figure 1. Distribution of Monetary Banking Assets of the Republic of South Africa on December 31, 1983. Sources: South African Reserve Bank and annual reports of the individual banks.

SOUTH AFRICA: Barclays Plc. assets in South Africa consist of its international lending activities from London and 40.4% ownership of Barclays National Group of South Africa which was just decreased in mid 1985 from 50.54% by Barclays refusing to subscribe to a stock issue. The latter groups assets at the end of 1983 were R15.5 billion (South African Rand), equivalent to about one third of the South African monetary banking sectors' assets of $46.0 at that third of the South African monetary banking sectors' assets of R46.0 at that time. Figure 2 shows these assets graphically to have been $8.67 billion at the end of 1984 three quarters of this was their equity in Barclays National and the rest was with their international group.

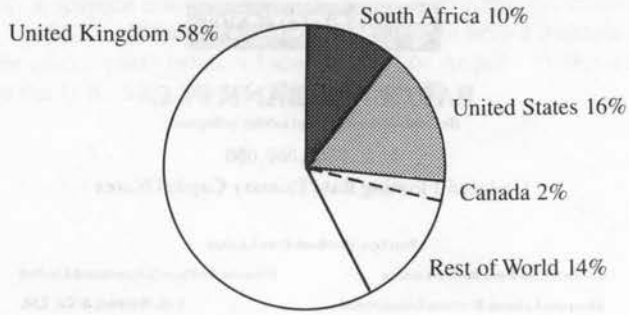


Figure 2. Distribution of Barclays Group assets world wide as of December 31, 1984. Source: Annual Report of Barclays Plc for 1984 with Canada estimated as 2% of the 16% allocated to the rest of the world.

UNITED STATES: Barclays has assets in the U.S. of $13.7 billion distributed among its international branch offices and three wholly owned subsidiaries according to its 1984 annual report.

BarclaysAmericanCorporation	$3.02 billion
Barclays Bank of New York	1.63
Barclays Bank of California	0.87
Subsidiary Assets	$5.52 billion
International Group	7.21
Total Assets	$13.73 billion

The international group assets other than the subsidiaries are obtained by subtracting the assets of the three subsidiaries from the total U.S. assets as stated in the annual report of Barclays Plc. These subsidiary corporations will be discussed below.

CANADA: Barclays Bank of Canada had assets as of October 31, 1984, of C$1.50 billion (US $1.1 billion). It has branches in most of the provinces and operates a Travellers Cheques Division and a leasing corporation headquartered in Toronto. Branch offices are in Calgary, Edmonton, Halifax, London, Montreal, St. Johns, Saskatoon, Vancouver and Winnipeg. Based on our data for South Africa and the U.S., the international group probably has additional assets in Canada of about the size of the Canadian subsidiary. Thus the overall asset exposure of Barclays Plc in Canada is about US$ 2 billion.

California-Nevada Interfaith Committee on Corporate Responsibility
P.O. Box 6819, San Francisco, CA 94101
September 1985

UNITED KINGDOM: Barclays Plc, the parent bank holding corporation is a U.K. corporation with 58% of its assets or about $50 billion in the U.K. Its British banking subsidiary, Barclays Bank Plc, raises capital in the international capital markets as shown by the tombstone in figure 3. This is an announcement of the issuance of notes which could be bought up by pension and others funds in the U.S. As can be seen from this announcement, these notes can be bought through the subsidiaries of all the major U.S. bank holding companies like Citicorp, BankAmerica, Chase Manhattan and Morgan.

All of these Notes having been sold, this announcement appears as a matter of record only.

