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Labor Environment Consumerism Equal Employment Minorities Women
Agribusiness Military Production Government Foreign Investment

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Interfaith Center on Corporate Responsibility

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U.S. Churches Pledge Intensive Opposition to U.S. Corporate Investment in Apartheid - Part One

After fourteen years sponsoring shareholder resolutions on apartheid, U.S. Protestant churches, Roman Catholic religious communities and dioceses have committed themselves to new tactical forms of opposition to U.S. corporate complicity in South Africa's racist policies known as apartheid. On May 20, 1985 church leaders announced church-sponsored antiapartheid efforts will focus on twelve U.S. corporations which are key investors in apartheid — IBM, Control Data, Burroughs, Citicorp, Mobil, Texaco, Chevron, Fluor, General Electric, Ford Motor Company, General Motors and Newmont Mining.

While hundreds of U.S. companies do business in South Africa, the twelve selected by U.S. churches, have long histories of providing products and services which have built South Africa's racist economy and way of life. Many have earned remarkable profits supporting South Africa's government and its racist policies in one or more of the following ways: providing products and services used by the police and military, the size of their assets in South Africa, their sales and number of employees, by the strategic nature of their involvement and/or the financial services they render.

In this special three-part *Corporate Examiner* series (Volume XIV, numbers 4, 5, 6, 1985), the twelve companies will be profiled by industry. **Part One** (volume XIV, number 4) will focus on the computer industry — IBM, Control Data and Burroughs — and the banking industry — Citicorp. **Part Two**, (volume XIV, number 5) analyzes the petroleum industry — Mobil, Texaco, Chevron and Fluor — and manufacturing — General Electric. **Part Three** (volume XIV, number 6) covers the motor vehicle industry — Ford and General Motors — and mining — Newmont Mining. Reprints of all three special issues of the *Corporate Examiner* are available from ICCR.

This issue of the *Corporate Examiner* (volume XIV, number 4, 1985) opens with the text of the May 20, 1985 statement of the fifty-four Protestant and Roman Catholic institutional investors announcing their intensive focus campaign. The announcement is followed by profiles of IBM, Control Data, Burroughs and Citicorp.

Statement on American Corporations Which Are Key to Apartheid

We, fifty-four Protestant denominations, Roman Catholic orders, dioceses, religious organizations and institutions, working through the Interfaith Center on Corporate Responsibility, have now entered a new phase in our effort to break the bonds of economic oppression that make United States corporations partners in apartheid, the abhorrent policy of racial oppression by the Government of South Africa.

We believe that conditions in South Africa, marked by increased violence against blacks demanding their basic rights, require a new strategic approach toward U.S. corporations whose presence in South Africa undergirds the South African government's ability to enforce its policy. We have chosen to concentrate on the following twelve corporations with which we have a history of interaction because they are key investors in apartheid. All support the South African government either through products and services used by the police and military, by the size of their assets in the country, by their sales and number of employees and/or by the strategic nature of their involvement or financial services rendered.

New Focus on Twelve Companies

The companies are: IBM, Control Data, Burroughs, Citicorp, Mobil, Texaco, Chevron, Fluor, General Electric, Ford, General Motors and Newmont Mining. Our new strategic approach will focus special attention on these companies by:

1. Calling upon them to cease immediately all sales and service relationships with the South African government and government-owned corporations;

2. Demanding that they make clear to the South African government that the following changes in government policies are a necessary precondition for their remaining in South Africa:

a. Abandon officially the "homelands" policy;

b. End the various apartheid laws, such as influx control and the Group Areas Act;

c. Restore full political rights — such as freedom of speech, freedom of assembly and voting — to all peoples.

d. Cease forced removals and population relocations;

e. Guarantee the right of all people to own land;

f. Release unconditionally all political prisoners, detainees and those charged with treason;

g. End the banning of organizations and individuals;

h. Increase public funding of education, health care, social services, etc. for the black majority.

We believe that if there has not been significant progress toward achievement of these goals by the end of 1986, these corporations' continued presence in South Africa cannot be justified. Additional aspects and goals of this new approach will be elaborated in the future.

