The International History Review

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/rinh20

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To cite this article: Carlo Edoardo Altamura & Seung Woo Kim (2023) Exclusionary Regimes, Financial Corporations, and Human Rights Activism in the UK, 1973–92, The International History Review, 45:5, 787-806, DOI: 10.1080/07075332.2023.2213711

To link to this article: https://doi.org/10.1080/07075332.2023.2213711

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Published online: 18 May 2023.

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THE INTERNATIONAL HISTORY REVIEW
2023, VOL. 45, NO. 5, 787–806
https://doi.org/10.1080/07075332.2023.2213711

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Exclusionary Regimes, Financial Corporations, and Human Rights Activism in the UK, 1973–92

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ABSTRACT

This paper examines the two British civic campaigns, Chile Solidarity Campaign and End Loans to Southern Africa, to investigate the role of financial sanctions on authoritarian regimes to suggest the limits of human rights movements in the late twentieth century. While they not only publicised the financial ties between authoritarian regimes and British banks but also garnered popular support, the campaigns had relatively little success owing to the rise of the liberal creed from the mid-1970s. First, the growth of commercial Euroloans, free from national regulations, was detrimental to putting political pressure on financial corporations; in the Euro-capital market, there was no institutional channel to convey the call for human rights. Second, the shift from a Labour government to a Conservative rendered it impossible to introduce governmental measures. Instead of the political pressure, the creditworthiness of the authoritarian regimes assessed by international banks leveraged the financial future of Chile and South Africa. (151 words)

ARTICLE HISTORY
Received 23 August 2022
Accepted 8 May 2023

KEYWORDS
Authoritarian regimes; Chile Solidarity Campaign; End Loans to Southern Africa; Euro-capital market; financial sanctions

Introduction

In recent years, the history of human rights has emerged as a 'new domain of inquiry'[1] and a 'rapidly expanding field of historical research'[2]. In this new research field, scholars' interest has gradually moved away from the 1940s and towards the 1970s as a significant turning point for human rights' transformation into a global morality. Humanitarian crises, decolonisation, political coups, and ideological changes in the US administration all fostered the emergence of human rights to the forefront. Until today, the literature on the history of human rights in the formative decade of the 1970s has remained limited. Samuel Moyn and Jan Eckel have provided some of the seminal contributions to the debate in the field[3]; in an edited book by both scholars, they convincingly put the history of the 1970s as 'the moral breakthrough of human rights'.[4]

Despite the increasing attention devoted to human rights activism in the 1970s, several gaps remain to be filled. For example, limited attention has been paid until now to the role played by grassroots movements in Western Europe against the activities of non-state financial corporations, notably commercial and merchant banks, in countries marked by human rights violations. This gap is difficult to justify not only because of the importance of the decade of the 1970s

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in the history of human rights but also given the visibility that the idea of socially responsible investment has achieved in recent years across the globe. For example, in 2011, the United Nations Human Rights Council unanimously adopted the UN Guiding Principles on Business and Human Rights. More recently, in November 2021, Swiss citizens voted in favour of the responsibility of multinational corporations on the human rights and environmental impact in their investment abroad.

In the 1970s, a proto-type model for movements to codify moral responsibility on international business under the notion of human rights gained prominence. In Britain, two movements protested the financial ties between British banks and authoritarian regimes in the Global South. By leveraging the dependence of Chile and South Africa on foreign capital in their pursuit of economic development, the activists sought to financially sanction these governments to advance human rights. Such an endeavour indicated how international finance and human rights were inextricably connected.

On Chile, Wilkinson studied the arms trade between the UK and Chile's military dictatorship and its financing by British banks.[5] More recently, thanks to the availability of archival records, Livingstone's seminal work has analysed the British campaigns against regimes in Chile and Argentina and pointed out the divergent treatments on them; while the Chile Solidarity Campaign (CSC) was quite effective in mobilising the civil society, the protest against Argentina received limited support across British society.[6] Turning to the case of South Africa, John and others have scrutinised the End Loans to Southern Africa (ELTSA), particularly the campaign against Barclays, a British clearing bank with historic ties to South Africa, 'the jewel in the crown' of its overseas operations.[7] They shed light on various measures of the 'Barclays Boycott', such as the establishment of 'Shadow Board' in 1981 to monitor and publicise Barclays' financing the apartheid regime, and the role of grassroots groups to withdraw accounts as a sign of disapproval.[8] These account agree the idea that ELTSA was 'an important and historic victory in the international campaign for sanctions against apartheid.'[9]

Drawing on a wide range of recently disclosed primary archival sources, this paper questions the efficacy of the financial sanctions against authoritarian regimes on a national basis by contextualising the two campaigns with the re-emergence of global finance in the late twentieth century. The development of the Euro-capital market in the 1960s, an offshore market for loans denominated in key Western currencies, eroded the Bretton Woods assumption of national control of capital mobility.[10] In the following decade, European banks channelled petrodollars from oil-producing countries to the capital-starved developing world to finance ambitious plans for economic growth.[11] Against the financial ties, the British civic movements claimed that British banks were supporting unjust authoritarian regimes in Chile and South Africa with external financing.

However, the national campaigns in Britain exposed limits to the changing features of finance and politics. First, the extra-territorial market required no national qualification in the flotation of Euroloans, debt-instruments denominated in major Western currencies. In the absence of any centralised authority, Eurobanks enjoyed freedom from the political pressure by human rights organisations. ELTSA had little success to exploit the default by South African government owing to the availability of capital from non-British Eurobanks. In a similar vein, the Chile campaign was not able to have a real impact on business decisions; the indebtedness drove Lloyds Bank International to close the financial ties. Second, the neoliberal policy on human rights of the Conservative government thwarted the civic movements against authoritarian regimes in the two countries. The Thatcherite assumption that market forces were the effective solution to the predicament as well as secured national economic interests rendered official sanctions implausible. As a result, the financial ties with British banks *via* the Euro-capital market underpinned the authoritarian regimes. By focusing on actors hitherto under-examined, this paper shows how global finance was inextricably linked to the contemporary international politics in the pivotal decades of human rights and engages in the complex relationship between neoliberal idea and human rights, a theme pioneered by Naomi Klein and Samuel Moyn.[12]

Protesting the financial ties between British banks and the authoritarian regimes

In the post-World War II period, as Jones points out, '[R]egulatory controls on capital flows and currency convertibility had reduced the importance of international banking, and minimized the scope for innovation.'[13] British banks also underwent a long phase of retreat into local boundaries; in 1946, the Labour government nationalised the Bank of England and the Big Five (Barclays Bank, Lloyds Bank, Midland Bank, National Provincial Bank and Westminster Bank) 'received precise instructions from the Treasury concerning not only their liquidity but also their lending priorities.'[14] Consequently, British banks remained in domestic banking and trade finance with countries of the Commonwealth; a few commercial and overseas banks provided retail services to British communities overseas or intermediaries in trade finance operations, the business they had done since the nineteenth century.