BARCLAYS

BARCLAYS BANK PLC

(Incorporated with limited liability in England)

U.S. $600,000,000

Undated Floating Rate Primary Capital Notes

Barclays Merchant Bank Limited

Credit Suisse First Boston Limited	Salomon Brothers International Limited
Shearson Lehman Brothers International	S.G. Warburg & Co. Ltd.
Algemene Bank Nederland N.V.	BankAmerica Capital Markets Group
Bankers Trust International Limited	Bank of Tokyo International Limited
Banque Bruxelles Lambert S.A.	Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris	Banque Paribas Capital Markets
Chase Manhattan Capital Markets Group	Chemical Bank International Group
Citicorp Investment Bank Limited	County Bank Limited
Crédit Commercial de France	Crédit Lyonnais
Dai-Ichi Kangyo International Limited	Daiwa Europe Limited
Dresdner Bank Aktiengesellschaft	Goldman Sachs International Corp.
IBJ International Limited	Kidder, Peabody International Limited
Lloyds Merchant Bank Limited	Merrill Lynch Capital Markets
Samuel Montagu & Co. Limited	Morgan Grenfell & Co. Limited
Morgan Guaranty Ltd	Morgan Stanley International
The Nikko Securities Co., (Europe) Ltd.	Nomura International Limited
Orion Royal Bank Limited	Standard Chartered Merchant Bank
Sumitomo Finance International	Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited	Yamaichi International (Europe) Limited

2nd July, 1985

Figure 3. Tombstone announcing an issue of notes that could be bought by various pension and investment funds.

UNITED STATES

In the U.S. the three subsidiaries are wholly owned by the parent so their stock will not be seen in anyone's portfolio. However they will enter the financial markets. The two banks presumabaly offer certificates of deposit as well as the full range of banking services. BarclaysAmericanCorporation is not a bank but a diversified financial services company, which obtains its funds through commercial paper which is issued through major banks throughout the U.S. Its Moody's paper rating is the highest, P-1 and so the $1 billion of its commercial paper can be found in money market funds, pension funds and other investment portfolios. Its long-term debt is also about $1 billion with a rating of A-1 and A-3 and it will also be found in investment portfolios. Long term debt holders include the following insurance companies as stated in BarclaysAmerican 1984 annual report:

Aetna Life Insurance Co.
Metropolitan Life Insurance Co.
CIGNA Mutual Life Insurance Co.
Connecticut Mutual Life Insurance Co.
New England Mutual Life Insurance Co.
Equitable Life Insurance Society
New York Life Insurance Co.
General Electric Pension Fund
Pacific Mutual Life Insurance Co.
John Hancock Mutual Life Insurance Co.
Phoenix Mutual Life Insurance Co.
Lincoln National Life Insurance Co.
TransAmerica Life Insurance Co.

This announcement appears as a matter of record only

15 Year Leveraged Lease Financing of one BAe 146-100 Aircraft

Lessor:

CSW Leasing, Inc.

Lessee:

Jet Acceptance Corp.

A wholly-owned subsidiary of

British Aerospace PLC

Sub-Lessee:

Aspen Airways Inc.

Debt and Equity Arranged by:

Barclays Bank Group

This announcement appears as a matter of record only

$32,000,000

Residual Value Certificates relating to Wide Body Aircraft

The undersigned purchased the above Certificates

Barclays Bank Group

On the service side, BarclaysAmericanCorporation has both a retail and a commercial group. The retail group includes Citadel Life Insurance, a newly created mortgage company and a financial services group with 332 offices in 30 states. The latter provides automobile, home improvement and home product financing as well as vehicle leasing. They have just signed an agreement with White Consolidated Industries for consumer financing. The latter is based in Cleveland and market such brand names as Frigidaire, Kelvanator, Gibson and White-Westinghouse. In 1985 BarclaysAmerican will introduce a Visa Credit Card. The commercial group provides business finance, real estate finance, leasing, etc. Check your local telephone directory to see if a BarlcaysAmerican office is in your area. Finally, BarclaysAmericanCorporation is also entering the banking business. It has just received approval from the Federal Reserve Board to open Barclays Bank of Delaware. The largest segment of Barclays assets in the U.S. is not its wholly owned subsidiaries but the various offices of the British parent's international operations both within and outside the U.S. There is a traveller's check division in New York and offices in Atlanta, Boston, Chicago, Cleveland, Dallas, Houston, Miami, Minneapolis, New Orleans, New York, Pittsburgh, San Francisco, Seattle and St. Louis. Barclays is aggressively advertising almost daily with full page ads in the *Wall Street Journal*, seeking to provide services for overseas business of firms in the U.S.

