

# From Defence to Development

REDIRECTING MILITARY RESOURCES  
IN SOUTH AFRICA



Edited by Jeddyn Dock and Penny Mokhele

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## FROM DEFENCE TO DEVELOPMENT

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*Redirecting Military Resources in South Africa*

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Jacklyn Cock and Penny Mckenzie  
*for The Group for Environmental Monitoring*

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## **SOUTH AFRICA'S ARMS INDUSTRY**

### **Prospects for Conversion**

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*Peter Batchelor*

South Africa's transition to democracy was accompanied by a process of demilitarisation, which reversed the militarisation that took place during the 1970s and 1980s. At an economic level, this process of demilitarisation included dramatic cuts in the country's defence budget and the implementation of various disarmament measures, such as the termination of the nuclear weapons programme. South Africa's domestic arms industry, which had been built up under the presence of the United Nations arms embargo, also underwent a process of downsizing and restructuring in response to the defence cuts. It pursued a number of adjustment strategies such as retrenching workers, increasing exports, diversification and conversion, to survive the impact of the defence cuts. This chapter examines the effects of the defence cuts on South Africa's arms industry, and considers the problems and prospects associated with its conversion within the broader process of demilitarisation. It argues that the lack of success with recent conversion efforts has been the result of a severe domestic economic recession and a lack of political will on the part of government to support (and finance) a national conversion strategy for the domestic arms industry.

#### ***The development of South Africa's arms industry***

South African society became increasingly militarised during the Total Strategy era of the 1970s and 1980s (Cock & Nathan, 1989). At an economic level, militarisation included increasing levels of military spending, the development of a domestic arms industry and growing institutional links between the state, the military and private industry. The militarisation of the South African economy, which took place between 1961 and 1989, is reflected in the trends in the country's militarisation indicators (see the table below).

When human security needs are not met, we foster a cycle of violence. When we allow militaries to grow in power to control increasingly desperate populations, we have failed to address the root causes of conflict. Too many poor countries spend their limited resources on militaries that serve only to oppress their people. Unless we put an end to the arms trade, we will never put an end to violence.

Dr Oscar Arias, 1987 winner of the Nobel Peace Prize

The development of a domestic arms industry was one of the most significant aspects of the militarisation of the apartheid economy. South Africa's arms industry was established with British aid just



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### South African Militarisation Indicators (1961-89)

(Figures are in Rm at constant 1985 prices. Figures in italic are percentages.)

Year	1961	1970	1975	1980	1985	1989
Defence spending	617	1 627	3 527	3 546	4 274	5 791
Defence spending per capita	4	11	38	67	135	268
Defence spending/GDP (%)	<i>1,3</i>	<i>2,0</i>	<i>3,5</i>	<i>3,0</i>	<i>3,5</i>	<i>4,3</i>
Defence spending/Government expenditure (%)	<i>7,7</i>	<i>9,8</i>	<i>14,3</i>	<i>13,9</i>	<i>13,0</i>	<i>15,2</i>
Domestic arms production	40	325	981	2 970	2 409	3 587

*Sources:* Armscor; South African Reserve Bank, *Quarterly Bulletin* (various issues).

prior to the Second World War, when training aircraft were assembled locally and the Pretoria branch of the Royal Mint manufactured small arms ammunition (Cawthra, 1986:89). During the war, the arms industry manufactured a substantial amount of basic weaponry for the Union Defence Force and the Allied forces, including armoured cars, bombs and ammunition. After the war, most of the wartime arms factories converted to their pre-war civilian activities.

During the 1950s and early 1960s, South Africa relied heavily on arms imports (mainly from Britain). However, South Africa's withdrawal from the Commonwealth in 1961, and the imposition of a voluntary United Nations arms embargo in 1963, provided the impetus for a shift towards the establishment of a domestic arms industry. The Armaments Production Board was established in 1964 to control the manufacture, procurement and supply of all armaments for the South African Defence Force (Simpson, 1989:222). The board also took over the Department of Defence's workshops and the ammunition section of the South African Mint, and was authorised to co-ordinate arms production in the private sector. By the mid-1960s, nearly a thousand private sector firms were involved in various aspects of domestic arms production.

In 1967, the UN Security Council passed a resolution calling on all states to stop supplying arms to South Africa. In 1968, the Armaments Production Board's name was changed to the Armaments Board. It was tasked with the procurement of armaments for the SADF and ensuring the optimal utilisation of the private sector for arms production (Simpson, 1989:222). In the same year, the government established the Armaments Development and Production Corporation (Armscor). The Defence Ordnance Workshop and the Ammunition Section of the South African Mint became its first full subsidiaries. Over the next few years, Armscor took over various private sector companies, such as Atlas Aircraft Corporation, and established a number of new production and R&D facilities (Cawthra, 1986:98).

In 1973, the government established the Defence Advisory Council (DAC) to co-ordinate the private sector's involvement in domestic arms production (Philip, 1989:205). DAC was chaired by the then

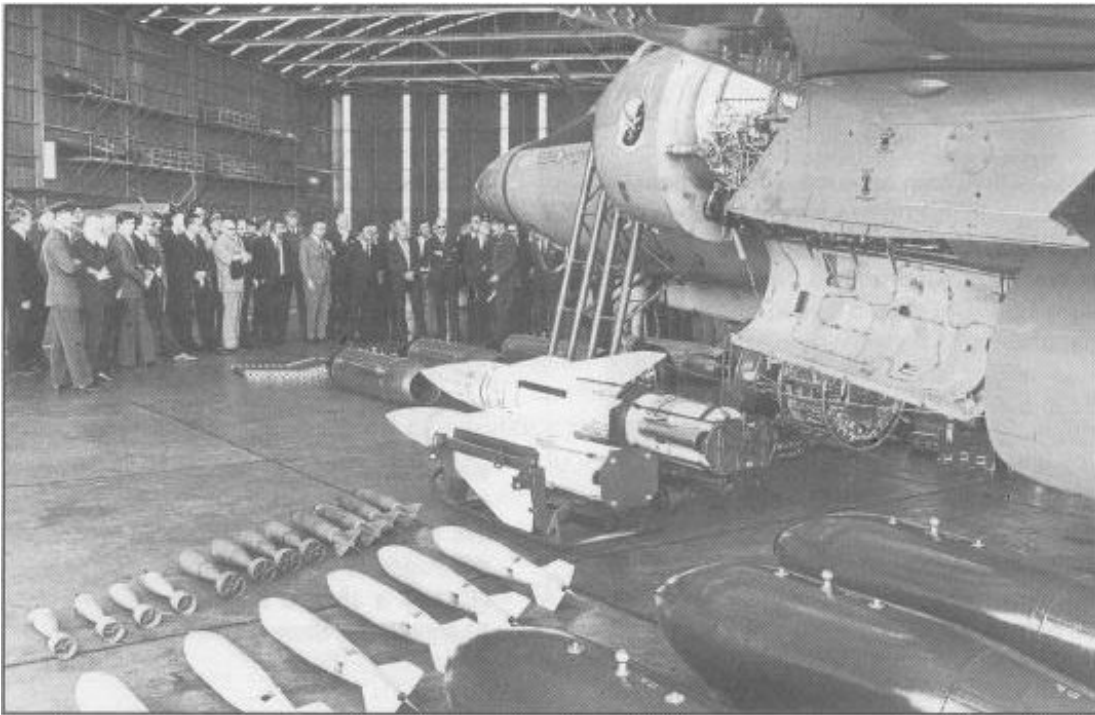
## THE SOUTH AFRICAN ARMS INDUSTRY

The South African arms industry was born in secrecy and its purpose was to facilitate the wars of destabilisation – the armed contras of Angola and the third force units like Vlakplaas. The lines between unconditional war and criminality were blurred and associated with bribery, corruption and murder. R130 billion was squandered in defence of apartheid and it is shocking that this industry is not being phased out in the new South Africa. The current Ministry of Defence even shares offices with Armscor. The cabinet seems to have a perverse fascination with this industry as a form of jobs and finances – despite the embarrassment caused by deals like those with Syria and Rwanda. Our arms deals have unfailingly brought us into disrepute. It is argued that South Africa has a right to self-defence even though we have never been attacked by another country. To argue that an arms industry is necessary for self-defence is nonsense, other countries manage fine without one. We need to sell 70 per cent of arms produced to be financially viable; one can't have an arms industry without selling weapons. Everyone working in this industry is one less person working in development in South Africa. South Africa still has a chance to do things differently. (Bishop Peter Storey, Methodist Church)

