Business as Usual

International Banking in South Africa

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Introduction

Attention has been focused in recent months on the role of foreign investors in upholding the economic strength of the apartheid system in South Africa. Wages have been tabulated, boycotts called, and questions raised at shareholders' meetings. In Britain more recently a House of Commons Select Committee has reported on the specific question of the wages and conditions of black workers employed by British companies with direct operations in South Africa. The hearings and the report of the Select Committee, together with the revelations in the *Guardian* by Adam Raphael, created a considerable sensation. But to a great degree this concentrated on the question of direct wages and employment conditions within specific companies, and the responsibility of overseas investors was seen in this context. The recent massive strike waves in Natal and elsewhere have reinforced this view of the problem.

Whatever the value of these revelations, and of any improvements they may have brought in their wake, they carry with them the danger of a narrow view of apartheid, as a question of wage rates alone. As supporters and defenders of South Africa have pointed out, wages as bad, and worse, can be found paid elsewhere in the world by British companies – tea estates spring to mind. Father Cosmas Desmond has drawn attention to other aspects of apartheid, which form a precondition to the employment practices more frequently mentioned.

The economic function of apartheid, by reducing the bulk of South Africans to rightless strangers in their own land, and confining them to overcrowded reserves from which only their breadwinners can escape as temporary contract labourers, is to create and maintain the pool of cheap labour of which overseas (and of course domestic) employers then take advantage.

Those who enjoy the end-product of this system by no means bear the greatest share of responsibility. As we show in this report, South African industry, whether or not foreign-owned, is as incapable of surviving and expanding without a constant supply of new capital, as is modern industry in any other competitive economy. And the particularly profitable and peculiar configuration of South Africa relies for its maintenance and continuation on the role played by the state and by state-owned industries. In both these key areas for the maintenance of apartheid as a system, a central role is played by the banks.

The international tendency to a greater interpenetration between industry and the banks was described by one observer in 1971: 'The German magazine *Der Spiegel* early this year in an article on the German banking system, declared that private banks control and administer 70% of all the voting shares of German industry. The interlocking ownership in Italy between the large companies such as FIAT, Montedison, SNIA, ENI, IRI, etc and the banks makes it almost impossible to differentiate or distinguish between them in any meaningful way. The number of French companies controlled by or associated with 'Suez et Union Parisienne' are legion. It is not without significance that the president of France's largest industrial interprise, Rhone-Poulenc, is a former chairman of the Bank of France . . . All the outside capital of Japanese firms (85%) is debt capital, the loans of which are guaranteed by the central banks.' (Levinson p145)

As we shall see, South African industry is no exception to this tendency. But if in this respect the banks are only performing the same functions as they do in all other modern economies, this does not thereby entitle them to assume that they have no choice in the matter. 'First the money market is highly concentrated and structured to make it largely a closed club for most borrowings . . . The result is that the international capital money market is very narrow for independents, and operates as a very strict rationing system.' (Levinson p144/5)

The rapid growth in the South African economy, fuelled by cheap black labour, leads to a chronic deficit on visible trade account which these capital inflows help to staunch. So too, of course, does the export of gold, in which, as we show below, the banks are also crucial. To direct and channel this growth in directions which buttress and sustain the system of white supremacy, a leading role is played by the state corporations, whose increasing recourse to the world money markets we also document. And since the poverty of the masses who produce South Africa's wealth restricts the growth potential of the domestic market, there is a growing trend to outward expansion into the rest of Southern Africa, in which too, as we show, overseas banks play a vital role.

Without this constant international transfusion to fuel the structures of the apartheid system as a whole, the end-product of cheap labour 'on tap' could not be relied upon.

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International Banking

The international banking 'system' has gone through a tremendous period of realignment in the past decade. This realignment is an obvious reflection of the changes in the trading and investment patterns of the major industrialised countries. Until a few years ago only the British and French bankers, through their relationship with former colonies, had an international network of banks. British bankers had subsidiaries and branches in Commonwealth countries and the French, in South-East Asia and Francophone West Africa. On the other hand the German Federal Republic (GFR) Japanese and American bankers to a large extent serviced private enterprise and governments in their own national territories.

Two factors have significantly changed the picture. Firstly, the growth of the multinational corporations has 'forced' the traditionally nationalistic financial institutions to become international. This factor has also led to the concentration of banks by the formation of consortia groupings.

Secondly, inflation and higher government deficits have injected a massive volume of liquid funds. In 1973, external currencies in Europe alone totalled $110 billion. The growth of the volume of liquid funds available also led to greater diversification in the services the banks offer to private companies and governments. These include investment banking, leasing, money-market dealings, trust operations, computer services and consulting.

As a result, a multitude of powerful new banks have been formed, many of which are subsidiaries of existing banks. With this growth, *The Banker* magazine identified the emergence of a 'new generation of multilingual international bankers . . . These are men who have frequently been brought up in a number of countries and are of no evident nationality and to whom it is a matter of indifference where they happen physically to be at any moment. They are almost as mobile as the funds they lend . . . They know little, and care less, of the traditional mysteries of trade finance. What they like is to finance, out of fairly liquid funds, projects like dams, airlines, refineries, highways, oil and gas exploration, pipelines, tankers and tanker fleets, harbours, governments anywhere – as well as shelling out the odd hundred million dollars to multinational corporations. And they prefer not just to finance business, but to organise things.' (August 1973)

This sudden flurry of banking activity internationally can be matched only by the intensity of the competition it has engendered. In the seventies four major European groupings have been formed to counteract the power and influence of the giant American banks. The challenge to the Americans is on the assumption that, with the relative decline of the dollar in the international market, the development will be to a multi-national currency. 'The old-style links between US banks and foreign (notably European) banks will disappear; symbolised by the dissolution of ties between Mellon, and Lloyds and Bolsa, and between Chase Manhattan and Standard Chartered.'

In this defensive and offensive strategy, however, certain bland assumptions are being made. With almost imperialistic glee, the banking community considers it an 'accomplished fact' that Canada and South America will be drawn into the North American axis; smaller European countries, with the Middle East and Africa, into the European consortia of the EEC, and Asian nations into the aggressive hold of the Japanese. The directors of the major banks also consider the Middle East as a 'special area'. 'It has been estimated by the World Bank that by 1980 the five main Gulf oil producers alone, after allowing for maximum internal development programmes, could accumulate some $280 billion, well over half of the total monetary reserves.' (*Petroleum Economist* February 1974)

To harness and profit from these funds, the banks need to satisfy two conditions. The banks need and have got Government backing in their operations. Western governments have increasingly come to realise that dependence on invisible earnings is going to increase.

Peaceful Protest


Violent Protest

In Britain **'the political weight of the City forced politicians some time ago to take seriously the contribution of banking, insurance and other services to the economy'** (*Banker* August 1973).

Similar trends are discernible in the US, France and the GFR. Walter Page, president of the US Morgan Guaranty said recently that 'earnings from finance and other kinds of service industry are going to be increasingly vital to the achievement of balance in our international account . . . we must use our capital and skills to increase substantially the amount we earn abroad from services we are especially able to perform'. Thus, in the West, banks and governments are becoming more involved with and dependent on one another.

The other necessity is to be involved in international groupings. This tendency is fashioned by the need to tap funds from foreign currency markets, in particular the Euro-dollar market, and, above all, to service the needs of multinational corporations.

The importance of multinational corporations to the banking sector was more than hinted at in the 1972 annual report of the First National City Corporation of America. 'These multinational companies made a significant contribution to the vitality of today's global economy, producing a rising standard of living for many people . . . **They now account for an estimated $450 billion a year in goods and services, or over 10% of the gross world product. That is more than twice as much as they did 10 years earlier. Their share of world's non-communist gross product increased 50% between 1950 and 1970 and is expected to increase even further by 1980. Citicorp does business with about 300 of the world's multinational corporations.**

'Typically, the multinational customer of Citicorp has 15 subsidiaries and affiliates that bank with us in 11 countries, though some of the biggest have relationships with our banks in over 30 countries. Contrary to some impressions, the multinationals are not an American phenomena. About half the multinationals' share of the GWP is produced by British, German, Japanese, Italian, French, Canadian and Dutch world corporations and about 30% of our multinational customers are European, Canadian and Japanese.'

A company requiring a loan in a multitude of currencies, such as pounds, Euro-dollars, marks, rands, etc, could arrange the lot on a visit to the headquarters of the bank in New York or London.

Most bankers would agree with little hesitation that New York remains the most powerful financial centre in the world. The international assets, liabilities and earnings of US banks dwarf those of any other country's overseas banking assets. With assets ranging between $20 billion and $40 billion (of 57 developing countries the largest is India with a GNP of $60 billion), American bankers hope to increase their international assets by the end of 1974, when the remaining restrictions on their lending out of the United States are removed by the authorities.

'The expansion of American banks internationally, in the last few years, has been very rapid. **Their total international assets amount to $110 billions, several times the assets of all Britain's overseas banks put together. The number of their branches has increased from 181 to 627 since 1964.'** (*The Banker* August 1973). These overseas branches, particularly in London, are also doing more of the lending. In 1964 foreign branches of US banks conducted only 29% of total lending activity; in 1972 they did over 80% of a vastly bigger total. **'The volume of lending to foreign borrowers other than banks and monetary institutions rose from $6,300m in 1969 to $23,000m in 1972. Total assets reached $80,000m.'** (*ibid*)

The reasons for this international push are the removal of credit restrictions in 1970 and profit attractions in Euro-dollar loans at a time when demand was slackening in the United States. Above all, the phenomenal increase in US overseas investment remains the main factor behind this growth. Investment by US corporations overseas exceeded $139 billion in 1973, or almost three times what it was a decade ago.

The American system is dominated by the three biggest banks in the world; Chase Manhattan, Bank of America and First National City Corporation, with total assets exceeding $100 billion.

As an illustration, Chase Manhattan, dominated by the Rockefeller family, has representatives in 92 countries and over 2,000 offices. It also has major stakes in every conceivable financial institution throughout the world, from merchant banks to insurance companies. Its major, though controversial, holding is the 15% stake in the British Standard and Chartered Group. **On its Board of Directors sit representatives of the giant corporations of America, including American Smelting and Refining, Honeywell, Exxon, American Telephone and Telegraph, Ford Motor, Standard Oil, etc. International corporations are represented by Royal Dutch Shell, Fiat, Mitsubishi, Volvo, Canadian Pacific etc.**

The slightly larger First National City Corporation, which in 1972 earned 54% of its income from overseas operations, has 950 offices in 90 countries. In that year it made a profit of $201m. Its international subsidiaries and affiliates include Banque Internationale pour L'Afrique Occidentale (Paris), National and Grindlays Bank (London), Banco Argentino, Banco de Honduras SA, and First National City Banks in Belgium, the Channel Islands, Luxembourg, Maghreb, South Africa, Zaire etc. Its involvement stretches into hire purchase, computer services, investment management and merchant banking.

On its Board sit representatives of Union Pacific, Eastman Kodak, Exxon, United Aircraft Corporation, Xerox, National Cash Register, and Chubb. They include Lord Aldington of the National and Grindlays Bank and GEC.

Apart from the dynamic growth of the big three banks, the real innovations in international banking have apparently come from the so-called middle heavyweights from America. These include the Manufacturers Hanover Trust, Chemical Bank, Morgans, Bankers Trust, Continental Illinois, First National of Chicago, First

National of Boston, Marine Midland and Wells Fargo. These can now claim to be international, with offices in up to 15 financial capitals. Their involvement has been largely in the medium-term Eurocurrency lending. US banking now presents a picture of three giants, a dozen large units and another 25 to 30 banks with elements of an international operation.

The aggressive moves by the American banks engendered the international group consortia in Europe. The pioneer in this field was NM Rothschild, which began establishing the Five Arrows Group of European banks in the sixties.

In 1963 these informal ties were institutionalised in the European Banks International Company, which included the Amsterdam-Rotterdam Bank, Creditanstalt Bankverein, Deutsche Bank, Midland Bank, Societe Generale, Societe Generale de Banque and the Banco Commerciale Italiana.

In 1971, the more powerful Europartners was formed by Banco di Roma, Commerzbank and Credit Lyonnais. In the same year another group called Associated Banks of Europe Corporation (ABECOR) was established by Algemene Bank Nederland, Banque de Bruxelles, Bayerische Hypotheken-und-Wechselbank and Dresdner Bank.

The Inter Alpha group was formed in 1972, with the participation of Banco Ambrosiano (Milan), Berliner Handelsgesellschaft-Frankfurter Bank, Credit Commercial de France, Kredietbank (Antwerp), Nederlandsche Middenstandsbank, Williams and Glyn and Privatbanken (Copenhagen).

Apart from the defensive posture against the Americans, these European groups were formed in the eager anticipation of monetary and political union in the EEC.

The other feature of the European banking system is the intricate system of inter-bank shareholdings, which precludes the above groups from becoming completely exclusive. For instance:

– Credit Lyonnais is a large shareholder of Union de Banques Arabes et Francaises, which has a London subsidiary, UBAF Ltd, in which Midland Bank (Member of EBIC) is a shareholder.

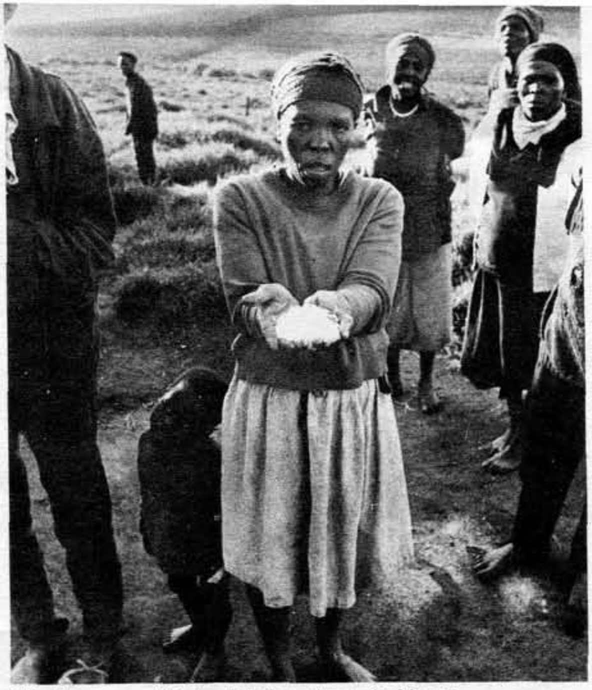
– Deutsche Bank has a stake in another consortium called the European Brazilian Bank, in which no member of EBIC features.

– Members of EBIC own almost half of Euro-Pacific Finance Corporation in Australia, which also numbers Commercial Bank of Australia, Fuji Bank and the United California Bank amongst its shareholders.

– The three members of Europartners have also set up the International Commercial Bank in London.

The joint shareholding system is also the basis of international informal links between the leading bankers. 'Thus, if one of the Bank of America's customers needs a London merchant bank Bank of America is more likely to go to Kleinworts, its fellow shareholder in Bank of America Ltd, or to Warburgs – linked up via Parisbas in Banque Americas – than it is to go to any other London merchant bank. Similarly the Rothschild group of banks, which is currently planning a series of merchant banks outside Europe . . . is linking with its US and Japanese partners in Rothschild Intercontinental in setting these up.' (*Banker* August 1973)

British overseas investment is second only to that of the United States, so British banks have a larger number of overseas branches, affiliates and subsidiaries than those of any other country outside the United States. British banking is also very concentrated, being dominated by the big five banks. The traditional basis of overseas British banking was the trading and retailing network set up during the colonial period.



Workers on a Slater Walker farm in Natal

In recent years the same network is being developed to meet the more sophisticated needs of private companies and governments. The primary change, in common with most international banks, has been the strengthening of links with American and European banks, to enter the medium-term Eurocurrency lending field.

Barclays is the largest bank in terms of the number of branches and the spread of its geographical network. Its major retail operations are in California, France and southern Africa. It has new subsidiaries in Frankfurt, Brussels, Milan, Hong Kong, Tokyo, Singapore, Fiji and Vila. It is also a shareholder in Societe Financiere Europeenne, a Paris-based bank that specialises in medium and long-term Eurocurrency lending and also takes equity participations, handling mergers and acquisitions. Barclays is also developing a merchant bank within its own group. Significantly, approximately 41% of its international deposits come from Africa.

National Westminster has no extensive international network, though domestically it is larger than Barclays. Its most important development has been merging with National Provincial and setting up Westminster International with its link with Rothschilds. It, too, is concentrating on Eurocurrency loans, with an emphasis on particular industries, such as oil, gas, motor, electrical, shipping, chemicals and property. The bank is also one of the managers of a giant loan to British Petroleum.

Internationally, it is a member of the Orion group of specialised financial institutions. Shareholders include Chase Manhattan, Royal Bank of Canada, Westdeutsche Landesbank Girozentrale, Credito Italiano and Mitsubishi Bank.

The Midland is more Euro-centric, wholly concentrating on its links with EBIC. It also wholly owns the merchant bank, Samuel Montagu.

Lloyds, like Barclays, is the other British bank with extensive overseas interests, mainly in South America through the Bank of London and South America. Its shareholding in the National and Grindlays Bank links it with FNC, New York, and the former's interests in Europe and Africa.

The Standard and Chartered Group has extensive interests in Africa and Asia. It has joined forces with Tozer Kemsley and Milbourne Holdings to form a merchant bank, called Tozer Standard and Chartered. (Tosca)

Gold

Historically and economically, gold has been central to the development of the apartheid state. It was gold which first attracted overseas capital to South Africa at the end of the last century. The gold mining industry led the process of opening up the interior of the country, and determined the pattern of the road and rail system. It also pioneered the development of such central features of the apartheid system as job reservation and the contract labour system. And the mines' demand for stores and machinery was an early stimulant to the development of other sectors of the South African economy.

Amongst the gold industry's most important contributions to the development of the South African economy, however, has been its effect on the balance of payments. In the words of JW Busschau, a director of Consolidated Gold Fields; 'The possession of an export article, particularly one with the attributes of gold, which all the world wants, is a great advantage to a young country. Gold as the final means of settling international indebtedness, can enter through doors which import controls close to other commodities. And hence, from the establishment of the Union, South Africa could pay, without undue difficulty, for the capital goods it urgently needed to expand its total national production.' (Mining's part in the Growth of the Union *Mining Survey* 1960 p2)

Since the 1930s the main drift of Nationalist economic policy has been to transform the inherited structure of South Africa's economy with its dependence on mining, agriculture and other commodities. Hence the setting-up of the great state-owned corporations such as ISCOR and ESCOM. But the import of capital goods and machinery needed for this expansion would have been impossible without the foreign exchange earned from gold exports, as would the import of consumer goods necessary to the preservation of the living standards of the white minority.

