



## SOUTH AFRICA

Economic events in South Africa have been moving at a rapid pace during the last several months. Regretably, political events have not kept pace. In fact, the Afrikaners seem to be digging their heels in at this time. Only the future will tell how much stress must be placed on them before they yield and end apartheid.

As we have mentioned in previous newsletters, the greatest pressure on the South African economy has been through the banks because of the large amount of short-term debt owed by South Africa to the international banks. Concern for these outstanding loans in South Africa by the banks precipitated the financial crisis of September 1985 and resulted in South Africa declaring a moratorium on the payment of \$10 billion of its debt. While the financial situation was stabilizing in early 1986, pressure was building up for sanctions. Finally the U.S., the European Community, the Commonwealth and Japan all announced various forms of sanctions in October of this year. The imposition of sanctions then triggered the exodus of some major U.S. corporations from South Africa and culminated on November 24th with the announcement that the largest British bank in South Africa, Barclays, was disinvesting.



A security guard at the entrance to the head office of Barclays National Bank in Johannesburg.

### BARCLAYS WITHDRAWS FROM SOUTH AFRICA: "AN ECONOMIC EARTHQUAKE"

Barclays Plc., the British bank with a major interest in the largest South African bank, Barnat, announced on 24 November that it would sell its 40.4% interest in that bank to South African interests. Barclays plays such a central role in the financial life of South Africa that one business analyst was quoted by the *New York Times* as saying that the sale would prompt "an economic earthquake." Even *The Wall Street Journal* called it a "most significant disinvestment."

This sale of their equity interest of \$120 million book value in Barnat follows Barclays' March 6th announcement that it would make no new loans in South Africa "until there are changes which confirm an end to the bankrupt policy of institutionalised racial discrimination." This was also a momentous statement and the first of its kind for a bank which had loans outstanding in South Africa of about \$1.0 billion. Thus Barclays has taken a leadership role as one of the two most heavily involved banks in South Africa by disinvesting and stating it will not provide new funds from outside the country. Thus Barclays is well deserved of applause for its actions.

CN-ICCR, church executives, religious orders and several commissions\* of California churches have been involved in a campaign to move Barclays to do just what it has done: promise no further lending and disinvest. A protest cable had been sent in April 1985 followed by organizing among the churches. The latter resulted in a letter to Barclays requesting a meeting to discuss these two points. Just a few days later on March 6th, the statement of no further lending was made. A meeting was

\* The endorsers of the Barclays campaign include the Church and Mission Commission of the Northern California Conference of the United Church of Christ, the Board of Church and Society of the California/Nevada Conference of the United Methodist Church, the Executive Committee of the United Methodist Women of the CA/NV Conference, the Northern California Ecumenical Council, Sisters of Mercy (Burlingame, CA), and the Portfolio Board of the Adrian Dominican Sisters. Also signing the letter were the Rev. J. Alfred Smith Sr., Allen Temple Baptist Church; the Rev. James Stewart, Past President of the American Baptist Churches of the West and Pastor of McGee Avenue Baptist Church; Bishop Leontine T.C. Kelley, Ca/Ne Conference United Methodist Church; Rev. John Deckenback, Assoc. Conference Minister, No.CA. Conference United Church of Christ; Bishop Will Herzfeld, Association of Evangelical Lutheran Churches; and Bishop Stanley Olson, Pacific Southwest Synod of the Lutheran Church in America.

## BARCLAYS DIVESTS MEETS CHURCH LEADERS REQUEST

held on April 15th between Mostyn T. Lloyd, the Chairman of Barclays Bank of California, and church leaders. In that meeting details of the statement of March 6th were discussed and further disinvestment from Barnat was urged. At that meeting Mr. Lloyd emphasized the quaker origins of the founders of Barclays Bank. We can perhaps take pride that it is this religious tradition which may have helped the management of Barclays to come to these two momentous decisions. The bank is disengaging itself from South Africa even though it has considerable assets locked up in that country either as loans under the moratorium or as equity which will be paid at about 50% of its current domestic value. No other bank with assets anywhere close to those of Barclays' size in South Africa has been willing to commit itself to such actions.