Strategies

To affect the targeted corporations' policies, we will press forward with a coordinated campaign utilizing a variety of our traditional approaches such as shareholder resolutions and meetings with corporate leaders. In addition, we are prepared to take new steps, such as more extensive acts of public witness, calls for the firms' withdrawal from South Africa, launching of selective buying campaigns and divestment of their securities, if these companies fail to respond.

We have agreed that our goal is not to encourage U.S. corporations to ameliorate the effects of apartheid but to play their part in dismantling that system. We are committed to an ecumenical effort to break up such economic patterns of support and will continue until apartheid is ended.

THE COMPUTER INDUSTRY IN SOUTH AFRICA

U.S. computer firms have been very user-friendly in South Africa. With a booming South African market that has yielded average annual growth rates of 30 percent, firms like IBM, Burroughs, Control Data, NCR, Hewlett-Packard, Sperry and Mohawk Data have been leaders in Pretoria's successful drive to automate apartheid. Computers have been instrumental in strengthening South Africa's military and in supplying the minority-controlled government with the capability to track the identity, movement, work records and political activities of the black majority population at the push of a button. No U.S. industry sector has been more involved than the computer industry in tightening and streamlining Pretoria's Orwellian controls on the liberties of black South Africans.

U.S. Companies Computerize South African Society

Since entering the computer age in the late 1950s, South Africa has been an eager customer of computer merchants. By 1977, only the U.S. and Britain outpaced South Africa in spending per capita on data processing systems. U.S. computer companies have jumped to meet the country's demands, dominating the South African computer market. By 1980, according to a South African computer industry survey, U.S.-owned corporations had sold 75 percent of all computers in the country and handled 77 percent of all local computer rentals, paying the South African government an estimated \$27 million in corporate taxes and \$14 million in sales taxes that year. By 1983, the value of all computers operating in South Africa, made by U.S.-owned companies, was \$650 million, according to the U.S. Commerce Department. In 1983 sales of U.S.-owned mainframe computers dominated the market, totalling \$234 million, followed by sales of minicomputers totalling \$136.5 million, desktop computers valued at \$130 million, small business computers valued at \$84.5 million and word processors valued at \$65 million. Business is particularly good in software, insurance, finance and banking markets. South African banks are moving to streamline their operations and cut back on labor costs by installing automated teller machines throughout the industry.

Exports of U.S. computers to South Africa have also been booming in the last few years despite the Carter Administration's 1978 restrictions on direct sale of U.S.-origin computers to certain South African government agencies such as the police and military and central government departments responsible for administering the country's racial segregation laws. The value of computer exports to South Africa has more than tripled, up from \$50 million in 1978 to \$162.7 million in 1983, according to U.S. Commerce Department figures. At the same time American companies maintained their dominance of South Africa's imports, holding 47 percent of the market in 1983, followed by Britain with 18 percent and West Germany with 9 percent.

U.S. Computers Enforce Apartheid

Before direct sales to the South African police and military were banned in 1978, U.S. firms had supplied hardware critical to strengthening the country's police force, its military and government agencies responsible for keeping strict, daily controls on the lives of black South Africans. IBM, Burroughs, Control Data, NCR, Sperry, Data General, Wang and Mohawk Data supplied key com-

puter hardware and software to central apartheid agencies before the 1978 ban, according to *Automating Apartheid*, an exhaustive 1982 American Friends Service Committee study of the role of U.S. computer companies in South Africa.

IBM computers can be found throughout the apartheid machinery. Using IBM equipment and technology in the early 1970s, the South African Defense Force (SADF) established a sophisticated computerized command and control system and a military logistics system used to distribute ammunition and supplies to military units throughout the country. Two IBM processors, a minicomputer made by Data General and equipment made by Westinghouse are used by the South African Railways for a computerized tracking system considered vital to military transport. In 1980, a handbook published by the South African computer industry advertised an IBM software program available to police called "Law Enforcement System." Since at least 1970, IBM hardware has been a key component of the South African Department of Interior's activities in tracking the identity, movement and work records of the country's so-called "colored" or mixed-race and Asian populations.

IBM has not been alone among U.S. companies in supplying police hardware. In the 1970s Control Data and Mohawk Data Science in conjunction with ICL, a British firm, which has been a major supplier to the South African police and military, provided the South African security forces with technology needed to centralize its control over the black majority population.