Thus from 1965 to 1969 inclusive, South Africa's imports totalled £4,614m while non-gold exports totalled only £2,765m. The massive deficit was covered by gold exports. 'South Africa has an open economy, in which the value of merchandise imports represents 18.3% and that of non-gold exports 14.2% of gross domestic product at market prices.' (*Standard Bank Review* October 1973). In 1972 South African imports totalled R2,530m, while non-gold exports came to only R1,730m. Gold earnings, at R1,144m, more than bridged the gap.

The recent massive increase in gold prices was instrumental in turning the Republic's economy around from a relatively depressed period to the present boom. The higher average price received by the mining companies – $97 in 1973 as against $51 in 1972 – enabled them to continue to work lower-grade ore, thus reducing the output and lengthening the life of the mines. Nevertheless: 'Profits of the gold-mining industry were up 70% in 1972/3, providing the basis for large-scale increases in miners' salaries and wages, as well as stimulating state revenues. The increased cash revenues generated by gold mines exerted the initial expansionary influence in an economic recovery from a period of slow growth.' (*ibid*)

At the same time, the recent rise of gold prices helps to insulate the Republic from importing the worst effects of inflation, as it makes possible a higher exchange-rate for the Rand than might otherwise be possible. 'At this stage an appreciation of the Rand would not reflect the international competitiveness of South African exports, but it would absorb some of the impact of the rising prices of imports and thereby contribute to dampening domestic inflation. A stronger Rand, together with the vastly increased foreign exchange earnings from gold sales, will facilitate a larger inflow of imported goods, which will reduce the effects of increased demand inflation in the months ahead. The economic windfall which would materialise should the price of gold on the free market stabilise around levels of $170 per ounce is such that the country can temporarily afford an over-valued currency. The improved tax revenue base, as a result of a sustained high gold price, would allow enlarged public outlays on vital infrastructure projects and increased investment in our underemployed manpower. Such outlays could provide the much-needed foundation for future vigorous export growth.' (*Standard Bank Review* March 1974)

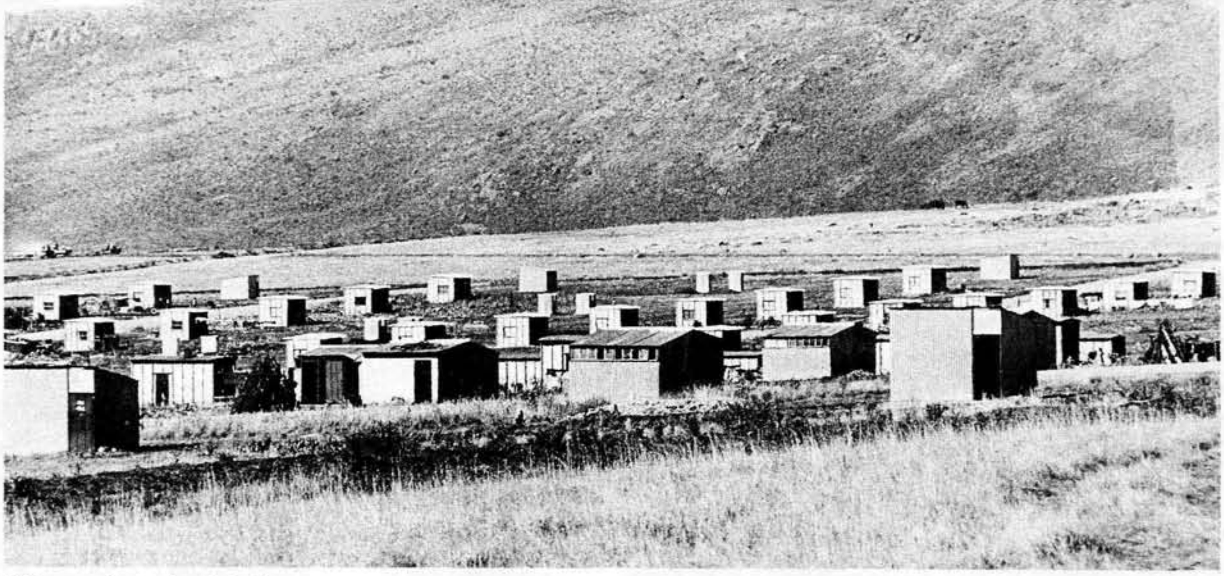
The South African Reserve Bank buys all gold mined from the companies, and sells it itself on the world market. Obviously, in the present situation, gold will have no trouble finding willing purchasers, but the smoother the existing market arrangements, the more easily will South Africa be able to reap the advantage her mineral position gives her.

South African gold sales are made entirely on the two main international gold markets, in London and Zurich, and both are dominated by major banking interests. The London gold market is the older of the two, and is made up of five brokers, who take buying and selling orders from their customers throughout the day, and meet twice daily for the ceremonial 'fixing' of the gold price. This acts as a 'clearing' for surplus buying or selling which any dealer may have, and also sets a price which acts as a reference point for the rest of the day, and for the world market. The dealers make their money from a ¼% commission charged to the buyer at 'fixings', and from a normal 'turn' on other transactions.

Four of the five brokers are owned by banks. The oldest, Mocatta and Goldsmid, was founded in 1684, ten years before the Bank of England. In May 1973 it was purchased by the Standard and Chartered group. 'A spokesman for Standard and Chartered said last night; 'Bullion dealing is a natural extension of the operation of a major international banking group that is so strongly represented in the East and Africa.' ' (*The Times* 5.5.73)

Of the others, Sharps, Pixley and Co, founded in 1750, is now a subsidiary of Kleinwort Benson; NM Rothschild and Sons dates from 1804 and is of course part of the Rothschild empire; Samuel Montagu, founded in 1853, is also numbered amongst the City's leading merchant banks, and Johnson Matthey and Co Ltd, the world-famous metallurgist carries on its bullion trading activities through its Johnson Matthey (Bankers) Ltd subsidiary.

Far more important to South Africa however are the sales made since the establishment of the free market in March 1968, through the Zurich Gold Pool. This is a consortium of the three major Swiss banks; the Swiss Bank, the Union Bank and the Swiss Credit Bank. On the same day that the European Central Banks decided that they would no longer support the official London market in its efforts to hold the gold price to $35 an



by John Seymour.

Illinge, a 'homelands' village.

ounce, these three banks set up the pool. Unlike the London market, which is based on simple purchase and resale transactions on which the bullion dealers make a small commission, the three Zurich pool banks undertake, by agreement with the South African Reserve Bank and the Ministry of Finance, to purchase on their own account all the gold the Reserve Bank chooses to offer them. While such of this gold as may be in excess of their own investment requirements will be sold on, the banks are also interested in additions to their own medium and long-term stocks. Thus in the first year of operation of the pool, these banks increased their own stocks from 150 to 400 tons.

For the South African government also, the arrangement is convenient, as it can unload large quantities without fear of affecting the price. It can also insist on payment in currency of its choice, thus alleviating its payment problems. There are also indications that Switzerland is felt to be less vulnerable to political pressures than Britain or the GFR. (See 'Suisse-Afrique du Sud; relations economiques et politiques' Centre Europe-tiers monde, Geneva 1972 pp159/161) In the words of Alfred Schaefer, chairman of the board of the Union Bank, 'It is true that we consider some countries, such as South Africa or Spain or Portugal, which in some other quarters are perhaps not much liked, as absolutely respectable members of the world community.' (*Newsweek* 11.3.74)

We have dealt elsewhere with the conditions in the mines and compounds, on which this highly profitable 'respectability' is based (*Consolidated Gold Fields* CIS Anti-Report No 3). The insecurity, brutality and exploitation which characterise the lives of the contract-labour black miners, are simply a concentrated form of the worldwide insecurity and violence which create the demand for gold as a 'stable' store of value. The demand for gold for private hoarding is a function of lack of confidence in the credit of governments, and the experience of those who have seen war and famine destroy what they took to be the stability in their lives. And, internationally, the continuing role of gold in international monetary arrangements is a reflection of the inability of a world system of competing nation-states to establish an agreed and stable international monetary authority. The greater the chaos in the world economy, the more indispensable is the role of gold.

As we showed in our earlier report, the migratory labour system, now generalised throughout the apartheid economy, originated in the gold mines and remains the foundation of their labour policy to this day. 'The Chamber of Mines, which represents the gold industry and constitutes the most powerful economic group in the country, has a strong vested interest in the migratory system.' (Van den Berghe p192). 'The survival of family community life is precarious at the best of times for Africans in South Africa. Wherever they live they are forced into the White social and economic system where they occupy the lowest and most despised status. Even in the 'homelands', overcrowded and desperately backward, Africans cannot survive without sending male members of the family as migrant labourers. Wherever they go they are expendable, half chattel, half enemy to the White man, and harassed continually by the pass laws, and countless acts of arrogance to keep them in their place.' (Desmond pp2/3)

These conditions govern the lives of the 370,000 African miners working in South Africa's goldmines. Between 1936 and 1966, 19,000 men, 93% of them black, died as a result of accidents; an average of three per shift. 'The white death rate averaged 0.97 per 1,000 men per annum, whilst the average rates for blacks was 1.62 per thousand, proving the assertion that the black jobs were somewhat more hazardous than white jobs.' (Wilson p21). During 1971, 524 blacks and 21 whites were killed. In 1968, 25,000 blacks and 2,000 whites were disabled for at least 14 days by accidents. Most of these accidents were estimated to have been due to the inherent dangers of the work.

The following table of average earnings for Africans in selected jobs in March 1971 shows clearly the position of the gold miners at that time:

	£
Mining and quarrying	**9.48**
Manufacture	**29.16**
Construction	**28.03**
Electricity	**31.94**
Banking	**94.92**
Building societies	**86.44**
Universities	**81.45**

Since that time, the average earnings of black miners have risen by 70%. In the same period the price of gold has risen from $66 to $180.

The process by which these figures, and the human misery of which they give only the most distant approximation, are transmuted into the profits of the mining houses and the economic security of the apartheid system, is one in which the banks play a central and indispensable role.

The Lure of South Africa

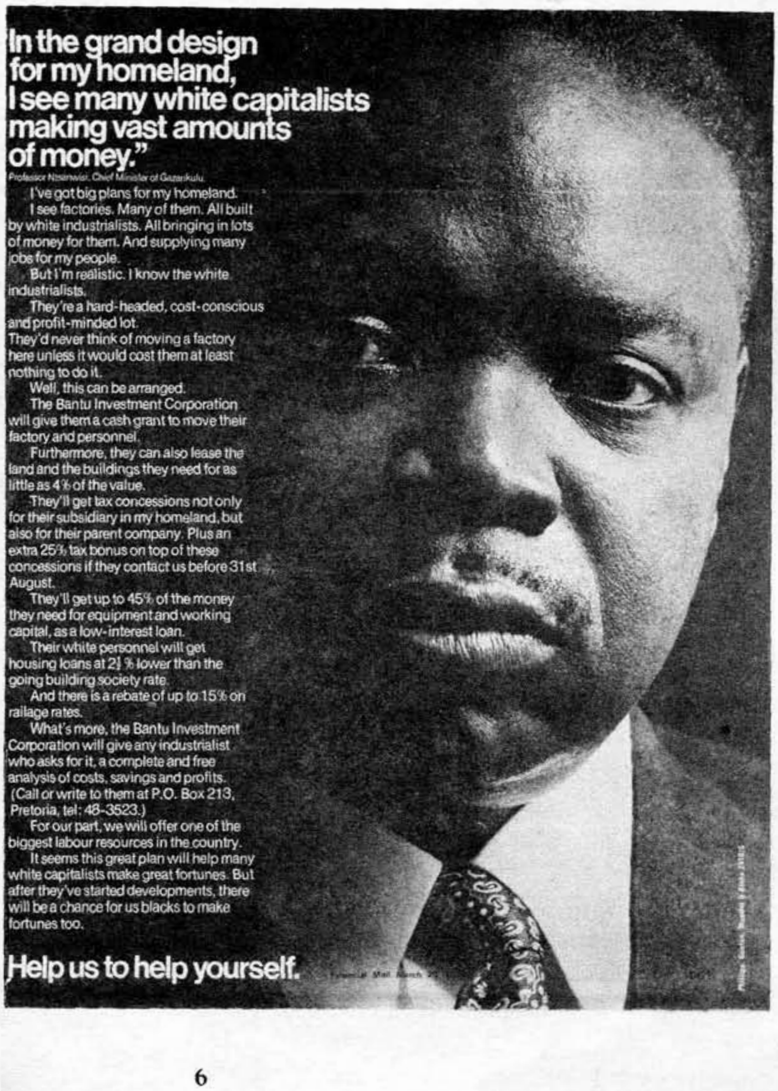
'The bigger the existing scale of investment and hence commitment of resources, the stronger the compulsion to further investment to protect the commitment.' (Horwitz p363)

'Capital investment in South Africa yields one of the highest returns in the world and is an area well worth further investigation.' (Government advertisement in *The Banker* 1973)

Underlying the development of the South African economy has been the massive injection of capital provided by the international money markets. The return to be made on capital in South Africa has been spectacular. The pattern of her economic growth indicates that this will continue.

Central to all this is the country's unprecedented labour situation – apartheid. 'South Africa possesses a highly trained managerial class, an enterprising white population, a large unskilled labour force. South Africa's labour force, both white and non-white is contented, strikes are rare.' (State of South Africa Yearbook 1973)

The rates of return that the 500-odd British companies in South Africa earn on their investments are among the most attractive anywhere in the world (25 UK companies are high in South Africa's top hundred). Britain overall does well out of South Africa. It maintains a favourable trade surplus and earned some £86m in 1970/71 on its direct investment.



An advertisement by the State.

So does the USA. In 1972, 1.2% of that country's total overseas investment was in South Africa. But 2.0% of the total overseas earnings derived from there. The average world rate of return for direct US investment during 1960/70 was 11%, but capital invested in South Africa earned a phenomenal 18.6%. (First p30)

The close links between South Africa and the UK have ensured that direct investment from the Sterling Area has predominated over other investment from abroad, and is four times the size of the American stake.

Direct Overseas Investment in South Africa by Area of Origin:

	Rm					
	1966	*1967*	*1968*	*1969*	*1970*	*1971*
Sterling Area	1,765	1,864	2,144	2,403	2,646	2,968
Dollar Area	437	445	529	596	675	843
Western Europe	334	362	398	474	586	678
Other Areas	13	17	28	29	37	36
Total	2,549	2,688	3,099	3,502	3,943	4,525

(*Investors Chronicle* 24.8.73)

But the pattern of overseas investment has changed in the last decade:

Direct and Non-Direct Overseas Investment:

	1962		*1971*	
	Rm	*% of Total*	*Rm*	*% of Total*
Gov. & Banking Sector	433	14.5	1,241	17.6
Private Sector	2,556	85.5	5,792	82.4
*Equity**	1,919	64.2	3,625	51.5
Loan – Long-term	262	8.8	1,109	15.8
– Short-term	375	12.5	1,058	15.1
Total	2,989	100.0	7,033	100.0

*Includes investments in companies, partnerships and real estate.
(*Investors Chronicle* 24.8.73)

The figures show a distinct rise in the relative importance of government and banking sector financing and an actual decline in the relative share of equity investment. There has been a near doubling in the proportion of long-term loan financing, and an increase in short-term borrowing. Behind these figures is the South African Government and private sector realisation that the international money markets were something of which they could take advantage. Facilitating this trend have been the international banks; handling South African interests abroad, inspiring confidence in the South African economy and ensuring that South Africa has a secure place in the international money markets.

There is little doubt that growing confidence in the South African economy, encouraged by the big merchant banks, has allowed South Africa to weather unscathed the difficult period from 1950 to 1970. And the proof is in the degree of white prosperity which prevails in the southern tip of the African continent.

At no time have the patterns of loans or investment suggested that international capital is merely out to make a 'quick buck' out of a short-lived 'cowboy' economy. South Africa is an integral part of that economic system prevailing in the 'free' world. The nature and expansion of the South African economy has provided international capital with a valuable outlet. The economies of the USA, the UK, Japan and Europe have consequently developed an interest in preserving the political and economic stability of South Africa. **The most important agents in this process have been the banks. In every capital transaction, the international banks, either singly or in consortium, have interpreted and met the needs of the South African economy, and even fought among themselves for the opportunity to treat.**

From 1965 to 1970 South Africa received a net total of £982m from the West. 'The annual average net inflow has risen from £93m a year in 1965/7 to £235m in 1968/70, and in 1970 it reached a record £328m.' (First p24)

In 1971 it rose by a third to reach £447m (*The Times* 11.7.72) and the rate of inflow has accelerated still further. The increased attractiveness of foreign borrowing to the South African authorities is well illustrated by the figures of total foreign Government debt, published by the South African Reserve Bank. 'This rose from R141.5m in 1963 to R502.0m in 1972 – a rise of 254.7%.' (*Investors Chronicle* 24.8.73)

But the role of the banking institutions is more poignantly revealed by their role in the late 1950s and early 1960s when South Africa's political stability was severely shaken. Political unrest among the black and coloured population presented a real threat to the apartheid order. 'In 1960 in the immediate aftermath of the Sharpeville Massacre (83 people shot down by state police during a demonstration), £48m left the country.' (First p24). By 1964 there was a net outflow of £21m.

A breakdown of these figures, however, reveals a striking distinction between direct and indirect investment. The flight of capital around the time of Sharpeville turns out to have been almost entirely due to private overseas holders of equities pulling out. The large corporations that participated directly, by establishing and expanding plant or, more importantly, by making capital available, continued to support the economy. The repressive measures introduced internally by the state were accompanied by a solid framework of capital. Although new direct investment from Britain in 1961 dropped to a low point it remained a net inflow to South Africa – more capital went to South Africa than was withdrawn.

Over the whole period British companies sent an average of £28m a year in direct investment. US corporations were no less faithful. Between 1960/66, South Africa gained £14m of American direct investment on average every year.

The banks played their vital part. In 1958 the Deutsche Bank of West Germany raised a 50m DM loan for Anglo-American, South Africa's mining conglomerate. And less than two years after Sharpeville the same bank led a consortium of banks, guaranteeing a £4m loan to the South African Government.