The relatively timid international activity of the interwar and post-war period gradually ceded the place to a renewed activity on global markets following the expansion of the so-called Eurodollar market during the 1960s, American dollars held outside the United Sates and, consequently, outside almost any type of monetary control. British banks found business opportunities with offshore US dollars when the British government exercised controls on sterling. In 1973, the first oil crisis was pivotal in fuelling the engine of financial globalisation; the increase in the price of oil caused a sudden and substantial rise in the demand for private international capital, while at the same time providing oil exporting countries with sizeable surpluses of money to invest. Crucially, the crisis provided three important stimuli to British and international banks to expand abroad: first, the support of International Financial Institutions such as the International Monetary Fund to manage the recycling of petrodollars from surplus to deficit countries; second, an ample reserve of loanable funds coming from oil-producing countries to expand abroad and finance new international ventures; finally, the oil crisis, by plunging the Western world into a recession, provided ample justifications to put aside domestic expansion and enter the global arena. On the demand side, less-developed-countries in the non-Western world had called for access to the Euro-capital market to finance their ambitious economic development.

Under the new milieu of global finance, British international banks either resumed or strengthened the historical connections with the developing countries. Lloyds Bank, through its international subsidiary Lloyds Bank International (LBI), the result of the merger between Lloyds Bank Europe and the Bank of London South America, entered a period of rapid international growth and activity in the Latin American market. By 1976, it had 11,000 employees in more than forty countries and 7,000 of them were in Latin America.[15] Especially, LBI concentrated in the Southern Cone and Brazil; by the end of 1980 the Latin American Division represented only ten per cent of total assets but around twenty-five per cent of the profits. Meanwhile, Barclays strengthened its historical connection with South Africa, 'the jewel in the crown' of its overseas operations, by expanding lending operations to the capital-starved apartheid regime.[16] LBI's involvement in authoritarian regimes in the Global South was not an accident but the fruit of a deliberate strategy and assessment. In LBI's 'Review of Corporate Strategy' published in July 1979 it was remarked that 'The successful developing countries mostly have political systems in which nationalism and authoritarianism are both strong features.'[17]

The British civic society recognised the political implication of the expanded international lending operations into the Global South. Under the post-war growthmanship, authoritarian regimes prioritised the economic development as a mean to legitimise their oppressive rules. Owing to the lack of domestic capital formation access to foreign capital had been critical. However, the dependence on the advanced countries or international financial organisations became increasingly burdensome for the hefty conditions or political requirements attached to grants and aid. From the mid-1970s, they found the Euro-capital market, free of politics, a useful source of funding; as long as international investors considered sovereign borrowers credible, capital was available. In return, the private debt of Euroloans would exonerate the advanced countries from the accusation of assisting repressive governments. At this juncture, the advancement of human rights was inextricably linked with the creditworthiness of authoritarian regimes in the eyes of Eurobanks.

In the 1970s, galvanised by the brutal and unjust rules, left-wing and humanitarian activists in the UK organised two movements: to protest against chile under General Pinochet whose military junta overthrew the democratically-elected socialist government under Allende, and the racist apartheid government in South Africa. Both countries also pursued ambitious plans for economic development by raising capital abroad. Therefore, given the importance of external debt to buttress the rule of Pinochet, CSC agitated against the financial ties between British international banks and authoritarian regimes. It is in this context of substantial and growing involvement in the Southern Cone and Brazil that Lloyds became the biggest target in CSC's campaigns. Meanwhile, David Haslam, a Methodist minister launched ELTSA to protest the lending operations of Barclays and British merchant banks to South Africa. Both campaigns garnered wide support from the public. At the same time, they were heterogeneous with diverging affiliations from national trade unions, Labour constituency parties, trade councils as well as student unions.[18] They also deployed various strategies such as picketing and protests at annual general meetings of British banks to publicise the financial ties with Chile and South Africa.

The rise and fall of Chile Solidarity Campaign

Summarising almost twenty years of activism against Pinochet's rule is a daunting task especially given the variety of actors that took part in the CSC campaign. What is important to point out from the start is that the CSC was a multi-level campaign operating across a multiplicity of actors and terrains. This ability to operate on multiple levels was a result of the heterogeneity of its composition. As pointed out by Buchanan: 'The CSC was an umbrella for a wide range of organisations, but it was located firmly on the left, with strong links to the Communist Party, the trade unions and the Labour left (notably through Judith Hart, minister for Overseas Development 1974–75 and 1977–79). Once Labour had returned to power in March 1974 the CSC had the ear of government and pressed for ever stronger measures to isolate the Pinochet regime both diplomatically and economically.'[19]

CSC was able to organize picketing in front of the largest UK commercial banks but also had direct access to several Labour politicians. The privileged relationship with the Labour Party was justified not only by political ideology but also by the fact that both the Labour Party and the Chilean Radical Party, part of Allende's Unidad Popular coalition, were members of the Socialist International. This diversity of action guaranteed media coverage for its activities and a certain degree of effectiveness at least as long as Labour was in power for once Thatcher came to power the direct link between activists and political leadership was effectively shut.