American companies also have supplied computers to South African military contractors. For instance, IBM rents computers to a firm that produces Land Rovers for security forces; an NCR computer is used by a major military electronics maker; a Burroughs computer is used by a corporation that has made armored vehicles for the military; Data General hardware and software are used by a civilian institution which trains police computer operators and explosives technicians.

U.S.-origin computers also have been essential to unique South African government agencies keeping tight control on the daily lives of black South Africans. Burroughs, NCR and Mohawk Data Science have supplied hardware to the government board with jurisdiction over thousands of blacks living in a large area east of Johannesburg. A Burroughs computer similarly stores and retrieves data for the agency in charge of controlling the lives of blacks in the country's Eastern Cape Province.

Computers in Local Governments

South Africa's white-run local governments have been another booming market for American computer companies. NCR, Sperry Rand, IBM, Wang, Honeywell, Burroughs and Mohawk Data have supplied computers to local white governments which by law bar black residents and businesses from their municipal borders. Critics of the computer industry point out that even with the best intentions or policies, U.S. computer companies cannot control the end use of their products.

Antipartheid pressure in the U.S. has not dampened the enthusiasm of U.S. computer companies for South African customers. A 1984 South African press report quoted predictions from IBM, Hewlett Packard and NCR that the local computer market would remain bullish, averaging a 30 percent growth rate with increasing de-

mand for personal computers. Obviously black South Africans will not be a part of that market.

Apartheid Government is Big Business for U.S. Companies

The onslaught of the computer age in South Africa has been closely tied to consolidation of the white minority government's administrative, coercive and economic power over the black majority.

This racist government and its agencies are the largest customers of U.S. computer firms, accounting for about 50 percent of Control Data's South African revenues, 30 percent of Burrough's and 17 percent of IBM's. With extensive sales to the South African government and its agencies, these U.S. computer companies have been named to the churches' intensive action list. As the government streamlines the apartheid system with the help of these and other U.S. trading partners, it is tragically certain that computers will be extensively used to repress South African blacks.

INTERNATIONAL BUSINESS MACHINES

Established in South Africa in 1928.

Number of Employees

White	1,419
African	265
Asian/Colored	109
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Total	1,793

Total Assets

\$88.6 million

Total Sales

Less than \$230 million

Subsidiaries and Affiliates

IBM has two South African subsidiaries: International Business Machines SA (Pty.) Ltd. and IBM South Africa Product Distribution (Pty.) Ltd.

Description of Operations

IBM markets, installs, supports and services a full line of IBM computers and business equipment. Computers include mainframes, minicomputers, personal computers and word processing systems plus disk and tape storage devices, terminals, printers and other peripheral equipment. IBM also sells typewriters, computer-aided design systems, copiers, electronic typesetters, encoders and automatic teller machines. IBM sells software and provides maintenance, consulting, user training and computer bureau services.

Strategic Role

Computers have become crucial for the maintenance of apartheid because they have made possible the concentration of administrative, coercive and economic power needed by the small white minority to maintain absolute control over the great majority. IBM dominates the South African market with an estimated 40-50 percent of the installed computer base. About 17 percent of IBM's South African revenue comes from the central and provincial governments, according to the company. However, a large but unspecified additional percentage comes from municipal governments and parastatal corporations.

IBM computers are found in almost every important government department and agency, including the departments of the Prime Minister, Inland Revenue and Education. Other IBM customers include the Atomic Energy Board, Human Science Research Council (which coordinates national social research as the government sees fit), Industrial Development Corporation, South African Railways, South African Airways, Vecor Heavy Engineering and other parastatals.

Most crucial for the enforcement of apartheid, IBM computers are used by the South African Defense Force (including command and control and logistics services). IBM and Control Data products are used by the government's Council for Scientific and Industrial Research (CSIR), the key producer of military, nuclear, electronic and industrial research and development.

All sectors of the South African economy — finance, manufacturing, distribution, services — depend on computers. This is especially true of companies us-

ing high technology, such as military contractors. IBM computers dominate this South African business market. Among IBM customers are AECI, South Africa's largest chemicals company and Leyland-South Africa. Barclays and Standard, South Africa's two biggest banks, are buying IBM's automatic teller machines. IBM is also cornering the South African personal computer market and competing with Apple for sales of automatic teller machines.

