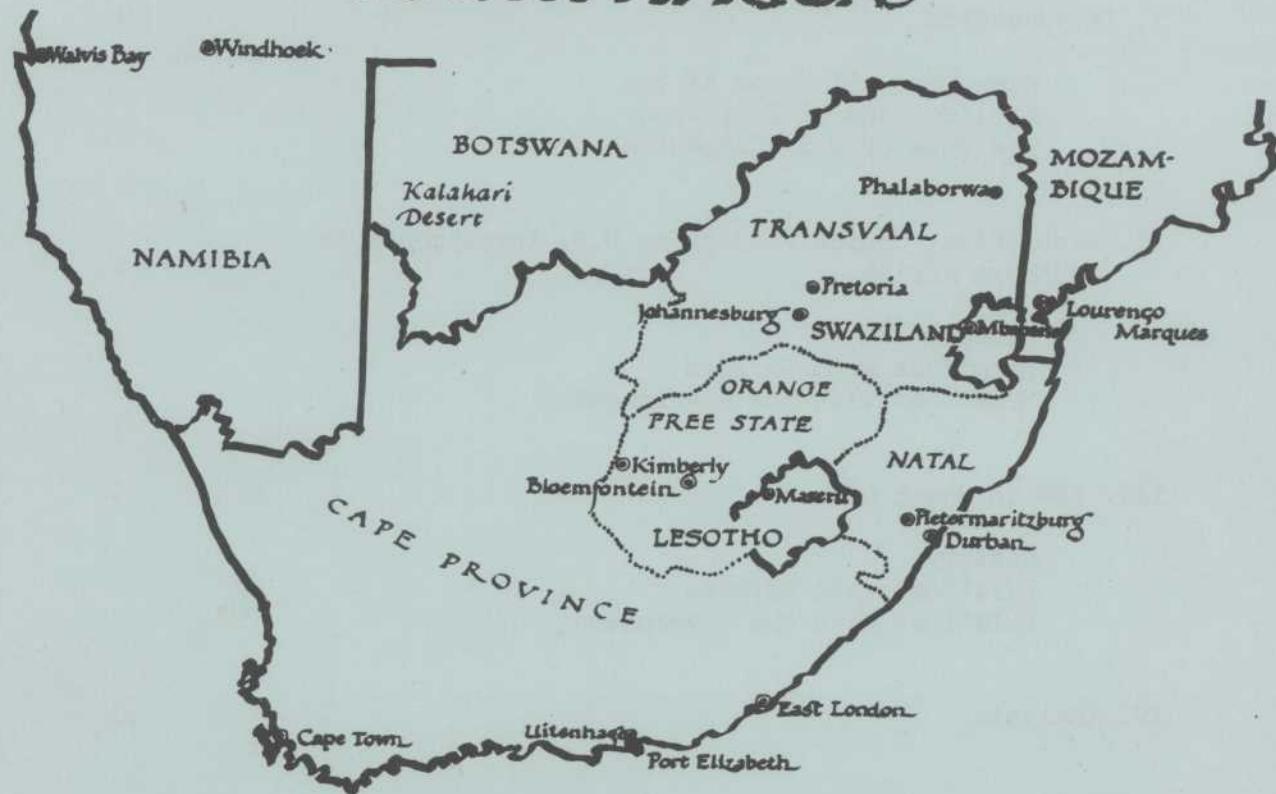


IBM IN SOUTH AFRICA

SOUTH AFRICA



A report prepared by Reed Kramer and Tami Hultman, published by the Corporate Information Center of the National Council of Churches, 475 Riverside Drive, New York, New York 10027, Tel. (212) 870-2295. For more information on the developments regarding continuing action of IBM in South Africa, contact the Corporate Information Center.

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I. INTRODUCTION

Computers and South Africa

The South African economy, which has experienced rapid industrial expansion during the past decade, is becoming increasingly dependent upon data processing equipment to help keep it operating smoothly. During the mid-1960's, the value of the country's installed computer equipment grew by 35% annually. The initial spurt slowed somewhat, and the growth of 1969 was about 30%; but the on-going expansion was enough to increase South Africa's per capita investment in computers to \$7.50 in 1970, thus raising its world ranking from 19th (1969) to 15th (1970).¹

By 1970, there were an estimated 400 computers in the country, with a value of about \$100 million.² A 1971 thorough but not exhaustive survey found 530 units. Annual sales total \$45 to \$55 million.^{3*}

South Africa's computer industry is expected to continue rapid growth during the coming decade, according to predictions made by an independent research project commissioned by Sperry Rand in 1969:

YEAR	ANNUAL GROWTH AT COST PRICE OF INSTALLED EQUIPMENT	MARKET VALUE OF INSTALLED EQUIPMENT (millions)	
1970	29%	R61	(\$81)
1971	28.2%	R79	(\$105)
1972	28%	R100	(\$133)
1973		R134	(\$168)
1974		R172	(\$190)
1975		R209	(\$278)
1976	26%	R263	(\$350)
1980-81	20-22%		

SOURCE: Management (Johannesburg), November 1970, p. 27.

