

COMPUTING APARTHEID: The Role of U.S. Computer Companies in South Africa

Church investors have been concerned about U.S. corporate involvement in South Africa for a number of years. Recent events in South Africa tend to support claims by many church groups that investment in South Africa is a serious financial risk as well as a moral issue, and there are increasing calls for corporations not to expand, not to sell strategic products to the South African government, and to withdraw from South Africa.

Among many strategic industries such as oil, automobiles, rubber and mining, computers play a significant role in the South African economy. This "CIC Brief" examines the extent and implications of U.S. computer company investment in South Africa. It was excerpted from a longer article by Richard W. Leonard, a former staff member of the American Committee on Africa. The complete document is available for \$1.00 from ACOA at: 305 E. 46th St., New York, N.Y. 10017.

Computers and Apartheid

How dependent are South Africa and the system of apartheid on U.S. computer companies? In 1971 the managing director of Burroughs in South Africa told two American researchers:

We're entirely dependent on the U.S. The economy 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; business couldn't operate; payrolls could not be paid. Retail and wholesale marketing and related services would be disrupted.¹

And this year the head of South Africa's Anglo-American Corporation's computer operations expressed the situation in even starker terms in a newspaper interview:

No other sector of the economy is as utterly dependent as the computer industry is on the multinationals, and it is a sector through which a stranglehold can be applied on the whole economy.²

The largest computer user in South Africa is the white-controlled government,³ which uses computers for the implementation of apartheid, for military and police functions, and for economic purposes. Computers are also widely used by subsidiaries of foreign corporations and local South African companies in an economy controlled by whites and geared to serving the needs of the white minority.

In South Africa the white minority, 16 percent of the population, controls all aspects of the political, economic and social life of the country. South Africa is a country based on racial domination, maintained by violence and terror. Anthony Lewis of the *New York Times* has said in describing apartheid:

... tyranny in South Africa has a particular terrible quality. . . . It is not some passing tyrant's paranoia. It is methodical, ideological, permanent: an essential element in the way the whole society is organized. And it is racial. No matter how talented or dedicated, no person with the wrong color skin can ever escape the brand of inferiority.⁴

Apartheid is enforced by repression on a massive scale. Amnesty International in its recent report *Political Imprisonment in South Africa* says that repression is implemented by ". . . a system built upon detention without trial, banning and banishment, the widespread and systematic use of torture, and frequent judicial and extrajudicial killings by the government."⁵ In this report, for the first time in its history, Amnesty International refused to include specific recommenda-

tions to the government, saying "no reforms in the present structure will be sufficiently far reaching unless the whole system of apartheid is dismantled."

This society, in which U.S. computers play an integral part, is in the midst of revolution. The black majority refuses to accept apartheid. The brutality of the white regime's efforts to crush the black movement for liberation has been shown by the police killings of more than 500 black students in protests against apartheid that began in Soweto in 1976 and by the murder of Steven Biko, leader of the Black Consciousness Movement, while under police detention in September 1977. Faced with the emergence of black revolution, the white regime has been pursuing a policy of "strategic investment"⁶ to promote development and self-sufficiency in the following areas: defense; atomic energy, oil, and electricity; telecommunications; transportation; mining; and the production of steel and aluminum. Computers are used by the government and private corporations in all these strategic fields.

Background

There are five U.S. computer companies producing large ("mainframe") computers with operations in South Africa.⁷ In some cases they produce smaller computers as well. They are:

International Business Machines
Burroughs
Control Data
NCR
Sperry Rand

Other U.S. computer companies manufacturing medium and small size (mini and micro) computers with operations in South Africa are:

Hewlett-Packard	Datapoint
Data General	Computer Automation
Computer Sciences	Mohawk Data Sciences

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In addition, there are several other companies which have computers in South Africa but which do not have computer operations there at this time.⁸ Honeywell has withdrawn from the computer market, although it still has other corporate operations in South Africa. Digital Equipment has no South African offices, but it has sold some of its computers to South African customers. Singer Business Machines' South African subsidiary has been sold to the British computer company International Computers Ltd. Foxboro Corporation has at least two of its FOX I computers in operation in South Africa (used at the highly strategic Valindaba uranium enrichment plant), but no South African offices.⁹

At this time no U.S. computer companies manufacture computers in South Africa; their operations consist of sales and service.

