

IBM Update: Still Computing Apartheid by Richard Leonard

Richard Leonard, author of South Africa At War (Lawrence Hill & Co., 1983) has worked at the UN Centre on Transnational Corporations and written numerous articles on southern Africa. In April 1987, a version of this paper was published by the Public Affairs Department of the Communications Workers of America, who ICCR thanks for use of this material.

IBM has long had an image of enlightened and efficient corporate management, an image tarnished by its business in South Africa. IBM, which claims to oppose apartheid, has been the leading supplier of computers to the South African government and major corporations in South Africa.

Faced with growing antiapartheid pressure in the U.S. and Europe and deteriorating economic and political conditions in South Africa, in March 1987 IBM concluded sale of its South African subsidiary to Information Services Management, (Pty.) Ltd. (ISM), a new company IBM helped to establish. By selling its assets to the successor company, IBM lowered its South African profile but continues to supply a full range of products and services in South Africa.

IBM, the world's largest manufacturers of computers and information processing equipment, in 1985 had approximately 405,000 employees worldwide, total sales of \$50 billion and net income of \$6.6 billion.

A Rose By Any Other Name . . .

IBM still leads the South African computer market, selling its products through ISM which holds an exclusive franchise to market and service IBM products in South Africa. In full-page ads in South African papers, Jack F. Clark, former manager of IBM South Africa and now managing director of ISM, stated "There will be no change in the supply of IBM products." According to the *Washington Post*, he called the new franchise "a very lucrative deal for them and us." An IBM dealer in South Africa

said, "Nothing has really changed except that IBM no longer has to account for its presence in South Africa."

The new company is owned by a trust established "for the benefit" of the employees of its former subsidiary and financed by a loan from IBM. The employees will have profit sharing and an employee ownership plan. Most of the employees and all top management are white. According to the *Wall Street Journal* (Aug. 24, 1987),

At IBM's old subsidiary, which has only twenty-two black managers, nonwhites represent 23 percent of the employees but will get just 13 percent of the equity.

The sale of its subsidiary includes a three-year renewable contract for new products and services and a five year renewable contract to provide spare parts and services. *Business Day* of South Africa reported the operations were sold at an undisclosed "preferential sale price." The deal also gives ISM continued access to new IBM technology, including international engineering systems support, international terminal network, educational courses and access to IBM software and components at low prices.

IBM's 35-Year Partnership With Apartheid

IBM's South African subsidiary was established in 1952 installing its first computer in 1960. IBM has marketed and serviced a full range of computers, peripheral equipment, software and other information processing and business equipment in South Africa. Former IBM manager, now ISM Managing Director Clark, says the subsidiary contributed at least 0.5 percent of IBM's worldwide profits—about \$24 million net income in 1986.

In 1986, 77 percent of IBM's South African employees and all of its top management were white. Black, Asian and colored employees were about 23 percent of the total 1,600 workforce. (South Africa's population is 85 percent black.) Insiders at the new company told the *Computer Mail* of South Africa that in 1986 staff cutbacks of 330 people (17

percent), reduced through voluntary separations, are yielding "incredible" profits in 1987. The percentage of black, Asian and colored workers remained the same. Further staff cuts are rumored.

Although IBM has lost some ground to competitors, it remains the computer market leader in South Africa:

- In 1986 IBM held almost 20 percent of the total South African computer market with estimated sales of \$207 million.

- There are more than 500 IBM mainframe and midsized computers installed in South Africa. About half the mainframe computers installed in South Africa are IBM. IBM-compatible mainframes from other companies depend on IBM operating system software, magnifying its industry dominance.

- In 1985 IBM held about half of the personal computer market, 25 percent of the software market and almost 40 percent of the market in automatic bank teller machines.

IBM Plays a Strategic Role

In the past two decades the South African government and economy have become heavily dependent on computers relying almost entirely on imported computer equipment. Even the limited number of locally-assembled personal computers use imported components.

IBM says that it opposes apartheid, pledging not to "bid for business where we have reason to believe our products would be used to abridge human rights or for repressive purposes." But its record in South Africa shows a pattern of support for the government and apartheid.

In 1965 IBM unsuccessfully bid to supply computers for the passbook system, the identity document formerly used to control Africans under apartheid. In the 1970s two IBM mainframe computers were supplied for the Interior Department's "Book of Life" identity documents which register colored, Asian and white South Africans under apartheid.

Despite protests from antiapartheid and religious groups, in the early 1970s IBM sup-

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plied at least four mainframe computers to the South African Defense Force. During this period IBM also supplied computers to the Atomic Energy Board; the Department of Prisons; the Council for Scientific and Industrial Research (CSIR), which coordinates civilian and military-related research projects nationwide; and to the National Institute of Telecommunications Research, a CSIR affiliate whose work includes projects for the military.

