

Fall, 1966

American Committee on Africa  
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## A RATIONALE FOR THE PROTEST AGAINST BANKS DOING BUSINESS WITH SOUTH AFRICA

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Removal of personal and organizational accounts from the First National City and Chase Manhattan Banks is only one tactic in the general strategy of economic disengagement from South Africa. It is, of course, by no means the only tactic available. But it is one of the few ways open to individuals or organizations to protest economic support of apartheid by American financial institutions. It is a logical option for action only if it is agreed that economic disengagement from South Africa is a sound policy for Americans to follow. Therefore, before dealing with some of the questions raised specifically about the account-removal campaign, I will comment briefly on alternative policies toward South Africa.

### Policy of Engagement

Some observers of the South Africa scene argue that the best strategy for those outside South Africa, hoping to influence the course of events there, is not disengagement, but rather as much "engagement" as possible. They argue that the more contact there is with South Africa by those outside, the more likelihood there is of influencing South Africa to adopt a more liberal policy in race relations. Thus, they say, increased cultural exchange, increased business involvement, etc. may have the effect of broadening the view of many South Africans, and over a period of time revealing the contradictions of the apartheid policy. Although this memorandum is not attempting to criticize the "engagement" strategy in depth, a few observations may be in order.

First, American policy towards South Africa is essentially one of "engagement". The Assistant Secretary of State for Africa recently put it: "The United States neither encourages nor discourages investment and trade with South Africa". This neutral sounding policy actually results in encouraging continued business contact. To be sure there is a ban on arms to South Africa, some operational calls at South Africa ports by US naval and air craft (because of the segregation policy for personnel on shore) have been canceled, and, some harsh words have been said at the UN in condemning apartheid. But this is not the really dominant trend in American policy toward South Africa. Rather, trade, investment and finance typify the main thrust of American policy. Some 240 American firms have holdings amounting to at least 600 million dollars in South Africa. The South Africa Foundation estimated American investment at 800 million. In 1963 the Department of Commerce figures indicated that the average rate of profit was 17.1%. In 1965 United States exported to South Africa goods worth almost a half million dollars and imported a quarter of a million dollars worth. The trend is toward greater not less economic ties with South Africa.

Second, this extensive economic involvement does not lead American business to an outspoken criticism of Apartheid. To the contrary, those Americans doing considerable business in South Africa either remain silent about racial practices there, or positively applaud South Africa intentions and efforts. In the recent hearings on American policy towards South Africa held by the Congressional Sub-Committee on Africa, Congressman Barratt O'Hara, Chairman of the Sub-Committee, made every effort short of issuing subpoenas, to urge America businessmen to appear.

None of them agreed to do so. Apparently they did not wish to be recorded either as favorably or critically inclined toward South Africa. Official South African publications frequently quote American businessmen. Typical are statements such as the following: General Lauris Norstad, retired NATO Supreme Commander and now the President of the Owens-Corning Fiber Glass Corporation, said in Johannesburg in March 1965: "We have full confidence in South Africa -- not only we as individuals but the United States and the American people as well." Mr. James Farrell of Farrell Lines, elected in May 1966 "Man of the Year" by the World Trade Club of the U.S., said on completing a 42-million dollar investment in ships on the U.S./South Africa run: "The U.S. will never boycott South Africa. This country has many friends in America, particularly in the business community and among those people with real knowledge of conditions here. I intend to go on promoting this trade and expect it to grow in the future."

Would it not be stretching one's credibility too far to believe that those who are dependent on South Africa for favorable business arrangements could be among the outspoken critics of the apartheid structure?