The price of Barclays' stock increased slightly with the announcement, indicating the negative effect of their South African holdings. Sir Timothy Bevan, Chairman of Barclays Plc., said that the disinvestment was for "basically commercial" reasons. But he went on to say that "There is also no blinking the fact that our business has been affected by our South African involvement. . . World opinion certainly is important because it affects commerce." The strong anti-apartheid campaign carried out in the U.K. by groups like *End Loans to Southern Africa* had had its effect. Barclays' share of the student loan market dropped from 25% to 17% indicating a loss of present but more importantly future business. A number of private as well as local governments both in the U.K. and the U.S. had divested from Barclays through the efforts in the U.K. and by CN-ICCR.

The South African bank, Barnat, will now have greater freedom to lend in South Africa and will continue to have correspondent relations with Barclays. However, because Barclays has promised to have no further lending in South Africa, Barnat cannot be propped up financially by Barclays as was done during the financial crisis of a year ago. Thus comments from South Africa that this disinvestment move is a positive turn of events for South Africa are just a mask to hide the true predicament in which they find themselves. The sale of Barnat is to three South African groups and will result in them having total holdings in Barnat as follows: Anglo-American Corp. 22.5%; De Beers Consolidated Mines 7%; and South Life Association 25%.

#### **PRESSURE ON OTHER BANKS FOR STATEMENTS: No New Lending in South Africa**

Bank of America followed Barclays example in June and made an excellent statement of no new lending in South Africa. Sources in South Africa indicate that this is a very tight statement, for Bank of America will not even advise on credit instruments. Bank of America and Security Pacific are the only domestically owned California banks with significant amount loaned amounting to between \$150 and \$200 million each. Those amounts are relatively small compared to those of Barclays or Citibank. However, the foreign parents of some of the middle sized California banks have lent heavily in South Africa. Thus Standard Chartered (U.K.), the parent of Union Bank, has lent about \$1.2 billion; Bank of Tokyo, the parent of California First, may have lent over \$300 million; Sumitomo's lending may be of similar size; and Banque Nationale de Paris (France), parent of Bank of the West, is also estimated to have lent about \$300 million. CN-ICCR is still researching who their customers are in order to initiate some pressure. Any information you have would be helpful to us. None of these California subsidiaries themselves have any loans in South Africa, just their parent corporations have lent. More news on these banks will follow in our next newsletter.

CN-ICCR did intervene with the Board of Governors of the

Federal Reserve System in June at the request of the Rev. David Haslam of End Loans to Southern Africa in London and with the assistance of Robert Gnaizda of Public Advocates. Standard Chartered Bank was threatened by a take-over from Lloyds and Lloyds needed the Fed's approval because of Standard Chartered's ownership of Union Bank of Los Angeles. The intervention raised the question of the proper valuation of the South African assets of Standard Chartered Bank. The *Financial Times* (London) covered some of the details in its June 25th article entitled "US Protest Group Steps into Lloyds Battle." The purpose was to obtain a more adequate statement from Lloyds on what they would do with Standard Chartered's assets in South Africa. The take-over fell through but may be raised again next year.

#### **More Rapid Payment of Debt**

About \$10 billion lent primarily by international banks was placed under a moratorium in September of 1985. This moratorium only permitted 5% of the principal to be paid back and it will be renegotiated when the agreement terminates on 30 June 1987. Various church groups have been putting pressure through CN-ICCR on banks to negotiate for a maximum pay-back as soon as possible. To that effect, John Lind of CN-ICCR published in August a report entitled "*Projections of South Africa's Balance of Payments*". This report was circulated to several banks on the bank technical committee just before they met in September to evaluate South Africa's economy. It presented estimates of what the banks might negotiate with South Africa for payments on the debt. The result has been a detailed exchange of perceptions on South Africa between several banks and CN-ICCR, including the progress of the economy and the effects of sanctions. A similar report will be issued in March in time for the next reevaluation of the South African economy by the bank technical committee.

