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THE FUTURE OF THE SOUTH AFRICAN ARMS INDUSTRY

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INTRODUCTION

This conference occurs against the background of a great deal of insecurity, instability and violence in my country, South Africa, as well as in the wider region. Southern Africa is living through challenging and changing times.

South Africa's internal racial policies, and the aggressive regional activities that were necessitated by the maintenance of apartheid were, until recently, the single greatest source of instability in southern Africa. With the imminent establishment of a legitimate and possibly a democratic system in South Africa, the question of the country's regional role, more particularly its future defence policy, has been thrown into sharp focus. Virtually all of South Africa's neighbours suffered the effects of the arms produced by the South African arms industry.

With the ending of apartheid regional priorities are shifting. On the one hand, while sub-regional co-operative ventures are now more feasible than ever before, there is appears to be a shift away from the emphasis which was previously placed on such co-operation as countries turn inward to deal with their internal problems.

Without stability, mutual trust and security in South and southern Africa, neither the region nor its member states will succeed in forging a more viable economic-, or any other sort of framework. Nor will the region attract overseas interest and investment.

What is required is a fundamental rethink on how we view security, stability and development in this part of the world

'NEW THINKING' ON SECURITY AND STABILITY

In the process of new thinking on security and stability the differences between peace research and strategic studies are fading away. According to Rotfeld¹ *'It seems that future peace research*

¹A.D. Rotfeld, *Introduction*, in SIPRI Yearbook 1992, p. 8.

will be increasingly focused on an interdisciplinary approach and non-military discussion of security.'

'New thinking' on security and stability has particularly come to include a concern over the proliferation of arms of mass destruction and their means of delivery. It implies that the sovereignty of weaker states in particular is questioned by issues which transcend those traditional concerns of the nation-state. This has been demonstrated most vividly in Somalia.

There are, of course, many issues which are simply beyond the capacity of any single state to deal with. They range from operations against piracy, terrorism and drug smuggling to ecological operations involving oil production and shipping, pollution and dumping of waste, global warming and the depletion of the ozone layer. As a result the old concepts upon which international relations have been based (the nation state, the nature of power and the national interest) have changed. *'Today, more than ever before, security is based on interdependence: it is being increasingly internationalized.'*²

This 'new concept of security', as some have called it, now also reflects upon the economic, political, military and social dimensions of the individual, the family, communities, local and national life as well as of the international community. According to the Kampala Document *'The security of a nation must be construed in terms of the security of the individual citizen to live in peace with access to basic necessities of life while fully participating in the affairs of his/her society in freedom and enjoying all fundamental human rights.'*³

These developments have not been without their impact upon strategic thinking, posture and force development. Writing the introductory chapter to the SIPRI yearbook 1992, Adam Rotfeld is concise in his statement: *'In the former security system, based on military alliances that mobilized states against a clearly defined opponent, enemies were known and menaces recognized. The security systems now sought are intended to organize states not*

²Rikhye, Strengthening UN Peacekeeping, p. 5. That Africans have already come around to this point of view is adequately recognized in the second of the General Principles of the CSSDCA which reads: *'The security, stability and development of every African country is inseparably linked with those of other African countries. Consequently, instability in one African country reduces the stability of all other African countries.'* (The Kampala Document, p. 3)

³The Kampala Document, p. 5

*against anything or anyone but rather in the defence of common values. The new system cannot be founded on a balance of power and fear but must be based on prevention of conflicts, the nature and sources of which are different from those in the past and not yet fully understood.'*⁴ The division between domestic and international security factors has been blurred. Further, the world community is demanding a more activist role in the way in which nations conduct their internal affairs.⁵

But the world has previously gone through similar periods of hope and optimism. Perhaps we should remind ourselves of Plato's famous assertion that only the dead have seen the end of war. In southern Africa conflict is all too common. It is driven by a host of burdens that the international community has ignored in its fixation with the Cold War, the level of under-development in the region and is compounded by the inability and often unwillingness of ruling African elites (of which South Africa is part) to rise beyond very narrow sectional interests.

The rapid movement towards democracy and the unknotting of controlled economies may not prove a panacea and will not by itself resolve profound domestic problems, such as severe ethnic conflicts, wide inequalities in income, or insufficient resources to meet rising demands. Poverty, lack of prospects, frustration among people of all social strata and individual alienation do not help to build democratic systems. On the contrary, they nourish anti-democratic and authoritarian attitudes, populist and xenophobic movements and a host of other menaces to democracy.

