

# ECAAR -- SA

ECONOMISTS ALLIED FOR ARMS REDUCTION

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## **ARMS REDUCTION AND SUSTAINABLE DEVELOPMENT:**

The South African arms deal, and civil society

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The 1977 decision by the United Nations Security Council to impose an arms embargo against apartheid South Africa ranks as one of the most important events of 20<sup>th</sup> century diplomacy. The world community judged abuses of human rights in South Africa to constitute a threat to international peace and security, and overruled Article 2.3 of the UN Charter. In so doing, the decision finally gave the human rights of people priority over traditional notions of sovereignty of states.

It has taken more than fifty years since World War Two to establish the International Criminal Court to bring to justice perpetrators of war crimes, genocide and crimes against humanity. Here in South Africa we continue to celebrate our relatively peaceful triumph over apartheid, our transition to democracy and our constitutional commitment to human rights. Yet the struggle is still far from complete in South Africa and around the world.

Kofi Annan commented a year ago during the World Conference Against Racism in Durban that international civil society began to develop its strength with the struggle against apartheid. Nothing is as environmentally destructive as war, hence the imperative at the World Summit for Sustainable Development to commit the international community to the abolition of war. The armaments industry that instigates wars is an industry-out-of-control that contributes nothing to the world but human misery. Disgracefully, the armaments industry is aided and abetted by governments.

Economists Allied For Arms Reduction (ECAAR) was established in 1988, and now has affiliates in twelve countries including South Africa. Of the very distinguished economists on its board of trustees, eight are Nobel laureates. Our purpose is to promote objective economic analysis and appropriate action on global issues relating to peace, security and the world economy. We support and work for policies and institutions so that change within states can be achieved through peaceful democratic processes, and that international disputes can be managed without war.

ECAAR-SA has led the opposition by civil society to our government's intentions to spend US\$5 billion on new armaments to be supplied by Britain, Germany, Sweden, France and Italy. We have filed applications in the Cape High Court for cancellation of the arms deal on arguments that it is strategically, economically and financially irrational and thus constitutionally unlawful. We are supported by NGOs, churches, trade unions and other voices of civil society to demand prioritization of the eradication of poverty instead of squandering public funds on armaments.

The apartheid government was armed to the teeth with nuclear weapons and all manner of military paraphernalia that proved utterly useless in "defending" apartheid against non-violent actions by the international community. Tens of billions of rands were senselessly squandered on armaments that more properly should have been invested in the development of people.

Yet the democratic government wasn't even in office when European armaments companies and governments that flouted the UN arms embargo were already peddling more weapons. Spend US\$5 billion on new warships and warplanes -- our gullible politicians were told by monarchs, presidents and prime ministers that flocked to visit the new South Africa -- and Europe will invest US\$18 billion in offsets to fast-track economic and industrial development.

Never mind that the EU Code of Conduct on Arms Exports requires consideration of the socio-economic conditions in recipient countries. Never mind that more than 50 percent of South Africans survive on US\$35 per month, and less. Never mind the HIV/AIDS disaster...

Spend US\$5 billion on weapons, our naïve government was told, and South Africa will get back US\$18 billion in offsets. These were government-to-government deals promoted by European politicians that pretended that arms sales are mere "money-for jam." Offsets were described as a "Marshall Plan for South Africa." The deal was that the Germans and French would get the warship contracts, and the British and Swedes would get the warplane contracts. The German and French governments was beholden to the German steel industry, and the British and Swedish governments were "in bed" with BAe Systems.

International experience finds offsets to be a scam by the armaments industry, with connivance of politicians, to fleece the taxpayers of both supplier and recipient countries. Offsets are prohibited under the World Trade Organisation and other government-to-government agreements, but the armaments industry manages to negotiate exemptions in terms of "national security" and "national defence" clauses.

John Major, Tony Blair, Helmut Kohl, Jacques Chirac, Goran Persson are complicit in these arrangements and should, by rights, be held to account at the International Criminal Court. The corruption in the European armaments industry is well established -- the Al Yamamah deals in England, the Dumas trials in France, the payments to the Christian Democratic Party in Germany, and the Bofors scandal in Sweden.