South Africa was late among the industrialized nations to enter the computer era. The first computer in South Africa, a British one, was not installed until 1959. During the 1960s the computer industry in South Africa expanded at a rate of more than 30 percent annually,¹⁰ and by 1970 there were an estimated 400 computers in the country with a value of some \$100 million.¹¹

During this period U.S. computer companies came to dominate the South African market, with IBM leading the field. By 1974 the total number of computers was estimated at more than 1,000, with a value of \$365 million.¹² While the South African economy slipped into a recession in the mid-1970s, computers were described as "selling like hotcakes," with market growth estimated at between 20 percent and 30 percent a year.¹³ In September 1976, South Africa Interior Minister Mulder said that there were 1,500 computers in the country representing an investment of more than \$500 million.¹⁴ *Management* magazine of South Africa noted in its December 1977 computer survey that only the United States and Britain spend more than South Africa on computers as a percentage of GNP.

The *Management* survey also notes that while U.S. computer companies together still dominate the South African market, the British firm International Computers Ltd. has replaced IBM as the market leader. In 1977, ICL sales jumped by 68 percent, compared with an industry average of 25 percent.¹⁵ The reasons for ICL's rapid expansion are not clear,

but tighter U.S. regulations on computer sales to South Africa could be a factor.

In the sale of micro and mini computers U.S. companies face competition from British, Japanese, West German, Italian, and now local South African companies. But the only companies now in South Africa capable of providing mainframe computers, aside from U.S. corporations, are ICL and Siemens of West Germany. The 1977 *Management* magazine survey rated the market shares among those selling mainframes as follows: ICL with "5," IBM with "4," Sperry Rand with "2," and Burroughs and Control Data with "1" each.

U.S. Government Export Restrictions

The export of computers to South Africa first became subject to restrictions in December 1976 (aside from the terms of the United Nations arms embargo adhered to by the United States since 1963) when general licenses for the export of large computers to "free world" (including South Africa) countries were revoked. In order to export large computers to South Africa, companies had to apply for individual licenses. Approval of the export of computers for sale to South African police, military, or atomic energy agencies was subject to review by the State Department.

In February 1977 President Carter announced that in cases of applications to export computers to foreign police agencies, the Department of State would recommend denial of the export license where it was believed that the computer would be used in the suppression of human rights.

In November 1977 the Carter Administration announced new curbs affecting computer sales to South Africa, which were implemented in Department of Commerce regulations published on February 16, 1978. The new regulations prohibit, in furtherance of the administration's policies supporting human rights, the sale of any U.S. commodities or technical data to military or police entities in South Africa and Namibia. The restrictions apply not only to the direct sale of commodities, but any form of indirect sales or other arrangements through subsidiaries or other companies as well.

These restrictions are very tight, but their effectiveness could be limited by several factors. First, of course, while

computers are vital for the South African police and military, these agencies account for only a small number of the total number of computers in use throughout the country, many of which also play strategic roles in assisting apartheid. Second, it is not clear how tightly the new restrictions can or will be enforced.

An immediate example of the enforcement problem arose soon after the restrictions were announced, when the manager of IBM's South African subsidiary informed the British magazine *Computer Weekly* that IBM in South Africa would continue to supply spare parts and service to any affected military or police computers as long as parts supplies lasted.¹⁶ This may violate the new Carter restrictions, which allow only a two-month grace period to supply needed parts and service.

Also, the IBM computers which have been listed as being used by the South African Department of Defense, for example, are commercial models similar to ones being used by other government agencies and corporate customers. It could therefore be difficult for the U.S. government to monitor spare parts that might go to the restricted agencies.

There are further problems as well. The South African government has already established a cooperative network among its computer sections in eight separate government agencies which will handle work for any government office.¹⁷ Therefore, work for military or police agencies could be farmed out to other agencies with computers.

A range of other suggestions was made by the head of Anglo-American Corporation's computer company, interviewed in an article entitled "How to Beat the Computer Siege" in the *Sunday Times* of Johannesburg, March 26, 1978, about ways to blunt the U.S. curbs. These include setting up local computer leasing and maintenance companies, as well as government funding to set up a local South African manufacturing industry for small and medium-sized computers. He also noted that there is a good deal of spare computer capacity in existing government installations and "there is no way the U.S. authorities will be able to prevent this capacity from being shared by the defense and police departments."

The abilities of the South African government to exploit existing computer installations extends into the private

sector as well. Under the terms of the 1970 National Supplies Procurement Act, the government may order any company operating in South Africa to deliver products to the government that it determines are necessary for national security. Thus any computer or computer part in the country could be seized and used by the white regime.

