

The Bank connection

by Ken Burke

Stop Loans to Facism, stated one misspelled but succinctly worded sign, thrust into the mid-January cold in front of Halifax's Hotel Nova Scotian. Outside the hotel steps, the straggly group of twelve trudged determinedly along their picket route, placards all restating the same message.

Inside, a heavy-set man in dark blue business suit grinned as he stepped toward a group by a lobby window.

"What are they supporting today?" he joked, nodding toward the silent protestors in the snow.

"Something about oppression," ventured a policeman, craning his neck for a better view.

"O-ppression," mused another businessman, mouthing the word as if it were a new addition to his vocabulary.

"At least it's something for 'em to do," suggested another.

Outside, the picketers continued to circle. Several television crews dutifully recorded the event for the networks, for this was the Bank of Nova Scotia's 150th anniversary Board meeting that was being picketed, and inside, questions would soon be raised concerning the morality of many of the bank's dealings.

The picketers represent organizations calling for the economic isolation of countries pin-pointed as violent suppressors of human liberties within their borders. They protest the documented extent of Canada's economic lifeline to these nations, the most obvious and distasteful of which are South Africa and the military dictatorships of Latin America.

In the case of South Africa, Canada loans millions, ensuring the financial backing of the white ruling elite, its military might and its legal system of discrimination; apartheid.

The plea to stop the discrimination, enforced by imprisonment, torture and killing, comes first from the blacks in South Africa. Organizations which represent the South African black population demand an economic isolation of their country. John Gaetsewe, General Secretary of the South African Congress of Trade Unions (SACTU, which has been banned in South Africa), stated that, "The ending of foreign investment in South Africa...is a means of undermining the power of the apartheid regime. It is of such importance that there can be no compromise whatsoever about it from our point of view. Foreign investment is a pillar of the whole system which maintains the virtual slavery of the black workers in South Africa."

The African National Congress also declared that, "The call for the international isolation of South Africa has come initially from the people of South Africa. No organization, save those that accept apartheid and work within the system, has supported continued foreign investment in the apartheid economy."

Canadian churches are adding their voice. Bank loans to oppressive nations is a fairly recent addition to the work schedules of humanitarian groups in Canada and abroad. Until 1974, opponents of trade with these governments had little or no factual information on this transfer of financial aid.

An anonymous worker in the mighty European-American Banking Corporation is responsible for starting the ball rolling, by leaking documents on loans to South Africa. American churches proceeded to distribute the information on bank loans internationally. In Canada, the trickle of information became a stream with the formation of the 'Task Force on Churches and Corporate Responsibility'... an inter-faith coalition. The Task Force plays an educative and activist role, and is Canada's principle organization monitoring the actions of Canadian corporations at home and abroad. The results of this documentation reveal the arteries through which Canadians support and profit from South African apartheid.

Between 1972 and 1978, the Canadian Imperial Bank of Commerce took part in \$210 million worth of loans to South Africa - \$60 million of that to the South African Explosives and Chemical Industry. The Toronto-Dominion Bank participated in \$80 million, and the Bank of Montreal was involved in \$85 million in loans to South Africa as well. Although the actual amount has never been disclosed, it is also known that Scotiabank has also made loans to South Africa. And the Orion Bank Ltd. (which was 20% owned by the Royal Bank, now in complete control of the Company) participated in \$261.3 million in loans to South Africa between 1973 and 1976. As late as August 1980 the bank was a party in a \$55.8 million Eurobond purchase of the Standard Bank of South Africa.

Responding to anti-investment campaigns, the Toronto-Dominion Bank declared in 1980 it will make no further loans to South Africa under present conditions. Royal Trust

Company also stated it does not have "any intention, at this time, of granting loans in the future to the Government of South Africa."

The Royal Bank, while refusing to "announce a complete embargo upon all loans to the South African Government and its agencies," stated that it has made no such loans for over five years and will not participate in any balance-of-payments or general purpose loans. Gordon Parsons, the Manager for Public Relations in the Atlantic Provinces section of the Royal Bank, stated that the Orion Bank, now that it is a wholly-owned subsidiary, "operates under the same policies as does this (The Royal) Bank with regard to international lending policy."

Not only are Canadian loans and other business continuing with South Africa; they are increasing. In 1980 Canadian exports to South Africa doubled and imports rose by approximately 40%. South Africa is not only Canada's primary customer in Africa, but also Canada's 12th biggest trade partner world-wide.