Minister of Defence, P.W. Botha, and included the president of the Armaments Board and representatives from many of the country's major private sector companies (for example, Anglo American, Barlow Rand, Tongaat and South African Breweries). The establishment of DAC represented the growing institutional links between the state, the military and private industry.

Increasing international opposition to apartheid, and world-wide demands for a mandatory arms embargo against South Africa, prompted the government to embark on a major reorganisation and expansion of the arms industry during the mid-1970s. In 1976, the Armaments Board and the Armaments Development and Production Corporation merged to form the Armaments Corporation of South Africa (Armscor). The restructuring and expansion of Armscor was funded by a secret government grant of R1 200 million (Landgren, 1989:42). The new Armscor assumed responsibility for the procurement and production of armaments for the SADF. It was no coincidence that the reorganisation and establishment of the new Armscor occurred in the same year as the United Nations mandatory arms embargo against South Africa (Resolution 418) (Cobbett, 1989).

During the 1980s, the domestic arms industry expanded considerably in response to South Africa's increasing involvement in regional conflicts, which required a guaranteed supply of weapons of ever-increasing sophistication, and the growing militarisation of the state.



*Display of apartheid weaponry, 1975 (Photo by Geoff Causton)*

New state-owned research, development and arms production facilities were established, and the private sector became increasingly involved in domestic arms production. By 1984, more than 2 000 private sector firms were involved in domestic arms production, either as contractors or suppliers of military technology and equipment to the SADF (Armcor, 1984:7).

In the early 1980s, the arms industry began to experience economic problems as a result of increasing production costs, excess capacities and declining domestic demand. Drastic staff cuts were made at Armcor, several defence contracts with private sector firms were cancelled, some of Armcor's production activities were rationalised, and a government commission was set up in 1984 to investigate Armcor's financial problems (Cawthra, 1986:104). These problems were exacerbated by the embargo which forced the industry to adopt uneconomical practices, such as tooling-up for short production runs and stockpiling items which were not readily available in South Africa (Landgren, 1989:58).

By the end of the 1980s, the arms industry had reached a relatively high level of self-sufficiency and could meet most of the equipment requirements of the SADF. However, because of the country's limited research and development (R&D) resources, and the presence of the United Nations arms embargo, the local arms industry did not try to reproduce or emulate the R&D which had already been carried out

by the major Western arms producers (Brzoska, 1991:25). Instead, it concentrated on upgrading, modifying and modernising existing armaments and weapons systems. One of the ways in which South Africa became increasingly self-sufficient in arms production was through its ability to continue to obtain foreign inputs (technology, personnel, components) in circumvention of the United Nations arms embargo (Vayrynen, 1980; Landgren, 1989; Brzoska, 1991).

### ***Economic significance of South Africa's arms industry***

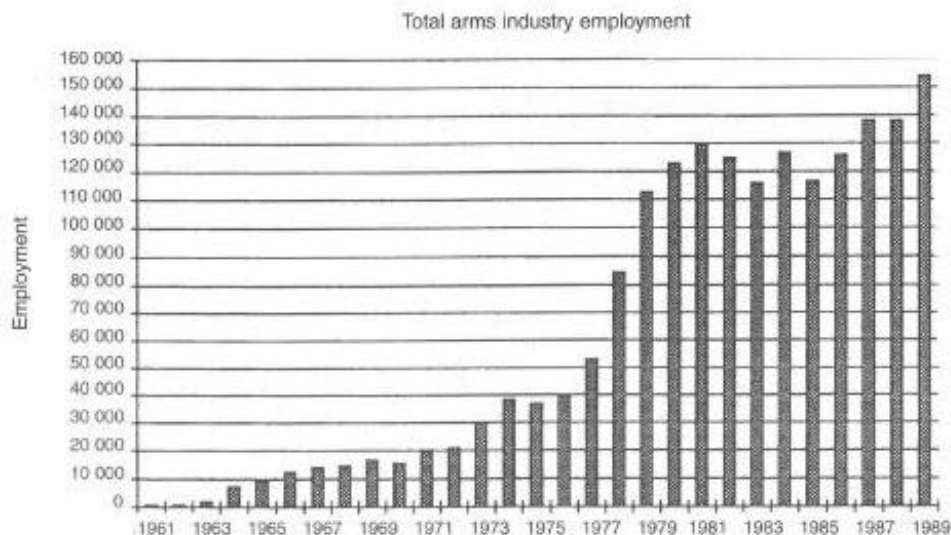
The establishment and development of a domestic arms industry necessitated massive investment by the state and large-scale private sector involvement. By the late 1980s, the arms industry had developed into one of the most significant sectors of the country's industrial economy, in terms of both employment and its contribution to the national economy. However, its expansion and increasing economic significance during the 1970s and 1980s occurred when the economy was performing poorly, and there is evidence to suggest that the development of a domestic arms industry imposed a substantial burden on the national economy and was a contributing factor to the country's deteriorating economic performance in the 1970s and 1980s (Lipton, 1986; Kaplinsky, 1992).

The arms industry emerged as a significant creator of jobs during

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#### **Arms Industry Employment, 1961-89**

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the 1970s and 1980s. By 1989, over 150 000 were employed in the arms industry. Total arms industry employment as a percentage of total manufacturing employment increased from less than 1 per cent in 1961 to 10 per cent in 1989, while arms industry employment as a percentage of total employment in the formal sector increased from less than 1 per cent in 1961 to over 2 per cent in 1989.

Although the arms industry emerged as a significant provider of jobs during the 1970s and 1980s, most were highly capital- and skill-intensive and reserved for whites, given the strategic concerns of the industry. Thus the employment benefits of domestic arms production perpetuated the racist structure of the labour market and were inappropriate for a country such as South Africa with scarce capital and an abundance of unskilled labour. The arms industry also absorbed a disproportionate share of the country's skilled labour at the expense of the civilian economy, thereby inhibiting the development of the more productive sectors of the civilian economy. By 1989, Armscor employed nearly 2 000 scientists and engineers – over 10 per cent of the total number of R&D personnel in the national economy.

The use of scarce national resources for investment in arms production had negative consequences for investment in the civilian sectors of the economy. It has been suggested that the excessive share of state investment in strategic industries (for example, Armscor and Sasol) during the 1970s and 1980s represented a form of 'misinvestment', in that large amounts of scarce resources were invested in the wrong (capital-intensive) sectors and the wrong types of technology (for example, synthetic fuels) because of strategic considerations (Kaplinsky, 1992; Joffe et al., 1995).

