lo
6057in WSLETTER

END LOANS TO SOUTH AFRICA

ISSUE NO 39

SUMMER 1991

ELTSA 55 CAMBERWELL ROAD LONDON SE5 OEN..307l-7’08-4702 FAX 071-708-5751

BRITISH BANKS STILL UNDER PRESSURE Q

Bn’tish Banks once again signalled their intention not to make new loans to South Africa during Annual General Meetings held in April and May. This was in spite of both the E05 lifting of the ban on new investment last December and determined efforts by SA President F W De Klerk during a visit to the UK to persuade bankers to come up with new money.

Although the Chairmen of the banks on the Technical Committee for restructurin g existing debt - Barclays, National Westminster and Standard Chartered - were among around one dozen bankers who met with De Klerk in April they were at pains to explain that the issue of new money was not even raised. Meanwhile pressure on British banks has continued with Standard Chartered coming under fire to take a stronger line on new lending whilst Nat West has been under pressure in the US for its South African links. South Africa was once again one of the main debating issues at bank Annual General Meetings with if anything an increase in questions from the 1990 meetings.

NEW LOANS

The drying up of new loans since the partial moratorium in 1985 has been widely acknowledged as a major factor in forcing change in South Africa. Concern has therefore been expressed that a premature resumption of loans may seriously disturb the negotiating process. However comments made by bank Chairmen during the Annual General Meetings on the conditions under which banks may consider making new loans strongly suggest that this will only occur when a stable democracy is in place. During AGMs all four High Street banks indicated that they had no intention to change policy and start ne w lending under current circumstances.

National Westminster Bank Chairman Lord Alexander made clear that bank policy was to make no new loans and had not changed since last year. He stated that they ’reoognise the prms has further to go’. When prmsed on how much further, he stated that the bank was watching progress in the US Congress and the IMF. He acknowledged that there were those who were mlling for new investment now to deal with the pressing social needs. The Guardian noted that Lord Alexander refrained from stating whether he had met Mr De Klerk this week. Lord Alexander did in fact meet with Mr De Klerk.

At Barclays, which of course has a long history both of involvement in South Africa and of qumtions being raised at its Annual General Meeting, Sir John Quinton strongly outlined that Barclays did not intend making new loans and it was fairly obvious that South Africa would only become a viable borrower when an internationally acceptable government was in place. The bank therefore clearly had no intention of lending until there was profound and irreversible change. He stated that he had met Mr De Klerk but purely to talk about obtaining repayments of existing debt. When pressed on attitudes to forgiving debt to other indebted countries in sub-Saharan Africa, Quinton stated that he felt Barclays record in offering banking support to black African oduntries in the region was ’second to none’.

Sir Jeremy Morse of Lloyds Bank, which has very little history of involvement in the region, commented that only with regard to South Africa does the bank have a formal position on lending. The position strictly restricts loans to the South African govemment and its agencies Morse made clear that the bank had no plans to lift current restrictions and none of Lloyds Directors had even attended the bank meeting with De Klerk.

Similarly at Midland where Kit McMahon indicated that reStrictions to lending on South Africa had been in place since 1977 and were not about to be lifted now. No Director had met De Klerk on behalf of the bank.

STANDARD CHARTERED: PRESSURE WORKS

The most significant AGM statement on new lending was by Rodney Galpin of Standard Chartered Bank which had been singled out by MM and ELTSA for its response to correspondence earlier in the year. /more

BRITISH BANKS UNDER PRESSURE: (Cont from pl)
When asked for an assurance that the bank would not make a new loan until there was clear evidence of profound and irreversible change the reply had simply stated that the bank thought the process of change was already unstoppable and ".. any decision to increase lending to South Africa in the future will be based on both political and commercial considerations". Pressure on the company mounted in the lead up to the AGM with the bank's main British branches being presented with letters calling for stronger policy. At the AGM Galpin, who along with other shareholders was handed a leaflet and passed through a picket, obliged by stating categorically that no new loans to South Africa are contemplated at the moment.

An ELTSA spokesperson stated after the meeting: "We believe pressure from concerned organisations and shareholders have helped to bring about this stronger commitment. Banks, including merchant banks, now know we can still apply pressure if they are foolish enough to destabilise the negotiating process by engaging in premature loans. With obstacles to negotiations still to be removed and considerable uncertainty over the fairness and democratic nature of the negotiating process, to make any new loans would send destructive signals at the wrong time in efforts to end apartheid."

ELTSA vowed to continue the pressure on banks, especially over their commitment on premature new lending.

Guiness Mahon Chairman Geoffrey Bell also indicated at the bank's recent EGM that they have no intention of putting money into South Africa at the moment. The bank have recently sold existing South African debt.

TRADE RELA TED LENDING

Although there have been some indications of easier access for South Africa to trade-related finance, none of the High Street banks made any reference to easier availability of trade related lending. Campaign groups such as ELTSA have long raised the issue of trade related lending and exposed the role of government guarantees by agencies such as the Export Credit Guarantees Department (ECGD), with some banks indicating specific limits on the time period of lending - for instance credit lines limited to 90 days. The lack of policy changes by the High Street banks strongly suggests that as far as they are concerned these limits remain. .

