

KRUGERRANDS:

Money for Apartheid



An ELTSA Publication

60p

KRUGERRANDS:

Money for Apartheid

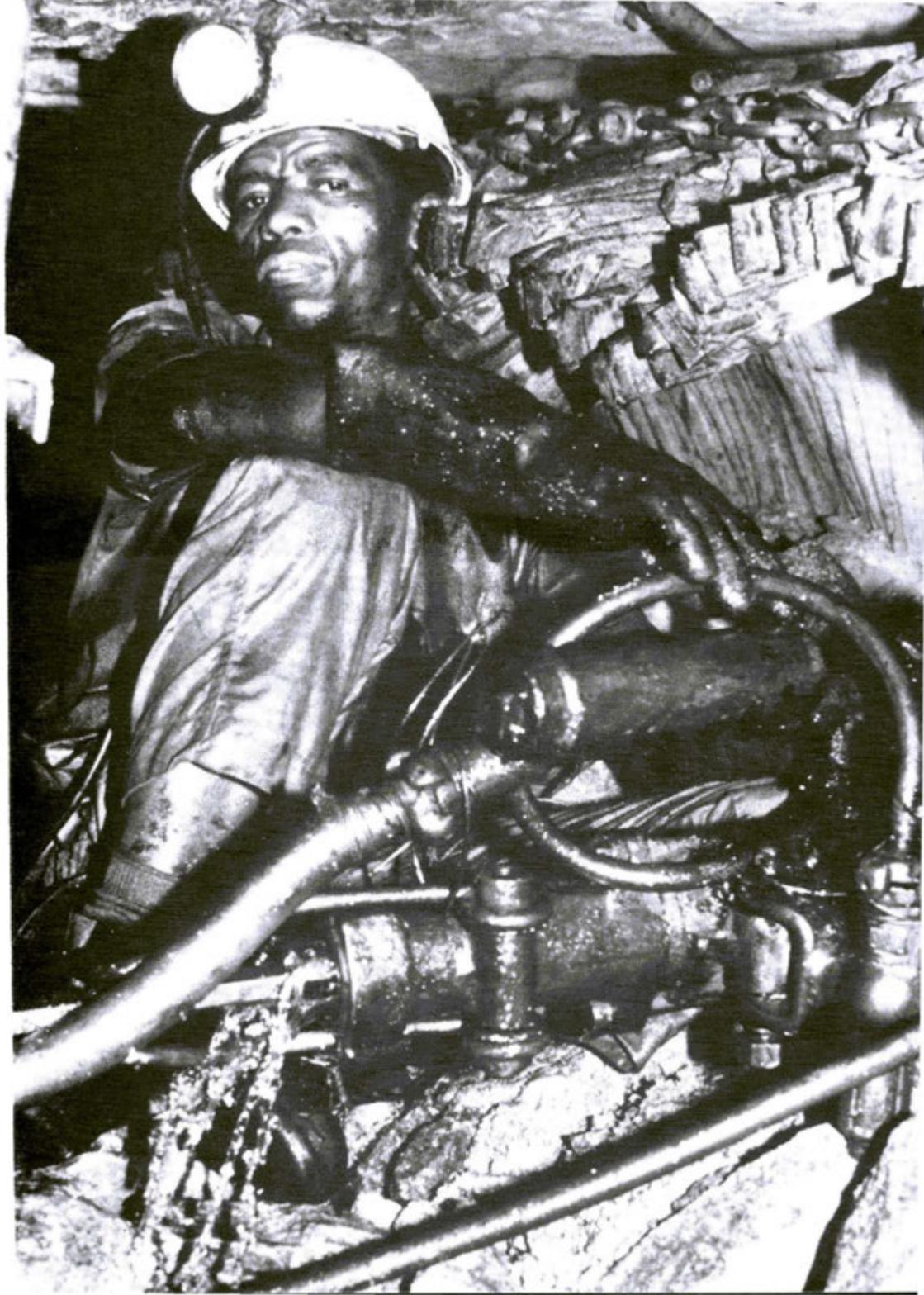
Foreword

The apartheid regime in South Africa and Namibia is now facing massive popular opposition, to which it is responding with aggression and violence. Yet relatively peaceful change is still a possibility, and one that can be encouraged by the application of effective economic pressures by the West.

The sale of krugerrands is important both to the South African economy and as a symbol of apartheid's acceptance abroad. Many western countries have realised this, including most recently the Netherlands, Canada and the USA, and have banned sales of the coin. As this pamphlet is being published on the eve of the Commonwealth Summit in October 1985, it is also clear that most of our Commonwealth partners are in favour of a ban on krugerrands, and that, in Britain, all parties and institutions opposed to apartheid support such a ban.