Another South African law could make it difficult for the United States to openly monitor the actions of the South African government as they relate to U.S. computer companies in South Africa. The Second General Law Amendment Act of 1974 makes it a criminal offense for anyone in South Africa to provide information in reply to any request from outside South Africa concerning any aspect of business, without government permission.

Therefore, the current restrictions by the Carter Administration, while posing a hindrance to the white regime, certainly fall short of any serious effort to end the involvement of U.S. computer companies with apartheid.

Computer Companies Defend Role in South Africa

The growing international pressure for corporations to stop collaboration with apartheid and withdraw from South Africa began in the early 1960s after the Sharpeville massacre. Computer companies in particular have faced public scrutiny and protest for their role in strengthening apartheid. Since 1971 when the American Committee on Africa published a fact sheet condemning IBM's operations in South Africa, and national church agencies called for IBM to disclose information on IBM in South Africa, IBM has continued to be under protest. Other companies have been cited as well, including Control Data and Burroughs.

The computer companies have made a number of statements justifying the decision to remain in South Africa and claiming that their operations do not constitute material and moral support for apartheid. One example of the claims made by IBM and Control Data is presented here, followed by a critical analysis of their positions.

- Company statements.

Frank Cary, chairman of IBM, stated at the IBM annual meeting in April 1977 that:

We would not bid any business where we believe that our products are going to be used to abridge human rights. However, we do not see how IBM or any other computer manufacturer can guarantee that they will not be. The facts of the matter are that we do not and cannot control the actions of our customers, and it would be grossly misleading to espouse a policy that we cannot enforce.

In a statement of October 24, 1977, Control Data indicated that "no U.S. company would want its activities to lend support to the abridgement of human rights anywhere." And in a dialogue¹⁸ with William P. Thompson, president of the National Council of Churches, Timothy Smith of the Interfaith Center on Corporate Responsibility, and Frank White of the United Presbyterian Church, William C. Norris, chairman of Control Data said:

You can't place restrictions on a computer that you put in someone else's country...you wouldn't be selling computers in this world. You do the best you can, and that's exactly what we're doing.

- Analysis.

IBM's statement marks something of a departure in its policies; previously it had emphasized its willingness to sell computers anywhere not prohibited by U.S. law. The fact is, the current statements by IBM and Control Data do not go beyond the human rights considerations incorporated into licensing procedures for the export of computers by the Carter Administration.

Control Data announced in October 1977 that it would not enlarge its South African investments, citing government repression as a factor. IBM has taken no initiatives to specifically restrict expansion or sales in South Africa. It was the Carter Administration that acted most strongly when it reinforced its human rights position by banning the sale of all commodities to the South African police

and military.

But despite their concern for human rights, the computer companies are still reluctant to go along with one aspect of the administration curbs — the regulation embargoing even the supply of spare parts for computers already in place. The Computer and Business Equipment Manufacturers Association (of which both IBM and Control Data are members) has written the Department of Commerce complaining that the new regulations, which will force them to default on their existing maintenance contracts, "will be seriously injurious to their reputation and their ability to sell throughout the world."¹⁹

The companies' claim that they would not do business that would support the abridgement of human rights is open to fundamental question in that they refuse to admit that the mere existence of their operations in South Africa contributes to and supports the gross violations of human rights perpetrated by apartheid. While the Carter policies have so far only cited the South African police and military, our studies have shown that computers are involved in strengthening apartheid in many ways.

In qualifying their claims about human rights, both IBM and Control Data say that they cannot control the actions of their users or place restrictions on the use of their computers. Control Data has said that it can monitor the major ways in which its computers are used, while IBM has said it cannot. However, all computer companies exporting their products must certify to the Commerce Department how they are to be used: if there is deviation from uses specified in export licenses the companies or distributors could face legal penalties.

In South Africa any computer is used within the structure of apartheid and may be appropriated for use by the regime. The principal control a company has, therefore, in such a situation is control at the source: to refuse to do business with such a country. It is false to assert that a company has no power to act if it believes its products are being used for inhuman purposes. The moral course of action would be to protest the abuse and failing a remedy, to cut off maintenance, spare parts, and further business.

Notes

1. C. Cotton, managing director of Burroughs South Africa, interviewed by Tami Hultman and Reed Kramer in Johannesburg, March 3, 1971, in *IBM in South Africa*, New York, National Council of Churches, 1972, p. 3.

2. Morris Cowley interviewed by Tony Koenderman, "How to Beat the Computer Siege," *Sunday Times*, Johannesburg, March 26, 1978.

3. *Financial Mail*, South Africa, February 25, 1977.