The First National City Bank, the largest US bank, unilaterally extended a \$5m loan to Pretoria in 1961, the bleakest year for foreign investment in South Africa. But most important of all in the post-Sharpeville period was a revolving loan of \$40m which a consortium of ten American banks arranged for the South African Government. Participating banks were the Bank of America, Chase Manhattan, First National City, Manufactures Hanover Trust, Morgan Guaranty Trust, Chemical Bank New York Trust, Bankers Trust, Irving Trust, Continental Illinois Bank, and First National of Chicago.

Although the consortium loan has not been renewed since 1969 because of growing pressure in the USA to end support to racist South Africa, less visible support has continued from American banks, notably First National and Chase Manhattan. In 1965 Chase bought a 15% shareholding in the British-owned Standard Bank, South Africa's second largest bank, and with extensive operations elsewhere in the continent.

The Chemical Bank, having no branches in South Africa, is typical of the majority of international merchant banks. KM Urmy, Chemical Bank's Vice President, declared in 1968 that his bank had maintained a very satisfactory account with the South African Reserve Bank (equivalent to the Bank of England) as well as the New York agency of the Standard Bank. Consequently, 'the Chemical Bank felt obliged to render financial assistance if needed'. (Letter quoted in *Africa Today* September 1970)

The World Bank – dominated by American and Western capital – has played its part in the post-war economy of South Africa. To date the World Bank has extended eleven substantial loans to South Africa. Between 1947 and 1962 the Bank lent South Africa \$220m. These were primarily directed at South Africa's economic infrastructure as the loans were specifically for the development of transport and power industries; \$74m to the Electricity Supply Commission, ESCOM, and \$148m to the South African Railways and Harbour Board. In 1966 ESCOM received another \$120m from the World Bank. More recently the bank has played a less important role. In the latest Report, 1973, the total cumulative loan provided by the World Bank to South Africa is given as \$241.8m. The governor of the South African Reserve Bank is also one of the governors of the World Bank.

For the South African business community, these loans and their continuance represent what the *Financial Mail* called 'the desirability of keeping one's name on the important capital markets of the world' (31.1.69).

Many of the loans raised by the South African government have been accompanied by bond issues offered for sale on the money markets. The first foreign loan to which private buyers could subscribe by buying bonds on the Stock Exchange was arranged by the Deutsche Bank in the Federal Republic in 1958. A decade after Sharpeville, 'South Africa is so integral a part of the West that apartheid merely looks like one factor in the international economic system' (First p34).

In October 1970 Pretoria offered bonds on the international markets worth £5m on the London market. They were so over-subscribed that when the market officially opened, it reclosed after ten minutes, sold out. (First p34)

The framework of confidence which surrounds these South African issues is such that all the main western merchant banks have 'guaranteeed' them; that is, if they are undersubscribed by the public, the banks guarantee to buy those left over.

In November 1971 a further government bond issue of £12m was backed by more than 100 European merchant banks including Hambros, Lazard Brothers, NM Rothschild, Hill Samuel, Morgan Grenfell, and J. Henry Schroder Wagg. (*Financial Times* 15.11.71)

Commercial Banks in South Africa

Quite clearly the international banks do not need a visible presence in South Africa in order to benefit the economy. But several have moved in to take advantage of the profitable commercial situation. The standard of living of the white South African is one of the highest in the world and the banks are there to take advantage of it.

Total assets of the commercial and merchant banks, the two major banking sectors, are now well over R9,000m. But it is money deposits that most interest the banks. In 1973, total money deposited by the South Africans was R6,740m. The commercial banks held the lion's share of this at over 60% (see table 1).

Table 1 – Total Deposits of Various Categories of Registered Banking Institutions:

	1940	*1950*	*1960*	*1970*	*1973*
			(Rm)		
Discount Houses	–	–	52.3	225.5	320.8
Merchant Banks	–	–	33.8	290.9	547.7
Hire-Purchase, Savings & General Banks	–	47.2	212.7	1497.3	1795.8
Sub Total	–	47.2	298.8	2013.7	2664.3
Commercial Banks	249.6	744.1	1188.8	3307.8	4075.7
Total	249.6	791.3	1487.6	5321.5	6740.0
Commercial Banks as percentage of total	100.0	94.0	79.9	62.2	60.5

(*The Banker* October 1973 p1148)

The high level of deposits is due to the very high rate of gross domestic savings of over 20%. The savings and fixed deposits held by the eleven clearing banks was nearly 60% of all deposits in March 1973, amounting to a tidy R2,901m (See table 2). Four of the clearing banks held over 80% of all their deposits as savings.

Table 2 – Deposit Structure of South African Clearing Banks – March 1973:

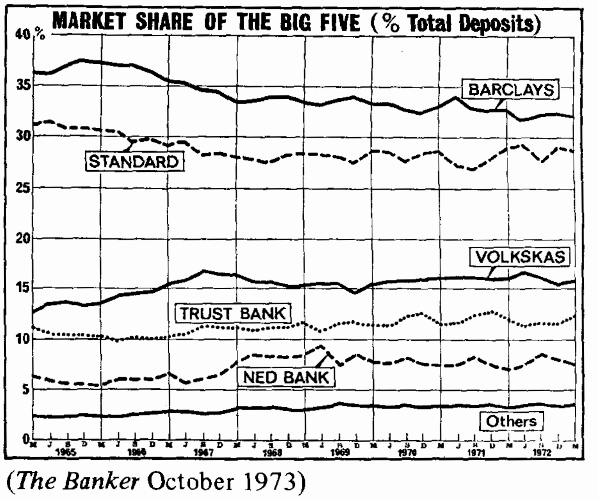
	Total Deposits	*Demand Deposits*	*Savings and Fixed Deposits*
	Rm	*%*	*%*
Barclays National Bank	1,516.7	49.9	50.1
The Standard Bank of SA	1,338.9	48.5	51.5
Volkskas	759.9	44.7	55.3
Trust Bank of SA	578.9	17.0	83.0
Nedbank	462.8	27.7	72.3
Western Bank	158.5	5.5	94.5
First National City Bank (SA)	76.8	30.2	69.8
French Bank of SA	75.3	17.3	82.7
Bank of Lisbon and SA	38.1	18.4	81.6
SA Bank of Athens	15.1	25.2	74.8
Stellenbosche Distriks Bank Bpk	13.9	29.6	70.4

(*The Banker* October 1973)

The South African clearing banks conduct their business through a dense network of branches. There is in fact one clearing bank office for approximately every 9,000 people, compared to approximately 3,500 people per branch in Canada and about 5,500 people in the USA. However, the ratio changes considerably if some allowance is made for apartheid and the dual nature of the South African economy. If the African population is excluded, the number of people per banking office decreases from 9,000 to 2,500.

It is the money deposited with the banks, with over 60% of it in the form of savings and fixed deposits, which the banks can be confident of holding on to, that explains the spread and profitability of the banking sector. In 1972, the top five clearing banks made R41.7m profit after tax. There is no better indicator of the profitability of the banking sector than the level of outside investment. Since the mid-sixties, private sector investment in commercial and financial institutions 'has forged ahead, growing by more than 33% in most years'. (*The Banker* September 1971 p22)

Banking in South Africa has traditionally been and still is dominated by British institutions. Over two-thirds of the commercial banks' assets, which totalled R4,075.7m at the end of 1973, were controlled by the two biggest banks. Both were subsidiaries of British companies and together they owned more than 70% of the banking outlets in South Africa.



(*The Banker* October 1973)

These were the Standard Bank Investment Corporation, owned by the Standard and Chartered Banking Group, and Barclays National, previously Barclays DCO, owned by Barclays Bank International.

Table 3 – The Foreigners:

	Foreign ownership* %	**Total assets Rm**
Stanbic†	86	2,232
Barclays National	85	2,006
Trust Bank	3	800
Western Bank	8	279
French Bank	54	121
Citibank	100	83‡
Hill Samuel	77	73
UDC Bank	40	58
Bank of Lisbon	90	52
Bank of Athens	97	17

* The foreign ownership of SA banks as a percentage of their total equity.

† Holding company of the Standard group.

‡ Figure from September 1972 returns to the Registrar of Financial Institutions.

Source: all other figures are from annual accounts.
(*The Banker* October 1973 p1155)

by Jan Kopec, Camera Press

African industrial workers.

The full extent of foreign control of banking was recently revealed by the Franzsen Commission into Fiscal and Monetary policy. Defining foreign-controlled banks as those with more than 50% of the shares held directly or indirectly by foreigners, the commission calculated that, in mid-1970, foreign-controlled commercial banks 'held 73% of all commercial bank deposits. The figure for foreign-controlled merchant banks was 10.5% and other banks 23%. For all banks it was 56%.' (*The Banker* September 1973)

However, it is the Standard Bank and Barclays which dominate the banking scene. Both have pre-Boer-War roots in the Transvaal, even then 'one of the most overbanked areas in the world' (*Financial Mail* 13.4.73). The Bank of Africa, Natal Bank, and the National Bank of Pretoria and Blomfontein, operating in South Africa in the nineteenth century, became Barclays DCO. The Standard Bank was there too, and later merged with a competitor, the African Banking Corporation.

However, the foreign-controlled banks have not only dominated in banking. They have also been quick to diversify to maintain their positions. In spite of the vigorous growth of the indigenous banks, especially the merchant banks, and the growing 'economic nationalism' of the State, the foreign banks, notably Barclays and Standard, have held their own.

The diversification has taken three basic forms; the development of new methods of obtaining deposits and granting credit; the expansion of activities into the fields of other financial institutions; and acquiring interests outside banking and finance.

They have also ventured into 'property development, farming, hotels, travel agencies, building societies, mortgage bond participation schemes etc' (*The Banker* September 1973 p1149).

Eloquent testimony to the overseas banks' success is the profit record of the South African Barclays Group.

Barclays Group Profit 1970/1972 (Thousands of Rands):

	1970	1971	1972	% increase
Pre-tax profit	16,351	18,836	24,689	31
Post-tax profit	9,389	10,846	14,103	30

Principal developments of Barclays and Standard:

	Barclays	**Standard**	**South African Banks also diversifying**
Merchant Banking	National Bank Development and Investment Corp. (1967)	Standard Merchant Bank (1967)	Nedbank Wesbank
Leasing & HP	New division	National Industrial Credit Corp. (1968)	Volkskas
Credit Cards	Barclaycard (1969)	Share in Diners Club South Africa & Service Card	Wesbank Nedbank (American Express) Trust (Service Card)
Insurance	Barclays Insurance Brokers (1969)	Standard Bank Insurance Brokers (1973)	Trust Nedbank Volkskas
Growth funds	Barclays Mortgage Nominees (1969)	Standard Fund Managers (1973)	Trust Nedbank

Keystone

1960; thousands of striking Africans march into Cape Town demanding the release of their leaders.

In January 1972, when Barclays DCO in South Africa became Barclays National, 5m shares were issued at 430c a share to the South African public. The scramble which ensued on the Johannesburg Stock Exchange led to their being twenty times over-subscribed. Sir John Thomson, the then chairman of the parent company, Barclays, which retained 85% of the shares in the new bank said: 'We are serving Africans in South Africa. We can see absolutely no valid argument for removing ourselves from South Africa.' Given their profit record and the reaction of the South African share buyers, this response is not surprising.

More than any other foreign bank, Barclays has come in for considerable criticism internationally for its involvement in South Africa. Most of the criticism has centred on wage levels paid to its African workers. While giving evidence to the House of Commons sub-committee looking into pay and conditions of African workers employed in South Africa by British subsidiaries, Sir John Thomson announced a new development (23.6.73). Barclays National Bank is considering joining with other banks in setting up a new bank to cater specially for Africans. In the words of *The Banker,* 'the local African market is served nowhere near so well. Traditionally the big banks have had offices in the Homelands, but until recently there has been little incentive to develop this side.' If the banks need any encouragement, *The Banker* goes on, 'Africans are by tradition savers. Barclays for instance recently revealed that the black community had deposits totalling R88m with the bank and for the banking system as a whole this figure might rise to around R250m.' (September 1973 p1175)

Clearly the banks are making good profits on these deposits. Increasing these deposits is simply sound business sense.

But there are difficulties. Although the black people are valued as customers, the banks will not lend money without security – and for black Africans in an apartheid system, this presents a problem. In the urban areas, the blacks are barred from owning freehold title to land – the normal security required by a bank. In the rural areas there is still a problem. Land ownership rights are complicated by the fact that much rural land is tribal land which means that it is owned and controlled by the Bantustan Authority. As a result the blacks have been unable to offer fixed property as security. So blacks may deposit money in the banks but they cannot borrow from them.

If movables were given as security, this could also prove difficult. Apartheid race classification has been extended to companies. If a black could not meet his debts and the security was called up by the bank, the black business taken over could not be run by the white bank, but would have to be sold to another black.

Barclays' announcement was significant because it proposed a 'complete banking service for non-whites and staffed entirely by Africans' (*Rand Daily Mail* 8.3.72). The staff will be paid the same rate as the whites. 'The new premises will be the best designed in the country and no expense has been spared in giving our clients the best banking has to offer.' (Bank spokesman *ibid*)

For seven years the National African Federated Chamber of Commerce (NAFCOC), made up of African businessmen, has been working on the problem of black-run banks.

At the same time a group of black church leaders have attempted to set up a similar black bank. 'They contacted the South African Council of Churches (SACC) for assistance. It soon became apparent that NAFCOC and SACC would make more progress if they combined their efforts. So it was agreed that NAFCOC should promote the idea and the SACC would assist wherever possible.' (*The Banker* p1175)

'The Registrar of Banks has apparently agreed to grant a licence if the following criteria are met:

'1. The bank must have a paid-up capital of R1,000,000.

'2. The five major white banks in South Africa – namely Barclays Bank, Standard Bank, Trust Bank, Nedbank and Volkskas – should be offered shares in the black bank.

'3. That there is adequate expertise available for running a bank.

'4. That no branches are opened without the prior consent of the Registrar of Banks.

'5. If any branches are to be opened in the Homelands, that the negotiations with the Homeland Governments will be undertaken from the office of the Registrar of Banks . . .

'About 30% of the capital has been earmarked for Barclays, Standard Volkskas, Trust bank and Nedbank, and 20% has been offered to the Homeland Governments. The remaining 50% is set aside for individual black investors. With the big banks as shareholders the bank will be able to demonstrate that it has sufficient expertise.' (*ibid*)

The bank, to be called the National African Bank, has attracted considerable international sympathy. But the main short-term worry is the small amount of cash to get the bank off the ground. This would cost around R15,000. German churches have raised a substantial amount of the cash, and have pledged themselves to support the bank.

Significantly, loudest applause for the National African Bank has come from *Die Vaderland,* the Afrikaaner nationalist newspaper. The development was quite within the apartheid policy and the paper hoped other enterprises would follow the example. 'The Nationalist multinational industrial policy is very simple and effective. It is based on and envisages the maximum labour future for the Bantu in his own territory, and the essential minimum Bantu labour in the white industrial world.' There was no impediment at all in apartheid policy to any firm with Bantu labour introducing a separate Bantu service and staffing it exclusively with Bantu – from tea-boys, to messengers, typists, clerks, accountants, managers. 'When the Bantu presence in the white industrial areas has been reduced to the essential minimum, the stable essential urban Bantu will be able to have an opportunity to rise ever higher, so that they can live much better in every respect just as well as the white, with two reservations: that they, like the whites in the Bantu areas, can never gain property and political rights in the white area.' (From SA *Press Digest* 16.3.72)

Volkskas Bank (which has close ties with the government) is sponsoring a similar development, with the support of Standard, Barclays, Nedbank and Senbank.

The leading Afrikaaner businessman, Anton Rupert, is supporting another. 'The Union Bank of Switzerland is believed to be involved in this consortium.' (*The Banker* September 1973)

The government is in principle behind these moves. Foreign investors are seen as more willing to invest in the Homelands if they are dealing with a local bank. According to one government source, some foreign investors were reluctant to be seen collaborating with quasi-government institutions, such as the Bantu Investment Corporation, for fear of being branded as supporters of apartheid. (*ibid*)

The World Council of Churches reports that the Black Bank is now functioning, having been set up by the major white banks.

Exactly what contribution the foreign-owned banks make to South Africa has been vigorously pointed out by the normally diplomatic bankers following a move by the Minister of Finance, Dr Diedrichs, to force the locally-registered banks to reduce their foreign shareholdings to 10%.

The immediate reaction of the foreign-owned banks, Standard and Barclays, was that a 10% stake was not enough to justify their involvement in South Africa, and that if the government persisted they would withdraw completely.

But apart from the threat to profits, the banks were quick to point out the other advantages of the foreigners to the economy. First, during times of worldwide capital shortage, large foreign banks with interests in South Africa would probably be more inclined to help the country borrow the large amounts of foreign funds it needs annually from the international money markets. 'Loans within the family may carry less risk than arms-length lending because there is greater information available to the lender.' (*The Banker* September 1973 p1156)

Second, 'The so-called 'foreign' banks have fulfilled the function of 'de facto' central banks by giving a great deal of help to small local banks, and others not so small. The records will also show that without the vigorous help and co-operation of these early bankers, many difficult situations would have arisen.' (AQ Davies, Stanbic Report and Accounts 1973)

Third, foreign banking provides the country with invisible earnings, a heavy deficit area for the South African economy. (Nigel Bruce, Banking Editor *Financial Mail*)

Fourth, the harm done to the investor's confidence abroad will affect investment in South Africa. 'Because of the initiative and enterprise of our British shareholders, we were able to expand our banking system from those early days in the face of challenging conditions and at no time has our reputation for reliability and loyalty been questioned.' (Stanbic Report and Accounts 1973)

'Control is a good thing because you have a say-so about how you carry on. Obviously, one has to think a great deal about involvement in South Africa. We unanimously believe it is the right thing to be in South Africa. We think the vast majority of our stockholders approve of our being in South Africa, and our doing all we can to have good conditions in South Africa.' (Sir John Thomson ex-Chairman of Barclays National Bank *Rand Daily Mail* 23.6.73)

The Major Banks in South Africa:

Bank	*Total consolidated group assets*	*Consolidated group profits after tax*	*Year End*
Commercial Banks		*Rm*	
Stanbic	2,077.6 * 1,893.5	7.9 6.8	Mar 1972
Barclays	2,005.7 –	14.1 –	Sept 1972
Nedbank	1,056.1 818.8	8.5 6.9	Sept 1972
Volkskas	1,006.9 868.8	6.5 5.6	Mar 1972
Trust	801.0 728.4	4.7 4.2	Dec 1972
Merchant Banks			
Standard	248.4 217.8	1.3 1.4	Mar 1972
Senbank	230.7 205.5	1.7 1.6	Jun 1972
Union Acceptances	201.9 158.2	2.8 2.1	Dec 1972
Trust	51.9 48.6	0.5 0.4	Dec 1972
Hill Samuel	48.6 39.7	0.5 0.4	Mar 1972
Nefic	47.0 37.0	0.4 0.2	Sept 1972
Mercabank	38.8 21.0	0.3 0.2	Sept 1972
Western	17.7 5.1	0.1 0.04	Jun 1972
Finansbank	9.9 7.0	0.02 0.01	Mar 1973

*Figures for the previous year

Merchant Banks in South Africa

'Project yourself into the South African profit picture,' said the Hill Samuel (SA) Ltd advertisement in *The Banker*'s special survey on South Africa in 1971, continuing: 'The net capital inflow into South Africa in 1970 was a record 557 million Rand – an indication of the confidence foreign investors have in South Africa's immense growth. Hill Samuel – international merchant bankers, with six South African branches – have the financial expertise and local knowledge necessary to advise you on the best methods of obtaining a lion's share in this profitable market. (You'll be a roaring success.)'

