

**SOUTH AFRICA:  
BANKING CRISIS YEAR**



**BARCLAYS  
SHADOW REPORT  
1986**



# BARCLAYS SHADOW REPORT 1986

The Barclays Shadow Board was set up to monitor the activities of Barclays Bank in South Africa and Namibia, where it is the largest bank. Since 1981 the Shadow Board has produced an annual report to chronicle how Barclays' presence in South Africa and Namibia helps sustain the apartheid system.

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# BARCLAYS SHADOW BOARD

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*Throughout the Shadow Report, Barclays refers to Barclays PLC, the parent company in London. Barclays National refers to the local company in South Africa, now 40 per cent owned by Barclays. South African Rand have not been converted to Sterling, because of widely fluctuating exchange rates. At the beginning of 1986 the rate was approximately 2.7 Rand to £1.*

# INTRODUCTION



I am happy to introduce the sixth Annual Report of the Barclays Shadow Board. This covers a crucial year in South Africa, a period which included the imposition of the State of Emergency, massive unrest in the black townships, and increasing violence caused by the repressive apartheid state.

Barclays' involvement in South Africa assumes a new importance against this background. Overseas investment plays a key role in backing the apartheid economy at a time of increasing international pressure for sanctions. Barclays, the largest single foreign investor in South Africa, is at the centre of this support.



*Russell Profitt, Chair*

The significance of Barclays' role in South Africa was emphasised by the loan crisis which followed the declaration of the State of Emergency on 20 July 1985. A move by American banks to freeze South Africa's credits triggered off a debt moratorium that put enormous pressure on the apartheid regime. This demonstrated the dependence of the South African authorities on foreign capital. It is unfortunate that Barclays – one of South Africa's two largest creditors – did not cut off loans many years ago.

The other major development covered in this latest Shadow Report is the reduction in Barclays' holding in its South African subsidiary. After Barclays decided not to take up a share issue in Barclays National, its stake fell from just over 50 per cent to 40 per cent.

In September 1985 the Shadow Board issued an Interim Statement, the first in our six year existence, to comment on this important move. We explained: 'The Shadow Board welcomes Barclays' decision to avoid further investment in Barclays National. It is a clear indication that Barclays in London views South Africa's economic prospects as unpromising. This confirms one of the long-standing arguments for disinvestment. South Africa may have been a source of short-term profits for Western companies, but in the longer term the political factors make it a poor investment. The longer term has now arrived.'

The Barclays National share issue gives Barclays in the UK a smaller share in a larger bank. No money was taken out of South Africa, and it is therefore not disinvestment.

We believe that Barclays has not gone far enough. It remains the largest shareholder in Barclays National, the most important bank in South Africa. Barclays in London still provides a range of vital financial services to South Africa, and its presence there gives the apartheid regime a greater degree of financial respectability at a critical time. The representatives of black opinion, the ANC in South Africa and SWAPO in Namibia, have both called for the bank's immediate withdrawal.

## INTRODUCTION CONTINUED



*State of Emergency*

Since much of this year's Shadow Report deals with South Africa's current financial crisis and Barclays' reaction to it, I would like to take the opportunity of summarising the main ways in which Barclays' operations back apartheid. Further information on these points can be found in our earlier Shadow Reports.

Barclays has become an integral part of the apartheid system:

- **Barclays services the apartheid economy, the root cause of racial oppression in South Africa.**
- **Barclays supports the South African state – as one of the country's largest taxpayers and most important providers of foreign capital.**
- **Barclays encourages British trade with and investment in South Africa, giving the UK a vested interest in apartheid.**
- **Barclays operates in Namibia, supporting the illegal South African occupation.**

The Shadow Board is therefore determined to continue to press Barclays to pull out of South Africa and Namibia. The current financial crisis in South Africa makes it even more important for the bank to end its support for the apartheid economy.

As the new Chair of the Shadow Board, it is my pleasure to thank my predecessor Gerry Gillman for his work over the past three years. On his retirement from the board, we are delighted to welcome his successor, Leslie Christie, the new general secretary of the Society of Civil and Public Servants.

**Russell Profitt  
Chair**



## Cutting its Stake

The most important development in Barclays' involvement in South Africa during 1985 was the bank's decision to allow its majority shareholding in Barclays National to drop to a minority stake. This appeared to confirm City of London fears that South Africa is now a bad investment, because of its mounting political and economic problems.

Barclays' announcement came on 14 August 1985, just three weeks after the declaration of the State of Emergency. The bank's head office in London said that it was not taking up a share issue by its South African subsidiary, Barclays National. In September, Barclays' interest in its South African bank therefore fell from 50.4 per cent to 40.4 per cent, leaving only a minority stake.

The effect of the share issue is to expand the capital of Barclays National, with 254 million new one Rand shares bought by investors. Since Barclays in London had decided against buying its own entitlement, its total investment in South Africa remains essentially unchanged – with it now owning a smaller proportion of a larger bank.

Barclays itself made it clear that it was not 'pulling out' of South Africa. 'This is not disinvestment, and our move should not be misinterpreted as a loss of confidence... This is a commercial decision,' said Peter Leslie, chief general manager.



