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THE SWISS ANTI-APARTHEID MOVEMENT AND THE BERNE DECLARATION GROUP.

THE U.S. CHURCH CAMPAIGN AGAINST
BANK LOANS TO SOUTH AFRICA

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INTRODUCTION

Since the mid 1960's, U.S. churches have been actively campaigning against bank lending to South Africa. That campaign has grown considerably during the 1970's as many churches and universities, unions, state and city pension funds, Congressional representatives and many black community organizations have urged an end to financial support of apartheid.

This paper highlights general aspects of the church campaign against South African bank loans as well as focusing on the role of Citibank's recent loan to the South African government and actions being taken against Citibank. It also encloses as appendices an excerpt from a recent report by Congressman Stephen Solarz, excerpts from U.S. church statements on U.S. economic involvement in South Africa, materials from a March 19, 1981 statement by Dr. Leon Sullivan and Dr. William Howard, and a commentary of the Krugerrand, South Africa's gold coin.

A SUMMARY OF THE RATIONALE FOR CHURCH OPPOSITION TO SOUTH AFRICAN LOANS

Before outlining the actions U.S. churches have taken against South African bank loans, let us first list some of the premises and reasoning behind the churches' anti-apartheid efforts.

- * Apartheid is a sin. It is a system based on the denial of justice and equality.
- * Apartheid's days are numbered. We believe that change is inevitable in South Africa. Although historical pressure towards equal rights may be delayed, it will not be denied.

- * The situation in South Africa is not improving. The alterations in petty apartheid which are widely publicized by the South African government as real change are merely cosmetic. They represent no fundamental or meaningful change towards justice and equality.
- * US banks and corporations which publicize these changes as substantial improvements in the living conditions of South Africa's black population assist South Africa's international propaganda efforts.
- * The South African government has not implemented these minor changes because it believes in a policy of progressive dismantling of apartheid, far from it. These changes have been instituted in an attempt to quell the increasingly militant dissatisfaction among the black population, to appease more liberal sectors within the white population, and to encourage foreign investment by emphasizing improvements in the situation.
- * Foreign investment in South Africa cushions the government from facing the need for real change. The longer the injustice of the system continues, the greater the potential for violence becomes.

US Churches view this potential for violence with great concern. When South Africa explodes, it will have immense international repercussions. The black population is becoming increasingly militant. Last year the SASOL plant, being built with the assistance of a US corporation, Fluor, was the target of sabotage, causing tens of millions of dollars worth of damage. Trade union actions are becoming more visible, and community groups and political parties are achieving positive results in organizing the black population.

- * According to Business Week, the South African government is calling on strategic US firms to organize armed white militia on factory sites for rapid mobilization in the event of unrest. Business International, in a recent report on South Africa, described the situation in the 1980's as one of "violent equilibrium."

- * The South African authorities, reacting to pressures for change, are rapidly increasing their military budget.
- * Despite the determination of the black population, Prime Minister Botha has repeated that there will never be one person-one vote in South Africa.

These are some of the premises that motivate U.S. church research and action on bank loans and corporate investments in South Africa.

U.S. BANK EXPOSURE IN SOUTH AFRICA

There is widespread consensus among the member churches of the NCC, as well as numerous Roman Catholic groups that bank loans to the apartheid regime in South Africa serve as an important prop in supporting that system. Since 1976 the U.S. has been South Africa's largest trading partner and in 1979, the US. Department of Commerce registered some \$3.1 billion in trade between the two countries (excluding diamonds). Bank loans and credits obviously play a role in financing this trade. Current exposure in bank loans as reported by the Federal Reserve Country Exposure Lending Survey in its June 1980 report stands at \$1,368 billion. This compares with a June 1978 figure of \$2,248 billion, a reduction of over 1 billion dollars. A comparative breakdown of these figures is also worth looking at. In 1978 and 1980, bank loans to private banks, public institutions and other private bodies broke down into

	<u>1978</u>	<u>1980</u>
private banks	\$539.1 million	\$574.9 million
public borrowers	795.0 million	350.3 million
others, private	914.9 million	442.7 million

There is little doubt that the pressure of churches and many other U.S. groups has played an important part in making banks more wary of lending to the South African government and its agencies.

THE NCC AND SOUTH AFRICAN BANK LOANS

In November 1977 the Governing Board of the National Council of Churches of Christ in the USA adopted a policy statement by a 129 - 0 vote on South Africa. The statement, recognizing that "the people of God, transcending race and the boundaries of nations are called by their Lord to participate in the struggle against all forms of racism and every political, cultural and economic structure in which it is expressed." In assessing the United States' relationship to Southern Africa, the Council asserted two basic points which are of particular relevance to us here today: "The U.S.-based companies have claimed that their presence in South ^{an} Africa contributes to stability and meaningful social change. However, during the decades of expanding U.S. investments, political repression of the African majority has increased. The gap between white wealth and black poverty has widened. United States companies have generally followed the racist laws and customs in Southern Africa. In addition, they have supplied strategic equipment, technology and financial resources which strengthen the white minorities in South Africa."

"United States-based banks have loaned more than two billion dollars to South Africa. Loans are made directly to the South African government or its agencies. These loans act as an economic vote of confidence in the white minority government and aid in increasing its military strength. "

This strongly worded statement sought to go straight to the heart of the problem of financial support for the racist government of South Africa by not only affirming the Council's positions against racism and white minority rule, but by also calling for actions to end that support. The statement agreed "to support efforts to end all economic collaboration between South Africa and the U.S. government and its private institutions involved in banking, commerce or industry until black majority rule is a reality." It also committed "to withdraw all funds and close all accounts in financial institutions which have investments in SA or make loans to the SA government or business and urge

constituent membership to adopt this policy."

This policy statement represented an affirmation of the ongoing work of the NCC, which had consistently stood in opposition to the apartheid policies of the South African government. The Governing Board of the NCC represents some 30 million church-goers through its affiliated denominations, and it has urged consistent support for persons, churches or other organizations directly in the struggle for liberation and racial justice. While we are aware that this call for the withdrawal of funds from banks lending to South Africa is difficult to implement, given the diversity of financial set-ups of our member denominations, during the last three years there have been numerous withdrawals of Church accounts and divestment of securities. These withdrawals, representing tens of millions of dollars, have been an important form of pressure on banks to modify their lending practices. By now church policies requiring severance of relations with banks lending to South Africa governs the church investments of billions of dollars.

CHURCH ACTIONS AGAINST BANK LOANS

Churches in the United States have been involved in a number of different actions against bank loans in South Africa. Much of this work is coordinated by the New York-based Interfaith Center on Corporate Responsibility, which is related to the NCC. ICCR has an umbrella role in bringing together the concerted actions of different churches.

The ICCR groups together some 180 Catholic orders and 17 major Protestant denominations. For ten years it has worked on a wide variety of corporate responsibility issues, of which the question of corporate investment in South Africa has been a primary focus. Members of ICCR are stockholders in a wide number of banks and corporations and as part-owners in these companies, and responsibility feel they have a right to participate in the policy making of the company. One of the primary means that ICCR members raise their concerns with banks and companies is through the filing of stockholder resolutions for consideration and vote at the Annual Meetings.

total of eight banks have received resolutions on their South Africa business this year. The value of these shares represented by Church owners in these banks is over \$3 1/3 million. These resolutions fall into different categories, but resolutions presented to four banks, Crocker National, Merrill Lynch, Security Pacific and Wells Fargo, call on their Boards of Directors to establish as corporate policy that their respective corporations should not make any new loans or renew any old loans to the government of the Republic of South Africa, or to any of its agencies or instrumentalities unless or until the system of racist laws has been revoked and meaningful steps have been taken in the direction of majority rule, including full political, economic and social rights for the black population.

Other resolutions have been filed with the Bank of America, to provide a report on the Bank's involvement in providing loans to the South African government and its state-owned corporations. Citicorp and Continental Illinois have received resolutions requesting their Boards of Directors to establish a South African Review Committee. Finally, the Republic New York Corporation received a resolution calling on its Board of Directors to establish as corporate policy the termination of promotion sales and distribution of Krugerrands and to end its relationship with the South African Chamber of Mines until apartheid ends. Doyle Dane, a major advertising company for the Krugerrand, has received a similar resolution.

While shareholder resolutions presented by the Churches have never received a majority vote and as such do not become bank policy, they represent one important form of public pressure on the banks. Obviously, pressure has come from a wide variety of sources - from trade unions, universities, institutional investors, the black community and individual clients.

The role of the Churches has been central in this campaign. While a few banks have adopted total prohibitions on all categories of lending to South Africa, many of the largest international lenders in the U.S. now prohibit all lending to the

South African government and its agencies. As of early 1981 these banks include Chase Manhattan, Chemical Bank, Security Pacific, Mellon Bank, Pittsburgh National Bank, First National Boston Bank, Maryland National Bank, Irving Trust, Bankers Trust, American Express International Bank. Other banks have not adopted specific policies but indicate that they are refusing to make loans to the government. Others, like Chemical, refuse all loans, except carefully reviewed trade-related loans. Finally, banks such as Citibank, Bank of America, and Morgan Guaranty have specific policies allowing a variety of loans to South Africa and continue to participate in multi-million dollar loans.