History of Institutional Shareholder Action

(Includes year and resolution topic)

1975 Sales to South Africa
1976 Report on sales to South Africa
1980 No sales to South African government
1981 No sales to South African government
1982 Withdrawal from South Africa
1983 Human rights

Company Position

IBM states that it complies with U.S.



Sharing
a world of experience
to meet
South Africa's needs.

In less than a generation, IBM employees in South Africa have increased from four to over 1,400. In less than a generation, IBM customers can be found from Sibasa to Mossel Bay, from Richards Bay to Oranjemund.

This growth has been based on the successful interaction between technology, dedicated staff, and a resulting customer confidence—three sound ingredients for the years to come.

from: "Automating Apartheid", AFSC, 1982.

government restrictions (as revised in 1982) on computer exports to the South African police and military, to the South African Atomic Energy Board and to the South African government departments of Interior, Cooperation and Development, Community Development, Justice and Manpower, and to homeland agencies carrying out similar functions. The restrictions do not bar all sales to these agencies and departments; only sales which help enforce apartheid. However, these restrictions do not prevent computers that have already been sold to these agencies and departments from being used to enforce apartheid. The restrictions also allow the continued servicing of computer contracts that predate the regulations.

As the largest computer company in South Africa, IBM assumes a high profile

stance in favor of continued U.S. business there. It cites its internal policy of not selling equipment and services that might be used to support a repressive society. It also cites its good performance ratings on the Sullivan Principles, its activities to further black education and the progressive impact of business on South Africa.

IBM argues that it has expressed concerns about apartheid both directly to the government and indirectly through business groups. In a recent *New York Times* column, IBM chairman John Akers quoted the company's South African managing director who called for "bringing blacks into the constitutional framework". Mr. Akers cited this as an example of IBM's progressive impact, but did not say whether this statement meant support for "one person, one vote" or for the South

African government's ideas for limited rights for urban blacks.

Church Position

In spite of official IBM statements that the company will not make sales which assist in repression or abridge human rights, IBM has refused to stop sales to the South African government, to place a moratorium on further investment in South Africa or, when asked over the last two years, to meet with church shareholders to discuss these issues.

IBM is one of the U.S. companies most active in publicity and lobbying efforts against the divestment movement. IBM management often testifies in Congress against proposed legislation to increase pressure on South Africa.

CONTROL DATA CORPORATION

Established in South Africa in 1964

Number of Employees

White	242
African	28
Asian/Colored	43

Total 313

Total Assets

\$44 million

Total Sales

Less than \$19 million

Subsidiaries/Affiliates

Control Data (Pty.) Ltd. & Interdata

Description of Operations

Control Data sells and services computers, business equipment and software. Computers sales include mainframes, minicomputers and microcomputers, plus disk storage systems, other peripherals, computer security equipment, process control devices, encoders and other electronic components. Control Data sells data processing services and software, especially its PLATO computerized educational system. Control Data also provides training and consulting services, computer-aided design systems and computer bureau services.

Strategic Role

Computers aid the concentration of administrative, coercive and economic power in the hands of the white minority government.

About 50 percent of CDC's South African revenue comes from the public sector — national and local governments and parastatal corporations. CDC computers and equipment are used by the weather bureau, Atomic Energy Board and such parastatals as ESCOM (Electric Supply Commission) and ISCOR, the state-owned iron and steel company. Its disk storage devices are used in the police computers supplied by the British firm ICL. Two Control Data mainframes, with IBM computers, provide the computing center for the government's Council for Scientific and Industrial Research, South Africa's key provider of military, nuclear, electronic, and industrial research and development.

CDC's PLATO educational software system is the company's most frequently used defense for its staying in South Africa. Fanning flames of controversy about its possible military and political applications, PLATO has been promoted by the government and advertised by Control Data in the South African military journal. Its impact in South Africa is still emerging.