The battle over Chilean debt

The first major battlefield for CSC was the battle over the renegotiation of Chilean debt to the United Kingdom, estimated at £140 million in 1974, consisting of sterling amounts outstanding for exports delivered or for bankers that acted as guarantors of such transactions.[20] In the words of the CSC's counter information office: '[T]he junta's debt to Britain…has provided, and will continue to provide, a major pressure point against the regime.'[21] An ally was found in the Labour government elected in March 1974. The attitude of the new government was markedly different from the previous Conservative administration as aid to Chile was promptly cut off; diplomatic relations reduced to minimal courtesies; an embargo was placed on future arms exports and thousands of refugees helped to resettle in the UK. Since the beginning, the attitude of the banking community towards the Pinochet's regime was markedly different from the attitude of political powers. Three months after the coup the Chairman of Lloyds Bank, in December 1973, remarked with regard to the events in Chile that: 'the new government has inherited a gravely impaired economy but the restoration of the country's international economic relations to a more normal basis may be expected to help towards a gradual process of recovery'.[22]

The 1973–74 debt repayments had been successfully renegotiated (around £24 million), because of the 'strength of the state apparatus (Bank of England, Treasury, Foreign Office) as against the left but also because of the failure to mobilise'[23]. Officials from the Bank of England had indeed visited Chile in April 1974 and reported that 'Chile… is progressing steadily towards economic recovery from the legacy of chaos left by the Allende regime' and that '…with the Paris Club Agreement signed, Chile has again become internationally "respectable"' with the result that 'Chile is receiving may offers of credit from bankers and businessmen in Europe and Japan as well as the USA.'[24]

The importance of the rescheduling did not pass unnoticed; the Foreign Office reported that 'the bilateral negotiations between Chile and the UK have come under increasing criticism recently, both in the press and in letters to Ministers, from bodies such as the Chile Solidarity Campaign, who assert that debt rescheduling is the equivalent of a new loan.'[25] Other organisations also had something to say. For example, in June 1974, the Chairman of the Birmingham Friends of Chilean Popular Unity wrote a letter to several members of the government, including James Callaghan, to express their disappointment in the rescheduling deal. The Latin American Department of the Foreign Office replied arguing that 'the agreement reached at the Paris Club was the best that we could get, and I can assure you that the UK delegation, on instructions, helped to drive a hard bargain.'[26] The hard bargain included an interest rate of 7.5 per cent (compared to 6 per cent agreed by the United States), higher than the rate for the 1972 rescheduling but still well below the full market rate of around 11 per cent.[27]

The issue moved on to the repayments due in 1975 (around £15 million, around ten per cent of Chile's total external debt). The main areas of intervention were in the press area and in the research field in preparation of the Labour Party conference (the 'parliamentary' side of the campaign) and in 'agitational work.' Acting in 1975 became crucial as copper prices showed a marked decline following the first oil crisis of 1973–4 and foreign lending became a fundamental source of income to the junta. Apart from the reliance on external sources of funding, another reason to act was the concrete risk that the money borrowed would be used by the regime to buy weapons, more precisely to 'buy weapons from the US, to pay for the frigates and submarines being delivered from Britain and to pay compensation to US multinational corporation for the nationalization of Chile's own natural resources.'[28]

The central idea behind the campaign against debt renegotiation was that the failure of the junta to obtain debt rescheduling at the Club of Paris would precipitate crisis with double-digit inflation rate and critically undermine the viability of the regime. The lobbying of Labour MPs and trade unionists gave positive results as the Labour Party at its special conference in November 1974 opposed any further negotiation on Chile's debt and the Trade Union Congress (TUC) quickly followed. The British government also refused to attend the Club of Paris meeting in the first quarter of 1975. CSC efforts were not limited to the issue of debt, although they largely dominated the agenda. Chile's largest export, copper, also attracted CSC's attention as the group estimated Britain's copper imports at 85,000 tons per year (about a fifth of Britain's copper imports). Further pressure on the Chilean regime came from the International Labour Organization (ILO) with a resolution 'concerning the human and trade union rights in Chile' and a resolution of the UN General Assembly on the 'protection of human rights in Chile' passed in November 1974. CSC was convinced that refusing, and not simply postponing, the negotiations on debt rescheduling 'will precipitate crisis and may make the difference between months and years of military rule in Chile.'[29] According to internal CSC's documents, the regime could count on the likelihood that it would 'enjoy some sympathy from the United States and …the Spanish Government [of General Francisco Franco].'[30] Within the British camp, primary sources show that a clear fracture existed between the Foreign Office, the Treasury and the Bank of England and the Labour MPs, the National Executive Committee and trade union leaders. According to CSC, the Chilean economy suffered from three main weaknesses. First, the economic structure of the country was 'not viable' as the most vibrant sectors of the economy were in private hands and unhealthily depended on a few commodities and foreign loans. Second, inflation was rampant. Third, compensation to expropriated foreign companies and inflated military expenditures were impacting negatively on the country's finances.[31]

Ultimately, pressure paid off as the Labour government continued to refuse to engage in debt rescheduling. In this respect, Tom McNally (later Baron McNally) political adviser to James Callaghan wrote that: 'I think it is fair to say that no Government has done more.'[32] The positive and constructive relationship between CSC and the Labour Party should not entirely conceal recurring tensions between the Government's concern for the state of UK's economy and activists' concern with stifling the junta. A contentious issue was the sale of military submarines, commissioned before the coup, to the Chilean junta. In a letter to the Parliamentary Under-Secretary of State for Defence (Navy) at the Ministry of Defence, Frank Judd (late Baron Judd), Mike Gatehouse of the Communist Party and CSC joint secretary, asked the government to impound the submarines and to put further pressure on the Government. Gatehouse asked the General Secretary of the Transports and General Workers Union for support so that 'the people of Chile will not have to endure for long this scourge.'[33] The issue of impounding Chilean submarines in the UK was not abandoned though and several branches of the Labour Party passed motions in favour of such a course of action which many sector of the Government and bureaucratic apparatus, notably in the Foreign Office, resisted.

In a letter to the Secretary of the Labour Party branch in Kilsyth, the Foreign Office's Latin American Department, argued that no other country had taken such drastic measures against the junta as the British government and advanced the argument that impounding the submarines 'could be seriously damaging to our own interests.' There were legal barriers but also financial ones as the government would eventually need to find new buyers and if it failed, the taxpayer would need to step in. There were finally also commercial reasons as the reputation of the UK would be damaged and British shipbuilders might be excluded from certain export markets.[34] The issue of the submarines is especially relevant in illuminating the complex balance between the preoccupation with human rights of the Labour government but also with economic activity in the morose economic context of the 1970s. In a context marked by increasing energy costs, high inflation rates and declining growth in Europe and the US, Western governments, including the UK, had to rely on foreign markets to shore up domestic industries and enter new markets, often with the help of bankers.[35]

