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Banks and Namibia
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BANKS AND NAMIBIA

by

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ELTSA (END LOANS TO SOUTHERN AFRICA)

PAPER FOR THE SEMINAR ON TNCS IN NAMIBIA

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INTRODUCTION

Senator Owen Horwood, the South African Minister of Finance visited Europe in July 1980 and met representatives from 30 banks. On his return to South Africa he said that: "Great interest and great hope had been expressed for South West Africa and European banks were looking at new investments in the area."

This paper examines some aspects of the involvement of foreign banks (including South African-owned banks) in Namibia. As Senator Horwood said, European banks are in the forefront of this activity, in particular British banks. The subsidiaries of two major British banks, Barclays and Standard Chartered are the biggest banks in Namibia and between them have 70% of all bank deposits amounting to over R230m. They are the major financiers of private and public sector projects. Many other Western banks have either direct or indirect involvement in Namibia.

While most of the private sector is at present cutting back as a result of the general economic decline in the country, the banking sector is expanding. Both Barclays and Standard have increased their staff recently. This is as a result of a number of growth points in Windhoek, Tsumeb and Swakopmund according to reports in the Namibian press. What is also clear though is that the banks operating in Namibia are also actively involved in facilitating the systematic drain of profits from Namibia to other parts of the Western world (including South Africa), thus contributing to the rape of the Namibian economy.

The 1981 Report of the United Nations Council for Namibia pointed out: "The continuing association of foreign banks with South Africa has not only bolstered the policies of the apartheid regime but has also impeded Namibia's transition to independence. The vast network of foreign bank branches extends into Namibia and the financing of the South African military enables the racist regime to carry out its repressive war in Namibia."

The 1981 Barclays Shadow Report* contains a statement by SWAPO on the activities of Barclays in Namibia: "The operations of Barclays Bank in Namibia constitute a violation of international law, according recognition to 'authorities' installed by the illegal South African regime. SWAPO insists that the withdrawal of Barclays from our country and the cessation of its activities in South Africa would hasten the achievement of peace and justice in Namibia and Southern Africa as a whole."

* The Barclays Shadow Board was established to monitor the activities of Barclays in South Africa and Namibia and has produced an annual Shadow Report in 1981 and 1982 (published by ELTSA).
BANKS IN NAMIBIA

Barclays National Bank

Barclays National is the largest commercial bank operating in Namibia. It is the subsidiary of the British-based Barclays Bank PLC. Barclays has been under pressure for its involvement in South Africa, where it is also the biggest commercial bank. In Namibia it has 25 branches and over 90 agencies. In March 1977 Barclays Bank issued a press statement saying that it was going to organise its Namibian operations as a separate entity, as a date had been set for independence for the country, however this decision was later reversed. The chairman of Barclays in London claimed at an Annual General Meeting (AGM) of shareholders that this was as a result of SWAPO's opposition to the decision to set up an independent subsidiary.

Barclays' Namibian operations employ 659 staff in 1982 (this figure having risen from 440 in 1978). Seventy per cent of the staff are white (1).

Barclays is involved in political, commercial and military activity in Namibia. This will be covered elsewhere in this paper. The involvement of the bank with Africa goes back to the 18th century, when in 1756 David and Alexander Barclay were involved in the slave trade. David Barclay owned a plantation in Jamaica and it is recorded that he later freed his slaves with the realisation that "the black skin enclosed hearts full of gratitude and minds as capable of improvements as the proudest white". The Barclay family later married into the banking families of Gurney and Freame - and from this later sprang the Barclays banking business which has developed into its present day empire (2).

Standard Bank SWA (Stanswa)

Stanswa was established in 1978 as a wholly-owned entity within the Standard Bank Investment Corporation (Stanbic), the South African subsidiary of British-based Standard Chartered Bank. Stanswa has 19 branches in Namibia, it paid R1.3m in taxes in 1981 and had a net income during the same year of R1.79m. Three members of the eight-man board are South African residents.
Standard Merchant Bank, the group's merchant arm, has been involved in raising loans for the illegal South African administration in Namibia, both in South Africa and on the Euromarket (see section on Loans).