In Southern Africa there appears less a risk of interstate war than the risk of the disintegration of the various countries that collectively constitute our region. Angola is tearing itself apart and the prospects in Mozambique are not all that reassuring. For South Africa there can be little doubt that our primary security concern

⁴A. Rotfeld, *Introduction*, in *SIPRI Yearbook 1992*, p. 2

⁵The IMF and the World Bank have, for example, been increasingly clear about what it deemed 'appropriate' levels of security spending by putting an upper ceiling on the amounts that may be spent on defence and security. Internationally the deep and prolonged economic crises in many developing countries have also prompted donor and recipient countries to re-evaluate the efficacy of military expenditure. Donors, notably Germany and Japan, have begun to link aid disbursements to the behaviour of the military sector, and the recipient countries have in some instances sought bilateral and multilateral assistance in converting defence industries and demobilizing armies. Given the distortion of local economies by the diversion of limited resources (including foreign aid) to security needs, and the fact that these 'needs' were very often defined in terms of internal resistance to the government of the day, there can be little doubt that donor countries and international organisations have a legitimate case.

for the short and medium term will be an internal one. The potential for wide-ranging racial and ethnic conflict in our country is large. And we are teetering on the edge of just such a conflagration. Ethnic and religious struggles, we need little reminding, are of the worst kind. No quarter is given and none expected. Simply keeping our country together and managing conflict (as opposed to resolving conflict) may yet harness all our limited resources.

A WORD OF CAUTION

Three strategic considerations would appear prudent, and I will simply mention them. In the first place, and apart from the obvious requirement for economic growth, there is a need for the recognition that the building block for greater regional security is progress (i.e., liberalization) towards a shared democratic value system amongst the various constituent states. There is a clear linkage between the nature of the internal politics of a country and its conduct of foreign relations. This is a crucial consideration and one I will return to later in this paper.

Secondly, South and southern Africa should proceed with security co-operation on a country to country basis, or on a limited multilateral basis, i.e. we should limit our ambitions to realistic and feasible sequential steps. The early implementation of continental schemes such as the institution of an African peacekeeping force under the auspices of the OAU are simply unmanageably ambitious.

Finally we should look with increased care at the nature of our armed forces and civil-military relations within the constituent countries. Few states in southern Africa have 'mature' military forces or an indigenous professional military culture which acknowledges the supremacy of civilian and parliamentary authority over the military and an established system of parliamentary control. This is an issue which should focus the minds of both Africans and their friends from the industrialized countries and which should lead to joint and realistic strategies in dealing with these issues.

These elements are naturally insufficient in themselves to enhance both national and regional stability. They do, however, represent some of the critical building blocks for the future and provide a sufficient backdrop to turn to the main focus of the paper, namely

the South African defence industry and its national, regional and international prospects for the future..

THE SOUTH AFRICAN DEFENCE INDUSTRY - AN OVERVIEW

South African defence expenditure has never really been high by virtually any comparative international standards. It has also followed the international trend in that it has successively been reduced since 1989. Whereas South Africa spent some 4,3% of GDP on defence in 1989, by 1993 this had become 2,6% of GDP. The global average is somewhere between 4,5 and 5%. This is a massive reduction and it has had a severe effect on the South African defence industry.

Regionally only Swaziland, Lesotho, Botswana and Malawi are spending less on defence in GDP terms than South Africa. Defence spending as a percentage of Government expenditure was only 9,8% of the total budget in 1992 (16,3% in 1989), while economic services received 13,4%, education 21%, and social services 23,3%.⁶

The bulk of these cuts were achieved through the disbandment or scaling down of various South African Defence Force (SADF) units; the closure or scaling down of military bases; the reduction in national service from 2 to 1 years; retrenchments of SADF and ARMSCOR personnel; cutbacks in capital and Research and Development (R&D) spending; the postponement and/or cancellation of armaments projects; and the sale and/or mothballing or redundant/obsolete equipment. Of these, the largest savings were achieved by the cancellation of projects and cutbacks in capital spending.