These figures--which are only estimates and are likely to be altered by various changing factors--do serve to indicate that the country's computer market will continue to expand during the 1970's. By the end of the decade the annual growth rate is expected to level off at the current world-wide rate (20%).

Applications of Computers

As in other countries, computers in South Africa have a wide range of uses--from bank accounts to airlines reservations, from scientific

*Throughout this paper (except where noted otherwise) a conversion rate of one rand equals \$1.33 is used; this was the official IMF rate at the time the rand was floated with the pound sterling in June 1972.

research to census analysis. However, the application of this powerful technology raises a series of questions in a country like South Africa, where racial discrimination is legislated and police authority is virtually unlimited.

A panel of prominent Americans established by the United Nations Association in the U.S.A. recently made this recommendation:

Each American company should assess the use to which its products are employed in terms of the Government's apartheid policy. Any products used directly or indirectly in support of apartheid or racial discrimination--particularly those used by the police or military--should be withheld from the South African market.⁴

While there may be some question over what constitutes "direct" or "indirect" support of apartheid, computers have some applications in South Africa which relate closely to the country's particular political situation.

A major shortage of labor, which has slowed economic growth, is primarily caused by customary and legal restrictions placed on the training and advancement of black workers. Computers have been suggested as one means of alleviating some of the strain without removing the racial barriers.⁵

A recent South African newspaper story describes another use for this equipment:

Computers have been built into the South African Air Force early-warning system to make it far more sophisticated and effective...

The computers have been incorporated in the underground nerve-center of the Northern Air Defense Sector at Devon, in the satellite radar station at Ellisras, near the Botswana border, as well as at Mariepskop on the edge of the Transvaal Drakensberg escarpment commanding the Lowveld and the Portuguese border.

A computer also functions in the latest equipment of the Mobile Radar Unit--a branch of the Strike Command...⁶

The Role of U. S. Companies

Except for I.C.L. of Britain (with about 35% of the market), the Republic's computer industry is dominated by American firms. IBM, the world leader, also controls about 50% of the local industry. National Cash Register and Burroughs also have significant stakes, followed by Control Data, Univac-Sperry Rand, Honeywell, and Singer-Friden.

South Africa's dependence on foreign firms has been described in this way by the executive of one U. S. subsidiary:

We're entirely dependent on the U.S. The economy (of South Africa) would grind to a halt without access to the computer technology of the West. No bank could function; the government couldn't collect its money and couldn't account for it; businesses couldn't operate; payrolls could not be paid. Retail and wholesale marketing and related services would be disrupted.⁷

In every industrialised nation, and increasingly in poor countries as well, computers are essential to the normal functioning of economic and governmental systems. It is because of this strategic nature of the industry, and of IBM's dominance of the field, that International Business Machines was chosen as one of the companies with which to file a disclosure resolution by the Church Project on United States Investments in Southern Africa.

As a member of the project, the Executive Council of the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America notified IBM of its intention to file a shareholder resolution. Because company officials agreed to disclose information voluntarily about its South African operations, the resolution was not offered for formal action by shareholders. To this point, however, IBM has failed to respond to questions posed in the resolution, offering instead the minimal data contained in the report to shareholders of the 1972 annual meeting.

Part II of this report is the resolution designed by the church project. Part III is an attempt to gather available data on IBM's South African operations in the absence of disclosure by the company itself.

CHURCH PROJECT ON UNITED STATES INVESTMENTS IN SOUTHERN AFRICA

RESOLUTION AND STATEMENT

WHEREAS the increasing involvement of United States business corporations in the Republic of South Africa is a matter of growing public concern, due to the denial of basic human rights to the majority population;²

WHEREAS specific information is vital for stockholders to make an informed decision about this Corporation's involvement in South Africa,

WHEREAS it is the right of a stockholder to have access to non-competitive information about the Corporation's business,

THEREFORE BE IT RESOLVED that the Board of Directors shall provide a full written report to the shareholders within four months of the date of the 1972 annual meeting on the involvement of the Corporation in the Republic of South Africa. This report shall include the following, provided that information directly affecting the competitive position of the Corporation may be omitted:³

I. HISTORY

a. A history of the Corporation's involvement in South Africa since 1948, including: (1) the legal form of ownership of the Corporation's operations there; (2) annual capital investment broken down by source within and without South Africa; (3) annual profits; (4) number of employees broken down by race (Africans, Asians, Coloreds, Whites); (5) contractual relations with the South African government; (6) taxes paid to the South African government.

b. A listing and explanation of grants and charitable gifts made since 1948 by the Corporation in or with respect to the Republic of South Africa.