Standard Chartered Bank, the parent company, has been subjected to pressure in Britain over its role in South Africa and Namibia, but because it does not have a 'High Street' presence in the way in which Barclays does, it has largely escaped public attention and publicity. The fact that the bank has chosen to go ahead with establishing a subsidiary as a separate entity in Namibia and that it has used South West Africa in the new name rather than Namibia, appears to indicate even less concern with public opinion about its illegal operations in Namibia than Barclays. The bank's headquarters in London has also been less willing than most to provide information about its operations in Namibia and South Africa when questioned at the AGMs.

Bank of South West Africa (SWABANK)

SWABANK which was established in 1973 is the only indigenous bank in Namibia. In 1980 Dresdner Bank (FRG) acquired a 51% holding in it through its holding company Societe-Financiere pour les Pays d'Outremer (FSOM) acquiring its controlling interest from predominantly South African concerns which had previously held them. Other banks with shareholdings in FSOM are Banque Nationale de Paris SA (France), Banque Bruxelles Lambert (Belgium), and the Bank of America (USA). Final control of SWABANK however rests with Dresdner.

The deal will give SWABANK the international link that it needs in order to provide the financial facilities to the mining industries in Namibia, enabling them to continue their illegal exploitation of Namibia's natural resources. It is also to Dresdner's advantage because of its shareholdings in companies in the mineral mining field like Metallgestelshaft.

The 'Allgemeine Zeitung' made the following comment at the time of the takeover: "If such a financial institution of the FRG engages itself here in these critical times of South West Africa/Namibia this can be taken as one of the best proofs of foreign confidence in the future of the country". Dresdner has also been heavily involved in loans to the South African government and agencies for many years now (3).
Bank of America, one of the other three major shareholders in FSOM assisted the South African government with a long-term loan shortly after the Soweto uprising, when South Africa was finding it difficult to raise loans on the international financial market.

Other Banks

Other banks which are involved in Namibia are:

a] the French Bank of Southern Africa, a subsidiary of Banque de l'Indochine et de Suez (Indosuez) of France;

b] Volkskas Ltd - this is South Africa's third largest bank and is owned by Afrikaaner interests. It established Volkskas SWA/Namibia Ltd as a subsidiary in 1979, and in 1982 Bank Windhoek Ltd took over Volkskas' major shareholding in the new subsidiary;

c] Nedbank and the Trust Bank of Africa Ltd, both South African owned and managed commercial banks also operate in Namibia. In 1980 the commercial operations of Nedbank in Namibia were operated through four branches, and the bank is closely associated with the South African insurance giant, the Old Mutual. The Trust Bank has five banking branches in Namibia and has the largest number of account holders in the territory of South African-based banks operating there. It is controlled by another South African insurance company, Sanlam;

d] Hill Samuel, the British Merchant Bank does not have any commercial banking operations in Namibia, but has been involved in helping to finance the construction of the Kunene hydro-electric scheme, built by the South African Electricity Supply Commission (ESCOM) near the Angolan border;

e] other banks which are involved in lending to the South African regime and its agencies are indirectly involved in Namibia as a result of South Africa's occupation. For details on this see CDE Bank Loans to South Africa (4). (A list of other publications on banks and South Africa is available from ELTSA.)
THE RAPE OF THE NAMIBIAN ECONOMY AND THE RESULTANT DEBT

The role of multinational corporations in exploiting Namibia's natural resources has received considerable publicity in the international press. What has not been as apparent is the role which banks play in facilitating this process and what the real cost will be to an independent Namibia.

The way in which the Namibian economy is being drained is illustrated in a seminar planned by the South African-based Hard Asset Group. The seminar, due to take place in September 1982, was aimed at assisting those who wanted to get their assets out of Namibia in the event of a 'settlement'. The letter of invitation stated: "In the short to medium term ..., it (a settlement) must be cause for some concern to anyone who has the majority of their assets in investments in the area", suggesting that these should be changed into hard assets such as gold, silver, etc which could be sold elsewhere and accumulate in value (5). Presumably the banks would be involved in this process.

During 1978 both Standard and Barclays transferred 15% of their Namibian deposits to South Africa. This was followed in 1979 by a further R20m which was withdrawn by identifiable banks and building societies, and transferred to South Africa (6).

It has been estimated that Namibia could come to independence with an external debt which is as great a proportion of the GNP as that of Zaire (7). The 1982 budget speech showed a total public debt of 19.7% of the GDP, being about R260m, to which another R180m would be added for 1982/83 totalling R440m or 33% of GDP. Interest payments on this would amount to R40m per year. The South African government is intending to finance this debt with long term loans from the South African and international capital market, although the identity of the lenders is not known. The loans are guaranteed by the South African government.