The potential for further cuts in defence spending in South Africa is real, given the fact that South African defence expenditure, despite its modest slice of total state expenditure, is vastly in excess of that of any of its neighbours.⁷ In sub-Saharan Africa, apart from South Africa only Nigeria has a defence budget of any international significance. In broad terms, the South African defence budget equals that of all the sub-Saharan countries put together. This could be a threat to the region - but it could also be a source of stability and security. Whether this is possible will, in my opinion, largely

⁶A. Buys, *The case for the retention of the Arms Industry*, p. 2

⁷ In 1991, for example, at 1988 prices and exchange rates and expressed in US \$, South Africa spent \$3 081m, compared to Angola with roughly \$700m, Zambia roughly \$85m, Zimbabwe \$419m and Mozambique roughly \$100m.

depend upon the extent to which South Africa succeeds in the transition to a full democracy within which multi-party politics are entrenched and checks and balances are built into the constitutional system guarding against the misuse of power and privilege.

There are a number of caveats to this state of affairs. The most obvious is that of the internal deployment and use of the South African military in support of the police. The extent of such deployment will, for sure, influence future levels of defence expenditure. Should our armed forces, either by choice or by necessity, become embroiled in internal security issues, those limited funds available for arms procurement will be limited by the requirement to channel ever increased slices of the defence budget towards unforeseen operational or operating costs. Similarly, the reductions in personnel that the SADF has embarked upon is not a cheap exercise. The 7 000 Permanent Force members that the SADF has retrenched in the last two years has cost in excess of R350 million. Nor will the incorporation of the TBVC and other armed forces come cheaply.

The South African defence budget has, therefore, declined by 45% in four years and is set to continue to decline yet further. This has resulted in plummeting turnover within the defence industry, by 60%, and the loss of 65 000 jobs in the public and private sectors. Yet even following these massive cuts, South Africa still has a formidable although rapidly declining arms industry consisting of hundreds of companies employing approximately 70 000 people in public and private sectors. But this figure is down from 160 000 people some four years ago.

Given the current rate of decline in the Defence Force's procurement spending, the survival of the South African arms industry may presently be at stake. According to Buys⁸: *'The arms industry cannot downsize indefinitely. With high fixed overheads and declining turnover, a point is soon reached where armaments can no longer be produced economically and entire plants have to be shut down. This has already occurred in a number of instances. A Technology and Industry Survival Plan fund was established to enable the most critical capabilities to survive. Armscor also stepped up its international marketing and its own industrial concerns were transferred to Denel to enable them to enter the civilian market.'*

⁸Buys, *op cit*, p. 5

As part of the downsizing, restructuring and commercialization of the South African defence industry, the government restructured the state-owned armaments company ARMSCOR into two organisations on April 1st, 1992. A new state-owned industrial company, DENEL Pty (Ltd), was formed under the jurisdiction of the Ministry of Public Enterprises and took control of ARMSCOR's armaments manufacturing capabilities and facilities; while ARMSCOR remained part of the Ministry of Defence and retained responsibility for the procurement/acquisition of armaments and related products for the SADF, SA Police, various other government departments, international clients, etc. The formation of DENEL also allowed ARMSCOR to move towards a more competitive and market orientated defence procurement policy. In essence ARMSCOR is saddled with the 'buy-or-develop' decisions. These are often complex trade-offs and taken with the aid of an objective value system, which include criteria pertaining to technical and industrial aspects, costs and logistics.

DENEL is a public company with 100% of the company's equity owned by the state, employing more than 15 500 people. It is presently structured as a company with five industrial groups, namely the Systems Group, Manufacturing Group, Aerospace Group, Informatics and Properties Group and the Engineering and Services Group.⁹ In its first year of its operation DENEL managed to do civilian business to the value of R522 million and export R480 million worth of mostly military products out of a total income of R2 818 million. What is left in DENEL is largely the strategic hang-over of the South African defence industry. The question of the possible privatisation of DENEL, i.e. listing on the Johannesburg stock exchange, will be left to a future government.

ARMSCOR, now with less than 2 000 employees, defines its corporate mission as '*providing life-cycle service to our clients*'.¹⁰ This is achieved through the following: technology management; project management; test and evaluation; quality assurance; logistic support management; and marketing of obsolete stock. The industry

⁹These groups include the following divisions: LIW, Kentron, Eloptro, Musgrave, Mechem, Somchem, Swartklip Products, PMP, Naschem, Simera, Houwteq, OTR, Infoplan, Excelsa, MediaMakers, Denelprop, Bonaero Park, Mexa, Gennan, DMS. DENEL, **Annual Report, 1992/93**, p. 5.