It seems that CSC was especially effective in maintaining a constant dialogue with branches of the Labour Party in smaller constituencies. Letters, briefings and flyers were being sent regularly to local and constituency Labour parties to draw attention to specific issues, notably debt rescheduling, and to encourage Labour Party branches to contact their MPs and members of the government. These smaller constituencies played an important role in supporting CSC demands and in involving CSC in its own political campaigns like in February 1976 when Lambeth Central Labour Party passed a resolution in favour of the withdrawal of the British ambassador in Chile and wrote to James Callaghan, Harold Wilson and CSC. Other branches of the Labour Party supported CSC with small donations and constantly informed CSC of motions being passed against the junta. The case of Dr Sheila Cassidy, a British citizen imprisoned, tortured and eventually released in December 1975 by Chilean police put further pressure on the government. Many militants asked the government to act with increased vigour against the Chilean junta by closing the embassy. CSC in late 1975 continued to campaign for ending all military contracts with letters from Mike Gatehouse to the highest levels of the Labour administration but the outcome was limited. The Foreign Office believed that maximum pressure had already been exercised and that further measures would 'damage our own economy more than they will affect the Chilean regime.'[36] CSC continued to involve Labour MP is its campaigns by sending regular briefings on the situation in Chile which resulted in MPs regularly contacting the Foreign Office. Contacts between Gatehouse and the Foreign Office continued in 1977 when David Owen became British Foreign Secretary but the attitude did not change.[37] In a letter of August 1977 from Ted Rowlands to Gatehouse, Rowlands commented on the recent visit of Chile's Finance Minister to the UK as a 'minimal amount of contact' that could not be seen as 'undermining our efforts to bring about the restoration of human rights in Chile'.[38] While visits and military contracts attracted much publicity and attention behind closed doors contacts between Lloyds and Chilean economic and financial actors did not stop. In 1977 while protests, lobbying and picketing were taking place in the UK LBI joined a management group of leading commercial banks, led by Citibank and First Chicago, to arrange a US$50 million five-year medium-term loan to the *Banco Central de Chile* with LBI underwriting a total of US$7 million to help finance 'the import of capital goods, at least half of which must be procured in the countries of the participating banks', the rates and management fees were deemed 'attractive' by the bank.[39] Another loans was given to *Compañía de Acero del Pacifico* (CAP), the main iron and steel industry of Chile, 'in order to finance payment of services from the U.S…' and the loan expanded 'LBI's already existing relationship with CAP'.[40]

Operations with Chilean counterparts took place *via* the representative office in Santiago (considered a non-banking office in official Lloyds' reports), the *Compañía de Inversiones* '*La Escocesa*', a fully-owned holding company with insurance and commercial interests, and *Importadora Industrial* '*Bulnes*' but also *via* international banking centres such as Geneva, Chicago, New York, Panama. Presence in Chile grew substantially in numbers from 129 employees in September 1978 to 155 in March 1980.[41] By the third quarter of 1982 outstanding amounts of loans and deposits stood at US$270 million, only behind Brazil and Argentina.[42]

The South Atlantic connection and British activism

CSC while acting as a pressure group against British banking activities in Chile also kept constant contact with other humanitarian groups, notably with activists campaigning against Apartheid in South Africa. Connections between Chile and South Africa had been increasing since Pinochet's coup in 1973 and became more frequent during the late 1970s and early 1980s. The magazine *Financial Mail* of 8 August 1975 indicated that trade between Chile and South Africa increased from US$1 million in 1969 to US$7.5 million in 1973 and then more than doubled after the military coup reaching US$15.2 million in 1975.[43]

Several top officials of the Chilean military junta visited South Africa, including General Fernando Matthei, Commander-in-Chief of the Chilean Air Force, who visited the country in May 1981. That same month Pinochet welcomed in Chile Rear Admiral Marthinus Becker, general director of the South African armed forces' secret service. Links between the two countries were both economic (in August 1977 the Chilean newspaper titled 'Interés de empresarios de África del Sur por inversiones en Chile') and geo-political as South Africa wished to create a conservative 'South Atlantic alliance' which would include Brazil and Chile.[44] Thus, increasing activity between South Africa and Chile justified the many interactions between anti-Apartheid movements and CSC. Contacts between CSC and anti-Apartheid movements such as AAM (Anti-Apartheid Movement) took place often at the TUC with the goal of sharing information about the activities of multinational companies and geo-political issues as the

'South Atlantic pact' seemed to become a reality also following Marxist victories in Angola. Further intelligence on South Africa came from the ANC. In a letter to NACLA, in October 1977, Mike Gatehouse of CSC clearly stated:

> Dear Comrades,
>
> We have started to monitor connections between the Latin American dictatorships and the South African and Rhodesian regimes. We are doing this in London with assistance from the Anti-Apartheid Movement and the African National Congress.

CSC members often published in the journal of the AAM 'Anti-Apartheid News'. [45]

With regard to CSC strategies, they included direct letters of protest by CSC members and sympathizers such as trade unions members with major clearing banks notably Lloyds and Barclays; questioning Lloyds officials at the General Assemblies and picketing in front of banks branches starting from 1977, often organized by the Chile Solidarity committees of student unions. Chile Solidarity Campaign local committees (more than two dozen) met regularly across the UK to share strategies and devise new initiatives such as boycotts. During picketing campaigners and Chilean refugees distributed leaflets in an attempt to dissuade new students from opening accounts at Lloyds or Barclays. The first picket occurred in 1977 coinciding with Lloyds' participation as lead manager in a US$75 million loan to Chile, that same year Lloyds would also take part in three other loans for a total of US$200 million. In an official statement in response to the picketing Lloyds remarked that the bank was politically neutral and that 'Lloyds Bank lends substantially in almost every part of the world to countries governed under systems ranging from one political extreme to the other'.[46]

The statement also insisted that 'Lloyds is prepared to lend into any country…subject to a normal banking assessment of credit and political risk' and that '[I]n all overseas lending, political stability is a factor to be evaluated for its possible effect on future creditworthiness.' Universities became a fertile ground for activism against Lloyds' activities in Chile and in the course of the second half of the 1970s many students' union would close their accounts with Lloyds. Response to picketing came in the form of Lloyds' legal department asking CSC to desist from handing out leaflets containing 'defamatory statements' such as 'Lloyds funds terrorists'. Luckily, these menaces never resulted in concrete actions and CSC could also count on lawyers willing to help if needed.