II. RELATIONS WITH WORKERS

a. A detailed listing of current wages and employee benefits by functional job description comparing African, Asian, Colored and White workers. A summary and comparison of wage rates, fringe benefits and promotions since 1948 for both white and non-white employees.

b. A description of grievance procedures and of Work Committees, if any, for African workers and of

any trade union contracts or understandings which restrict opportunities for African, Colored or Asian employees.

c. A description, broken down by race, of technical training, general education, legal assistance, housing or other programs provided by the Corporation for workers or their families.

d. A description of any investment or plans for investment by the Corporation in the "border areas" of the Bantustans, or in the Bantustans proper.

e. A description of the total number of non-South African personnel employed in South Africa and of any international recruiting or hiring programs for the Corporation's operations there.

III. RELATIONS WITH THE GOVERNMENT

a. A description and explanation of those South African laws which directly affect the Corporation's employment practices and the working conditions with respect to African, Colored and Asian workers; a statement of the Corporation's compliance with these laws; and a summary of those actions, if any, taken by the Corporation to have the government modify these laws.

b. A listing and explanation of any products or services, including materials for military or police use, sold to the South African government since 1948.

STATEMENT OF SECURITY HOLDER

For many shareholders, the Corporation's investment in South Africa is a matter of grave concern because of that nation's Apartheid rules, which are contrary to the American system. These rules, for example, determine where Blacks may live (87% of the land is reserved for the 18% who are White) and limit what jobs they may hold. This proposal is designed to provide basic data essential to an informed shareholder electorate concerning the Corporation's South African investments, activities and employment practices, including the extent of its involvement in Apartheid and any attempts to alleviate and upgrade the lot of non-white employees.

III. IBM IN SOUTH AFRICA

A. History

International Business Machines South Africa (Pty.) Limited was established in 1951 and began marketing computers in 1960.¹ The company, with a reported share capital of \$8.5 million, is wholly owned by IBM World Trade Corporation. Twice in recent years, according to the Johannesburg Rand Daily Mail, World Trade has increased the capital investment in its South African operation; the most recent addition was nearly \$4 million as of January 1971.²

(IBM World Trade is the subsidiary responsible for all IBM operations overseas. In 1971, World Trade provided 53% of IBM's net earnings, compared with 32% in 1967 and 24% in 1960.³)

Except for a small computer punch card plant employing six persons, IBM South Africa is entirely a marketing operation.⁴ A recent survey (1971) of computer equipment showed that over 200 of the 530 digital units in use in the Republic were IBM models.⁵ Since the list is not altogether complete, IBM's share is probably higher than 38%—press reports credit the company with about half of South Africa's computer sales and rentals.⁶

Almost all of IBM's data processing equipment is imported from Common Market countries. The bulk of them are rented or leased, not sold, to customers.⁷

In addition to computers, IBM supplies about 30% of South Africa's punch cards, and markets and services electric typewriters and other office equipment.⁸

Although the company does not release figures on sales or revenue for any of its operations, available data suggest that IBM South Africa's annual gross income is in the \$17 to \$25 million range.⁹ No breakdown of revenue figures is available for IBM South Africa, but four-fifths of the parent company's worldwide 1971 gross income came from selling, renting, and servicing data processing equipment and systems. The remainder was earned by sales of other products and services, including special work for United States' space, defense, and other agencies.¹⁰

The amount of tax paid by IBM to the South African government is not known. (Companies operating in the Republic, other than mining firms, are taxed at a rate of 40%. In addition, there is a 15% tax on dividends paid to non-resident shareholders.¹¹)

KEEPING UP WITH OUR SOUTH AFRICAN BUSINESSMEN ISN'T EASY reads the large type on an IBM advertisement: "We do our best to help the South African businessman grow."¹² The full range of IBM equipment is on sale in South Africa: computers (from the giant new 370 to the compact System 3/Model 6); electric typewriters (including the new IBM 82); and the copier, designed to compete with Xerox machines.

All sectors of South African industry are making use of the company's renowned technology. Volksas, a South African-owned bank, chose IBM to set up a network which provides information regarding checking and savings accounts in branches throughout the country. Eventually, the project "is likely to be the embryo of an international data bank system."¹³

Numerous other companies use IBM equipment, including Anglo American, Argus Newspapers, Mobil, Caltex, Firestone, the Universities of Cape Town and Pretoria, Volkswagon, Nestle, Chamber of Mines, OK Bazaars, Standard Telephone and Cables (ITT), and O'Okiep Copper.¹⁴

At least one computer is being used in Namibia (South West Africa)--at Consolidated Diamond Mines.

A large portion of IBM's business is with the South African government. (See section III)

"IBM is going places"--and a new 30-story building is one of them. The 30,000 square foot tower block is being built in the center of Johannesburg, very near the new Carlton Center skyscraper.¹⁵

In mid-1972, IBM announced a decision "in principle" to enter the computer time-sharing business. The company will sell computer time on several units located in major urban areas.¹⁶

IBM in Other White-Controlled African Territories¹⁷

IBM World Trade Corporation has a sales office in Salisbury, Rhodesia. According to the company, the office formerly marketed data processing systems, office products and supplies; but in compliance with U.N. sanctions all sales have ceased.