¹⁰In terms of the Armaments Development and Production Act, ARMSCOR is mandated to; develop, manufacture, provide, repair and maintain armaments; exercise control over the development, manufacture, acquisition, marketing, distribution and export of armaments; negotiate contracts in the RSA and elsewhere for the development, manufacture, modification, maintenance, testing or inspection of armaments. ARMSCOR, **Annual Report, 1992, 1993**.

(i.e. that in DENEL and the private sector) does the research and development; industrialization; production; and maintenance and spares.¹¹

Having discussed the state-owned portions of the South African defence industry, it is important to realize that by far the larger part of the South African arms industry is in private hands. Some 80% of the 70 000 persons employed in the arms industry are in the private sector.¹²

It is not generally recognized to what degree the South African development of armaments has been a vital factor in the industrialization of the country. It catapulted South Africa into a designing nation status, albeit in select and limited sectors. The expertise in applied research, product design, systems engineering, quality assurance, project management and export marketing play a vital role in the total South African manufacturing sector, for although South Africa is a manufacturing nation by African standards, its high-technology sectors are concentrated in the armaments industry, electricity sector, mining and perhaps some areas of electronics. The rapid demise of the South African armaments industry has, therefore, already had a profound effect on the wider manufacturing and export oriented industry.

INTERNAL FACTORS IMPINGING UPON THE FUTURE OF THE SOUTH AFRICAN DEFENCE INDUSTRY

Any debate on the future of the South African defence industry must be cognisant of the complexity of this debate given South Africa's divided past and the role that the South African armed forces played in the southern African region.

It is little surprise that views on the South African arms industry differ quite substantially. Jackie Cock¹³ recently argued the extreme view when she stated that '*South Africa's arms industry has always been characterised by a total absence of morality. It has played a crucial role in maintaining the apartheid regime and the oppression of the majority. Furthermore its exports have helped to maintain wars and oppressive regimes around the world. ... This arms industry has always been characterized by smuggling, secrecy*

¹¹Also see T. de Waal, *Commercialisation of the Defence Industry - issues faced in the procurement of arms*, pp. 7-10

¹²*Ibid.*, p. 10

¹³J. Cock, *South Africa's arms industry: strategic asset or moral cesspool*, p. 1

and shady dealings.' She also pointed to the central dilemma facing South Africa. *'What complicates the debate is that ARMSCOR is not only viewed by some as a source of corruption and shady dealings - a kind of moral cesspool - but it is also a repository of jobs; a huge investment of tax payer's money; a source of technological expertise; for some, a powerful symbol of nationhood and finally it is the largest earner of foreign exchange in the manufacturing sector of South Africa.'*¹⁴

But despite this vociferous opposition and considerable confusion which has been created by the comments of various spokespersons, it appears as if the ANC has generally come around to the view that the South African defence industry is a national asset. Dr. Bernie Fanaroff¹⁵ of the National Union of Metalworkers of South Africa (NUMSA), for example, essentially follows a pragmatist approach, arguing that: *'The [South African arms] industry ... represents a very large investment of capital and human resources. In the struggle to restructure South Africa's industries, we cannot afford to throw away this investment.'* But he then makes the point. *'However, it is clear that SA doesn't really need an arms industry - and that a very large part of our population doesn't want one. ... The question we should be asking is: can we keep the industry's skills, technology, plant, facilities and so on, while weaning it away from arms production, when the international experience of this seems not to be very successful?'* Yet there remains a considerable divergence of views within the ANC. MK, for example, has expressed their concern that South Africa was losing a national, strategic asset which they would like to retain.

However, the question is not whether South Africa should become an arms-producing country, but whether it should remain one, and if so, under what constraints.

ARMSCOR argue¹⁶ that a South African defence industry has the following advantages:

'Strategic self-sufficiency. Whenever weapons are purchased from foreign suppliers, the purchaser becomes dependent on the supplier for spares, technical support and consumables like

¹⁴*Ibid.*

¹⁵B. Fanarhoff, *Industrial relations and the arms industry*, p. 1. Also see his paper *The Arms Industry - industrial relations and industrial policy*, p. 11

¹⁶Buys, *op cit*, p. 4

ammunition. International restrictions on the armaments trade, especially in times of crises, render a country without a local arms industry vulnerable.