Third, it is difficult if not impossible to make significant changes within the economic structure of apartheid as long as present apartheid laws are in existence. Innumerable laws dictate conditions of labor, wage standards, apprenticeship training, pension and unemployment provisions, trade union rights -- all of which place an almost insuperable barrier in the economic potential for the non-whites. A biased apprenticeship system, for example, results in de facto discrimination in the skilled and semi-skilled trades. If a nonwhite person cannot receive the training he requires, he hardly will be able to qualify for a skilled job. Thus, between 1956 and 1958, for example, there were 19,576 whites apprenticed as compared with 1,506 nonwhites. An increased American trade with and investment in South Africa cannot materially affect the dependence of South Africa on cheap labor.

Fourth, the basic tenets of apartheid are not touched by the slight reforms that may be possible within industry. The pass system curtailing the freedom of movement of Africans throughout their country, is not affected by increased American economic involvement. The extension of large urban locations on the fringes of the larger industrial cities of South Africa, areas completely segregated from the mainstream of life in the cities of South Africa, is not affected by the American investments and trade. The creation of the Transkei and possibly other Bantustans where supposedly the African majority are to build institutions of their own, but which in truth are completely dependent upon the governmental policies, is not affected by American investment. The banning of the nonwhite political organizations cannot be ended by American economic involvement. Further, American investment gives substantial assistance to South Africa's efforts to become economically self-sufficient. Most revealing is the current feverish activity to find oil, the one basic product South Africa has not discovered. A dispatch in the New York Times of October 22, 1966 said: "Eight American oil organizations, one French and a South African company have been granted concessions to prospect for oil and gas on the country's continental shelf, Mines Minister Jan Haak said today."

Fifth, in recent years, the abuses of apartheid have been more pronounced even as American economic involvement in South Africa has grown. Since 1960 African political organizations have been banned and the leaders imprisoned or escaped into exile. Since 1960 the "Sabotage Act" has been passed which gives the government a free hand to deal with almost any opposition to government policies. The 90-day and 180-day laws have come into effect giving the government the right of holding without trial and incommunicado those whom they simply want to question for evidence that may be useful in a pending trial. Outside economic involvement in South Africa seems to have had no effect in reversing the trend towards a complete police state in South Africa.

## Disengagement Policy

A disengagement policy would reverse the trend of growing American economic involvement in South Africa. It should be noted that disengagement is not synonymous with sanctions. Disengagement is a unilateral policy. Sanctions, to be effective, must be nearly universal. A disengagement policy may be a sound program for the United States to adopt even though a program of universal economic sanctions against South Africa is not put into practice. This policy is essentially based on the following arguments:

1. The Moral Argument:

The crisis with which South Africa's apartheid policy confronts the world is unique. Not only does the extension of these racist policies within South Africa threaten that country with an ultimate outbreak of racial violence, but also threatens to take on at least continent-wide proportions. Although the independent African states are at this period of history weak militarily, politically and economically, this will not always be the case. African independent states are committed to the destruction of South Africa's racist policies. The conflict has within it the seeds of cold war involvement and this could lead to a world cataclysm of tragic proportions. The moral imperative to act before violence breaks out is therefore very great.

2. The Effectiveness Argument:

Concerted action on the part of the major trading partners of South Africa can have an effect on economic circumstances within South Africa. The United States provides 19% of South Africa's imports and takes 9% of South Africa's exports. Approximately 11% of foreign investments in South Africa are American. The British, of course, are involved at a much higher level than the United States. It would be difficult for Britain to take a unilateral action cutting off trade and investment with South Africa. The United States must take the lead in this respect. Britain might then follow.

Although the trend in South Africa is towards economic self-sufficiency, this could not be realized apart from substantial assistance from other countries. South Africa is a relatively small country with only about 17 million people. Politically, South Africa is an isolated country with no nation except Portugal openly supporting her in votes at the United Nations. Most of the countries of the world would be prepared to follow the lead of the United States in cutting off trade and investments with South Africa, especially, as has been done to some extent in the Rhodesian crisis, if those countries most dependent on South African trade received special assistance to make up for their losses.