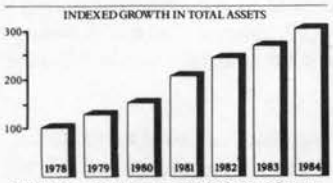
According to Karene Witcher's article in *The Wall Street Journal* 6/26/85, by 1983 foreign bank loans to companies in the U.S. reached $84.5 billion or 18.3% of the total U.S. business loans. A Standard & Poor's survey of 32,420 U.S. companies last year found that almost 3% use a British owned insitution as their major bank. This is comparable to Bank of America's business market share. There are just five major British banks of which Barclays is the largest, though others like Midland and National Westminster have much larger U.S. subsidiaries.

Barclays' advertising as shown in figure 4, gives several examples of their international operations in the U.S.: Extension of $2 million in letters of credit to support industrial revenue bonds issued by the world's largest privately owned and operated budget motel chain, a $17 million leveraged lease for a U.K. aerospace company to a U.S. lessor acquiring a commuter jet, and $10 million in committed facilities to help a manufacturer of computer printers located near Los Angeles to expand into the U.K. Singapore and Hong Kong. ■

MORE ABOUT THE BANK THAT KNOWS MORE ABOUT THE WORLD.

Last year we announced that our profits for 1983 were up 12%. For 1984, the news is even better - $762* million in pre-tax profits. A record 18% over 1983.

Our worldwide assets are a healthy $85.6* billion and we expect to raise $648† million through a rights issue which will strengthen our capital base even more.



Worldwide assets have grown steadily for over six years

These funds will allow us to broaden our successful operations and expand into new financial markets, such as the international securities industry. They will also enable us to develop our systems for better delivery of financial services and information to our customers.

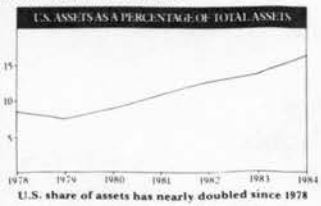
International Expansion.

Barclays international network of 5,500 offices already spans 83 countries, and we look forward to extending that coverage.

Our most recent bid for expansion is in Australia, where we have been granted a provisional banking license.

Business Policy in the U.S. and Abroad.

Over the years, we've developed a reputation as the bank that digs in and works hard at getting to know the people, the cultures and the markets that affect our customers' businesses.



U.S. share of assets has nearly doubled since 1978

We believe that this "local" approach to international banking is key to our continuing success. This year our U.S. assets are almost $14 billion which represents 16% of our worldwide assets - our largest commitment outside the UK.

Our banking teams in action.

Barclays can assist corporations, from large multinationals to smaller companies, with almost any kind of transaction - from standard banking services to trade finance and other international products like cash management and cross-border leasing.

Here are a few examples of transactions recently completed by our U.S. banking teams:

A $100 million Letter of Credit supporting commercial paper issued in the U.S. by a UK multinational corporation.

$10 million in committed facilities to help a manufacturer of computer printers located outside Los Angeles to expand into the UK, Singapore and Hong Kong.

A $17 million leveraged lease for a UK aerospace company to a U.S. lessor acquiring a commuter jet.

Our business finance affiliate, BarclaysAmerican/Business Credit Inc., arranged an $8.6 million standby financing for restoration of a landmark railroad station in Richmond, Virginia.

Barclays Bank extended $2 million in Letters of Credit to support industrial revenue bonds issued by the world's largest privately-owned and operated budget motel chain.