IBM Europe, a World Trade subsidiary with headquarters in Paris, has a branch office in Mozambique. And there is an office of IBM World Trade Corporation in Angola.

No further details about any of these operations are available.

Contributions

In 1972 IBM intends to contribute a total of \$70,000 towards the education of Africans and slightly less than half that amount to white education. Among the programs for blacks is one which pays tuition and book fees for 16 high school pupils, and board and lodging for another 34 who live at school. The students come from both South Africa and Botswana.¹⁸

IBM South Africa is a member of the South Africa Foundation.¹⁹

B. Relations with Workers

IBM South Africa's two decades of involvement in the Republic of South Africa have been a time of rapid growth, as evidenced by increases in its work force:²⁰

YEAR	TOTAL WORK FORCE	RACIAL COMPOSITION
1952	5	white
1969	750	710 white, 40 African, Asian and Coloured
1971	1000	1938 white, 42 African, 20 Asian and Coloured
1972 (Jan. 1)	1033	953 white, 55 African, 25 Asian and Coloured
1972 (Apr. 24)	1017	933 white, 84 African, Asian and Coloured

Officials of IBM World Trade have described labor policy as follows:

Under company-wide personnel policies every effort is made to employ, train, and provide job security to Blacks (Africans). The company's basic premise is equal pay and benefits. In South Africa, IBM carries out these policies whenever possible.²¹

The company says it has been gradually moving Africans into positions which command higher salaries and which were previously held by whites, Asians, or Coloureds. By March of 1972, IBM South Africa had appointed one African manager, one supervisor, and one personnel officer. There were no African or Coloured secretaries or computer programmers as of November 1971, but the firm now has "limited training programs for a few Blacks (Africans) in computer operations."²²

During 1971, nine Africans were sent to a week-long supervisory training course run by the National Development and Management Foundation, a privately operated training institute used by many South African businesses. The company intends to expand such programs during 1972. In all, approximately 10% of employees' time in 1970 was spent in training.²³

Twenty per cent of IBM's work force is composed of women, one of whom is an African. Thirty per cent are not of South African birth, but the company has no active recruitment programs overseas.²⁴

IBM expects that blacks will continue to move into more skilled work within the firm. Company officials interviewed in South Africa made clear, however, that government policy to prohibit blacks in supervisory positions over whites would place a ceiling on black aspirations.^{25 *}

Wage rates at IBM are primarily a matter of conjecture since, as a matter of company-wide policy, earnings are considered to be a matter between a worker and management. Theoretically, one employee never knows what another receives. Jobs are classified according to "responsibility levels" determined by management, and workers are assigned a level according to individual merit.²⁶ In response to questioning specifically directed towards its South African operations, however, the company has recently released some wage-related information:

Job Category		African	White
x	Number in group	7	10
	Wages per month	\$213-\$253	\$233-\$287
y	Number in group	12	3
	Wages per month	\$226-\$286	\$266-\$293

Differences among wages paid to blacks and whites can be attributed to time in the job levels and performance on the job, according to IBM.²⁷

The company has further revealed that the average wage of its African employees is \$247 per month. The figure is for skilled and semi-skilled work, as all unskilled labor such as cleaning is done by contract. Thus, maintenance workers are employees of companies which contract with IBM for the job, and not of IBM itself.²⁸ IBM also cites a study conducted by "an independent South African group" showing that out of 110 companies surveyed, IBM blacks are paid 35.5% above the average.²⁹ In a letter to Fortune magazine in August, 1972, IBM Chairman, T. Vincent Learson states that IBM is "still paying a few blacks--less than half a dozen--a monthly salary of between \$170 and \$180."

* Fortune magazine in a July, 1972 article pictured IBM employee Ishmael Tekane with a woman the caption called his "white secretary." The next month's issue, however, carried a letter from IBM Chairman Learson denying that Tekane has "anyone reporting to him directly."

There are no unions at IBM South Africa nor in any other IBM subsidiaries. The company prefers what it calls "the man/manager approach" to employee relations, and prides itself as being open to hear the grievances of any employee at any time. There is, therefore, no "works committee"--the form of African employee organisation recognised under South African law.

In the area of employee benefits, IBM would appear to be an undisputed leader. Benefits offered to all workers, regardless of race or sex, include:

---Holidays and vacation	---Medical checkup
---Retirement	---Travel accident insurance
---Sickness and accident	---Stock purchase option
---Disability	---Tuition refund
---Life insurance	---Suggestion & awards program

In addition, IBM provides four further benefits to Africans: (1) free medical aid; (2) free transportation to work; (3) home improvement loans; and (4) company assistance to guarantee high school places for employees' children (long waiting lists for available places frequently make enrolment difficult or impossible for black children). A one-year no-interest loan is offered to meet costs of school fees.³⁰

