TESTIMONY OF CAROLE COLLINS IN SUPPORT OF LEGISLATION BARRING DEPOSIT OF STATE OF MARYLAND FUNDS IN BANKS OR OTHER FINANCIAL INSTITUTIONS THAT LEND MONEY TO SOUTH AFRICA OR ITS NATIONAL CORPORATIONS OR TO BUSINESSES WHICH OPERATE IN SOUTH AFRICA.


RE: HOUSE JOINT RESOLUTION NO. 1, HOUSE BILLS NOS. 1117 AND 1638.
Mr. Chairman and Members of the Committee. I am honored to testify before this committee today in support of legislation that would restrict deposit or investment of public funds to those banks and financial institutions that do not profit from lending money to South Africa.

My name is Carole Collins. I am the National Coordinator of the Campaign to Oppose Banks to South Africa (COBLSA). COBLSA was launched in early 1977, just nine months after the Soweto uprising. It built on the efforts of national church denominations which -- since the mid-1960s -- have worked to end lending by American banks to the South African government, its parastatal organizations, or to corporations doing business there. COBLSA provides information and resources to community groups, local churches and unions, and to student groups around the country in efforts to end U.S. financial support of the racist system of injustice in South Africa.

Prior to becoming National Coordinator in 1981, I lived in Chicago, where I was active in community-based efforts to end such lending by Chicago-based banks. In 1976 and 1977, I travelled through several countries in East and southern Africa. I was able to interview a few of the hundreds and thousands of young black South Africans -- students and seminarians, workers, and others -- who had fled the land of their birth to protest the daily injustices inflicted on them by a system of racial segregation that destroys black family life as well as denying basic human and civil rights.

Today's hearings come at a time of rising tensions in South Africa.

Today's hearings concerning U.S. lending to, and investments in, South Africa are extremely timely. This coming Sunday marks the 22nd anniversary of the Sharpeville massacre of 1960, when over 60 unarmed blacks were shot...
to death (and another 200 wounded) while peacefully protesting against the legalized system of segregation called apartheid in South Africa. These hearings also come at a time of rising tensions in South Africa. Although black workers are still denied the right to strike under South African law -- indeed, even to form unions except under stringent regulations -- strikes by black workers in the past year are at the highest level since the Durban strikes in the early 1970s. The number of those detained by South African police who die while in jail continues to rise ominously. The death of Dr. Neil Aggett, a white trade union official working for the African Food and Canning Workers Union, provoked massive protests by both blacks and whites throughout South Africa. Most disturbing is a growing pattern of repression of church protest against apartheid. In the past two months, church bodies have reported increased detentions without charge and torture of church leaders and activists -- all because of their opposition to a system of racial injustice that seeks to isolate one racial or ethnic group from another.

What Is Apartheid?

Since 1948, South Africa has become a society of walls -- legal walls erected to isolate and segregate South Africans from one another. The 84% of South Africa's people who are black cannot vote for the government that rules them; cannot live and work where they choose; and cannot strike for better wages and working conditions without suffering severe legal penalties. Passbooks -- which record a person's fingerprints, work history, taxes, family status, and tribal or ethnic identity -- must be carried by black South Africans, and produced on demand, at all times.

Cheap labor is central to the apartheid system. Since the 19th century, black people have been heavily taxed by governments in which they had no representation. They have been dispossessed of their land in order to force
them to work in the white-controlled economy. "Influx control" and passbook laws have channeled them into areas where white employers feel their labor is needed. When their jobs are done, they are sent back to so-called "homelands" -- the bantustans -- selected for them by the white-minority government. In South Africa, "home" for black people is not where you were born or choose to live. It is where the white government decides to send you. These so-called "African homelands" are located on the poorest 13% of South Africa's vastly wealthy and fertile land. They have no industrial areas or mines. They serve as vast reservoirs of the unemployed. They are places where women, children, and those men not needed in South Africa's white-controlled economy are sent to live -- and often to die of malnutrition or starvation. This system -- whatever its other injustices -- destroys black family life, separating husband from wife, parents from their children.

American corporate investment in South Africa helps maintain apartheid.

We as Americans can no longer ignore the situation in South Africa. It grows more explosive every day. Unless the white minority comes to realize the justice and urgency of black demands for majority rule and acts on that realization, a growing confrontation between blacks and whites is inevitable. It will be a tragic conflict. There will be many casualties, black and white. And it will threaten American economic interests as well as the stability of that region for many years to come.