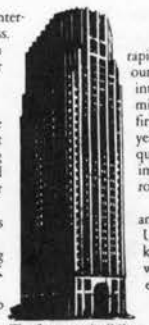
U.S. Network Expansion.

This year, we've also strengthened our national presence by opening 20 new offices. In the New York Tri-State area, Barclays Bank of New York opened loan production offices in Connecticut and in New Jersey to help corporations in those states expand their businesses worldwide.

In Philadelphia, Barclays Bank PLC opened a representative's office, providing that city and the mid-Atlantic region with a conduit to business opportunities around the world.

In Miami, Barclays Bank PLC acquired the liabilities and operations of Wells Fargo's Miami Edge Act. We now rank as one of the top international banks in Miami.

In Kentucky, Indiana, Pennsylvania and Ohio, BarclaysAmericanCorporation acquired the 17 consumer financial offices of Firstmark Financial Corporation.


The first new building on Wall Street in 15 years

A Change in the Skyline.

With our U.S. activities expanding so rapidly, new headquarters were needed for our North American operation. We're well into construction on a 36-story, $200 million building at 75 Wall Street - the first new building on Wall Street in 15 years. Our new North American headquarters will also house one of the most important of our 21 worldwide dealing rooms.

Barclays is a world leader in Sterling and other major currencies traded in the U.S. And, based on our experience and knowledge of local markets around the world, we also have a special expertise in exotics.

New Strengths.

In merchant banking, the ranking of Barclays Capital Markets and Corporate Finance Group's Letter of Credit program in support of commercial paper rose to fourth largest in the nation.

The Group was also a major provider of tax-exempt credits and, as part of the Bank's worldwide swap activity, arranged $1 billion in interest rate swaps in North America.

Barclays Bank of New York is now a NYCE Bank. The Bank was one of eight leading banks in the New York area to organize the city's first major electronic banking network. Through New York Cash Exchange, our customers can access their accounts at some 800 ATMs located throughout New York and into Connecticut.

Barclays Bank of California launched a Barclays Premier Card. Issued under the VISA program, the cardholders will be entitled to all the benefits of a Premier Card plus worldwide travel services, including: travel insurance, check cashing, and emergency services such as telephone, telex, photocopy, and message transmittal.

The Premier Card offers a new standard in service for travelers

BarclaysAmerican/Mortgage Corporation was created to develop a national presence in the mortgage banking market.

BarclaysAmerican signed an agreement with White Consolidated Industries, the nation's third largest home appliance manufacturer, to provide consumer financing throughout WCI's 8,000 dealers. Credit approvals will be handled on site at the dealers' stores through a telecommunications network.

Barclays Bank PLC. *Wholesale, merchant and correspondent banking services from trade finance to project finance, from foreign exchange to foreign balance reporting. 16 offices across the United States, two offices in the Virgin Islands.*

Barclays Bank of New York, N.A. *Commercial and retail banking services. 88 offices throughout New York City, Westchester County, the Hudson Valley and Long Island with special business development facilities in New Jersey and Connecticut.*

Barclays Bank of California. *Personal and commercial banking services from 45 office locations in California's fastest growing areas with special emphasis on the needs of upscale personal customers, commercial customers, and importers and exporters.*

BarclaysAmericanCorporation. *Diversified financial services company which, through its eight operating divisions, is engaged in commercial and real estate finance, consumer finance, leasing, factoring, insurance and mortgage banking. 361 offices in 36 states. Headquartered in Charlotte, North Carolina.*

Barclays VISA Travelers Cheques. *Barclays is the largest issuer of VISA Travelers Cheques in the world. Our agents are major financial institutions located in every major city across the U.S.*

If you want to know more about the bank that knows more about the world, please send in this coupon.

To: Corporate Planning and Marketing Department, Barclays Bank PLC, 111 Pine Street, San Francisco, California 94111.
Please send me a copy of the Barclays PLC Report and Accounts 1984.