Technological advantages. If all the world's defence forces had free and equal access to the same weapons, it would only be through the superior employment thereof that a combat advantage could be achieved. When one party has access to superior weapons its adversary cannot obtain, it will have a definite advantage. This advantage can often only be achieved through own research, development and manufacture of new-generation weapons systems.

Tailor-made equipment. Every country has a unique environment. Unique climatic, geographic, demographic and doctrinal circumstances require tailor-made equipment.

Logistic support. Many modern weapons systems, like fighter aircraft, require frequent industrial repair, maintenance and upgrading. War damages require even more substantial repairs by industry. An efficient and prepared Defence Force therefore requires a supportive local industry. This becomes even more vital when the country is situated far away from potential suppliers and their industrial complexes.'

There are, even by the admittance of ARMSCOR, some disadvantages associated with the local procurement of arms. Technology has to be continually upgraded and volumes have to be at a level where efficient production is possible. The development costs of new weapon systems are normally borne by the host country's defence establishment. It is therefore usually cheaper to buy weapon systems from a foreign supplier than to develop them yourself. ARMSCOR also argues that some of these disadvantages could be offset by local production under license or counter trade agreements but there is some doubt as to the efficacy of such arrangements.

Local procurement does, of course, also provide jobs; save on foreign exchange; strengthen the local industrial base; and create export markets.

SOUTH AFRICAN ARMS EXPORTS

South Africa is not alone in having to face the issue of the commercialization, conversion and downsizing of its defence industry. Nor of having to scale down and redirect its armed forces.

This is indeed a world-wide occurrence. Since the start of the massive cuts in the South African defence budget, ARMSCOR has embarked on a massive export drive, but increased exports and civilian business could only maintain some of the technology and jobs that would otherwise have been lost. It could not compensate for the large losses due to reduced South African defence spending.

At present, in an declining international arms market, South Africa only has 0,3% of the international arms market, exporting on average less than R500 million (\$166 million) worth of armaments annually. This is a minuscule proportion and effectively refutes the argument that South African arms exports have been a major source of instability in a massive and intensely competitive world arms market. Bear in mind that the global trade in arms fell by 48% between 1987-1991, from \$46bn in 1987 to \$22bn in 1991. This decline represents the worst cyclical downturn in the global defence market since the Second World War.¹⁷

The two super-powers, for almost four decades, saw the sale of military weapons and equipment as an important means to exercise control over their allies and friends, enhance political and economic influence, boost international trade balances, and adjust regional military balances to suit their interests. Together the USSR and USA accounted for nearly 70% of the total arms transfers by value in the 1980s, a fall from a peak of 80% in the late 1960s. The dilemma facing a country such as the United States is apparent when one realizes that in 1991 the US made commitment to sell \$23 bn in arms to Third World governments whereas net official aid transfers to Africa, from all sources, amounted to only \$9 bn.

One way in which the ending of the Cold War has touched many countries is in a discernible acceleration in arms transfers from the major suppliers. While the collapse of the Soviet Union left something of a power vacuum in Eastern Europe, the end of the cold war has left small vortexes of instability around the world. Uncertainty is great and the possibility of conflict is high, albeit perhaps not major wars as were seen during the first half of the century.

But in the broader international community it would be apt to characterize South African defence exports as secretive and often shady. Since the international community was encouraged to avoid

¹⁷S. Willet, *Globalisation of Defence Procurement; the logical outcome of the arms trade*, p. 1

any arms purchases from South Africa, this is not a situation that need continue under a majority government.