The loan to Chile highlights a dramatic fact about activism against bank activities in Chile: campaigners were much more successful in convincing the Labour government than private commercial banks to stop lending to Chile (public lending to Chile amounted to only £577,000 in 1977). In an interview with CSC, David Owen remarked that there was little the government could do about such private loans 'other than public condemnation'.[47] Banking activity did not stop in the 1970s and early 1980s, on the contrary Lloyds' activities in the country continued to prosper. CSC welcomed the refusal of Northampton's lorry drivers to take loads out of Liverpool docks if they contained Chilean goods or dockyard workers at Vosper-Thorneycroft refusing to touch propellors for Leander class frigates destined for the Chilean Navy but big money continued to flow to South America and Chile's debt increased from £8.4 billion in 1979 to £11.2 billion in 1980, an increase of almost thirty three per cent.[48] The position of Lloyds did not change after several years of campaign and Sir Jeremy Morse, Chairman of Lloyds Bank, in 1982 still argued that '[T]he main criterion determining lending to Argentina and Chile were commercial'.[49] A document of the US Embassy in Santiago, written in January 1979, clearly stated that: '[I]nternational commercial bank lending is playing a key part in the success of Chile's economic recovery program.'[50] In 1977, private financial aid to the regime included US$627 million in syndicated loans, US$616 million in suppliers credits and US$412 million in direct bank loans. Although CSC was losing its battle to undermine British loans to the Chilean junta its activities continued to include picketing in front of Lloyds' branches, letters to Sir Jeremy Morse, placing permanent displays in front of local branches and lobbying of local Labour MPs to act against British banks' loans to Chile.

Thatcher's election and the debt crisis of 1982

The electoral win of the Tories in May 1979 marked a pivotal break in the history of CSC. From that moment on, the direct link between a sympathetic Labour government and CSC was cut and campaigning became much less effective at a time when the regime was getting stronger following several years of fiscal retrenchment.

One month after the elections, in June 1979 the Exports Credit Guarantee Department (ECGD) announced that it was resuming cover for UK exports to Chile sold on medium-term credit while in September 1979, Chilean Foreign Minister Hernan Cubillos, privately visited the UK. When, in February 1980, a delegation of CSC visited Nicholas Ridley, Minister of State at the Foreign and Commonwealth Office, Ridley questioned whether Dr Sheila Cassidy had been tortured by the Chilean regime.[51] That same month, full diplomatic relations between Chile and the UK were re-established and arms sales 'not used for internal repression' were resumed in July 1980. Ridley had previously expressed appreciation for the situation in Chile during a visit of the Chile Committee for human Rights in August 1979 saying that Vietnam and Cuba were much worse human rights violators than Chile, and that it was possible to discern a 'slow improvement' in the respect of human rights in Chile.[52] The view of the Conservative government towards the Chilean junta was made even more clear by the final statement of Ridley: '[I]t is important to realise that the killings, torture and repression which has gone on in Chile and Argentina did not happen because anyone enjoyed it, but because it was necessary to the lives of those governments, they had to get the better of the opposition, which after all was undemocratic, was made up of communists, terrorists, and people who advocated violence.'[53]

With such attitudes in the government, the campaign against Chile became much more difficult to carry on. Private and official visits intensified, in March 1983 for the first time since the military took power a top member of the junta, General Fernando Matthei, officially visited the United Kingdom. Banking activities in the Southern Cone continued unabated until the beginning of the 1980s when the worst economic crisis since the Great Depression hit Latin America and the balance sheets of British banks (See, Table 1). From that moment on Lloyds quickly reduced its presence in Chile until in 1986 Lloyds Bank International disappeared as an autonomous entity to become part of Lloyds Bank. On the activities of LBI in Latin American, Sir Brian Pitman, CEO of Lloyds from 1983 to 1995, concluded quite explicitly: 'We have put the kitchen sink in there'.[54]

Limits of the national success: the Euro-capital market and ELTSA

As the literature has shown, ELTSA orchestrated the 'Barclays Boycott' against the business ties between the British clearing bank and South Africa.[55] Before the establishment of Barclays Shadow Board in 1981, the anti-apartheid organisation had observed the Euroloans for the apartheid regime by international banks in the City. However, the Euro-capital market curbed

Table 1. Performance of the big four, 1987.

	NatWest	Barclays	Lloyds	Midland
Pre-tax profits before provisions (£m)	747	530	369	251
Growth on comparable period of previous year (%)	54	22	10	29
Provisions (£m)	496	570	1066	916

Source: *Financial Times*, 'Barclays takes £40 m loss after Third World loan provisions', 31 July 1987.

their campaign for financial sanctions. In contrast to the case of Barclays, ELTSA had no effective channel to put political pressure on private debts by Eurobanks. Also, with the liberal creed, the Conservative government was not willing to support the humanitarian action to isolate the apartheid regime. Further disappointment came from the workings of Euroloans that the creditworthiness of the borrower in the eyes of international bankers directed the capital flows. Therefore, despite the domestic success on Barclays, ELTSA had little leverage over the political reform of South Africa in the early 1990s.

Untouchable Euroloans and the politics of creditworthiness

In June 1977, ELTSA prepared an advertisement for *The Banker*, a British financial magazine, against Hill Samuel's financing of apartheid regime, with two critical features. First, in 1976, the 'massive Eurocurrency loans by Western banks … over $600 million' was different from the traditional way of attracting foreign capital *via* direct investment. Second, the South African government had become 'the country's largest investor'; in the competition with Western multinational corporations, the governments of LDCs raised capital on behalf of domestic entities which suffered lower level of creditworthiness. Therefore, the access to the Euro-capital market had 'an important political dimension'; the Euroloans not only bolstered 'the Republic's international credit rating' but also breached 'the Third World's attempt to isolate the apartheid regime' and then facilitated the government to avoid 'unpopular economic controls at home'. Once the financial links were established, it was hard to cut off foreign capital: 'Western government [would] claim that 'national interests' require that normal trading relations be maintained with the apartheid regime.'[56]

The features of Euroloans helped British banks enhance their international operations against the political pressure of the left-wing activists; the capital export in the City, now an entrepôt for capital, denominated in the US dollar had no detrimental impact upon the international balance of payments of Britain but provided invisible earnings through banking activities, on which the financial elites of the City claimed their contribution to the domestic economy. Barclays could well stretch its imperial connection through the Euro-capital market; in 1980, it arranged '$250 million Eurodollar loan to the government of South Africa.' The financial press regarded the loan 'an excellent public relations exercise for the country', facilitating the restoration of 'the confidence of the international capital market in the apartheid regime.'[57] A study by the United Nations revealed that the British bank had participated 'in seven loans totalling $760 million between June 1982 and December 1984.[58] In 1985, it underwrote another Euroloan in Deutschemark for Electricity Supply Commission (ESCOM), a state electricity corporation.[59]

Beyond the City, domestic interest groups challenged ELTSA. For example, the United Kingdom South Africa Trade Association claimed that external economic pressure was 'both wrong and impractical.' The policy against the apartheid denied the characterisation of Britain 'a trading nation'. On the financial sanction, the trade union for British exporters to South Africa pointed out that 'a new important area of investment through Euro-bonds and the Euroloan market' benefited Britain with invisible earnings. More fundamentally, it questioned the validity of the campaign on a national level; '[T]he success of sanctions depends on absolute solidarity, which international trade competitiveness militates against.'[60] In the age of global finance, the authoritarian regime had many outlets for trade and finance beyond a national authority (Table 2).