3. The Prestige Argument:

Most of the countries of Asia and Africa look upon the United States as a principal bulwark of the South African regime. The spoken American condemnations of apartheid at the United Nations are not taken too seriously. How can these words be taken seriously when the facts point to an increased American investment and trade and when American businessmen can be quoted so readily attesting to the soundness and stability of South Africa's economy? The nonwhite three-quarters of the population of South Africa look with bitterness upon a country as powerful as the United States which nevertheless says that it is impotent to do any thing effective in dealing with the extension of apartheid in South Africa.

America's policy towards South Africa is looked upon by the rest of the world as the measure of American sincerity in espousing freedom and equality for all men. The policy will be found wanting as long as American capital supports and profits from apartheid.

4. The Non-Necessity Argument:

Ending trade with and investment in South Africa would not essentially hurt the United States. Investments are only 1% of our total foreign investments. Our trade with South Africa amounts to only 2% of total foreign trade. Compared with the losses countries like India and Kenya suffered when they cut off trade with South Africa, the United States would hardly feel the change.

Implementation of a disengagement policy could include: discouraging new investments in South Africa; ending the sugar quota for South Africa; applying the Export Control Act to heavy machinery and transport equipment to South Africa; removing tracking stations from South Africa; insisting that a fair employment practice be extended to American companies doing business overseas. These and many other proposals could be suggested which would reverse American ties with the economic growth in South Africa.

Personal Disengagement

Disengagement is also a personal policy. There are a limited number of actions an individual can take to cut off his own involvement with South Africa. One of these is to make clear his concern by his banking practices - where there is a choice. This is the rationale for the campaign of protest against First National City and Chase Manhattan Banks.

There are a number of specific questions which have arisen about the logic and practicability of the bank campaign even if a general policy of disengagement is supported. Among those questions are the following:

1. Question: Is it expected that by December 9th (the date suggested for withdrawal of funds from the two banks) the task will be completed?

Comment: By no means. The organizers of this campaign assume that many persons and most certainly institutions with sizeable accounts in these banks will need some time to consider how they can effectively meet their banking needs. Nor is the assumption made that this campaign alone, even extended over a much longer period of time, could lead to the withdrawal of these banks from Southern Africa. What the campaign does assume is that the issue of American financial support for South Africa can be raised, that a large number of individuals will be faced with a decision about where they should bank, and a growing number of organizations and institutions will seriously debate where their funds should be banked. It is hoped that this campaign will help to make the issue a public one.

2. Question: Isn't it necessary for the government to adopt a policy first before private institutions and particularly businesses can be expected to take independent policy positions?

Comment: One of the main arguments used by the banks and by other large American corporations involved in South Africa is that they cannot be expected to take a unilateral position in the area of foreign policy. They say it is up to the government to give them a lead. On the other hand, government spokesmen at least privately admit that in devising a policy toward South Africa, they are influenced by private American investment. Obviously, government policy and business policy have a mutual relationship. Individuals and organizations must simultaneously raise the issue of American economic involvement in South Africa both with the government and with private business.

3. Question: What is the logic of focusing attention only on Chase Manhattan and First National City Banks when there are also other banks in the consortium loaning money to South Africa?

Comment: There are ten banks involved in the American consortium which have a revolving fund of 40 million dollars upon which the South African government can draw. However, attention is particularly called to Chase Manhattan and First National City Banks because they have, independent of the consortium, loaned funds to South Africa. Furthermore, they are the only two American banks having branches in South Africa. Chase Manhattan branches have recently merged into the Standard Bank, but the Chase Manhattan branches were in South Africa before the merger took place. Consequently, attention is called particularly to these two banks because they are most deeply involved. Also, strategically it would be much more difficult to urge withdrawal of accounts from ten banks than from two. In a case like this, one raises the issue quite frankly to call attention to the two principal banks involved.