History of Institutional Shareholder Action (includes year and resolution topic)

- 1978 Sales to South Africa
- 1979 Sales to South Africa
- 1981 Withdrawal from South Africa
- 1982 Sales to South African government
- 1983 Review of contracts with South African government
- 1984 Sales to South Africa

Company Position

Control Data states it will not sell to the police, military or central government departments. It pursues a public affairs program oriented toward black education. Control

Data has hired Percy Qoboza, former editor of a banned black newspaper, as a consultant on these and other programs. But, there is no way to guarantee that CDC computers or software sold to South Africa will not be used to enforce apartheid. In any case, these policy restrictions do not prevent computers already sold to these agencies and departments from being used to enforce apartheid.

CDC Chairman William C. Norris has recently suggested that U.S. companies pursue a policy of "selective investment" under which no new investments would be made unless they were socially beneficial. To divestment proponents he has suggested that divestment be pushed only against companies that did not follow "selective investment". He has offered Control Data, and its PLATO program, as an example of "selective investment". Mr. Norris, a key defender of the PLATO system, has become an outspoken advocate of continued U.S. presence in South Africa. However, PLATO's critics contend that PLATO has been accepted by the South African authorities because it gives them greater control over the black population while following the educational directions set by the government.

Church Position

Control Data has responded to some church initiatives. For example, Control Data has prepared regular reports on its South African operations. The company also developed policy prohibiting sales of computers that could be used for repressive purposes, though the company has refused to explain details of its criteria and application. In addition, the company refused to stop sales to the South African government and its agencies and has refused to withdraw from South Africa.

BURROUGHS CORPORATION

Established in South Africa in 1929

Number of Employees

White	476
African	55
Asian/Colored	32
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Total	563

Total Assets

More than \$150 million, over 3.75 percent of Burroughs' total worldwide assets as of December 31, 1983.

Total Sales

\$120 million, over two percent of Burroughs' total worldwide sales in 1983.

Subsidiaries/Affiliates

Burroughs Machines Ltd. and Memorex (Pty.) Ltd. (inactive at present).

Description of Operations

Burroughs sells and services computers and business equipment. Computers include mainframes, minicomputers and word processors plus storage systems, terminals, printers and punchcard equipment. Burroughs also sells software and provides engineering support.

Strategic Role

Computers have become crucial to the maintenance of apartheid, enabling the concentration of administrative, coercive and economic power that the white minority needs to maintain control over the great majority. In this market Burroughs vies with the British firm ICL for the number two spot behind IBM.

About 30 percent of Burroughs' South African revenues comes from the public sector (national and local governments and parastatal corporations). Burroughs computers are used, for instance, by Transvaal Province, the East Cape and East Rand Administration Boards and numerous cities. They are also used by ISCOR, the state-owned iron and steel company.

All aspects of the South African economy — finance, manufacturing, distribution, service — depend on computers as well. This is especially true of companies using high technology such as military contractors. Burroughs computers are well established in South African business. Among others, they work for the huge Barlow Rand industrial group and for a unit of General Mining Union, the only major Afrikaner-run industrial group making armored vehicles and other weapons.

History of Institutional Shareholder Action (includes year and resolution topic)

1979 Sales to South African government

Company Position

Burroughs states that it complies with U.S. government restrictions on computer exports to the South African police and military; to the South African Atomic Energy Board and to the South African government departments of Interior Cooperation and Development, Community Development, Justice, and Manpower; and to homeland agencies carrying out similar functions. The company feels that U.S. regulations are too ambiguous for it to try to sell to these departments. As IBM itself has pointed out, however, the current restrictions cannot guarantee that U.S. computers exported to South Africa will not be used to enforce apartheid. Nor do these restrictions prevent computers already sold to these agencies and departments from being used to enforce apartheid. The restrictions also allow the continued servicing of computer contracts that predate the regulations.

Church Position

In response to church shareholder resolutions and initiatives, Burroughs has placed some limits on computers that would be sold to abridge human rights. In spite of requests of church shareholders, however, Burroughs has refused to stop sales to the South African government and is unwilling to place a moratorium on new investments.

U.S. BANKS and SOUTH AFRICA

U.S. banks have a history of friendly business relations with the white minority government of South Africa. While only three American banks — New York's Citicorp and Chase Manhattan and the North Carolina-based NCB — have offices in South Africa, nearly one quarter of the 100 largest U.S. banks had outstanding loans to South Africa totalling more than \$4.5 billion as of June 1984. That was more than twice the level of U.S. loans to South Africa six years ago, according to the U.S. Federal Reserve Board.