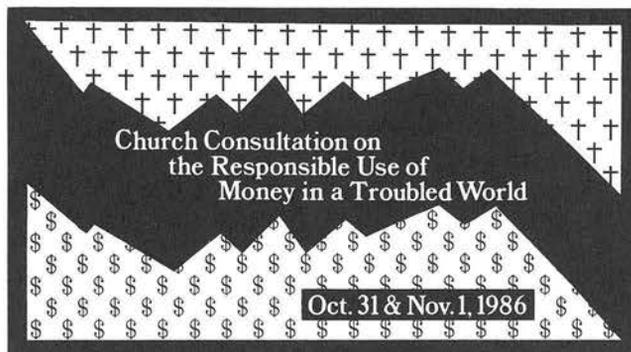
A number of stockholder resolutions, which were drafted by CN-ICCR, have also been filed. They reiterate the request for no lending of any kind until apartheid is dismantled, rapid repayment of the debt by South Africa, and no holding of accounts of South African corporations by U.S. banks. The resolutions were written to plug the loop holes in the sanctions legislation that was passed by Congress in September. The latter still permits U.S. banks to do trade related lending to non-governmental entities and permits non-government corporations to have bank accounts in U.S. banks. Such accounts of South African banks facilitate the clearing of transfers of dollars between South African banks and both foreign and U.S. banks. Forbidding these accounts would just make the transfers more of a problem for South Africa.

#### **The Filings CN-ICCR Has Facilitated:**

CITICORP - filed by the Dominican Sister of Mission San Jose, Sisters of Loretto and Sisters of the Presentation. CHASE MANHATTAN CORPORATION - filed by the Sisters of Loretto MANUFACTURERS HANOVER - filed by an agency of the Presbyterian Church USA and Sisters of St. Joseph of Peace.

These resolutions will help clarify the positions of these banks. In their various submissions to the Comptroller of the City of New York, these banks have all submitted statements of varying degree of agreement with our requests. Citicorp is perhaps the least in agreement; while Manufactureres Hanover has stated it "does not intend to increase its exposure to the South African private sectors as long as the apartheid system remains in effect." However, this latter statement presumes that if one loan were paid off, the funds could be relent to someone else in South Africa.

## “CHURCH CONSULTATION ON THE RESPONSIBLE USE OF MONEY IN A TROUBLED WORLD”



The Staff of CN-ICCR speaks at a variety of Conferences but this was an unusual conference put together in an unusual way and it produced important results. A wide spectrum of people from Presbyteries in northern California attended the conference to talk about money and its use consonant with social values. Socially responsible investing is too narrow a title, rather the conference dealt with all forms of financial concerns:

- Placement of bank accounts,
- The traditional world of investing,
- Alternative investments both within and far out from the traditional investment world, and
- The responsible use of money in selective buying.

One unusual aspect was that, some people came with little or no knowledge of the financial world and some came with great knowledge of it, yet all left feeling that they had learned something of use. The first day of this two day conference provided basic input on the financial and how it and the ethical intersect. The day culminated with a theological overview by a panel which consisted of Robert McAfee Brown, Emeritus Professor of Theology and Ethics at PSR; James Noel, Vice President of the Presbyterian Education and Welfare Association; and Walter Davis, Dean and Professor of Social Ethics at SFTS.

The second day was set in motion by an excellent overview of social responsibility and investment by John Harrington, who is well known for among other things as being one of the founders and past President of Working Assets, the socially responsible money market fund.

Workshops followed on specialized areas:

- Institutional investing, with John Harrington as facilitator;
- Individual investing, with John Lind, CN-ICCR;
- The church's mission through alternative investments, with Sr. Maureen Fenlon, OP, CN-ICCR Board; and
- Selective buying as a form of responsible use of money with Bill Somplatsky Jarman, Presbyterian Church U.S.A. and MiloAnne Hecathorne, WITNESS, South Africa.

A second unusual aspect of the conference was that it ended with each presbytery caucusing together to decide what next

steps they should take in being more responsible in the use of their money. Concrete plans were made for implementation.

The third unusual aspect of this conference was that it was planned by a committee consisting of ecumenical agencies and Presbyterian entities even though it was an “in house” presbyterian event. The planners consisted of the Church and World Committee of the San Jose Presbytery, the Committee on Mission Responsibility Through Investment (MRTI) of the Presbyterian Church USA, CN-ICCR, the Northern California Interfaith Council on Economic Justice and Work, Students of San Francisco Theological Seminary and WITNESS for South Africa.

One purpose that certainly was fulfilled by the conference was to generate dialogue around issues being dealt with at the level of the national church, and this was one of the reasons for sponsorship by MRTI. MRTI has recently released its publication *Divestment for South Africa: An Investment in Hope* which details the recommendation on divestment of the General Assembly. Previous to this the church had developed a policy of divestment from military contractors and it has an active program of alternative investment.



