

## When You Bank with Citibank, You Bank in South Africa by Richard Leonard

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Citicorp, a U.S.-owned bank holding company, is South Africa's premier U.S. financial partner. It is the largest U.S. lender to South Africa with \$700 million in cross-border outstanding loans. Established in South Africa in 1985, Citibank is the only U.S. bank with a subsidiary in South Africa—Citibank N.A., South Africa. Citicorp has stopped new cross-border lending to South Africa, but its South African subsidiary continues lending in rands.

Citicorp is the sole owner of Citibank, N.A., the largest bank in the U.S. With \$186 billion in assets worldwide and \$20.3 billion in capital, it is among the world's largest financial institutions. Described by *Business Week* magazine as the pacesetter of American banking, Citicorp has banking and savings and loan branches, Diners Club and other businesses in forty-two states, the District of Columbia and ninety-two countries. Citicorp has reached this status through aggressive, competitive activities, organized around customer-oriented core businesses.

Since 1984 South Africa has been in the grips of the deepest economic and political crisis in its history. More than 2,300 people have been killed and 23,000 detained without trial under a government-imposed State of Emergency designed to crush black resistance to apartheid. Though more than eighty U.S. corporations have withdrawn from South Africa under pressure from antiapartheid divestment measures, boycotts and shareholder resolutions, Citicorp remains committed to its business in South Africa.

### Brutally Maintaining Apartheid

In the decade since the 1976 Soweto crisis, the South African government has pursued a "Total Strategy" of militarization and

mobilization. The South African government has made limited reforms, but the structure of apartheid remains: whites, 15 percent of the total population of 32 million, control the government, the economy and 86 percent of the territory.

The government has used its military and police power to crush black resistance to apartheid, maintain its occupation of neighboring Namibia and wage a campaign of aggression and destabilization against other countries in the region. These policies strain the economy, a condition exacerbated by a decline in the price of gold and serious drought.

### Banking on Apartheid

For more than three decades, international banks have played a strategic role in lending to the South Africa government, state corporations and the private sector.

In the 1980s South African government agencies, banks and corporations increasingly turned to foreign banks for credit. Bank lending helped the South Africa government by:

- freeing government funds to pay for imports of armaments and oil, products which are targets of international sanctions; by providing financing for the public and private sectors;
- providing financing for government-sponsored projects in strategic sectors, such as nuclear energy, oil-from-coal plants, electric power generation, the transportation infrastructure and telecommunications;
- helping gain access to strategic equipment and technology through support for such projects and other undertakings in the private sector;
- compensating for a decline in direct investment by foreign corporations;
- showing confidence in the South African economy and giving legitimacy to the government's policies.

South African liabilities to international banks nearly doubled from \$9.9 billion in 1984. By September 1985, when the government declared a partial moratorium on debt repayment, South Africa's total foreign debt stood at \$24 billion.

### Citicorp's Strategic Role

Citicorp played a key role in bolstering the South African government not long after its subsidiary was established in 1958. After the Sharpeville massacre in 1960, when police killed sixty-nine unarmed protesters, capital was withdrawn from the country and the economy was in crisis. Citicorp joined U.S. banks making loans to the government to help stabilize the economy.

In the 1970s Citicorp emerged as the largest U.S. lender to South Africa. In the period, 1972-78, Citicorp participated in twenty-seven syndicated loans and bond issues for South African borrowers worth \$1.6 billion. In 1976, the year that the Soweto protests erupted, Citicorp was involved in five major loans and bond issues for the government and state corporations. In 1977, Citicorp accounted for almost 25 percent of the total \$2 billion U.S. bank exposure in South Africa.

Faced with a church-sponsored shareholder resolution, calling for an end to all lending to South Africa in 1978, Citicorp announced that it was suspending further lending to the South African government because of apartheid's negative effects on the economy. The bank said it would limit its lending to "constructive" private sector activity which "benefits all South Africans."

In 1980, however, Citicorp took a \$50 million share of a \$200 million syndicated loan to the South African government for black education, housing and healthcare facilities. Critics pointed out that these would be segregated facilities, that the regime continued to devote a highly disproportionate share of its spending for programs for whites and that such loans freed government funds for strategic, military-related spending.

### Apartheid's Leading U.S. Financial Partner in the 1980s

As South Africa's public and private sector borrowing soared in the 1980s, Citicorp continued as a major lender. Citicorp was a lead bank in syndicated loans to Standard Bank. Citicorp indicated that its share of these loans was \$29 million. Although Citicorp claims to have stipulated that banks

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*Copies of the ICCR Brief may be obtained from the Interfaith Center on Corporate Responsibility, Room 566, 475 Riverside Dr., New York, N.Y. 10115. Telephone: (212) 870-2936. Price: 1-10 copies, \$1.25 each; 11-19 copies, \$1.00 each; 20-49 copies, \$.75 each; 50 or more copies, \$.35 each.*

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could relend its funds only to the private sector, the loans would free other bank funds for lending to the government.