U.S. Banks Fuel the South African Economy

It is difficult to lend money to South Africa that does not enhance the government's ability to maintain a racially segregated society. Loans to South Africa finance everything from the

government-owned Iron and Steel Corporation (ISCOR), which supplies the country's domestic armaments industry, to racially segregated housing projects and industrial development projects that keep blacks in rural areas and control black migration to cities where wages and living conditions are better.

Plagued with domestic and international economic and political difficulties, South Africa's need for infusions of foreign capital has grown steadily in the 1980s as its economy slipped into its worst recession since World War II. Effects of world-wide recession, such as the decline of international gold prices, and natural phenomena, like a regional drought, have added to the high costs of maintaining South Africa's racist society, its extensive police and military, segregated housing, education, health services and its governments for four "population groups". Adding further to the country's difficulties are the high costs of international sanctions against apartheid such as the OPEC's oil embargo against South Africa.

Escalated Foreign Borrowing

Pretoria's foreign borrowing needs have escalated from \$856 million in 1981 to about \$4.7 billion in 1984, according to *Foreign Investment in South Africa* (1985), an Investor Responsibility Research Center study which examines U.S. lending to South Africa as well as



the South African operations of North American and British companies. Both of South Africa's central government and several of its state-owned corporations borrow foreign funds. These state-owned agencies control the country's electric utility system; run the nation's railways, harbors and airports; operate the national airlines; finance the state oil fund to develop what is now widely thought to be the world's largest oil stockpile (insurance against an effective international oil embargo of South Africa); develop Pretoria's nuclear energy and uranium enrichment programs; operate the national housing programs; explore and develop natural resources such as coal and offshore oil and gas reserves; and operate the country's huge synthetic fuels program. As of March 1984, the state-owned corporations owed \$6.6 billion to foreign lenders, according to the South African press.

Lending to Private Sector Up

Patterns in lending to South Africa during the last six years show a significant shift in the flow of U.S. credit. Lending to the public sector fell to almost half its 1978 level, from \$794 million to \$302 million in 1984, according to the Federal Reserve Board. At the same time, lending to South African banks and the private sector rose significantly. From 1978 to 1984, U.S. lending to private sector South African corporations increased more than 15 percent from \$914 million in 1978 to \$1.1 billion in 1984. Moreover, lending from U.S. banks to South African banks rose six-fold, from \$539 million in 1978 to \$3.5 billion in 1984.

It is difficult to trace lending to private South African borrowers and even more difficult to determine how those funds are being used. While South African banks sometimes seek loans to finance trade transactions, other private loans may be used for unspecified "development projects", as one Citicorp official recently told church shareholders. "Development projects" in South Africa often operate under the country's plans to maintain segregated housing, education and health care. Or, as trade press reports indicate, they may be part of the \$900 million needed from the private sector to help finance Pretoria's latest push to develop offshore natural gas reserves to help make the country energy independent, safe from the pressures of an international oil embargo.

Private Sector Lending Frees Capital for Public Sector

More importantly, church officials believe that money is fungible, that the rise in private sector lending is little more than a back door for the banks to assist the goals and projects of the South African government. In other words, since money cannot be directly traced, a larger pool of money, makes more capital available for government projects.

In a recent *New York Times* story, Harry Taylor, president of Manufacturers Hanover, said:

Can the money be on-lent to the public sector? Of course, money is fungible. If you lend money to a bank, even though you may know the purpose of the funds, you're freeing resources that can be lend elsewhere.

This same issue was raised by Gerald Muller, former chairman of Nedbank, during a recent visit with church shareholders. According to Muller, there were two reasons for the radical increase in U.S. lending to South African banks. The first was the low cost of funds

because of the low prime interest rate of U.S. banks. The second was that South African banks funds were heavily involved in new lending to government projects. Loans from U.S. banks freed funds for these South African banks to continue lending to the government. Even their trade related loans go into this pool of funds.

In a recent meeting with church shareholders, officials of one major U.S. bank pointed out the difficulty in monitoring trade related lending. The original line of credit could be for 180 days. The trade financing itself might require only ninety days. For the remaining time, the money is free for other uses. At the end of the 180-day period the loan is reviewed and may be rolled over. According to the bank, this could become a form of long term lending.