*Maureen Fenlon, O.P., CN-ICCR Board Member leads workshop.*

# UP-COMING CONFERENCE

CN-ICCR, the University of San Francisco, the Jewish Community Relations Council and the Bay Area Socially Responsible Investment Professionals announce a Conference on Religious Values and Socially Responsible Investing which will be held on Friday, March 20, 1987 at the University of San Francisco, in San Francisco, Ca.

Organized for finance officers and boards of religious institutions, it is an effort to bring to decision makers a package of sophisticated tools and information on the why's and hows of socially responsible investing. The conference is being designed to meet the needs of a wide variety of religious institutions, from board members of schools, hospitals and other large institutions, to presbyteries, dioceses, synagogues, large and small religious orders and church congregations with large or small amounts of money to invest.

Speakers for the Conference are in the process of being lined up. Motivated by the Catholic Bishops Economic Pastoral, *Economic Justice for all* they will address the social, legal and financial impact of socially responsible investing, (SRI), the theological rationale for the same. Workshops will address helping your institution develop and give priority to positive and negative criteria for SRI. Alternative Investments outside the traditional field will be addressed by Chuck Matthei of the Institute for Community Economics, who has had vast experience in working with Church Investments, as well as in providing technical assistance to those who receive such loans. He is advisor to the Community Loan Fund being started in San Francisco through the Vanguard Foundation with Helen Cohen as its organizer. Whether or not your institution is currently involved in socially responsible investing, in the near future it will be a must for all institutional leaders to be familiar with the basic aspects of SRI. A new perception of the relationship between ethics and investments is sweeping the country, prop-

led by the apartheid issue. It won't be long before the crisis of the environment and changes in the workplace join South Africa as mainstream investment issues. So we urge all church leaders to urge their finance people to attend.

We are proud of the endorsements we have received to date: Endorsements: Bishop Will Hertzfeld, Association of Evangelical Lutheran Churches Bishop Stanley Olsen, Pacific Southwest Synod, Lutheran Church of America Bishop Leontine T.C. Kelley, Ca/Nev. Conference United Methodist Church Rt. Rev. C. Shannon Mallory, Episcopal Bishop - Diocese of El Camino Real Rt. Rev. William E. Swing, D.D. Episcopal Bishop of California Peace and Justice Commission of the Archdiocese of San Francisco Rev. William Macchi, Chancellor of the Diocese of Oakland\* American Baptist Churches of the West Rev. Kathryn Choy-Wong, Public Ministries Frank Cookson, Chair - Committee on Business and Finance Church and Mission Commission, No.Ca. Conference United Church of Christ Rev. Robert Curran, S.J. Chief Counsel, University of San Francisco Charles Fender, National Chair of Investments, American Baptist Church Professor Edwin M. Epstein, University of California at Berkeley, School of Business Administration\* Joe Sehee, Chair: Committee on Christian Ethics and Investments, U.S.F. Vanguard Foundation Rev. Harry Shaner, Treasurer, Ca.Nev. Conference United Methodist Church Rev. Jack Smith, No.Ca. Conference United Church of Christ. Rev. Michael J Blecker, OSP President of the Graduate Theological Union Center for Ethics and Social Policy - Graduate Theological Union

\* Organizations for identification purposes only. Brochures will be ready in late January, please write or phone CN-ICCR for a brochure. CN-ICCR, P.O. Box 6819, San Francisco, California 94101.

---

## MEMBERSHIP-SUBSCRIPTION

NAME \_\_\_\_\_ PHONE \_\_\_\_\_

STREET ADDRESS \_\_\_\_\_

CITY / STATE / ZIP \_\_\_\_\_

- Enclosed Fee (includes *Of Prophets and Profits*):
- Regular: Religious Bodies, Provinces, Dioceses (\$250 or more)  Local Church (\$100 or more)
- Sponsoring Organization (\$1000-\$5000)  Individuals (\$15- \$25)  Supporting (\$50)
- Subscription to *Of Prophets and Profits* (\$5 - \$10)

CN-ICCR is an agency of the Northern California Ecumenical Council. Make checks payable to: NCEC/CN-ICCR.

Mail to: P.O. Box 6819 San Francisco, Ca. 94101

Offices at 220 Golden Gate 9th Floor

Phone 415-885-5102

CONTRIBUTIONS ARE ACCEPTED AND TAX DEDUCTIBLE