Without the economic involvement of U.S./corporations in South Africa, the white minority government could not maintain its rule. It would not have the technological sophistication to dominate the black majority. It could not run its "influx control" system without the assistance of U.S.-built or designed computers. It could not bomb refugee camps in Angola without fuel to operate its aircraft, fuel which is provided to them by U.S. and European corporations.
U.S. companies currently have approximately $2 billion in direct investments in South Africa. The dollar amount of these investments is of secondary importance to their strategic importance. U.S. companies control major sectors of the South African economy vital to maintaining white minority rule. 33% of the motor vehicle market is controlled by U.S. companies. (And U.S. companies provided the trucks which ferried troops into Soweto in 1976.) 44% of the petroleum products market is controlled by U.S. companies. 70% of the computer market is controlled by U.S. companies. U.S. companies have been instrumental in helping South Africa develop its nuclear industry. Most nuclear experts agree that South Africa has developed a nuclear bomb, pointing to two mysterious explosions off its coast in September 1979 and December 1980. Yet who could a white minority government use the bomb against? Many African countries feel it has been developed merely to intimidate them from supporting the democratic aspirations of the black majority inside South Africa.

U.S. banks help to finance the apartheid system.

A significant amount of U.S. foreign investment in South Africa is made up of bank loans to the South African government, its parastatal companies, and to private corporate borrowers there.

International loans and credit have enabled white South Africa to:

* expand its strategic investments, including its indigenous arms and nuclear industries, to become less vulnerable to the growing international movement, led by the United Nations, to isolate South Africa economically, politically, militarily and culturally;

* buy advanced technology strengthening its military and police apparatus for monitoring, controlling, and repressing South Africa's non-white majority.

In the mid-1970s, foreign credit was critical in helping South Africa overcome a balance of payments crisis caused by increased oil prices and rising arms imports. Between 1974 and 1976, South Africa tripled its foreign borrowing to help finance a doubling of its military budget.
125 American banks extended over $3.1 billion in loans and trade-related financing to South Africa between 1972 and 1978. This critically-needed foreign exchange enabled South Africa to overcome unprecedented balance of payments deficits resulting from increased oil prices and rising military-related imports. By 1976, the $2.2 billion in outstanding U.S. bank loans to South African entities amounted to almost 1/3 of South Africa's foreign debt and roughly equalled the amount of foreign exchange required to cover South Africa's oil and defense import costs for the same year.

The pattern of lending by U.S. banks to South African entities has varied from open, direct loans to less-publicized inter-bank lending. Main areas of connection have been:

* Direct loans to the South African government and its parastatal corporations and to companies doing business there;

* Trade-related financing to facilitate U.S. exports to and imports from South Africa (in 1980, the U.S. emerged as South Africa's leading trade partner);

* Correspondent bank relations that provide letters of credit, interbank loans and the like with little visibility (e.g., Chemical Bank's correspondence with Volksas, S.A., a South African bank that acts as depository for government, military and police accounts); and

* Sales of South African Krugerrand (one-ounce gold coins) which bring South Africa much-needed foreign exchange.

Due to public protests in the United States (and in other countries) following the 1976 Soweto student revolt as well as bankers' concerns over South African stability, direct loans to the South African government and to private companies there dropped dramatically in 1977-1979. However, less visible loans to South African banks increased ten-fold during that period, as well as short-term trade-related credit.
South Africa's need for foreign capital is growing, not lessening.

South Africa once again emerged on international capital markets in 1980 and 1981, due to:

* Declining gold prices reducing income from its major foreign exchange earner (gold generally accounts for 25% of South Africa's export revenue);

* Commitments to massive infrastructure projects to enable the white minority to withstand international sanctions ($10 billion in the next decade and $30 billion by 2000 A.D.); and

* Escalating inflation eroding its spending power (now close to 16\% yearly).

Its search for foreign exchange has become more frantic with news that it faces an estimated balance of payments deficit for 1981 of approximately $4 billion. (The previous highest deficit was about $2 billion in 1975.) Gold revenues have continued to decline while South Africa's bill for defense-related imports has continued to rise.

Most recently, its state-controlled public corporations have raised a spate of Eurobond and project-related loans overseas in a desperate attempt to cover the country's growing national indebtedness. A Financial Mail article of February 26, 1982, details a dramatic increase in less-visible short-term borrowing in the past year for a variety of South African projects. Despite government claims that South Africa could easily withstand an international boycott by banks and corporations, the truth is that it is more dependent than ever on foreign capital and financing to maintain an increasingly repressive white minority government whose authority and legitimacy are eroding daily. As Prime Minister John Vorster said in 1972, "Each trade agreement, each bank loan, each new investment is another brick in the wall of our continued existence."
Why is action to end U.S. lending to South Africa so important now?