Corruption in the "south" usually originates in the "north," and it is well established that no industry is as corrupt as the armaments industry. The links between war and impoverishment are well established, as are the links between the proliferation of weapons and war. When we asked the British government to investigate allegations that BAe Systems was bribing South African politicians and officials, we learned that it was not a crime in Britain to bribe officials of foreign governments.

The flagship offset scheme relating to South Africa's purchase of three submarines from Germany has been the Coega deep water harbour and metallurgical centre near Port Elizabeth. Buy three submarines, and the Germans promised to build a US\$1 billion stainless steel plant to create 16 251 jobs.

Financial and environmental studies have repeatedly shown Coega to be a disaster-in-the-making dependant upon massively subsidized supplies of water and electricity. The major driver of this scheme has been Ferrostaal, whose notoriety includes payment of US\$350 million to Sani Abacha of Nigeria for an aluminium plant that was never built. Instead of a stainless steel plant at Coega, the Ferrostaal commitment has subsequently been downscaled to two small facilities and an automated condom factory at East London.

To replace the Ferrostaal stainless steel plant, the French company, Pechiney is now being sought for construction of a US\$1.6 billion aluminium smelter at Coega. Not only are South African taxpayers being expected to subscribe 50% of the construction capital, but consumers are then expected to subsidise the smelter's guzzling electricity consumption. There is massive surplus aluminium production capacity internationally, with 70 plants around the world reporting financial losses. Even more extraordinary, Pechiney will apparently qualify as an "offset" even though it had nothing to do with the arms deal.

Further compounding this madness of economic and environmental unsustainability, South Africa's excess electricity capacity is expected to end by 2005 or 2006. Another huge power station will then have to be constructed at an estimated cost of R30 billion.

Before the recent ratification of the OECD Conventions Against Bribery of Foreign Officials, the bribes were even tax-deductible as a cost of doing business. The focus until recently has been upon the recipients of bribes. Transparency International has however, recently introduced its "bribe-payers" index. A court case in Lesotho regarding corruption linked with the World Bank-financed Highlands Water Scheme has focused attention on the leading construction companies in the "north." Who is the more guilty – the prostitute or the client who ruthlessly applies the power of money?

Dams and weapons exports are by far the two largest categories of governmental export credit agency financing arrangements such as the British ECGD, the German Hermes and the French COFACE. Should our litigation against the arms deal be successful, one result will be that British and German taxpayers (rather than South Africans) will suffer the financial consequences. We hope that this prompts European civil society to question why European governments and politicians are so heavily involved in the arms trade.

There is no shortage of weapons in Africa – weapons made in the "north" for use in killing people in the "south." Angola – half a million people dead; the Congo – three and a half million people dead; Rwanda -- 800 000 people dead; Burundi, Liberia, Mozambique, Sierra Leone, Somalia....The environmental destruction of war is also well documented.

The assumption, of course, is that the armaments industry is a major creator of jobs and earner of foreign exchange, that killing people for profit is therefore good business. This grotesque notion does not stand the test of economic scrutiny. The armaments industry in all countries is capital-intensive, not labour intensive. It is also a highly subsidized industry in all countries. It diverts public resources away from priorities such as education, housing and health services into an industry which makes absolutely no positive contribution to economic development.

The notoriously corrupt Al Yamamah deals between Britain and Saudi Arabia -- in which Mrs Thatcher and her son Mark were heavily involved -- were supposed to create 75 000 jobs in Saudi Arabia. In fact, only 1 600 jobs resulted, of which 1 300 were for imported expatriates and only 300 for Saudis.

A bullet, a bomb, a fighter aircraft, a submarine makes absolutely no contribution towards economic and social improvement. At best, one prays that a bomb will never be used. Ethically, how does one explain to a mother whose child has been killed that the bullet provided someone with a job?

Study after study confirms that the armaments industry is a particularly poor creator of jobs. The definition of rational activity is that which accomplishes the goals for which the activity is undertaken. Expenditure on infrastructure development, health care, housing and education can be carried out in ways that provide double development-oriented economic benefits. Taking care of human needs also provides jobs for the part of the population that is economically disadvantaged.