Besides the Church's role in presenting stockholder resolutions, Churches have been active in lobbying banks to change their lending practices in a variety of ways. Church representatives have met with bank officials to discuss their concerns, written letters to them, organized press conferences, demonstrations, and public meetings. Obviously, one of the most effective strategies has been the withdrawal of accounts or sale of debt instruments as a means of impacting the bottom line.

On March 19, 1981 Dr. Leon Sullivan and Dr. William Howard held a press conference to jointly oppose U.S. bank lending to South Africa, and to announce specific steps that they would be taking to expand the campaign against such loans. This statement is an important escalation of U.S. bank campaign efforts, calling as it does for the withdrawal of accounts and severance of other relations with banks lending to South Africa. That joint statement, introductory remarks and a chart of church actions against Citibank are enclosed as an appendix.

CITIBANK AND SOUTH AFRICA

One of the major banks challenged by churches is Citibank, the main American lender to the South African government. An appendix listing the Protestant denominations and Roman Catholic orders which have announced actions against Citibank to this date is included. We fully expect a real growth in withdrawal of accounts and a refusal to buy certain Citibank securities because of their South African policy.

At the 1980 Annual Meeting of Citicorp, Sister Regina Murphy of the Sisters of Charity of New York proposed a shareholder resolution calling on the bank "to terminate all present operations in South Africa until the system of racist laws and regulations has been revoked and meaning ful steps taken in the direction of majority rule." Her speech makes clear many of the major objections to Citibank's particular role in supporting apartheid. Sister Regina stated:

"Citibank is the only U.S. bank which has actual operating branches in South Africa. As such it is required by South African law to invest a certain percentage of assets in South African government bonds, thereby providing funds to the government of South Africa to administer apartheid - to enforce

repression; to assist in building the military might of the state; to develop nuclear weapons capability, if they so wish.

The Sisters of Charity are not alone in calling for the withdrawal of strategic corporations from South Africa. Groups as diverse as the NAACP and the AFL-CIO as well as many local and national churches, including the National Council of Churches, have supported this call. A report entitled U.S. Corporate Interest in Africa and submitted to the Committee on Foreign Relations of the U.S.

Senate in December 1978 concluded:

There is no question that it (U.S. economic interests) has been pivotal in directly assisting the South African government during its worst economic difficulties in the past and...could do so in the future. International credit provided the margin of funds needed by South Africa in the 1974-76 period to finance its military build up, its stockpiling of oil and its major infrastructure projects in strategic economic sectors such as transportation, communications, energy and steel production, all of which are related to security needsThe net effect of American investment has been to strengthen the economic and military self-sufficiency of South Africa's apartheid regime, undermining the fundamental goals and objectives of U.S. foreign policy.

Our bank claims that they have neither the legal nor the moral right to make a political decision. But their continuing presence in South Africa is a political decision."

In October 1980, Citibank participated in a \$250 million seven-year syndicated loan to the South African government. This Eurocredit was led by the Dresdner Bank and co-managed by Barclay's in the United Kingdom, Union Banque de Suisse and Citibank. In November, 1980, Father Daniel Driscoll of the Maryknoll Fathers presented testimony to the UN Special Political Committee. Father Driscoll outlined the churches' concern over this new loan to South Africa and underlined the role which Citibank has played in South Africa:

" Some analysis of the vital role of Citibank is illustrative of the important role of international banks. Citibank has been one of the major lenders to South Africa. Between 1972-1978, Citibank participated in 27 loans totalling \$1.6 billion, carrying exposure of over \$400 million. Citibank has also played an important role loaning to South Africa at times of political instability and social unrest. Both in 1960, after the Sharpeville massacre and in 1976 after the Soweto uprising, Citibank made loans to South Africa, thus helping to restore confidence in the stability of the South African regime.

Citibank Local Operations and Loans: South African law requires that banks operating there place 15% of public assets in government bonds. Citibank South Africa complied, but in response to inquiries, its officials report that they have not purchased defense bonds. However it is important to note that Citibank is required under South African law to provide capital to the Government through the purchase of bonds. Examples of Citibank loans to South Africa include a 1974 \$100 million loan to ISCOR (South African Iron and Steel Corp.), a \$50 million loan to ISCOR in 1975, as well as \$30 million to ESCOM (South African Electricity) and \$10 million to the Industrial Development Corporation, all South African Government agencies. In 1976, \$200 million was loaned to ESCOM, \$80 million to ISCOR, \$20 million to the South African Broadcasting Corporation, and \$110 million directly to the South African Government. \$30 million was also loaned to a South African mining company, Johannesburg Consolidated Investment.

This new \$250 million loan shows that Citibank has reneged on an earlier pledge not to lend to the government. This loan, which is the first in 3 1/2 years to be made directly to the South African government by a U.S. bank, undercuts Citibank's claim that its role is fundamentally non-political."

Citibank was not successful in enticing other U.S. banks to participate in this new loan, and thus took a full \$50 million share of the \$250 million loan. Later they indicated one other U.S. bank bought part of their share. In response to church inquiries, the following banks indicated they had not participated in the loan:

- 1) Chase Manhattan - the bank's lending policy forbids loans to the South African government
- 2) Chemical New York Corporation - the bank does not lend to the South African government or its agencies as a matter of policy.
- 3) Manufacturers Hanover Corporation - the bank has said that it will not participate in this loan.
- 4) First National Bank of Boston - the bank announced at the 1979 annual meeting of stockholders that it will not loan to the South African government or its instrumentalities or agencies.
- 5) Morgan Guaranty - Although the bank has no policy against loaning to the South African government it has refused to participate in this loan because it considers the uses of the loan to be too broad.
- 6) Bank of America declined to participate in this loan.

The reasons for Church opposition to this new loan were clearly put by William P. Thompson, Stated Clerk of the United Presbyterian Church to Citibank in a letter of December 2, 1980. He stated:

"The South African racial situation has not improved since Citicorp put a moratorium on some parts of its South African lending in 1978. At that time Citicorp stated that it "deplores apartheid," although its record showed it to be the major United States source of loans for South Africa's apartheid government. During this past year, there has been a high level of civil unrest in South Africa, with government troops and police firing on black civilians, and the banning and imprisoning of many of the leaders of industrial strikes and of the widespread school boycott. Forced removals of tens thousands of blacks continue, as they are denied citizenship in "white" South Africa and dumped in remote bantustans and harsh resettlement camps. Neither have United States companies in South Africa escaped the continuing waves of discontent and frustration, which have led to major strikes at Ford and Goodyear plants. Despite general promises by the new premier of South Africa, P.W. Botha, social, political and economic conditions for the majority population have changed little since the Soweto riots of 1976 and the death of Steven Biko.

Our bank's claim that this loan will be used for black housing projects, hospitals and schools is misleading. Certainly, there is a desperate need for more of such facilities for the four-fifths of South Africa's population which is not white, but it should be understood that funds provided from overseas for these purposes allow that government's own funds to be used to strengthen its military and police forces. Such monies are clearly fungible and add to the aggregate strength of the present government of South Africa. Citicorp's ostensibly laudable projects mock the aspirations of the black population for a fair and equitable political and economic process, and cast Citicorp in the role of social worker in the apartheid prison.

Despite claims by Citicorp representatives and others, this loan serves an essentially political purpose, providing a litmus test for South Africa's international credibility, rather than additional support for its gold-fuelled economy. South Africa's finance minister, Owen Horwood, conceded as much in New York City on September 25th, when he noted that, "strictly speaking, we didn't have to raise a loan of this kind" (Wall Street Journal, September 26, 1980). In its answer to shareholder resolutions from the United Presbyterian and other churches in 1977 and 1979, Citicorp maintained that it "refrained from participation in political activities in any country." In Mr. Horwood's words, however, this loan is a "test of its creditworthiness" for South Africa, which has apparently been given a passing grade by our bank. In our view, this loan is not only unnecessary, but an immoral gesture of support for the world's most clearly racist regime.

We have looked at the past thirty years of South African history, during which United States and European interests have invested heavily in the South African economy. At the same time, while many companies have argued that their involvement is a force for positive change there, the South African white minority government has strengthened its rule and systematically continued the exploitation of its black citizens. This has led to a society marked by increasing alienation and violence, for which the overseas investors are in part responsible. An alternative to this course of events is presented by the growing number of calls from the churches and other groups in South Africa for the United States to exert economic pressure as a step toward peaceful change.

Citicorp's withdrawal from the international consortium extending credit would signal to its foreign partners that investment in South African apartheid carries with it too large a responsibility for future events in that country. No other United States bank has been willing to assume such responsibility since the major uprisings of 1976. We continue to hope for peaceful change in South Africa; Citicorp's policy seems designed to ensure more of the same potential for massive violence."

Churches are participating in a number of actions against Citibank: we can expect to see more withdrawals of Church money from Citibank. These withdrawals will amount to millions of dollars, a fact which will undermine the profits from South African lending. Some Church representatives are also participating in monitoring Citicorp's investments in South Africa through a "Shadow Board," set up in 1980 under the auspices of the Washington, DC - based Big Business Day.