According to IRRC's survey of the 100 largest U.S. banks, at least seventeen of twenty-three banks disclosing loans outstanding to South Africa, reported they had made loans to South African banks. Seven said they have loans outstanding to private South African corporations. Another thirty-two banks declined to provide any information and forty-five banks said they have no loans outstanding to the country.

South African Operations of U.S. Banks

Banks such as Citicorp, which operate in South Africa have even more directly served the apartheid system. Prior to August 1985, under South African law banks with deposits in the country were required to invest an amount (equal to 13 percent of its long-term liabilities) in the securities of government agencies, such as the state-owned electric utility system or the regional agencies governing blacks on a local level. Citibank reported that this requirement had been dropped by the government and that it would no longer hold South African government securities. Beyond this statement of intent, time will tell how this could change Citibank's high profile role in South Africa. Additionally, banks accepting deposits in the country are required by law to hold liquid assets equal to a minimum amount dictated by the government. Citibank, the only American bank in this category, was selected by U.S. churches for intensive action because of its long history of close ties to apartheid. Like other banks with deposits in South Africa, Citibank has no choice but to help strengthen the apartheid system.

U.S. bank lending to South Africa is a key factor in the South African minority government's program control the black majority. Although many U.S. banks have announced policies preventing loans to the South African government and its agencies, the government gets money from other sources. Bank-to-bank lending and trade financing are two ways this occurs. Several banks, including Wells Fargo, First National Boston, Chemical Bank and J.P. Morgan have placed limits on their loans to South African banks. ICCR-member churches plan to challenge bank-to-bank lending in 1985 and 1986.

CITICORP

Established in South Africa in 1958

Number of Employees

White	143
African	33
Asian/Colored	44
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Total	220

Citicorp has a small minority interest in Dincers Club SA (Pty.) Ltd., which as 91 employees. No racial breakdown was available for Diners Club employment.

Total Assets

\$.2 million (as reported by Citibank to Investor Responsibility Research Center in *Foreign Investments in South Africa*, 1985)

Subsidiaries

Citibank has two subsidiaries in South Africa; the major subsidiary is known as Citibank NA Ltd.

Description of Operations

Citicorp is one of three U.S. banks with offices in South Africa and the only U.S.



bank accepting deposits in that country. Citibank NA's head office is in Johannesburg, with branch offices in Cape Town and Durban. In contrast to other U.S. banks (many of whom are scaling back their ties to South Africa), Citibank recently announced that it had expanded its South African operations, opening a telecommunications link to a new branch in Port Elizabeth.

In recent years, Citibank has participated in long-term loans to three South African financial institutions, lending \$39 million as part of a larger syndicated loan package in which other banks participated. Citicorp recently announced that it was eliminating from its books all outstanding loans to the South African public sector as of March 31, 1985. The bank's most recent loan to the government was a \$50 million share of a \$200 million syndicated loan made in 1980 to Pretoria for black housing, education and health care facilities.

Strategic Role

As a bank that accepts deposits in South Africa, prior to August 1985, Citibank was required by South African law to invest an amount equal to 13 percent of its long-term liabilities in the securities of government agencies, such as the state-owned electric utility system or the regional agencies that govern blacks on a local level. The bank also is required to hold liquid assets equal to a minimum amount dictated by the government. In recent correspondence with shareholders, Citicorp confirmed that it has invested in ESCOM (Electric Supply Commission) debentures and Republic of South Africa stock. Citicorp has reported that this government requirement was dropped in August 1985 and that it intends to hold no more government securities. Beyond this, time will tell how this could change Citibank's high profile in South Africa.

As a lender to private financial institutions in South Africa, Citibank also may be

indirectly involved in development projects designed to maintain the country's segregated society. Citibank says its loans to South African banks contain clauses stating that the South African bank in turn will only lend the funds to private sector customers. However, a Citibank official told church representatives that much of the private lending is being used to finance "development projects". That term can apply to a wide array of functions ranging from private sector exploration of oil and gas reserves to industrial development in the so-called "homelands". The South African government is encouraging industry to locate in the homelands in an effort to control black urbanization.