The creditworthiness of South Africa government, the indicator of the Euro-capital market, could either challenge or cement the apartheid regime by leveraging the access to foreign capital. Hence the judgement of international banks, not the claim of anti-apartheid organisation including ELTSA exercised ultimate authority. The total external debt of South Africa between 1980 and 1984, which quadrupled close to US$24 billion, implied the country's credibility and questioned the efficacy of meticulous activism of anti-apartheid organisations. However, the

Table 2. Amount of international lending to South Africa participated by British banks and their subsidiaries, January 1984–August 1985. (US$million).

Barclays	207	Midland	490
NATWEST	250	Lloyds	14

Source: 'Barclays and South Africa', n.d., MSS.Afr.s.2350/18.

instabilities of global finance from the Latin American debt crisis shadowed the LDCs in Africa. In 1985, US banks began to withdraw from the country; in July, Chase Manhattan decided 'not to renew loans to the South African private sector.'[61] Galvanised by the State of Emergency in the same month, the capital flight by foreign investors forced the government to unilaterally declare moratorium of 'its $14 billion short-term foreign debt' in September.[62]

South African authorities appointed Dr. Fritz Leutwiler, a retired Swiss central banker, to lead the 'Technical Committee' represented by twelve major creditors, three each from the US, Germany, Switzerland, and the UK. Barclays, Standard Chartered and National Westminster were the British members responsible for US$5 billion of the debt. Anti-apartheid leaders, recognising that the debt tied 'the West inextricably into white South Africa's desire to survive with the apartheid system as intact as possible', sought to capitalise the negotiation for the rescheduling of debts to weaken the debtor.[63] For example, 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 Leutwiler, '[T]he 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.'[64]

Neil Kinnock, leader of the British Labour Party as well as a member of the Shadow Board of Barclays, publicised the issue in his letter to Prime Minister Thatcher 'to call on the British Government to instruct UK banks not to help South Africa over its debt crisis.'[65] However, the prospect for national restrictions to suffocate the apartheid regime was rather bleak; the Conservative government dismissed the Labour's bill for sanctions and divestment in the understanding that 'the changes that took place in the United States and advanced the blacks in America occurred in conditions of economic prosperity and not in the conditions that Labour Members want to see'. In his rejection of the bill, the Foreign Secretary referred Chief Buthelezi, a leader of the Inkatha tribe in South Africa; '[I]f the West wants to increase black bargaining power it must double up on its investment, not disinvest.'[66]

In the official quarter, the Conservative government was reluctant to the international scheme for lending restrictions. In 1985, the Commonwealth countries agreed to ban new loans for South Africa by their banks. However, the UK was determined not to 'instruct banks and private entities in this manner.' Instead, it opined that any further 'action to withhold credit might prompt default, which would damage creditors and the international financial system.' It was inappropriate to 'introduce political considerations into decisions which should be made on commercial grounds alone', the UK government concluded.[67] As a result, the international sanction had 'negligible impact on South Africa because no Commonwealth country apart from the UK has significant loans.'[68]

In 1986, the Technical Committee concluded a series of agreement with the debtor; South Africa agreed the five percent interest rate on the outstanding balance, and an increase for the remainder. In the following year, the apartheid government agreed to pay US$1.4 billion of its debt over the three years from July 1987. The agreement allowed some of the funds 'frozen under South Africa debt moratorium' to be used for financing the 1987–88 domestic budget, which included 'government expenditure on the police and military capabilities.'[69] The Shadow Board of Barclays attacked these unacceptably 'soft' terms rendered 'the apartheid regime off the hook'. Archbishop Tutu added that international banks should 'make no agreement until the Botha regime had resigned and a representative interim government set up.'[70] Unfortunately, in the world of finance, there was little room for such voices.

Recognising the importance of isolating the South African economy and government in the global financial market, ELTSA expanded its campaign towards international banks to isolate the South African economy and government. It added key members of the Technical Committee such as Deutsche Bank and Swiss members in the mailing list for letters of protest calling for socially responsible acts. Yet, no one was willing to accept the 'hard' terms in the rescheduling negotiation. For example, J. G. Quinton of Barclays claimed that the accusation of helping 'finance military expansion and police repression' was 'misdirected and entirely unjustified' because of the misunderstanding of the Anti-Apartheid Movement regarding the blocked funds; in the end, the Petroria government could raise the money from other sources. Also, it was beyond the capacity of international creditors to 'interfere with the executive power of a sovereign nation.' In this regard, moratorium had been 'forced upon us by a sovereign power', he added. In case of emergency, 'the inviolable right of a sovereign nation to do whatever it wishes with the funds at its disposal', was cardinal.[71]

Continental European banks insisted that international banking was apolitical. In a letter of May 1987, Deutsche Bank noted that its policy not to take 'a position on countries' activities either in a positive or negative sense.' The financial ties with South Africa, mainly credit export, had no issue 'within the framework of Germany's banking regulations.' The loan to South Africa, it added, provided 'an opportunity to … improve the economic status of everyone, black and white.' It concluded, therefore, the policy of divestment would rather 'result in the further reduction or a complete loss of influence by other nations for positive changes.'[72] Swiss banks assumed a similar attitude. Union Bank of Switzerland resorted to 'the framework of "courant normal"', introduced by the Federal Council of Switzerland and the Swiss Parliament that its 'business relations are not connected to any political conditions.'[73] Credit Suisse recognised the viability of South African economy for future investment as 'the basis of our business policy worldwide and not the political view or form of government of a particular country.'[74] Meanwhile, Japanese banks found a *de-tour* route to provide trade credit for South Africa by depositing money with 'two European banks and direct their South African trading partners to those banks.'[75] In 1988, the South African government placed a small loan in the Swiss market, arguably thanks to such a friendly response.[76]