American banks have shown a continued willingness to profit from apartheid in this new period. The doubling of foreign loans to South Africa in 1980 (up from $295 million in 1979 to just under $800 million) was assisted by major loans to the South African government by Citibank and other U.S. banks. This renewed lending by Citibank (which in 1978 announced it would not lend to the South African government) and by other banks comes as repression of domestic black protests is on the rise as well as South African military attacks on neighboring Angola and Mozambique.

This renewed lending reflects several recent developments:

1) Most U.S. loans to South Africa made between 1974 and 1976 are coming due in the next four years, forcing the banks to decide whether to "roll-over" such loans (i.e. re-lend or renegotiate the money) or terminate them.

2) U.S. banks have decided to "test the waters" in hopes that public opinion is less organized on this issue than several years ago and that support of the Sullivan principles will effectively deflect demands for ending all lending to South Africa; and

3) Reagan administration policies that are forging a closer alliance with South Africa and lifting export controls on sales to the South African military and police. The administration's interest in a possible return to the gold standard would enhance the strategic value of South Africa's gold reserves.

Do these new loans assist South Africa's blacks? Citibank, which participated in a $250 million loan direct to the South African government in 1980 claims that they do. Their loan was to help finance housing, educational and health projects for blacks, according to their documents. However, in reality such loans assisted in implementing apartheid, not easing its burden on blacks. The housing projects subsidized by this loan were part of the white government's policy of forced relocations of blacks and those of mixed racial ancestry from their traditional homes in urban areas now designated for whites. The education projects funded were another reinforcement
of segregated education throughout South Africa. Such loans modernize apartheid, rather than alleviating it. And in reality, it will be black people who will have to pay for the houses built by these loans. So Citibank once again will be profiting from exploitation of the black majority. All Citibank and the four other European participants in this loan did was to replace a line item in the South African Government's budget (for $254 million for the same projects), thus not obligating the white minority government to spend virtually anything on these projects.

Many banks claim that their lending to the private sector in South Africa is "not political" and does not support apartheid. Yet what can we make of Citibank's recent decision to manage a 7-year $100 million loan to A.E.C.I., South Africa's largest chemicals producer? A.E.C.I. is a subsidiary of the government's arms industry ARMSCOR and manufactures dynamite (among other things) for the South African arms industry. It has also been cited in recent reports of forced evictions of black tenants to make way for employees of A.E.C.I. and ARMSCOR:

American citizens are calling for an end to U.S. financing of apartheid.

U.S. banks are lending increased amounts of money to South Africa as low-income and minority communities here in the U.S. experience a deepening economic crisis. These same banks' frequent refusal to invest significantly in job-creating community redevelopment, to provide home mortgages in low-income areas, to extend commercial credit to minority businesses, or to forego higher interest on municipal bonds funding essential public service in our hard-pressed cities has aroused growing protest from grassroots community-based groups around the country. These groups have begun to explore and press for a code of social responsibility to guide the placement of state and municipal deposits and pension fund investments.
Last June, state legislators from 18 states met in New York City to discuss legislative strategies to ensure that public monies and public employee pension funds were not deposited or invested in banks and corporations active in South Africa. Over a dozen states and 10 or more cities have considered similar legislation. A growing list of states have taken some form of action against apartheid: they include New York, California, Nebraska, Connecticut, Massachusetts, Michigan, and Wisconsin. Legislative campaigns are active today in many of these states as well as Minnesota, Oregon, Pennsylvania. Interest in divestment legislation has been expressed by state or municipal legislators in Kansas, Georgia, Mississippi, New Jersey, Alabama, Florida, North Carolina.

One of the most successful approaches tried by state and local governments is the redirection of investment of public pension funds. Nebraska, for example, removed from its list of approved trust fund investments all banks and corporations that do business in South Africa. In Massachusetts activists won legislation halting pension fund investment in South Africa related firms two years ago and are now pressing for divestment of stocks and bonds purchased before the ban went into effect. In Wisconsin in 1978, the Attorney General ruled that an existing law which prohibited investment in companies practicing or condoning racial discrimination could also apply to firms operating in South Africa. This interpretation compelled the Board of Regents to divest $11 million from South Africa related firms. According to the Board's investment advisor the University's portfolio was reconstructed with no ill effects. Legislators are now pressing bills that would extend the ban to state agencies previously not covered.