C. Relations With the Government

IBM South Africa depends on the South African government for about 25% of its business in the Republic.³¹ The state-controlled South African Airways uses two IBM 360/50s and a 360/30 for its \$3.5 million automated ticket reservation system. An IBM advertisement describes this as "one of the biggest computer installations in Africa, a project on which an IBM specialist 'airline team' has been working for years."³²

An IBM 360/65 is leased by the Council for Scientific and Industrial Research, the body which oversees all civilian and military research in the Republic. This installation is specifically used by the National Research Institute for Mathematical Sciences, a part of C.S.I.R.³³

The Department of Defence in Pretoria owns a 360/30 and two 360/40s. According to IBM officials, the machines are used for administrative purposes--payroll, inventory control, and accounting.³⁴

Company officials in both South Africa and the United States have maintained that it is not IBM's policy to sell its products for military purposes in South Africa. In a letter to George Houser of the American Committee on Africa, IBM board chairman T. Vincent-Learson stated "...we can frankly find no significant example whatsoever of the use of IBM hardware in South African military research."³⁵ When questioned about sales to the Defence Department, World Trade vice president E. S. Groo explained that the company sees "a distinction in the use of computers between military research and operations on the one hand and administrative applications such as payroll, inventory control, and accounting on the other."³⁶

An IBM computer will be used in South Africa's new population registration system, which will require each resident to carry a comprehensive identity document, euphemistically called a "book of life." Included in the documents will be information concerning place and date of birth, racial classification, sex, marital status, address, driver's license, firearms registration, language(s) spoken, education, and occupation. Africans' documents will contain further information, including residential district and ethnic grouping. Provision is made for future inclusion of information about each person's voting rights and dates upon which they were exercised.³⁷

White South Africans have expressed some concern about the new system. One newspaper charged that it "will lay bare personal details" and "snoop on private affairs."³⁸ Both Parliamentary opposition parties opposed the scheme as an invasion of privacy.³⁹

The Department of the Interior, which is setting up the system for whites, Asians, and Coloureds, has rented a 360/50 at the monthly rate of R31,413.38 (about \$41,800).⁴⁰ African registration will be handled by the Bantu Administration and Development Department, using an ICL computer.

A PARTIAL LISTING OF IBM EQUIPMENT IN USE WITH GOVERNMENT AGENCIES

⁴¹

<u>Agency</u>	<u>IBM Equipment</u>
Departments:	
Defense	360/30; 2 360/50s
Higher Education	360/50
Inland Revenue	360/40
Interior	360/40
Prisons	360/20
Social Welfare	360/40
Transport	1130
Water Affairs	1130
National Parks Board	360/25
South African Airways	360/40; 2 360/50s
SA Broadcasting Corp.	360/30
SA Bureau of Standards	system 3/10
SA Railways & Harbors	360/40

The article states that the list is not exhaustive; for example some government business is classified information.

IV. ANALYSIS

IBM in South Africa may be unique in the country when it employs no unskilled workers. Conforming to the South African pattern of filling most skilled labor positions with whites, IBM employes few Africans, Asians, or Coloureds. The company admits it has been remiss in the past by not employing more blacks or advancing them more rapidly, and promises that "we are on our way to rectifying that..."¹

Officials justifiably point to the more limited opportunities of blacks to learn sophisticated job skills, but the firm's "limited training programs for a few Blacks in computer operations" raises the question of how vigorously rectification is being pursued, particularly when the Annual Meeting's report reveals that the number of blacks currently learning programming is 1.²

The percentage increase of black employees has risen rapidly during the last year of intensive inquiry about IBM's South African practices.

IBM's BLACK WORKERS³

YEAR	% OF TOTAL
1969	5.3
1971	6.2
1972 (Jan.)	7.7
1972 (Apr.)	8.2
1973 (projected)	11.5

Yet, even if the percentage of black to white workers is raised annually at the accelerated rate projected for 1973 (3.3%), it will be 1986 before parity is achieved.

While being pleased for the company's black employees whose average wage is \$247 per month--well above the South African manufacturing average of \$70--one must note that there is an additional reason for this beyond the generally high skill level required at IBM, or the company's generosity. In a practice which is rare in South Africa, but which IBM says is normal within the company, IBM South Africa contracts for its unskilled labor needs. By so doing, it has gained a reputation among black South Africans (as well as among management of other U.S. firms in the country) for skillfully "keeping its hands clean." Because service employees are not hired directly by IBM, officials feel they are not responsible for the poverty wages they may receive, and when questioned, could not say what those wages might be.⁴

One of IBM's best contributions to its workers may be the arrangement of school places for their children. Education is not compulsory for Africans, and for Indians and Coloureds only in some areas. Available places are therefore in great demand. Again, however, the placement service is not offered to service employees' children, who presumably need it most. And any consideration of educational aid must be remembered to be within the context of a rigid government-controlled system whose stated purpose is to trim the aspirations of young black pupils to the roles which are deemed appropriate for them in South African society.