The seriousness of the situation for Namibia is that virtually all this borrowing is external debt, having to be paid back outside the country. In the three years leading up to independence in Zimbabwe, external financing totalled $475m, compared with between $520-700m in Namibia (bearing in mind that Namibia has a much smaller economy than Zimbabwe).
Namibia's total external debt, at 33% of the GDP would be about 50% of the GNP, which makes it far higher than for comparable countries. (The World Bank's development report gives the average for low income countries [excluding India and China] as 21% of GNP and for middle income oil importers as 15%.)

A future SWAPO government in Namibia would therefore be faced with an enormous debt left to it by the present administration. It will have to decide whether it is going to honour its predecessors' debt or not. If it does, it is faced with the prospect of spending vast amounts of money which will be needed for development projects on debt repayment. If it decides to take the position that it is not its debt and that it belongs to the illegal South African administration, it is faced with the possibility that the international capital market will consider this a default on its debt and thus give it such a low credit rating that it will find it impossible to raise further loans, or that the interest rates will be so high that it will simply be accumulating further vast debts which will yet again decrease its creditworthiness, and so the spiral will continue.

The way in which the international banking system sucks developing countries such as Namibia into this spiral is obvious. In calculating the risk involved in lending to a country such as Namibia the banks take many factors into consideration - and the criteria which they apply are often very dubious. Financial elements will usually include considerations of debt-service ratio and current account balance of payments position. In the light of the above, an independent Namibia will start with a big disadvantage.

The unsympathetic nature of the international banking system (including the IMF) towards assisting developing nations with large debts has become clear in recent times. The IMF, controlled by Western countries, in particular the USA and Britain, has made it abundantly clear that it is prepared to make loans to countries like El Salvador despite its poor credit rating, and to South Africa (the recent $1,000m loan approved despite international protest) while denying them to countries such as Nicaragua. The main criteria here is apparently the degree to which the governments concerned are allies of political positions taken by the dominant Western countries.
On the commercial bank front, the criteria are as suspect. In 1977 EXIM, the US export credit agency examined the way in which 37 banks applied country risk evaluations. It was found that 36 out of 37 banks in the survey did not trouble to test their country risk assessments against actual experience. More sophisticated, but not necessarily more accurate methods are now being used. An agency called International Reporting and Information Systems (IRIS) has a computerised information base; subscribers pay £150,000 per year for which they get a screen terminal linked by satellite to a computer in the USA. The computer becomes the political risk analyst using data fed into it from 96 correspondents around the world (8). The political bias of the programming of the computer must of course be a matter for concern.

The external debt which is now being accumulated by the illegal South African administration in Namibia could be one of the most important obstacles which a future SWAPO government will have to deal with and one which will impose severe limits on financial spending in areas which are at present so neglected.

PROVIDING FACILITIES FOR PERSONNEL IN THE ARMY OF OCCUPATION

The increase in the number of South African troops now in Namibia has transformed many small towns and villages into military fortifications. This has been accompanied by the growth of an infrastructure needed to support the personnel during what has become an extended occupation described in the Windhoek Observer as "the world's greatest military occupation" in terms of the proportion of troops to civilians. (One soldier to every six Namibian adults.) (9)

Barclays has been particularly obliging in providing facilities for the troops. It has branches in most of the major military bases, including Grootfontein, Tsumeb, Oshakati and Ondangwa. The Ondangwa branch was officially opened in April 1979 by the 'Owambo Economic Affairs Minister', Mr F Indongo and attended by the General Manager of Barclays Bank in Namibia, Mr Johan Groenewald and the Personnel Manager. Indongo said that the presence of the bank "would instil economic growth in Owambo which would in turn promote political and social stability" (10). Barclays was in fact the first bank to set up business in
Ovamboland and by so doing it has given recognition to the bantustan system in Namibia and to its officials, who are appointed by the South African regime. This is in defiance of UN resolution 439 (13.11.78) which condemned the elections in 1978 which set up these authorities, thus lending not only financial support, but also political legitimacy to South Africa's illegal policies. Barclays advertised its presence at Ondangwa with an advertisement in 'Paratus', the official journal of the South African Defence Force headed: "If you think Ondangwa is the most distant point from Barclays. Think again." (see annex). Both Barclays and Standard advertise extensively in Paratus for soldiers' accounts. The Chairman of Barclays at the 1982 AGM claimed that the bank had withdrawn a previous advertisement in Paratus entitled: "Why a soldier needs a bank".

