Defence economic restructuring and conversion in South Africa

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ABSTRACT: The aim is to examine issues of defence economic restructuring and conversion in South Africa. Under the new government, overall restructuring of the South African defence sector is occurring. With diminished defence expenditure, the military industry is encouraged to convert production capability to non-military products. The geographical implications of defence economic restructuring and conversion in South Africa are analysed in the context of international experience and debates. The Gauteng region emerges as the national ‘gunbelt’ of South Africa and contains an incipient military ‘industrial district’. In this particular region, the question of defence conversion is critically important for local policy makers and should be linked to new local economic development initiatives.

Introduction

Over the last decade a growing body of interdisciplinary writings has focussed on the question of the ‘military builddown’ or cutbacks on military-industrial economies (Lovering 1994; Markusen and Weida 1995). The changing global strategic environment since the close of the 1980s, most importantly the end of the Cold War and the collapse of the Warsaw Pact, has forced a major re-appraisal of military spending and significant reductions in the defence budgets of many countries (Richards 1991a, 1991b; Renner 1992). Pressures on government finance as a result of economic recession have placed an added constraint on military spending (Willett 1993a). The issue of defence economic restructuring and defence conversion currently confronts national governments in many parts of the world, most notably in North America (Markusen 1991; Aeroe 1992; Markusen and Yudken 1992a), Western Europe (Lovering 1990, 1991; Willett 1990, 1991; Harbor 1993), China (Lin 1991), Eastern Europe (Renner 1992), and, the former Soviet Union (Samorodov 1990; Cooper 1991; Renner 1992). In addition, the importance of disarmament issues and the implications of defence conversion attracts the interest of several international agencies (Ball 1986; ILO 1986; Alexander 1991; Paukert and Richards 1991a, 1991b; Richards 1991a, 1991b; Renner 1992; United Nations Institute for Disarmament Research 1993).

At the heart of debates on reductions of military spending is speculation over the ‘peace dividend’ which might be utilised to address pressing economic, social and environmental problems (Dunne 1990; Markusen and Yudken 1992a, 1992b). Nevertheless, as mechanisms for converting defence savings into a realisable peace dividend are not always clearly articulated, the danger exists that defence cuts may be turned into a ‘peace penalty’ as jobs are lost and former defence production facilities closed (Willett 1993a, p. 1). In particular, geographers and planners point out that, as military spending is highly unevenly distributed spatially, defence cutbacks and defence conversion are specially significant issues for certain geographical regions and localities, which are military- or defence-dependent (Markusen 1986; Lovering 1991; Markusen et al. 1991; Atkinson 1993; Rogerson 1995; Simmie 1995).

The objective in this paper is to examine issues of defence restructuring and conversion in the context of South Africa. Under apartheid, the goals of security policy were to maintain the apparatus of white minority control against domestic resistance and international pressure, thus a large local defence industry was developed (Rogerson 1990). With the emergence of a democratic government there is a fundamentally different approach; security is no longer regarded as predominantly a military problem but instead re-defined “as an all-encompassing condition” incorporating political, economic, social and environmental matters (Republic of South Africa 1995, p. 4). What this suggests is that security in a democratic South Africa mainly depends on social
justice, economic development and a safe environment; in other words, the Reconstruction and Development Programme, "not the defence force, is the "main means of promoting security" (Cawthra 1995a, p. 24). Restructuring of the South African defence sector is occurring and with diminishing defence expenditure, "the industry will be encouraged to convert production capability to non-military products" (Republic of South Africa 1995, p. 38). Indeed, since 1989 the South African defence budget has been substantially reduced with major cutbacks in defence equipment spending (65 percent in real terms between 1989-93) affecting the military-production sector (Defence Industry Working Group 1994, p. 33; Willett 1995, p. 155). The task in this paper is to situate the geographical implications of defence economic restructuring and conversion in South Africa in the context of international experience and debates.

**Defence conversion: the international experience**

In examining the international experience on defence cutbacks and conversion strategies two sections of material are presented. First, the meaning of 'defence conversion' is clarified. Second, a series of different approaches or 'paths' to defence conversion are identified and reviewed.

**The meaning of defence conversion**

The concept of 'defence conversion' is slippery, far from precise in the existing literature. With the end of the Cold War, "conversion has become an all encompassing concept open to many interpretations" (Willett 1993a, p. 3). For several analysts, conversion is understood simply in terms of the transformation of military resources into civil activities and production. For example, Renner (1990, p. 8) states "conversion comprehends an adaptation of research, production, and management practices in arms-producing factories to civilian needs and criteria". Other researchers, especially those associated with the ILO, argue that the issue of conversion must be more broadly focussed around questions of labour and skills rather than merely on a transformation process from military to civilian usage. ILO researchers stress that the challenge posed by defence conversion is "to make the best use of all the resources released by defence cuts, particularly the previously employed labour force, at the least social cost" (Paukert and Richards 1991b, p. 205; Richards 1991a, p. 181).

Controversies raised over defining the terms for 'conversion' underscore the point that there can be "no universal plan or 'blueprint' for arms conversion" across the international experience (Harbor 1993, p. 1). Policy responses vary according to a host of factors operating at national, industrial/sectoral and, corporate scales of analysis. It has been stressed that: "Each country must chart its special path toward a peace economy, judging the degree of government involvement desirable, deciding how much leeway to give communities and regions, and determining whether conversion should be targeted toward expanding the supply of consumer goods or providing 'socially useful' products and services like health care and education programs, public infrastructure, and environmental protection" (Renner 1990, p. 8). Another observer likewise avers that "the first lesson of conversion is to beware of 'off-the-shelf' strategies"; successful strategies for conversion "will be based on local economic, technical and political realities and circumstances, and will encompass a range of policies to deal with separate goals and problems" (Harbor 1993, p. 3).

**Three broad approaches to defence conversion**

In attempting to unravel the various threads of writings that surround defence conversion, it is useful to distinguish between three separate sets of writing which tackle the issue at different levels of analysis, viz.:

1. a macro-economic approach,
2. a cluster of micro-economic approaches, and finally,
3. a set of broader national economic and political strategies for economic regeneration (Willett 1990, 1993a; Rogerson 1995).

In essence the macro-economic approach concerns the demand side of the problem, investigating the impacts of defence cutbacks but "without considering the problems of adjustment, or simply assuming that the market will deal with them" (Willett 1993a, p. 3). By contrast, the micro-economic approach centres on supply side adjustments viewed at the scale of the enterprise, plant or community. The final approach attempts to deal with all levels in a coherent and consistent manner and to incorporate demilitarization as its explicit objective.

(1) The macro-economic conversion approach centres on the negative relationship seen between military spending and economic growth (Willett 1990, 1993). Several studies within this approach maintain that, over the long-term, military spending and the existence of a large defence industry workforce have a number of negative impacts, particularly with respect to investment patterns, the development of civilian technologies and the level and structure of employment (Paukert and Richards 1991a, p. 10). This school of writings urges that it is in the interest of society and the national economic well-being as a whole "to support the conversion of the defence industrial base to civil production" (Willett 1990, p. 471). Although it is admitted that, in the short-run,