In a recent report, Congressional Representative Stephen Solarz also stated his opposition to bank loans to South Africa, including the loans to "black projects." An excerpt of his report is an appendix.

CITIBANK'S NEW LOAN TO SOUTH AFRICA

In the fall of 1980, Citibank, Barclay's, Union Banque de Suisse and Dresdner Bank coordinated a loan of \$250 million to the South African Government, ostensibly for black projects in housing, education and health.

The new argument used by banks to justify lending to South Africa is that such loans are for services for black people. Yet Senator Owen Horwood, Minister of Finance, stated very clearly that financing services for blacks was not of primary importance to the South African government when it negotiated this new loan. When the \$250 million loan was sought in September, 1980, Senator Horwood said: "We do have a lot of liquidity. Strictly speaking, we did not have to raise a loan of this kind. Any self-respecting country likes, from time to time, to have its name appear on the world capital markets. This is a test of creditworthiness." (Wall Street Journal, Sept. 26, 1980) He could have also have added the need to test ^{the} political credibility of South Africa. The need to test creditworthiness is linked to the seemingly unobjectionable financing of social service projects, something which South Africa uses to build a positive public relations image internationally. And once again, it is the blacks of South Africa who pay for this "friendly alliance."

In 1980, Citibank circulated a prospectus to encourage other U.S. banks to participate in this new loan. In this prospectus, which has many sections which could have been written by the South African government, seven projects that would be funded are listed. A careful look at these projects and the amounts set aside for them demonstrates that each is part and parcel of the apartheid system, and that it is black South Africans who will bear the burden of repaying the loans. For example, wherever money is earmarked for housing, the blacks have to buy or rent the houses, and the income from sales and rentals totals the amount borrowed. South Africa gets the propaganda benefit of claiming to help improve the conditions of blacks, while it is the blacks themselves who repay the loans.

An analysis of some of the individual projects listed in the prospectus follows.

EDUCATION

The most important fact about education in South Africa is that the government spends \$800 a year for each white child and \$100 for each black child. Furthermore, each black child pays to the government a monthly "school fee" that averages fifty cents, for an inferior education based on a curriculum determined not by blacks but by the apartheid government. Further, whites earn on average about 20 times more than blacks, and blacks pay proportionally higher taxes. Some of this tax money is supposed to go to black education, but clearly not enough is spent in this way. The loans for education will help the government carry out its diversion of black taxes from services for blacks to the armaments industry, SASOL, and other pet projects of apartheid.

Among the education projects, one is a new schools construction program at Secunda, the township which houses the workers at SASOL. The SASOL plant converts coal into oil, and is of major strategic importance to South Africa. The conversion of coal, which South Africa has in abundance, to oil which it lacks completely, lessens South Africa's independence on imported oil, making it less vulnerable to a threatened international oil embargo. Supplying services to Secunda is directly facilitating the apartheid government's drive for self-sufficiency. Loans in that area are hardly as innocent as Citibank implies.

HOUSING

The prospectus states that "Improved housing for Black and Coloured communities is identified as a particular component of the Government's plans to increase the standard of living in South Africa." The prospectus does not criticize this presupposition and goes on to say that suitable land must be obtained and an infrastructure developed as well as houses constructed. Specifically, funds will go to Mitchell's Plain and New Cross Roads. What the Citibank prospectus fails to explain is why these new developments are necessary, what conditions brought them into being, and what purpose they serve.

Mitchell's Plain: Mitchell's Plain is a five-year-old development for Coloured people. It is located on sand dunes at the remote end of a windswept area known as the Cape Flats. For generations, the Coloureds of Cape Town inhabited an area known as District Six. District Six was in the center of Cape Town, near all the facilities the city had to offer. It was too close to the heart of the city for the comfort of the white city fathers, and was proclaimed white under the Group Areas Act in 1966. In spite of a long effort to save the district, it has now become an area for whites. There is a housing shortage for Coloureds because the South African government has destroyed their traditional home, forcing them to move to an area 17 km from the city.

This is Mitchell's Plain, where facilities for 250,000 people will be built. The loan will provide R100 million, and people will be able to buy houses for between R9,000 and R16,000 each. A total of 11,500 houses are in the plan. If they sell at an average of R12,000, the profit from the sale will total R138 million. Thus it is not the South African government, but the Coloured people of Cape Town who will pay back the loan.

Mitchell's Plain is a show piece development. Compared to affluent white standards, it is hardly lower middle class, but compared to facilities for other blacks, it is high living. The government is using this and other projects to attempt to sow disunity between blacks, dividing them into Coloureds and Africans. The argument goes that if the Coloureds are comfortable enough, they will not care about what happens to the African majority. It is highly unlikely that this plan will succeed, and it is highly questionable that foreign banks should be willing to finance it. Again, the Coloured community was not consulted in the creation of this housing scheme.

New Crossroads: This community's origins are also deeply rooted in the apartheid system of South Africa. Laborers and their families, unable to make a living in

the barren rural reserves of the Transkei and Ciskei came to Cape Town seeking work and created the squatter town of Crossroads. The government decided in 1978 that Crossroads had to be destroyed. When people refused to leave voluntarily, the government knocked down their houses with bulldozers. Still, the community held together, and the government was finally forced to plan a settlement nearby, New Crossroads.

Citibank describes the 25,000 working people living in the shanty town of Crossroads as laborers and unskilled workers. It fails to mention that they are migratory workers and their families, and women and children come to join husbands and fathers who came earlier and who have been living in "bachelor quarters" without their families.

2,700 houses are planned for the new community. They will rent for R17 to R45 per month. If one figures an average rent of R30, then the yearly rental income per house is R360, and the yearly rental for the entire project is R872,000. R25 million is designated in the loan prospectus for New Crossroads. If the loan is for 30 years, the income from rents at today's rates would be R26,160,000. Again, the loan will be repaid by the people of New Crossroads.

Further, only 2,700 houses are being built for a community of 25,000. Thus the government is "improving the standard of living" of blacks by forcing them to live in terribly overcrowded conditions, almost ten to a house. Or, wives and children will once again be "endorsed out" to the bantustans, and the banks will have financed one more project which destroys the family life of black South Africans.

In short, Citibank's own prospectus indicated all too clearly that what the bank portrays as a humanitarian loan assisting in black education, housing, and health is in fact a government-dominated series of projects which help serve the goals of apartheid in South Africa.

In an attempt to expand pressure on U.S. banks and businesses involved in South Africa, a number of organizations have joined together in a Campaign Against Investments in South Africa. The American Friends Service Committee, the American Committee on Africa, the Interfaith Center on Corporate Responsibility, TransAfrica, the Washington Office on Africa, and Clergy and Laity Concerned have joined to support legislation aimed at limiting U.S. investment in South Africa. The campaign raises issues of social responsibility in the investment of public funds. Public employee pension funds amount to billions of dollars (\$178.9 billion in 1979) and the social and economic implications of investing those funds are considerable.

Legislation has been successfully passed in a number of states and cities aimed at limiting or prohibiting the investment of public monies in corporations and banks which operate in South Africa. Let us briefly list some examples of the measures adopted in some of these states and cities, as well as including an appendix on the subject.

In 1980, Senate Bill 1316 was passed by the Massachusetts State Senate. This bill stated, "After January 1, 1981, no funds shall be invested in any financial institution which makes loans to the government of the Republic of South Africa or its instrumentalities and no assets shall remain invested in the stocks, securities or other obligations of any company which either has 500 or more employees in the Republic of South Africa or has investments of ten million dollars or more in the RSA or has contractual or subcontractual relationships with the RSA or its instrumentalities." This bill required the selling of \$90 million previously invested through the teachers and public employees pension fund.

In March, 1980, the Nebraska State Legislature passed legislative resolution 43, which called on the Nebraska Investment Council to review the list of corporations and banks which invest in South Africa and remove them from the approved list for investment of Nebraska Trust Funds. There are approximately \$22,560,000 worth of state funds invested in U.S. corporations which operate in South Africa.

The city of Berkeley, California held a referendum in April 1979, which overwhelmingly approved the removal of public monies (with the exception of pension, deferred compensation and other employee benefit funds) from banks and other financial institutions doing business in South Africa. Approximately \$4.5 million was involved. The following year a Berkeley Citizens' Committee on Responsible Investment which had been created to carry out the referendum mandate, submitted its 45-page report. Details of how to divest from banks which loan to South Africa and alternative investment plans which include the creation of jobs, improvement of housing and enhancement of business opportunities were included in the report.

In 1978, the State of Michigan passed a resolution condemning South Africa and urging the U.S. Congress and the President to impose sanctions against the South African government. In 1980 three bills concerning South Africa came before the legislature. Of the three, the only one to become law in that year was House Bill 5446, sponsored by Representative Virgil Smith of Detroit and co-sponsored by Perry Bullard of Ann Arbor. The bill prohibits the deposit of state funds in banks that make loans to South Africa, to national corporations of South Africa, giving the banks until 1982 to conform to this requirement.

Different forms of legislation related to South African divestment have been tabled in some dozen states and ten cities. It is clear that the question of the responsible investment of public funds is growing across the United States.