The scope and involvement of the merchant banks' activities in South Africa can be gauged from the list of facilities offered in the same advertisement:

International trade financing
Acceptance credits and other short-term lending
Foreign-exchange dealings and exchange-control advice
Deposits including negotiable certificates of deposit in South African Rand and other currencies
Eurocurrency and other international loans
Issues of equity and loan capital
Stock Exchange listings
Mergers and acquisitions
Investment portfolio management
Pension and life-assurance schemes
Computerised share registration
Insurance broking
Property development
Management and general financial advice
Secretarial and trust company services.

To put it simply, the merchant bank offers money, access to money, business know-how and contacts, and a financial management machine – all at a price. That the price is a good one for the banks can be judged from the asset figures of the merchant banks currently registered and operating in South Africa:

Bank	**Controlled by**	**Assets (Rm) March 1973**
Standard Merchant	Standard Bank Group	238.8
Senbank	Sanlam	237.9
Trust Accepting	Trust Bank	52.5
Hill Samuel	Hill Samuel UK	61.6
Nefic Acceptances	Nedbank Group	41.6
Mercabank	Independent	42.0
Western Merchant	Wesbank	15.5
Finansbank	Independent	17.8

A ninth merchant bank group, Syfrual-Nedbank, is the recent result of a merger between Union Acceptances (UAL), the oldest South African merchant bank, and Syfrets, and a reverse merger with Nedbank, to produce a conglomerate with total assets of some R2,000m, greater than all the other merchant banks put together.

These asset figures give a better idea of involvement than profit figures, because merchant banks differ from commercial banks in that their participation in individual enterprise is far more personal, and much of their wealth and prospective profitability is held in the form of direct investments, both in equity and in tangible assets such as property.

Of course merchant bank activity in South Africa is not restricted to those banks registered in the Republic, all of which are relatively late starters, and we shall also examine the way in which some UK-registered banks play an important role in the South African system.

The most immediately available image of South African wealth created through the exploitation and suppression of black workers is the gold mine, and it is significant that the first South African merchant bank, Union Acceptance Ltd, was established by the largest mining conglomerate, the Anglo-American Corporation Ltd, in conjunction with Lazard Bros and Co Ltd, a London-based merchant bank, in 1955.

UAL was soon followed by Accepting Bank for Industry Ltd, set up by the government's Industrial Development Corporation in collaboration with another UK merchant bank, Kleinwort Benson Ltd. Next came Central Accepting Bank Ltd, established with the help of Hambros (also of London), and in 1960 Hill Samuel UK set up a South African subsidiary. Trust Accepting Bank and Nefic both came in 1968, Finansbank in 1970, Western in 1971, and Standard in 1972. The latter was created by the UK-controlled Standard Bank Group when the registration of its general banking subsidiary, Standard Bank Development Corporation of South Africa Ltd, was changed to that of a merchant bank. The most recent development has been the UAL/Syfrets/Nedbank grouping mentioned above.

The reasons for the late introduction and rapid growth of the merchant bank sector are not hard to find. Firstly, the South African government was anxious to attract foreign capital at a time of international pressure and encouraged their establishment – even participating, as in the case of IDC and the Accepting Bank for Industry.

Secondly, the South African Banking Act of 1942 contained no category for merchant banks, which were first registered as deposit-receiving institutions. Only commercial banks were subject to Central Bank monetary control, all other categories escaping the capital and liquidity ratios of commercial banks and the specific requirements for the maintenance of interest-free deposits with the Central Bank.

The introduction of the merchant banks demonstrated one of the major principles of merchant banking – the flexibility and speed of operation necessary to take immediate advantage of market conditions. As Jocelyn Hambro, chairman of Hambros, said in the 1973 Report and Accounts: 'It is . . . the role of the merchant banker to try and take advantage of situations as they arise in the domestic and international fields.'

The merchant banks took advantage of the weakness in the 1942 Bank Act and by 1965, when a new Act was implemented in order to bring them under control, the advances, discounts and acceptances utilised by merchant banks comprised more than 10% of total commercial lending in South Africa.

The credit ceilings imposed by the government in November of the same year hit the merchant banks as hard as the commercial banks now that they were subject to the same controls. True to their traditions, however, they were able to offset their losses by taking advantage of the fact that between 1965 and 1968 there was a large increase in deposits as money which could no longer be loaned-out built up in accounts. Deposits increased from R122.6m in 1965 to R225.2m in 1968. The merchant banks, by switching from lending money to investing in Negotiable Certificates of Deposit (NCD's), bills, bonds and other securities, developed a money market to take advantage of profitable investment opportunities.

Between 1969 and 1972 South African gold and foreign exchange reserves declined. The freeze on liquidity was accompanied by a heavy increase in interest rates. This trend reversed in the latter half of 1972, but the merchant banks now found themselves in competition with the commercial banks for the utilisation of acceptances – a field which had hitherto been almost the sole province of the merchants. In fact the South African Banks Act of 1965 defined a merchant bank as 'a person who carries on a business of which the acceptance of bills which are eligible for discount by the Reserve Bank forms a substantial part, and who accepts deposits'. An acceptance is, in effect, a promissory note delivered to a bank by a customer in whom the bank has sufficient confidence. The bank farms the acceptance out to a discount house, and the customer gets the cash and pays a fee.

This procedure is normally on a short-term basis – usually 90 days – and is traditionally used only to finance the movement of goods. During the credit squeeze, however, banks helped customers in urgent need of credit by swapping overdrafts into acceptances, and selling the acceptances via discount houses to non-bank holders, thus staying below the credit ceilings imposed by the government.

As a result of this practice the amended Bank Act now in force stipulates that acceptance credits may constitute only in effect some 16 - 17% of a bank's liquid assets. Consequently, the merchant banks have lost acceptance business to the commercial banks with their greater assets. In 1965 merchant banks had 98.3% of all acceptances utilised, but this had fallen to 57.2% by 1972 as the commercial banks muscled in. There was an upturn in 1973 due in no small part to the introduction of the new Standard merchant bank, and the November 1973 coalition of UAL/ Syfrets and Nedbank will have confirmed this upturn. Meanwhile merchant bank profits and assets continue to grow despite the competition, as they exploit the full range of means open to them to make money.

While expanding industrial and manufacturing firms hold black wages down, claiming that they cannot afford higher wage bills and growth at the same time, merchant banks profit from that growth, encouraging it, financing it and investing in it themselves. In doing so they are directly investing in apartheid, and the high profits yielded would not be possible without the ruthless suppression of black African wage levels.

Management in South African firms is, in effect, an arm of the apartheid system. The merchant banker becomes, when conditions suit him, an arm of management. He advises on and underwrites new equity issues, helps the flotation of new business, recommends and acts as intermediary for mergers and acquisitions. He is as much an entrepreneur as the chairman of the board.

'These services of the merchant banks came into particular prominence in South Africa during the economic boom of 1963 to 1969 and were further developed during the tight liquidity periods of 1970 to 1972, when merchant banks had to develop specialised skills in providing financial advice and management to entrepreneurs and business in South Africa.' (*Standard Bank Review* December 1973)

Where business looks particularly good, the merchant banker likes to boost his profits with a substantial personal stake. A good example is provided by the involvement of the Hambros Group in the flotation of Bishopsgate Platinum in February 1973.

Hambros, which is based in Britain, placed a large block of shares in Bishopsgate and obtained a quotation for the new company on the London and Johannesburg stock exchanges. Hambros had long held a 10% investment in the Impala Platinum mine controlled and managed by Union Corporation. They combined their interest with that of Marula Platinum in Impala, the two becoming Bishopsgate Platinum Ltd, with a 22% stake in Impala, with Hambros retaining 20% of the merged company. The two mining brokers working with Hambros on the Bishopsgate flotation became overnight millionaires, with a total of 3.1m Bishopsgate shares between them. Apart from feathering the nest of its own portfolio and generously creating individual millionaires, Hambros participates directly in the functioning of the mining empires via the directorship held by its chairman, Jocelyn Hambro, in Charter Consolidated, an associated company of Anglo-American.

Hill Samuel (SA) Ltd has also benefited from the accentuation of non-banking activities. While 'banking continued to dominate in terms of profits and capital employed' (Report and Accounts 1973), the book value of Hill Samuel's portfolio of listed investments increased over the year by no less than 41% to show a market value of R1.9m.

The merchant arm of the Standard Group, the Standard Bank Development Corporation – now the Standard Merchant Bank – financed a new R300,000 factory for Zero Refrigeration in Johannesburg at the end of 1972, and in the following February arranged the buying by Tiger Industrial Holdings of the entire share capital and shareholders' loan account of Grevler Properties which owns land and buildings in Johannesburg. The trend towards property has been distinct among the merchant banks. Standard and Hill Samuel, which have the closest UK ties, have featured largely. Over the last year Standard has been building banking, shop and office blocks in Cape Town (R5m), East London (R1.24m) and Johannesburg (R2.3m) on its own account, and has financed a R750,000 development in Natal's Port Shepstone on behalf of the Dolphin group.

Hill Samuel's property portfolio had a book value of R2.8m in 1973 – and property book values are notoriously an understatement of real value. The group's 1973 investment in property showed R2m with as yet no income (as against R300,000 in 1973), such income not being likely to show in the accounts until next year. The chairman was looking to 'a significant contribution' from the property portfolio, which is being expanded as fast as possible.

At the end of 1972 Hill Samuel was reported (*Financial Mail* 8.12.72) as laying out the bridging money for new housing linked with an equity stake. Hill Samuel became an equal partner with Constantia Building Suppliers in Latan Properties, building luxury R20,000 houses in the West Rand township of Brennanda. Hill Samuel will reap profits from its 50% stake in addition to a deed of sale interest at 9%. Needless to say, none of this housing will benefit the grossly under-housed Africans who labour on the sites.

As in the UK, there are enormous profits to be made from property development and speculation in South Africa, and the more luxurious the development, the bigger the profits. The projects favoured by all the banks in the major cities are huge blocks in which the bank itself occupies the prime position. The floors below the bank are let as shops, while those above provide highly priced office lettings. Both these and the luxury flat and house sector form a 'Whites-only' market.

Nothing highlights the banks' support for and protection of the South African government's apartheid policies more than the sheer contrast between the white property developments in which they invest their profits and the atrocious living and housing conditions of the black Africans whose pittance labour and enforced subservience guarantees those profits.

Whilst the blocks and the luxury house developments go up – to the point where there is now often a surplus of newly-developed sites and difficulty in getting rid of the most expensive houses and flats – the non-white population is forced to live in bleak townships like Soweto in Johannesburg (where there is a 15,000 waiting list for family housing), and the cynically misnomered 'Paradise Valley' shanty town on the sand flats outside Cape Town, disease-ridden, and flooded out in the rains; or, the ultimate humiliation, the infamous resettlement areas sited wherever the terrain is so oppressive and infertile as to be unprofitable for white exploitation.

In the latter the aged, the sick, the unemployed and their children are dumped in corrugated iron shacks with no prospect but death from disease and undernourishment. Between 1968 and 1972, 232,500 blacks were moved from white areas to the 'homelands'. An article in the *Guardian* (3.3.70) pointed out that 87% of the country had now been designated 'white'.

Ministers emphatically reiterate time and time again that the black African may only consider himself to be a temporary resident of a white area as long as he officially offers labour, a condition to be borne out by the stamp on his passbook. The only 'right' to residence involves having been born in the area, having worked there for at least fifteen years, or having worked there for the same employer for at least ten years.

The situation immediately arising from these conditions is that if for any reason a man ceases to work, he and his family are faced with deportation to the dreaded resettlement areas. Families are split up as a matter of course. If a man dies, or a marriage breaks up, the woman, unless she fulfils the above conditions of residence in her own right (an impossibility if there are children to look after), has to move out. 'As a magnanimous concession the Johannesburg City Council recently allowed the wives of men killed in a train crash to stay on in Soweto, the African township. Women whose husbands die naturally are not so favoured.' (*Guardian* 3.3.70)

Perhaps the most obvious monument to the injustice of white luxury property development in the face of black living and housing conditions is the recently completed Carlton Centre in Johannesburg. This office tower, shopping centre and international-class hotel is owned by the Anglo-American group, and Barclays Bank has a hefty 10% stake in it. The Carlton Centre cost an astronomical R88m to complete – the hotel alone cost R23m. **This total is considerably in excess of the money spent by the Johannesburg City Council in housing half a million Africans in the township of Soweto (R60.5m over a period of nineteen years) and also more than the real amount of capital invested in the Bantu Homelands during the ten years following the Tomlinson Commission Report.** (Horwitz p395)

Soweto is huge – 26 square miles, 'the largest housing scheme of its kind in the world', according to the Ministry of Information Digest in 1964, omitting to mention that it is probably the only housing scheme of its kind too – and soul-less. Sixty-thousand concrete and corrugated iron units stretch endlessly and with mathematical precision along dirt roads that disappear beneath the mud when it rains. Few have electricity. The floors are of concrete. Many are already falling apart, so badly were they thrown together. Yet there is a list of 15,000 families waiting for the privilege of living in Soweto.

Unluckier still are the great mass of Africans currently being forced to live in the new Alexandra Hostel City, opened at about the same time as the Carlton Centre. Ruthlessly following the apartheid policy of 'White by night', the Johannesburg Council decided that the great army of domestic servants, hitherto housed largely over the garages and kitchens of their white employers, should commute to work from a new complex of hostel blocks outside the city. The servants and others housed at Alexandra have to pay rent as well as an estimated R10 a month busfare to get to and from work. As much of the work has to be done before the whites get out of bed, the Africans will have to get up well before dawn to queue for transport. The hostels are segregated by sex.

The Johannesburg *Sunday Times* (30.4.73) described a visit to one of the new all-women hostels in the company of a Mr C.H. Kotze, Head of the Bantu Administration Department of the Transvaal Board for the Development of Peri-Urban Areas. The hostel was for 2,834 single women. Vast, ugly, with brick-faced concrete walls, the building was a barracks-like construction of floors and corridors.

At intervals along the corridors were sets of latticed steel doors, electronically operated from a master switchboard in the matron's ground floor control room. **It was specifically explained by Mr Kotze that these doors were nothing to do with fire control, but were there to enable the matron to seal off the building into 150-person sectors 'in the event of unrest'.**

In addition to the control-board the matron's quarters contained a charge room and a barred cell. There were loudspeakers on all floors both for announcements and to 'control disturbances'. All floors and corridors were controlled by 'secondary matrons' equipped with portable two-way radios. There were single rooms and rooms to be shared by four women at a time. A nearby mens hostel had rooms with six and eight sharing, but Mr Kotze felt that 'women like more privacy'. The privacy-loving women share one bath per 25 residents, one shower per 35, one toilet per 20, and the communal kitchens where they prepare their own meals are each to be shared by 150 people. No men visitors may enter the building, all meetings having to take place in the open courtyard under the matron's window.

Meanwhile, across town in the Carlton Centre, business is booming, with suites costing up to R130 per day (valet's room optional extra), and the caviare in the main restaurant costing more per portion than a month's rent at an Alexandra hostel. The rooms at the Alexandra hostels have concrete slab floors. There is no heating.

Whilst 150 exhausted African women elbow each other to cook their suppers in the communal kitchens at Alexandra, guests at the Carlton, having polished off the caviare or the smoked salmon can be well into their fillet mignon chatelaine, 'a centre cut of beef tenderloin filled with fresh truffle, studded with goose liver, wrapped in bacon and broiled and served with Perigourdine sauce'. This can be accompanied if so desired by a bottle or two of Chateau Lafite Rothschild '61 at R120 a time.

Domestic servants form the largest sector of employed Africans in South Africa, and there are some 600,000 of them. One of Hill Samuel's diverse money-making schemes is its wholly-owned African Pension Trustees. On January 1st 1973, APT started a scheme for by Ernest Coles, Camera Press

African workers on the last stretch of their daily journey home from the city to the township.

domestic servants' pensions, underwritten by the Standard Group. **This scheme is as good as useless to the Africans, but benefits both employers, who may use it to attract and keep a hold on servants, and Hill Samuel, for whom the potential for investing the contributions made on behalf of 600,000 servants is considerable.**

The employer pays R2 per month minimum, and if the employment is terminated for any reason whatsoever within ten years, the African gets nothing and the employer keeps the total of the contributions plus the interest. If the servant sticks it out for ten years, then he or she is entitled to only 50% of contributions accruing. Only after 20 years with the same employer does the servant qualify for the full sum of contributions. At the minimum contribution this would be a grand total of R480 plus interest. The effects of inflation on this sum over a twenty year period can be imagined, and the South African rate of inflation has been conservatively estimated at 15% for the current year, with food and clothing price inflation way ahead of this figure.

Pension fund administration, like general financial management, insurance broking etc, can be considered as typical merchant bank activity. The fast movement into property portfolios is a recent trend, attributable both to the high rate of return and the growing competition of the commercial banks for traditional merchant bank business such as acceptance utilisation.