Name:
Position:
Company:
Street:
City:
Zip Code:

BARCLAYS

WSJ/B

U.S. BANK LENDING *continued from pg. 4*
their South African lending just by ceasing to make new loans. Indeed this appears to be what is happening. Because of the poor economic conditions and the political unrest, U.S. bank lending has dropped by one-sixth in the two quarters comprising the last quarter of 1984 and the first of 1985. This lending may be dropping even faster now because around the first of August a number of banks announced that they were presently not making new loans or renewing old loans in the South African private sector. Chase Manhattan first made the announcement and it was followed by Security Pacific, RepublicBank (TX), MCorp, Norwest, and Harris Bancorp, (a subsidiary of Bank of Montreal).

Finally, because of the pressure over the years by church groups and the enactment of legislation by cities, states and pension funds not permitting them to invest or deposit money in a bank that lends directly to the South African government or the state owned corporations, very few banks are lending to the government sector. Thus independently of whether President Reagan vetoes the sanctions bill, which would prevent lending to the government sector, virtually no banks are doing such lending.

This bank lending must be put in the context of the South African economy's total debt of around $23 billion, of which about $19 billion is owned to foreign banks. Heavy payments are coming due between 1985 and 1987 and South Africa, according to an article in *South* (August 1985), has been sounding out friendly bankers in Europe to see if some of it can be rescheduled. This bunching of payments is partly due to the reticence of North American and European banks to continue making long term loans. During the rapid expansion of credit to the South African economy since the end of 1980, the fraction of debt to banks with a maturity of one year or less has climbed from an unusually low value of 34% to a rather high value of 66% in mid-1984.

Right now South Africa is heavily dependent on the Swiss and German banks, expecially Union Bank of Switzerland, Swiss Banking Corporation, Dresdner Bank and Deutsche Bank. But these banks may be reaching their own internal country exposure limit for South Africa. This limit arises because every bank must limit its exposure to any one country in order to spread its risk for safety reasons. *South* quoted one knowledgeable European banker as admitting "that European banks were becoming 'reticent' about increasing exposure (in South Africa) while North American banks are politically constrained from doing so." Thus the pressure on U.S. banks to stop lending is having its indirect effect on the major lenders in Europe.

(Anyone desiring a copy of the CN-ICCR report *Is U.S. Interbank Lending in South Africa for U.S.-R.S.A. Trade*? by John E. Lind may obtain a copy from CN-ICCR for $1.50. This report includes the estimates of lending by all 25 major U.S. banks.) ■

U.S. SIBLINGS OF BARCLAYS NATIONAL CORPORATION OF SOUTH AFRICA

CALIFORNIA BISHOPS URGE CONSTITUTENCIES NOT TO USE BARCLAYS BANK SEVERAL LEVELS OF PARTICIPATION IN THIS CAMPAIGN

In April, NC-ICCR was contacted by the Rev. David Haslam, Secretary of a British church group called *End Loans to Southern Africa*. He requested support for them at the annual meeting of Barclays Bank when they would once again ask Barclays to withdraw from South Africa. In the April issue *Of Prophets and Profits*, it was mentioned that the assets of the subsidiaries of Barclays and the British bank, Standard Chartered, amount to over half the total assets of the South African banking system and that both banks have subsidiaries in the U.S. and in California in particular. **Thus we in the U.S. can play an important role in pressuring these banks, concerning their operations in South Africa.** The fact sheet which accompanies this article gives the details on Barclays bank.

A cable signed by church executives in California and coordinated by NC-ICCR was sent to Timothy Bevan, Chairman of the Board of Barclays Plc. in time for the annual meeting on April 24th. It stated:

"We hold the Apartheid system of laws in South Africa to be abhorrent and believe that economic support, such as Barclays provides to the South African economy, contributes to the maintenance of that system."

The signers then said that they would inform their constituencies and ask them to refrain from using Barclays. The signers are Bishop Leontine Kelly, California-Nevada Conference of the United Methodist Church; Bishop Stanley Olsen, Pacific Southwest Synod of the Lutheran Church in America; the Rev. John Deckenback, Associate Conference Minister of the Northern California Conference of the United Church of Christ; and the Rev. John Moyer, Executive Director of the Northern California Ecumenical Council.