4. *New York Times*, April 16, 1978, p. A21.

5. *Political Imprisonment in South Africa*, Amnesty International, London, 1977.

6. William N. Raiford, "International Credit and South Africa," in *U.S. Corporate Interests in Africa*, U.S. Senate Subcommittee on Africa, January 1978, p. 52.

7. *Management*, South Africa, December 1977, p. 57.

8. *Financial Mail*, South Africa, February 25, 1977.

9. Tami Hultman and Reed Kramer, "South Africa's Rising Nuclear Prowess," *Los Angeles Times*, August 28, 1977.

10. *Sunday Times*, Johannesburg, December 6, 1970.

11. *Financial Mail*, South Africa, January 23, 1970, and *Sunday Times*, Johannesburg, December 6, 1970.

12. *Management*, South Africa, November 1974, p. 33.

13. *Financial Gazette*, South Africa, March 29, 1975.

14. *South Africa Digest*, South Africa, October 1, 1976, p. 12.

15. *Sunday Times*, Johannesburg, February 26, 1978.

16. *Computer Weekly*, United Kingdom, March 31, 1978.

17. *Financial Mail*, South Africa, February 25, 1977.

18. "Revolution Sayeth the Churchman. One Soul at a Time, Says a Businessman," *Forbes*, February 6, 1978, pp. 31-3.

19. *Financial Mail*, South Africa, February 10, 1978.

Recent Church Investor Actions on Computers in South Africa

- CONTROL DATA.

A shareholder resolution to CONTROL DATA sponsored by the United Presbyterian Church in the U.S.A. received 4.5 percent of the vote at the company's annual meeting in Minneapolis on May 3, 1978. While the resolution congratulated the company on its public policy of "not knowingly providing equipment for the purpose of abridging human rights and dignity" in South Africa, it asked CONTROL DATA to prohibit any further sales or leasing to the South African government. Specifically, the proposal asked the board of directors to establish the following as corporate policy:

The corporation and any of its subsidiaries shall not make or renew any contracts or agreements to sell, lease or service computers, computer parts or software to, or for the use of, the government of the Republic of South Africa or any of its agencies or instrumentalities.

The proposal was presented at CONTROL DATA's meeting by William P. Thompson, Stated Clerk of the United Presbyterian Church in the U.S.A. As part of his answer to the question, "What good will it do if we stop doing business with the South African government?" Mr. Thompson said the following:

The government of South Africa is now in trouble, both in terms of world opinion and, at home, economically. More than ever, world opinion is moving against the hideous apartheid system. . . Economically, South Africa is more dependent on foreign loans and investments than ever before. With the lowering of the price of gold and the increased cost of maintaining a strong military and police force, South Africa now has a \$462 million balance of payments debt. In October 1976, the South African government sought loans of one-half billion dollars from U.S. banks simply to pay those debts.

South Africa is responding with even more intransigence. Since the first of last year the government has increased its military budget by 21 percent to \$1.9 billion. It has placed new restrictions on the press and across the board has tightened all its repressive laws. . . The churches' resolution this year with Control Data Corporation and many other U.S. businesses calls for an end to their support, their tolerance, their favor and their contribution to a system of government that should not be allowed to continue.

- IBM.

Eighteen Protestant and Catholic church agencies, including the Roman Catholic diocese of Richmond, Virginia, asked IBM to investigate the use of IBM computers in Argentina, Brazil, Chile and Uruguay, and to develop criteria for the sale, leasing and maintenance of IBM computers to minimize their possible use for repressive purposes. The proposal, presented at IBM's annual meeting on April 24, 1978, in Denver, Colorado, received 2.1 percent of the shareholder vote.

In his presentation, Howard Schomer, representing the United Church of Christ Boards for Homeland and World Ministries, sought clarification of a statement made by IBM chairman Frank Cary at the 1977 annual meeting "that IBM would not bid any business where we believe our products are going to be used for repressive purposes." Dr. Schomer argued that IBM officials have not clearly specified their definition of "repression" during the past year, and that IBM in South Africa is "still hanging on to its repressive customers in spite of the Commerce Department's new rules," which now prohibit any sales, leases, maintenance, parts' replacement or upgrading of computers and other products for the South African army and police. According to Dr. Schomer:

Asking shareholders to vote for the request that the board of directors clarify IBM policy and practice on the provision of computers for uses that may indeed violate human rights is not to look to IBM to *make* U.S. foreign policy but simply to *obey* it — human rights is now the foreign policy of our government.