I therefore call on the British government to follow these examples and, as a vital contribution to the cause of freedom in southern Africa, to ban the import of krugerrands forthwith; and for any individuals who may be tempted, I urge them to buy respectable Commonwealth alternatives.

Donald Anderson MP



KRUGERRANDS:

Money for Apartheid

Britain leads the way

With the American ban on Krugerrand imports coming into effect on 11 October 1985, Britain now seems set to become one of the West's largest market for the South African gold coins, although the Swiss and West Germans have also been big purchasers in the past.

The Krugerrand represents direct investment in apartheid. It is manufactured from pure gold, the mineral which has formed the basis of the South African economy. The coin itself is named after Paul Kruger, the early Afrikaner leader who said that 'the black man had to be taught that he came second and that he belongs to the inferior class that must obey', and that 'savages must be kept within bounds'.

Krugerrands were first minted in 1967 as a means of stimulating demand for gold and thus increasing its price. They were aimed primarily for export to foreign investors wishing to hold gold in a convenient form. In addition to the One Krugerrand coin, containing one ounce of 24 carat gold, One-half, One-quarter and One-tenth Krugerrand coins are also minted.

The value of the Krugerrand is directly related to the price of gold, with the coins selling at a small premium above the gold price. On 1 October 1985, for example, the gold price closed at \$323 with the Krugerrand slightly higher at \$327.

By 1985 a total of 50 million coins had been sold over its 18-year life, worth over \$14 billion altogether.

Gold: funding apartheid

Gold is the cornerstone of the South African economy. It provides about half of the country's foreign exchange – necessary for buying the oil, computers, arms and other goods needed by the apartheid regime. Taxes generated by the gold mining industry are an important source of funds for the government. The mining companies have also developed as the major centre of economic power in the private sector.

White wealth and black poverty have been the pattern in South Africa ever since the discovery of gold in the 1860s. It was the mine owners' demand for cheap black labour that laid the basis for the racism and inequality that was later codified under the laws of apartheid.

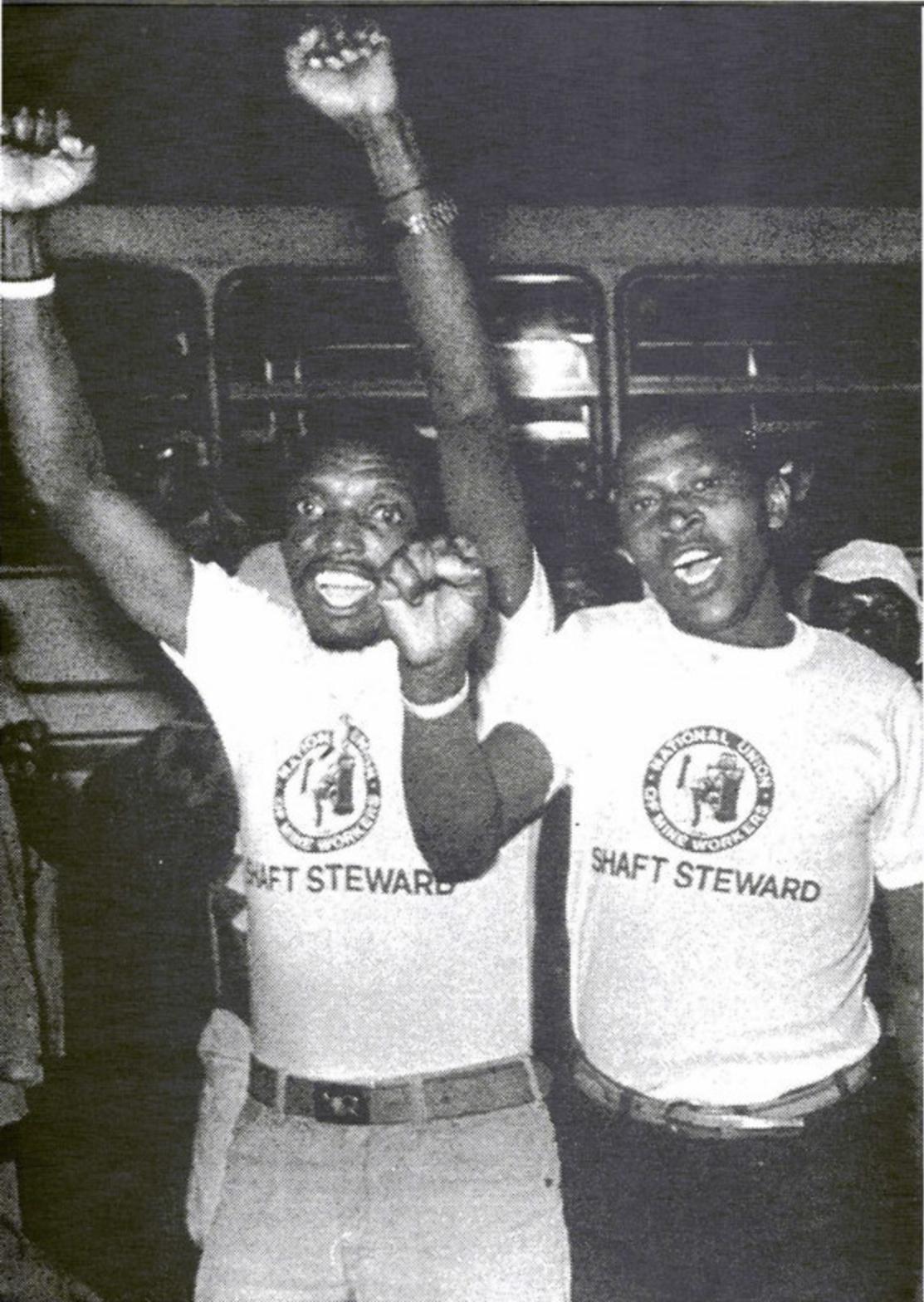
Africans were driven off their lands and forced into the labour market by taxes. Today, most black miners are forced to migrate to work in company compounds far from their families. The Pass Laws regulate the flow of their labour, preventing them from seeking work freely and thereby giving the mines a constant flow of cheap labour.