While the establishment of a domestic arms industry was intended to reduce the cost of arms imports, by the end of the 1980s it was estimated that South Africa was still spending nearly R2 billion on arms imports per annum. The value of arms imports peaked in the years before the imposition of the United Nations arms embargo in 1977, then declined quite substantially throughout the 1980s, with marginal increases in the late 1980s. While South Africa became less dependent upon imports of completed weapons systems after 1977, it remained

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#### **South Africa Arms Imports (1970-89)**

(Figures are in Rm at constant 1985 prices. Figures in italic are percentages.)

	1970	1975	1980	1985	1989
Import ratio*	81	66	48	42	42
Arms imports	713	1582	849	800	1296
% of total imports	2,9	5,1	2,6	2,8	3,7
% of manf. imports	3,5	6,8	3,8	3,7	4,5

\*Imports as a share of total procurement spending

Sources: South African Reserve Bank, *Quarterly Bulletin*, various issues; *Bulletin of Statistics*, various issues (Central Statistical Service); Armscor

highly dependent upon imports of machinery, technology and components which it needed for arms production. Thus, the development of a domestic arms production capability created new forms of dependency on foreign sources of technology and machinery, and ended up absorbing increasing amounts of scarce foreign exchange sources.

South Africa's arms industry entered the international arms market in the early 1980s as a result of rising overhead costs, excess capacities and declining domestic demand (Cawthra, 1986:104). Armscor launched a massive international marketing drive in 1982, and by 1989 the value of South Africa's arms exports had increased by nearly 400 per cent.

#### **South African Arms Exports (1982-89)**

(Figures are in Rm at constant 1985 prices. Figures in italic are percentages.)

<b>South African Arms Exports (1982-89)</b> (Figures are in Rm at constant 1985 prices. Figures in italic are percentages.)			
Year	Arms Exports	Arms Exports/Manf. Exports	Arms Exports/Total Exports
1982	31	0,2	0,1
1983	34	0,3	0,1
1984	56	0,4	0,2
1985	282	1,8	0,7
1986	277	1,7	0,7
1987	333	2,1	0,9
1988	175	1,1	0,5
1989	115	0,7	0,3

*Sources:* ARMSCOR, South African Reserve Bank, Quarterly Bulletin, various issues; *Bulletin of Statistics*, various issues (Central Statistical Service)

Despite the increases in the value of arms exports between 1982 and 1989, the contribution to the national economy was fairly insignificant if one includes the costs of export subsidies, marketing (paid for by Armscor from the defence budget), and the fact that much of the R&D and production costs of export products were subsidised by the domestic procurement budget (Willett & Batchelor, 1994). South Africa's trade balance in armaments remained negative between 1982 and 1989, despite the positive contribution of arms exports. The arms industry remained a net user of foreign exchange throughout the 1980s.

The evidence presented in this section suggests that the increasing militarisation of the South African economy, and particularly the development of a domestic arms industry, imposed costs on the national economy. The fact that the arms industry absorbed scarce resources (capital, labour, foreign exchange) at the expense of other sectors not only exacerbated many of the existing structural problems in the apartheid economy (for example, shortages of skilled black labour) but also contributed to the underdevelopment of civilian sectors.

## ***Defence cuts and disarmament measures***

South Africa's external strategic environment changed dramatically after 1989. The end of the Cold War and the break-up of the former Soviet Union effectively put an end to superpower rivalry in many parts of the Third World, including southern Africa. The cessation of East-West contestation was accompanied by a reduction in ideological tensions within and among African countries, and by significant moves towards political pluralism in southern Africa (for example, Zambia and Malawi) (Nathan, 1993). These developments contributed to the resolution of most of the region's historical conflicts (for example, Namibia and Mozambique) and provided opportunities for countries to reduce their levels of military spending and implement disarmament measures.

The interlinked processes of democratisation and disarmament which occurred had a positive impact on the South African state's external threat perceptions, and led to dramatic changes in the country's defence and foreign policies. South Africa withdrew its armed forces from Namibia and Angola in 1989, formally abandoned its policy of military aggression and regional destabilisation (for example, covert support for Unita and Renamo), and embarked on an ambitious programme of diplomatic and economic outreach to African states (Nathan & Phillips, 1992:116). These developments, together with the ending of apartheid, removed the dominant source of instability and antagonism in the region and led to a dramatic improvement in inter-state relations.

As a result of these positive developments, and in response to severe budgetary constraints and changing government spending priorities, the De Klerk government cut South Africa's defence budget dramatically after 1989. Between 1989 and 1995, the defence budget declined by more than 50 per cent. With the defence cuts, the share of defence spending in GDP declined from over 4 per cent to just over 2 per cent between 1989 and 1995; the share of defence in total government expenditure declined from over 15 per cent to 7 per cent during the same period.

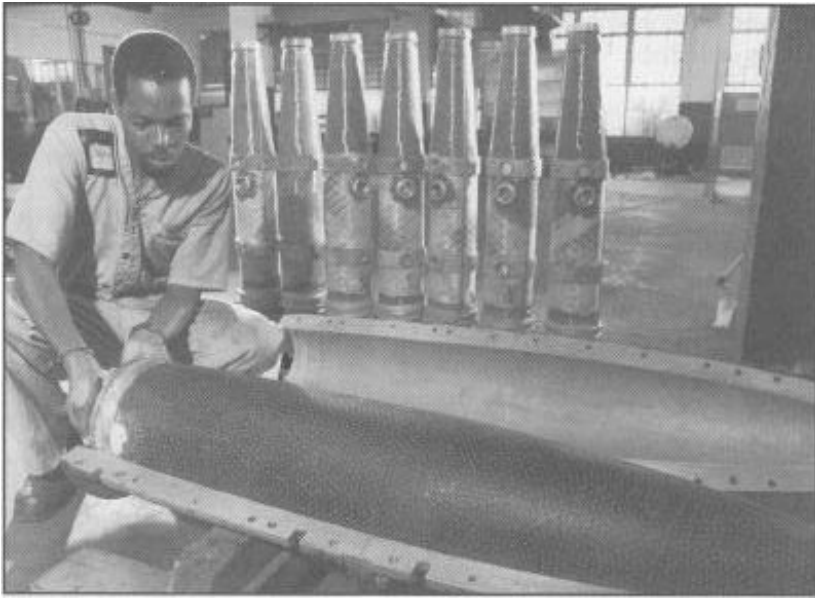
The structure of the defence budget exhibited significant changes

### **Defence Budget Trends (1989-95)**

(Figures are in Rbn at constant 1995 prices. Figures in italic are percentages.)