There can be little doubt that South Africa had, in the past, sold armaments to a number of countries which were accused of human rights abuses, were involved in internal and external conflicts and which were generally dealing in the 'gray' market. Martin Navias¹⁸ describes South African arms exports as '*... characterised by efforts to employ front and false companies, to disguise sources of supply and import, to offer no end use clauses with transferred items and to focus on other pariah states who had their own import difficulties. Joint marketing operations were set up with states and companies willing to sell South African products under another guise and the laws of many countries were broken as South African agents attempted to procure or sell weapons and weapons technologies. ... South African national security was of primary import and a pariah state had little option and far less cause to be pedantic about with whom it dealt.*' This is hardly unique to South Africa. The most lucrative defence export markets are generally in unstable and conflict-ridden regions. But a greater degree of self-imposed responsibility appears to be evident in recent years. According to Buys¹⁹, ARMSCOR's export policy is presently based on the following principles:

- Armaments are sold only to internationally recognized governments, i.e. not to guerrilla or other movements.
- Cabinet, i.e. political, control is exercised (this approval is based on international embargoes and treaties, diplomatic relations and the potential military threat they could pose to South Africa). This apparently is in the form of an approved list of recipient countries, divided into three categories - those to whom no arms may be sold, those on which there are certain restrictions and those who may buy all arms manufactured in South Africa. One could also assume that a case-by-case review is done on larger contracts.
- Armaments offered for sale must be released for export by the Defence Force.

¹⁸M. Navias, *Towards a new South African arms trade policy*, p.3

¹⁹Buys, *op cit*, p. 3

- The sale or transfer of weapons of mass destruction (NBC weapons and associated delivery systems) or the technology is prohibited in terms of the Non-Proliferation Act of 1993.
- Specified (supplier, product and recipient country) marketing permits and export permits are issued by ARMSCOR in terms of the Armaments Development and Production Act regulations (Act no. 57 of 1968). End-user certificates may be required in certain cases.

Given these assurances, ARMSCOR would probably argue that it provided arms to RENAMO and UNITA, the former Rhodesian Security Forces as well as those of the former South West Africa because this was government policy at the time and that payment for these arms came from the Special Defence Account. 'Release' occurred through the SADF, thereby leaving ARMSCOR theoretically innocent.

ARMSCOR appears to be confident that once international sanctions are lifted, South Africa would be able to increase its portion of the international arms market should a new South African government allow it to pursue an arms export policy which subscribes to the various international arms control regimes.

But greater control and transparency of arms exports is an issue pregnant with all kinds of international undertones. In a country such as India, for example, it is possible to be both anti-nuclear and anti-NPT because of the political North-South undertones in this debate. In any case, for one country to publicise its armaments development and manufacturing programmes as well as exports, and another not to do so, leaves the former at a commercial disadvantage.

In a recent paper Susan Willet²⁰ made a number of pertinent observations. Firstly, she argues, all the major initiatives on arms trade control have been dominated by the major arms suppliers, who constitute the five Permanent Members of the United Nations Security Council. But significant differences have emerged between countries such as Germany, Belgium and the Netherlands where measures have been taken to tightened restrictions on arms exports and countries such as the US, Britain and France, the major arms exporters, who remain committed to pursuing the arms trade and export maximization, at least with regard to conventional weapons.

²⁰Willet, *op cit*, p. 1

There have, of course, been a number of multilateral initiatives such as the establishment of a UN arms register which seeks to create greater transparency in arms transfers in an attempt to encourage supplier restraint in arms export policies. The arms register is essentially to enhance transparency, it is not yet a control register. Nor is it an arms production register - and therefore does not effect the proliferation of arms technology (particularly dual-use technology) and arms production capabilities.

Despite encouraging moves in this direction, the form that a common export control policy takes and the pace and effectiveness with which it is implemented are still highly questionable. Thus the decisive factor in achieving multilateral harmonisation of export regulations will depend on the outcome of the debate between those countries who support harmonisation at higher levels of control, and those who are anxious to retain their flexibility to sell arms.

Willet also makes the point that one should not underestimate the resistance to export controls, not least because the export market offers opportunities in a declining internal market. It is also obvious that the present depth of the global recession has made governments reluctant to exacerbate the unemployment situation through the curtailment of arms sales. The scale of future job losses from the contraction of the global defence industry has, for example, been estimated at about 3-4 million out of a total defence industrial workforce of 15 million. As a result a powerful defence industry lobby has emerged who stress the employment consequences of reduced arms sales to counter arguments in favour of arms trade controls. In addition, the desire to raise foreign exchange, to reduce unit costs of equipment required for national defence and to retain high technology sectors of the economy which have relied on defence sales provide a strong incentive to maintain or increase arms exports.

THE FUTURE OF THE SOUTH AFRICAN DEFENCE INDUSTRY

In contemplating the future of the South African arms industry, three perspectives come to mind. The first is the South African or national one. This includes two obvious areas, those relating to military-strategic considerations and industrial development. The second is a regional perspective, and perhaps closely aligned to that, the international attitude to a South African arms industry.