Lloyds Bank 'prefers' to limit lending to government (ECGD) insured short-term trade related finance facilities for existing customers. National Westminster, which has adopted some restrictions on trade finance but is still under pressure on this issue in the US, indicated that policy on South Africa had not altered since last year. Barclays continues to have links with its former subsidiary First National Bank and is still involved in trade finance for customers. Standard Chartered's links with its former subsidiary are likely to mean it is still heavily involved in finance of trade.

EXISTING DEBT

At the Standard Chartered AGM, Chairman Rodney Galpin indicated that repayment of debt by South Africa was the sole reason for the bank's overall SA exposure to dropping sharply from $945m to $809m, prompting speculation that the bank made use of the first 'exit option' for repayment of frozen debt. This buried suggestions that Standard Chartered had merely sold debt on the secondary market, where the discount is reported to have dropped over recent months, without adding any pressure on South Africa.

Barclays' overall exposure to South Africa in dollar terms increased from $898m to $926m during 1990, although this increase is likely to be explained by the portion of debt which is in sterling appreciating against the dollar.

The fact that Quinton at Barclays stated that he met De Klerk purely to talk about Barclays recovering its existing debt illustrates that access to international capital markets is heavily influenced by the continuing presence of debt which was 'frozen' during the partial moratorium of 1985. This in turn can be further reduced by banks swapping debt for long-term 'exit bonds' or even for South African equity.

FUTURE LOANS i

The AGM season also saw provisional comments by some bank Chairmen on the future. Even when apartheid is abolished Sir Jeremy Morse at Lloyds felt it unlikely that the bank would become heavily involved with the region as its customers tend not to operate there, although he did acknowledge that questioners who had urged an ending of loans to apartheid South Africa may be asking soon for loans to be made once apartheid is abolished. He stressed that decisions would of course be subject to normal commercial criteria for banking activity once restrictions are lifted. Interestingly however he refrained from referring either to the much tighter general situation on international lending following the 'third world debt crisis' or to the competition with Eastern Europe - factors which bankers privately suggest would strictly limit the possibility of new investment and lending to the region. This may indicate that the bank is at least choosing to keep its options open and not ruling out possibilities too quickly. Standard Chartered in particular also noted that the day may not be too far away when they will be being encouraged to lend to South Africa, although Galpin dampened rumours of any likely merger with the bank's former South African subsidiary. Q

UK BANK POLICIESON NEW LOANSTOSOUTHAFRBA

WON WWI:

Barclays Bank Barlng Brothers & Co
Co-operatlve Bank Gulness Mahon & Co
Dunbar Bank Hambros Bank
Glrobank Klelnwon Benson
Lloyds Bank Lazard Brothers & 00
Midland Bank Morgan Grenfell 3. 00
Samuel Montagu & 00 N M Rothschlld & Sons
Nallonal Westminster Bank Rea Brothers
Robert Fleming 8: Co J Henry Schtodet Wagg 3. Co
Royal Bank at Scotland Slnget 8: Frledlander
Standard Chartered Bank 8 G Warburg

Canyoning: Publlcly stated policy not to make new loans under current circumstances.
CahgoryTuo: No such publlcly stated policy.

MAY 1991

ANC CALL FOR BANK PRESSURE

The importance of campaigning specifically on financial sanctions was emphasised recently in an important article on 'Strategies on Sanctions' in the ANC Journal Mayibuye.

The Joumal stated: "...where is the democratic movement to focus its campaign for the maintenance of economic sanctions? Apart fiom monitoring compliance with the oil and arms embargo, that the most efficient and practical means of bringing international pressure to bear on the South A frican econom y today is to focus our campaign on the maintenance and tightening of financial sanctions on loans and credits, while not abandoning other areas."
(our emphasis) .

UK BANK EXPOSURE TO SOUTH AFRICA

Total UK bank lending to South Africa dropped significantly during the second half of 1990 from over $5m to under $4.6m, after increasing in the first half of the year. This suggests that no new money has been committed. The proportion of debt which is long-term has increased significantly, presumably due to the use of Exit Options or other ways of helping the regime by extending existing debt.
Loans to the SA public sector account for some 38% of the total at the end of 1990. See Tables below taken from the Bank of England Quarterly Bulletin Table 15.
Full tables on UK bank lending to South Africa are available from ELTSA. .

Table 1 Total UK Bank Lending to South Africa: Outstanding claims (1) 4- Unused External Commitments (2).

Table II Share of short-term and medium to long-term debt (two years and over) in total c ontractual debt ($m)

Table 111 British Bank Lending to South Africa: by Sector. (by ?.m)

(HLIWMBARGO

SHELL: PRESSURE CONTINUES

South Africa once again was the major issue considered at the Annual General Meeting of Shell on May 16 with four spokespersons questioning company policy on South Africa during a special section which lasted 25 minutes before other questions were brought. One shareholder remarked how the company have had to alter the entire order of the meeting to try and cope with past attendance of anti-apartheid shareholders.