Another trend still developing can be seen in the growing competition for municipal loan issuing. Thus can merchant banks, like the commercial banks, invest directly in the direct administration of apartheid by official sectors and agencies. The main contenders in 1972/73 for the smaller issues were Senbank and Trust Accepting Bank. Senbank and UAL met little competition when it came to the larger issues. 'While the long term rates were softening, these loans were money for jam' said the *Financial Mail* (27.4.73).

UAL and Senbank's arrangement of the R15m loan to ISCOR in February 1973 was a star example of merchant bank involvement in public sector fund raising. The new large Standard Merchant Bank has now become prominent in the local government loan market. Competition between the merchant banks has hotted up due to the growing cost awareness of city treasurers.

The grouping of Syfrual-Nedbank referred to previously is sure to dominate the new issues market for the public sector, and the group's government connections are powerful. The new non-executive chairman is Dr Frans Cronje, one of South Africa's leading industrialists, a former United Party MP, United Party Treasurer, and a close associate of Sir de Villirs Graaff, whose brother is on the Nedbank board. The chairman is L. Abrahamse, with a successful career at Shell behind him.

'Except for the eventual possibility of links with one of the other mining houses (apart from the existing close Board links with Barlows') Nedbank-Syfrual is likely to turn its attention overseas. Internal rationalisation is scheduled for 18 months and after that the group should be powerful enough to make the world its oyster.' (*Financial Mail* 21.11.73)

In the face of this sort of competition the smaller merchant banks have to compete by association, and in the municipal loan market Hill Samuel, Western, Mercabank and Nefic have formed the South African Public Loans Consortium Ltd, to underwrite issues of local government stock. The consortium's advertisement of January 1973 states that as from 30.6.72 issues in the amount of R5,114,000 have been underwritten for a total of nine local authorities.

Hill Samuel became heavily involved in public sector financing on its own account last year when it arranged a massive 60m Swiss franc (about R13m) loan for the South African Broadcasting Corporation for the development of the national television service at the very favourable interest rate of 6½%. The money comes from Bank von Ernst and Cie, Hill Samuel's Swiss subsidiary, and three other Swiss banks. Hill Samuel also arranged a R50m loan and credit overseas for the South African Post Office in 1973. (*Rand Daily Mail* 10.5.73)

The wheel seems to have turned almost a full circle since the merchant banks first came to South Africa. Having first arrived to take advantage of business opportunities outside the scope of the commercial banks, growing competition for all forms of business has caused the merging and grouping which enables them to compete successfully with the larger institutions – and with one another. It seems likely that there will be further amalgamations of the Nedbank-Syfrual type, and the new large consortia are likely to turn their attention outside South Africa in order to strengthen overseas links and bring more money into South Africa.

'An area which may be profitable for the merchant banks in the future is their small but growing involvement in international finance. Businessmen are becoming aware of the advantages to be gained at times by taking into account interest rate differentials when financing the movement of their goods. And, of course, South Africa is a capital-hungry country. So both foreign trade finance and, in particular, the raising of medium term capital abroad, where it is more easily available, offer scope for the merchant banks.' (*Financial Mail* 24.4.73)

What is certain is that the merchant banks will continue increasingly to be organisations of the utmost importance to the South African government and the white population as supporters and financers of their racist aims and aspirations. **For the black African, the merchant banks must already be indistinguishable from the monolithic establishment which enslaves and oppresses him.**

Banking on the Apartheid State

With almost monotonous insistence the rulers of South Africa claim the country to be a free enterprise system. Yet, in every facet of life, the state remains the malicious overlord. The power of the apartheid state is all-embracing. With soaring security costs, this basically undemocratic government has condemned the vast majority of the black population to a state of abject servitude, in the name of 'white Christian civilisation'. In order to perpetuate that rule, it has built a system of society where its electoral basis in the white population is assured by ensuring it a privileged material existence at the expense of the exploited black majority. On this material basis it has convinced its supporters with total fanaticism of the righteousness of its barbaric rule. Any opposition to that rule has been suppressed with ruthless efficiency by the creation of a sophisticated police state.

The state has been controlled since 1948 by the Afrikaaner Nationalist Party and its support and ideology developed from Afrikaanerdom. The two major tenets of this ideology were the relegation of the African majority to political, economic and social servitude and, in order to achieve this, the conquest of economic power. The encouragement of Afrikaaner economic enterprise and the development of state corporations were fundamental to the establishment of apartheid and to the Afrikaaner challenge to English-speaking economic domination. Since then the economic power of the state corporations has grown.

The state controls and owns land and forests, post, telegraphs and telephones, railways, airlines, broadcasting and other public services. It has also entered the field of private industry in electric power generation (ESCOM), printing, the manufacture of arms and ammunition, the production of iron and steel (ISCOR), oil, gas and chemicals from coal (SASOL) and fertilizer (FOSKOR). The Industrial Development Corporation, which promotes development in partnership with private companies, now has interests in mining and finance (Palabora and Central Accepting Bank); aircraft manufacture (Atlas); textiles and chemicals (SASOL and Sentrachem); and shipping (Safmarine). It approved financing to the amount of R201m in the year 1972.

One example from this formidable list illustrates the degree and depth to which the industrial power of the state has grown. The total assets of the Iron and Steel Corporation increased from R450m in 1969 to R1,077m in 1973. ISCOR's capital expenditure in 1973/4 is projected to reach a record figure of R474m. In 1973 it acquired the Cape Town Iron and Steel Works (Pty) Ltd. Apart from iron and steel, it now has mining interests in iron ore, coal, dolomite, tin and zinc. In 1973 it supplied 75% of South Africa's steel requirements. The corporation employs 40,000 workers, more than half of them white. It has set up a trading company with the Koor Group of Companies in Israel. Koor is Israel's largest steel processing group and ISCOR has acquired a 49% interest.

The strength of the state sector in South Africa, therefore, is not confined to the provision of an infrastructure for private industry. Its implications, both economic and political, stretch far beyond the services it provides. In tune with its ideological commitment to apartheid, the state is the largest single investor. In 1972, out of a total capital expenditure of £2,600m, the state provided £1,400m.

In all the major investment projects the state undertakes, the employment policy is in accord with the strict principles of apartheid. Job reservation, low minimum wages for Africans, separate development, and influx control are all implemented through these projects. Secondly, they are also the vehicle by which Afrikaaner economic interests are promoted. The close relations between the state enterprises and Afrikaaner private capital are evident in the contracts allocated by the state. The South African Trust Bank, Sanlam (the insurance company), and Volkskas (the Afrikaaner bank) are favoured by the state and many of their directors are also at the head of state corporations.

The state also employs directly and indirectly some 600,000 white workers, and is thus the largest single employer in the country. Almost all of these are either voters or eligible to vote. It could also be assumed that each employee has at least one voter dependent on him or her. This means that electors who were in one way or another dependent on the government totalled 1,200,000.

In recent years, state corporations have also gone into partnership with subsidiaries of private western corporations. The Industrial Development Corporation is linked with British Petroleum in Sentrachem; with the British and Commonwealth Shipping Co in Safmarine; and with Courtaulds in the South African Industrial Cellulose Corporation. Similarly ISCOR contracted with Siemens for the building of the Henryk Verwoerd Dam, ESCOM with AEG from the GFR, etc. Private corporations from France, Italy and Japan are also involved with the South African State. The links with western multinationals have made the raising of finance in the western money markets easier for these state corporations.

It is in this context that the revelation of secret loans made to the South African Government by the European-American Banking Corporation became significant. A total of $210m was raised in 1970 by a consortium of the largest banks in America, Canada and the UK in direct support of the apartheid state. The European-American Banking Corporation of New York is the American extension of the European Banks International Company, whose partners are:

The Deutsche Bank	West Germany
Societe Generale	France
Midland Bank	Britain
Amsterdam-Rotterdam Bank	Netherlands
Societe Generale de Banque SA	Belgium
Creditanstalt-Bankverein	Austria

EBIC, it is reported, sold various credit arrangements to American and multinational banks in order to tap the American money market. Most of the money was raised by the offshore subsidiaries of these banks and then re-lent to the South African government. 'Three of the six credit transactions, each $50m and made from the bank's Nassau branch, were arranged with the Ministry of Finance in Pretoria. In 1971 a further credit of approximately $50m has been negotiated.' (*Sechaba* January 1974) The management fee for this latest loan alone, paid to EABC, was $150,000.

In June 1972 the South African Ministry of Finance arranged with the same consortium of banks a further loan of $50m. It is thought that this loan was used for general balance of payment purposes, since it went direct to the South African Reserve Bank.

The banks and their degree of participation are as follows:

American	**$**
Wells Fargo Bank (NA), Luxembourg Branch	2.0
Central National Bank in Chicago	1.0
Merchants National Bank and Trust Co of Indianapolis, Nassau branch	1.0
City National Bank of Detroit, London branch	.5
Republic National Bank of Dallas, London Branch	3.0
First Israel Bank and Trust Co of New York, Nassau branch	2.0
First National Bank of Louisville	2.0
Maryland National Bank, Nassau branch	2.0
United Virginia Bank, Nassau branch	2.0
European	
Banque Europeenne de Credit a Moyen Terme SA, Brussels	3.0
Midland and International Banks Ltd, London	3.0
Societe Generale de Banque SA, Brussels	3.0
Amsterdam-Rotterdam Bank NV, Amsterdam	2.0
Compagnie Financiere de le Deutsche Bank AG, Luxembourg	2.0
Creditanstalt-Bankverein, Vienna	2.0
Societe Generale, Paris	2.0
Canadian	
Canadian Imperial Bank of Commerce, New York Agency	3.0
The Toronto Dominion Bank, Toronto	3.0
Bank of Montreal, Montreal	2.0
Japanese	
Japan International Bank Ltd., London	2.0

In October 1970, EABC organised bank participation in the $20m credit for the South African Iron and Steel Corporation. EABC contributed $3m from its Nassau branch. The other American bank involved was Wachovia Bank and Trust Company, which contributed $2m. The other banks are:

Bank	$m
Standard Bank Limited, London	4.0
Bank of Montreal, Montreal	3.0
Canadian Imperial Bank of Commerce	3.0
Toronto Dominion Bank, Toronto	3.0
Compagnie Financiere de la Deutsche Bank AG, Luxembourg	1.0
World Banking Corporation	1.0

A subsidiary of the South African Iron and Steel Corporation, Metkor Investments Ltd, received in late 1971 a loan of $10m for the expansion of Wire Industries Steel Products and Engineering Co. EABC contributed $2.5m from its Nassau branch. The other banks involved are:

Bank	$m
Bank of Montreal, Montreal	2.5
Midland Bank Ltd, London	2.5
Midland and International Banks Ltd, London	2.5

The giant Electrcitiy Supply Commission of South Africa received a $28m loan in December 1971. In June 1972 the loan was increased to $30m. ESCOM is at the moment heavily involved in the construction of the Cabora Bassa Dam in Mozambique. EABC contributed $5m. Other banks include:

Bank	$m
Midland Bank Limited, London	5.0
Samuel Montagu and Co Ltd, London	5.0
Midland and International Banks Ltd, London	5.0
The Standard Bank, London	5.0
Societe Generale de Banque SA, Brussels	2.0
Societe Generale, Paris	2.0
Amsterdam-Rotterdam Bank NV, Amsterdam	1.0

A notable example of the collusion of multinational firms and the international banks with the South African state is in the proposed R460m scheme for new iron ore production in the Sishen-Saldanha area of the western Cape. It is reported to be the largest economic scheme undertaken in the Republic. Eventually with the development of attendant projects the entire scheme is likely to cost a record R1,000m. In the first stages the existing iron ore mine at Sishen in the northern Cape will be expanded from the present annual output of 3m tons to 15m tons. Secondly, an 853km railway will be built between Sishen and the proposed port at Saldanha. Finally, a modern deep sea harbour at Saldanha will be developed.

The mine itself will be expanded by the Iron and Steel Corporation, who hope to export from Saldanha 30 to 35m tons of iron ore a year. 'If a price of R7 a ton is assumed, South Africa's export earnings will be raised by approximately R105m p.a. by the end of the decade.' (*Standard Bank Review* November 1973)

Saldanha Bay, about 110km from Cape Town on the Atlantic coastline, is expected to be four times as large as Durban, Cape Town, Port Elizabeth and East London harbours combined. What ISCOR plans for the area is a new manufacturing centre, with the processing of steel as a basis. 'Negotiations have been held with the Austrian steel producer, Vereinigte Oesterreichische Eisen-und-Stahlwerke AG (VOEST), and a provisional agreement has been reached whereby VOEST would provide the finance for a R600m to R700m joint plant for semi-processed steel. VOEST and other international interests will have an equity participation of 49% and the remaining 51% will be held by ISCOR and other South African interests.' (*ibid*)

In recent years ISCOR has been active on the Eurobond and Eurocurrency markets. A DM100m (R28m) bond issue was successfully floated and arrangements for a number of medium-term loans are being made. 'These

ISCOR steel works at Pretoria.

Keystone

'keeping the peace' British-made Saracen armoured vehicles in African areas.

include R133m arranged by the established group, European American Banks of New York (see above) and a R66m loan arranged by Morgan Grenfell.' (*ibid*)

The other state agency involved is the Industrial Development Corporation, which has already carried out a feasibility study of building a dry dock and ship repairing facilities at Saldanha harbour. Initial contracts for the construction of the railway and the extension of the mine have been awarded. International firms involved are the two French companies, Spie-Batignolles and Desquenne Giral; two GFR firms, Eisenwerk Weserhutte AG and Maschinenfabrik Augsburg-Nurnburg AG; and a Dutch consortium, Salcon, who will build the entire harbour. The *Rand Daily Mail* reported (10.6.73) that 'the microwave communications system on the railway will be installed in conjunction with Motorola Inc of Chicago'.

The project itself will, of course, benefit the South African state and the firms and banks involved. However, the coloured people of the western Cape see implications to themselves far beyond the balance books of international bankers.

Sonny Leon, leader of the Coloured Labour Party, sees in the entire project the foundations of a segregated 'Colouredstan' in the western Cape. 'Referring to an announcement that the Saldanha Bay project would accommodate 800,000 coloured people, he said that in conjunction with Mitchell's Plain (to accommodate 250,000) and Cape Flats and urban Cape Town areas (598,000) and the projected coloured town near Vrendenburg on the western coast, these plans would account for one and three-quarters of a million out of the two million coloured people. These pockets might

leader, Chief Buthelezi, has made repeated claims on Richards Bay as a 'natural outlet for the homeland'. However, economic expediency has triumphed.

For industrialists, Richards Bay is attractive because the infrastructure is to be built by the South African Railways and Harbour Board, and it is also in the vicinity of a reserve of cheap black labour. Within the city, however, planning is strictly on segregated grounds. The town board, for instance, plans 'a white residential area away to the north, and an African 'city' in Reserve No 10 built by Bantu Administration and Development, 16km to the South . . . Africans living in the south will commute by rail on a line looping round the central and industrial areas.' (*Financial Mail* 12.1.73)

In May 1973, the South African Railways and Harbour Board successfully placed a DM100m bond issue on the West German foreign capital market. This is the first of a series of R90m tranches required annually for the next four years to finance the Richards Bay scheme. The bond issue was managed by the Deutsche Bank. Further, a seven-year medium-term Eurodollar loan of $45m was raised, together with 'a seven year DM100m bank consortium loan, managed by Berliner Handels-Gesellschaft-Frankfurter Bank' (*Financial Times* 30.5.73). The latter bank also manages the Johannesburg City Council bond issue.

The concentration of South African State Corporations on the West German Eurodollar market (eg ISCOR) is looked at with envious eyes by the French bankers. In 1973, the International Manager of Credit Lyonnais, Tanneguy de Feuihade de Chauvin, visited South Africa to persuade South Africans of the virility of the French Franc.

'Of course, the amount that this market can contribute to South Africa's vast capital needs is no more than an egg or two. For last month's total new issues were only Fr200m which is equivalent to about DM120m – about a third of the amount available each month in West Germany.' (*Financial Times* 30.5.73)

The intensity of the competition by the banks to lend money to South Africa led to the Japanese Bank of Tokyo undercutting conditions made by a GFR consortium to ESCOM. CD Lubotta of the Deutsche Bank claimed that the Japanese offered a fixed interest rate of 6.5% for five to twelve years, against the traditional GFR offer of a maximum of five years at variable rates of interest. *(Ubersee Rundschau* 19.8.71)

It is in the nature of South African government projects that they be vast and long-term. The more direct human consequences, therefore, are difficult to project until it is too late. One thing is certain, however, and that is the commitment to apartheid of the major international banks.

Banks and the White Farmers

Together with the state corporations, the white agricultural sector in South Africa provides the solid economic base for the support of apartheid policies.

The electoral support which the white farmers give the Nationalist Party has its historical origins in the association of Afrikaanerdom with the land. 'Its cultural no less than its political roots, its spiritual no less than its material strength, were at least until after the Second World War emotively linked to farming as the 'only' way of life . . . Parliamentary power was more and more deployed to extend the authority of the administered economy to maintain Afrikaners on the land.' (Horwitz p345)

To the 90,000 white farmers, 70% Afrikaner, who occupied something like 250m acres, the apartheid state contributed £92m in 1972 as direct support. This took the form of price subsidies, technical assistance, drought relief, and rebates on fuel, fertilizer and transport. From all accounts this figure is an underestimate and includes neither the vast irrigation schemes the government has built the farmers nor the tax concessions and subsidies on mortgage rates. The 1972 South African budget allocated some £105m for the agricultural sector.

