Translation of title: The Economic Relations between Switzerland and South Africa during Apartheid.

Commentary

By Mascha Madörin

The reader of this book can't help wondering what would have come to light about the years 1970-1993 if access to the Swiss Federal Archives had not been denied. The study at least partly reveals why Swiss business and the Swiss government were, for over 50 years, so scared of facts on their relationship to apartheid. There was a lot to cover up, already in the first 25 years (1945-1970) of this dubious relationship. One thing is certain: The economic cooperation between Switzerland and South Africa during apartheid was greater and more scandalous than the apartheid critics ever claimed. The major Swiss banks were the leaders in this regard, and their interests prevailed against all opposition, whether such came – only rarely though – from the Swiss government, the Swiss National Bank or the export industry. The more international and national criticism of apartheid mounted, the more complicated the task of Swiss diplomats and officials dealing with South Africa became: They had to save Switzerland's image in the eyes of the national and international public, despite expanding business dealings with the apartheid regime. Thus, they had to find “strategies” that would enable such dealings, and at the same time ensure that as little information about these as possible would reach the general public.

A fact that should be added to the study: ever since apartheid was abolished, Swiss business relations with democratic South Africa are significantly less intensive than at any point during apartheid.

In August 1950, the secretary of South Africa's Finance Ministry, Daniel Hendrick Steyn, wrote in a letter to Samuel Schweizer, a leading figure at the Schweizerischer Bankverein SBV (Swiss Bank Corporation SBC)1 “As early as 1948 the Union Bank of Switzerland offered us their assistance and they have been in constant touch with us ever since. You will, therefore, appreciate that I am most anxious to preserve the existing pleasant relations with your bank and the Union Bank of Switzerland. (...) In regard to your remark that your bank or the Credit Suisse2 always takes the leadership in public issues, I hope that in the event of our deciding to raise a loan in Switzerland your bank and the Union Bank of Switzerland will be able to come to some arrangement which should relieve us of the rather embarrassing task of having to choose between the two banks” (P. 50). This very enlightening quote – amongst many others – reveals previously unknown facts about the first twenty years of economic relations between Switzerland and South Africa during apartheid.

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1 Swiss Bank Corporation SBV/SBC; merged 1998 with Union Bank of Switzerland to become the UBS AG.

2 Schweizerische Kreditanstalt. From 1996 on: Credit Suisse Group.
After the Second World War, the Union Bank of Switzerland (SBG/UBS) was smaller than either the Bankverein (SBV/SBC) or the Credit Suisse. It saw business with South Africa as a great opportunity to expand internationally and as a result developed very quickly into the leading Swiss bank abroad. In 1954 Adolf Jann, member of the executive board of the SBG/UBS, justified South Africa's attractiveness mainly due to its liberal and sound economic policy, political stability, freedom of capital movement and international profit transfers, and the protection from confiscation and expropriation of capital, property and land [which did not apply to the black population! MM] (P. 47). Immediately after the Second World War, South Africa was generally seen as an attractive country by a Swiss economy in need of expansion. Swiss business also perceived the election victory of the National Party in 1948 positively since it was hoping for a reduction in British dominance.

Dominance of the Major Banks in Politics with South Africa

Out of the 300 pages of extensive trade and financial relations analysis, 250 pages cover the years 1945 to 1968 only. This time period is divided into fascinating, meticulously researched events. Immediately after World War II, even before the apartheid regime was elected in 1948, South Africa is more important for the Swiss export industry than the United Kingdom. However, due to South Africa's currency difficulties in 1949, exports plummet to almost a quarter of the previous year’s. In 1949 the apartheid regime expresses interest in sourcing capital from countries with strong currencies. The SBV/SBC reacts immediately and gets in touch with the South African Finance Minister. The major Swiss banks offer a loan in Swiss francs which is equivalent in value to 5-6 tons of repayable gold [a type of loan that would become notorious during financial sanctions at the end of the 1980s. MM]. The Swiss National Bank\(^3\) is concerned about the potential threat that the banks would speculate with the repaid gold. The Swiss authorities assert that this South African gold loan should be compensated with additional imports from Switzerland, otherwise there would be no valid justification to authorise such a transaction. The Bankverein SBV/SBC promises not to speculate; the South Africans make a vague promise to import Swiss goods, and the loan is approved. In reality, however, Swiss exports to South Africa decline even further.