In the post-Cold War era, there has been a complete reassessment of what constitutes "defence," Instead of military security intended to defend the sovereign and/or the dictator, modern thinking favours human security relating to the needs of people. The people are sovereign in a democracy. Jobs, housing, education, health services, freedom from crime, the environment are infinitely more important than fears of foreign invasion.

In South Africa this commitment to people is reflected in our Constitution which in respect of national security declares:

National security must reflect the resolve of South Africans, as individuals and as a nation, to live as equals, to live in peace and harmony, to be free from fear and want and to seek a better life.

A glance at any map of the world immediately confirms that we are fortunately the country least vulnerable to foreign invasion. Thousands of kilometers of oceans protect us to the east, south and west. Only the United States has the capacity to mount a naval attack, in which case three submarines would be utterly useless. To the north, unfortunate Zimbabwe hasn't enough petrol to fuel its own economy, let alone to attack South Africa.

ECAAR-SA's court application for cancellation of the arms deal is predicated upon the arguments that the arms deal is strategically, economically and financially irrational, and therefore constitutionally unlawful. There is no conceivable foreign military threat to South Africa. The very real threat to our security and democracy is poverty.

The arms deal was premised upon the economic absurdity that expenditure of R30 billion (then US\$5 billion) would generate foreign investment and exports worth R110 billion, and would create 64 165 jobs. It was costed at R6.25 per US\$1. In only two years the rand/dollar exchange rate collapsed to R12.88 per US\$1 before its current recovery to R10.50 per dollar. Given the rand's long history of decline, projections suggest a rand/dollar exchange rate of about R30 per US\$1 by 2010.

No one, least of all the Minister of Finance, knows what the arms deal will cost in rand terms by the year 2021 when the final payments are due. The government was warned by many authorities of the foreign exchange and other risks, but recklessly went ahead. Such recklessness fails the tests of objective rationality required by our Constitution.

The Constitution, including its Bill of Rights, is internationally unique in that it goes beyond "first generation" rights such as freedom of speech. It commits the State to:

- (section 11) the right to life
- (section 26) housing
- (section 27) health care, food, water and social security
- (section 28) the protection and care of children
- (section 29) the right to education

Section 24 regarding the environment declares:

Everyone has the right –

- (a) to an environment that is not harmful to their health or well-being; and
- (b) to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that –
  - (i) prevent pollution and ecological degradation;
  - (ii) promote conservation; and
  - (iii) secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.

There was much debate during South Africa's constitutional negotiations whether social and economic (second and third generation) rights should be included in the Bill of Rights, and whether such rights were judicially-enforceable. Arguments for including such second and third generation rights prevailed.

ECAAR-SA's litigation against the arms deal has been described as "the litmus test of South Africa's commitment to democracy and good governance." It follows litigation by the Treatment Action Campaign for provision of anti-retroviral drugs for people living with HIV/AIDS, and which the government lost in the Constitutional Court.

A declaration by about 150 NGOs at the Civil Society Anti-Corruption Summit initiative earlier this year:

- a. called on government to immediately cancel the arms deal
- b. condemned the offset programme that led to the arms deal scandal, and
- c. demanded the prioritization of the eradication of poverty before spending public funds on armaments.

It is therefore incumbent upon civil society to use the instruments available as, in our case, the Constitution. It is imperative that NGOs and other representatives of civil society remain the “watchdogs” and not the “lapdogs.” The Treatment Action Campaign marks the revival of civil society activism after the successful struggle against apartheid.

Our experience in South Africa is that once politicians savour the perks of political office, they forget almost immediately from whence they come. It is unconscionable that any government would spend public resources on warships and warplanes when the legacies of apartheid are so glaringly evident; that there is money for submarines whilst in the next breath pleading there is no money for AIDS, housing, education or jobs.

Apartheid was not only a “crime against humanity,” it was also a crime against the environment. We still do not fully appreciate the extent to which the major corporations that profited from apartheid were permitted to spew out their toxic wastes. Some areas downwind from the coal mines and power stations are said to suffer the world’s worst levels of acid rain and air pollution.