*Brutality — but Barclays refuses to withdraw*

Barclays' 'commercial decision' not to put more money into its South African bank provides a revealing insight into how it views economic prospects in the apartheid state. For decades, Barclays in London has been encouraging British firms to invest there. But now that the bank has decided against investing in its own subsidiary, it will find it difficult to present a convincing case why other companies should put money into South Africa.

# FINANCIAL TIMES

LONDON • FRANKFURT • NEW YORK

29,702

Thursday August 15 1985

## Barclays to cut stake in South African subsidiary to 40%

BY DAVID LASCELLES, BANKING CORRESPONDENT

BARCLAYS BANK is to reduce its holding in its South African subsidiary, Barclays National Bank (Barnat), from just over 50 per cent to 40.4 per cent. Barnat is the largest bank in South Africa.

BARCLAYS' DECLINING STAKE IN BARNAT		
		%
1973	.....	85
1975	.....	63
1983	.....	55

acknowledged that the move was politically convenient.

Barclays has always maintained that its presence in South Africa is a force for good. Mr Leslie said the group believes this would continue to

*How the business world saw the cut*

The Barclays National shares which Barclays in London declined to purchase were subsequently bought by two local companies. The mining conglomerate Anglo American Corporation of South Africa increased its stake in Barclays National from 18 per cent to 25 per cent. The insurance firm Southern Life, in which Anglo American has a 38 per cent share, doubled its stake in the bank to nearly 8 per cent.

After the share issue, Barclays in London insisted that the other major shareholders would continue the 'liberal' traditions of the bank. 'There is no reason to doubt that the board and management of the South African bank will maintain the multi-racial policies and equal opportunities for customers and staff to which they have long been dedicated,' Barclays said in its September 1985 factsheet on South Africa.

This statement contradicts Barclays' earlier argument that a reduction in its South African investment would hurt the black population. The 1976 version of the bank's South African factsheet had stated: 'Our non-white customers and staff would be unlikely to receive the same consideration as they do now with Barclays as the main shareholder.'



These Eurocurrency issues were only the latest in a recent series of major loans to South Africa. A United Nations study has revealed that Barclays participated in seven loans totalling \$760 million between June 1982 and December 1984.

Barclays' main form of lending to South Africa has been inter-bank financing – loans provided directly by Barclays to Barclays National. The South African bank then lends the money to local borrowers. These capital transfers to South Africa have until now been shrouded in secrecy, a convenient factor in lending to such a controversial country.



*Stockbrokers' report revealing true extent of Barclays' 'exposure'*

Leading London stockbroker W. Greenwell & Co estimated Barclays' inter-bank lending to South Africa in a report dated September 1985. 'We believe that the amounts of cross-border exposure to South Africa are significantly greater than investors have thought to be the case,' it said. W. Greenwell & Co concluded that Barclays' total exposure in South Africa is as much as £750 million. This sum consists of £450 million in inter-bank lending to Barclays National and a further £300 million in direct lending to South Africa.

### **The Loan Crisis**

Barclays is deeply involved in the banking crisis which followed South Africa's declaration of the State of Emergency. At the end of July 1985, American banks froze credits to South Africa. 'We tried to ride the storm. The European banks didn't pull out. A few of them agreed to increase their commitment,' South African Reserve Bank governor Gerhard de Kock said.

'Riding the storm' proved impossible after 15 August, when foreign investors were dismayed by the absence of political reforms in President Botha's much-heralded speech. Money flooded out of South Africa. On 2 September, South Africa unilaterally froze repayment of its \$14 billion short-term foreign debt.

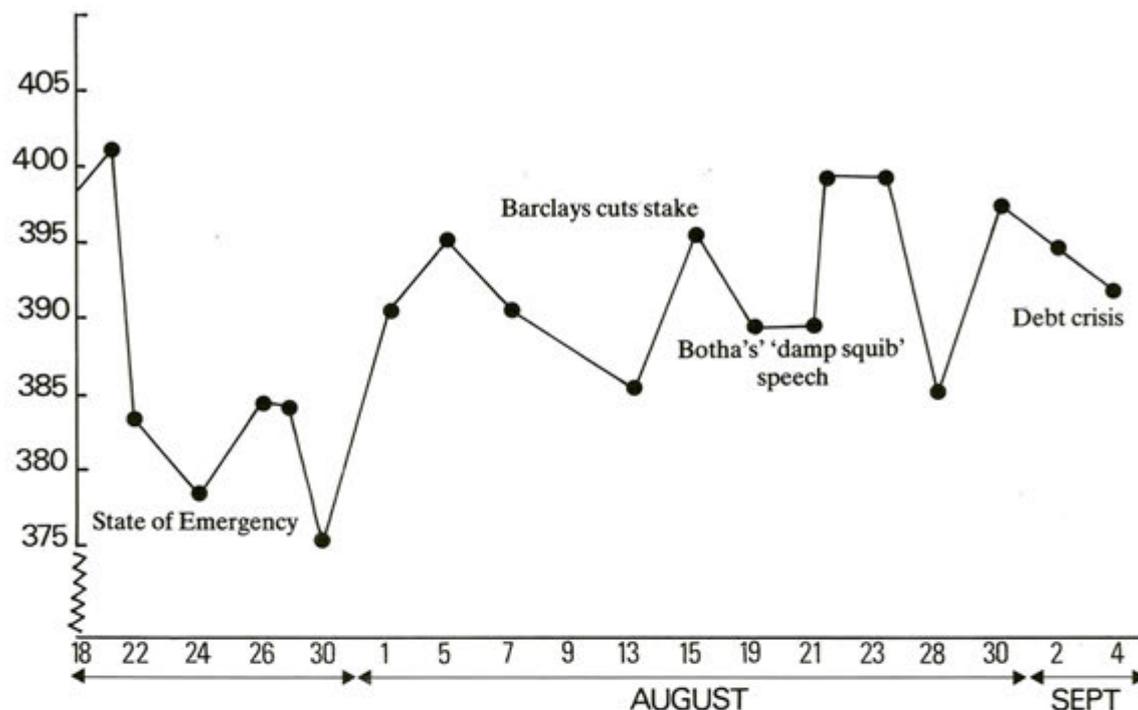
Dr Fritz Leutwiler, a retired top Swiss banker, was appointed to mediate between the South African authorities and the thirty major international banks which had provided most of the capital. Barclays, along with Standard Chartered, emerged as the bank with the greatest 'exposure' in South Africa.

