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CALIFORNIA/NEVADA INTERFAITH COMMITTEE ON CORPORATE RESPONSIBILITY

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CAMPAIGN AGAINST BANKS, FOREIGN TO THE U.S., WHICH SUPPORT SOUTH AFRICA
 June 1987

by

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On the basis of the report **Trade Finance and Projections of South Africa's Balance of Payments**, banks headquartered outside of the U.S. are the primary source of financial support for South Africa through their continued provision of trade credits. Most countries, other than the U.S., provide insurance cover for these trade credits, thus guaranteeing their timely repayment by South Africa outside the debt moratorium on \$13 billion of South Africa's debt. Thus when the U.S. banks sought a short-term agreement with a large payback on this debt under the moratorium in the Spring of 1987, they were unable to obtain such an agreement because of a lack of commitment from banks in other countries, part of whose debt is guaranteed and not under the moratorium. Swiss banks were particularly uncooperative because of the nearly \$20 million per day of gold that they sell on behalf of the South African Reserve Bank.

Thus the effort in the U.S. should be shifted from U.S. banks, whose credits are under the debt moratorium, to banks foreign to the U.S. The following proposal first summarizes foreign bank operations in the U.S. and then outlines how pressure can be brought to bear on these banks through their U.S. operations.

FOREIGN BANK OPERATIONS IN THE U.S.

The foreign banks of primary concern to us are those on the negotiating committee which deals with the South African debt. They are also the largest banks in each of the major creditor countries and thus provide much of the trade finance for South Africa. They are:

U.K.: Standard Chartered, National Westminster, Barclays
 FRG: Dresdner, Duetsche, Commerzbank
 Switz.: Union Bank of Switzerland, Swiss Bank Corp., Credit Suisse
 France: Banque Nationale de Paris, Credit Lyonnaise, Societe Generale

To these should be added the two Japanese banks which were present at the debt talks in 1986:

Japan: Bank of Tokyo, Sumitomo.

These are not all the important banks supporting south Africa financially. However, they represent a cross-section of the major banks, with exceptions from Belgium and Italy.

Gold makes up almost half of South Africa's total exports and is therefore central to its balance of payments and its economy as a whole. The three Swiss banks sell between one-half and two-thirds of this gold on the Zurich gold market, while the rest is primarily sold on the London market. The latter market is maintained by five firms including Mocatta & Goldsmid (owned by Standard Chartered) and Samuel Montagu (Midland Bank). Thus four of the banks on the primary list facilitate South Africa's gold exports.

RELATIONS OF FOREIGN BANKS TO THE U.S.:

- a. All the banks mentioned in the list above have branch and representative offices in the U.S. Branch offices can provide international banking services for U.S. corporations. Many of these banks also have capital corporations incorporated in the U.S. to provide corporate securities and lending services.
- b. The six banks, whose names are underlined, own U.S. banks as their subsidiaries, which therefore permit them to carry on the full range of banking activities, including consumer banking. Most of these subsidiaries are either in New York or California. The largest of these subsidiaries, Union Bank of Los Angeles (Standard Chartered), is not a consumer bank but focuses on services to corporate businesses as customers.
- c. European American Bank of New York is jointly owned by six European banks: Amsterdam-Rotterdam Bank (NL), Creditanstalt-Bankverein (Aust.), Deutsche Bank (FRG), General Bank (Belgium), Midland Bank (U.K.), and Societe General (Fr). Two of these banks, with their names underlined, are on the original list of 14 above, Midland is involved in the London gold market and the major Belgian and Austrian banks, which have significant exposure in South Africa, are among the owners also.
- d. Banks which have significant anti-apartheid campaigns against them in their own countries include Union Bank of Switzerland, Standard Chartered (U.K.), Barclays (U.K.), and Dresdner (FRG).