The militarist madness of the apartheid era included evicting people from their lands to create the world’s second-largest battle school at Lohatla. This is a vast area in the Northern Cape where European armaments companies continue to test their weapons. The government still refuses to return the land to the people. The excuse now is that Lohatla is so polluted with unexploded ordnances that it is unfit for human habitation. The people, not surprisingly, insist that they were evicted from “clean” land, and that they want “clean” land back. The principle that the polluter pays still needs to be entrenched.

In the heady days after 1994, we assumed that human rights would be the fundamental premise of South Africa’s foreign and domestic policies. Sadly, that assumption has proved misplaced most especially when it comes to the armaments industry. Within weeks of South Africa’s transition to democracy, the state-owned Armscor was caught peddling surplus AK-47s (Kalashnikovs) to Yemen for transshipment to Croatia. The weapons had originally been imported from China for use as part of the apartheid government’s destabilization of Mozambique and Angola.

The consequence of that scandal was that the government established the National Conventional Arms Control Committee, whose guidelines and rationale on paper were amongst the best in the world. The tragedy is that those guidelines are not enforced. The United Nations and organizations such as Human Rights Watch continue to complain about the supply of South African weapons to the Congo, to the Great Lakes region, and Angola. The government says it cannot be held responsible for the actions of corrupt customs officials or policemen who wink when these supplies pass through South African airports.

The Minister responsible, Kader Asmal, had the gall to tell Parliament in 1998 that exports of weapons to Algeria were being approved because that country had a “democratically-elected, internationally recognized government, and that the weapons would only be used for external self-defence.” South Africa’s arms export figures for the years 2000 and 2001 have just been released, but only after much pressure from Parliament and non-governmental organisations.

Exports totalled R1.385 billion in 2000 and R1.737 billion in 2001, the main markets being Algeria, Colombia, India, Malaysia and Pakistan. Yet these amounted to less than 0.7% of South Africa’s total exports and only 0.2% of GDP. The state-owned company, Denel, announced a loss of R363 million for its year 2001/2002, thus again refuting the notion that armaments manufacture is an economically viable industry.

Earlier this year the Minister of Defence was in New Delhi promoting exports of G6 artillery, and negotiating the construction of a factory to produce the shells. The G6 is arguably the world’s most advanced artillery, its technology having been pirated from the United States during the apartheid era.

It was designed to deliver nuclear and/or chemical and biological warheads. Meanwhile, South Africa is also trying to sell G6 artillery to Saudi Arabia, Oman and the UAE that might well end up in Pakistan. So we face the prospect of a nuclear war between India and Pakistan, and South Africa supplying both sides with the means of delivery.

For the past two years, a handful of NGOs successfully forced the government to withdraw legislation for the NCACC. The Minister was furious at our cheek, and determined to ram it through Parliament even over the objections of the parliamentary Defence Committee. It was passed by the National Assembly on August 20, and now awaits the President’s signature before it becomes law. Amongst the provisions of the Bill is blanket secrecy over anything to do with armaments without the permission of a competent authority – in other words, the Minister. It is a throw-back to the worst features of the apartheid era.

When we challenged the NCACC to justify exports of armaments to Saudi Arabia given that country’s human rights record, the reply was “Arabs don’t object to human rights practices in Saudi Arabia. Who are we to impose our South African values upon the Saudis!”

It is highly likely that the legislation would be struck-down as constitutionally-unlawful. It is however, a disgraceful feature that citizens and/or the media are threatened by 20 years' imprisonment should they reveal unlawful conduct by the armaments industry and/or the NCACC.

The position of the Anglican Church since 1990 and of ECAAR-SA has been to call repeatedly for a total prohibition on exports of armaments, and for the conversion of the industry to peaceful purposes. This is an industry that has no compunctions about fraudulent documentation, and the consequences of a product whose sole purpose is to kill people.

There is no such thing as a "responsible arms trade policy." Given the apartheid legacies, one hoped that the democratic government would realise that human rights in South Africa are indivisible from human rights in China, Burma, the Congo or Saudi Arabia. Unfortunately, we're not there yet.

Terry Crawford-Browne  
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