<b>Defence Budget Trends (1989-95)</b> (Figures are in Rbn at constant 1995 prices. Figures in italic are percentages.)							
Year	1989	1990	1991	1992	1993	1994	1995
Defence Budget	19,6	17,3	13,7	12,7	11,1	12,3	10,5
% change	<i>5,7</i>	<i>-11,4</i>	<i>-20,8</i>	<i>-7,3</i>	<i>-12,3</i>	<i>10,2</i>	<i>-14,6</i>
Defence/GDP	<i>4,3</i>	<i>3,8</i>	<i>3,1</i>	<i>3,0</i>	<i>2,7</i>	<i>2,6</i>	<i>2,2</i>
Defence/Govt. expenditure*	<i>15,2</i>	<i>13,6</i>	<i>10,7</i>	<i>9,3</i>	<i>8,1</i>	<i>7,1</i>	<i>7,1</i>

\* Defence spending as a share of total government expenditure. *Source:* Budget Review 1995 (Government Printer: Pretoria, 1995)



*Assembling an aircraft bomb in a munitions factory, 1989 (Photo courtesy of Beeld)*

between 1989 and 1995. The share of personnel and operating costs increased at the expense of procurement and R&D spending. The increasing share of personnel costs during the pre-election period was related to the SADF's internal deployment in support of the police, particularly as a result of the increasing political violence which accompanied the final stages of the constitutional negotiations (Friedman & Atkinson, 1994). The share of personnel and operating costs continued to increase after 1994 as a result of the integration process and the formation of the South African National Defence Force (SANDF). The dramatic decline in the share of procurement spending was related to the cancellation and postponement of several armaments projects.

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#### **Structure of Defence Budget (1989-95)**

(Figures are in percentages.)

	1989	1990	1991	1992	1993	1994	1995
Personnel	18,9	21,2	27,6	27,9	31,6	38,6	33,8
Operating	22,6	21,7	26,9	26,9	28,3	33,5	32,8
Procurement	58,5	57,1	45,5	45,2	40,1	27,9	33,4
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Source:* Estimates of Expenditure, State Revenue Account; *Budget Review 1995* (Government Printer: Pretoria, 1995)

Despite the significant cuts in South Africa's defence budget between 1989 and 1995, the country remained the largest military spender on the continent in absolute terms. In 1995, it accounted for nearly 65 per cent of total military spending in southern Africa, and 27 per cent of total military spending in Africa (SIPRI, 1995).

The defence cuts implemented after 1989 were achieved as a result



of, and in conjunction with, a variety of disarmament measures. These included:

- the rationalisation and restructuring of the SADF, including the disbanding of various SADF units and the closure and scaling-down of various bases and installations;
- ending compulsory conscription for white males at the end of 1993;
- the cancellation and postponement of major weapons projects;
- retrenchments of SADF and Armscor personnel;
- the withdrawal or sale of redundant and surplus military equipment;
- the termination of the country's nuclear weapons programme (Nathan & Phillips, 1992; Batchelor, 1993).

The cuts in defence spending were accompanied by the restructuring of the public sector arms industry. As part of a policy of commercialising public enterprises, the government restructured Armscor into two organisations in April 1992. A new state-owned industrial company called Denel was formed under the Ministry of Public Enterprises, and inherited most of Armscor's R&D and production facilities. Armscor remained part of the Ministry of Defence and retained responsibility for the acquisition of armaments for the SADF (Batchelor, 1993; Cilliers, 1994).

### ***The economic impact of defence cuts and disarmament***

Defence cuts, although desirable for a number of moral, political and economic reasons, can have short-term adjustment costs. These costs are normally felt in terms of job losses and the impact on towns and regions dependent on defence spending.

The defence cuts and disarmament measures implemented in South Africa after 1989 had a dramatic impact on the domestic arms industry. Many defence firms went out of business or exited from the defence market, and the industry as a whole underwent a process of downsizing and restructuring. The value of arms production (including exports) declined by over 40 per cent between 1989 and 1995. The contribution of the arms industry to the national economy also declined after 1989, and the value of domestic arms production in

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#### **Domestic Arms Production (1989-95)**

(Figures are index numbers based on 1990=100. Figures in italics are percentages.)

	1989	1990	1991	1992	1993	1994	1995
Arms production*	116	100	95	76	68	70	64
Arms production/Manf. output	<i>7,9</i>	<i>6,6</i>	<i>5,9</i>	<i>5,3</i>	<i>5,7</i>	<i>4,5</i>	<i>3,9</i>
Arms Production/GDP	<i>1,8</i>	<i>1,5</i>	<i>1,3</i>	<i>1,2</i>	<i>1,2</i>	<i>1,0</i>	<i>0,8</i>

\* Based on value of domestic acquisition spending and earnings from arms exports.

Sources: Armscor; South African Reserve Bank, *Quarterly Bulletin* (various issues)

total manufacturing output declined from nearly 8 per cent in 1989 to around 4 per cent in 1995 and, as a share of GDP, from nearly 2 per cent in 1989 to under 1 per cent in 1995.

The cuts in defence spending had a significant impact on employment in the domestic arms industry. Total employment declined by over 90 000 between 1989 and 1995, including over 10 000 in the public sector arms industry. Arms industry employment as a percentage of manufacturing employment declined from over 10 per cent in 1989 to 4 per cent in 1995. As a percentage of total employment, it declined from over 2 per cent in 1989 to just over 1 per cent in 1995.

### **Arms Industry Employment (1989-95)**

(Figures in italics are percentages.)

	1989	1990	1991	1992	1993	1994	1995
Armcor / Denel	26 348	23 630	18280	16 672	14995	14 926	15 250
Total arms industry	154 650	118 150	91400	82 000	78 000	76000	63 800
Arms industry/Manf. employment	<i>10,7</i>	<i>7,7</i>	<i>6,2</i>	<i>5,7</i>	<i>5,6</i>	<i>5,1</i>	<i>4,2</i>
Arms industry/Total employment	<i>2,8</i>	<i>2,2</i>	<i>1,7</i>	<i>1,6</i>	<i>1,5</i>	<i>1,4</i>	<i>1,1</i>

Sources: Armcor; South African Reserve Bank, Quarterly Bulletin (various issues)

The declines in arms industry employment occurred within the context of a severe recession and corresponded to declines in manufacturing employment and total employment in South Africa generally. The job losses in the arms industry after 1989 were not offset by compensating increases in employment in other civilian sectors of the economy, and may have contributed to increasing unemployment in the economy as a whole. While it is possible that the lack of job creation in the civilian sector was linked to the presence of a severe domestic economic recession, the De Klerk government at no point used the savings from defence cuts to fund retraining schemes for defence workers or to create new civilian markets. Occupation categories, such as engineers, scientists and labourers, bore the brunt of the retrenchments in the arms industry and there is evidence to suggest that many found it difficult to find work in civilian sectors (Batchelor, 1996).

The negative impact of the defence cuts and disarmament was felt most acutely in those towns or regions which were heavily dependent on defence spending as a result of the location of military bases or arms production facilities (for example, Simon's Town). The bulk of Armcor's retrenchments (nearly 80 per cent) after 1989 were concentrated in the Pretoria-Witwatersrand-Vereeniging (PWV) region, compared to the 20 per cent in the Western Cape, and less than 1 per cent in the Free State (Batchelor, 1996). These retrenchments corresponded to the geographical location of Armcor production facilities and the private sector arms industry (Rogerson, 1990). Although

## CONVERSION: THE CASE OF DENEL

### Peter Batchelor

Denel (Pty) Ltd was established as a state-owned industrial company under the Ministry of Public Enterprises in April 1992. It inherited most of Armscor's production and research facilities, and over 15 000 employees. At the time of its formation, Denel restructured and reorganised the former Armscor subsidiaries into a number of divisions and subsidiaries within five industrial groups: systems, manufacturing, aerospace, informatics, and properties and engineering services.