Sir Timothy Bevan cabled a reply stating that Barclays National in South Africa was a signer of the European Economic Community Code of Conduct for companies in South Africa and has made significant progress in promoting black personnel. He pointed out that a black woman is director of Barclays National's principal subsidiaries. The Bank also contributes a significantly high proportion of its after tax profits (5% for educational, medical, communal and charitable purposes. Thus the bank appears to have a relatively good community record. **The point of the protest is not that Barclays' record at the civil rights level is not good but that it very presence by virtue of its size contributes vastly more to the implementation of apartheid, through its providing economic stability to the system.** (Copies of the exchange of cables can be obtained from CN-ICCR ICCR for $1.00.)

CN-ICCR is now in the process of developing a broad-based campaign around Barclays and we hope to be able to provide details of how you can help in our next issue. ■

DIVESTMENT OF CORPORATE STOCKS AND DISINVESTMENT OF CORPORATIONS FROM SOUTH AFRICA

by

John E. Lind

A careful distinction must be made between the disinvestment of U.S. corporate operations from South Africa and the divestment of the stock of those corporations by investors. There is a significant time delay between the latter and the former especially since large segments of the U.S. investor population would never divest. Thus independent of the time frame for corporate disinvestment, investors should start divestment immediately because that process will take several years before most U.S. corporations will be at the point of disinvestment from South Africa. The investor divestment however raises the spectre in South Africa of disinvestment.

The arguments for and against disinvestment of U.S. corporations from South Africa are most often given in terms of steady state arguments: that is, what would occur a long time after the disinvestment when the South African economy had again achieved an "equilibrium" state. The real question is very different. It is: Will the initial disruption of the South African economy by the initial disinvestment force the government to make significant changes to prevent further disinvestment?

Right now the South African economy is the worst it has been in decades. Their currency is at below half its value in dollars compared to a couple of years ago and unemployement is running high. The threat of U.S. disinvestment is very great at this moment and will be for the next couple of years. Should the U.S. corporations pull out, companies from other countries are not likely to rush in since profitability is going to be low in the near future while the distant future is uncertain because of political risk.

Thus I believe that South Africa will make changes in their Apartheid laws under the threat as some U.S. companies disinvest. Because of this threat the South African government has already abolished the ban on mixed marriages and the South African business organizations including the Afrikaanse organization have called for an end of the major apartheid laws.

The question is raised: if corporations of other countries won't buy out the U.S. corporations in South Africa, won't South Africa buy out the U.S. corporations? If the South African's buy them out, they need U.S. dollars to pay for them. Who will supply this needed foreign exchange? The banking system is already heavily in debt, with the Bank of England urging the South African Reserve Bank to try to control the borrowing of the South African Banks. The raising of another $2.5 billion in the international capital markets for the buy-outs would be extremely difficult at this time and the costs would be very high in interest rates and the further depression of the economy because of the lack of foreign exchange for the current trade. (Present South African debt to U.S. Banks is $4.7 billion and, to the World Banking System as a whole, is over $17 billion). The situation would be further exascerbated because right now the U.S. companies obtain funds for capital investment from their parent corporation, but once they are South African owned, South Africa would have to enter again the international capital markets at least for the capital goods acquisitions which are not produced in South Africa. This would further increase the need for borrowing in the international capital market and raise the cost of capital.

In terms of divestment by investors of stock and other investments in U.S. corporations that operate in South Africa, U.S. investors should move rapidly to implement divestment because it is initially symbolic. Since most corporations don't raise capital through stock issues, it mainly affects those who enter the commercial paper market by prohibiting purchase of paper. Thus U.S. corporations are not immediatly going to disinvest from South Africa upon initial divestment of their stock by investors. If however, 10% of the pension funds and investors in the U.S. were to have divested from them, then these corporations would at least shout loudly to the South African government because of the threat to their commercial paper and perhaps a slight depression of stock prices. There is an indication that the threat is alaready having an effect. A submission has been made by the American Chamber of Commerce in South Africa to the special Cabinet Committee of the Republic of South Africa. This document requests the end of many apartheid abuses. This pressure should be kept up.