APPENDIX I

THE POSITIONS OF U.S. CHURCHES ON BANK LOANS AND INVESTMENT IN SOUTH AFRICA

Numerous U.S. churches have issued statements against apartheid, opposing bank loans and calling for economic pressures against South Africa. The following are illustrative excerpts from the positions of some of the major U.S. Protestant denominations.

1. The American Baptist Church National Ministries - The Church monitors all corporations in their investment fund. They question foreign investments which have the effect of contributing to the economic support of governments whose policies seriously inhibit political and economic support rights. The ABC's position calls for corporations to cease further investments in South Africa and to terminate present operations as expeditiously as possible until South Africa changes its policies and takes meaningful steps to assure full political, legal and social rights for the majority population. ABC has actively sponsored shareholder resolutions on South Africa.

2. United Presbyterian Church, USA - In a Declaration of Conscience on South Africa and Namibia, which will be presented for a vote to the 193rd General Assembly (1981), the church reaffirms its commitment to "US economic and diplomatic policies regarding South Africa that are consistent with the moral condemnation of apartheid which has been voiced, encourage voluntary change by the white leadership of South Africa and support the independence of Namibia."

Also, to "Economic policies that deprive South Africa of both the tangible and symbolic support derived by the investment and loan practices of the U.S. government and corporations."

The declaration recognizes that economic support of and investment in South Africa contributes to the maintenance of systematic violence by the present government. It A) calls upon the Committee on Mission Responsibility Through Investment to continue to pursue all strategies, negotiations and stockholder actions that urge business or financial institutions to discontinue operations, investments and loans in South Africa, B) commends those banks and corporations that have examined their involvement and its social consequences, and have withdrawn from South Africa or refrained from further activity, C) directs all General Assembly agencies, insofar as practicable, to deposit funds and maintain accounts in financial institutions that have established policies that preclude future loans to the government of South Africa or any of its agencies, D) the intensified application of the investment policy guidelines (in cooperation with other denominations) in support of black South African criticism of US transnational enterprises, E) urges all judicatories to observe the investment policy guidelines and to cooperate with MRTI in strategies aimed at influencing the investment patterns in South Africa.

3. The American Friends Service Committee - In 1978 the American Friends Service Committee announced that it would sell over 45,000 shares of stock worth \$1.3 million in US firms operating in South Africa. This announcement represented part of an ongoing commitment of the AFSC not to invest in firms profiting from apartheid.

4. The United Methodist Church - In 1980 the General Conference of the United Methodist Church approved a statement of investment policy which included the following declaration on South Africa: "Specific reference must be made to the abhorrent system of apartheid as it exists and as it is practiced in the Republic of South Africa. Investments of any unit of the United Methodist Church must be carefully examined with respect to the possible

involvement in any business entity whose operations are supportive of apartheid. Agencies of the UMC should not do business with not invest in banks which have banking operations in or make loans to the Republic of South Africa, not should they do business with or invest in banks which make loans to the parastatal (government-owned) corporations of the RSA."

5. Reformed Church in America - At the 1980 meeting of its General Synod, the RCA adopted the following resolutions: (on investments in South Africa), "United States-based corporations which do business in South Africa have been unable to alter the apartheid system, which is the base for the injustices with which the majority of South African people must live. Indeed, the presence of those businesses in South Africa strengthens the apartheid system, postpones liberation and identifies the United States with the white minority. The benefit to the majority of the people is minimal, while all the people suffer under the system those businesses sustain....(This) task force believes that the Reformed Church in America should encourage those businesses in which it holds investments to end their participation in the economy of South Africa. If those businesses in which we participate refuse to end their activities in South Africa, the Reformed Church in America, as an act of conscience and witness, should withdraw its investments....In order to implement the recommendation, it is suggested that specific steps be taken to enable the corporations involved to act....to direct denominational agencies to strive to make sure that their money market investments be in banks and brokerages which do not grant or renew loans to the Republic of South Africa or semi-governmental corporations."

(On government policies and liberation) "The government of the United States has taken a number of policy positions intended to put pressure on the South African government to end apartheid. A church concerned about justice can and should support and encourage such policies....To endorse such United States policies as the arms embargo, the prohibition of sales of any kind to the South African military or police, the refusal to recognize the 'homelands' as independent nations, the prohibition of direct loans through the Export-Import Bank to American exporters doing business with South Africa, etc., and to encourage speedy prosecution of those who violate those policies.

6. The United Church of Christ - The following resolution was passed by the eleventh General Synod of the UCC in July 1977: "The practice of apartheid oppresses our brothers and sisters in South Africa. As a people of God, we affirm our oneness in Christ. Historically we share a partnership with them; now we seek to stand with them in their struggle to achieve basic human rights and freedom. Guided by the concerns of previous General Synods, prompted by the intransigence of the South African government, and aware of the inability of transnational corporations to affect movement toward majority rule: We now believe that withdrawal of business and investments from South Africa is a central expression of the Gospel witness. Therefore, we urge individuals, congregations, conferences and instrumentalities of the United Church of Christ to exert moral pressure on:

- 1) United States transnational corporations and businesses to withdraw from South Africa;
- 2) United States banks and financial institutions to refrain from further investments in and loans to South Africa;
- 3) The President, Congress, and our United Nations representatives to use diplomatic and economic influence to end apartheid practices.

We recognize the difficulties in implementation of withdrawal and call upon our boards and instrumentalities to work closely with transnational corporations in all ways that will help bring an end to the injustices of apartheid and transition to majority rule.

7. The Lutheran Church in America - In 1980 the convention of the Lutheran Church in America considered 18 memoranda addressing the church's position regarding apartheid in South Africa. The convention voted to direct the Division for Mission in North America "to develop policy which designs criteria on the basis of which the option of divestment would be used, including the criteria for determining when total divestment from a given situation (such as South Africa) would be the most effective strategy; and to report this policy to the Executive Council by December 1980."

8. The Episcopal Church - The Episcopal Church General Convention and the Executive Council have passed a series of resolutions concerning investments in South Africa. The following reflects many of these resolutions:

RESOLVED; the House of Bishops concurring, that this General Convention:

1. Call upon the government of the United States of America to continue and increase its efforts to persuade the government of the Republic of South Africa to purge itself of its racist laws and practices and to work for a free and democratic society;

2. Urge United States banks and other businesses (a) to cease selling goods and services to the government of the Republic of South Africa, (b) not to increase their investments or expand in South Africa under present circumstances; and (c) to consider carefully both the possible good and the possible harm which their continued presence in South Africa results in, and urge such banks and other businesses to make an honest and careful evaluation of their participation in the economic and social life of that nation and, if after such evaluation, their conclusion is that their presence in South Africa does not, on balance, assist or cannot be made to assist, in the struggle for human dignity and freedom that such banks and businesses be urged to withdraw from South Africa; and

RESOLVED, that the Executive Council direct the Executive and Finance Committee to consult with the banks in which the said Council has deposits or investments, and which are members of the consortium extending credit to the government of South Africa; and that, unless the said Executive and Finance Committee concludes that the involvement of the said banks is positive in respect of helping to promote the activities listed in Section (c) of Resolution I, the Treasurer be directed to terminate the Council's involvement with such banks within a reasonable period of time.

RESOLVED, that the Executive Council shall report its action on the above resolutions to the dioceses and parishes and request them to examine their own investments and to take appropriate action along similar lines. To accomplish this the Council shall send the resolutions to the dioceses along with appropriate background materials and request the dioceses to draw these actions and materials to the attention of the parishes and other groups in their jurisdictions in the implementation of the 1967 General Convention's "Resolution on Apartheid."

9. The American Lutheran Church - In November 1980 the ALC Convention voted to "divest from corporations doing business in South Africa as the most legitimate strategy in opposing apartheid" in South Africa. The convention provided that divestment would take place "in a prudent manner that is consistent with legal requirements and (that) does not place undue risk upon the ALC investment portfolio." The same resolution urges the U.S. government to implement economic sanctions South Africa and to develop new ways for the ALC to "effectively support the non-white population in Southern Africa in its struggle for justice and reconciliation." The ALC reaffirms its past positions calling for:

- a) an end to future bank loans to the Republic of South Africa
- b) an end to any sales to the South African police and military

- c) a moratorium on any significant expansion efforts by U.S. corporations
- d) the ALC supports the call for withdrawal of investment by U.S. corporations if in the judgment of the Board of Trustees that investment on balance strengthens the apartheid system.

APPENDIX II

U.S. BUSINESS—BANK LOANS

American banks have played a special role in fueling South Africa's economic growth. At critical periods, when South Africa has been short of foreign exchange and capital to maintain its economic growth and to underwrite new development projects in the public sector, American banks have provided large loans to the Government. Although South Africa's economy is extremely buoyant today because of gold earnings, American banks have in the past loaned South African public and private enterprises over \$2.2 billion. These loans to the private and public sectors have not gone unnoticed by South African blacks, and they are highly resented. They are also offensive to many Americans, who regard these transactions as propping up South Africa's system of racial discrimination.