In 1950, South African officials and the SBG/UBS negotiate over a public loan for the mining conglomerate Anglo-American. The Swiss banks confirm, after enquiries by the Swiss authorities, that this loan will be tied to South African assurances to increase imports from Switzerland. Things do not actually get this far, and the director of the Vorort\(^4\), Heinrich Homberger, states in a letter to the SBG/UBS: "Wenn nun in dieser Situation eine für schweizerische Verhältnisse grosse Finanzhilfe an die Südafrikanische Union gegeben wird, so muss unseres Erachtens dafür gesorgt werden, dass auch die schweizerische Ausfuhr wieder in eine normalere Phase eintreten kann"\(^5\) [see endnote for translation] (P. 69). A binding agreement from the apartheid regime is not obtained, yet the Swiss authorities still approve the loan. In the international press, this 50 million franc loan causes considerable reactions: In South Africa, the Sunday Times (5.6.1950) hopes that in future more capital will flow from Europe to South Africa: “The rate of interest – 4 per cent – is low for such large a transaction, and that is a clear indication of confidence the Union Bank of Switzerland had in the Anglo-American Corporation” (P. 72). In London, this loan is also seen as a “major event” and the securing of an important source of capital that allows tapping South Africa's important gold reserves (P. 72).

\(^{3}\) Schweizerische Nationalbank, the central bank of Switzerland


\(^{5}\) “If in this situation a - in Swiss terms - large financial help is extended to the Republic of South Africa, it is our opinion that Swiss exports must also arrive at a more normal level.”
Further attempts by the Swiss authorities to better regulate the negotiation of loans and credits by Swiss business fail. From the 1960s the interests of Swiss industries and banks diverge significantly less than in previous years: the 1960s loans which are primarily used in South African industrialisation and infrastructure investment (e.g. energy supply), promote exports of Swiss capital goods, in particular heavy machinery. On matters of policies toward South Africa, there is a closing of ranks by Swiss manufacturing industries and financial institutions. The book impressively shows how in cases of conflicting interests between the major banks and the export industry, the Swiss National Bank as monetary authority, or the Swiss governmental foreign policy in international organisations, 'solutions' are usually found that are not harmful to the interests of the major banks. Thereafter and until the end of apartheid, the major Swiss banks clearly dominate economic relations and – so it seems – the Swiss government's policies. The dominant economic and political role of the major banks also seems to benefit, according to the authors, from South Africa’s strong interest in financial relations with Switzerland. "L’Afrique du Sud a besoin de capitaux étrangers pour financer son développement industriel et minier. Les grandes banques Suisse sont à la recherche de placements sûrs et rentables" (P. 308). During the first twenty years of apartheid, it is striking how the economic relationship between South Africa and Switzerland was dominated by the tough and self-confident apartheid regime and how fearful the Swiss were during negotiations of making themselves unpopular. In my opinion, Swiss bankers were important players in this game.

The South African's hard negotiating strategy is clearly evident in Swissair's long-running endeavour (1948–54) to gain landing rights in South Africa. It would be interesting to find out more about the negotiation strategies of South African role players in the last years of apartheid when they were probably more dependent on Swiss goodwill than in previous decades.

South Africa did, however, show active interest in two areas: The promotion of investment by a double taxation agreement and the gold trade. Negotiations on the double taxation agreement were cumbersome. The negotiations first took place already in 1954, on South Africa's initiative, then again in 1959 but the agreement was only concluded in 1967. The Swiss predominantly wanted that dividends paid to equity owners in Switzerland would be tax free. On this matter, after a protracted negotiation process, a compromise was reached: If dividends were generated by Swiss establishments based in South Africa, they would be exempt from tax in South Africa. In terms of the disputed taxation of licenses, Switzerland secured the biggest concessions (P. 218). There is no reference in the study as to which industries particularly benefited from these regulations. I suspect that this South African concession was easily obtained due to the country's imperative of starting and expanding the arms industry as a result of increasing arms export restrictions (e.g. from Switzerland, USA). Certainly, these regulations were extraordinarily beneficial to the license dealer and arms manufacturer Bührle until the 1980s.