Anti-apartheid leaders called on the international banks to refuse to renegotiate South Africa's debt. On 20 October 1985, Desmond Tutu, Anglican bishop of Johannesburg, and Dr Beyers Naudé, secretary general of the South African Council of Churches, wrote to Dr Leutwiler: 'The crisis now confronting South Africa is a direct result of financial mismanagement, social corruption and economic incompetence inherent in the government's political policy. The rescheduling of South Africa's debt should be made conditional upon the resignation of the present regime and its replacement by an interim government responsive to the needs of all South Africa's people.'

Neil Kinnock, Labour Party leader and member of the Shadow Board, also wrote to Prime Minister Margaret Thatcher to call on the British Government to instruct UK banks not to help South Africa over its debt crisis. 'Quite apart from the financial assistance this would provide, it would be seen in South Africa and throughout the world as an endorsement of President Botha,' he wrote just before the key talks held in London on 20 February 1986.

Agreement between the international banks and the South African authorities was reached at the London meeting. A further one-year delay in the repayment of \$10 billion was accepted in return for an extra 1 per cent interest and a down payment of \$500 million payable from April 1986. Barclays' deep involvement in the lending crisis is illustrated by its role on both sides of the negotiating table. Kevin de Villiers, treasurer of Barclays National, is the only commercial banker on the South African negotiating team, while Barclays is one of the twelve banks comprising the Technical Committee of creditor banks. This situation seems to be causing no problems of divided loyalties.

**Investors' Verdict**



*Barclays share price 18th July to 4th September 1985: the South African link now worries investors*

An analysis of the ups and downs of Barclays' share price during 1985 provides a revealing insight into the way investors perceived the bank's involvement in South Africa.

On 22 July 1985, after the declaration of the State of Emergency, Barclays shares fell by 23p, finally closing at the end of the day down 19p at £3.83. Next day, the shares lost a further 6p. This showed investors' concern at the bank's investment in South Africa, although it represented a declining share of the company's total assets.

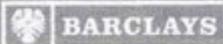
The most revealing shareholder reaction came when Barclays decided not to take up the share issue in its South African subsidiary. On 15 August, rumours early in the day suggested that Barclays was about to announce its total withdrawal from South Africa. Shares then jumped 15p to £4.00. Once it was announced that Barclays was to stay in South Africa, with a reduced stake in Barclays National, the shares fell back to £3.93 – still a gain of 8p on the previous day.

At the end of August, with the South African loan freeze, Barclays' shares took another dive. On 28 August, after foreign exchange dealings were temporarily stopped, shares fell by 9p, with a further drop of 3p the next day to £3.82.

Share prices will obviously fluctuate because of many factors. Nevertheless, share analysts pointed out that during the three periods considered above, events in South Africa were the main reason for change. Although the rises and falls might seem small, Barclays has 343 million issued shares, and a drop of 10p in the share price therefore wipes £34 million off the value of the company.

**Racist Recruitment**

'Fill in your passport to the lifestyle of your dreams... We need 150 more staff to share with us the South African experience... Come to South Africa – a family country,' read an advertisement inserted by Barclays National in the British press in October 1985. The text was illustrated with a dozen photographs. They all showed whites-only gatherings, with the exception of one of a group of Africans performing a tribal dance and another portraying blacks working in an office.

**Come South to South Africa—a family country** 

# Fill in your Passport to a lifestyle of your dreams

**SYSTEMS AND PROJECT MANAGERS,**  
Hardware Evaluators, MVS Team Leader, *Senior Systems Analysts*, Cobol Programmers and *AI/Progs*, Technical Specialists IBM, *Systems Programmers*, Systems Auditors, O & M Analysts.

If any of these job descriptions fits you, then you could be one of the 150 top professionals we need to work on IBM systems.

