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The Johns Hopkins University Coalition for a Free South Africa

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Information about:

NCNB Corporation and South Africa

The Johns Hopkins University Coalition for a Free South Africa was founded in January 1986, on the occasion of the visit of Bishop Desmond Tutu to Hopkins. Since that time, the Coalition has tried to keep track of major Baltimore businesses that support the economy of South Africa. The Coalition helped get Maryland National Bank to end its ties to South Africa in late 1986, and in 1987, at the Coalition's urging, Black & Decker Corporation agreed to disinvest from South Africa. Our next target was NCNB, and since March of 1987, we have tried to convince this huge Charlotte-based bank to cut its South African ties completely. Since NCNB MD gets more than \$125 million in deposits from its Baltimore branches, this is a matter that concerns all of Baltimore.

NCNB Corporation has had an important relationship to apartheid in South Africa. But no matter how profitable NCNB's South Africa connections may have appeared at one time (especially before 1984), NCNB will severely regret its continuing decision to fund South African governmental agencies (for example, ISCOR, a parastatal organization responsible for iron and steel production), not to mention major private-sector borrowers.

NCNB has claimed that its ties to South Africa were mainly to finance trade. But according to the United Nations Centre Against Apartheid, NCNB was the managing partner in a \$100 million loan syndication to South African Breweries that runs from 1982 to 1989. Indeed, as recently as 1984, NCNB's net medium and long-term lending to South Africa was \$217 million, or 1.7% of assets, according to the Federal Reserve Board's Foreign Country Exposure Reports. That was the single highest percentage of any U.S. bank! NCNB's loans have been particularly important in providing the South African economy with state-of-the-art technology transfers, long a primary target of South African and international anti-apartheid activists.

NCNB has assisted the Pretoria government. As recently as September 1984, NCNB's loans to the South African government or its parastatal subsidiary businesses accounted for about one of every seven dollars that U.S. banks had loaned to the government, an enormous amount for one bank. It is widely known that U.S. bank loans to the South African government in the 1970s and early 1980s allowed the National Party rulers to shift their own internally-generated funds from, for example, iron and steel production to maintaining the apartheid system.

NCNB has even had its own office in South Africa. NCNB was one of just three U.S. banks to actually have an office and employees in South Africa. That office was supposedly closed in 1986, or at least that was what NCNB told inquiring reporters and members of our Coalition. We didn't trust the bank, and in late August 1987, one of the Coalition members paid a visit to the NCNB office in Johannesburg. He found (and photographed) a fully functioning office with NCNB's name attached to the glass lobby doors in its downtown high rise office building. NCNB officials hurriedly denied to members of the Baltimore press that the office was open (while admitting its presence to a Raleigh, NC reporter), but a *Baltimore Sun* reporter confirmed the NCNB office's existence in October 1987. In November 1987 an NCNB official acknowledged that the services of a South African employee were being retained "to forward mail." The office, at least, is now *apparently* shut down.

NCNB still has loans outstanding to South Africa. Approximately \$70 million in NCNB loans are still awaiting repayment by South African borrowers. In mid-1985, South Africa declared a "standstill" on loan repayments. Instead of collecting collateral and seizing South African assets, NCNB was generous to South African borrowers. In January 1986 as part of a larger initiative...

banking bailout for Pretoria. The loans were again rolled over in March 1987. The loans are currently distributed as follows: 74% to South African banks; 18% to private sector borrowers; and 8% to the South African government (source: letter from F.W. Vandiver, Jr., Executive Vice President, NCNB Corporation, to Investor Responsibility Research Center, Washington, DC, 7/13/88). NCNB should long ago have rid itself of these loans. South African debt is worth less than 70 cents on the dollar in secondary markets.

NCNB also has other ties to South Africa. In November 1987, an NCNB official told the Coalition and other Baltimoreans that the bank used its "correspondent banking accounts" with South African banks *only to collect its loans*. In fact, that wasn't true, as the Coalition learned in February 1988, when a colleague of ours in Charlotte sent money using a wire transfer to South Africa using NCNB accounts. Aside from the fact that this directly contradicts another NCNB claim about South Africa, it has implications for a whole range of banking services, such as trade finance, that NCNB may well still be supplying the South African economy. NCNB is also one of the largest shareholders in Shell Oil, the subject of an extensive anti-apartheid boycott. NCNB recently bought First Republic Bank of Texas (with the help of billions of dollars of taxpayer subsidies), and First Republic was known to market its global custody services in South Africa.

NCNB supports trade finance to South Africa. After a bank official denied that NCNB engaged in trade finance (loans used for the purpose of facilitating trade) with South Africa at a meeting in November 1987, the Coalition has learned from the Investor Responsibility Research Center that in fact, at least \$170,000 in trade-related loans were on NCNB's books at the end of June, 1988. Such trade finance helps to subvert the economic sanctions measures passed by the U.S. Congress in 1986. (According to the *Charlotte Observer* -- 2/10/85, NCNB has lobbied against bans on U.S. investment in South Africa.) Those measures call for no new investment by U.S. companies in South Africa. But if South Africa can import technology formerly produced by U.S. companies within the country, the congressional sanctions are less effective. And NCNB makes it possible for South Africa to import goods by supplying trade finance.

Does NCNB actually support the South African system? With the ties between NCNB and South Africa continuing despite a massive three year protest campaign -- one waged in Baltimore and North Carolina, in Wall Street shareholder resolution proxy battles by the American Baptist Churches, and by Rev. Jesse Jackson on two public occasions (September 1985 in North Carolina and April 1987 in Baltimore) -- there must be some deeper reason beyond mere profit. It may be ideological. NCNB today *claims* an abhorrence for apartheid. But NCNB's Chairman, Hugh McColl, expressed very surprising ideas about South Africa as recently as early 1985, when he was interviewed by the *Charlotte Observer*: (McColl speaking) ***"We're probably one of the best banks in South Africa. It's a different neighborhood, but I think we do a good job... I love it (South Africa). I think it's one of the most wonderful countries in the world... If you're a real capitalist you love it because you go out there and you see people create a city out of nothing... I've lived in a segregated society and that doesn't kill people... We ask for the impossible (majority rule), you see. Let's take the American point of view. Should any rational and sane man believe that a group of people should deliver themselves of all of their power?"*** (*Charlotte Observer*, 2/10/85)

It's high time for NCNB to break its ties to Apartheid. For more information, contact the JHU Coalition at the above address. Or write to NCNB headquarters in Charlotte: Hugh McColl * Chairman * NCNB Corporation * Charlotte, NC 28255.