Although IBM maintains that it is not its policy to sell or lend its products for military use, these boundaries are defined rather narrowly. "Administrative applications" of three IBM computers by the Defense Department may be distinguishable from "research and operations" by the company, but pose a moral dilemma to shareholders.

IBM's conscience is equally unburdened by its equipment which is used by the C.S.I.R., though that body coordinates military research which is done in the Republic. (A recent product was a tellurometer, developed in cooperation with Plessy, which it sold to the U.S. army.⁵) It is difficult to believe that an installation used by the C.S.I.R.'s National Research Institute for Mathematical Sciences could have no application to such developments.

Use of an IBM computer to implement the Population Registration System is also ominous. The new act--which has provoked strenuous protests from whites as well as blacks (see page 10)--greatly extends government control over the population, and would be impossible without sophisticated computer equipment. An example of its implication is the provision for recording voting patterns. Throughout South Africa's history, the boycott has been an important organizing tool against elections felt to be farcical, the most recent major instance being the boycott by the Coloured community of the Coloured Representative Council elections in 1969. If a person's voting habits are recorded on an omnipresent identity document, intimidation against voting protests is likely.

The operations of any company in South Africa--but particularly one of strategic importance such as IBM--must be evaluated in terms of the total South African situation. The company's greatest contribution to continued white control may well be its unique attribute of dispensing with many human skills. It is in this area of labor shortage, created artificially by discrimination, that the present government faces greatest pressure. IBM equipment in government and business offices and in educational institutions all over the country substantially reduces this tension.

IBM South Africa's managing director Cowley sees the '70's developing into a "decade of dignity" for the African population,⁷ and no doubt his belief is sincere. But the decade has begun inauspiciously for the 1,764 Africans prosecuted daily for "pass offences" in the Republic of South Africa,⁶ or for their more affluent compatriots whose domestic airline reservations on IBM's computerized system invariably place them at the back of the plane.

APPENDIX A

IBM's Response to Stockholder's Question on Operations in the Republic of South Africa, reported in "IBM, Annual Meeting, April 24, 1972".

In view of the racial discrimination that is a stated policy of the Republic of South Africa, how can IBM justify continued business operation there?

The management of IBM is against any practice that discriminates against people based on their race or color. There has been growing concern about South Africa and its treatment of the huge non-white population living within its borders. Some stockholders have questioned whether IBM should continue to conduct its business in South Africa. We have shared this concern, closely monitored the activities of IBM there, and wish to report these facts:

Although IBM South Africa provides less than one-half of one percent of our worldwide revenue, it is a fast-growing, profitable subsidiary. We are proud of the sales and service organization we have there.

IBM South Africa today employs 1,017 people—933 white, 84 black, Asian, or colored. Though these numbers reflect the impact of custom and law, we believe they are too low. Accordingly, we have determined to increase them. While a slight decline in total employment is planned for 1972, we expect to end the year with 14 additional black employees. In 1973, while increasing total employment somewhat, we intend to increase our black headcount by 20. These are our minimum goals, and we will achieve these increases. However, we shall be vigilant for additional ways in which we can increase our black employment, continuing the effort beyond 1973.

As in all countries where we operate, we give all our employees—white, black, colored, Asian—equal pay for equal work.

For example, in one job level, where we have 7 blacks and 10 whites in comparable jobs, the blacks earn from \$213 to \$253 per month, the whites earn \$233 to \$287 per month. In another job level, where we have 12 blacks and 3 whites in comparable jobs, the blacks earn from \$226 to \$286 per month, the whites earn from \$266 to \$293

per month. The differences reflect time in the job levels and performance on the job.

We give all employees equal access to the Company's retirement, vacation, training, voluntary education, stock purchase, and SPEAK UP! and Open Door programs—the last two programs giving any employee access to any level of management, either anonymously or in person. In addition, because of their special needs, we give black IBMers free medical aid, schooling assistance for dependents, assistance in traveling to and from work, and home improvement loans.

Blacks are increasingly receiving more responsible jobs in IBM South Africa. We have two black managers managing blacks and a black personnel officer. We have a black telephone operator, our first black female employee. We have blacks working on our Data Center computers. A programmer is now in training.

In order to understand the situation in South Africa, T. J. Watson, Jr., Chairman of the Executive Committee of IBM; Gilbert Jones, Chairman of the IBM World Trade Corporation; and several members of the management team visited South Africa recently. A strong majority of the leaders the group talked to—both black and white, government and non-government—urged IBM to continue in South Africa. Some students we talked to, both white and non-white, would prefer all foreign investment to leave. To us, withdrawal would most certainly hurt the blacks and our 1000 IBMers the most. It would help no one except our competitors.

IBM has always taken the position that a corporation must leave the practice of international politics and diplomacy to the official representatives of the United States Government. We believe that if the law of the United States does not prohibit trade with another country, a corporation, by doing business there, is properly serving its stockholders and its country.

To try to apply economic sanctions to a particular country in the absence of a clear national policy to do so appears to us to be dangerous and indefensible corporate political action. We believe that corporations should be politically neutral, and we intend to continue this policy.