The nature of South African loans, denominated in foreign currencies, not in South African Rands, imposed practical burden on financial sanctions; for the debt repayment was inextricably linked to foreign currency income from the performance of South African in the international economy, sanctions would merely deteriorate creditors' balance sheet. 'Equally', as Barclays admitted, a moratorium would leave 'very few avenues open to international banks to bring meaningful pressure on the Government.' Therefore, if one bank refused to join the rescheduling, it would result in 'the opposite of what you would expect' – Barclays at 'the end of the queue for repayment not the front.'[77] The UK government questioned the efficacy of official sanctions for the authorities responded 'to market sentiment, not to government action.'[78]

Lastly, the Conservative government confirmed its opposition to financial sanctions. In a reply to a petition for governmental actions on South Africa, the Minister of State in the Foreign and Commonwealth Office opined: '[T]he rescheduling of private debt is a commercial matter best left to the judgement of the banks concerned.' He added, the refusal to the rescheduling could induce the retaliation of the apartheid regime 'by reneging on its debt.' The resultant isolation, in return, would deter 'Western influence and a hardening of attitudes making change more rather than less difficult.' Therefore, the Conservative government concluded that market forces would 'only be an effective lever.'[79]

South Africa's return to the Euro-capital market

In contrast to the failure to elicit cooperation from the international financial community, which resorted to the discourse of national interests of wealth, the popular pressure upon domestic politics proved more effective to financially isolate the apartheid regime. After the call for a voluntary ban on new investments at the United Nations, the European Community introduced a coordinated sanction on the South African economy in 1985. The US Congress joined the efforts, against the reluctance of West Germany and Britain and a tug-of-war with White House, by legislating the Anti-Apartheid Act of 1986, which introduced financial sanctions.[80] Japan, one of key trading partners of South Africa, followed suit. In 1987, without Britain, the Commonwealth adopted the Okanagan Statement and Programme of Action on Southern Africa.[81] The existing-debt and the 'drying of new loans' were seen to be 'a powerful lever for change'. The central bank of South Africa adjusted its monetary policy in response to the deteriorated balance of payments and President de Klerk had to release Nelson Mandela in February 1990.[82]

Against the predicament, in the summer of 1991, the South African government approached the Deutsche Bank and European international banks for the first public issue since the debt crisis of 1985, 'in contravention of the financial sanctions against the Pretoria regime.'[83] However, it was difficult to find potential investors from public institutions; in response to the popular pressure, the US public pensions took 'a tough line'. Then two international fund management groups 'dropped plans to launch funds' when US state pension funds decided to withdraw in the aftermath of the township clashes in South Africa.[84] For example, a public issue for the Independent Development Trust, to be lead-managed by JP Morgan was postponed indefinitely 'when the ANC came out strongly in opposition'.[85] In New York, the American investment bank reserved its participation in the syndicate for 'it did not support channelling money to the South African government'[86] In Canada, challenging financial ties with the apartheid regime was successful at the level of public institutions. As a result, three banks committed to the syndicate, Deutsche Bank, Swiss Bank Corporation and Paribas, were 'omitted from the underwriting group' for the 'largest Canadian bond issue ever made in the international bond market, by the Province of Ontario.'[87] It expressed political reluctance to work with banks with financial ties to the government of South Africa.

Hence, given the experience of Barclays as well as '[S]ensivity of banks to popular anti-apartheid opinion', the Eurobond market was 'the most likely in the first instance', given its low publicity.[88] The new international capital market allowed Euroloan subscribers to hied their identity and evade tax *via* the fungibility or interchangeability of securities at the Eurobond clearing houses in Europe.[89] In contrast to North America, 'which spearheaded the drive for sanctions' and 'have larger black populations', Eurobanks considered scrapping apartheid laws with optimism. Or, as one German banker bluntly put, '[M]ay be Europeans are more honest about wanting to make money'.[90] The Belgian, Swiss, and German investors had been active in the secondary market to trade South African bonds at a discount.[91]

The news of a Deutschemark 200 million Eurobond alarmed the ANC and other anti-apartheid organisations, which also considered that '[F]inancial sanctions have been a critical pressure point which has pushed the process of political transformation to where it is today.' It argued that if the Eurobond, to be lead-managed by Deutsche Bank and joined by other German institutions along with Paribas, Kleinwort Benson and Swiss Bank Corporation, were successful, it 'could stall the entire process of negotiation and set our country back to the old days' before an interim government was in place.[92] ELTSA warned that the capital from the Eurobond could be redirected to 'security force and police activity'.[93] The Inkathagate, the scandal of the South African governments subsidizing the Inkatha movement, a Zulu-based rival of the ANC, vindicated the claim. The ANC demanded that the contribution of international community should be *via* alternative channel of finance 'through existing credible non-governmental organisations … until a democratic and non-racial political settlement has been reached.'[94]

In September, the Deutsche Bank launched the public bond when ELTSA members were holding pickets in front of its City branch. It was five-year bonds with 10 1/2 per cent coupon. The British anti-apartheid movement had limited options against the Euro-capital market. The lead manager was out of reach; German retail investors and private investors in Switzerland

Table 3. Details of borrowings for South Africa, September 1991–August 1992.

No	Amount	Borrower	Period	Payment date	Interest rates
1	DM400m	RSA	5 years	11 October 1991	10.5%
2	Ecu250m	RSA	5 years	10 February 1992	10 3/8%
3	DM200m	DBSA	6 years	27 February 1992	10%
4	DM300m	Escom	5 years	10 April 1992	10%
5	DM120m	Telcom	5 years	29 May 1992	10%

Source: Public bond issues for South Africa – September 1991 – Present, August 1992, MSS.Afr.s.2350/33.

and Benelux countries were strong buyers.[95] They were the famous 'Belgium dentists, who had purchased Eurobonds to evade tax behind the veil of anonymity.[96] The syndicate had a non-European member, the Korean Development Bank, who were search for investment opportunities.[97] Disappointment also came from the increased allocation for Benson Kleinwort, which suggested stronger demand from the UK investor.[98]

In the following months, the flotation of Eurobond facilitated South Africa's smooth return to the Euro-capital market; as Table 3 shows, in less than a year it floated five loans. The German banks occupied 'the overwhelming majority of leading managers', joined by British banks in the syndicate.[99] The ANC understood the Euroloan 'a systemic programme of foreign borrowing with a view to both breaking the existing range of economic in particular financial, and investment sanctions' and 'a costly and heavy burden of international indebtedness' for 'a future government and the people of South Africa'. Therefore, the inherited commitments would constrain policy options for the new government 'to overcome the effects of apartheid' on the people and 'to advance their living standards'. If it declared default on the obligation from the previous government, the Euro-capital market would not open its door to finance its plan for economic growth. In fact, as ELTSA claimed in a letter to the *Financial Times*, Namibia had to allocate twelve percent of its budgeted expenditure 'for the servicing of the external debt' in its first year of independence.[100] It was also against the spirit of the Convention for a Democratic South Africa, which entitled the interim government to decide the financial future of South Africa.