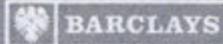
- SNA, IMS-DB/DC, MVS, Networks and Database
- Cobol, Fourth Generation Languages
- EFT-Point of Sale, Videotex
- Credit Cards, Cash Cards, Loans Portfolio Share Dealings
- Automated Teller Systems, Trustee Systems, Hire Purchase
- International Currencies and Financing
- Packages – Hogan, MSA, Unipen, QPAC, Swift

Your talent is your passport to a land where the call of the wild and international technology live side by side.

**This top international banking group** is offering top salaries, low-cost mortgages, cars or car loans, health care, pension scheme. In fact everything you need to start a new life in our sun-drenched country.

**£10k/£50k** Packages plus cars for select grades. Complete the form today and you could soon be winging your way to new horizons.



**We need 150 more staff to share with us the South African experience** 

By offering salaries of up to £50,000, Barclays National is trying to recruit 150 skilled computer staff instead of training black programmers in South Africa. Importing workers from abroad helps to perpetuate the racial division of labour.

The recruitment drive has also reversed Barclays National's earlier policy of avoiding employing workers from overseas. Barclays' submission to the UK Department of Trade in September 1985, only one month before the advertisement, stated: 'The policy is to recruit outside South Africa only where local expertise is not available. There have been no net changes in the number during the last year.'

The Anti-Apartheid Movement has reported the advertisement to the Commission for Racial Equality as a possible breach of Britain's race relations laws and to the Advertising Standards Authority, on the grounds that it is misleading because conditions would be difficult for any successful black candidates.

### **Krugerrands**

Barclays, probably once the largest British retailer of Krugerrands, has now ended the sale of the South African gold coins. This followed a ban approved by the Commonwealth summit in October 1985 which was accepted by the British government. Although there is no ban on selling Krugerrands already imported into the UK, the market for the South African coins has collapsed and they are no longer being minted.

### **Another Arms Deal**

In July 1985 it was revealed that Barclays had financed an order British equipment for ARMSCOR, the South African state arms corporation. This follows an incident in 1980, when Barclays had unwittingly backed the export of rifles.

In this latest case, Southampton-based Berox Machine Tool company agreed to sell a computer-controlled milling machine to Atlas Aircraft Corporation, a wholly-owned subsidiary of ARMSCOR. The equipment was ordered through a South African intermediary, Fritz Wallaberger Machines, who informed Berox of its ultimate destination. 'Again we request you that nowhere in your company or reference lists, nor in any future correspondence, is our customer's name to be mentioned,' Berox were told by letter in January 1985.

The Barclays branch at 425 Shirley Road, Southampton provided a bank guarantee for the export of the equipment. It is unclear whether Barclays was aware of the ultimate purchaser of the machinery. Just as the consignment for ARMSCOR was to be loaded at Southampton, dockers revealed the contents of the crate and the machinery was later impounded by customs officers.

**THE REPORT OF THE DIRECTORS**  
CONTINUED

Again we request you that nowhere in your company or reference lists, nor in any future correspondence, is our customer's name to be mentioned. Thank you for your understanding.

**berox**

Registered Office:  
34 LORDSWOOD GARDENS  
SOUTHAMPTON  
SO1 6RY

MACHINE TOOL COMPANY LTD.

4 BRISTOL GARDENS  
LONDON SW11 3TG  
Tel: 01-789 7750  
01-789 1257  
Telex 928194

JB/JK

LONDON 22nd February 1985

FRITZ WALLASBERGER MACHINES (PTY) LTD  
P.O.Box 405  
BERGVLEI 2012  
REPUBLIC OF SOUTH AFRICA

Your Order No. A-12-1200185  
Our Ref BA 024

**ORDER ACKNOWLEDGEMENT**

This is to acknowledge your Order for supply of One only BEROXMILL 800 KV milling machine fitted with Meidenhain TNC 150 control as generally described in the enclosed specification (page 1-issue Feb 85 and page 2-issue Aug 84), also referred to General Terms (issue August 1984).  
Optional equipment included namely: Mist spray coolant, Low voltage light, Table guarding and electronic servo handwheel.

Price £ 26,689,50  
(Twenty six thousand six hundred eighty nine pounds sterling fifty pence)

Delivery eighteen weeks or earlier CIP Durban, Republic of South Africa from the date of receipt of thirty percent down payment.  
(Any duties or charges at destination excluded).

Payment 30 I i.e. £ 8,006,85 against Guarantee SNGL.5641 issued by Barclays Bank Plc and our Invoice No. 1186.  
Payment to be made in favour of Berox Machine Tool Company Ltd to Barclays Bank Plc Shirley Branch 425/427 Shirley Road Southampton SO9 1LE England, Account No. 60162019.

928194 BEROX G  
4-23010 SA

928194 BEROX G

UR TELEX NO 6561.  
ATTENTION JERRY BERAN.

RE: ATLAS AIRCRAFT TENDER NO WIC/714/DE. 928194 BEROX G  
WE JUST RECEIVED THE ORDER FROM ATLAS. THEIR ORDER NO. IS WC 7963,0E FOR ONE BEROMILL 800 KV.  
WE ARE VERY HAPPY ABOUT IT AND HAVE A GOOD WEEKEND.