PRESSURE IN THE UNITED STATES

1. State and local laws need to be amended to prevent the deposit of public funds in banks whose parent bank holding company provides trade related credits for South African trade. Most of these U.S. subsidiaries don't directly provide credits for South Africa and thus can sign affidavits to that affect for their incorporated body in the U.S. when the parent organization is not included in the statement. Most of the South African credits are provided by their U.K. or European divisions. Thus Union Bank of Los Angeles is on the list of acceptable banks in San Francisco because its incorporation in California separates it from the lending of Standard Chartered Bank in London.

2. Corporate customer pressure must be developed on these foreign bank operations in the U.S. CN-ICCR has developed a preliminary list of about 60 corporate customers of Union Bank of Los Angeles, and a longer list will be developed during the summer of 1987. Similar lists will be developed for the other foreign banks. Obviously the lists will be longer for those banks which have U.S. subsidiaries than for those with only branch offices of the parent bank.
 - a. The plan for Union Bank, which can be followed for the other banks, is to seek endorsement of the campaign by several protestant bishops and a couple of large religious orders. Letters have already been exchanged between California church leaders and Standard Chartered Bank in London with no success and the British Council of Churches has also been rebuffed.
 - b. Union Bank will now be informed of the campaign and asked for a meeting. Letters will then be sent to their customers, one per day, with copies to Union and Standard Chartered. These letters will ask the companies to express their concern to the bank. A possible change of bank is also suggested if that were convenient for the corporation. At this point no great pressure would be put on the corporations to change banks. We believe that a letter a day arriving in London for several months will build up anxiety in Los Angeles and London, for they will be uncertain how long our list is.
 - c. After several months, a meeting between the bank and the church leaders might be more fruitful. If not, more pressure could be built for corporations to change banks.

This approach can be used for all the banks on the list, since one source of information lists principle foreign banking relations of major corporations. For foreign banks without U.S. subsidiaries, the list of corporate users will be shorter, say 50 corporations. The campaign will not be as extensive in those cases, but may surprise these banks even more.

3. Alert and inform churches, states, local governments, pension funds and universities that they not purchase for their short-term portfolios any certificates of deposits, notes, bankers' acceptances, or other short-term securities from these banks. Recently there has been a spate of issuances by foreign banks of "3(a)(2) notes" that do not require SEC registration.
4. Alert and inform pension funds and universities that they not purchase stock and bonds of these banks for their portfolios. These banks may appear both in the domestic and in the foreign portfolios. American depository receipts are available for a number of banks such as Barclays, National Westminster, Bank of Tokyo and Deutsche Bank and could thus appear in the domestic portfolio. Many funds are also investing in foreign markets through foreign brokerages. A pension fund like the College Retirement Equities Fund (CREF) maintains about 11% of its portfolio in foreign stock holdings which include stock in most of these banks.

The informational mailings required in points 3 and 4 can be limited to a manageable size by mailing only to those entities which already have anti-apartheid regulations or legislation.

MAJOR SUBSIDIARIES OF THE 14 FOREIGN BANKS OPERATING IN THE U.S.

	ASSETS
	US\$ Bn.
UNITED KINGDOM:	
Standard Chartered PLC.	47.5
North American Operations - total	11.8
Union Bancorp (Los Angeles)	9.5
United Bank (Phoenix) acquired Jan. 8, 1987	2.7
Barclays PLC.	116.4
U.S. Operations - total (approx.)	14
BarclaysAmerican (N.C.)	3
Barclays Bank of New York	2.2
Barclays Bank of California	1.2
National Westminster	122.9
U.S. Operations - total	12.4
National Westminster USA (NY)	9.8*
FRANCE:	
Banque Nationale de Paris	123.1*
Bank of the West (San Francisco)	1.4
French American Banking Corporation (NY)	2.3*
JAPAN:	
Bank of Tokyo	114.6+
California First Bank	6.0
Bank of Tokyo Trust Co. (NY)	5.4*
Sumitomo Bank	179.3+
Sumitomo Bank of California	3.3
Sumitomo Bank of New York Trust Co.	?
Central Pacific Bank (HI)	0.5*

All asset figures are for 31 December 1986 except:

+ 31 March 1986

*31 December 1985