Wherever IBM does business we want to be profitable and we want to offer our employees equal pay for performance, better futures, and respect and dignity as individuals. In that way, we believe our stockholders are best served.

APPENDIX B

IBM - An Overview

Incorporated in the State of New York in 1911, IBM and its subsidiaries are the largest manufacturer and marketer of information handling equipment and systems for business, science, defense, education and other areas. In 1971, the company ranked #5 on the Fortune list of the 500 largest industrial corporations, with sales of \$8.3 billion. Net income for the year totaled \$1.1 billion. Between 1960 and 1970, IBM's sales grew 400% from \$1.8 billion with an average rate of earnings of 18.8% annually. It is estimated that IBM now controls 70% of the domestic and international computer business.

Employing 265,493 persons in 1971 (a decrease of 3,798 from 1970), IBM is organized into 12 divisions and three wholly-owned subsidiaries. The company operates 17 manufacturing and 8 punch card plants, and 23 research laboratories in 15 states, with 250 branch offices nation-wide, plus additional manufacturing plants in 15 foreign countries. The largest percentage of income in 1971 came from units involved in the sale, service and rental of data processing equipment -- some 79%. Remaining income came from the sales, service and rental of business machines (18%) and products and services for United States space, defense and other agencies (3%). The company's three subsidiaries are IBM World Trade Corporation -- conducting all overseas business, Science Research Associates -- involved in the development and production of textbooks, educational materials and other services for schools, colleges and industry, and the Service Bureau Corporation -- which provides time-sharing and other data processing services.

IBM: Military

IBM is a major Department of Defense contractor, ranking #19 in 1971 on the list of the top 100 contractors with \$316 million in awards. Since 1962, IBM has ranked among the top 34 contractors, accumulating more than \$2.3 billion in awards. Although the company's sales to the military is relatively low as a percentage of total sales (about 3%), the nature and volume of its work suggest that it plays a critically important role for the military. Many of the weapons systems, components and services provided the military are used in Southeast Asia. IBM also enjoys a close relationship with the Pentagon through exchange of personnel. For example, in 1970, Department of Defense Secretary Melvin Laird appointed IBM Director of Research, Gardiner L. Tucker, to the post of Assistant Secretary of Defense.

IBM holds major contracts for data processing and handling systems for the Defense Communication Agency's National Military Command Center, the Air Force's Safeguard antiballistic missile systems (ABM), the Army's combat Support System. In addition, IBM holds major contracts with the National Aeronautics and Space Administration (NASA) at the Houston and Kennedy space centers, Apollo and space-shuttle programs.

Many of the company's computer and related equipment systems and components are provided in the areas of navigation and guidance for aircraft, and reconnaissance and surveillance for the Air Force and Navy. Such products have direct application in supporting the military's effort in Southeast Asia. The company is highly involved in the automation of the war, automation which has made possible the continuation of an American combat role without the use of ground troops. For example, IBM is part of the military's "automated battlefield", the essential nature of which was described in a speech by General Westmoreland (Chairman, Joint Chiefs of Staff), given before the Annual Luncheon Association of the U. S. Army in 1969:

With first round kill probabilities approaching certainty, and with surveillance devices that can continually track the enemy, the need for large forces to fix the opposition physically will be less important . . . I see battlefields on which we can destroy anything we locate through instant communication and the almost instantaneous applications of highly lethal firepower.

The vision of automated warfare suggested in Westmoreland's speech is a present devastating reality in Southeast Asia. Aircraft drop countless numbers of unattended electronic sensors which detect activity on the ground. These sensors send coded signals to relay aircraft which in turn signal the information to computers in Nakhon Phanom, Thailand. The computers are two IBM 360-65's operated by the Air Force Infiltration and Surveillance Center. The mission of these computers is to evaluate the data, designate targets, and communicate coordinates to artillery units or aircraft for destruction. An important characteristic of the automated battlefield is its inability to distinguish between civilian and military personnel.

IBM Abroad - IBM World Trade Corporation

The World Trade Corporation, with headquarters in New York City, is responsible for the total international operations of the company. It was established in 1949 as a wholly owned subsidiary of IBM, but the company's Canadian subsidiary has had a European office since 1919.

World Trade operated in 112 countries; it also does business in 14 other territories or possessions. World Trade employs some 40%

(117,600) of IBM's total work force, sells through over 300 branch offices, and operates over 250 data centers.

Through this international subsidiary, IBM now controls 70% of the world market for computers. According to Business Week, "during the last seven years, World Trade has even outpaced IBM's domestic operations by tripling its volume and quadrupling its profits". At a time when the American market is lagging, IBM as a multinational corporation has continued to be an increasingly profitable operation. It is estimated that the market in Europe alone is growing at the rate of 20% a year. In Latin America, some countries doubled their use of computers between 1968 and 1970. The rate of profit for international investments has been considerably higher than in the domestic market. In 1970 international revenues represented 39% of IBM's total sales, while international profits were over 50% of total company profits.