928194 BEROX G

TLX NO. 6546  
ATT. MR. J. BERAN  
BEROX

OUR REF: P-11-0993

RE: TENDER NO. WIC/714/DE ATLAS AIRCRAFT, MODEL 800 KV

PLEASE RECONFIRM QUOTED PRICE DELIVERED SOUTH AFRICA OF 29 230,00 POUNDS. PLEASE REPLY IMMEDIATELY.  
PRICE TO HOLD GOOD UNTIL END JANUARY 1985.

REGARDS,  
F. WALLASBERGER

NR. WE ARE ALMOST CERTAIN WE WILL GET THE ORDER.

928194 BEROX G  
4-23010 SA  
T

AR291 10.41  
928194 BEROX G  
KEY.  
95 4-23010-  
4-23010 SA

928194 BEROX G  
LONDON 17/12/84  
OUR REF BA 024  
YR REF P-11-0993

ATTN MR F. WALLASBERGER ATLAS AIRCRAFT TENDER WIC/714 DE  
REF YR RECENT TX RE ABOVE I HAVE A PLEASURE TO CONFIRM  
ACCEPTANCE OF THE ORDER FOR:-  
1 OFF 800 KV BEROXMILL WITHOUT TOOLCHANGER FITTED WITH  
HEIDENHAIN 150 CNC GENERALLY AS PER OUR SPECIFICATION.  
DELIVERY 18 MONTHS FROM RECEIPT OF YR ORDER AND L/C  
PRICE LSTG 29.230.- CIF SOUTH AFRICAN PORT WITHOUT  
DUTY ETC. PAYMENT AGAINST INVOICE, CERTIFICATE OF QUALITY  
AND BILL OF LADING (FOS UK).  
I AM PLEASED THAT FINALLY SOME THING IS MOVING.  
BEST REGARDS TO YOU BOTH  
JERRY BERAN  
PS 18 WEEKS DELIVERY NOT MONTHS

### **Politics**

In September 1985 it was revealed that a group of South African business leaders were to hold talks with the African National Congress. Barclays National, which claims to be in the vanguard among companies seeking change in South Africa, was expected to be included and press reports suggested that managing director Chris Ball would attend.

When the talks with the ANC in Zambia took place on 13 September, Ball was not present, although Tony Bloom, chairman of the Premier food company and a non-executive director of Barclays National, was there. No explanation was given for Ball's absence, although *The Guardian* reported that 'the businessmen's delegation did not include all the senior executives who had been suggested, possibly because some dropped out because of President P.W. Botha's disapproval of the meeting with the ANC.'



*Bloom, who went...*

*and Ball, who stayed at home*

Ten days after the Zambian meeting, Barclays' general manager Gordon Adam was asked the bank's views on meeting with the ANC. 'It is not our function to produce political solutions in any country,' he replied, implying that a policy decision was behind Ball's withdrawal from the talks.

Since then, Barclays appears to have reconsidered its position. In an important speech by chairman Sir Timothy Bevan on 26 November 1985, he said that 'we have met and talked to the ANC in London' – talks held with ANC leader Oliver Tambo.

Sir Timothy's speech also included Barclays' harshest criticism of apartheid, which he described as repugnant, wrong, unchristian and unworkable. He went on to condemn the South African government for its 'woefully slow' action in dismantling apartheid. 'My plea to South Africa is to stop wasting time and act before it is too late,' he concluded. So far, this verbal denunciation of the apartheid regime has not been followed by any significant shift in the way that the bank actually operates in South Africa.

## THE REPORT OF THE DIRECTORS CONTINUED

### Namibia

Barclays National continues to operate in Namibia, despite the illegal South African occupation of the territory. The bank provides a full range of financial services to companies involved in exploiting the territory's resources in contravention of UN decisions.

The close links between Barclays National and the illegal administration were illustrated by the appointment of Dieter Voigts as a director of the local board of the bank in January 1986. Voigts is a member of the South African-imposed administration's key Policy Advisory Committee for Economics and Finance.

Barclays has also confirmed that on at least one occasion, staff distributed army conscription forms to their Namibian workers. In November 1984 these forms were given to staff at Otjiwarongo, and managers 'helped them to complete the details.' This incident provided a revealing insight into the attitude of local branch managers in Namibia. After international protests, Barclays National later instructed branches to stop distributing these forms.



*Voigts: working for regime and the bank*



*Barclays in Windhoek*



*Donation to the illegal Namibian police, thanks to Barclays' associate company*

### **The Namibia Three**

Three black employees of Barclays National have been detained in Namibia for over a year. In January 1985, accountant Oscar Haludilu and clerk Ndeuka Nakatana of Oshakati branch and clerk Oscar Shikoyeni of Ondangua branch were seized by security police. Outside observers expressed concern about their safety, because torture of detainees in Namibia is common.

It was over four months before Barclays National even discovered at which prison their employees were being held. This suggests that the bank is either unable or unwilling to protect its employees. In May, the bank finally discovered where they were imprisoned, and it claims to have made 'unremitting efforts' to secure their release.

Four months later Barclays general manager Gordon Adam revealed that the three 'have turned state witness, and are being held in protective custody pending the trial at which they have agreed to give evidence.'