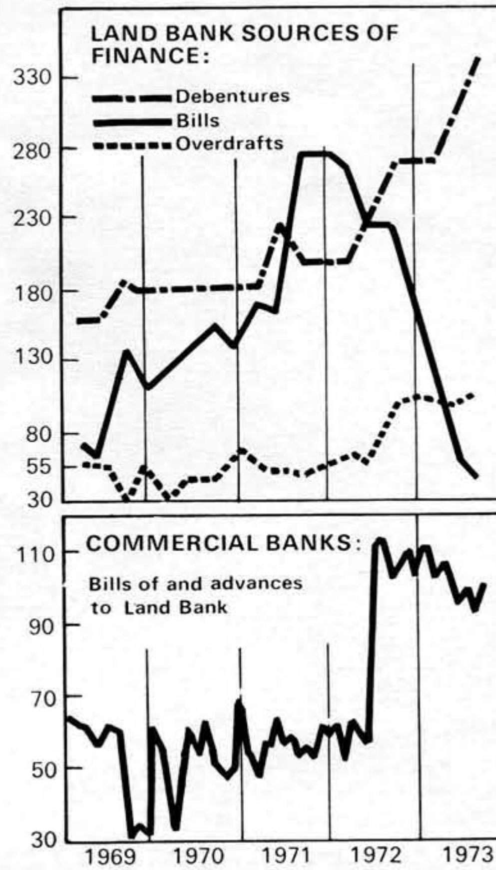
In this phenomenal support system, the commercial banks are no less active. Barclays, Standard and the French Bank of South Africa, together with the South African banks, are all too ready to profit from the insatiable need for finance by this extremely privileged section of the population. The main institution through which the commercial banks extend their support is the state-run Land and Agricultural Bank of South Africa. In the sixties the power of this bank was extended so that it could raise funds on the open market by the issue of debentures. By 1970, over half of the liabilities in the commercial banking sector were accounted for by the Land Bank in the form of advances and discounts including bills. The total liabilities to this bank were £724m. The 1968/9 agricultural census revealed that commercial banks provided some £150m in direct finance to farmers.

Access to the private capital market made the Land Bank less reliant on the state for appropriations. But the state still intervenes to protect interest rates. 'Since April 1971, the Treasury has been prepared to subsidise Land Bank borrowing from commercial banks to the extent that its cost exceeded 6% p.a.' (*Financial Mail* 13.10.73) The state also subsidises mortgage loans to a maximum of 1½%, payable on the first R100,000 or less, where the rate exceeds 7½%.

Thus the intricate system of support for the white farmers involves the Land Bank, the state and the commercial banks. It is a prime example of international capital intrinsically linked to one of the main props of apartheid.

The strength of this prop comes from 'the extraordinary political power within the white electorate of the farming vote. Provision was made in the constitution for the favourable weighting of rural constituencies in the electoral system. Constituencies can be 'loaded' or 'unloaded' by 15% of the number of voters in the quota, so that the difference between any two constituencies can be 'unloaded' by more than 15%. A delimitation commission establishes the electoral constituencies when this is necessary. Over the years there has been a marked increase in the weighting of rural constituencies in favour of the Nationalist Party. The original Nationalist electoral victory in 1948 is attributable at least partly to the delimitation of that year in which rural constituencies gained six seats at the expense of urban seats (a difference of 12 seats), enabling a minority of the electorate to return a majority of parliament. In 1972, 37 constituencies out of a total of 160 had less than 10,000 voters. Many of the Nationalists MPs for rural constituencies are farmers themselves. Thirty-seven per cent of all MPs were farmers.' (Ainslie p17)

SOUTH AFRICA – FINANCING OF THE MAIZE CROP



(*Standard Bank Review* March 1974)

With this power, the farmers have also promoted and instituted the infamous price support and crop financing system which benefits the commercial banks as well. For example, the maize crop would be financed by the Land Bank which would obtain overdrafts from commercial banks, issuing Land Bank bills and debentures. After it is harvested, the Maize Board, a State agency, would buy the crop at a fixed price of R4.50 per bag. The total payout to the farmers would amount to R600m. 'Approximately 60% of the payout is likely to be financed by the Land Bank bills discounted at the Reserve Bank, the remainder by the commercial banks. The amount of R600m represents new bank credit to the private sector and an injection of new money into the system during the period from May to September before maize is exported. The portion to be financed by the Reserve Bank is of considerable importance since it widens the cash base of the commercial banks and increases their ability to lend.' (*Standard Bank Review* March 1974)


Women, children and the old try to eke out a living in the barren 'homelands'.

Within the farming community there is a greater and increasing concentration of wealth; a tendency which the commercial banks support indirectly by making money available to richer farmers. Twenty-one per cent of farming units are responsible for a phenomenal 75% of total production. In 1972, 34% of full-time farmers earned less than R1,500. However, the entire white farming community is privileged compared to the African population. Of the 250m acres of farm land available, a mere 13% is in the African homelands, and only 5% of the rest is state owned. The remainder is legally set aside for the exclusive use of the white farmers.

The African population, having been deprived of land, depends on the white farmers for food. In the price-support system of South Africa, food is expensive. Because every branch of the agricultural industry is under control boards such as the Maize Board and the Sugar Board, the white farmers are placed in a position of a highly favoured monopoly. 'Production and prices are determined, not by the needs of the community, but by the greed of the producers . . . The producer monopoly on the control boards, set up under the Marketing Act, has also enabled South Africa to stabilise the prices of agricultural products internally at a level above the world while exporting 'surpluses' at a loss. **One consequence of this is that millions of South Africans suffer from malnutrition because they cannot afford a balanced diet at the prices prevailing on the South African market.**' (Bunting p372) For example, maize and maize products, a considerable part of the African staple diet, earned the Maize Board £150m in exports between 1966 and 1970.

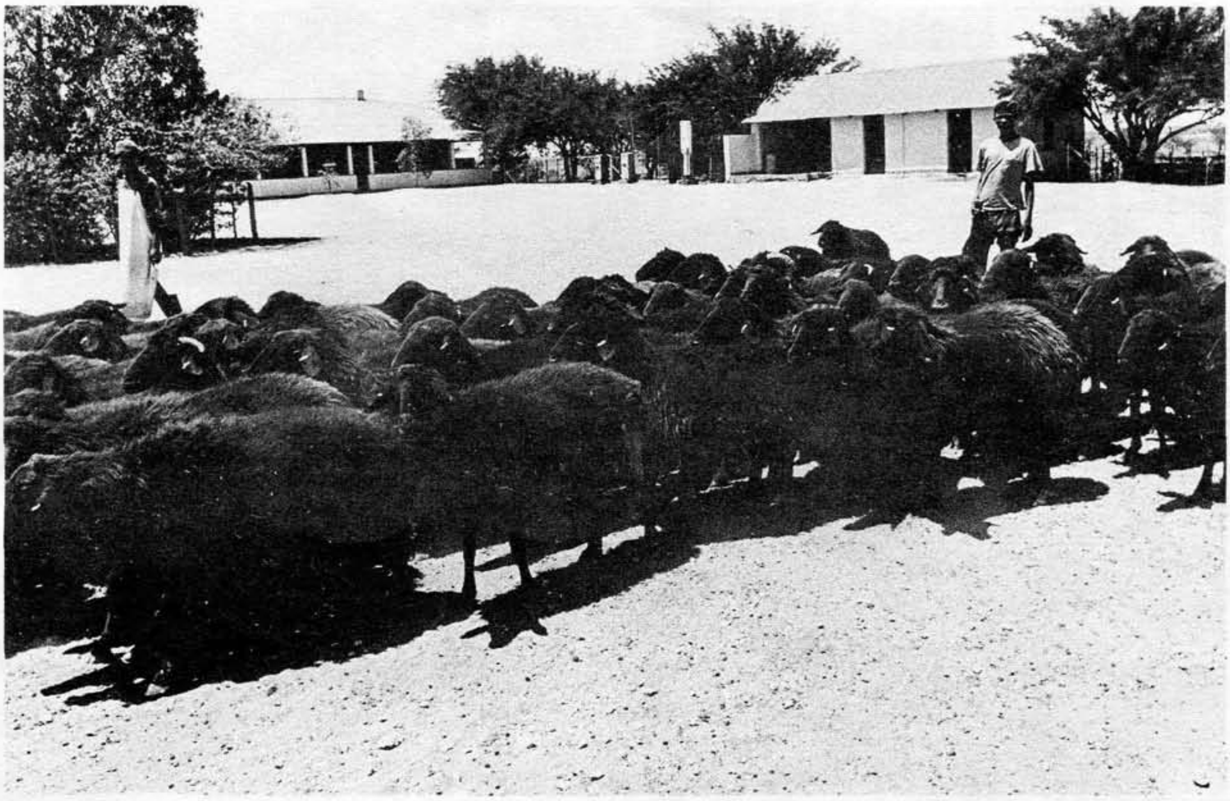
The price support system may benefit the farmers and the banks but it has devastating consequences for the black population of South Africa.

While agricultural products are exported as 'surpluses', the Africans residing in the rural areas are living at starvation levels. The 7m people herded into the 'homelands' (13% of the land area) have no possibility of purchasing or growing food. Every report on the poverty levels in these areas shows a despairing picture of malnutrition and disease. 'By the late 1960s, two detailed surveys in the Ciskei and Transkei revealed that no less than 87.9% of all households had an income level below the poverty datum line – the average household income was only 38% of the poverty datum line. In the five districts in the Transkei, it has been estimated that 40% of the African children die before reaching the age of ten, as a direct or indirect result of malnutrition.' (Maree p84) A similar picture was reported in the Northern Transvaal where women and children could only afford to eat three times a week. District hospitals continue to register cases of kwashiorkor, for children under five, and pellagra resulting from drastic famine in drought conditions.

And yet, 'parliamentary reports suggested that in the four months from 10 October 1967 to 11 February 1968, the Milk Board had issued instructions for some 2,107,000 gallons of skimmed milk to be thrown away in Johannesburg, Pretoria, Klerksdorp, and Bloemfontein . . . The reason given was 'overproduction.' (Bunting p373) The same story is prevalent in other sectors. Apparently there was a 'surplus' of 7,000 tons of butter in the 1972 season which 'had to be exported at a considerable loss, mainly to the UK' (*Financial Mail* 13.10.73). After 1970, increases in egg production were cut from 20% p.a. to 12% p.a. because 'there were no export markets'. (*ibid*)

The price support system and subsidies are only two factors that ensure the prosperity of white agriculture. Another is the abysmally low wages paid to farm labourers. The total workforce on farms was 2.2m in 1970 of which 20,500 were white employees, 125,860 were coloureds and Asians, and 2m were African.

Farm labour is not governed by any 'normal' legislation, hence the labourers are not protected by any law, nor can they organise to protect themselves. 'Their employment is governed by two archaic laws, the 19th century Masters and Servants Act and the 1932 Native Contract Act, which . . . give the employer rights reminiscent of the power of life and death once exercised by feudal lords over their serfs, or plantation



White farmers enjoy the best land and the cheapest labour.

owners over their slaves.' (Ainslie p26) **They must work as many hours as the employer deems necessary and have no right to holidays, sick leave or medical attention. Desertion is a criminal offence under the Masters and Servants Act and disobedience may be punished by the farmer by fines or beatings.** The labourer is not allowed to leave his employment without the consent of the farmer, though the latter has the power to cancel the contract of employment should the employee fail to fulfil his obligations.

'Average wages in the summer rainfall area (western Transvaal, north-western Free State, and Highveld) in 1967 were R124 p.a., the bulk being paid in kind. The average cash wage was a meagre R62 p.a.' (*Financial Mail* 13.10.73) In the winter rainfall area (western Cape) where 90% of the labourers are coloureds, the average cash wage in the vast fruit and wine estates was R194 p.a. In recent times it was estimated that the pay for African labour in Transvaal was between R12 and R16 per month. 'Casual labourers in the northern Transvaal, however, have, in some cases, claimed they receive 20c a day.' (*ibid*)

More horrifying statistics slowly emerge from other areas. 'The *Star* (1970) reported that in the Transvaal districts of Naboomspruit, Potgietersrus and Pietersburg, labourers were earning R5 - R8 per month, plus one bag of maize meal. They received no annual holiday, worked 12-hour shifts and could take time off only if another member of the family was available to replace them . . . *The Friend* found even lower wages in the northern Free State; R3 plus three parafin tins of maize meal per month were common and shelter consisted of rusted and rotting shanties.' (Ainslie p27)

The wage paid to a farm labourer in South Africa is but a small part of an entire system of humiliation, degradation and indignity which is a feature of his life. Reports of merciless beating, of shootings and even killings by the white farmers are frequent.

In recent years there has been a further insidious development in rural areas. The labour tenant, who historically lived in the white areas and had a small piece of land from which he earned a part of his living, is being systematically evicted. In 1964, 163,103 labour tenants were registered. By 1970, there were only 27,585. 'In 1973 it was revealed that there were no longer any labour tenants in the Cape, Transvaal or Orange Free State, and only 16,103 in Natal.' (Ainslie p48) The tenants are sent to the already overcrowded homelands, with dire consequences.

The tendency now is to institute a system of contract labour on an annual basis from the homelands. As if the greed of the farmers was not satisfied, the state now officially approves a previously informal system by which certain farmers can use prison labour. In 1972 there were 22 farm gaols in the country; 12 in the western Cape, nine in Bethal and Middleburg in the Transvaal, and one near Hennenman in the Orange Free State. The system is that approved farmers are encouraged to form associations to provide the capital to build a farm prison. Each farmer is allocated a number of prisoners in proportion to his contribution to the building costs. He is responsible for transporting labourers to and from work (7am to 5pm), for paying the guards accompanying them, and for paying the state 15c per worker per day. 'The right to employ prison labour is actually a saleable asset to the farmer. By 1965 this asset had been valued at R1,000 per convict, and in 1972, a share in a prison outpost bought for R2,000 was reported to have been sold for R4,000.' (Ainslie p24)

Little wonder that farming in South Africa is 'big business'. Larger conglomerates, in the form of co-operatives and investment and service companies, are being formed. Firms like Imperial Cold Storage, Kanhym Investments and Anglo-American Corporation are increasingly buying up farming interests. **In this bonanza the commercial banks are deeply involved, both in the support system and in the financing of expansion programmes.**

International Banks with Offices or Direct Subsidiaries in South Africa

International Banks with offices or direct subsidiaries in South Africa

Bank	Assets
Banco di Roma (Italian)	**£8,477m**

Joint foreign office with Commerzbank and Credit Lyonnais in Johannesburg.

Barclays Bank Ltd (British) **£10,109m**

Subsidiaries:
- Barclays National Investments (Pty Ltd) South Africa (100% owned by Barclays International)
- National Bank Development and Investment Corporation Ltd, South Africa (100% owned by other subsidiaries of Barclays Bank Ltd)
- Barclays Insurance Brokers South Africa Ltd (100% owned by other subsidiaries of Barclays Bank Ltd)
- Barclays National Bank Ltd South Africa (85.6% owned by Barclays Bank Ltd)
- Barclays South African Investment Ltd (100% owned by Barclays Bank Ltd)

International Affiliate:
- UDC Ltd South Africa (19% owned by Barclays Bank Ltd)

Banco Nacional Ultramarino (Portuguese) **£1,733m**

International affiliate:
- Bank of Lisbon and South Africa Ltd (Johannesburg) (30% owned by the Banco Nacional Ultramarino)

Banco Portugues do Atlantico (Portuguese) **£1,223m**

International affiliate:
- Bank of Lisbon and South Africa (Pretoria)

Bank Leumi Le – Israel BM (Israeli) **£1,804m**

Representative Foreign Office in Johannesburg

Bank Mees and Hope NV (Dutch) **£ 508m**

International affiliate:
- Nedfin Ltd (Johannesburg) (5% owned by the Bank Mees and Hope NV)

Bank of Tokyo Ltd (Japanese) **£5,650m**

Representative foreign office in Johannesburg

Banque de Bruxelles (Belgian) **£2,505m**

Representative foreign office in Johannesburg (ABECOR office)

Banque Francaise du Commerce Exterieur (French) **£2,813m**

Representative foreign office in Johannesburg

Berliner Handels-Gesellschaft-Frankfurter Bank (BHF-Bank) (Federal Republic of Germany) **£1,259m**

Representative foreign office in Johannesburg

Commerzbank AG (Federal Republic of Germany) **£4,699m**

Representative foreign offices in Johannesburg and Windhoek

Credit Commercial de France (French) **£1,264m**

Delegate in Johannesburg

Credit Lyonnais (French) **£8,757m**

Joint representative foreign office with Commerzbank and Banco di Roma in Johannesburg

Deutsche Bank (Federal Republic of Germany) **£7,815m**

Joint representative foreign office with EBIC in Johannesburg

Dresdner Bank (Federal Republic of Germany) (ABECOR) **£6,444m**

Representative foreign office in Johannesburg

First National Boston Corporation (American) **£2,685**

International affiliates:
- City Credit (Transvaal) Ltd, Johannesburg
- International Factors (South Africa) Ltd, Johannesburg

First National City Corporation (American) **£14,286m**

Subsidiary:
- First National City Bank (South Africa) Ltd (100% owned by the First National City Corporation)

Hill Samuel Group Ltd (British) **£1,001m**

Subsidiary:
- The Hill Samuel Group (SA) Ltd (Johannesburg) (77% owned by the Hill Samuel Group Ltd)

which owns:
- Hill Samuel (SA) Ltd
- Hill Samuel Investments (SA) Ltd
- Hill Samuel Negotiators (SA) Ltd
- African Pension Trustees Ltd
- Samuel A May (Pty) Ltd

Kleinwort Benson Londsale Ltd (British) **£926m**

International affiliate:
- JC Clark and Co Ltd (Industrial holding co) (33% owned by Leinwort Benson Lonsdale Ltd)

Kredietbank NV (Belgian) **£1,986m**

Representative foreign office in Johannesburg.

Midland Bank Group (British) **£5,896m**

Joint representative foreign office with EBIC partners in Johannesburg.

Montagu Trust Ltd (British) **£533m**

International affiliates:
- Blend, Welch, Hammond (Pty) Ltd (30% owned by the Montagu Trust Ltd)
- Robert Enthoven Nobicon (Holdings) Pty Ltd (33.3% owned by the Montagu Trust Ltd)

National Bank of Greece (Greek) **£1,697m**

International affiliate:
- South African Bank of Athens (Johannesburg) (97.69% owned by the National Bank of Greece)

The Standard Bank Ltd (British) **£1,807m**

International subsidiaries:
- Standard Bank Investment Corporation Ltd (South and West Africa) (85.9% owned by the Standard Bank Ltd)
- Tozer, Standard and Chartered Ltd (Africa) (100% owned by the Standard Bank Ltd) International subsidiaries of Standard Bank Investment Corporation Ltd:
- Diners Club SA (Pty) Ltd (56.3% owned)
- National Industrial Credit Corporation Ltd (100% owned)
- Standard Merchant Bank Ltd (100% owned)
- Standard Bank Financial Services Ltd (100% owned)
- The Standard Bank of South Africa Ltd (South and West Africa) (100% owned)
- International affiliates of Standard Bank Investment Corporation Ltd:
- Central Acceptances Ltd 'SENTAK' (14% owned)
- Computer Leasing Services Ltd (18.8% owned)
- New Zealand Insurance Co. (SA) Ltd (35% owned)

Swiss Bank Corporation (Swiss) **£4,351m**

Representative foreign office in Johannesburg.