4. Question: What shall I do if it is exceedingly inconvenient for me to have my funds in some other bank?

Comment: This is a question which nobody can answer satisfactorily. It may be inconvenient to have to walk several blocks to another bank, or have to do most of one's banking by mail, when a branch of either First National City or Chase Manhattan is across the street. All that can be said is that if one feels strongly enough about the injustices which apartheid is imposing upon three-quarters of the population in South Africa, and that an international conflict is threatened if these policies are continued, then one will attempt to find some means of protesting American involvement in South Africa.

5. Question: Are there other banking institutions which can give the service in international transactions that First National City and Chase Manhattan give? If these alternative banks are also involved to some extent in South Africa, then am I doing anything other than also transferring responsibility without dealing with the basic issue, by transferring my account to them?

Comment: This is probably the most difficult question to deal with. The banking needs of organizations making overseas transactions differ to some extent and these needs must be met by almost tailor-made arrangements. Nevertheless, arrangements for sending money overseas can be made through a variety of banks. If this means that somewhere along the line one has to deal with a bank which may be rather extensively involved in South Africa, there may be no way of avoiding it. But at least it can be said that some choice was made at the beginning of the transaction. It would be foolish to argue that it is possible to completely divorce oneself from the huge financial institutions which become involved in so many aspects of our lives. At least as much choice will be brought into the equation as circumstances will permit.

6. Question: If the campaign was successful and Chase Manhattan and First National City Banks decided to close up their operation in South Africa, would this have any appreciable effect upon the economy of South Africa or on the policy of apartheid there?

Comment: The probable answer is that there would be very little effect on the government's policy of apartheid. This campaign is not based upon the thesis that even if all of the economic power of the United States was brought to bear in

support of a policy of disengagement the architects of apartheid would feel they had to accept new policies. What is claimed is that if the United States government had such a disengagement policy, it would materially affect the outlook of many other powerful countries. Likewise, if the two banks adopted a policy of de-escalating their business in South Africa, this would have an effect upon the practices of the American corporations. A trend would be set.

7. Question: If the campaign were successful, would it hurt the Africans more than the Europeans?

Comment: African leaders are asking for a program of economic disengagement. If the South African economy were hurt by withdrawal of capital, naturally this would have its effect also on the African people. However, it would have less effect on the Africans because they already occupy such a low rung on the South African economic ladder. The per capita income of the Africans is considerably less than one-tenth of that of the Europeans and the average mining wage for Africans is only \$210 annually as against \$3800 for Europeans. A large part of the African population subsists on agriculture in rural areas. African leaders say they would be willing to suffer any additional disabilities in the conviction that the way would be paved for greater economic opportunity with the end of apartheid. Suffering is the price paid for change.

8. Question: What about dealing with banks in other countries whose policies we don't particularly like? Why pick on South Africa?

Comment: Individuals and groups in the United States, of course, have at various times in our history tried to limit their support for institutions whose policies they did not accept. This is not anything new. The argument for concentrating on South Africa is that apartheid is a unique brand of racism that can lead to violent conflict. Furthermore, it is a policy about which it should be possible to take effective international action. South Africa has very limited political support from other countries in the world. If the question is raised very specifically about support of economic involvement in the Communist countries, the reply is that there is no way such a policy could have any appreciable effect because the Communist countries can be of economic assistance to one another. In the case of South Africa, concerted international action could have an effect. The United States could lead the way by unilateral action towards a policy of disengagement. And withdrawal of two principal American banks from involvement in South Africa could go a long way toward urging an American policy of disengagement.

9. Question: Are not these banks doing good service in other countries of Africa? Therefore, why pick on them and perhaps jeopardize what they may do elsewhere?

Comment: We are sympathetic to whatever good these banks may be doing, not only in other countries in Africa, but elsewhere in the world. But they are large financial institutions. The success of their own efforts is not dependent on what they do in any one country, and certainly not what they do in South Africa. It would have no appreciable effect upon the strength of these institutions if they withdrew from South Africa. This should not in any way jeopardize the activities of these banks in other countries of the world.