On 23 December 1985, Barclays public relations manager Andrew MacThomas said that Haludilu had at last been visited by bank officials. 'He is in excellent spirits and looked fit and happy', while his two colleagues were said to be 'in fine fettle,' according to MacThomas – astonishing words to use about men held in a Namibian prison, much of the time in a location unknown to their families and fearful of torture. The trial, at which the three Barclays workers were due to give evidence, was due to start in February and continue for several months.

## THE REPORT OF THE DIRECTORS

CONTINUED

### The Boycott Campaign

In August 1985 the African National Congress called for a strengthening of the 'Boycott Barclays' campaign. The ANC's London representative Solly Smith asked British organisations and individuals 'to refuse to deal with banks that have substantial interests in South Africa, such as Barclays'.

The impact of the boycott campaign has been dramatically boosted since the declaration of the State of Emergency. This is reflected in particular by the unprecedented number of major prestigious organisations which have withdrawn their accounts from the bank in the months following the declaration, a development which must seriously worry the bank. They include two Oxford University colleges – Balliol and Corpus Christi – as well as the Royal Town Planning Institute and the Central Council for Education and Training in Social Work.

Among the most important organisations which have joined the campaign is the overseas aid agency Oxfam. On 23 November 1985, Oxfam's Council of Management announced that it had only taken this action after very careful consideration. Two factors had been crucial: 'First, the majority of Oxfam's partners in South Africa, together with Oxfam's expert Africa Field Committee, were in favour of leaving Barclays. Secondly, Oxfam's reputation and work, both in the overseas development programme and in generation of income and support at home, would be enhanced and made more effective if Oxfam was no longer associated with Barclays.'

Oxfam Council chairman Chris Barber said that they 'felt with regret the charity's continuing obligation to relieve poverty and distress was no longer compatible with maintaining the current relationship with Barclays.' The Oxfam account was worth £43 million in 1985. Other major charities to leave Barclays are MIND (National Association for Mental Health) and the housing group Shelter.



*Oxfam partners in South Africa — 'in favour of leaving Barclays'*

## THE REPORT OF THE DIRECTORS

CONTINUED

Local councils are also switching from Barclays. Oxfordshire County Council decided to move its £500 million-a-year account from Barclays in October 1985, partly because some councillors were concerned about the bank's South African connection.

In December 1985 the London Borough of Greenwich voted to move from Barclays as a protest against the bank's involvement in South Africa. This means that six London boroughs have now withdrawn from Barclays – the others are Brent, Camden, Lambeth, Lewisham and Southwark. Three other London boroughs – Barking & Dagenham, Newham and Richmond – are considering joining the boycott campaign.

Other organisations also debating whether to move from Barclays include the National Association of Schoolmasters/Union of Women Teachers, the Campaign for Freedom of Information, and the Society of Friends (Quakers).

Students in Britain have continued to be active over Barclays' South African links, with the National Union of Students pressing for a boycott of the bank. Student accounts are worth an estimated £1 billion, and are regarded as very important by the banks.

Organisations which have withdrawn their bank accounts from Barclays since the 1985 Barclays Shadow Report:

All Hallows Church, Tower Hamlets  
Balliol College, Oxford  
Barnsley Christian Council  
British Association of Social Workers  
Central Council for Education and Training in Social Work  
Church of the Redeemer, Birmingham  
Conference of Roman Catholic Chaplains in Higher Education  
Corpus Christi College, Oxford  
Dorset Institute of Higher Education Students' Union  
Eastbourne Council of Churches  
Goodinge Health Centre, London  
London Borough of Greenwich  
MIND (National Association for Mental Health)  
Oxfam  
Poplar Methodist Church  
Royal Town Planning Institute  
St Mary's Church, Islington  
Shelter  
Sudbury and District Christian Council  
West Midlands Association of Family Planning Doctors  
West Indian Standing Conference Integration Appeal

### Union Pressure

Trade unions in the banking world are now adopting a critical stand towards Barclays' involvement in South Africa. In Britain, the Banking, Insurance and Finance Union (BIFU) – representing 150,000 members, including tens of thousands in Barclays – adopted a new policy on South Africa at its May 1985 conference. BIFU condemned banks which 'support the regime through investments and loans.'

## THE REPORT OF THE DIRECTORS

CONTINUED

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At the international level, concern is mounting. In September 1985, the Second World Conference of Bank Employees, representing unions in 72 countries, met at Copenhagen and called on banks 'to begin financial withdrawal and to end new financial commitment to South Africa.'