History of Institutional Shareholder Action

(includes year and resolution topic)

- 1977 No loans to South Africa
- 1979 No loans to South Africa
- 1980 Withdrawal from South Africa
- 1981 No loans to South Africa
- 1982 No loans to South Africa
- 1983 No loans to South Africa
- 1984 Report on loans to South Africa

Company Position

Under pressure from the New York City pension funds, Citibank announced in February that it was liquidating its outstanding loans to the South African government as of March 31, 1985 and "anticipated" making no further loans to the public sector "in the foreseeable future". However, Gordon Phelps, Citibank's senior vice-president for Northern Europe and South Africa, later told a South African newspaper, the *Sunday Business Times*, that the decision was erroneously reported as a major policy decision

THE CORPORATE EXAMINER
Yearly Rates

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to cease lending to the South African government:

Since the South American experience, most United States banks have decided not to lend to governments. This decision is not aimed specifically at the South African government, but at all governments. What has happened is that all loans by Citibank to the South African government run out on 30 March this year and no further loans will be made. Lending to governments is not a profitable area for us as the margins are extremely small.

Church Position

Because of its crucial role in supporting apartheid, U.S. churches have withdrawn \$100 million in accounts from Citibank. Harvard University also sold \$51 million in Citibank securities in protest against

Citibank's involvement in the 1980 loan to the South African government.

While Citibank has been active on the Sullivan Principles on employment practices in South Africa, in the United States it has been one of the leading lobbyists at the federal, state and city levels, opposing increased economic pressure on South Africa. Whenever the U.S. House of Representatives or Senate held hearings on the role of banks and companies in South Africa over the last decade, Citibank testified against additional pressures.

Church shareholders are concerned about Citibank's recently announced position on lending to the South African government. Despite its having been described in the press as a new "policy," Citibank officials have made it clear in meetings with church shareholders that this is not a new policy but an "evolution" of its loan posture.

An additional concern is Citibank's lending to South African banks. While there has

been a decrease in U.S. bank lending to the South African governing in recent years, lending to South African private banks has skyrocketed. Several U.S. banks, such as Wells Fargo and First National of Boston, have stopped general purpose loans to private banks. Gerald Muller, former chairman of South Africa's Nedbank, explained in an April 1985 discussion with church representatives, that U.S. bank lending to South African banks has escalated considerably because the U.S. prime interest rate was comparatively low and because South African banks were heavily involved in new lending to government projects. Thus, Citibank loans to private banks may act as a conduit for funding South African government projects.

In response to a question at the 1985 Citibank shareholders meeting, John R. Reed, Chairman of Citicorp, stated that Citibank's operations in South Africa had been discussed extensively by the board of directors and their decision was to continue involvement in South Africa.

Other ICCR Publications on South Africa

— **The Financial Implications of Divestment: A Review of the Evidence**, by Fantu Cheru. Summary of studies for state and institutional divestment, proposes divestment criteria, June 1984, \$5.00 plus \$1.50 postage.

— **U.S. Church Positions on Divestment**, regularly updated packet, \$6 plus postage and handling.

— **What the Banks Say On South Africa**, bank statements on their South African lending policies, May 1985, \$3.00 plus \$1.00 postage.

— **Current Issues Facing American Corporations In South Africa**, remarks from a

symposium of corporate and church officials with observers on September 28, 1981, \$3 plus \$1.50 postage.

— **History of ICCR Resolutions on South Africa**, by Hannah Barnes and Fantu Cheru, August 1984, \$5.00 plus \$1.50 postage.

Corporate Examiner BRIEFS (bulk rates available)

— **"The South Africa Divestment Campaign: A View from South Africa"**, by Paul Wilson, Diane Bratcher and Herb Gunn, (Vol. XIV: No. 3, 1985), \$1.

— **"Divestment for South Africa: An Investment in Hope"**, (Vol. XIV: No. 1, 1985), \$1.

— **"Apartheid's Bankers"**, April 1982, \$.60.

— **"Symposium on Current Issues Facing American Corporations in South Africa"**, February 1982, \$.60.

— **"Rands for Racism: The Marketing of South African Kruggerands"**, December 1980, \$.60.

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