OTHER LINKS BETWEEN FINANCIAL INSTITUTIONS AND THE ARMED FORCES

One of the clearest examples of the link between the financial institutions and the military in South Africa was the presence of 5 directors of Standard Bank and one director of Barclays Bank on the Defence Advisory Board. Its role was described by the Prime Minister, P W Botha, as "advising the armed forces on the best business methods and other matters including arms manufacture". At the 1982 AGM the chairman of Barclays in London announced that its representative no longer served on the Board. It was then discovered that the DAB was dissolved just before the AGM. In 1981 both Barclays and Standard Chartered declined to call for the directors of their subsidiaries to resign from the DAB.

In the Defence Debate in the South African parliament on 22 April 1982, the Minister of Defence stated that the DAB had become irrelevant because its function was being served by other bodies. The liaison between the private sector and the defence force would be performed by the newly constituted Defence Manpower Liaison Committee under the chair of the Chief of Staff Personnel of the SADF. This would include representatives of all employers. Two other bodies would involve the private sector - the Defence Research and Development Board and the Defence Planning Committee. While it has not been possible to confirm the presence of representatives of the banks on these
bodies, it seems highly likely that this would be the case, both because the banks are employers and because the directors of the banks are mostly key people in the private sector. These bodies will clearly play an important role in meeting the personnel and financial requirements of the occupying forces in Namibia.

The Arms Development and Production Composition, Armscor, established in 1964 as the controlling body for armaments manufacture has recently raised capital on the South African capital market. In 1978 it was reported that Armscor was borrowing R40m and planned to raise a further R30m at a later stage (11). An additional loan for R40m was made in November 1980 (12). It is not known which banks have been involved in these loans.

The banks also service the part of the economy concerned with the production of military equipment by the private sector. According to the 1979 White Paper on Defence, 800 private companies are involved in Armscor contracts or sub-contracts (13). Overseas controlled banks operating in South Africa are therefore probably involved in providing the financial facilities for these contracts.

Insurance companies play an important part in supporting the infrastructure of the South African administration and its occupying forces. One example is the offer which Lloyds of London made to insure the city of Windhoek in 1980 for £100m. Volkskas Insurance has given personal life insurance to members of the infamous 32 battalion operating in Namibia. Other British insurance companies operating in Namibia include: Norwich Union, Legal and General, Commercial Union, Eagle Star, General Accident, Edward Lumley Holdings, Guardian Royal Exchange, Aegis, Bowering, M & G, Minet Holdings, Provident, Sun Alliance.

**LOANS**

Very little information is available on the involvement of banks in making loans either directly to the South African administration in Namibia or through indirect means.
The first reported international loan to Namibia was in April 1980 when Creafin SA of Zurich, wholly-owned subsidiary of the Rothschild Bank AG of Switzerland negotiated a 9.5m Swiss franc (R4.9m) loan. The deal was arranged by an independent finance house in Cape Town called Lawfin Ltd, and was reported to have been "enthusiastically received" by the Swiss (15). The Administrator-General at the time, Dr Gerrit Viljoen, signed the arrangement in Johannesburg, commenting that the loan was to "further social and economic development" in Namibia. The terminology used to describe the purpose of this loan was very similar to that used by the South African regime for the £160m loan to Soweto in April 1982 and has obviously become standard practice to try and present such loans as being in the interests of the black population and thus avoid international protest.

The more likely way in which loans have been made to the administration would be through South African-registered banks. This was the case in February 1980 when Standard Merchant Bank (the merchant bank arm of the British-owned STANBIC Group) and Volkskas Merchant Bank handled a R20m loan to the South African administration. The banks reported at the time that the loan was fully subscribed without any problems, although it was also said in the press report that "there was a certain element of sentimentalism among investors, some of whom felt obliged to support the issue" (16).

There is little other evidence of loans, except in July 1981 when it was reported that the loan of R25m had been fully subscribed. The banks involved were not mentioned (17).