New Findings on the Gold Trade
To its credit, this study intensively examines the successful takeover of the physical gold trade by the major Swiss banks (Zurich Gold Pool) and shows how important the gold trade was for them and the apartheid regime already from the 1950s onwards. The founding of the Zurich Gold Pool in spring of 1968 was preceded by intensified gold trading links between the major Swiss banks and the apartheid regime. Already in 1962, the Swiss banks built an international market for the 2 Rand gold coin. They not only had the monopoly on commercialising these gold coins, but also covered the production (!) and transport costs. In other words, they carried the whole risk (P. 226/7).

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6 "South Africa needs foreign capital to develop its manufacturing and mining industry. The major Swiss banks are looking for secure and profitable investment opportunities."
When the Krugerrand was launched in 1967, the chairman of the South African Chamber of Mines wrote to the Finance Ministry in June 1967: “It is not possible to state whether or not another overseas organization would have promoted the sale of R2 coins more actively. What can be stated is that the Swiss Banks are situated in the most advantageous position in Europe for the sale of gold coins. There are no restrictions or duties on import or export of the coins and, from a publicity point of view Switzerland also offers advantages because of the large tourist traffic” (P. 227). The aim of the South African gold industry (and the major banks) was to promote private gold holdings. This trade was more lucrative than the trade in currency gold, with its fixed price of 35 dollars per ounce. Promoting private speculation went against the gold price stabilisation interests of the International Monetary Fund and all those central banks that had joined together for this purpose in the so-called International Gold Pool. The Swiss National Bank also belonged to this pool. Twice – in 1963 and 1966 – the South African Reserve Bank suggested to Swiss officials it could deliver part of the gold directly to Switzerland (for the private gold trade). The authors of this study suspect – and there are a few statements vindicating it – that the South Africans were trying to create a parallel gold market to reduce their dependence on the Bank of England because they were under increasing pressure due to apartheid and their support of the Rhodesian white minority regime. The Swiss government twice declined this request on the grounds they would attract too much British and American criticism since this trade would undermine the rules established by the international monetary system. Finally, in spring 1968, the situation changed: When the London gold market was temporarily closed due to massive speculation, the Swiss banks founded the Zurich Gold Pool which marketed large quantities of South African and Soviet gold in the 1970s.

The founding of the investment fund Safit in 1948 by SBG/UBS is another episode in the gold trade story. This fund was the first of its kind in Europe to specialise in South Africa. The largest part of this fund concentrated on mining stock investment. A table shows the noteworthy fact that Safit's second best performance since 1948 was in 1985 – the year when economic sanctions against South Africa were triggered by US-banks. The authors emphasise how important further research on the gold trade with South Africa would be – and hence unrestricted access to the archives.

**The Cover Up of the Close Cooperation between Business and Politics**

“Ohne Archive keine Geschichte” the authors write in the introduction. Indeed, the study contains fascinating details on how keen the Swiss were to promote business with South Africa after World War II. Furthermore, the study shows how much Swiss economic and government representatives wanted to cover up and hide such dealings from the international public. Statistics about certain gold trade deals with South Africa were eliminated from Swiss customs statistics already in 1951 to avoid the (justified) criticism that Switzerland contravened the International Monetary Fund’s regulations. In a UN Report of 1967, Switzerland was named as an important South African business partner which caused great concern to the Vorort and therefore to the Swiss government. At the end of 1968, the Swiss ambassador to South Africa was instructed to intervene against the all too revealing section "Switzerland" in the South African Reserve Bank’s statistics. The section disappeared – and promptly reappeared after the abolition of apartheid.