The military-strategic justification for the retention of a South African arms industry is encapsulated in the lengthy quotation from Dr. Andre Buys earlier in this paper. It revolves around strategic self-sufficiency, technological advantages, tailor-made equipment and logistic support. The same arguments and justifications can be heard in South Africa than elsewhere in the world. How a majority government will respond to these arguments is difficult to predict. However, it is one thing to be an opposition (even a liberation) party. It is another to be in power, with all the responsibilities and attractions that come with accountable power.

The South African arms industry has been supplying a large variety of locally designed and manufactured weapons systems and other items of equipment to the South African Defence Force, the Police and other armed forces. Many of these systems will still be in operation well into the next century. Only the South African defence industry will really be able to provide spares, ammunition and life-cycle support. Whatever happens to both ARMSCOR and the South African defence budget, a minimum of defence manufacturing and maintenance infrastructure will have to be retained - even if South Africa completely foregoes the export of arms.

The future South African defence force will also still require military hardware. This not only includes the replacement of obsolete equipment and the procurement of new items, but also the upgrading and maintenance of such equipment. One area within which the ARMSCOR has excelled in is life cycle extension, upgrades and conversions.

There can be little doubt that there is a (continued) requirement for diversification and conversion of the South African defence industry. Conversion entails the transformation of military resources into civil activities and production. Diversification implies that whilst commercial opportunities are pursued, these are not to the exclusion of military contracts. DENEL has obviously been pursuing the latter course of action very actively. But just how successful it would be in diversification and commercialization, and how dependent it would remain on defence contracts is difficult to judge. But given the extent of defence cutbacks, Government supported policies of diversification and conversion would appear to be needed. The bottom line is not only preserving jobs but also industrial/technological capabilities.

Regarding South African defence exports, and given the investment that has been made in the South African defence industry, there appears room for an assertive but circumscribed export policy, relatively transparent and sensitive to international security sensibilities.²¹ On both economic and strategic grounds I would argue that a new government resist pressures from within the country as well as from overseas and continue to engage in arms trading, albeit in a responsible and controlled manner. South African arms exports earn significant foreign currency, provide both skilled and unskilled jobs and exports would reduce unit costs for weapons designated for the SADF. Furthermore, as South Africa begins to shed its pariah status, it will be able to increase its market share. A decision to forego such potentially lucrative contracts would be a waste of a national asset. South Africa does not represent a major challenge to the vested interests of the larger arms manufacturers. At best it is in search of niche markets in artillery, armoured wheeled vehicles, electronic warfare and suchlike.

Should South Africa decide to engage in continued arms exports, it will obviously have to alter the style and character of its arms trading methods. Full parliamentary debate on at least the arms export policy and content as well as that relating to imports is one very basic method of affecting accountability. However, there is a level at which transparency could penalizes any local export effort and impinge upon considerations of military security. Typical of nations all over the world, a future elected South African government would soon realise that there are legitimate considerations relating to military and commercial security which impinge upon blanket transparency. Apart from compliance with restricting its clientele in accordance with international constraints and its own security interests, South Africa would also be well advised to subscribe to the UN arms register, as well as those regimes related to the proliferation of weapons and technologies of mass destruction.²²

From a regional view things look equally complex. Whereas South Africa's neighbours were dependent upon external sources for arms procurement the opportunity has now arisen for the region to link into the existing South African defence industry, should it wish to do so. I have earlier noted that any such development is dependent

²¹Navias, *op cit*, p. 1

²²This would include the Missile Technology Control Regime and force South Africa to abandon its low-orbital satellite launching programme.

upon entrenching multi-party democracy in South Africa as well as within the sub-region. But this being said, ARMSCOR has considerable experience in the acquisition of armaments and other high technology goods for and on behalf of the South African government and various of its agencies. It is not improbable to speculate upon ARMSCOR developing into a sub-regional defence and police procurement agency, providing its services to other countries in the sub-region on the same basis that it does to South Africa. In this field ARMSCOR has decades of practical experience in the acquisition field, as well as a solid reputation as a service-oriented and well-managed organisation. It already runs annual procurement of equipment and services amounting to more than R4 000 million and there is little doubt that it could readily do so for the sub-region.