Since its formation, Denel has faced a declining domestic defence market as a result of defence budget cuts. It has also been confronted with an uncertain policy environment, given the new ANC-led government's commitment to restructuring state assets (privatisation) and the lack of clear government policy on the future of the domestic defence industry. The company has pursued adjustment strategies to commercialise the former Armscor subsidiaries and to reduce its dependence on local defence sales. The most common strategies have included diversification and conversion.

All of Denel's divisions and subsidiaries have actively pursued strategies of diversification since 1992 – some through joint ventures or alliances with local and foreign civilian firms, and the purchase of existing civilian product lines. LIW, which manufactures small arms and artillery systems, embarked on a joint venture with a civilian company, BELL (Pty) Ltd, to manufacture skid steer loaders. Somchem, which manufactures rocket systems, anti-Jarmour weapons and missiles, has entered into a licensing agreement with Tubi Sarplast from Italy to manufacture glass-reinforced polyester pipes. Simera, which manufactures fixed- and rotary-wing military aircraft, has a contract from Rolls Royce (UK) to build gearboxes for commercial aircraft engines.

Some of Denel's divisions have pursued diversification through spin-offs, by developing civilian products using existing defence technology and production facilities. This strategy has been accompanied by significant investments in R&D, new product development, and a major marketing strategy to identify new local and foreign civilian markets. Kentron, which manufactures missiles and air defence systems, has developed new civilian products including traffic engineering systems, observation systems, and plastic and glass-fibre products. Eloptro, which manufactures electro-optical equipment for military purposes, has developed civilian products such as glass-moulding and night vision equipment. Musgrave, which manufactures rifles and shotguns, has developed new civilian products including cricket bats and motor vehicle parts. Somchem has developed civilian chemical and composite material products using its defence technology and production facilities. PMP, which manufactures small- and medium-calibre ammunition, has developed civilian products including brass and copper products, drill bits and pressed parts for the motor industry. Naschem, which manufactures medium- and heavy-calibre ammunition, has developed civilian products for the mining industry and a range of plastic products. Informatics, which is the major supplier of information technology (IT) products and services to the SANDF, has become one of the largest players in the local commercial IT market through equity partnerships (Information Database Technologies) and acquisitions of civilian IT companies, such as AZ Computers.

The success of these diversification efforts has been reflected in the increasing value and share of Denel's civilian business. In

1992, civilian sales (domestic and exports) contributed about 20 per cent to Denel's turnover. By 1995, civilian sales contributed about 30 per cent. In terms of value, civilian sales increased by nearly 40 per cent in real terms between 1992 and 1995, while the value of defence sales declined by 20 per cent during the same period.

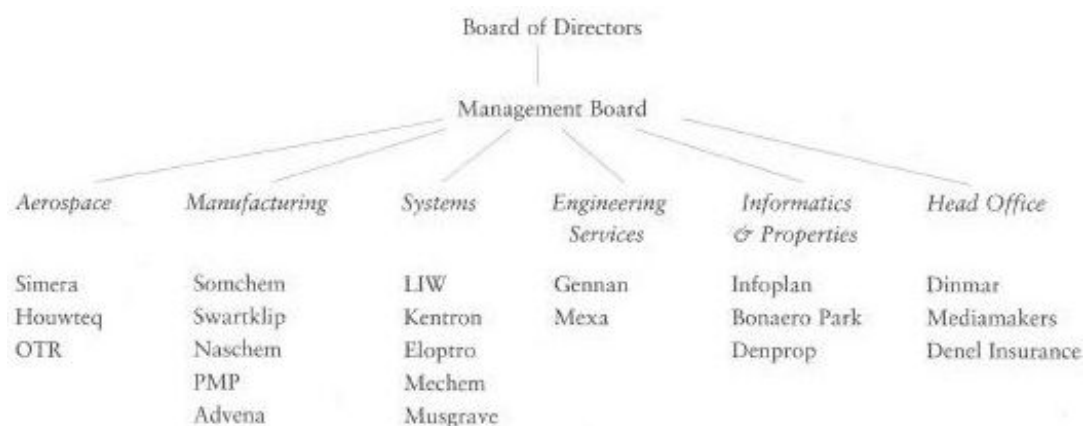
Only one of Denel's divisions, Houwteq, pursued a strategy of conversion after 1992. Having been involved in military satellites and missile launch systems, the company pursued the development of low-earth orbit satellites after 1992. During 1992 and 1993, the company developed two civilian products: Greensat (an observation satellite with remote sensing abilities) and Greensense (a resource management satellite system). Despite favourable reactions to both products from the international community, efforts to obtain an international partner or a client willing to invest proved unsuccessful, and the company's activities were terminated in October 1994. The failure of this conversion effort was primarily related to political factors, particularly South Africa's efforts to become a member of the Missile Technology Control Regime (MTCR), and not because the conversion products developed by Houwteq were commercially unviable.

Despite Denel's success in increasing the value and share of its civilian business, its diversification and conversion efforts have been inhibited by internal and external factors. Internal factors have included the management culture of Denel, which has been protected from competitive market forces, a high dependency on defence sales and defence-specific technology in certain divisions, and the fact that many of Denel's production and research facilities inherited from Armscor are commercially unviable. External factors have included a severe recession, the United Nations arms embargo (lifted in May 1994), and the absence of any clear policy direction from government on the future of the domestic defence industry.

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### Denel Organisational Structure

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Source: Deniel, *Annual Report 1992/93*

defence cuts were concentrated in the PWV region, the size and diversity of the region's economy meant that it was more able to absorb the impact than some of the country's other regional economies.

## ***Defence industrial adjustment***

South Africa's defence firms (public and private) pursued a variety of adjustment strategies after 1989 to survive the impact of the defence cuts. These included defensive strategies, whereby firms attempted to reduce their dependency on their defence business, and offensive strategies, whereby firms attempted to maintain or increase their defence business.<sup>1</sup> Diversification is defined as an adjustment strategy whereby a defence firm attempts to reduce its dependence on military business by divesting itself of military divisions or by acquiring all or part of the assets or products of civilian companies. This strategy includes mergers, joint ventures and co-production agreements with civilian companies. Diversification usually involves the broadening of a company's civilian production activities, and may be a permanent alternative to defence, or just a (temporary) complement during periods of limited or declining demand. The strategy of spin-off is a variant of diversification, with an emphasis on internal development rather than the acquisition of civilian firms or products. Using this strategy, a defence firm may attempt to develop civilian products utilising existing defence facilities.

Conversion is defined as the transfer of resources and the reorientation of productive capacities from military use to civilian purposes (Renner, 1992:32). At the level of defence firms, it involves the conversion of all or certain facilities to civilian production. It also includes the development of new or alternative civilian products using existing defence resources, the scaling down of plants and facilities, and the opening of new facilities (Southwood, 1991). Plant-based conversion involves the alternative (civilian) use of a specific defence plant's existing skills, equipment and technology to produce civilian products – swords into ploughshares (Dunne & Willett, 1992). In South Africa, the most common defensive strategies included diversification, spin-off and conversion. The most common offensive strategies included concentration and monopolisation of existing defence markets, increasing arms exports, and acquisitions and joint ventures with other defence firms.

### ***Defence industrial adjustment in the public sector***

With the restructuring of the public sector arms industry, Armscor retained responsibility for acquisition for the SADF, while Denel concentrated on R&D and the manufacture of armaments. Armscor retained other functions, including marketing support, arms control (the issuing of export permits), the sale of SADF surplus weapons, and,

<sup>1</sup>. See Brzoska & Lock, 1992; Renner, 1992; Southwood, 1991; Willett, 1990; and Dunne & Willett, 1992 for comprehensive discussions of the different types of adjustment strategies.

most importantly, overall co-ordination of the local defence industry.