Particularly interesting is the chapter about the de facto abolition of the capital export ceiling in the early 80s. The South African ambassador to Switzerland suggested lifting the restrictions of the capital export ceiling. According to the South African ambassador's conversation protocols, Frank Blankart, then delegate of the Swiss Federal Council (government) for trade treaties, apparently assured him that the Swiss authorities

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7 The central bank of South Africa

8 “Without archives – no history”
“were aware of the importance of South Africa to Switzerland where the latter has according to their knowledge an investment of no less than Sfr. 3 billion. Hence the flexibility applicable to requests for the export of credit to South Africa.” Blankart apparently further insisted that “... the situation was not as bad as it would appear (...) according to their latest figures, there had been an increase of Sfr. 1.2 billion in active loans in 1981 alone to South Africa by Swiss Banks.” The Swiss government incidentally “never placed any restrictions on relations with South Africa as a result of pressure from the United Nations to do so (...) for political reasons he could not recommend to his Government to increase the courant normal figures [of the capital export ceiling MM] as it would as a result have to be debated in Parliament with all the publicity it would attract”. Blankart assured the South African ambassador of certain liberties that the Swiss government intended to apply in managing of the capital export ceiling “provided it is done discreetly and secretly” (P. 276/7). The authors also point out that the figures Blankart mentions for 1981 do not appear in the Swiss National Bank’s statistics.

In the study's conclusions, the authors also emphasise the importance of personal relationships between Swiss economic representatives, the apartheid regime and the representatives of the most important South African companies: „Ni les discussions parfois âpres sur des dossiers épineux, ni les retournements de courants sporadiques dans les milieux d'affaires souvent divisés, ni les résistances de circonstance du gouvernement helvétique, des Départements fédéraux ou de la Banque nationale suisse ne pourront défaire les liens étroitement tissés dès les années 50 entre les dirigeants des grandes banques helvétiques et ceux du gouvernement et des principales entreprises sud-africaines. (...) L'exploitation des archives révèle par ailleurs, à travers de nombreux exemples, l'importance des relations personnelles établies entre les représentants des grands banques et les milieux d'affaires sud-africains pour débloquer des négociations dans lesquelles s'enlisent les autorités des deux pays.”9 (P. 308/9).

The study shows – so it seems - how far Swiss state institutions and diplomats were degraded to representatives and lackeys of Swiss business rubbing shoulders with the apartheid regime. In the first three decades, there seemed to be three perceptions of evil influencing Switzerland's pro-apartheid policies (and perhaps made them morally more justifiable): the British dominance in southern Africa, the growing afro-asiatic group of nations in the UN and the communists. Outspoken diplomats who described apartheid as a serious crime against the most basic human rights, provoked massive interventions by business at the Political Department.10 The more international and national criticism of apartheid mounted, the more complicated the task of diplomats and officials dealing with South Africa became: They had to save Switzerland's image in the eyes of the national and international public, despite expanding business dealings. Thus, they had to find “strategies” that would enable such dealings, and at the same time ensure that as little information about this as possible would reach the general public.

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9 “Neither the sometimes intense discussions over difficult dossier, nor temporary frictions caused by disagreement within the business world, nor occasional hesitations within the Swiss government, the Federal Departments or the Swiss National Bank could loosen the tightly knit relationships that had formed in the 1950s between the members of the boards of the major Swiss banks, and the leaders of the South African government and the most important South African companies. (...) In perusing the archives, there are incidentally numerous examples that show the importance of the personal relationships that existed between the representatives of the major banks and the South African business world. They helped to revive negotiations when both countries' officials had sometimes reached deadlock.”

10 of the Swiss government. Since 1979 the Federal Department of Foreign Affairs EDA/DFA.
Critical Remarks

The study is without a doubt well-researched. It further contains, which meant considerable additional work, a comprehensive statistical appendix with time frames that usually go back to the 1940s and reach into the 1990s. However, the study also has limitations. The study concerns itself almost exclusively with the trade and financial relations between Swiss business and South Africa, and does not, for instance, discuss direct investment and technical cooperation. This is predominantly because the relevant firms' private archives were not accessible to the researchers. Due to access being denied to data of the Swiss National Archives from 1970 onwards – itself an act of cover up – it was impossible to proceed in the same way for the investigation of documents and data from 1970-1990. Only 50 pages are dedicated to the analysis of the era from1970 to 1990. But this is possibly not the only reason for a mere 50 pages about these years. When reading this text, I get the impression that the authors not only lacked access to the Swiss Federal Archives, they also lacked time because of insufficient funding. At least, it would have been appropriate to summarise already existing (also previously published) data, query the material and try to find answers. For instance, there is a noteworthy discrepancy between the South African Reserve Bank's and the Swiss National Bank's statistics that the study does not address. In addition, the authors often fail to distinguish between the relationships of major Swiss banks to South Africa, and of the Swiss government to South Africa.