Citicorp also served as a lead bank in a syndicated loan to South African Breweries (1982) and a million dollar bond issue to the Premier Group (1984).

In 1983 Citicorp indicated that in lending to South Africa, "priority is given to projects that benefit the total population on a nondiscriminatory basis," a standard which is difficult to square with the loans cited above.

These publicized loans and bond issues represent only a small portion of the loans provided to South African borrowers by Citicorp. By the 1985 debt freeze, Citicorp had \$700 million in outstanding loans to the private sector.

The identity of the borrowers and the purpose of the loans would be an important indicator of the social impact of Citicorp's lending policies, but this information remains confidential. Much of this business was apparently short-term (less than one year) lending to banks and corporations.

#### Citicorp's "Lucrative" Subsidiary

Citibank Ltd. has been one of the fastest

growing banks in South Africa, ranking first in percentage growth of assets and deposits in 1984. While not among the largest banks in South Africa, Citibank Ltd. has carved out an important market segment, specializing on top corporate clients. In 1985 Citibank Ltd. had randed 450 million (\$202 million) in outstanding loans.

According to the South African *Sunday Times* (March 30, 1986), Citibank Ltd.'s business is "lucrative." It is among the top three foreign-currency dealers in the country and, through Citicorp, offers what are regarded by the industry as the most sophisticated electronic banking services in the world, with a network covering all major trading nations. Citibank Ltd. has gained a significant portion of the South African corporate market, with about 300 of the country's largest corporations as its customers. Citicorp's top officers candidly state that the bank continues to operate in South Africa because it is a profitable venture.

The article also indicated that a 1985 Citibank Ltd. advertising campaign aimed at corporate clients was halted because of growing antiapartheid pressures in the U.S. It was replaced by a campaign aimed at "black entrepreneurs" to try to "make Citibank's

presence in South Africa a little more palatable for foreign shareholders." In spite of these efforts, in April 1985 black South Africans protesting at Citibank Ltd. offices in Johannesburg, called for Citicorp to withdraw from South Africa and accused the bank of not caring about the majority of South Africans who were not prominent people.

#### Triggering The Debt Crisis

South African banks had grown accustomed to their foreign creditors automatically rolling over short-term (60-120 days), trade-related loans, enabling on-lending to South African customers often at longer maturities. In late July 1985, reportedly citing French economic sanctions and the state of emergency, Chase Manhattan Bank, which had been a major backer of South Africa, decided it would freeze unused credit lines and withdraw its short term credits as they matured.

Other U.S. banks immediately decided to follow Chase and reduce their short-term South African exposure, estimated to be \$3.4 billion, primarily to the private sector. South Africa could not meet these obligations and on September 1, 1985 called a moratorium



photo: Judy Janda, Impact Visuals

Churches, unions and antiapartheid groups protest at Citibank's New York City headquarters on Human Rights Day, December 1986.

on repayment of \$14 billion of the total \$24 billion foreign debt. Labelling the moratorium "a standstill", the government exempted about \$10 billion of government-guaranteed loans and trade credits from the moratorium and pledged to continue to make interest payments, according to *Euromoney* (December 1986).

### Behind the Debt Crisis

While there are various economic factors involved, South Africa's debt crisis is rooted in ongoing protest and conflict over apartheid, high unemployment among blacks (*Euromoney* estimated 30 percent) and a 20 percent inflation rate, approximately six times the rate of South Africa's principal trading partners.

The most recent crisis period erupted in 1984 when the government tried to brutally suppress growing opposition to a new constitution which excluded Africans, 75 percent of the population. Hundreds were killed and thousands detained without trial because of their opposition to the constitution.

In July 1985, the government declared a State of Emergency in an attempt to halt civil unrest and stem the flow of negative publicity. The state of emergency itself spawned more protest, spreading political disturbances and the detention-without-trial of still more thousands, a large percentage of whom are children.

Antipartheid sentiment had spread throughout the world and the economic sanctions that followed the state of emergency, such as the French ban on new investment in South Africa, began to affect the South African economic picture. Sanctions measures won wide support in the U.S. Congress. Several U.S. cities, including New York and Boston, barred deposits in banks lending to the South African government. By then most U.S. banks had stopped making such loans.

This climate prompted Chase Manhattan's move to stop short-term lending, triggering the 1985 banking crisis. To this date the South African government has been unable to normalize its relations with the international banking community.