In its new role, Armscor pursued several adjustment strategies: initiating and supporting technology retention and development programmes; pursuing export markets through international marketing and marketing support; introducing more competitive procurement policies; negotiating counter-trade agreements with foreign suppliers; retrenching staff, implementing internal cost-cutting measures; and expanding the corporation's client base (Batchelor, 1996). These strategies were aimed at ensuring the survival of the domestic arms industry, which in turn constituted the rationale for Armscor's existence.

From its inception, Denel pursued a number of adjustment strategies to commercialise the former Armscor subsidiaries and to reduce its dependence on the domestic defence market (Cilliers, 1994; Rogerson, 1995; Batchelor, 1996). Some of these strategies were aimed at reducing the company's dependency on its defence business and included retrenching staff, internal cost-cutting, the closure of certain production facilities, spin-offs, diversification and conversion. Some were aimed at maintaining or increasing the company's defence business local and foreign and included mergers, acquisitions and joint ventures with defence firms, and increasing arms exports. The adjustment strategies Denel pursued after 1992 were not mutually exclusive, in that the company made no attempt to get out of the defence market altogether. Instead, it pursued a dual-track approach which involved adapting to the declining domestic defence market by rationalising and consolidating its defence operations, and reducing its dependence upon the local defence market by diversifying into civilian markets and products, and through increasing arms exports (Batchelor, 1996).

Most of Denel's divisions pursued strategies of diversification in order to reduce their dependence on the local defence market. These strategies of diversification included joint ventures, acquisitions or mergers with civilian firms, the purchase of non-military product lines or licensing agreements, and the development of civilian products using existing defence technology and production facilities (i.e. spin-off) (Batchelor, 1996). These diversification strategies were accompanied by significant investments in R&D and new product development as well as by a major marketing strategy to identify new (local and foreign) civilian markets.

Only one of Denel's divisions – Houwteq – pursued an explicit strategy of conversion involving the transformation of all its resources and productive capacities to civilian purposes. Houwteq, formerly involved in military satellites, became involved in the development and marketing of low-earth orbit (LEO) satellites. However, its conversion strategy was commercially unviable and the division was closed in October 1994.

The outcome of Denel's adjustment experience after 1992 was

reflected in the trends in the company's turnover and profitability, and in the changing composition of the company's business. Denel's turnover declined in real terms between 1992 and 1995, largely as a result of the dramatic declines in the value of domestic defence business. The company's poor level of profitability was related to the commercially unviable nature of many of the assets and facilities inherited from Armscor.

#### **Denel Composition of Turnover (1992-95)**

(Figures are in Rm in constant 1995 prices. Figures in italics are percentages.)

	1992	1993	1994	1995
Turnover	3 576	3 398	3 312	3 401
Domestic defence/Total	63	53	48	45
Defence exports/Total	16	20	23	24
Domestic civilian/Total	20	24	25	25
Civilian exports/Total	1	3	4	6

Sources: Denel, Annual Report, various years

Despite this, the composition of Denel's business changed dramatically during the same period. The company's domestic defence business declined from 63 per cent in 1992 to 45 per cent in 1995, as a result of the declines in defence spending. This was offset to some extent by increases in exports (mainly arms) and civilian sales. The increasing value and share of Denel's civilian business were directly related to the company's diversification efforts.

Since coming to power in April 1994, the ANC-led government has consistently rejected the idea of privatising Denel. It has also failed to articulate a vision or strategy for the company, either in terms of its defence business or further diversification and conversion efforts. In the absence of a clear policy direction from government, Denel will continue to pursue new defence and civilian markets, while attempting to reduce its dependence on the local defence market. Its success in civilian markets will probably be limited to divisions such as Informatics (information technology), which utilise dual-use or generic technologies. Some divisions, such as LIW, which are heavily dependent upon defence business, will continue to find it difficult to diversify or convert their defence activities to civilian purposes.

#### ***Defence industrial adjustment in the private sector***

The defence cuts which led to the restructuring and commercialisation of South Africa's public sector arms industry had a dramatic effect on the private sector arms industry. The changes in Armscor's procurement policies, which entailed more competitive procurement and acquisition from abroad, together with the formation of Denel as a contractor and competitor, fundamentally altered the cosy relationship between the public sector arms industry and the private sec-

tor. The cuts in procurement spending, which led to the cancellation or postponement of major weapons projects, resulted in a dramatic downsizing of the private sector arms industry and were accompanied by declining output, profitability and large-scale retrenchments. Private sector defence firms were forced to pursue adjustment strategies to minimise the impact of the procurement cuts.

The most common offensive adjustment strategies included the concentration and monopolisation of certain defence markets, increasing exports, and joint ventures and alliances with foreign defence firms. These strategies not only helped to consolidate the monopoly positions of the country's three major private sector defence groups (Reunert, Altech and Grintek) in certain sectors of the domestic defence market, but allowed some medium-sized firms (for example, XCEL Engineering) to increase the value and share of their defence business. Most private sector defence firms embarked on export drives to offset the declining domestic demand for armaments and to find new markets for their defence products. Although there were some barriers to exporting, such as the United Nations Security Council Resolution 558 of 1984, which encouraged countries to refrain from purchasing South African armaments, many firms were successful in finding new export markets. The major defence groups, which had extensive links with multinational companies, were relatively successful in finding export markets for their products. Smaller firms with niche products (for example, Milkor) also managed to find export markets, while for some firms (for example, Northbend) arms exports exceeded the value of local defence business or replaced local defence business (Batchelor, 1996). Most firms pursued joint ventures and strategic alliances with foreign defence firms.

The most common defensive adjustment strategies involved retrenching workers, downsizing a firm's defence activities and diversification. The private sector defence industry downsized dramatically after 1989, and this was reflected in the nearly 80000 workers retrenched between 1989 and 1995. Cutting back on R&D and capital spending contributed to the under-utilisation of resources (capital, labour and technology) in the manufacturing sector. Many defence firms were operating at sub-optimal production levels with large surplus capacities. Many adopted spin-off or diversification strategies, but very few attempted to convert their defence activities to civilian use. Some firms (for example, Grinaker Avitronics) were relatively successful in developing civilian products (microwave products, voice technology products) from existing military technologies, whereas smaller firms found it more difficult to develop spin-offs because of the resources needed to fund R&D. Many of the major defence groups were successful in acquiring civilian firms or product lines through licensing agreements. Conversion was not a popular strategy among private sector firms as it was perceived as expensive and difficult.



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### Private Sector Arms Industry Sales (1992-95)

(Figures are in Rm in constant 1995 prices. Figures in italics are percentages.)

	1992	1993	1994	1995
Total Sales	1270	1298	1208	995
Domestic defence/Total	66,0	61,9	62,8	42,9
Defence exports/Total	10,8	9,4	5,5	9,0
Domestic civilian/Total	20,6	23,3	30,6	47,5
Civilian exports/Total	2,4	5,4	1,1	0,6

Sources: Armscor; *Some Statistics of the SADIA Members of the Defence Industry* (SADIA: Johannesburg, 1996)

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The private sector arms industry as a whole witnessed declines in the value of total sales, largely as a result of the cuts in defence spending. However, the share of civilian sales (domestic and exports) in total sales increased substantially after 1992. The value of private sector arms exports also increased significantly after 1992, despite a slight dip in 1994.