South African law prevents black miners from occupying highly skilled and well paid jobs such as blasting. This results in enormous differentials between pay rates. The monthly wages of black miners averaged only \$232 in 1982, compared to \$1,267 paid to white miners.

Safety and health conditions in South African mines are among the worst in the world. Over the past decade, 8,209 miners have been killed and 230,000 injured.

In 1982 black miners in the gold fields won the right to organise their own independent union, the National Union of Mineworkers. Since then, there has been a bitter struggle to improve conditions for the 425,000 black miners who produce South Africa's gold. In September 1985 a strike by 72,000 miners at eight gold mines was broken up after the owners threatened to sack the workers.

National Union of Mineworkers' officials during the recent strike.



Selling South Africa's gold

At the height of the Krugerrand boom, in 1978, almost half of South Africa's gold was sold in the form of the coins. Since then, the popularity of the coins has diminished, and in recent years it has only accounted for about 15 per cent of the country's gold exports.

The Krugerrands are sold by the Chamber of Mines of South Africa, the association of mine owners, through its wholly-owned subsidiary, the International Gold Corporation (Intergold). It has an office in the UK at 30 Saint George St, London W1.

Total worldwide Krugerrand sales in 1984 were 2.6 million (down from the 1978 height of six million ounces). At average 1984 gold prices, this brought in \$711 million. Sales from January to May 1985 slumped further to 700,000 ounces, down 34 per cent on 1983. In May, South Africa's largest domestic seller of Krugerrands, the South African Gold Coin Exchange, was placed under voluntary judicial management because it was unable to honour repurchase guarantees. The SAGCE had originally been a major factor in popularising Krugerrand sales. In July 1985, the International Gold Corporation announced that it was no longer publishing monthly figures for Krugerrand sales, presumably because of the disastrous slump.

1984 - 85 Sales Performance

	1984 Total Ounces	1984 Cumulative Total	1985 Total Ounces	1985 Cumulative Total	1985 v 1984 Cumulative % Change
Jan	242,199	242,199	290,576	290,576	+ 20.0
Feb	187,960	430,160	136,918	427,494	- 0.6
Mar	158,479	588,637	152,600	580,094	- 1.5
Apr	255,192	843,828	44,137	624,232	- 26.0
May	200,874	1,044,702	60,994	685,228	- 34.4
Jun	330,547	1,375,249			
Jul	483,457	1,858,706			
Aug	172,394	2,031,100			
Sept	120,996	2,152,097			
Oct	125,371	2,277,468			
Nov	82,882	2,360,350			
Dec	274,799	2,635,149			
TOTAL	2,635,149	2,635,149			

Source: International Gold Corporation (Intergold)



KRUGERRAND

Money you can trust.

The United States has been the most important market for Krugerrands, until recently taking just under half of total production. After resolutions in both the US House of Representatives and Congress, President Reagan announced on 9 September 1985 a package of sanctions against South Africa which included a Krugerrand ban.

The US President said that providing there were no objections from GATT (General Agreement on Tariffs and Trade), he would ban the import of the South African gold coins on the grounds that they were 'an important symbol of apartheid'. The ban was confirmed on 26 September to come into effect on 11 October 1985.

Restrictions in the USA and in other countries have had little impact on gold investors because of the number of alternative coins that are now available. These include coins from Canada, the USA itself, Mexico, China, and the UK. Even the Isle of Man has just produced a new gold coin, the 'Angel', and an Australian coin is planned shortly.