### The Debt Rescheduling

Among U.S. banks, Citicorp holds the largest portion—\$700 million—of the frozen debt. Citicorp with two other U.S. banks serves on the technical committee of twelve banks negotiating the debt repayment. The committee represents more than 200 banks from around the world with frozen loans to South Africa.

Under a February 1986 arrangement between foreign banks and the South African government, South Africa repaid about \$430

### Citibank South Africa at a Glance

- **Citibank N.A. Ltd.**  
100% owned by Citicorp  
Head office: Johannesburg  
Branch office: Durban
- **Diners Club S.A. Ltd.**  
18.75% owned by Citicorp  
Head office: Johannesburg

### Operations of Citibank N.A. Ltd.

	1983	1984	1985
Assets (in million rand)	115	291	503
growth rate	+60%	+152%	+73%
rank by growth rate	4	1	6
rank in assets	29	23	19
Deposits (in million rand)	63	208	368
growth rate	+93%	+229%	+77%
rank by growth rate	3	1	4
rank by deposits	33	26	18
Loans (in million rand)	77	245	450
growth rate	53%	216%	84%
rank by growth rate	7	2	5
rank by loans	28	18	15

Note: 1 rand = \$0.45 in 1985.

[source: *Financial Mail* (South Africa), "Top Companies" supplement, May 23, 1986]

### Citibank Employees in South Africa 1985

African	41	16%
Colored/Asian	56	22%
White	159	62%
Total	256	

Note: In 1986 after closing its Cape Town branch, Citibank N.A. Ltd. had a total of 199 employees — 190 in Johannesburg and 9 in Durban.

million of its \$14 billion frozen debt and about \$1.6 billion of the \$10 billion of loans exempted from the freeze.

On March 24, 1987 thirty-four creditor banks reached a second repayment agreement with South African negotiators covering the period from July, 1987 to June 30, 1990. The agreement, described by South African Finance Minister Barend Du Plessis as substantially a continuation of the interim arrangement, calls for the government to repay \$1.4 billion of the debt by June 1990, according to the *New York Times* (March 25, 1987).

The governor of South Africa's Reserve Bank, Gerhard de Kock, called the agreement "a very good deal for foreign banks." Through earlier meetings American banks tried to set political conditions for the rescheduling of the debt. But, according to Mr. Du Plessis, "not one political demand was made" during the final negotiations as South African representatives presented the banks with a take-it-or-leave-it proposal.

While most new cross-border bank lending to South Africa has apparently stopped since the debt freeze, the banks failed to put real pressure on the government for prompt repayment. Despite appeals from Bishop Desmond Tutu and other black South Africa leaders, the debt moratorium has allowed the government to use financial resources for its own military and strategic priorities.

### Citicorp's Position

Citicorp insists that it opposes apartheid. Thus far, however, Citicorp's lending and its growing business in South Africa have shown this opposition to be empty rhetoric.

A Citicorp briefing paper from December 1986 states "Normal credit flows will not resume until forthright action to end apartheid. *Until that happens, Citicorp will make no new (incremental) dollar loans to any South African borrower.*" (Emphasis was in the original.) On South Africa's outstanding debt, the bank says it demanded full repayment by the date due, June 30, 1987.

Citicorp was an original signatory to the Sullivan Principles in 1977 and its subsidiary has received the highest rating ("making good progress") each year for efforts to promote equal opportunity and black advancement in the workplace and for social programs. Rev. Leon Sullivan, author of the Sullivan Principles, has indicated that the South African government has not responded to reform efforts. He has called on U.S. corporations to leave South Africa if apartheid is not ended by May 1987.

In the 1985-1986 year, Citibank Ltd. provided \$500,000 for projects to aid black education, health, legal rights and housing. Citibank Ltd. also set up a unit of four people to promote lending to black businesses. Citicorp Chairman John Reed joined in for-

ming the U.S. Corporate Council on South Africa in 1985 to lobby the South African government to end apartheid.

Citicorp claims that it is opposing apartheid "on the ground" in South Africa. In reference to Citicorp's South African subsidiary, Mr. Reed has said that he sees the Christian message as one of "involvement or interaction and of concern—but not of disinvolvement." However, in a January 1987 letter to a concerned customer, a Citicorp official indicated that "the situation is deteriorating," that Citicorp is evaluating its interests in South Africa.

### How Effective Is Citibank's Opposition to Apartheid?

The impact of the Sullivan Principles has been limited. Only 16 percent of Citibank's employees, forty-one people, are Africans, the racial group making up 75 percent of South Africa's population. The funds Citicorp provides for social projects are dwarfed by the \$700 million loaned to South African banks and corporations. The small size of Citibank Ltd.'s new unit for lending to black business suggests that the bank's priority is its "lucrative" business service to white-owned corporations.