U.S. corporations could be forced into disinvestment from South Africa before the government changes the Apartheid laws, but that is the gamble that both we and the South African government take in the timing. If the goverment doesn't move fast enough, U.S. corporations will be disinvested and the South African economy will be in total shambles. Obviously, if by some miracle South Africa could weather all this it might be all the stronger in another decade or two. But it could be much weaker, with a huge debt it is unable to pay off.

Finally, since the U.S. banks are supplying about twice as much lending as our corporations have invested in South Africa, the immediate pressure point is the prevention of further lending by our banks and the reduction of their exposure. U.S. banks account for one-fourth of all international bank lending in South Africa. Thus the cessation of this lending is an important precondition to the threat of corporate divestment and is probably what has forced the American Chamber of Commerce to petition the South African government for change. ■

REPORT ON THE FAMILIES OF THE DISAPPEARED IN GUATEMALA

Many of you responded to our *Corporate Alert* in March to cable or write the Guatemalan government and the U.S. Ambassador requesting that they guarantee the safety of the relatives of the disappeared. These relatives had formed a group called Grupo de Apoyo Mutuo (GAM) to pressure the government on the whereabouts of their disappeared family members. They staged a protest march on April 13th in Guatemala City and it was the safety of the members at this march which was of major concern.

That march did take place without violence thanks to your cables and letters together with the presence of a delegation of people from the U.S. who were in Guatemala City at the time. Among those in the delegation was the Rev. William Sloan Coffin of Riverside Church (NY). Two U.S. Congresspersons, Ted Weiss (Manhattan and Bob Edgar (PA), decided at the last moment not to be present because the U.S. Embassy warned them that there had been threats against them.

The fact that there was no violence at the March is not, however, a cause for great celebration. Two of the members of the coordinating committee of GAM had been killed in the previous two weeks. On March 30th, GAM's press laison officer was kidnapped by armed men and on the next day, his body was found badly beaten with his tongue cut out. On April 4th, the Secretary of GAM, Maria Rosario Godoyde Cuevas, was reported missing. As the *NY Times* (4/14/85 reported it: She "was found dead with her brother and 3 year old son in a damaged automobile. The government has declared the deaths accidental, but Western diplomats said Friday that they believe all three were slain before the car plunged into a ravine."

On August 9, the Mutual Support Group made up of relatives of *desparecidos* accused the Guatemalan government of kidnapping hundreds of persons and also submitted to the law courts 862 writs of *habeas corpus* on behalf of some 1,000 persons arrested by "agents of the government's security forces."

The writs are directed against the Ministries of Defense and of the Interior, the army, the National Police, the G-2, the Special Operations Brigade (BROE), and the Department of Technical Investigations (DIT), all of which maintain installations in which clandestine jails are located, states GAM.

The Grupo Apoyo Mutuo continues its work under conditions of severe repression often with the presence of volunteers from the U.S. to help insure their safety. Continuing to send letters to the Guatemalan government is useful, but we will alert you to the next focused action of concern for the disappeared. ■

MEMBERSHIP-SUBSCRIPTION

NAME _____ PHONE _____

ADDRESS _____

CITY, STATE, ZIP _____

Enclosed Fee (includes *Of Prophets and Profits*):

☐ Regular: Religious Bodies, Provinces, Dioceses ($250 or more) ☐ Church ($100 or more)

☐ Sponsoring Organization ($1000-$5000)☐ Individuals ($15-$25) ☐ Supporting ($50)

☐ Subscription to *Of Prophets and Profits* ($5 -$10)

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