### **Adjustment outcomes**

Between 1989 and 1995, the size and structure of South Africa's domestic defence market changed quite dramatically as a result of the cuts in defence spending, the formation of Denel, the lifting of the United Nations arms embargo and South Africa's reintegration into the international community. The size of the domestic defence market, as measured by Armscor's total acquisition spending, declined by 30 per cent between 1992 and 1995. The share of imports increased slightly during 1995, with the lifting of the United Nations arms embargo in May 1994. Despite real declines in the value of Denel's domestic defence business, it was able to maintain its share of the domestic market between 1992 and 1995. This resulted from the company's attempts to subcontract less of its defence work to the private sector. The three major private sector defence groups (Reunert, Grintek and Altech) increased their collective share of the domestic market between 1992 and 1995 at the expense of the rest of the private sector, whose share declined quite dramatically after 1993. The private sector as a whole, including the three major groups, witnessed increases in its share of the domestic defence market between 1992 and 1994, before experiencing a dramatic decline in 1995.

One of the most significant adjustment outcomes of the declining domestic defence market has been the increase in South Africa's arms exports. Almost all defence firms have pursued export markets aggressively since 1989, and particularly since the lifting of the arms embargo. Armscor's international marketing efforts, the presence of South African defence firms at international defence exhibitions, together with the support of the ANC-led government, have contributed to the increasing value of the country's arms exports, and the contribution of

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### Structure of the South African Defence Market (1992-95)

(Figures are in Rm in constant 1995 prices. Figures in italics are percentages.)

### Structure of the South African Defence Market (1992-95)

(Figures are in Rm in constant 1995 prices. Figures in italics are percentages.)

Year	1992	1993	1994	1995
Total Armscor acquisition spending	5250	5328	4140	3652
Imports/Total	16,8	<i>17,0</i>	13,8	21,9
Denel/Total	42,9	33,8	38,4	41,9
Private sector groups/Total*	19,8	19,5	22,9	22,1
Rest of private sector/Total	<i>20,5</i>	29,7	24,9	14,1
Total private sector/Total	<i>40,3</i>	49,2	47,8	36,2

\* Includes Reunert, Grintek and Altech.

Sources: Armscor, *Annual Report*, various years; *Some Statistics of the SADIA Members of the Defence Industry* (SADIA: Johannesburg, 1996)

arms exports to manufactured exports and total exports.

The nearly 200 per cent increase in the value of South Africa's arms exports since 1989 has been accompanied by scandal. In September 1994, a consignment of surplus small arms, supposedly intended for Lebanon, was diverted to Yemen, which was involved in a civil war and was a prohibited destination for South African arms sales (*The Star*, 1 October 1994). The consignment, which included over 9000 AK-47s, 15 000 G-3 assault rifles and some 14 million rounds of ammunition, was the second part of a dual shipment, the first having found its way, illegally, to the former Yugoslavia (Cameron Commission, 1995a:38). The events surrounding these shipments led to the establishment of the Cameron Commission of Inquiry. Its mandate was to investigate the irregularities of the Armscor-Wazan deal and to comment on South Africa's arms trade policies.

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### South African Arms Exports (1989-94)

(Figures are in Rm in constant 1995 prices. Figures in italics are percentages.)

	1989	1990	1991	1992	1993	1994
Arms exports	205	163	713	405	689	604
Arms exports/ Manf. Exports	0,7	0,5	2,4	1,9	3,1	3,0
Arms exports/ Total exports	0,3	0,2	1,2	0,7	1,1	1,0

*Sources:* Armscor; South African Reserve Bank, *Quarterly Bulletin*, various issues

In November 1994, it was alleged that elements within the South African armed forces had continued to supply arms to Unita in Angola for several years after the Bicesse Accords. It was also alleged that Armscor shipped consignments of weapons, mainly surplus weapons, to southern Zaire in late 1992 and early 1993, and that these weapons were intended for Unita (Human Rights Watch Arms Project, 1994:51). While Armscor and the South African government denied the charges, it admitted that rogue elements within the defence industry and private companies could be supplying arms to Unita. In

mid-1995 it emerged that certain South Africans had sold arms to the Hutu government in Rwanda before its defeat in 1994 by the Rwanda Patriotic Front (*Mail & Guardian*, 2 June 1995). While Armscor and the South African government stopped official arms sales in February 1993, it is evident that unofficial sales continued during 1993 and 1994. The cabinet asked the Defence Minister, Joe Modise, to investigate the alleged arms sales to Rwanda to prevent any damage to South Africa's diplomatic relations. In October 1995, the Office for Serious Economic Offences began investigating certain irregularities in the commissions paid for the sale of 12 ex-SANDF Puma helicopters to Romania in March 1994 (*The Star*, 21 October 1995).

In response to these incidents the government appointed a ministerial committee in March 1995 to make recommendations on government arms trade policy and possible arms export control mechanisms (Van Dyk, 1996:5). The committee's recommendations were submitted to cabinet, and approved in August 1995, just after the release of the *First Report* of the Cameron Commission. The Cameron Commission's *Second Report*, released in November 1995, contained recommendations on arms trade policy. These included a code of conduct governing arms sales, a system of country and product classification, and an oversight role for parliament in approving arms sales. It also made recommendations on harmonising existing arms control legislation, and centralising the arms control function in a single agency or government department (Cameron Commission, 1995b:vi-xiii).

### ***The conversion of South Africa's arms industry***

The process of demilitarisation which accompanied South Africa's transition to democracy is a crucial element in the dismantling of the apartheid system. The short-term negative effects, such as job losses and the decline in industrial output, need to be balanced with the positive long-term aspects, such as the reallocation of resources to more pressing socio-economic needs and higher levels of economic growth. For the government and the private sector arms industry, the challenge is to optimise the transformation and reorientation of military resources for civilian purposes with minimal adjustment costs.

The declining domestic defence market, and the highly competitive nature of the post-Cold War international defence market, have forced most of South Africa's defence firms to pursue defensive adjustment strategies such as spin-off, diversification and conversion. Diversification efforts, which have included mergers and acquisitions of civilian firms, acquisitions of civilian products, and the development of new civilian products based on existing defence technologies, have led to higher levels of civilian sales. However, in the absence of any government support for the conversion of the country's defence resources

labour, capital and technology – defence firms have been expected to pursue conversion in accordance with market forces. Many firms' conversion efforts have met with limited success because they attempted to produce civilian prototypes of existing defence products without any real knowledge or understanding of commercial markets.

The limited number of successful conversion efforts in South Africa's arms industry is not unique. International evidence suggests that without government support and the political will to support conversion, only those companies with relative strengths in dual-use technology markets, or those at the lower levels of the product hierarchy, will find conversion relatively easy. There have been no attempts in South Africa to reproduce the classic plant-based form of conversion that was immortalised by the Lucas Aerospace Plan in Britain in the 1970s. This is not surprising, given the tremendous barriers to exit from the defence market and the presence of a severe domestic economic recession which accompanied the declining domestic demand for armaments.

The failure to reallocate resources successfully from the defence to the civilian sector suggests that the government should take a more interventionist role in defence industrial adjustment. Support for a government-sponsored conversion strategy has come from several quarters, including the trade unions, church groups and elements within the ANC. However, beyond a rhetorical call of 'swords into ploughshares', little work has been done on the formulation of a conversion policy which optimises gains from the demilitarisation process. Understandably, in the absence of a coherent defence industrial adjustment policy, defence firms will continue to pursue strategies aimed at increasing their share of local and foreign defence markets. The top-down approach implied in government-orchestrated conversion strategies has not been particularly successful in Eastern Europe and the former Soviet Union, which suggests that an alternative approach needs to be identified for South Africa's arms industry.

