

# Stop Banking on APARTHEID

In July 1973, the American Committee on Africa and other groups released the text of "the Frankfurt Documents" to the public. The documents described how American, European, Canadian and Japanese banks are involved in lending over \$210 million dollars to the South African government.

Since that time, public actions have led to the following results:

- Wachovia Bank of North Carolina stated it withdrew from a loan commitment to the South African Iron and Steel Corporation at the last moment because of "the heat it would attract", according to a spokesman.
- Central National Bank of Chicago's President told the *Chicago Courier*, a black newsweekly, that the bank had no intention of making future loans to South Africa.
- City National Bank of Detroit's Chairman stated in a press release that the bank would not make any future loans to South Africa in response to a meeting with a group of church representatives.
- Merchants National Bank and Trust Company of Indianapolis disposed of its loan to the South African government responding to church and community pressure led by the Christian Church (Disciples).
- Maryland National Bank of Baltimore divested its South African loans and pledged no future loans in response to church and community pressures in that state.
- Wells Fargo Bank of San Francisco's Chairman stated that the bank would not make future loans to South Africa.

The remaining American banks in the loan series are:

- European-American Banking Corp.  
Harry Eklom Chairman 10 Hanover Square, New York, N.Y. 10005
- Bank Leumi  
Mendes H. Sachs, Chairman 579 Fifth Ave., New York, N.Y. 10017
- First National Bank of Louisville  
Hugh M. Shwab, Jr., Chairman 216 S. 5th St., Louisville, Ky. 40202
- United Virginia Bankshares Inc.  
Edward F. Gee, Chairman 900 E. Main St., Richmond, Va. 23219

This article recounts the experience of church and community groups in pressing Maryland National Bank towards the decision to divest its South African loans.

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# MAKING GLOBAL CONSCIOUSNESS WORK



HOW LOCAL CHURCHES IN ONE STATE TALKED A BANK OUT OF GRANTING A LOAN TO THE GOVERNMENT OF SOUTH AFRICA...

Richard R. Fernandez

This is a story of some people and a bank. The people came from churches, community organizations, and local government. This informal alliance of people and organizations was formed to demand of the Maryland National Bank that it publicly withdraw its loan of \$2 million to the apartheid government of South Africa.

## The Beginning

In July of 1973, the Corporate Information Center (CIC) of the National Council of Churches (now a unit of the Interfaith Center on Corporate Responsibility which is related to the National Council of Churches) published a "CIC Brief" indicating that 11 American banks, along with 29 other banks of Canada and Europe, have been involved in a \$210 million loan program to the South African government and its agencies. This information was secured from a confidential internal document known as the "Frankfurt Documents," originating from sources within a US-based multinational banking firm, the European-American Banking Corporation.

Because this information was released during the summer, there was little immediate reaction to the report of the Corporate Information Center. However, on Sunday, September 30, at a meeting of the Potomac Association of the United Church of Christ in People's Church, Washington, D.C., a modest but important concern began to develop

during a workshop on this issue. Following the workshop, the Potomac Association urged the "congregations and members . . . to withdraw funds from banks doing business with South Africa" and encouraged dialogue with bank management to explain the reasons for the withdrawal.

In an otherwise well-fashioned campaign against the Maryland National Bank, this particular resolution lacked practical punch because no local churches could be found within the Association that had accounts with the Maryland National Bank. The Central Atlantic Conference of the United Church of Christ, of which the Potomac Association is a member, did have a small account in the bank. In spite of the fact that churches within the Association did not have accounts with the Maryland National Bank, a dialogue did begin.

## Negotiations

On November 16, a delegation of five persons, including the Rev. Bill Moore, Moderator of the Potomac Association; The Rev. Harry Applewhite of the Center for Social Action of the United Church of Christ; Beatrice Stanley, a school teacher; The Rev. Ted Lockwood, director of the Washington Office on Africa; and Willard Moore from the Inner-City Credit Union in Baltimore, Maryland (who had pulled out half a million dollars from the bank in July after receiving the "CIC Brief"), met with three representatives of the bank for two hours. Participants from the bank included the assistant vice-president for public relations, Margie H. Mullen; the vice-president for international finance, W.G. Mor-

rell; and the assistant vice-president for the international division of the bank, Michael Psaris.

The conversation began with the corporate responsibility advocates charging that the bank had a \$2 million loan to the South African government which has a publicly stated policy of racial separation, *apartheid*. They asked that the bank divest itself of the loan and publicly so indicate with an accompanying pledge that they would not involve themselves in such loans in the future. Officials from the bank immediately said it was impossible to cancel such a loan. Moreover, the bank officials denied that they supported apartheid. The bank executives expressed both disbelief and confusion that such an issue would be raised with their bank—or any bank, for that matter.