Public Sector Clients

Other IBM users listed in the 1985 South African *Computer Users Handbook* are the Industrial Development Corporation, a government agency which promotes strategic, often military-related, industrial projects; Electricity Supply Commission (ESCOM), which operates South Africa's two nuclear power reactors and coal-fired generating plants which are the country's main power source; South Africa Transport Services (SATS), which operates the railroads, airports, harbors and highways; South African Airways, a key link for international business and tourism; South African Broadcasting Corporation, a main propaganda vehicle for apartheid which controls all television and radio broadcasting; seven white municipal governments which enforce apartheid on the local level.

Private Sector Clients

In the private sector, IBM serves many of the largest corporations in South Africa, some of which also supply products to the military and police. South Africa's two largest banks, First National Bank and Standard Charter use IBM products, as do Caltex, Mobil, Shell and British Petroleum in the strategic oil industry. IBM sold computers to General Motors, Toyota, Leyland and Volkswagen, in the motor vehicle industry and Goodyear and Firestone in the tire and rubber sector.

Other IBM users are Barlow Rand, one of South Africa's largest companies whose subsidiaries include key military contractors; the Johannesburg Stock Exchange; several gold mining companies; and De Beers Consolidated Diamonds, whose mines in South African-occupied Namibia are the world's largest source of gem diamonds.

Can IBM Observe Limited Embargoes?

The 1986 United Nation's World Conference on Sanctions Against South Africa

called for computers to be included in the arms embargo and barred completely from export to South Africa. The UN conference made this demand because limited sanctions are so difficult to enforce.

Nonetheless, the 1986 U.S. Comprehensive Anti-Apartheid Act of 1986 provides a list of police, military and apartheid-enforcing agencies barred from receiving U.S. computers. U.S. Commerce Department inspections of computers used in South Africa, have been criticized by members of Congress because only small numbers have been checked.

In 1985 the European Community, the Commonwealth countries and Japan also announced policies to bar computer exports to the South African police and military.

To comply with U.S. regulations, customers in South Africa must certify that computers will not be transferred to prohibited agencies, but there is little control over this. Recent comments by a South African computer company executive in the South African *Computer Mail* illustrate the problem with 1970s sanctions:

It is interesting to note that despite the 1978 legislation, a substantial amount of U.S. computer equipment is currently installed in South Africa in those very entities which were embargoed.

Though IBM insists that it follows U.S. regulations, a company spokesman admitted, "It would be misleading to suggest that any manufacturer can totally control how its products are used." An IBM South Africa executive said, "Theoretically nothing at all" would prevent a customer from reselling computers to restricted agencies.

Tracking the end use of computers is complicated by South African government-mandated secrecy which blankets information about computers used by agencies subject to sanctions. At least five laws permit the South African government to order private companies to provide goods and services and to keep this secret. Embargoed agencies also can gain access to computers through timesharing arrangements over telephone lines.

Antipartheid Pressures Grow

Nineteen states, seventy cities, 116 universities as well as religious bodies, trade unions and foundations have mandated divestment of some \$20 billion in investments in corporations in South Africa. Thirty-five cities have enacted ordinances restricting purchases or giving preference in purchasing to companies depending on their involvement with South Africa.

More than eighty corporations have sold their South African subsidiaries, but most continue business there through successor companies like ISM. In a statement citing IBM, antiapartheid organizations called for continued pressures on these companies charging that they "have not ended their links with apartheid."

IBM Protests Continue

IBM has been a focus of anti-apartheid protests for fifteen years. In 1985 protests by employees of Scientific Systems, Inc. of Cambridge, Massachusetts halted the sale of 100 ruggedized (reinforced for industrial or military use) IBM personal computers to an IBM dealer in South Africa, found to be a shareholder in a South African military contractor.

The Black Workers Alliance, founded in 1969 by black U.S. IBM employees, concerned with discrimination within the corporation, has frequently protested IBM's business in South Africa. Four BWA leaders were fired in 1980 and the BWA lowered its profile but BWA's opposition to IBM's business in South Africa continues.

Over the years, ICCR members have filed eleven shareholder resolutions with IBM and targetted the company for an intensive-action campaign as one of a dozen corporate "Partners in Apartheid." In 1987 major pension funds like the New York State Common Retirement Fund and the Teachers Insurance Annuity Association submitted antiapartheid resolutions to IBM. Opponents of apartheid have sent over 150,000 postcards to IBM's chairman calling for the company to withdraw from South Africa. In coming months IBM will again be a target of antiapartheid protests including shareholder resolutions and direct action.

For information contact ICCR's South Africa Issue Group, Rm. 566, 475 Riverside Dr., New York, N.Y. 10115.