Trust Bank of Africa Ltd (South Africa) **£434m (R799m)**

Subsidiaries:
- Trust Accepting Bank
- Trust Bank Growth Fund
- Trust Express Group
- Trust Finance Corporation Group

Affiliates:
- Trust Building Society
- Trust Hotels
- Seaside Estates Group
- Metlife

Union Bank of Switzerland (Swiss) **£4,602m**

Representative foreign office in Johannesburg.

Voikskas Ltd (South African) **£513m**

Subsidiary:
- Trans-Oranje Finance and Development Corporation Ltd

Affiliate:
- Transvaal Sugar Corporation Ltd

which, inter alia, called on UN member states to ensure that their public and private corporations had no dealings with Namibia while it remained under South African control.

Of these three regimes ruling over the Africans of Southern Africa, only the Portuguese as much as claim to eschew the vicious apartheid policies: in Mozambique and Angola there is no formal structure for the segregation of the black majority from the white minority. The policy that is followed instead – at least in theory – is one of assimilation of the Africans into the Portuguese 'civilisation', to develop at some point in the future 'a multi-racial, multi-continental and unified society – Portuguese in culture, language and religion' (Minter p18). It is only necessary to look at Portugal's own deeply divided society to realise how far in the future this will have to be.

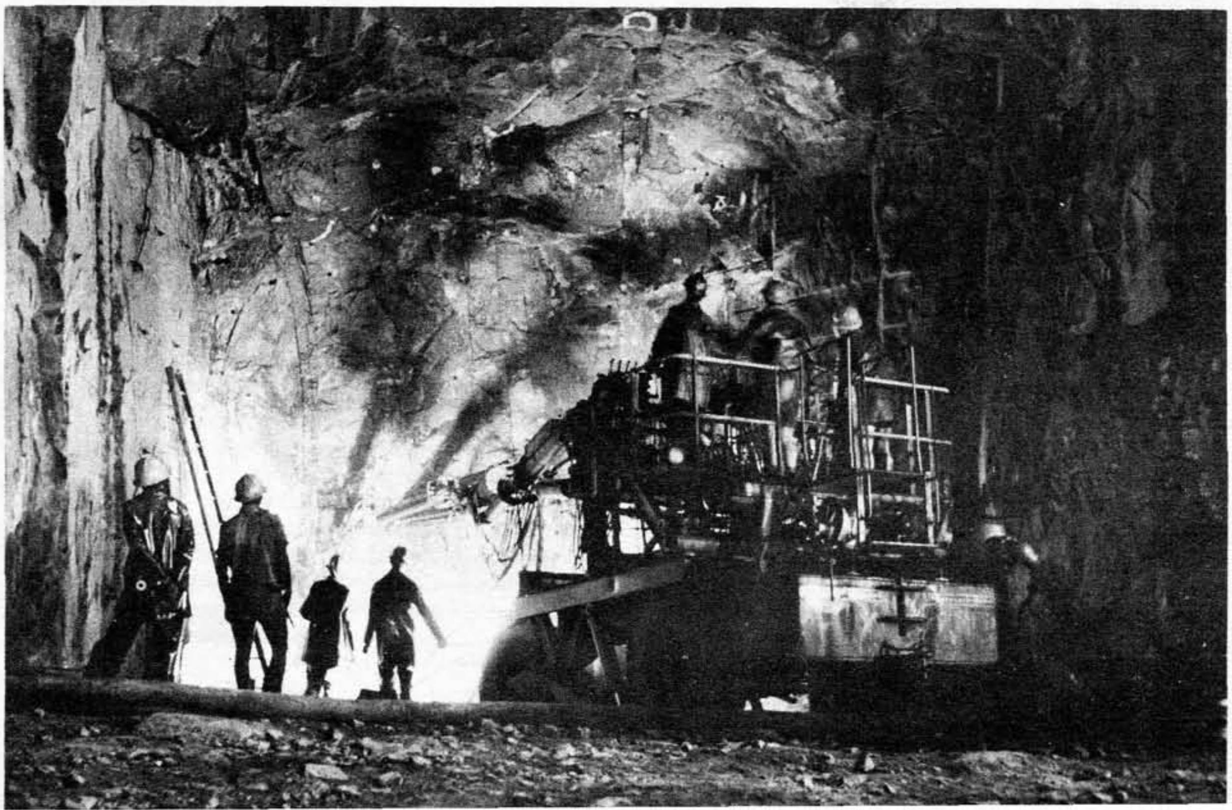
The divisions of Portuguese society, but at an even more repressive level, have been implanted in its colonies instead of apartheid. The Standard Bank in its *Economic Review of Angola* (which is intended mainly for the eyes of investors) summed up the dic-

The alliance developed primarily in response to the growth of the liberation movements. Since the sixties the activities of the freedom fighters in Southern Africa have grown rapidly, particularly in Mozambique, Angola, Rhodesia and Namibia. They now pose the only major threat to white supremacy in the area, since legitimate African political activity is suppressed by totalitarian methods and the UN is effectively gagged by the vetos of the US and UK.

The alliance operates not only on the military level but also, and just as importantly, on the economic level. Development of the economic infrastructure of Southern Africa is vital for the security of the white regimes. On the one hand, military success depends not only upon the communications and power supplies that are part of this infrastructure, but also on the barriers created by dams such as Cabora Bassa and the Cunene and also the 'safe' zones that are created by white settlement and development.

On the other hand, this development will add to the already considerable economic strength of South Africa and its allies. This in turn will forward South Africa's

Building Cabora Bassa dam.



by Brad Johnson, Camera Press

Portuguese forces in Angola.

expansionist economic policies: it hopes, for instance, through the sale of electricity and products, to induce in the independent black states to the north an economic dependency on the south. **This dependency can then be exploited to force those states to cut off the liberation movement's supply routes and accept the status quo of a divided Africa.**

South Africa is by far the strongest member of the alliance. It also stands to be the greatest beneficiary. Alone, it covers an area of 1.2m square kilometres, or one-twentyfourth of Africa. With the alliance it covers 5.1m square kilometres, or one-sixth of Africa. Alone, it has a population of 22m; with the alliance, 44m – of whom less than 5m are white.

It stands to benefit strategically, for whilst its own borders are not easily defended, the lakes created by Cabora Bassa, Kariba and Cunene and the rivers on which they stand will form a more defensible border, with the additional advantage of providing the economic hold over neighbouring black states. Moreover, South Africa's participation in these schemes and its future dependence upon them as a source of power will provide it with a ready-made excuse to 'protect its vital interests' with all its military strength should the war in Mozambique and Angola turn against Portugal, or should Portugal decide to withdraw from Africa. The result would almost certainly be the extension of South Africa's borders to the Zambesi.

As the Hudson Institute (which is partly funded by the US Defence Department) pointed out, Portugal can choose between three possible scenarios for its colonies' development: 'business as usual; 'cut-and-run development'; or 'go for broke', rapid, large-scale development' (Minter p126). But for South Africa, no such choice exists; for it to follow any of those policies other than the 'go for broke' would entail a complete volte-face on the part of the South African government.

This policy does however depend on substantial inputs of external capital; the Cabora Bassa and Cunene schemes alone are estimated to involve total expenditure of around £140m. The international banks do and will supply a large part of this capital either directly or indirectly. By doing so they accept fully their role as the fourth member of the 'unholy alliance'. **Their participation brings more than just capital to the alliance, for having invested in South Africa their own self interest demands that they should defend the interests of the white-supremacist regimes on a worldwide scale.**

What the economic side of the alliance means in practice is most clearly illustrated by the Cabora Bassa hydro-electric project on the Zambesi in Mozambique. The scheme, although on the front line of the Portuguese war with Frelimo, is being financed by the international banks. Their security lies in the fact that the South Africans have contracted to purchase the bulk of the power produced, thus underwriting its profitability. Construction work and project management for the scheme are also predominantly South African, with the Anglo-American Corporation leading the building consortium. **Rhodesia too will benefit, through the supply of goods and materials during construction, the consumption of power from the dam and the creation of a navigable water way to its borders.**

The scheme will be the most powerful in Africa, with an eventual total capacity of 4,000 megawatts, which will, for example, far exceed the output of Kariba or Aswan. The main project is to be developed in three stages, comprising the construction of the dam itself, the installation of a power station on the south (ie South African) bank of the river and the construction of a power network connecting it with South Africa. Completion of the first, main, stage is scheduled for 1975, of the third, for 1979. The power station will eventually link into both the South African and Rhodesian grids, and hence, in turn, to Zambia.

A fourth stage, comprising a second power plant on the north bank of the Zambesi, is also planned. Significantly, there is as yet no schedule for this; in all likelihood it will be held back, to be used as a bargaining counter, offering the prospect of plentiful supplies of cheap electricity to Zambia and Malawi to the North.

The scheme's significance can only be fully appreciated when the plans for the rest of the Zambesi that will follow it are taken into account. 'Portugal is planning . . . to turn the Zambesi Valley into a densely populated industrial and agricultural area. Together with the industrial development made possible by the Cabora Bassa project will go a network of roads and airfields. Above all, development will provide subsistence for a densely settled population. **Portugal plans that this will be a population of white immigrants (up to a claimed one million) and that they will be trained as a para-military defence force . . .**

'A Portuguese government survey of the Zambesi Valley, covering an area of 85,000 square miles, has shown that it is very rich in minerals. It has a 12-mile long seam of coking coal near the town of Tete, iron deposits that could produce one million tons a year, and a 35m ton reserve of titaniferous magnetites from which vanadium can be extracted. It also holds reserves of manganese, nickel, copper, fluorspar, chrome and asbestos . . .

'Cabora Bassa is to be only the first of a series of dams which will be used to irrigate 3,700,000 acres of land . Once the area has been opened up there are plans to make another 2,100,000 acres of dry farming land and one million acres of present and potential forest land available for settlement . . . According to the Anglo-American Corporation's magazine *Optima*: 'Their blue print envisages a network of mines and factories flanked by farms and forests – a new Rand on a river producing space-age minerals instead of gold'.' (Cabora pp 3/4)

If successful, it would amount to super-exploitation: the creation of ways and means for Portugal to exploit the Africans and their territory on what is, for this area at least, a previously unheard of scale. Fortunately these aims are as yet far from being achieved, although the cost to the African population has already been heavy. The Portuguese have moved the population of the surrounding area into fortified villages. Deprived of a subsistence living they are forced to join the cash economy – this is the forced labour system. The entire area around the site is surrounded by heavy fences, and **'much of the countryside around Cabora Bassa has been defoliated. Anything that moves in such areas is fair game'**. (*Daily Telegraph* 1.2.73)

The military, economic and political implications of the scheme are clearly fully appreciated by the white-supremacist regimes of Southern Africa. Is it feasible that the other participants in the scheme are not aware of them, nor of the immense human and social costs that will accumulate from the continued and expanding exploitation of the African population?

Obviously not, especially given the wide publicity that the scheme has received. Despite this, among the banks involved in financing it are major European and American ones that are, in turn, linked to practically all the major banking groups. They include Union Acceptances (Anglo-American), Banque de Paris et Pays Bas (Suez Group), Deutsche Bank (EBC, EABC), Banca Comerciale Italiana (BECMT), and the Bank of America (EABC).

Despite strong international pressure to dissociate themselves from the project, the banks have continued to participate and, in all likelihood, if they were asked to do so again now, would probably be happy to oblige, if a little more discreetly. It is unlikely that they would be asked to do so now though, for from the alliance's viewpoint the adverse publicity was counter-productive. So far as it is concerned, it is preferable to confine international finance to less directly politically sensitive areas, such as loans for projects ostensibly within South Africa or Portugal. The alliance reaps the same benefit both in terms of finance, for this releases domestic capital that would otherwise be tied up, and sustains international business self-interest in defending the white regimes abroad.

Consequently the South Africans and Portuguese did not, when it came to financing their joint Cunene River scheme, turn to the international banking fraternity for direct participation. Instead South Africa itself is financing the scheme, partly through its own agencies, mainly ESCOM and IDC, and partly through a long-term loan to the Portuguese authorities. ESCOM, the IDC and the South African Government itself have all received international finance anyway, from, among others, FNCB, the EABC consortium and the World Bank, as pointed out elsewhere.

South Africa is assisted in financing the scheme by the fact that the work will be spread over a long period and split up into a number of phases. The first of these, costing a total of R97.1m (£62m), began in late 1969, but is not scheduled for completion until 1978. 'Contracts have been awarded, but for obvious political reasons, neither the Portuguese nor the South African governments are yet prepared to say who will build it.' (*Financial Mail* 2.3.73)

The overall scheme, if completed, will be very large. The Cunene River rises in the centre of Angola, runs southwards to the northern border of Namibia and then turns westward to the Atlantic coast, this stretch of water forming the actual border with Namibia. Over its length and on its tributaries a total of 28 dams will be built, 24 of which will produce hydro-electricity and four water for irrigation. In addition to the dams and power plants themselves, there will be canals and other irrigation facilities, powerlines and roads. 'Present estimates place the total cost at approximately $612m (£260m).' (Cunene Dam Scheme p14)

As its cost indicates, the first phase is on a much smaller scale. Significantly the main dam in this phase will be at Raucuna Falls, on the border with Namibia. Power from this point will be distributed via a grid to the major mining areas in Namibia, including Tsumeb, Rossing, and Windhoek. It will, in addition, allow many new mines to be opened up.

The dam will greatly consolidate South Africa's illegal hold over Namibia. It will supply power for what is aptly known as the 'Police Zone', the area to the south of the main 'homeland', Ovamboland, which runs along the Angolan border. It is already opening up Ovamboland, with new roads and more police and military control. At the moment, 'Whites . . . travelling the magnificent road which links Windhoek (in Namibia) and Luanda in Angola, have to be in possession of travel permits to pass through Ovambo. And once inside Ovambo, the white motorist has to keep going. Only emergency stops are tolerated.' (*Financial Mail* 2.3.73) Of course, the Ovambo has problems too, as he needs to have passes to go anywhere at all. Although he will not have a car, if he does travel in the police zone he in turn will not be allowed to stop (in this case not even in an emergency). It is obvious whom the scheme will benefit.

The indirect financing of the Cunene scheme through loans to the South African government and its agencies by the international banks is just as damaging to the Africans of Namibia and Southern Angola as the direct financing of Cabora Bassa is to those of Mozambique. But these two schemes only illustrate the banks' role in financing extremely large projects. They also support the white-supremacist regimes of Southern Africa at other levels.

Namibia is a clear example. The illegality of South Africa's rule over Namibia has been amply demonstrated, and the UN Security Council has explicitly stated that companies should cease to be party to that rule. Despite this, the following banks have branches or agencies there: French Bank of Southern Africa (58% owned by Banque de l'Indochine), Barclays National, Commerzbank AG, Nedbank, Standard Bank of Southern Africa, Volkskas and the Land and Agricultural Bank.

To underline Barclays' position in relation to South Africa's illegal rule, in its 1973 prospectus Barclays National stated explicitly that "The Republic' means the Republic of South Africa and, unless the context otherwise indicates, also the Territory of South West Africa'. The bank had a total of 22 full branches and 90 agencies in Namibia in 1971.

Its role as supporter of the white government was clearly demonstrated in that year when its Windhoek branch refused to allow the newly-elected Chief of the Hereros to use the banking accounts of the Herero Private Fund. The operating rights to these accounts are restricted to the Chief of the Herero Tribe and a nominated headman, but although Chief Kapuuo was elected by the Hereros' council. Barclays considered that 'a new Chief is yet to be officially appointed', the operative word being 'officially'.

The size of the banks' operations in Namibia can be gauged from the current legal battle over ownership of a company called Desert Diamond Resources, which owns a large and apparently rich concession in Namibia. During the battle, in which Standard Bank is fighting for control of the company, it has transpired that the bank advanced R28m (£18m) to a white mining executive, accepting his controlling interest in the company as security. When the bank foreclosed, thus gaining control, he pointed out 'that Standard Bank granted him personal overdraft facilities and furthermore that over the past two years he had accepted the proffered financial advice of Standard Bank.' (*Windhoek Advertiser* 10.1.74)

The international banks are also operating in Rhodesia, Angola and Mozambique. Because of the UN's economic sanctions against Rhodesia, most of the banks' operations there are concealed behind a wall of secrecy. Most of the 'sanctions-busting' is carried out via South Africa and Mozambique. Apart from the physical side of the operation, the most important part lies in arranging the financial transactions, a role which the banks, in both Rhodesia and South Africa, no doubt perform with great expertise.

Among the main international banks in Rhodesia are Hill Samuel with five subsidiaries, Barclays with 37 branches and 111 agencies, the Standard Bank with over 100 offices, and National and Grindlays Bank with 14 branches and 20 agencies. The latter bank, it should be pointed out, is 40% owned by First National City Bank and 25% by Lloyds Bank.

Banking in the Portuguese colonies is dominated by Portuguese companies, which also act as central bankers, but Barclays and Standard again have interests in major groups there. 'In 1971 an arrangement with Barclays Bank was negotiated in which Barclays established a holding in the Angolan subsidiary of the Banco Portugues do Atlantico, which in turn took over Barclays' branches in Mozambique.' (Minter p157) This means that Barclays now has a holding in operations in both Angola and Mozambique.

The Standard Bank's interest in the two colonies arose from the merger of its interests there with those of another Portuguese bank, the Banco Totta e Acores. Two new companies were set up to combine their operations, the Banco Totta-Standard de Angola and the Banco Standard-Totta de Mozambique.

At these 'local' levels the banks are servicing and supporting companies that feed on the forced labour of the African population, or plunder their natural resources. The forced labour takes two forms: firstly, the denial of sufficient land to the Africans to allow them even a subsistence living, forcing them into the cash economy; secondly, brute force. The authorities' logic for the latter is that it is bad for the African to be idle, and their definition of idleness encompasses subsistence farming. So he is forced by the government to sell his labour.