Political conversion concerned with demilitarising the economy and restructuring the country's industrial and technological priorities, rather than with the micro-level, technical aspects of conversion, seems to be the most appropriate approach in the South African context. The government should provide a conducive macroeconomic environment which encourages the conversion of resources from military to civilian purposes. This could be achieved through mechanisms and incentives such as tax breaks, subsidies to spin-off companies, retraining programmes for defence workers, and economic regeneration programmes for towns or regions affected by defence cuts. The government, in conjunction with industry, labour, local and regional authorities, and other interested parties, could formulate a national conversion strategy. This should be integrated with existing industrial and science and technology policies, and aim to redirect

industrial, technological and scientific resource capabilities towards meeting the country's pressing socio-economic needs.

The conversion of South Africa's arms industry is an important strategy for demilitarising components of the industrial base which were part of the apartheid military-industrial complex and which have survived into the post-apartheid era. It is the most appropriate mechanism for developing and regenerating the country's industrial base and for eradicating the destructive legacy of militarism which is still pervasive in South and southern Africa.

## ARMS EXPORTS AND ARMS TRADE POLICY IN THE NEW SOUTH AFRICA

Arms exports have become a contentious policy issue in the new South Africa. The country entered the international arms market in 1982, and during the 1980s exported armaments to its surrogate forces in Angola and Mozambique and to a number of pariah states such as Cambodia, Chile, Taiwan and Lebanon. These armaments were either locally produced or re-exports of captured or imported arms. Since the ANC-led government came into power in April 1994, various individuals and companies have been implicated in arms trade scandals. Most of these have involved small arms and ammunition rather than large conventional weapons. What is more important, the recipients of the exports have tended to be non-governmental sources (for example, opposition movements) or countries experiencing internal conflict, such as Rwanda, Angola and Yemen.

In response to these incidents, the government appointed a ministerial committee to make recommendations on government arms trade policy and possible arms export control mechanisms (Van Dyk, 1996:5). The committee's recommendations were submitted to cabinet, and approved, during August 1995, just after the release of the *First Report* of the Cameron Commission.

The Cameron Commission's *Second Report*, released in November 1995, contained recommendations on arms trade policy. While many of these recommendations have been incorporated into the government's new policy on arms trade matters, the cabinet is still opposed to some of the recommendations relating to aspects of transparency in arms sales and parliament's oversight role in approving arms sales.

### ***New Arms Export Policy***

Before the April 1994 elections, the export of conventional arms was controlled by Armscor in terms of the Armaments Development and Production Act 57 of 1968 (as amended). However, there was an anomaly in the system, in that Armscor was charged with marketing arms and issuing export permits (Van Dyk, 1996:5). During 1994, Armscor recommended that the function of issuing export permits be transferred to the Department of Defence.

Following the recommendations of the ministerial committee, a cabinet memorandum was issued on 30 August 1995 and provided details of the government's interim arms trade policy. The *White Paper on Defence*, which was approved by parliament in May 1996, contained a statement of government policy on the arms trade, and provided details of the new arms control processes and structures (Department of Defence, 1996:41-5).

The new arms control system includes four levels of control:

- a processing unit within the Ministry of Defence;
- a departmental review conducted by designated government departments;
- a scrutiny committee comprising the Secretary for Defence and the Directors General of the departments of Foreign Affairs and of Trade and Industry; and
- a cabinet committee – the National Conventional Arms Control Committee (NCACC) – under the chair of Kader Asmal, Minister of Water Affairs and Forestry. The NCACC comprises six ministers and four deputy ministers. The function of processing and issuing arms export

permits, previously the responsibility of Armscor, is now carried out by the Directorate for Conventional Arms Control in the Defence Secretariat (Van Dyk, 1996:5).

Applications for arms exports are assessed on a case-by-case basis according to a system of product classification and the government's policy guidelines. In theory, the following criteria are used in assessing each export application:

- the recipient country's record on human rights and fundamental freedoms;
- existing tensions or armed conflicts, and the internal and regional security situation in the recipient country;
- the recipient's record of compliance with international arms control agreements and treaties;
- the nature and cost of the arms to be transferred in relation to the circumstances of the recipient country, including its legitimate security and defence needs, and the objectives of least diversion of human resources and economic resources for arms procurement; and
- the degree to which arms sales are supportive of South Africa's national and foreign interests.

Theoretically, South Africa will avoid arms sales that are likely to:

- cause, or be used for, the violation or suppression of human rights and fundamental freedoms;
- contravene South Africa's international obligations;
- endanger regional or international peace by introducing destabilising military capabilities into a region, or otherwise contribute to regional instability and negatively influence the balance of military power;
- be diverted by the recipient country or re-exported to third countries;
- be used for purposes other than the legitimate defence and security needs of the recipient country; or
- contribute to the escalation of regional conflicts (Directorate for Conventional Arms Control, 1996:3-4).

While the implementation of the new arms trade policy has contributed to tightening control on arms exports (including exports of surplus weapons), there are still a number of legal, technical and political issues that remain unresolved.

#### **Legislation**

Currently, there are different pieces of legislation covering the export of conventional arms, small arms and ammunition, teargas, explosives, weapons of mass destruction, dual-use technology, space technology and nuclear technology. The Acts are administered by different government agencies. New legislation on conventional arms control is required to give legal effect to the creation and operation of the NCACC and to transfer the issuing of arms export permits from Armscor to the Directorate for Conventional Arms Control in the Defence Secretariat. The Cameron Commission recommended that arms control legislation be harmonised and rationalised, and brought under the control of one government department or, preferably, a statutory arms control agency (Cameron Commission, 1995b:25-6). *Inspectorate*

The cabinet memorandum of 30 August 1995 approved, in principle, the establishment of an independent inspectorate to ensure that all levels of the arms control process are subject to independent scrutiny and oversight, and are conducted according to the policies and guidelines in the cabinet memorandum. It is expected that the inspectorate will make regular reports to NCACC and the cabinet. By late 1997, this inspectorate had not been established.



### ***Monitoring and enforcement***

Customs and Excise does not have a mandate to monitor and control arms exports, as evidenced by the allegations of illegal arms exports to Angola and Rwanda. The Cameron Commission has recommended that government regulations be promulgated to give Customs and Excise an explicit mandate to monitor compliance with arms export controls (for example, end-user certificates). Additional resources and training need to be made available to Customs and Excise to enhance its capacity to monitor and control arms exports. The Cameron Commission has also recommended much greater inter-agency functional co-operation between the police, Intelligence, and Customs and Excise, and the establishment of a dedicated police unit for investigating alleged arms control contraventions.

### ***Transparency and Accountability***

Despite the establishment of the new arms control system, including the NCACC, information on the value, content and destination of South Africa's arms exports remains hidden from public scrutiny. Parliament, particularly the portfolio committees on defence and foreign affairs, do not have formal access to information on proposed arms sales or a formal role in commenting on such matters. The Cameron Commission has recommended that the government present an annual report to parliament, providing details of all arms sales conducted during the year, and that the relevant parliamentary committees should have a formal role in commenting on, and approving, proposed arms sales (Cameron Commission, 1995b:xi).