A number of American banks have voluntarily suspended making loans to the South African Government and its parastatals. Some have not. In the past 2 years, several major American banks have made loans to South African Government agencies to finance new housing and hospital facilities for blacks. Since these loans will improve the social lot of Africans, these banks have reasoned that their loans are both politically and morally sound. This is a shortsighted policy which plays into the hands of South African officials who continue to seek political respectability and economic creditworthiness through international loans from major Western banks. As long as American banks finance major housing and hospital projects which are established exclusively for blacks and are confined to black areas, they only perpetuate rather than ameliorate South Africa's oppressive system of apartheid. Moreover, most blacks with whom we spoke said they would prefer to see the U.S. Government ban all loans—even those benefiting blacks in black areas—until South Africa changes its overall policy of apartheid. To support additional loans to South Africa to construct segregated housing and health facilities only entrenches apartheid.

Legislation should be developed to prevent all further bank loans by American financial institutions to the South African Government and its state-run and state-owned companies. The passage of such legislation would have the effect of demonstrating that the United States will no longer let American banks directly contribute to a national government which on a daily basis violates the fundamental human rights of a majority of its citizens.

Although such a move will be strongly criticized by the American banking and business community, it is imperative that the United States begin to use what leverage it has at its disposal to demonstrate to South Africa's black population that we in the United States recognize and sympathize with their plight and to demonstrate to the current South African Government that we will no longer allow American institutions to directly strengthen it or its state-run companies.

Excerpt from South Africa: Change and Confrontation, a report of a Study Mission to South Africa, U.S. House of Representatives, Rep. S. Solarz

BY DR. LEON SULLIVAN AND DR. WILLIAM HOWARD

As Christians who work for religious institutions deeply committed to the struggle for social change and majority rule in South Africa, we join our voices in a call for an end to "lending as usual" by U.S. banks in South Africa.

Despite the intensity of repression in South Africa and the racial oppression inherent in apartheid, our present government states that it plans to build a close and friendly relationship with South Africa. There has been virtually no emphasis on human rights as new policies toward South Africa develop. It seems access to South African minerals and that country's strategic location are more important to our government's policy makers than the oppression that grips the lives of Black South Africans.

If U.S. banks perceive that our government has abandoned its past emphasis on human rights and opposition to apartheid, they may be tempted to respond to the South African government's request for loans with a flood of new lending. Last fall Citibank participated in a loan of \$250 million to the South African government. This loan may be the forerunner of a new wave of U.S. bank loans.

Our message to U.S. banks is unmistakably clear: to U.S. banks considering a return to a "lending as usual" relationship with South Africa, we pledge our united efforts to vigorously oppose such loans. Lending to South Africa, to the government or its agencies and other loans that support apartheid, will be met with a massive withdrawal of deposits, accounts and the divestiture of securities. We will urge the U.S. public, including our colleagues in the nation's churches, to hold the banks lending to South Africa accountable.

The Black population of South Africa has shown its determination to be free, to have equal rights in all aspects of their country's life. Our visits and extensive contacts with South African Blacks confirm their intense concern about the role of the United States as their struggle for equal rights unfolds. Will our government, banks and corporations become obstacles to their march toward freedom? The present stance of our government certainly does not encourage them. Meanwhile the racial unrest in South Africa is like a time bomb that may explode into devastating violence and a great loss of lives. It could precipitate global conflict. By our action today we work to keep this from happening and to contribute toward peaceful change.

U.S. bank loans undoubtedly contribute to the support of the system of apartheid in South Africa. Only in the Republic of South Africa are the social, economic and political systems designed to deny basic human rights to all individuals whose skins happen to be black. Yet, U.S. bank loans enable that government to free up funds and utilize them for its massively expanding military might and its large military and police forces. In essence, U.S. bank funds indirectly assist in the repression of the Black majority.

These loans carry another message with them as they continue to flow to South Africa. They signify an attitude of "business as usual" by the U.S. and its banks, that despite apartheid, U.S. bank lending will continue. We have been encouraged by the banks who have adopted policies and made pledges, either to us or to other clients and constituents, that they will prohibit a wide variety of loans to South Africa, especially to the Government and its agencies. This list includes an impressive array of banks, including Chemical Bank, Irving Trust, First National Boston Bank, Bankers Trust, Security Pacific, Mellon Bank, American Express International Bank, Pittsburgh National Bank, Chase Manhattan, and others. We trust that they will hold firm to their

policies. However, many other banks and investment banks, including Citibank, Bank of America, Morgan Guaranty, First Chicago, Crocker, Wells Fargo, Dean Witter Reynolds, Kidder Peabody, Lazard Freres and others have policies which still allow a broad range of loans to South Africa.

We call on all of these banks to commit themselves to end loans to South Africa. This appeal has been made by many U.S. churches over the last decade. The National Council of Churches passed a Policy Statement on Southern Africa which specifically stated that the NCC shall

Undertake to withdraw all funds and close all accounts in financial institutions which have investments in South Africa or make loans to the South African government or businesses, and urge constituent membership to adopt this policy.

In 1979, Dr. Sullivan stated his position on bank lending to South Africa in this definitive way:

Until apartheid has been ended, and there is clear, tangible evidence and demonstration thereof, no U.S. bank shall make any further loans to the South African government, or its agencies, and will give consideration only to specific, privately sponsored projects or programs, developed in cooperation with blacks and other non-whites, which contribute to their social and economic advancement and equality, and that do not support apartheid.

Rev. Sullivan has also made this appeal world-wide.

We pledge today to make this policy a reality.

1. We are jointly sending this statement with a letter of explanation to all U.S. banks who have formerly loaned to South Africa to ask for their response.
2. Excerpts from this appeal will be read this spring at numerous bank shareholder meetings where the South Africa issue is being debated.
3. We will proceed to follow through on plans which will involve our churches and other constituencies in the implementation of these plans.
4. We will be sending a joint letter to thousands of pastors providing information on the question of bank lending to South Africa and enlisting their support in getting local banks to comply with this policy.
5. Because of Citibank's participation in a new \$250 million loan to the South African government and the fact that a shareholder resolution will be debated at their annual meeting, we will make sure our statement is read into the record as a special and urgent appeal to Citibank to reverse their loans policy.
6. Most important, we will renew our efforts to have churches and unions, foundations and universities, city and state pension funds, individual concerned citizens and other institutions a) request a policy from their banks on lending to South Africa, b) withdraw bank accounts, divest of securities and sever other links with banks that continue lending to South Africa in violation of the policy espoused today.

We are confident that this ongoing bank campaign will expand its ranks. We pledge our ongoing efforts until racial justice and Black majority rule are in effect in South Africa.



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M. William Howard, President

Claire Randall, General Secretary

INTRODUCTORY REMARKS BY WILLIAM HOWARD,
PRESIDENT, NATIONAL COUNCIL OF CHURCHES
PRESS CONFERENCE ON BANK LOANS TO SOUTH AFRICA, MARCH 19, 1961

I am pleased to be here today to join with Dr. Leon Sullivan in releasing a joint declaration expressing our opposition to bank lending to South Africa.

This statement is extremely timely. The U.S. Government is presently reassessing our policy toward South Africa and I am sure many banks are also evaluating what position they should take on a variety of loans to South Africa.

It is timely for another reason as well. This week there are commemorations around the world in memory of the Sharpeville Massacre, where protesting Africans opposing the hated pass laws were shot down by the score on March 21, 1960. Unfortunately, the daily reality of South Africa continues to be an institutionalized Sharpeville, as the Government responds to the demands of the black majority for democratic rights not with ballots but bullets.

As our joint statement indicates, we plan to expand our efforts to end the flow of capital to South Africa by U.S. commercial banks and investment banks, whether that flow occurs from loans or through government bond sales. For the last several years, there has been a cutback in U.S. lending to the South African government and all its agencies. We wish to see that "moratorium" on lending become fixed policy by U.S. banks.

I am convinced that we can be successful in this effort. U.S. banks are increasingly aware of the various publics that have firm policies against lending to South Africa, particularly to the Government and its agencies. They watch while Harvard divests itself of \$51 million in Citibank securities in protest against their new loan, or Yale sells its Bank of America stock. They watch internationally when a borough of the City of London announces its intention to withdraw over \$2.5 billion from Barclay's Bank because of South Africa.

Banks are aware of the legislation passed in Michigan requiring the state to put no funds in banks lending to South Africa, and that similar legislation has passed or is pending in a number of other states and cities. They listen to the letters coming in from foundations and unions, churches and insurance companies, who are clients or stockholders, calling for an end to South African lending. They study the responses from the black community. We may be close to the point where it is better business and more profitable for a bank to refuse to be involved in South African lending than to seek it out.

For instance, there are now many Protestant and Roman Catholic church agencies

which have comprehensive policy statements requiring that they cease doing business with banks involved in lending to South Africa. We are talking about billions of dollars in church investments which are now being guided by these policies. For example, policies of this sort exist in the United Methodist Church, the United Presbyterian Church, the Reformed Church in America, the United Church of Christ, the World Council of Churches, and many others.