FOOTNOTES

PART I

1. Sunday Times, Johannesburg, December 6, 1970.
2. Financial Mail, Johannesburg, January 23, 1970; and Sunday Times, August 23, 1970.
3. Management, Johannesburg, November 1971, p. 37.
4. UNA-USA National Policy Panel, Southern Africa: Proposals for Americans, December 1971, pp. 47-8.
5. See, for example, D.J.M. Vorster, Director of the National Institute of Personnel Research (Pretoria), "Labour Requirements for the 1970's: How Can They Be Met?" Address to 9th Annual Business Outlook Conference, mimeo, p. 12.
6. Carel Birkby, "Computers Step Up S. A. Defence Radar System," Sunday Times, September 26, 1971.
7. C. Cotton, managing director of Burroughs South Africa, interviewed by authors in Johannesburg, March 3, 1971.

PART III

1. This and much of the information in this paper was obtained from interviews with IBM officials. On March 4, 1971, the authors met with Morris Cowley, managing director of IBM South Africa, and four other officials in Johannesburg. In an effort to obtain accurate data, we have corresponded with, and on two occasions met with, E. S. Groo, vice president of IBM World Trade.

Information received in this manner will be cited as IBM Data. Where information comes specifically from one of the interviews or a particular letter, it will be cited.

2. Roy Levine, "More money pumped into IBM," Rand Daily Mail, January 30, 1971. In this case, South African Rands were converted to U. S. dollars at a rate of R1 = \$1.40 since this would more accurately reflect the value invested.
3. IBM Annual Report, 1971, 1967, and 1960.
4. IBM Data.
5. Management, Johannesburg, February 1972, p. 44.
6. Sunday Times, Johannesburg, January 25, 1970, and August 23, 1970.
7. Interview with Morris Cowley, managing director, and other IBM South Africa officials, Johannesburg, March 4, 1971.
8. Financial Mail, Johannesburg, December 3, 1971.
9. Management magazine (November 1971, p. 37) estimates that computer sales in South Africa total R35 to \$40 million annually. Thirty-eight per cent of the lower figure and 50% of the higher figure produce the approximate range given. According to IBM personnel, the company's South African operations account for less than .5% of gross revenue. Since .5% of the 1971 gross income is about \$40 million, the range may be a little low.
10. IBM Annual Report, 1971, p. 21.
11. A Guide to Business Expansion in South Africa, Standard Bank, London, no date, p. 37ff. Also in "Establishing a Business in Southern Africa," Overseas Business Reports, U. S. Department of Commerce, September 1970, p. 19.
12. Advertisement in Financial Mail, January 28, 1972, p. 214.
13. Star, Johannesburg, July 24, 1971.
14. Management, February 1972, pp. 43-52.

15. Advertisement in Sunday Times, Johannesburg, December 5, 1971; Sunday Times, January 25, 1970.
16. South African Financial Gazette, July 21, 1972.
17. All information from IBM's response to questionnaire from Council on Economic Priorities, attached to letter from R. J. Currie, August 18, 1970.
18. IBM Data.
19. Ibid.
20. Ibid. and Sunday Times, December 5, 1971.
21. IBM Data
22. Ibid. and meeting between Cowley and members of Ecumenical Church Delegation (U. S.), Johannesburg, November 13, 1971.
23. IBM Data.
24. Ibid.
25. Cowley interview.
26. Ibid.
27. IBM Report on 1972 Annual Shareholders Meeting, p. 17.
28. IBM Data.
29. Letter to Mr. David Bliss, Princeton University, from Mr. T. J. Watson, chairman of the board of IBM, September 4, 1969.
30. IBM Data.
31. Ibid.
32. Sunday Times, October 31, 1971.
33. Management, February 1972, p. 44; and South African Digest, July 5, 1968.
34. Management, February 1972; and IBM Data.
35. Letter to George Houser, American Committee on Africa, from Vincent Learson, September 30, 1971.
36. Letter from E.S. Groo, Vice President of IBM World Trade, to T. Hultman and Reed Kramer, August 11, 1972.

37. Hansard, South African Parliament, Reply of the Minister of Interior, March 2, 1971, p. 346; and "Population Registration Amendment Act 1970," Republic of South Africa Government Gazette, Vol. 62, No. 2779, August 21, 1970.
38. Sunday Times, November 11, 1971.
39. Muriel Horrell (compiler), A Survey of Race Relations in South Africa, January 1971, p. 27,
40. Hansard, op. cit.
41. Management, February 1972.

Part IV

1. IBM Report on 1972 Annual Shareholders Meeting, p. 12.
2. Ibid., P. 18.
3. IBM Data.
4. Ibid.
5. Letter from George Houser to T. Vincent Learson, October 13, 1971.
6. Rand Daily Mail, January 11, 1972.
7. Sunday Times, December 5, 1971.

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September 1972