Table 3 suggests that the Deutschemark occupied the key currency for Euroloans for South Africa for the difficulty of raising capital in the US dollar. In early 1992, the South African government attempted to 'boast of a non-DM bond' by floating a bond denominated in European Currency Unit (ECU).[101] Officially introduced in 1979 with the start of the European Monetary System, the composite unit of a basket of European currencies, were mobilised for private placements in the Euro-capital market from 1981, mainly by European entities. In the first quarter of 1990, it assumed 'the fifth largest currency sector by issuance', past the Deutschemark.[102] The South African government found that ECU bonds were 'free from national restrictions' and facilitated the 'diversification of liabilities'. In the Eurobond market, investors were attracted by 'exchange and interest rate stability', plus 'a generally higher yield than that of strong European currencies such as the deutschemark and the Swiss franc'.[103]

While the issuer, the South African government, offered premium above the benchmark average interest payments of recent ECU issues, the borrowing cost was less than the previous Deutschemark issue. German retail investors subscribed the flotation. ELTSA launched another strong campaign against the Eurobond. However, it found no support from the UK government. The UK Prime Minister's Office, in addition to its positive attitude towards the lifting of economic sanctions against South Africa, opined that '[T]he greater the access South Africa has to international capital, the greater her freedom to plan for growth.' The successful launch of ECU bonds suggested that 'investors and lenders believe in the future of South Africa.'[104] The access to the pool of capital. In return, the wider use of ECU by a non-European government strengthened the ECU sector in the Eurobond market.

Therefore, the Euro-capital market constrained the campaign to sanction the South African government. The creditworthiness of the regime in the eyes of international investors, not the efforts by the British civic society, leveraged the success of the human rights movement as well as the financial future of the country; in contrast to the domestic politics, ELTSA and other organisations found no institutional channel through which they could convey the call for human rights and socially responsible investment to the Eurobanks. Indeed, the cancellation of a public bond by the Escom in 1992 was attributable to the independent assessment of the 'political uncertainty over the country's future', when the ANC suspended talks over a multi-racial constitution after the Boipatong massacre.[105]

Conclusion

Strategies and outcomes of both campaigns show a certain number of similarities but also a number of substantial divergences that are worth analysing in detail and, for the first time, in a comparative way. Both campaigns assembled a heterogenous clique of militants, mostly from trade union and universities, featuring decentralised organisation structure across the country with regional offices under the leadership in London. Direct actions such as picketing and attending shareholders' general assemblies, by publicising the financial ties, effectively drew attention of the public and recruited new members. The grassroot movements also lobbied Labour MPs to put pressure on the government with a relatively effective tactic during the Wilson and Callaghan years. However, the Thatcher government, in contrast to its attitude towards the Communist bloc, adamantly opposed the politics of human rights in the making of commercial decisions. By linking the national interests and the improvement of democracy in both authoritarian regimes, it frustrated the campaigns efforts to suffocate dictators.

Despite these similarities, ELTSA and CSC respectively targeted two different actors, Barclays Bank and LBI, operating two different types of business. Barclays Bank's activities were in the retail banking sector, activities which gave a greater weight in (white) South African's daily lives and represented a very visible target to campaigners and international observers. On the other side, LBI operated in the field of international financing, mainly in the form of syndicated Euroloans, and trade finance which entailed to a much lower level of scrutiny and a bigger effort to make the cause visible to non-militants.

Ultimately, both campaigns were successful at the domestic level to raise the level of awareness on the repression, discrimination and inequality that banking activities in South Africa and Chile were both enabling. For the first time, international banking activities were directly questioned by private citizens and bankers were held accountable for their actions in non-democratic countries in front of shareholders. In this sense, both campaigns were pivotal moments in the construction of global citizenship and the history of human rights movements. What later came to be known as corporate social responsibility became operationalised in the 1980s and 1990s thanks to the activism of groups like ELTSA and CSC. Nonetheless, if both groups deserve a prominent place in the history of humanitarianism, both groups were also a failure in practical terms. CSC was not able to affect trade between Chile and the UK in a significant way as the financial activities of private companies, including banks, were not affected by any means as they continued to expand their activities up until the early 1980s. Also, the activities of LBI in Chile did not suffer from the activism of CSC and senior management continued to ignore pressures from below. LBI only divested from its South American activities once the Debt Crisis of 1982 started to bite. In this sense, the Debt Crisis of 1982 was the real reason why LBI abandoned Chile and not CSC activism.

In a similar way, despite the withdrawal of Barclays from South Africa, it is still questionable whether ELTSA's campaign against the apartheid regime was successful. In the increasingly globalised world of finance in the 1980s, the government of South Africa was able to find other commercial or merchant banks, British and non-British, to raise much-needed capital. While ELTSA did recognise such lending operations by Eurobanks, its protests failed to reach beyond the British border. Furthermore, the campaign was lethargic to the neoliberal ideas and the notions of national interest. One may also observe the contestation of colliding assumptions on the role of finance in the tension between human rights and business. The two groups exhibited different assumptions on the role of finance regarding democracy and economic growth. While the activists saw the 'dark side' of finance, the international bankers, backed by the Thatcherite government, legitimised their infusion of capital as a mean to entice Chile and South Africa out of the authoritarian rule. Given the prominence that economic and financial aspects have gained in recent years with regard to authoritarian rule and the respect of human rights, this paper questions the role of market forces and highlights the importance to hold non-state economic actors accountable but also shows the limits of sanctions and divestments in the context of a globalised world economy and increased fungibility of financial capital.

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Disclosure statement

No potential conflict of interest was reported by the authors.

Funding

Swiss National Science Foundation (SNSF) Grant no. PZ00P1_179892. The support of the SNSF is gratefully acknowledged.

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