It is evident that several studies instead of just one were critical to assess the economic cooperation between South Africa and Switzerland. An additional, different, type of study would have been necessary, namely on the gold market, on the different types of financial markets and on the role of the major Swiss banks. In this context, studies by the Commonwealth, the UN, the archive of the Financial Times, and the professional expertise and knowledge of gold trade specialists or mining companies would probably have been more relevant than the Swiss Federal Archives. In the bibliography, a book on the currency crisis and the gold dollar standard which was warmly recommended to us economics students in the early 1970s, is omitted: Franz Aschinger „Das Währungssystem des Westens“ (1971 Frankfurt a.M.)\textsuperscript{11}. Its author is familiar with and a fan of South Africa and the book contains a revealing chapter on the formation of the Zurich Gold Pool and the related international negotiations and controversies. I also think there is a fundamental methodological problem: How can contemporary economic history be studied without consulting newspaper archives of the internationally most important and biggest economic newspapers such as the Financial Times or the Economist? Between individual time periods, the authors try to describe the international context and particularly the international condemnation of apartheid. However, the portrayal of the international context is too general and not focused enough on the concrete cases that are presented in the study. One wishes for the participation of a South African historian in this research project.

There are several points and interpretations that I would like to question critically. A statement which I consider particularly problematic is quoted here from the last page of the text: „Un mot encore, avant de clore cette brève conclusion, pour lever tout malentendu. Les auteurs de cette étude sont convaincus qu’il n’y a pas eu, chez les autorités ou les milieux d’affaires suisses, un engagement pensé pour maintenir un régime dans lequel ils se seraient reconnus. Les personnalités suisses actives dans le renforcement des liens avec l’Afrique du Sud, qui tiennent un discours ouvertement raciste et célèbrent le culte de la domination blanche, sont une petite minorité“\textsuperscript{12} (P. 310). This statement provokes objections, and the reader wonders what the

\textsuperscript{11} The monetary system of the West.

\textsuperscript{12} “Before ending the short conclusion, a few more words are necessary to avoid any misunderstanding. The authors of this study are convinced that neither business nor the authorities were committed to maintaining a regime they endorsed and with which they could identify. Those Swiss individuals who actively promoted a strengthening of relationships with South Africa thereby maintaining an open racist discourse and celebrating a cult of white dominance, are a clear minority.”
authors consider “open racist discourse” and a “cult of white dominance”? I agree with the quotation’s second sentence; I only query the previous one. Most business and conservative political representatives in Switzerland were convinced by the concept of “controlled change” which Botha propagated at the end of the 1970s followed by the announcement of a “controlled reforms” phase in late October 1987. What could this mean other than control by the political and economic white elite of South Africa? And who but the black population was to be controlled?

Then there are a few critical remarks on their technique. As a reader, I do not for instance know who the “secrétaire des Finances” is, who continuously negotiates with the SBG/UBS. Is this a state secretary or a minister or an incumbent of less important position? A list of “Who is Who” at the back would have been desirable. It is also striking that, for instance, Walter Frey is introduced as “ein Generaldirektor des Schweizerischen Bankvereins”\(^\text{13}\). In 1978 (after the Soweto uprising) he receives a letter from the South African Finance Minister Horwood complaining about a lack of Swiss investment in South Africa. The problem with this letter is that Walter Frey is not just any Generaldirektor des Schweizerischen Bankvereins but one of the biggest, if not the biggest, promoter of the major Swiss banks’ gold trade in the post-war era.

In terms of the publishing quality it is positively noted that, unlike the studies published in German, this study in French contains an index of institutions and persons – an important prerequisite not difficult to attain in the era of the computer.

With these critical comments I do not want to diminish this study’s merits and achievements. Its limitations are an expression of limited funding, very restricted access to archives, an initially narrow research concept given by the Swiss National Science Foundation (SNF)\(^\text{14}\) and also the lack of interdisciplinary work. In any case, this study does present a very interesting and welcome starting point from which the analysis of economic relations between Switzerland and South Africa has to continue.

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\[^{13}\text{a member of the executive board of the SBV/SBC}\]
\[^{14}\text{SNF is responsible for various research programmes financed by the Swiss government}\]