Loans to the South African government, especially those which are for projects of strategic and military importance are also relevant to the situation in Namibia. The financing of ESCOM (Electricity Supply Commission) is one such area. Hill Samuel, the British merchant bank helped finance the Kunene River hydro-electric project. Because of the war the hydro-electric scheme is not being fully utilised and as a result parts of Namibia are short of electricity. A scheme was then devised to meet these needs by constructing a R60m power line link from South Africa to Windhoek. Besides making an independent Namibia dependent on South Africa for part of its power needs, it also illustrates how closely the financing of the South African economy supports the illegal
administration's presence in Namibia. A major part of ESCOM's total capital requirements are raised externally (in 1978 external funds provided 47% of ESCOM's capital requirements totalling R1,252m) and many foreign banks (particularly French banks) have participated in arranging Euro-currency credits and Eurobonds to ESCOM (18). Research being carried out at Valindaba is providing the means for South Africa to develop its nuclear capabilities for ESCOM's Koeberg nuclear power station as well as for military purposes (19).

Loans to finance Sasol, the South African Oil-from-Coal project also have particular significance for Namibia. Oil not only has strategic significance to the regime, but also has special importance to the armed forces which presently occupy Namibia. This point was made in legal advice received by Mobil lawyers in South Africa "as oil is absolutely vital to enable the army to move, the navy to sail and the airforce to fly, it is likely that a South African court would hold that it falls within ... the definition of munitions of war".

Three foreign owned banks in South Africa have played a major part in helping to raise capital for Sasol and international banks have lent even larger sums for the construction of both Sasol II and Sasol III, particularly as a major proportion of the costs of Sasol plants are for imported equipment. The total amount to be raised for Sasol II and III is R1,147m (20).

Other ways in which loans to state bodies in South Africa facilitate the functioning of the military machine and support the occupation of Namibia, is evident in the case of loans to the South African Railways and Harbours. There have been at least $\text{T}1\text{,}\text{m}$ such loans since 1979 totalling over R$\text{,}\text{m}$ (see annex). The railways play a vital role in ensuring the mobility of the military and special troop trains provide operational transport for moving the 100,000 troops and equipment to and from Namibia.
As far as the financing of trade with South Africa is concerned, the arms embargo excludes any direct financing of military equipment. However, there are many 'grey areas' where strategic goods such as computers and telecommunications equipment are not covered, and therefore Western exporters are able to obtain export credits from banks in order to finance them. This equipment is used for military purposes and civilian control in Namibia. As the largest British bank, Barclays was almost certainly the major source for export credits for the £1,000m worth of United Kingdom goods which were sold to South Africa during 1981. It is however difficult to ascertain the amount which would be for equipment of a strategic nature.

THE PRIVATE SECTOR FOUNDATION

The Private Sector Foundation was established in November 1980 ostensibly to 'uplift the quality of life of disadvantaged people' in Namibia. In reality it has proved to be an instrument of the South African regime in Namibia. Its formation was very much in line with the initiatives of the South African government on reforming labour legislation in South Africa at the same time; there is a close parallel with the recommendations of the Weihan Commission. The Private Sector Foundation is viewed by Namibians as an attempt to perform the role of trade unions and contain resistance from the workers through its codes of employment and other activities.

One director of Barclays National, Desmond Mathews, serves on the Foundation and in February 1981 Barclays made the first payment of R10,000 to the foundation which would be increased to R40,000 over 4 years (21).

In similar vein, Barclays made a grant of R35,000 to the Rossing Foundation which provides grants for education purposes, which, because of the apartheid policies in Namibia, are used within the bantu education system and in collusion with the Bantustan authorities.
NOTES

1] Windhoek Advertiser (9.10.82)
2] Capitalism and Slavery - Eric Williams (1964)
3] Dresdner Bank AG Invests in Occupied Namibia - G Wellmer
4] Bank Loans to South Africa - Corporate Data Exchange published by UN Centre Against Apartheid
5] Windhoek Observer (11.9.82)
8] Africa Now (July 1982)
9] South African Digest (3.11.78)
14] Windhoek Advertiser (27.4.79)
16] Windhoek Advertiser (12.2.80)
17] Citizen (29.7.81)
18] Bank Loans to South Africa (as above)
21] Windhoek Advertiser (13.2.81)
Ondangwa: One of South Africa's Biggest Military Bases in Namibia.
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Table of Interest Rates and Lending Rates:

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Note: Interest rates are subject to change and may vary based on market conditions.