Later in the conversation, the bank officials attempted to legitimate their loan, via the European-American Banking Corporation, to South Africa by saying that NAACP executive, Roy Wilkins, favored such economic penetration of South Africa from the American business community. Because this "legitimation" had been given to others who had questioned the bank's loan to South Africa before, Mr. Applewhite had written Mr. Wilkins to clarify the civil rights leader's position, and produced Mr. Wilkins' response (dated November 13, 1973) at the meeting.

Mr. Wilkins, while acknowledging support for business corporations that employ several thousand black South Africans, made it quite clear that "loans to the government of South Africa are a direct contribution to the type of government there, and, as you know, that gov-

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ernment is *apartheid* to the nth degree. Since I oppose the theory of separation on the basis of race, I am, therefore, opposed to loans made directly by banks to a government that espouses and practices *apartheid*. These are loans made directly to the government and, therefore, contribute directly to the hated official system of which we in the West disapprove." The bank officials were thus robbed of a heretofore important source of legitimation.

Following the initial confrontation of the corporate responsibility advocates and the immediate rejection of their demands by bank executives, the meeting settled into a negotiation session. The results were numerous.



First, the bank executives said they needed more time to look into the issue. In fact, Mr. Morrell, vice-president of international finance, was going to South Africa in January and wanted to look into the "situation" himself. Mr. Morrell indicated that upon his return, he would like to sit down and discuss the issue in more depth with the corporate responsibility advocates after having seen firsthand what the situation in South Africa was like.

Another result of the negotiation process was an agreement by Mr. Morrell and other bank officials to talk with a number of persons familiar with the South African political/racial milieu. Subsequently, they talked to the following people: Goler Butcher, a lawyer and consultant to the House Foreign Affairs Subcommittee on Africa, chaired by Congressman Charles Diggs; Dr. Ronald Walters, chairperson of the political science department at Howard University; and a group of persons in New York City which included Joel Carlson, an exiled South African lawyer; Jennifer Davis, an

exiled South African who presently works for the American Committee on Africa; and Tim Smith, who works for the Interfaith Center on Corporate Responsibility and, not incidentally, was involved in the first South African bank protest movement, 1966-1969, as a Union Seminary student.

A second meeting was scheduled for February 14, shortly after Mr. Morrell's return from South Africa. A somewhat tedious discussion developed as to what would in fact happen at that meeting. The corporate responsibility advocates wanted the bank, at that time, to state its policy vis-a-vis its present and possible future involvement with the South African government. The bank officials indicated they would tell

out immediately, they thought it wise to negotiate first with the branch manager on the issue, letting him know of their intention, and, not unimportantly, knowing that the branch manager would get back to the home office in Baltimore. Additionally, the Rockville Ministerial Alliance threatened to remove its funds from the Maryland National Bank.

Also during this period, the Task Force on Southern Africa of the Potomac Association began to circulate a petition which both documented the case against the Maryland National Bank and called upon "individuals and institutions to withdraw their funds from the Maryland National Bank as long as it does business with the government of South Africa" and set a deadline of March 1, 1974 for the divestiture of the present loan. This petition was not given to the press but simply circulated within church channels.

#### Politicians Get Involved

In late January, it became known that Mr. Morrell had had to postpone his trip to South Africa and therefore, the scheduled meeting of February 14 began to seem more and more unlikely. During this period of time, Mr. Applewhite made contact with Elizabeth Scull, a Montgomery County Council member and also a member of Christ Church (UCC) in Silver Spring, Maryland. Montgomery County did more than 85 percent of its banking business with the Maryland National Bank and kept close to half a million dollars in the bank at all times; therefore, Elizabeth Scull thought there might be ways in which the county could involve itself in the issue, particularly at the point of the county's policy against racial discrimination.

Under Scull's leadership, a meeting was held on March 10 to plan a public hearing in the Montgomery County Chambers on the issue. Some of the key groups involved in the planning and organizing for the public hearing were: the Human Relations Commission, the YWCA, the NAACP, the Commission for Women, the Rockville Ministerial Alliance, the Potomac Association, and other church and community groups.

In planning for the hearing, the organizers were concerned that two

the corporate responsibility advocates what the bank "position" was vis-a-vis South African involvement, but would not define a "policy." Additionally, the bank management indicated that if the corporate responsibility advocates wanted to tell others what the "policy" of the bank was, they were free to do so.

#### Between Meetings

Having won some concessions in the initial negotiations, the corporate responsibility advocates summarized their position in letter form and sent it to bank officials and, in addition, determined that they would not seek media attention for their campaign until after the scheduled meeting with bank representatives in February. Also, Mr. Moore and Mr. Applewhite continued to press the issue within the church community.