South Africa is also a source of tailor-made defence equipment which it would like to sell. The wheeled, mine-protected series of transport, armoured and combat vehicles which have been developed in South Africa are arguably the best available. But the region cannot pay. In any case, there is no deficit of armaments in the sub-region - quite the opposite. And given the restrictions and size of the defence budgets of most of her neighbours, there is realistically little in terms of major defence equipment that South Africa could sell to the region. Clearly southern Africa is a limited defence market.

Yet stability and security in southern Africa must be a two way street. South Africa, and her neighbours, would be much better served by utilizing the capabilities of the South African arms industry to return its existing (largely Soviet) equipment to service, to assist its neighbours in establishing, within their territories, the capacity to maintain these systems, and generally, to put in place and develop the logistic infrastructure of the military.

Research, design and development can only occur in South Africa. However, the manufacture of certain items can occur in the region. South Africa's major contribution can be to maintain in service and upgrade the arms already in the region. According to Buys²³: '*... the regional support services should include military co-operation in such areas as training, logistic support and procurement of armaments.*' It is not in South Africa's interests to arrest a pirate

²³Buys, *op cit*, p. 1

fish trawler poaching fish off the Angolan coast. It is much more practical that Angolans do it themselves.

Turning to the question of industrial development. The South African arms industry, in the words of Bernie Fanaroff, '*... represents a very large public investment, with features which make it very valuable to the general development of our [South African] industrial base: it has the highest level of skills, excellent training facilities and systems, the best technology, the best design and development skills, the best technology acquisition skills, and the most sophisticated machining skills.*'²⁴

South Africa should retain and diversify its arms industry in the national and regional interest. Local procurement of arms is preferable above imports for a wide variety of reasons. The diversification of the arms industry can make a major contribution to the development of the South African manufacturing industry.

But at the end of the day South Africans, and the sub-region, may have to ask itself a much more fundamental question. It relates to how a country such as the United States, Britain, France, or Germany, views the role of a regional power. Is South Africa viewed as a likely source of regional stability with a calming effect in a volatile region? Or is there a feeling that a strong South Africa, with professional and effective armed forces, including an indigenous defence industry, is a hindrance or even a threat to regional stability and sustainable development?

It has often been remarked that if sub-Saharan Africa is to survive, politically and economically, it would be because of regional co-operative ventures built up around three countries, South Africa, Nigeria and Kenya. Building from these countries outwards ever-widening areas of stability and security could be an objective. The extent to which such a 'building block' approach would be supported by the international community is a crucial question. It could possibly imply the support of South African 'big brother politics' by the international community at the expense of smaller, less powerful states.

I raise this question in response to the obvious ambivalence of intentions and policies that many developed countries have in private when contemplating an ANC-dominated government in South

²⁴B. Fanaroff, *The arms industry, industrial relations and industrial policy*, p. 13

Africa. Their trepidation's go beyond consideration of the past 'friends' of the ANC, such as Gaddafi and Castro. They are part and parcel of the growing division between North and South in an increasingly unequal world.

Many influential persons in the ANC appear to have clear ambitions for South Africa to assume a leading position in a 'South', ranged against 'the North'. This is not a prospect relished by developed countries given South Africa's past nuclear weapons capabilities, category 1 status in terms of ballistic missile delivery systems and sophisticated armaments manufacturing industry.²⁵ In the corridors of power of the leading developed countries, these 'realist or pragmatic' concerns have a tendency to outweigh considerations relating to sustainable development and regional stability.

South Africans will have to decide for themselves what the true intentions of various countries and the wider international community are. From a South African, and I would argue Southern African perspective, a small, modern and effective South African defence force, firmly under multi-party, democratic control and tied into a regional security organisation would be appropriate and a stabilizing factor in an uncertain region. Within such a scenario, a small, supporting arms industry which is not solely dependent upon the South African defence budget for its survival, but engages in the legitimate terrain of international arms trafficking, complying with international regulations and stipulations in this regard, and earning valuable foreign exchange could be beneficial to the country, South Africa, and the region at large.

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²⁵The Missile Technology Control Regime seeks to constrain the export of ballistic of cruise missile technology with ranges capable of 300 km and payloads of greater than 500 kg. Category 1 technologies includes compelte rocket systems, space launch vehicles and unmanned air vehicle systems

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