Actions are being taken by churches to indicate clearly to banks that renewed lending to South Africa is unacceptable. For example, I am releasing today a list of church actions taken against Citibank in light of its South African policy, particularly its recent loan last fall to the South African government. You will see actions by the National Council of Churches, the United Methodist Board of Global Ministries, Union Theological Seminary in withdrawing \$65 million worth of accounts. Other account withdrawals are imminent. You will note the divestment of \$2 million in Citibank securities by the American Lutheran Church and the recent divestment of 6,000 shares of Citibank stock by the Adrian Dominican Sisters based in Michigan, and 1,000 shares of stock by the Sisters of St. Joseph of Buffalo.

Finally, you will see a growing number of church investors who as a matter of conscience refuse to buy any Citibank notes, bonds or certificates of deposit. This list is also growing by leaps and bounds.

I believe this joint statement by Dr. Sullivan and myself should serve as a sign that a national and international campaign against South African bank loans is strong and expanding, and that the church national and locally will continue to play a leadership role in this campaign. It will continue until apartheid ends and full social, political and economic rights exist for persons of all races in South Africa.

PRESENT LIST OF ACTIONS ON CITIBANK

as of March 19, 1981

The following Roman Catholic orders and Protestant denominations have announced a pledge to buy no CITIBANK Certificates of Deposit, notes or bonds because of CITIBANK'S South Africa policies. All of these Church investors have as part of their portfolios bank securities.

PROTESTANT AND ORTHODOX AGENCIES

American Lutheran Church
United Presbyterian Church Foundation

American Friends Service Committee
United Church Board for World Ministries
National Council of Churches

World Council of Churches (Geneva)
United Christian Missinary Society of the
Christian Church (Disciples of Christ)
Church Women United
Reformed Church in American
Unitarian Universalist Association
Episcopal Church Publishing Company
United Methodist Board of Global
Ministries
American Baptist Churches, National
Ministries

ROMAN CATHOLIC ORDERS AND DIOCESES

Roman Catholic Archdiocese of Milwaukee
Sisters of Notre Dame de Namur,
Connecticut Province
National Catholic Rural Life Conference
Sisters of Loretto
Congregation of Sisters of St. Joseph,
Buffalo, N.Y.
Adrian Dominican Sisters, Michigan
Servants of the Immaculate Heart of Mary,
Monroe, Michigan
Dominican Fathers and Brothers,
Province of St. Albert, Illinois
Sisters of Mercy, N.Y. Province
Order of St. Augustine, Pa.
Sisters of Charity, Nazareth, Kentucky
Sisters of St. Francis, Wisconsin
The Marianist Society, N.Y. Province

The American Lutheran Church divested of approximately \$2 million of CITIBANK securities in protest against their South African policy.

The Sisters of Mercy of New York were approached in March 1980 by CITIBANK, who offered them a variety of services and accounts for their religious order. Representatives of the Sisters met with CITIBANK and found that the services offered were of a high quality and would meet the Order's needs. After consultation with the Order's financial manager, the Provincial Administrator and the corporate responsibility staff, the Order decided not to accept the services of CITIBANK until such time as the CITIBANK'S South African position changes.

The National Council of Churches, United Methodist Board of Global Ministries, Union Theological Seminary, and the U.S. Office of the World Council of Churches announced the withdrawal of accounts worth \$65 million from CITIBANK in March 1980.

The Adrian Dominican Sisters based in Adrian Michigan decided at their General Council meeting in early 1981 to divest 6,000 shares of common stock because of CITIBANK'S new loan to South Africa. This is the first time that this order has divested itself of securities for any reason.

In February 1981 the Sisters of St. Joseph of Rochester, New York sold 1,000 shares of Citicorp stock because they believed Citibank's loans to South Africa violated their investment policy.

Similarly in March 1981 the Sisters of the Immaculate Heart of Mary, of Monroe Michigan divested 1,100 shares of Citibank.

The Unitarian Universalist Association sold 8,728 Citibank shares of common stock in 1980. The value of this sale was \$292,119.

RANDS FOR RACISM: The Marketing of South African Krugerrands by Gary F. Nelson

Since 1971 when the Episcopal Church filed a shareholder resolution asking General Motors to cease operations in South Africa, religious institutional investors have been active in the struggle against apartheid. Much of this effort has focused on investment, bank loans, and employment practices of U.S. companies in South Africa. Antiapartheid groups have also focused on sales of the South African gold coin known as the Krugerrand. After he returned from a 17-day fact finding tour of South Africa in the summer of 1979, the Rev. Jesse Jackson spoke to a Congressional committee of the significance of opposing Krugerrand sales:

The vast amount of foreign exchange that the South African government earns from the sale of the Krugerrand and bank loans covers its oil bill and defense budget and these are two very significant items in apartheid's survival.

This ICCR brief was written by Gary F. Nelson, a graduate student at the State University of New York at Buffalo, who during 1980 served as an intern to ICCR's work group on transnational corporations and human development.

The Krugerrand (containing one troy ounce of pure gold) and its smaller counterparts are gold bullion coins minted in South Africa and marketed internationally. By virtue of their association with the South African government (They are coined by the government mint.), Krugerrands and other South African gold bullion coins are symbols of that government's policy of enforced legalized racism known as apartheid. One cannot help but note the coin is named after the racist Afrikaner statesman, Paul Kruger (1825-1904). The obverse of the Krugerrand bears Kruger's portrait — a man who once declared that "the Black man had to be taught that he came second, that he belongs to the inferior class that must obey. . .," and that "savages must be kept within bounds. . ."¹

The black workers who mine the gold used in South African gold bullion coins are denied even the most basic of

human rights. The white minority government has adjudged black miners to be "foreigners" in the land of their birth and has declared them to be citizens of desolate and destitute "homelands" that many of them have never seen before. As foreigners and migrant laborers, black South African miners are forced to live apart from their families and are segregated into impersonal housing compounds. According to John Burns, writing in the *New York Times*, in the South African gold mining industry, "Almost all the backbreaking work underground is done by blacks. . . . They earn an average of \$180 a month, less than one-fifth the average for whites who fill most of the skilled and managerial jobs. . .," and "A skilled black driller earns about a quarter of what a white high school graduate with no experience gets."² Moreover, "This gap between black and white mining salaries is the largest of any industry in South Africa and it is continuing to grow."³ In the South African mining industry, furthermore, black workers are not allowed to unionize and the racist remains prevalent.

The sale of Krugerrands and other South African bullion coins on the world market provides the South African government with much needed foreign exchange, profits and publicity at a time when the international community is attempting to ostracize the apartheid regime of South Africa for such abhorrent and inhuman racist policies.

South African national liberation movements and international antiapartheid groups have strongly condemned sales of South African gold bullion coins. In early 1977, a representative of the Pan-Africanist Congress of South Africa stated, "The money from the Krugerrand will be used to buy guns and bullets to kill black people — men, women, and children in South Africa."⁴ On February 24, 1977, the United Nations representative of the African National Congress of South Africa, speaking to firms involved in the marketing of the Krugerrand, told them that "by investing in South Africa you are investing in apartheid which is the enemy of the African people."⁵

The International Marketing of the Krugerrand

The gold used in the Krugerrand and other South African gold bullion coins comes from South Africa's approximately four dozen productive gold mines all of which are members of the South African Chamber of Mines, "...an industry organization which recruits African labor and refines all the gold the mines produce before handing it over to the government."⁶ While the South African government itself sells most of its gold production overseas (on the London and Zurich gold markets), "Krugerrands are handled differently. The Chamber of Mines gives the gold for Krugerrands to the government mint which stamps them and returns them to the Chamber for sales overseas. Krugerrands are sold outside of South Africa by the Chamber of Mines through its marketing arm, International Gold Corporation, Ltd. (Inter-gold)."⁷

According to an article which appeared first in the *Rand Daily Mail*,

Krugerrands were introduced in 1967, and are now the most widely traded gold coin in the world. . . . Exported Krugerrands are a valuable foreign exchange earner. More than 25 percent of present South African gold production now goes into Krugerrands sold abroad.⁸

Further, 40 percent of private transactions in the world gold market are made with Krugerrands.⁹

Backed by a massive promotional effort which employed extensive use of advertising and public relations, worldwide Krugerrand sales rose from 2.9 million in 1976 to 3.3 million in 1977 and rose again to an all-time high of 6.0 million in 1978.¹⁰ Owing to increased competition from gold bullion coins of other nationalities, the Krugerrand's market share dropped from 90 percent in 1978 to 75 percent in 1979. Yet, because of the rise in the price of gold export earnings from Krugerrand sales increased from \$1 billion in 1978 to \$1.298 billion (equivalent to \$1.7 billion) in 1979.¹¹ "Sales for the first eight months of 1980 come to only 1.6 million units."¹² In April 1980, a *New York Times* article stated that Krugerrands now "...account

An ICCR Brief appears in each edition of The Corporate Examiner, a monthly newsletter on corporate social responsibility. Each brief highlights a particular social area and focuses on one or more corporations. It also provides information about action options and resources for issues studied.