In Mozambique in particular the only work available is either in the mines of South Africa or Rhodesia (the South Africans have a contract with the Portuguese for the supply of migrant workers from Mozambique), or on a sugar or tea plantation. In the words of an African, explaining how the forced labour system worked there for his family:

'We had to work on the government land; at least it isn't government land, it belongs to a company, but it was the government which made us work on it . . . The government came and arrested us in our villages and sent us to the company; that is, the company paid money to the administration or the government, and then the government arrested us and gave us to the company . . . We didn't want to work for the company, but if we refused, the government sent the police to the villages, and they arrested those who refused, and if they ran away the government circulated photographs and a hunt was started. When they caught them they beat them and put them in prison, and when they came out of prison they had to go and work but without pay; they said that as they ran away they didn't need the money. Thus in our own fields only our mothers were left, who could not do much.' (Mondlane p87)

A British company, Sena Sugar Estates, is the largest sugar producer in Mozambique, producing over half of the colony's sugar from land it occupies along the Zambesi. Apparently 'Sena's bankers include Barclays, Schroder Wagg, the Standard Bank and the Anglo-Portuguese Bank.' (*Portuguese and Colonial Bulletin* October 1973)

The latter bank was founded by the Portuguese Banco Nacional Ultramarino and has retained close connections with Portugal and its colonies. 'The African interests of the Anglo-Portuguese Bank range from huge tea plantations in Mozambique to several colonial trade and agricultural companies.' (*Portuguese and Colonial Bulletin* July 1973)

The bank, which also operates in the Eurocurrency markets, claims to be one of the largest privately-owned in the world, and has total assets of £190m with published net profits in 1973/4 totalling £993,000. Its chairman is Sir Isaac Wolfson of Great Universal Stores, who has a 'non-beneficial' interest in 5,997,000 of the company's 6,000,000 issued shares, 'which were held by Lady Wolfson in her capacity as a trustee'. (Anglo-Portuguese Bank Ltd, Annual Report 1972/3)

Among the other directors of the bank are Sir Charles Hardie, who is also a director of the Hill Samuel Group and the Royal Bank of Canada, and Mungo Conacher, who is also a director of Barclays Bank. The company has one subsidiary, APCOB (Nominees) Ltd, which held 31,000 shares in Sena Sugar at the time of that company's last return.

Of all the banks in Angola and Mozambique, one of the newest is probably also the most significant. On February 2nd, 1973, *O Seculo*, one of the leading daily (censored) Portuguese newspapers, reported that the First National City Bank of New York had opened a new bank, Interunidos, in association with a Portuguese bank Banco Esperito Santo e Commercial de Lisboa (translated: Bank of the Holy Spirit and Commerce). Thus FNCB, the second largest bank in the world, was following the giant multinational oil and mining corporations in the rush to exploit the wealth of the Portuguese colonies.

Its choice of partner was even more significant, for Banco Esperito had recently joined the Libra Bank consortium. The other members of the consortium comprise the Chase Manhattan Corporation, National Westminster Bank, Royal Bank of Canada, Credito Italiano, Mitsubishi Bank, Westdeutsche Landesbank and Swiss Bank Corporation. These banks are ranked 3, 7, 23, 26, 13, 22 and 45 respectively in the world banking league.

Thus Interunido is directly associated with eight (including FNCB) of the worlds top 45 banks, two of which are in the top three! It will, as a result, be ideally placed to service the needs of the white-supremacist economies of Angola and Mozambique.

The main aid for the Portuguese regime from the international banks comes in the form of loans to finance development within metropolitan Portugal. Thus it can afford to continue its war against the Africans, building new roads and airports in the attempt to bring to bear sufficient firepower, both conventional and chemical, to retain what control it still has.

In the meantime, the roads and airports that are built in Portugal are financed by the banks. Thus a consortium, including Hill Samuel, Chase Manhatten and Credit Lyonnais, are arranging loans for the construction of 217 miles of motorways in Portugal under a £135m contract. And among those offering finance for the planned £280m Lisbon airport are 'Chase Manhattan, Rothschild and Sons, Morrison & Knudson, Deutsche Bank, Kredit NV, the Compagnie Luxembourgeoise de Banque and others' (*Portuguese & Colonial Bulletin* January 1974). This can be compared with the £2.5m budget for a new airport to be sited between Lobita and Benguela in Angola. (*Standard Bank Review* November 1973)

These are just two examples from many. International finance is happy to play its part, supplying funds to a Portugal complete with war-torn colonies. The effort they are prepared to go to to get such business is well expressed in the *Standard Bank Review* November 1973:

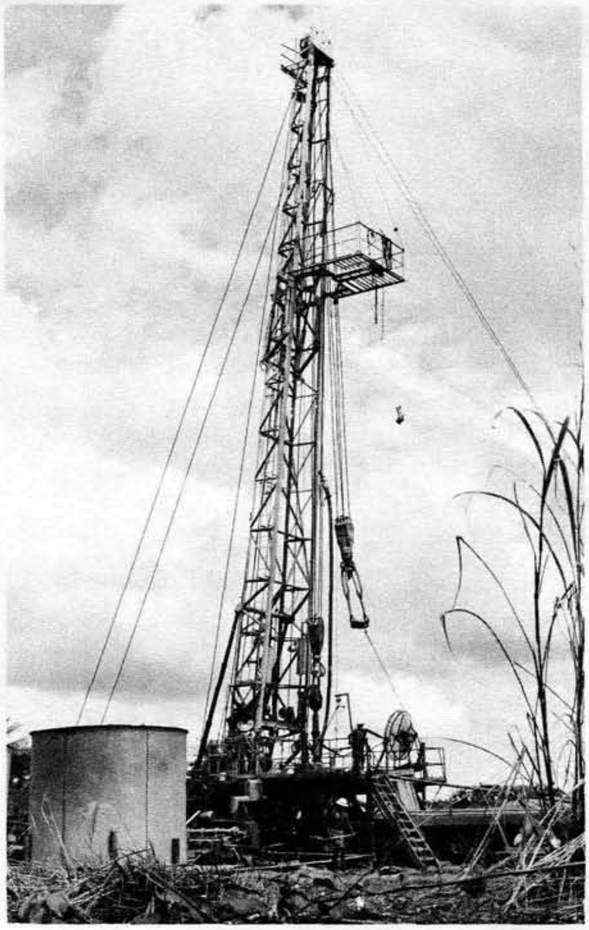
'The potential of these states is enormous and cannot be overstated.' With these words Sir Robert Taylor, a director of Standard and Chartered Banking Group, set out a theme that was consistently echoed during the recent conference on Angola and Mozambique organised by the London Chamber of Commerce and Industry. The conference was held as a trailer to the Chamber's planned mission to Mozambique next spring, and also in response to the great opportunities these States were thought to offer to British industry. Sir Robert, who chaired the conference in his capacity as deputy chairman to the Chamber's East and West Africa Committee, introduced an impressive array of guest speakers to the conference of nearly 100 delegates from banking, commerce, industry and public services . . .

'The morning session was devoted to Angola, 'a territory marching to full development' as Dr Matos (managing director of Banco Standard Totta de Mocambique) put it . . .

'Mozambique was also considered to offer great opportunities, particularly when the Cabora Bassa complex was fully operative . . .

'At the conclusion of the conference an evening reception held by Standard and Chartered Banking Group was hosted by its chairman, Sir Cyril Hawker, and attended by the Portuguese Ambassador, Senhor Antonio Leite di Faria, and the delegates to the conference.'

(*Standard Bank Review* November 1973)



Camera Press

A Gulf Oil Company rig drilling in Angola.

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Cabora Bassa and the Struggle for Southern Africa World Council of Churches.

The Cunene Dam Scheme and the Struggle for the Liberation of Southern Africa World Council of Churches.

International Consortia of Banks

Atlantic International Bank Ltd.

Participants	*Percentage*	*Country*
Banco di Napoli	12.5	Italy
Banque de Neuflize, Schlumberger, Mallet	12.5	France
Charterhouse, Japhet	12.5	UK
First Pennsylvania Banking and Trust Co.	12.5	USA
F van Lanschot Bankiers	12.5	Netherlands
Manufacturers National Bank of Detroit	12.5	USA
National Shawmut Bank of Boston	12.5	USA
United California Bank	12.5	USA

Banque de la Societe Financiere Europeenne.

Participants	*Percentage*	*Country*
Algemene Bank Nederland	12.5	Netherlands
Banca Nazionale del Lavoro	12.5	Italy
Bank of America	12.5	USA
Banque de Bruxelles	12.5	Belgium
Barclays Bank Ltd	12.5	UK
Dresdner Bank	12.5	Germany
Groupe BNP	12.5	France
Sumitomo Bank	12.5	Japan

Banque Europeene de Credit a Moyen Terme SA.

Participants	*Percentage*	*Country*
Amsterdam-Rotterdam Bank NV	13.12	Netherlands
Banca Commerciale Italiana	13.12	Italy
Creditanstalt-Bankverein	13.12	Austria
Deutsche Bank AG	13.12	Germany
Midland Bank Ltd	13.12	UK
Samuel Montagu & Co. Ltd!	8.14	UK
Societe Generale	13.12	France
Societe Generale de Banque SA	13.12	Belgium

Brown Harriman & International Banks Ltd.

Participants	*Percentage*	*Country*
Brown Bros, Harriman & Co.	22	USA
First National Bank of Minneapolis	10	USA
Pittsburgh National Bank	10	USA
Prudential Assurance	18	UK

The Inter-Alpha Group of European Banks:

Participants	*Percentage*	*Country*
Banco Ambrosiano	40 (together)	Italy
Berliner Handels Gessellschaft-Frankfurter-Bank		Germany
Credit Commercial de France		France
Kredietbank		Belgium
Nederlandsche Middenstandbank		Netherlands
Williams and Glyn's		UK

European American Banking Corporation.

Participants	*Percentage*	*Country*
Amsterdam-Rotterdam Bank NV	-	Netherlands
Creditanstalt-Bankverein	-	Austria
Deutsche Bank AG	-	Germany
Midland Bank Ltd	-	UK
Societe Generale SA	-	France
Societe Generale de Banque	-	Belgium

Subsidiary:

European-American Finance (Bermuda) Ltd

International Commercial Bank Ltd.

Participants	*Percentage*	*Country*
Banco di Roma	11	Italy
Commerzbank	12	Germany
Credit Lyonnais	11	France
The First National Bank of Chicago	22	USA
The Hongkong & Shanghai Banking Corp	22	Hong Kong
Irving Trust Company	22	USA

Interunion-Banque.

Participants	*Percentage*	*Country*
Banque Belge pour l'Industrie	4.82	Belgium
Banque Commerciale de Bale	2.63	Switzerland
Banque de Bruxelles	9.70	Belgium
Banque de l'Union Europeenne Industrielle et Financiere*		France
Bayerische Vereinsbank	9.70	Germany
La Centrala Finanziaria Generale	4.73	Italy
Compagnie Financiere de l'Union Europeenne*		France
Hambros Bank Ltd	4.84	UK
Marine Midland Banks Inc	19.40	USA
Royal Bank of Canada International Ltd	9.70	Nassau
Ste. Financiere Desmarais pour l'Industrie et le Commerce	9.70	France
The Tokai Bank Ltd	5.26	Japan

*They hold 19.52% together

Subsidiaries and Affiliaties:

Interunion Antilles NV — 90% controlled — Curacao

Libra Bank.

Participants	*Percentage*	*Country*
Chase Manhattan Bank	-	USA
National Westminster Bank	-	UK
Royal Bank of Canada	-	Canada
Credito Italiano	-	Italy
Mitsubishi Bank	-	Japan
Westdeutsche Landesbank	-	Germany
Swiss Bank Corporation	-	Switzerland
Banco Esperito Santo e Comercial de Lisboa	-	Portugal

London Multinational Bank Ltd.

Participants	*Percentage*	*Country*
Baring Brothers Ltd	20	UK
Chemical Bank	30	USA
Credit Suisse	30	Switzerland
Northern Trust Company Chicago	20	USA

Midland and International Banks Ltd.

Participants	*Percentage*	*Country*
Midland Bank Ltd	45	UK
The Commercial Bank of Australia	10	Australia
The Standard Bank Ltd	19	UK
The Toronto Dominion Bank	26	Canada

Neue Bank.

Participants	*Percentage*	*Country*
Andresens Bank AS	-	Norway
Bank Mees & Hope NV	-	Netherlands
Banque de Neuflize, Schlumberger Mallet	-	France
Morgan Guaranty Trust Co. of New York	-	USA
Privatbanken i Kjøbenhavn AS	-	Denmark
Skandinaviska Enskilda Banken	-	Sweden

Subsidiary:

Monaval Finance Ltd

Orion Bank Ltd.

Participants	*Percentage*	*Country*
Chase Manhattan Overseas Banking Corp	20	USA
Credito Italiano SpA	10	Italy
Mitsubishi Bank Ltd	10	Japan
National Westminster Bank Ltd	20	UK
The Royal Bank of Canada	20	Canada
Westdeutsche Landesbank Girozentrale	20	Germany

Subsidiaries and Affiliates:

Orion Multinational Services Ltd
Orion Termbank Ltd
Orion Leasing Holdings Ltd

Rothschild Intercontinental Bank Ltd.

Participants	*Percentage*	*Country*
Eagle Star Insurance Group	2.883	UK
First City National Bank of Houston	11.367	USA
The Five Arrows Group (NM Rothschild & Sons Ltd, UK; Banque Rothschild, France; Pierson Heldring & Pierson, Netherlands; Banque Lambert, Belgium; Banque Privee, Switzerland)	45.470	UK
Industrial Bank of Japan	11.367	Japan
National City Bank, Cleveland	11.367	USA
Sal. Oppenheim Jr & Cie	6.170	Germany
Seattle First National Bank	11.367	USA

Subsidiary:

RIB Finance (Hong Kong) Ltd

Societe Financiere Europeenne.

Participants	*Percentage*	*Country*
Algemene Bank Nederland NV	12.5	Netherlands
Banco Nazionale del Lavoro	12.5	Italy
Bank of America NT & SA	12.5	USA
Banque de Bruxelles SA	12.5	Belgium
Banque Nationale de Paris	12.5	France
Barclays Bank International Ltd	12.5	UK
Dresdner Bank AG	12.5	Germany
Sumitomo Bank Ltd	12.5	Japan

Banque de la Societe Europeenne.

Societe Financiere Europeenne, Luxembourg, has a 52% participation and each of its participants own 6% of Societe Financiere Europeenne, Paris.

Participants	Percentage	Country
Societe Financiere pour les Pays d'Outre Mer.		
Bank of America Group	35	USA
Banque Lambert	15	Belgium
Banque Nationale de Paris	35	France
Dresdner Bank	15	Germany

Subsidiaries:

Banque Commerciale du Burundi
Banque Commerciale du Rwanda
Banque Internationale pour le Commerce et l'Industrie du Congo
Banque Internationale pour le Commerce et l'Industrie du Senegal
Commercial Bank of Africa Ltd., Kenya
United Overseas Bank, Geneva

Affiliates:

Banque Internationale pour le Commerce et l'Industrie du Cameroun
Banque Internationale pour le Commerce et l'Industrie de la Cote d'Ivoire
Vanque International pour le Commerce et l'Industrie du Gabon

UBAF Ltd.

Union de Banques Arabes et Francaises	50	France
Midland Bank Ltd	25	UK
Libyan Arab Foreign Bank	25	Libya

Subsidiaries and affiliates:

UBAE Luxembourg
UBAE Rome
UBAN Hong Kong-Tokyo

Union de Banques Arabes et Europeennes – UBAE SA.

Arab Bank Ltd	$33^1/3$	Jordan
Arab Bank (Overseas) Ltd		Switzerland
Commerzbank AG		Germany
Bayerische Vereinsbank	$33^1/3$	Germany
Westdeutsche Landesbank-Girozentrale		Germany
Union de Banques Arabes et Francaises – UBAF	$33^1/3$	France

World Banking Corporation Ltd.

Bank of America	-	USA
Banque Lambert SCS	-	Belgium
Banque Nationale de Paris	-	France
Commerzbank AG	-	Germany
F van Lanschot Bankiers	-	Netherlands
Skandinaviska Enskilda Banken	-	Sweden
The Toronto Dominion Bank	-	Canada

Subsidiaries and affiliates:

Wobaco Trust Ltd, Bahamas (100%)
World Banking & Trust Corporation (Cayman) Ltd (the participants in this company are the same as those listed above for the World Banking Corporation Ltd).

European Banking Groups (year of formation in brackets)

European Banks International Company (EBIC) (1963)

Amsterdam-Rotterdam Bank	Netherlands
Creditanstalt Bankverein	Austria
Deutsche Bank	Germany
Midland Bank	UK
Ste. Generale	France
Ste. Generale de Banque	Belgium

Joint Overseas Ventures:

European-American Banks (New York); representative offices in Johannesburg, Djakarta, Toronto; European Asien Bank, Hamburg; and, with other partners, Banque Europeenne de Credit a Moyen Terme (Brussels) and Euro-Pacific Finance Corporation (Melbourne). Also a joint company with Arab banks in Luxembourg European Arab Bank (branches in Brussels and Hamburg).

Associated Banks of Europe Corporation (ABECOR) (1971)

Algemene Bank Nederland	Netherlands
Banque de Bruxelles	Belgium
Bayerische Hypotherken und Wechselbank	Germany
Dresdner Bank	Germany

Joint Overseas Ventures:

US investment bank/securities house; proposed representative offices in Johannesburg, Mexico, Sydney, and, with other partners, Ste. Financiere Europeenne, (Paris).

Inter-Alpha Banks Group (1972)

Banco Ambrosiano	Italy
Berliner Handelsgesellschaft-Frankfurter Bank	Germany
Credit Commercial de France	France
Kredietbank	Belgium
Nederlansche Middenstandsbank	Netherlands
Privatbanken SA	Denmark
Williams and Glyn's	UK

Publications of the World Council of Churches

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PAIGC: Partido Africano de Independencia da Guine e Cabo Verde (SFr.1.00, £0.10, $0.50)

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Namibia: The Struggle for Liberation (SFr. 1.50, £0.15, $0.75)

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Contribution to the study of inter-ethnic conflict with regard to the non-Andean Indians (SFr. 39.50, £4.00, $12.50)

British Groups Against Racism *by Richard Blackett* from *Study Encounter* Vol. VII, No. 2, 1971

Race and Class in Guyana *by Herman I McKenzie* from *Study Encounter* Vol VIII No. 4, 1972.

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'A special feature of the Southern African conflict is the extent of external support given to the racist system by international corporations and banks (through investment, loans, etc).

'Recommended that PCR should publicise the extent and nature of this involvement and select targets for appropriate action by the WCC, its member churches and related bodies.'

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