An escalating boycott

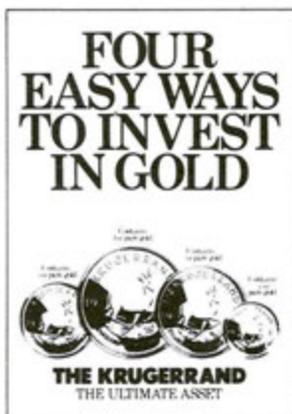
The last twelve months have seen a series of devastating blows dealt to the sale of Krugerrands overseas. At the end of 1984, Canadian church groups, owning between them 250,000 shares in Canada's fourth largest bank, the Bank of Nova Scotia, succeeded in pressurising the bank to relinquish its lucrative position as sole distributor of Krugerrands in Canada, and to cease marketing the coin. Other banks quickly followed suit so that Krugerrand sales have now almost vanished in Canada.

Scandinavia has been another active area. In March 1985, the Danish Jyske Bank announced it had stopped selling Krugerrands. Under pressure from anti-apartheid groups, two other leading Danish banks followed in June. The Norwegian and Swedish authorities have also recently introduced bans on sales of the coin.

In the US, campaign work by the American Committee on Africa and the Interfaith Center for Corporate Responsibility has been going on since 1980. Intergold was responsible for distribution in the US with a vast range of outlets in banks and jewellery stores. It also retained an expensive advertising agency. The first breakthrough came in 1983 when American Express halted sales. In early 1985, the Free South Africa Movement successfully picketed a number of outlets, and in February, New York City banned the deposit of city funds with banks selling Krugerrands. Similar actions occurred in Boston, Chicago, Detroit and other cities. After a banning Bill was introduced in Congress, President Reagan has finally succumbed and halted Krugerrand sales in the US.

An equally effective campaign was waged in Holland, beginning in October 1984. Previously 20,000 Krugerrands had been sold annually in Holland. The Holland Committee on Africa produced campaign materials including a 'Mandela Coin' carrying the image of ANC leader, Nelson Mandela, and mobilised local groups, city councils, academic institutions, trades unions, and church bodies in support of a Krugerrand ban. The University of Amsterdam was one of the first institutions to threaten the closure of accounts with banks selling Krugerrands. Leyden City Council did the same. The Dutch Labour Party circulated all branches, and even some Christian Democrat branches gave support.

By the end of January 1985, hundreds of letters were going into banks urging them to end sales. One of the Co-operative Farmers' Banks was the first to bow to the pressure. Within hours, two other major banks followed, and by early February all Dutch banks had promised in writing to end sales.



The British market

After the United States, the two main markets for Krugerrands have been Britain and West Germany. Statistics on the different national markets are not available, but the UK may have taken about one fifth of Krugerrand exports in recent years. Based on total 1984 sales of about \$711 million, this could mean a UK market of about \$140 million.

Krugerrands can be purchased in the UK through three main outlets:

1) *Banks* Three of the main UK banks sell Krugerrands – Barclays (also the largest bank in South Africa), National Westminster and Royal Bank of Scotland. Other banks selling Krugerrands are Bank of Scotland, Bank of Ireland, Ulster Bank, Isle of Man Bank, Trade Development Bank (owned by American Express) and Standard Chartered Bank (the second largest bank in South Africa).

2) *Gold Market members* The five members of the London Gold Market, which fixed the daily price, have the sole right to import Krugerrands from South Africa. They supply other outlets and sell in their own right. The five members of the market are Johnson Matthey Bankers, Mocatta and Goldsmid (controlled by Standard Chartered Bank), N.M. Rothschild, Samuel Montagu & Co (owned by Midland Bank) and Sharps, Pixley.

3) *Bullion coin dealers and stockbrokers* also supply Krugerrands.

Many British investors hold their Krugerrands in the Channel Islands to avoid 15 per cent Value Added Tax (VAT) payable in the rest of the country. The major bank handling these purchases is Charterhouse Japhet (Jersey). Also involved in these off-shore sales are Standard Chartered Bank (C.I.), Johnson Matthey Bankers (Jersey) and Aitken Hume (Guernsey).

Ban Krugerrands now

Unless the British Government intervenes to end Krugerrand imports, the UK is likely to take over this year as the major importer of the South African coins. The End Loans to Southern Africa group, ELTSA, is therefore calling for a commitment from the government to take action to prevent the UK becoming apartheid's major financial backer.

BOYCOTT

Where to ~~buy and sell~~ Krugerrands in the
United Kingdom

BARCLAYS BANK



National Westminster Bank PLC 

 Standard Chartered Bank PLC



BANK OF SCOTLAND



The Royal Bank
of Scotland Limited plc

 Ulster Bank Limited



Bank of Ireland

Isle of Man Bank Limited

TRADE DEVELOPMENT BANK