Some cities have withdrawn public monies from banks and financial institutions involved in South Africa. In Cambridge, residents voted overwhelmingly not to invest public funds in banks doing business with South Africa. Voters in Berkeley, and Davis, California also mandated the removal of their city monies from participating banks. In Davis, the city council went a step further by prohibiting investment in any company practicing discrimination.
The Campaign to Oppose Bank Loans to South Africa (COBLSA) is an effort of national and local organizations around the country working to end all loans -- direct and indirect -- to apartheid South Africa. It views withdrawal of bank deposits as the most effective means of pressuring banks to end financial support for apartheid. As a result of efforts by COBLSA and many other groups, over $350 million have been withdrawn from banks that have lend to South Africa and refuse to prohibit such loans in the future. A number of banks have agreed not to lend directly to the South African Government and to parastatal corporations there, including Chase Manhattan, Chemical Bank, Security Pacific, Mellon Bank, Pittsburgh National Bank, First National Bank of Boston, Maryland National Bank, Irving Trust, Bankers Trust, and American Express International Bank. Some others have agreed as well not to provide trade-related financing, such as Amalgamated Bank in Chicago.

In support of these efforts, several institutions and state and local governments have already withdrawn funds from and sold shares of stock in banks lending to South Africa. Among actions taken in 1980 and 1981 are:

* The American Lutheran Church sold approximately $2 million in Citicorp securities.


* The State of Michigan has approved a bill prohibiting deposits of state funds in banks maintaining or making after July 1982 "a loan to the Republic of South Africa, a national corporation of the Republic of South Africa, or to a subsidiary or affiliate of a United States firm operating in the Republic of South Africa."

* Yale University sold 2,000 shares of Bank America stock after the bank reported its willingness to lend to agencies of the South African government.
Such divestment does not have to entail financial losses as a result of divestment. When University of Wisconsin divested as a result of a legal interpretation of Wisconsin law by the State Attorney General, their portfolio performance actually improved after divestment, earning an additional $1 million more in income after South Africa-related investment was dropped. Similar improvement in performance was reported by a Michigan university following divestment.

The resolution and bills being discussed here are important steps.

House Resolution No. 1 provides a good starting point but does not go far enough. "National corporation" is not defined specifically enough to exclude bank lending such as Citibank made to affiliates of South African government-controlled corporations such as ARMSCOR. In many cases, private South African industry may nominally own a majority of shares in such companies, yet they are operated effectively as extensions of the South African government. I think the language could be strengthened to specify "any corporation, partnership, business entity or individual operating under the laws of South Africa."

House Bill No. 1117 would be preferable to the other bill because it takes in a greater range of financial links to South Africa by Maryland's financial institutions. Its reference to "National Corporations" could also be more precisely defined as indicated above.

House Bill No. 1638, to be effective, would need to further clarify its definition of "operates." Only one U.S. bank, Citibank, actually has offices inside South Africa and "operates" there. Most other U.S. banks with financial links to South Africa do so through purchasing bond offerings or interbank loans which do not require such offices. I think the key issue should be prohibiting placement of public monies in financial institutions that lend to any banks, corporations, agencies that operate in South Africa.
I also think all bills could be strengthened by excluding investment in any bank or financial institution that finances trade with South Africa above a certain minimum.

Thank you for this opportunity to express my views on this significant legislation. Passage of bills such as these may offer one of the last opportunities to avoid escalation of a conflict that will otherwise engulf millions of South Africans, and many U.S. interests, in its wake. Bishop Desmond Tutu, Secretary General of the South African Council of Churches, has spoken of economic sanctions as one of the few remaining ways to pressure the South African white minority to make meaningful concessions to the black majority. Let us ensure that public monies are spent in ways that further justice and a peaceful solution to a long, difficult but not insoluble conflict.
A House Joint Resolution concerning

State Funds - South African Banking Restrictions

For the purpose of requesting that the State of Maryland terminate banking transactions with any financial institution that makes loans or otherwise conducts business with the Republic of South Africa.

WHEREAS, It has been declared to be the policy of the State of Maryland for the maintenance of good government to assure all persons the opportunity to live, work, and spend their leisure time in a free environment and with liberty; and

WHEREAS, The Republic of South Africa, with its apartheid philosophy and policies, has expressed a position completely opposite to this State; and

WHEREAS, Foreign investment in South Africa bears an ascribable responsibility for apartheid; and

WHEREAS, Foreign investment roles are directly identifiable as a major cornerstone of racial containment and economic exploitation; and

WHEREAS, Whatever antidiscriminatory side effects that may be by-products of an investment are outweighed by the concomitant perpetuation of racial containment and other abhorrent apartheid policies; now, therefore, be it

RESOLVED BY THE GENERAL ASSEMBLY OF MARYLAND, That public pension funds should not be invested in any bank or financial institution which makes loans to the Republic of South Africa, or to a national corporation of the Republic of South Africa; and be it further