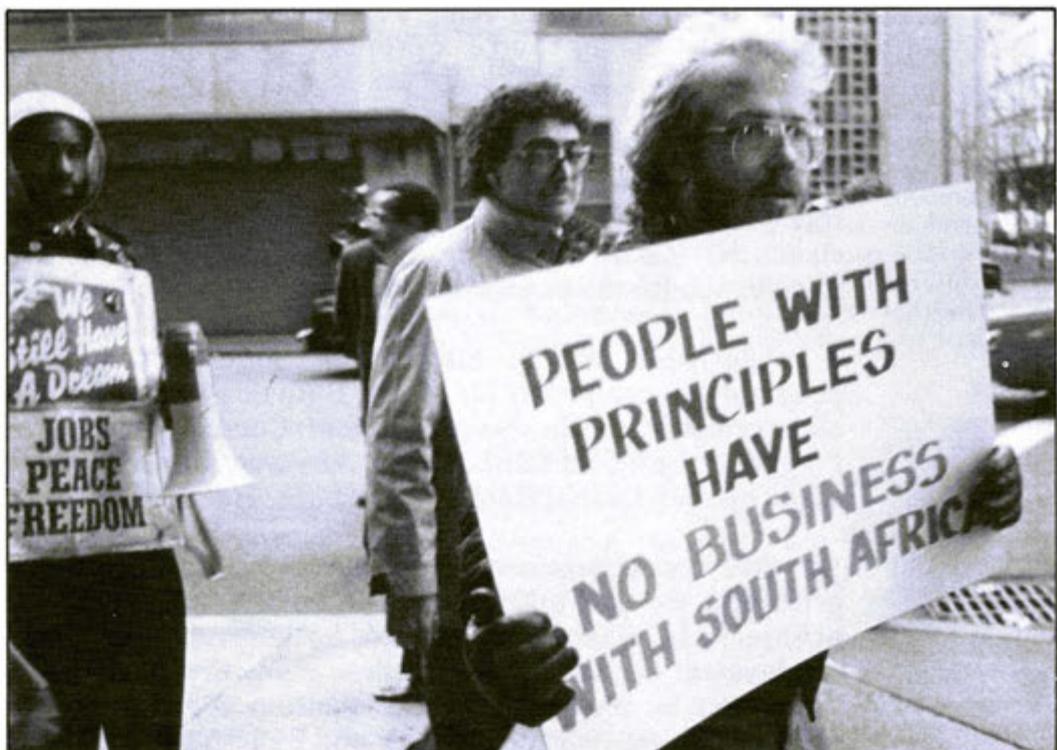
### International Action

Barclays, which operates in eighty countries, has faced pressure over its South African operations all across the globe. The United States is its most important area outside the UK, with total assets of £12 billion. The bank has three main US subsidiaries, Barclays American Corporation, Barclays Bank of New York and Barclays Bank of California.

In February 1985 Barclays initiated an urgent top-level review of its New York operations after the city introduced legislation cutting city funds from banks that lend to the South African government. One month later, the County of Dutchess in New York State proposed moving its \$8 million account.

Four West Coast church groups have asked their members to withdraw accounts from Barclays Bank of California. These are the United Methodist Church, the Lutheran Church of America, the United Church of Christ and the Northern California Ecumenical Council.

Now that Barclays' shareholding in its New Zealand subsidiary has increased, the anti-apartheid movement HART has launched a campaign against Barclays New Zealand. In Australia, the Campaign Against Racial Exploitation (CARE) is targetting Barclays. Protests against Barclays' involvement in South Africa have also been made in many of the African and Caribbean countries where the bank has an important presence.



*Disinvestment protest — USA*



*Picket outside a London Barclays branch*

### **Shareholder Concern**

Shareholders pressing for Barclays to dispose of its South African interests can now point to pressing financial reasons, because of the deteriorating political and economic situation in South Africa. Investment there is no longer as profitable as it once was.

In August 1985, Barclays' chairman Sir Timothy Bevan admitted that the proportion of the bank's profit coming from South Africa had dropped from 16 per cent in 1983 to just 1 per cent in 1985, an astonishing fall. This was due to declining profitability in South Africa, the falling value of the Rand, and the increase in the bank's interests elsewhere.

During the last few years Barclays' South African interests have therefore changed from being a significant and profitable investment to a minor and declining source of profits.

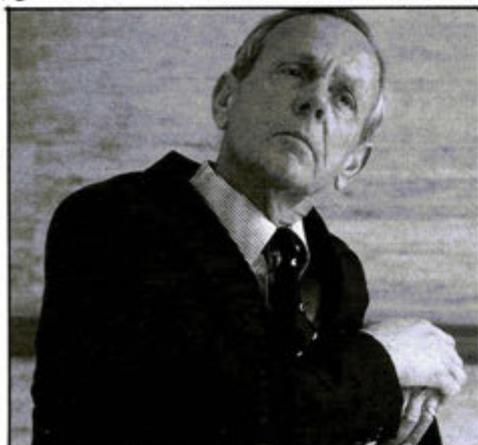
### **Balance Sheet**

1985 saw major developments in South Africa, exposing the crucial role played by Barclays in financing the apartheid economy. The bank claims that it is a 'liberalising' influence in South Africa. This is a facade, a justification for the bank's continued operation.

The views of the majority of South Africa's population were poignantly expressed by Dr Manas Buthelezi, Lutheran bishop of Soweto and president of the South African Council of Churches. When the Provost of Bradford visited South Africa in January 1985, the bishop was asked his views about Barclays' presence. He replied:

**'We are all prisoners of apartheid, black and white. Now, as fellow prisoners, we can ask: "How shall we live together?" But we are still prisoners. In other words, I have no quarrel with attempts to improve employment conditions and I believe many firms are doing that. But that should not be confused with the question of "How do we all get out of prison". Do we visit the prisoner and furnish his cell? Or do we open the prison gate and let him out?'**

# SIR TIMOTHY



# BEVAN

## CHAIRMAN, BARCLAYS BANK

Tim Bevan is a regular visitor to South Africa – at least two weeks a year – because he is a director of Barclays National and “it is one helluva important investment to us.” His visits have the further purpose of keeping him abreast of political developments. He needs to be able to deal authoritatively with regular shareholder queries about the bank’s investment in this country, particularly at the group’s annual general meetings.