Hugette Mackay from the Amsterdam-based Shipping Research Bureau was given an assurance by Chain'nan Sir Peter Holmes that no Shell company sells oil to South Africa He refused however to agree to co-operate with the United Nations Oil Monitoring Group responsible for enforcing the oil embargo. A representative of the South African Chemical Workers Industrial Union, Mr Hassan Amra stated that the point of irreversibility had not yet arrived and so sanctions were still essential. In response to his question on affirmative action Sir Peter ignored the issue of women in Shell South Africa and stated that 'ftrm targets' were set for black advancement in the company. Mr Dennis Goldberg on behalf of the ANC emphasised Shell's strategic role and urged that the company make future supplies to the police conditional upon the police acting impartially to the satisfaction of the main participants in the peace process. Eliot Kendall, on behalf of the Christian Concern for Southern Africa questioned the company on its export of South African coal and asked for an undertaking that Shell will refrain from making any new foreign investment in South Africa until there is an international consensus that financial sanctions should be lifted as envisaged in the UN Declaration?

After the meeting a spokesperson for anti-apartheid group 'Embargo' stated: "The fact that another debate on South Africa dominated the AGM, which was addressed by a representative of the ANC and a South African trade unionist, has shown that the issue remains firmly on Shell's agenda. In spite of receiving questions in advance of the AGM the Chaiman failed to even attempt to give ethical replies, choosing instead evasive and legalistic platitudes. The pressure will continue until there is profound and irreversible change." .

AVAILABLE FROM ELTSA

(HHJJSANCTHMMS

ARG OS UNDER FIRE

Argos has come under fire from anti-apartheid picketers throughout the country because of its gold jewellery section, Elizabeth Duke, following the surprise pledge by market leaders Ratners last year that they would source all gold products from suppliels using non-South African sources. Argos are refusing to stop selling South African gold.

Ratners' pledge followed intense campaigning by ELTSA and AA Groups over Spring 1990. Bernie Grant MP joined in the action and members of the Methodist Conference held a well publicised picket drawing attention to a motion supporting the boycott of South Africa gold. Ratners is the largest jewellery chain in Britain with over 30% of the jewellery market, whilst Argos is the second largest retailer with over eleven per cent of the market through its Elizabeth Duke chain of counters within Argos stores.

The recent recession is badly hitting jewellery retailers making Argos an especially vulnerable target at the current time. A complete break down in talks in South Africa would almost certainly lead Argos to bow to anti-apartheid pressure. Argos has indicated that it is investigating the possibility of identifying the sources of its gold whilst picketers of Argos have reported consistent support from members of the public many of whom are still becoming aware of South African gold in their jewellery.

South Africa continues to be dependent on gold export earnings as a key part of its efforts to sustain a trade surplus so that it can repay existing debt in the absence of new loans.

The area of a gold sanction, which ELTSA and other groups identified in the late 19805 as a crucial potential pressure point, could therefore take on particular importance if the current momentum for change was to flounder. An ELTSA spokesperson stated "South Africa is very vulnerable to both people's and

government sanctions against gold. Governments in particular
could take immediate action which would force change if this was
felt to be politically nemary to sustain the pressuref' Q
Bibliography on financial sanctions. April 1991 FREE
International Campalgn Agalnst Banking on Apartheid (ICABA) Newsletter lELTSA/wccl No 11 1991 FREE
ELTSA OVERVIEW 0! the South Atrlean economy. May 1991
Research on UK banks and South Afrlca. Produced May 1990 updated May 1991.
UK Banks and South Attica: Consumer Guide May 1990 and updated
m B-Ilts Polcyon Lmto South Alden IELTSA/AAMJ January 1991
anmhmunmm:hnamwm
22.00 each
22.00 each
50 pence
22.50 pence
FREE
ELTSA Newsletter: m tor FOUR copies plus support ELTSA's work $5.00
Standard Chartered Brletlng and documents. May 1991
ELTSA (banks) and Embargo (oil) evidence to the UK Foreign Affairs Committee. Summer 1990
50 pence
92.00 each
Open letter on Shell to wcc Vancouver Assembly IHolland Committee/Kairos/Embargo/AAMI 50 pence
Statement on Shell and South Africa IELTSA/EMBARGO and MW May 1991 50 pence
Shell Shock: the Chutches and the oil embargo: (World Council of Churchesl
The Case for a gold sanction In the flght ngalnst apartheid World Gold Commission!
'BOYCOTT APARTHEID GOLD' T-Shhs Very attractive deslgn lSlze: M, L, XL)
'BOYCOTT APARTHEID GOLD' IIIGS lPost: 70p(1-3) 21.40016) Free(64.)l
IEW BOYCOTT APARTHEID GOLD' CARDS Blank lPost:50p(1-5) 21 (6-10) FIOOUO'I'"
NAME
ADDRESS
22.00 each
22.00 each
OFFER: moo post free
OFFER: 22.00 s post
OFFERSIpepod
i ORDER COST