Regardless of its current policy and rhetoric, Citicorp has been a prominent opponent of restrictions on business with South Africa. Its officials often argue against sanctions at Congressional hearings. Prior to the debt moratorium, Citicorp told church representatives that much of its lending to the private sector financed "development projects." However, much of the so-called "development" in South Africa has been strategic projects promoted by the government.

Though Citicorp's last dollar loan to the South African government was made in 1980, its outstanding loans to the government were not liquidated until March 1985 when threatened with losing hundreds of millions of dollars in City of New York deposits. Citicorp's new policy against lending to the South African government now is mandated by federal law (a 1985 Presidential Executive Order and 1986 Comprehensive Anti-apartheid Act).

South African regulations had required Citicorp's South African subsidiary to hold at least 13 percent of its long-term liabilities in securities of public agencies. Citicorp conveniently made no protest against this until after the regulations were dropped in August 1985.

Along with South Africa's other creditor banks, Citicorp has not used all its financial muscle to pressure the South African government for rapid debt repayment, allowing the government leeway to intensify its repression while the debt moratorium continues. Ignoring calls for corporate withdrawal by South Africa's black leaders like Bishop Tutu and ANC leader Oliver Tambo, Citicorp continues to be a partner in apartheid, reinvesting in rands.

### The Campaign for Citicorp Withdrawal

Citicorp first faced protests about its role in South Africa in 1966, when it made loans to the South African government.

Every year since 1977 the bank has been challenged by shareholder resolutions calling for an end to loans to South Africa and withdrawal from South Africa. In 1985 Citicorp was the only U.S. bank named to the ICCR list of twelve companies targeted for intensive protest against their strategic role in South Africa. In the early 1980s, churches and religious communities began divesting holdings and closing accounts in Citibank in antiapartheid protests. Over \$125 million in church business has been lost to Citibank.

In recent years a number of cities, including New York, Boston, Los Angeles and Chicago have barred deposits in banks lending to the South African government and, in some cases, to any South Africa borrower. Harvard University sold \$51 million in Citicorp shares in 1980 because of its loan to the South African government. In January 1987 the New York City Employees Retirement Fund voted to sell its shares in banks doing business in South Africa. Its Citicorp holdings are worth some \$13.5 million.

On Human Rights Day, December 10, 1986, antiapartheid protestors picketed Citicorp facilities in Baltimore, Washington, D.C., and New York City. On Dr. Martin Luther King's birthday, January 15, 1987, twenty-one religious, labor and community leaders were arrested in a civil disobedience protest at Citicorp headquarters in New York City.

ICCR, together with religious organizations, trade unions, civil rights and campus and antiapartheid groups stepped up a national campaign for calling for Citicorp to withdraw from South Africa. Actions include:

- Two shareholder resolutions calling for Citicorp withdrawal from South Africa and an end to all lending to South Africa were sponsored by religious groups and the multibillion dollar New York State Common Retirement Fund;

- A nationwide campaign sending tens of thousands of postcards to Citicorp Chairman John Reed protesting the bank's South African business (see box on page 3D);

- Continued direct action, demonstrations and picket lines at Citicorp branches and headquarters;

- A national account withdrawal campaign at Citicorp banks and businesses in forty-two states. Citicorp has expanded its local banking business and now has numerous subsidiaries, including

- New York State (Citibank)
- California (Citicorp Savings)
- Illinois (First Federal Savings)
- Miami, Florida (Biscayne Federal Savings and Loan)
- Washington, DC (Citicorp Savings)
- Arizona (Citibank Arizona)
- Maine (Citibank Maine, N.A.)
- Maryland (Citibank Maryland, N.A.)

If you or your organization are interested in joining these protests, contact ICCR for more information.

Send your letter of protest to:

John Reed  
Chairman  
Citibank N.A.  
399 Park Avenue  
New York, NY 10043.



### Mail Your Antiapartheid Postcards to Citicorp

Postcards are now available to send to the chairman of Citicorp, calling on the bank to end its business with South Africa until apartheid is abolished. Each postcard is attached to an instruction card explaining its purpose and giving directions for mailing it to the bank. Postcards are \$12 per 100 (minimum order) with big savings on larger orders. Order from ICCR.

Dear Mr. Reed:

Apartheid is abhorrent to my commitment to the dignity and basic rights of all human beings. I support the demands by religious, labor and community leaders that Citibank cease all business with apartheid.

Therefore I call upon Citibank to

- close its branches and headquarters in South Africa;
- sell its holdings of Diners Club South Africa;
- make every effort to assure rapid repayment of its outstanding South African loans;
- commit itself to issue no new loans in any currency to South African borrowers until apartheid has ended.

Please let me know your response to this request.

Signature \_\_\_\_\_

Name Printed \_\_\_\_\_

Address \_\_\_\_\_