Between November and the end of January, the United Church Ministry Board of Rockville, Maryland voted to pull out its account from a branch of the Maryland National Bank. However, instead of pulling



things not happen: first, they did not want to spend all of their time focusing on the very complicated political/racial/legal questions involved in the penetration of South Africa by the American business community; on the other hand, they wanted to avoid outright condemnation of the bank inasmuch as they believed that the bank involved itself in the loan without realizing the sensitivity of the issue.

The purpose of the hearings was to give participants the opportunity to think through how they, as citizens of the county, could be good stewards of the funds which the county had placed in the bank.

The bank was invited to send a representative to the meeting on the 28th, but did not send one. Instead, a letter was sent to James P. Gleason, County Executive for Montgomery County, by Alan P. Hoblitzell, executive vice-president of Maryland National Bank, confirming, in writing, a conversation Mr. Gleason had recently had with Joseph Moran, a regional vice-president of the bank. The four points which Mr. Hoblitzell made to Mr. Gleason, undoubtedly knowing that they would be presented at the public meeting on March 28, were as follows:

- 1) For almost a year, and while this matter has been under review, Maryland National Bank has not made any new commitments or loans to borrowers in South Africa.
- 2) This bank's policy is not to make loans to governments that support racism.
- 3) As a result, this bank has turned

down numerous recent requests for loans to South African borrowers.

4) Maryland National does not practice racial discrimination in the conduct of its business.

While this letter clearly sidestepped the fundamental issue which had been raised in the original negotiation session in November—the demand that Maryland National Bank divest itself of its \$2 million loan to the South African government, the fact is that it represented a major step forward from that negotiation session inasmuch as it began to outline a "position." In spite of Hoblitzell's letter and the hearing, both of which received important press coverage, the bank had not given the slightest sign that it was willing to divest itself.

Mr. Gleason, at the public hearings, indicated that although he appreciated the letter from the bank, he still felt the need for more clarification. In addition, he told those present at the hearings that if a meeting with bank officials did not allay concerns about the involvement of the bank with South Africa, he would "ask the County Finance Officer as to the possibility of putting our funds somewhere else." Mr. Gleason had strong support from a number of other County Council members.

#### Bank "Policy" Declared

One week after the hearings, Hoblitzell wrote to Gleason to further "expand" on his letter of March 27. He began by indicating that the Maryland National Bank had become involved in loans to South Africa several years ago and that the loans were used for river and road improvements and railroad construction. He indicated that these improvements benefited all the people of South Africa, according to reports he had received from "outside and within the country." Hoblitzell maintained that all the funds involved were "Eurodollars," funds purchased overseas in the London money market. After this historical digression, Hoblitzell clearly "expanded" on his letter of March 27 to Gleason, explaining that the bank's "policy" continues as follows:

- 1) Maryland National Bank does not believe in or support "apartheid,"

which is the official policy in South Africa.

2) In order not to convey the impression that we support South Africa's policy of apartheid, the bank will neither make nor participate in loans to the Government of South Africa.

3) In order that there be no confusion and that our position in this respect be perfectly clear, we will divest ourselves of the South African Government loans presently on our books.

Hoblitzell concluded by reminding Gleason that it was the Maryland National Bank which committed \$3 million to the Baltimore Model Cities Project, "the only bank in the area willing to make such a commitment."

In talking with Margie Mullen, vice-president for public relations, several weeks after Hoblitzell's last letter to Gleason, she indicated that the major concern expressed by the corporate responsibility advocates in the November meeting was "important" to the bank's moving on the issue. In addition, she maintained that Mr. Morrell and a number of bank officials had gained new and important "insight into the situation in South Africa by speaking to a number of persons whom the corporate responsibility advocates had suggested to bank officials that they speak to." Finally, Mullen said that the county's interest in the issue as evidenced particularly by James Gleason and Elizabeth Scull was a determining factor in the bank's final decision to divest.

The Rev. Bill Moore, moderator of the Potomac Association, indicated that he thought the work that had been done in the Association of the previous two years, which included setting up a task force on Southern Africa, was "extremely useful in organizing this particular campaign." He mentioned particularly the fact that the task force had a number of people who were well-versed and had a "vested interest both in the church as well as South Africa."

At the present time, Moore and his associates intend to bring a resolution before the Central Atlantic Conference meeting that basically calls for withdrawal and negotiation with the United Virginia Bank of Richmond, Virginia, which is also involved in the \$210 million loan program to the South African government through the European-American Banking Corporation. ■