Canadian banks have been equally receptive to business with Chile. Between July 1980 and March 1981, Canada's five major banks - plus the National Bank of Canada - participated in 272.8 million in *known* loans to the government of Chile and Chilean corporations. The actual figure may well be higher due to a lack of information available from the banks themselves.

The very nature of apartheid seems to be one of the main reasons that the government of South Africa does so well financially. To banks and corporations investing in the country, apartheid guarantees a large, cheap work force to work the mines and motor vehicle plants, later to be dismissed to "homeland" ghettos when workers have completed their usefulness in the system.

The governments of many Latin American dictatorships can promise a similar environment to investors. With the people of the country held in check through the powers of the government's military, or secret police, companies can look forward to a cheap, docile workforce. The most violent forms of repression - torture and death - are meted out frequently to union organisers. The murder of several union leaders of a Coca-Cola operation in Guatemala last year is just one such example.

The result is a high profit potential, making South Africa and other oppressive regimes attractive to investors. This has translated into money coming in to these regimes at a steady and significant rate.

One of the main reasons the churches became active in watchdogging the role of Canadian banks is the fact that they are major shareholders. Canadian churches invest millions of dollars in many Canadian corporations. The United Church of Canada alone owns more than a hundred thousand shares of the Bank of Nova Scotia - a hefty \$2 million dollar investment.

The Task Force uses its position as shareholder to question the morality of loans to repressive governments during shareholder meetings. Coordinator, Renate Pratt addressed the recent meeting for shareholders and Board of Directors of the Bank of Nova Scotia in Halifax. She attempted (fruitlessly) to convince the bank to reveal information concerning South African and other loans.

"International loans can be of benefit or they can be socially harmful" explained Pratt in an interview. "Although the companies themselves do not torture or throw people in jail, or instigate the pass laws (identification papers for South African blacks) they do seem to reinforce the government's confidence that it can go on doing that without any harm coming to it."

In the case of South Africa, Chile and Guatemala, three countries with a particularly bad human rights record, bank loans express confidence and support for the regimes and their politics, according to Pratt.

There are many ways in which this "confidence" has an impact beyond that of simply believing that the country is "good for the money." As international businesses attain interests in a country, then that country will naturally become more a part of the international business community. And since most of the companies which invest in these regimes are North American and European, it means that in significant ways the economy of the "free world" is tied to these repressive nations.

It also means that as the interests of countries such as Canada become linked to those of South Africa and Chile, then what is bad for those countries economically is also bad for our country. If Blacks in South Africa and workers in Guatemala were able to organize into effective unions and receive a decent wage, companies would lose their profit margin - incur heavy drops in profits - perhaps even



bankrupt themselves. The countries themselves would need radical restructuring and might default on the loans made to them by our banks.

As Renate Pratt said, "Anytime the Canadian Financial Institution lends to anybody they have an interest in keeping that authority in good health because they want to get their money back."

Business ties with countries which flagrantly disregard the rights of its citizens also undermine the effectiveness of any diplomatic attempts at bringing about change within the country. Not only that, it also makes such diplomatic attempts hypocritical in the extreme. For the External Affairs department to condemn a government because of its record of human rights violations, and then cast a blind eye to the large Canadian investments made in that country, is to achieve nothing save morally damning the Government of Canada.

Another use that this "confidence" built up by international bank loans has for the governments is in the soliciting of more money. A good return on a large investment by one corporation will quickly make other corporations think more closely about the merits of investment in that country.

Canadian banks continually present their position on international loans as being based on a "one-loan-at-a-time basis." The policy of client/banker confidentiality espoused by the Canadian banking system - which holds that a bank must not discuss the business of a particular client in public - is responsible for the secrecy around the subject of international loans. The Canadian Imperial Bank of Commerce, Bank of Nova Scotia, and Bank of Montreal will not officially confirm or deny that they have had business dealings with a particular government. From time to time, the Toronto-Dominion Bank and Royal Bank will inform the Task Force whether or not they have made loans to certain governments, which at least allows for discussion on the disadvantages and advantages of the loan.

With Canadian banks so tight-lipped about loans, however, there is one means of discovering what loans are being made - by reading a major business magazine or newspaper. The Task Force gathers much of its information through finding ads placed by Chile and other countries in business publications such as the *Wall Street Journal*, *Financial Times of London*, and *Financial Post*. These advertisements state to the business world the details of many of the Canadian loans so that other banks and corporations will follow the "good example" set by the banks.