His involvement is more than passing. Sir Timothy was one of those present at the March meeting at Leeds Castle, where leading South African, American and European businessmen met the Philadelphian firebrand, Leon Sullivan, to discuss critical corporate advances in SA’s industrial relations.

An articulate, urbane Briton with a considerable sense of humour, Sir Timothy was interviewed by Hugh Murray.

**Murray:** How do you read the current South African situation?

Bevan: There must be a great improvement in the situation in that the government for the first time is showing signs of flexibility which it certainly hasn’t shown before. If one takes something like the Constitution, I would have thought it was a watershed. It seems to an outsider that the Constitution is rather like a camel – a horse designed by a committee. I wouldn’t have thought it is actually a very good one – but presumably it has meant that the National Party has depended for the first time on the English-speaking vote. In this sense it represents a watershed.

Then, the fact that the President has been abroad in Europe and has actually talked and heard first hand what people think is very important. I think there are signs of the desirability of South Africa ex-

plaining herself abroad much more. The South African Ambassador in London, Mr Denis Worrall, is extremely good news. He is a highly intelligent, highly articulate man who can actually explain a lot of the difficulties that are being

### INTERVIEW



faced by South Africa much more intelligently.

Although I would agree that the current difficulties in the townships must be a worrying factor, if one goes a stage back the fact that the government is worried, and is showing itself more open to change, is a very good thing. The average South African is much more conscious of world opinion. This must be good. South Africa tends to regard itself as being more harshly judged by the rest of the world than is fair, just or reasonable. I suppose that is because it is also regarded as basically a good country. This, again, sounds derogatory but is not meant to be, if you take a place like Chile. You almost expect the Chileans to behave badly. You don’t expect South Africans to do so.

**Murray:** I get the impression that Barclays as an institution favours risk investment of the kind that is going to bolster the small business sector – seen by many people as the only long-range answer to our economic ills.

Bevan: I know there is a close liaison between the bank in South Africa and the clearing bank in the UK, which is going for that small business sector. Clearly this is absolutely critical and there are various schemes in SA which are designed to promote just that, including the black areas. So I think your impression is correct.

**Murray:** The disinvestment lobby has been largely limited, in a formal sense, to activities in the United States. Barclays has for quite a long time, however, had to live with an element of demonstration at its annual meetings together with protests on a fairly low key, but nonetheless regular basis. How do you see Britain’s trade and financial links with South Africa continuing?

Bevan: They are very important. Our export trade from the UK to South Africa is quite a significant element in employment, certainly with our unemployment levels. We have been dealing with a measure of “aggro” and have been trying to be low key about it, calmly letting the brickbats fly over our shoulders. This has an internal disadvantage. Patiently letting the brickbats fly can affect the morale of your own staff in the end. This is why, at our last annual general meeting, I made the case for investment.

It seems to me as an observer that most of those who are concerned and are pro-disinvestment don’t actually stand to lose personally if disinvestment occurs. It is much easier to say suffering is a good thing if it isn’t you who will suffer.

**Murray:** In domestic Barclays terms do you find the pressures that are brought to bear in relation to your involvement with this part of the world embarrassing or difficult?

Bevan: They are difficult and a bit tedious but I look at the thing in reverse – that I am very proud of the bank’s record in South Africa. I think it has done a great deal. If you take a simple example like the number of black staff that serve in this bank compared to some of the others, we are helping to create a black middle class which can only benefit South Africa. The bank’s employment practice is generally enlightened and most of the Barclays staff would share my view.

**Murray:** What do you see as the main role of the financial institutions – particularly banks – in a country like South Africa?

Bevan: A bank is always the mirror of the society it serves. Very generally, it must try to conduct itself as a proper, prudent organisation. It has to oil the wheels of commerce and promote it. I don’t think it is the job of the bank to make an enormous number of risk investments *per se*. The continental banks’ large holdings in industrial companies are a result of the Thirties and they would rather be without them. What we can do is to try to facilitate the development of business. This is indirectly in our own interest as small acorns grow into big oak trees and we can play a useful role in this.

**Murray:** The bank clearly has lost a lot of the “foreign bank” feeling. There was a time when the government was very concerned as regards foreign control. It was a sensitive issue. Is there any thought in the back of the Barclays corporate mind that perhaps this is not the kind of operation in which it should, or need have, a majority stake?

Bevan: If you don’t have a majority stake, you have to rule out the name Barclays.

If Barclays National did not have the name Barclays in it I think the bank would lose a great deal of its efficiency. The Barclays group is represented in 84 countries throughout the world and this gives it a lot of its synergy. As soon as you remove this it would lose a very great deal. Having said that, however, the bank must be as South African as possible. We have to pursue the identity of the country in which we operate.