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Bank Involvement in International Krugerrand Sales

Canada	Bank of Nova Scotia*
South Africa	Barclays Bank, U.K. (through its subsidiary Barclays National Bank) Nedbank Standard Chartered Bank, U.K. (through its subsidiary Standard Bank of South Africa)
Spain	Banco de Urquijo
Switzerland	Swiss Bank Corporation* Swiss Credit Corporation* Union Bank of Switzerland*
United Kingdom	Barclays Bank (through its subsidiary Barclays National Bank in South Africa) Johnson Matthey (Bankers)* N. M. Rothschild & Sons* Samuel Montague & Co.* Sharps Pixley* Standard Chartered Bank (through its subsidiaries Standard Bank of South Africa in South Africa, Mocatta & Goldsmid* in the U.K., and Mocatta Metals Corporation* in the U.S.)
United States	Boatmen's National Bank of St. Louis, Missouri (1) Continental Bank of Chicago, Illinois (1) First National Bank of Birmingham, Alabama First National Bank of Chicago, Illinois (2) First National Bank of North East, Maryland First National Bank of North Kansas City, Missouri First National Bank of St. Louis, Missouri Home State National Bank of Kansas City, Kansas Indiana National Bank of Indianapolis, Indiana Pittsburgh National Bank of Pittsburgh, Pennsylvania (1) Princeton Bank and Trust of Princeton, New Jersey (1) Republic National Bank of New York, New York* Standard Chartered Bank, U.K. (through its subsidiary Mocatta Metals Corporation*) State Street Bank of Boston, Massachusetts Swiss Bank Corporation, Switzerland
West Germany	Bank für Gemeinwirtschaft Bayerische Landesbank Girozentrale* Deutsche Bank* Westdeutsche Landesbank

(*): indicates that bank has been appointed an agent of the South African Chamber of Mines for the purchase of marketing Krugerrands; (1): indicates that bank sells Krugerrands only when requested to do so by correspondents; (2): indicates that bank sells Krugerrands only on a wholesale basis to licensed dealers.

for a third of South Africa's gold exports." ¹³

According to Kerr Cruikshanks, the international marketing of Krugerrands is a complex program: "We look at countries where legal implications and duties do not interfere with marketing Krugerrands."¹⁴ In December 1978, *South African Digest*, a publication of the South African government, reported that, "The International Gold Coin Exchange now has 21 offices in 17 countries. . .,"¹⁵ including Abu Dhabi, Argentina, Italy, Japan, Luxembourg, Spain and Venezuela, as well as those discussed in detail below.

Canada

The Toronto Committee for the Liberation of Southern Africa reported in late 1979 that

In Canada . . .Krugerrand sales have increased markedly over the past few months, according to a staff member of the Bank of Nova Scotia's Gold Department. The Bank of Nova Scotia is the sole agent in Canada for the South African Chamber of Mines. . . . Although the Scotiabank's staff member acknowledges that Krugerrand sales are rising, he refused to divulge sales figures. The Bank of Nova Scotia sells both to the public and to other dealers. These include coin dealers. . . , currency dealers like Deak of Canada Ltd. . . as well as the other chartered banks. The Royal Bank is the only bank that does not sell Krugerrands. . . .¹⁶

In 1978 Intergold sold 40,000 Krugerrands in Hong Kong and in September of that year it was reported that the firm Deak and Company had handled 75 percent of all Krugerrand sales in the British colony.¹⁷ In January 1979 Intergold opened a regional office in Hong Kong to develop " . . .the Krugerrand market in the Far East. . . ."¹⁸ The coin is now sold by seventeen companies including two bullion dealers and eleven banks.¹⁹

Switzerland

According to the January 1980 issue of the *SAFTO Exporter*, "Swiss Bank Corporation is known to have overtaken Deutsche Bank as the biggest foreign buyer of Krugerrands — it has taken about 45 percent of this year's total overseas sales, and as much as 70 percent in some months."²⁰ In 1979 " . . .Switzerland was one of the few countries which increased imports of Krugerrands from South Africa. . . ." However, in the first six months of 1980 Krugerrand " . . .sales to Switzerland were no less than 66 percent lower. . . than in the corresponding period of 1979."²¹ In addition to the phenomenally large amount of Krugerrands sold by the Swiss Bank Corporation in Switzerland, it was reported in November

of 1976 that, "The Swiss Bank Corporation had been selling Krugerrands in the United States because of the strong demand there. . . ." The bank has offices in New York, Chicago, San Francisco and representative offices in Houston and Atlanta.²² In December 1979, Nicholas Deak, head of the Deak Perrera Group, said that big U.S. purchases of gold bullion coins were also being made on the European market.²³

United Kingdom

Until recently, residents of the United Kingdom were forbidden to buy Krugerrands under strict exchange controls; these regulations had been responsible for a drastic drop in international Krugerrand sales when they were imposed several years ago. However, with the ending of exchange controls in 1979, South African gold bullion coins reentered the British market through banks and bullion dealers. In July 1979 *South African Digest* reported that " . . .Intergold. . . believes sales should gain a fillip from the decision of the United Kingdom to lift its ban on sales of the coin to residents."²⁴ In October 1979 Intergold began a \$594,000 advertising campaign in the U.K. including buying full page ads in British newspapers.²⁵ Because " . . .Britain levies a 15 percent sales tax on bullion but not gold that is minted as legal tender. . . ."²⁶ (Krugerrands are legal tender coins in South Africa), British government policy virtually promotes the sale of Krugerrands in the U.K.

United States

According to an April 1980 Intergold advertisement in the *Wall Street Journal*,

. . .there are over 1500 retail coin dealers in the United States who sell South African Krugerrands. . . . But coin dealers are not the only sources for Krugerrands. They are traded daily at firms specializing in precious metals and some brokerage firms and banks. ²⁷

In February 1980 the *Financial Mail* stated that, "The U.S. is still the Krugerrand's strongest market. . . .In the U.S. marketing will focus increasingly on direct response marketing techniques through precious metals brokerage companies. . . ."²⁸ Intergold's chief executive Don Mackay-Coghill recently stated, " . . .We've begun to develop U.S. banks especially in the more rural areas."²⁹

Three firms have been designated by the South African Chamber of Mines to be its agents in the marketing of the Krugerrand in the United States: Mocatta Metals Corporation of New York, J. Aron & Co. Inc of New York, and the Republic National Bank of New York, which "distribute the coin in 250-coin lots for sale

to the public."³⁰

Doyle Dane Bernbach International, Inc. of New York, a public corporation, handles advertising for the Krugerrand in the U.S. as well as in Italy and West Germany. Robenstein, Wolfson & Co. of New York handles public relations for the Krugerrand. "The target audience, says Kerr Cruikshanks, is the inevitable market for upscale goods: well-off, educated and middle-aged." Furthermore, "David Mackay-Coghill, Intergold's chief executive, explains that barely 2.5 million Americans now own Krugerrands. They are conservative and they generally live in the West and Southwest."³¹ The United States accounted for approximately one-half of the 4.9 million Krugerrands sold worldwide in 1979 and the 6.0 million Krugerrands sold in 1978. U.S. sales had accounted for one-third of the 3.3 million Krugerrands sold in 1977.³² In the first six months of 1980 U.S. Krugerrand sales were 8 percent higher than in the same period of 1979.³³

In addition to the marketing of Krugerrands in the United States, in recent years a new phenomenon has arisen — Krugerrand replicas. At least five U.S. firms have advertised such replicas or "miniatures": the International Monetary Mint of Huntington Valley, Pennsylvania; MM Manufacturing of Los Angeles; the Columbia Mint of Washington, D.C.; Westport Mint of Westport, Connecticut and Merritt Mint of Perth Amboy, New Jersey. While these Krugerrand replicas presumably have no direct financial relation to Intergold or to South Africa (They are not legal tender in South Africa.), they nevertheless are supportive of apartheid in that advertisements for them resemble official Krugerrand promotional efforts, contributing to a favorable image for the Krugerrand and for South Africa,

West Germany

In the first six months of 1979, South African exports of Krugerrands to West Germany rose by almost 47 percent, the increase amounting to R51.1 million.³⁴ In 1978 and 1979, West Germany was the second largest buyer of Krugerrands on the international market, second only to the U.S.³⁵ The Deutsche Bank, once the largest corporate purchaser of Krugerrands in the world, is now the second largest, having been surpassed by the Swiss Bank Corporation.³⁶ According to the *Financial Mail*, "In West Germany, two bank groups handle sales through 17,000 outlets."³⁷

Opposition to Krugerrand Sales

Marketing of South African gold bullion coins is a truly international

phenomenon and should be challenged on an international basis by coordinated actions on the part of antiapartheid groups worldwide.

In the U.S.

Many groups opposed to apartheid have used demonstrations and other means to convince the public that by selling or owning Krugerrands, they are directly supporting apartheid. These actions, ranging from petitions to campus protests to picketing of local stores, have served not only to make the public aware of the facts behind the Krugerrand, but have raised the level of concern generally about conditions in South Africa and the role the U.S. plays there.³⁸

Support for the antiKrugerrand movement in the United States was clearly shown by city councils of many major American cities, including Atlanta, Oakland, Boston, Chicago, Denver, Dayton, Milwaukee, Detroit, Austin, Duluth, San Antonio and Portland, Oregon and the House of Representatives of the State of Massachusetts who urged their respective constituencies not to purchase Krugerrands.