RESOLVED, That such funds should not be invested in any bank or financial institution which is a subsidiary or affiliate of a United States company operating in the Republic of South Africa; and be it further

EXPLANATION:
Numerals at right identify computer lines of text.
RESOLVED, That a copy of this Resolution be sent to the Honorable William S. James, State Treasurer, P.O. Box 666, Annapolis, Maryland 21404; and the Honorable Louis L. Goldstein, Comptroller, State Treasury Building, Annapolis, Maryland 21404.
HOUSE OF DELEGATES

No. 1638

A BILL ENTITLED

AN ACT concerning

South African Banking

FOR the purpose of prohibiting the State Treasurer from
depositing moneys of this State in certain financial
institutions which operate or derive any income from
doing business in the Republic of South Africa or with
any person located in the Republic of South Africa; and
clarifying language.

BY repealing and reenacting, with amendments,

Section 21

Article 95 - Treasurer

Section 21

Annotated Code of Maryland

(1979 Replacement Volume and 1981 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That section(s) of the Annotated Code of Maryland read(s) as follows:

Article 95 - Treasurer

(A) [The] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS
SECTION, THE Treasurer may deposit the moneys of [the] THIS
State in [a] ANY bank [or banks as he may so select, or in
a] OR trust company [or trust companies, incorporated under
the laws] of this State, [and] doing business [therein.] IN
THIS STATE, AS THE TREASURER MAY SELECT, or in [a] ANY
savings and loan association [or savings and loan
associations, or in a building and loan association or
building and loan associations,] incorporated under the laws
of the United States or [incorporated under the laws of]
this State, as [he] THE TREASURER may, from time to time,
with the approval of the Governor, select. These

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
Numerals at right identify computer lines of text.
depositories shall give security in the form of collateral as provided for in § 21A of this article, satisfactory to the Treasurer, for the safekeeping and forthcoming, when required, of these deposits.

(B) THE TREASURER MAY NOT DEPOSIT THE MONEYS OF THIS STATE IN ANY FINANCIAL INSTITUTION THAT:

1. OPERATES IN THE REPUBLIC OF SOUTH AFRICA;
2. THAT RECEIVES MORE THAN 1 PERCENT OF ITS NET INCOME AS A RESULT OF DOING BUSINESS IN OR WITH THE REPUBLIC OF SOUTH AFRICA, OR PERSONS LOCATED THERE.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 1983.
By: Delegate Young
Introduced and read first time: February 10, 1982
Assigned to: Appropriations

A BILL ENTITLED

AN ACT concerning

State Funds - South African Interests -
Prohibited Deposits

FOR the purpose of prohibiting the Treasurer from depositing
State funds in any financial institution that engages
in certain transactions involving the Republic of South
Africa or that has investments in any company that
operates or does business in the Republic of South
Africa.

BY repealing and reenacting, with amendments,

Article 95 - Treasurer
Section 21
Annotated Code of Maryland
(1979 Replacement Volume and 1981 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
MARYLAND. That section(s) of the Annotated Code of Maryland
read(s) as follows:

Article 95 - Treasurer

21.

[The](A) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS
SECTION, THE Treasurer may deposit the moneys of the State
in a bank or banks as [he may so select] THE TREASURER
SELECTS, or in a trust company or trust companies,
incorporated under the laws of this State and doing business
therein, or in a savings and loan association or savings and
loan associations, or in a building and loan association or
building and loan associations, incorporated under the laws
of the United States or incorporated under the laws of this
State, as [he] THE TREASURER may, from time to time, with
the approval of the Governor, select.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
Numerals at right identify computer lines of text.
(2) These depositories shall give security in the form of collateral as provided for in § 21A of this article, satisfactory to the Treasurer, for the safekeeping and forthcoming, when required, of these deposits.

(B) THE TREASURER MAY NOT DEPOSIT THE MONEYS OF THE STATE IN ANY FINANCIAL INSTITUTION THAT:

(1) MAKES LOANS TO:

(I) THE REPUBLIC OF SOUTH AFRICA;

(II) A NATIONAL CORPORATION OF THE REPUBLIC OF SOUTH AFRICA; OR

(III) ANY COMPANY THAT, EITHER DIRECTLY OR THROUGH A SUBSIDIARY OR AFFILIATE, OPERATES OR DOES BUSINESS IN THE REPUBLIC OF SOUTH AFRICA; OR

(2) HAS AS ITS ASSETS ANY INTEREST IN A COMPANY THAT, EITHER DIRECTLY OR THROUGH A SUBSIDIARY OR AFFILIATE, OPERATES OR DOES BUSINESS IN THE REPUBLIC OF SOUTH AFRICA.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 1982.