Occasionally, the banks themselves will break their vow of client/banker confidentiality - depending on who is doing the listening. The Task Force received corroboration of its suspicion that the Bank of Nova Scotia was involved in loans to South Africa through a disclosure by the bank itself.

A small church congregation in Acton, Ontario had informed the bank that it was considering changing its account from the Bank of Nova Scotia to another bank because they didn't want to deal with a bank which was involved in loans to South Africa. As a result, one of the senior executive came to speak to the congregation and explained that the bank did have loans in South Africa, but that it felt that the loans that it was making had positive effects on the black population. This executive even went so far as to describe one loan in detail - a \$5 million arrangement with the Government of South Africa for the black medical education system in South Africa.

Even more important than the fact that the bank would break client/banker confidentiality to attempt to convince a customer not to leave, is the nature of the loan itself. Scotiabank's loans to South Africa represent one of the main public justifications that the banks give for making loans to repressive governments - the benefits of these loans to all people in the countries which receive investment.

The position of Canadian banks is very clear. They feel that properly made loans can serve to improve the conditions of the people within the country. The Royal Bank of Canada's international lending policy statement states that at their bank, "Each individual loan proposition is carefully examined, not only from the traditional points of view of security, risk, and return, but also from the perspective of social responsibility. Only after all the specific circumstances surrounding each loan are taken into account is the decision taken to grant or refuse that loan."

Lorne Chudney, the Bank of Nova Scotia's Director of public and corporate affairs, recently stated this bank's position in an interview given for CBC's Information Morning. According to Chudney, "In the long run, we believe strongly that international commercial relations does contribute positively to building bridges between people and improving living conditions." The Royal Bank's Gordon Parsons adds that, "If we were to accept the concept that the act of making a loan in a country constitutes 'support' for the regime in power and their policies, international banking would be impossible, and there would be few countries indeed to which we could, in clear conscience, lend money." He added that, "People tend to look at it (the question of loans) from an emotional point of view. The churches look at one side and don't look at the implications."

Many opponents of investment in repressive regimes also recognize that some benefits may be done in certain loans to those oppressed. Elizabeth Schmidt, in an issue of the UN Centre Against Apartheid's *Notes and Documents*, noted that, "It cannot be expected that a single corporation solve all of the problems of apartheid. However, the benefits of the corporation to black South Africa must be carefully weighed against its contribution to the apartheid system."

It is this weighing of balances which makes a loan such as Scotiabank's \$5 million transaction with the government of South Africa much more complicated than an obviously reprehensible loan for purchasing security force guns or some such item.

If the money was destined for the black medical education system in South Africa, then there would definitely be benefits to blacks. Whereas the proportion of white doctors to white population in South Africa are 1/400 (one doctor for every 400 white citizens), the proportion of doctors to African citizens is 1/44,400. Black students can also only obtain training in three of South Africa's seven medical schools. In 1975 there were only 9 African medical graduates in the entire South African nation. The loan could possibly allow for more graduates to emerge from the system.

But in reality the graduates of any medical facility would be emerging into the same system of apartheid. While international loans are being solicited for black medical education programs, black students are being phased out from the University of Natal's medical program, according to Dr. Aziza Sedat, an ex-patriate South African, in order to convert the institution into a "whites-only" university. What is actually being attempted is a further segregation of the races in South Africa.

And even before students can reach university, they must struggle through a primary education system that, "On the black side is very, very inadequate," a source at Dalhousie University's Centre for African Studies reported. "That results from the assumption that the blacks will never rise in society. They may become doctors and lawyers but they can only practise within the black community. That also doesn't mean they'll be the best because the system is inadequate." The person, who asked not to be named because of possible reprisals during a visit to South Africa, added that because of the poor lower schooling given to blacks, someone finishing all the pre-university requirements could find that they were unacceptable to enter any university.

The Scotiabank loan would essentially serve to keep the existing system in operation. The loan also makes the Government of South Africa appear to be striving for social change and equality when in reality the system of apartheid would be served by the deal. The black leaders of South Africa call for an economic embargo of their country because they are aware of the many ways which respectable-looking loans only serve to further entrench oppression deeper, instead of serving as a moderating force.