A campaign against the advertising of Krugerrands in the U.S. has met with a good deal of success as demonstrations and other protest prompted at least eleven television stations (WNBC, WCBS, WABC in New York; WNAC, WBZ, WCVB in Boston; WBBM, WMAQ, WLS, WGN in Chicago; and WKGW in Portland, Oregon) to cease broadcasting advertisements for the Krugerrand. Moreover, the *Boston Globe* "temporarily refused Krugerrand ads" in 1977 and the *Bergen Record* (New Jersey) rejected some \$7,000 in advertising in the same year. Malcolm Borg, the president and chairperson of the *Bergen Record*, declared: "I don't feel this newspaper should carry ads from any country or company that pursues the apartheid or racial policies that South Africa does. . . ."³⁹ In December 1976, Methodist church groups in Michigan sponsored an antiKrugerrand ad in the *Detroit Free Press*.⁴⁰

Other important actions are those in which local antiapartheid groups have successfully pressured business firms, often coin and jewelry stores, to discontinue selling Krugerrands. Three major department stores (Abraham and Straus in New York, the May Company in Cleveland and Carson, Pirie, Scott in Chicago) ceased sales of the Krugerrand after being picketed by antiapartheid groups.

Several banks stopped sales of the Krugerrand. "In Chicago, black-owned Seaway National Bank readily agreed to stop selling Krugerrands after being informed of the tie between the Krugerrand and apartheid."⁴¹ The New Jersey National Bank of Princeton; the Northwestern National Bank of Minneapolis; the Commerce Bank and Trust Company of Worcester, Massachusetts; the Hospital Trust National Bank of Providence,

Rhode Island and no less than five banks (among them Marshall & Illsley) in Milwaukee were all picketed and pressured by antiapartheid groups. As a result, the nine banks discontinued Krugerrand sales.

Merrill Lynch stopped sales of Krugerrands in January 1978 claiming lack of demand, although sales from 1976-1977 increased by almost 15 percent and then went on to double in 1978. A shareholder resolution, calling on Merrill Lynch to cease Krugerrand sales, was then withdrawn.⁴³

Several banks agreed to terminate all over-the-counter sales of the Krugerrand, while continuing to sell Krugerrands when requested by correspondents. In March 1977, after the Princeton Bank and Trust of New Jersey had been picketed by antiapartheid groups, the bank's vice-president Marmaduke Jacobs stated that

The bank does, upon request from a customer, aid the customer in securing all types of foreign coins and currency, including the Krugerrand. . . . If a customer requests it, the bank will forward his order to a broker in New York who actually makes the sale. . . . The bank charges only a small service charge.⁴⁴

Continental Bank of Chicago similarly discontinued all over-the-counter sale of Krugerrands (and other gold coins) effective January 1, 1978 while continuing sales only to correspondent banks.⁴⁵ However, in 1979 Continental Bank sold over 1,800 Krugerrands, approximately amounting to \$900,000.⁴⁶ According to Merle E. Gilliland, the chairperson, Pittsburgh National Bank, ". . . We do not. . . sell the coins except when directed to do so by customers maintaining accounts in our Trust Division."⁴⁷ Similarly selling only on request, Boatmen's Bancshares of St. Louis stated, ". . . None of the issuer's banking subsidiaries inventory or promote the sale of any gold coins, including South African gold Krugerrands."⁴⁸

In early 1980 a new strategy was employed in the U.S. antiKrugerrand campaign, the shareholder resolution. Church groups for the first time filed shareholder resolutions with major banking institutions calling on them to cease all involvement in the promotion and sale of the Krugerrand. The Dominicans (Province of St. Albert the Great) filed a resolution with the First Chicago Corporation (the parent corporation for the First National Bank of Chicago). A similar resolution was filed with the First Union Bancorporation (the parent of the First National Bank of St. Louis) by the Sisters of Loretto. The Vincentian Fathers and Brothers filed with Boatmen's Bancshares.

The resolution filed with Boatmen's Bancshares was withdrawn after it was revealed that the bank's sales of the Krugerrand were so minimal as to make filing a

shareholder resolution an infeasible strategy. However, Boatmen's disclosed its relatively restricted sales policy and sales figures regarding its marketing of Krugerrands. In January 1980, on Krugerrand sales, Boatmen's disclosed that "In 1979 the total service charges realized from this activity by this subsidiary amounted to \$1,994.50."⁴⁹ The First Union Bancorporation, however, announced that it would not change its policy of unrestricted marketing of the Krugerrand. The shareholder resolution was brought before the company's 1980 annual meeting and the resolution received approximately 3.3 percent of the votes cast, enough to resubmit the resolution for discussion at the corporation's 1981 annual meeting.

Shareholder action with the First Chicago Corporation resulted in a partial victory. The First National Bank of Chicago, which had reported 1979 Krugerrand sales of 70,000 coins ("...which at today's prices would provide South Africa with more than \$40 million..."), announced in February 1980 that it would henceforth "...suspend over-the-counter sales of the Krugerrand," but continue to wholesale the Krugerrand.⁵⁰ According to the *Chicago Tribune*, a bank spokesman said the decision...was made because of the continuing controversy over their sale.⁵¹

In response to this announcement, the two antiapartheid groups involved in the campaign against First Chicago — Clergy and Laity Concerned and the Chicago Coalition on Southern Africa — declared that "While we are encouraged by the bank's action, we will continue the campaign until First National ends all sales of the Krugerrand..."⁵² The shareholder resolution, filed by the Dominicans, was voted on at the 1980 annual meeting of First Chicago Corporation where it received 2.65 percent of the vote, short of the 3 percent required for resubmission. The campaign against First Chicago's Krugerrand sales and against the bank's international lending policy on South Africa continues in all of its other aspects.

As we go to press, the U.S. public is being bombarded with a massive advertising campaign aimed at promoting South African Krugerrands and introducing the new Krugerrands in half, quarter and tenth ounce sizes which appear as companion pieces to the original one ounce coin. The twelve-month advertising campaign for the four coins began October 13, 1980 with a budget of \$7 million and "...includes ads in *Business Week*, *Forbes*, *Money*, *Newsweek*, *Time*, and *U.S. News and World Report* as well as newspapers in the top fifty markets." Radio advertising for the new Krugerrands is being carried by WPAT-FM,

which broadcasts to the New York metropolitan area. Moreover, "Intergold is looking at cable television buys to reach its well-heeled audience."⁵³

Intended to appeal to households with incomes of \$25,000 and up instead of the traditional market of households with incomes of over \$50,000, the new coins, according to Intergold, appeal "...to a different market segment, thereby increasing the overall consumer interest in gold coins..."⁵⁴ The maxim that "Gold coin sales very definitely respond to advertising," proved true in the case of the new Krugerrands as October 1980 sales increased 38 percent from the previous month's figures, a 1980 record, with sales of the new half ounce, quarter ounce and tenth ounce coins being in good measure responsible for the increase.⁵⁵

Suggestions for Action

Antiapartheid groups wishing to challenge the marketing of South African Krugerrands might consider the following tactics:

1) Write elected representatives at local and national levels and urge them to completely ban the sales and promotion of all South African gold bullion coins. Also urge they sever accounts with corporations involved in promotion and sale of the Krugerrand.

2) Find out which firms in the vicinity deal in Krugerrands (Krugerrand ads often list the names of local dealers.). Contact them and demand they stop selling Krugerrands. Organize picketing or boycotting of banks, bullion dealers and coin shops which are selling Krugerrands. If you or your group own stock in corporations which continue to sell Krugerrands, file shareholder resolutions with them requesting they terminate all Krugerrand sales.

3) Contact newspapers and magazines in your area which run Krugerrand ads and urge they stop accepting advertising for them. Organize picketing or boycotts if they refuse to do so. If you or your group owns stock in media corporations which accept Krugerrand advertising, file shareholder resolutions with them requesting they cease accepting advertisements for the Krugerrand. Action against business firms involved in the promotion and sale of the Krugerrand continues to be a major focus of the work of antiapartheid groups in the United States.

Footnotes

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4. Addams, *Princeton Connection*.

5. Waddell, *Pretoria's Gold*, p.4.

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19. *South African Digest*, Apr. 25, 1980, p.18.

20. *SAFTO Exporter*, Jan. 1980, p.3.

21. *Standard Bank Review*, Sept. 1980, pp. 5-6.

22. *South African Digest*, Nov. 26, 1976, p.3; Advertisement in *Wall Street Journal*, Apr. 15, 1980, p.39.

23. *New York Daily News*, Dec. 12, 1979, p.44.

24. *South African Digest*, Jul. 6, 1979, p.8.

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30. Rothmyer, Pitterman, Cason, p.2.

31. *Mini-Krugerrand*, p.45.

32. Rothmyer, Pitterman, Cason, p.2; *Mini-Krugerrand*, p.45.

33. *Standard Bank Review*, p.6.

34. *South African Digest*, Aug. 31, 1979, p.12.

35. *Coining It; Southern Africa*, Feb. 1979, p.28.

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