

The spokesman said 21 farms would be affected by the building of the range.

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The spokesman said Arm-scor's austerity drive had started in 1980 when the production of ammunition and arms was at its peak.

"We are not completely and solely dependent on the economic situation, we are tied to the requirements of the South African Defence Force," he said.

Salvo reported that the big cut in the number of employees was made "through freezing new appointments, natural attrition and, where absolutely unavoidable, retrenchment".

A concerted export drive was also launched, mainly aimed at supplementing the short production runs of normal SADF requirements.

With new markets for its equipment the corporation has been able to extend some production runs. This had lowered production costs and cut unit costs, according to *Salvo*.

The spokesman said a major saving had been made by making every worker on an arms project responsible for quality.

Armstrong will not say which countries have bought its arms, refusing to comment on reports that it has sold 100 of its 155 mm G5 howitzers to Iraq.

ARMSCOR intends carving a sizeable niche for itself in the arms-export business — and at the same time it will keep the South African arms industry afloat in the face of shrinking local demand.

Armstrong chairman Commandant Piet Marais is confident this target will be achieved, particularly in the light of its performance during its first three years in the export market.

"We find ourselves in the same position as the young, golfing *dominee* who scores a hole-in-one — on a Sunday. We are proud of our achievements but by the very nature of our business we can't boast of them," he said this week.

There was no sign that the international arms embargo against South Africa would be lifted in the foreseeable future.

This made it a matter of strategic necessity to maintain a local arms industry.

However, since SADF demands were dropping in line with the success of peace initiatives, an assault on export markets was the only way to achieve this aim.



Cmdt Piet Marais

David Cumming

This would also have important implications for the South African economy at large. There were more than 800 contractors in the private sector supplying Armscor, and the industry employed more than 80 000 people. Armscor demand had important spinoffs for industry at large.

"For instance, the seamless soft-drink can would not have been available locally if our demand for the steel it requires did not make it viable for Iscor to produce it.

"The electronics industry, similarly, would not have been anywhere near as advanced as it now is, had it not been for our needs," said Cmdt Marais.

The world weapons market was highly competitive and specialised. South Africa found itself competing with countries such as the US, Canada, Britain, Italy, France, Switzerland, Germany, Belgium, Italy, Israel and Russia.

The only way it had been able to compete was to im-

prove productivity and quality control to levels not normally regarded as being possible in South African industry.

"There is a belief in industry that the standard of local labour is such that it is impossible to achieve certain levels of quality and productivity. We differ. If the correct training is applied these high criteria are indeed attainable."

Handicap

South Africa faced an additional handicap in world markets because it was regarded as being part of Africa — a continent not normally rated as a source of high-technology products.

However, its unveiling of the G5 cannon and a frequency-hopping radio in Athens had done much to dispel that image. Armscor now had a team of experienced marketing men who were placing the industry firmly on the map.

Armescor had literally thousands of products and components in its export catalogue, said Cmdt Marais.

JOHN MAREE

TM 22.2.85

Armcor and the man

Few people are able to straddle the divergent interests of the private and public sectors as effectively as Barlows' John Maree. Last week the State President awarded him the *Star of South Africa*, a decoration generally reserved for the military, in recognition of his services to Armcor. In 1981 he was nominated one of five *Sunday Times* businessmen of the year.

It's rare to receive accolades from both the public sector and private sector. It's also unusual to find an Afrikaner in the top echelons of Barlows' rarefied English air. Maree (60) may well be the exception who proves that such tribal stereotypes may be on the way out. The son of a Middelburg, Cape, doctor, today he's an executive director of Barlows and chairman of the building materials, paint and steel division — including quoted companies Robor, lascon-Evans and Federated Blaikie.

Maree served on Armcor's board for five years when, out of the blue one day in 1979, the late P.W. Botha received a phone call from then PM P.W. Botha request-

ing Maree's three-year secondment to Armcor. Barlow was unable to turn down the request and after a bit of manpower juggling in the group, Maree moved into Armcor's chair.

He won't talk about his Armcor experience or discuss the impact he made on the corporation. In cases like this it is often difficult to decide whether he is impelled by modesty or by the provisions of the Defence Act.

Probably rightly, he thinks he got the award for his successful translation of private sector management principles to a public corporation.

Maree achieved this by employing principles of efficient management like "goal-setting and the creation of a team whose members all faced in the same direction." These were lessons he learnt from a business career which included three years on the JSE, a stint as MD of Union Free State Mining and Calan before being appointed chairman of Rand Mine Properties. He subsequently became responsible for all

Barlow's property interests — a period during which he was also able to indulge his passion for gardening while supervising the development of Barlow Park.

Though cross-pollination between the private and public sectors has become more common in recent years, Maree's appointment broke new ground in the heady post-Carlton Conference days. While recognising that today top management's resources are so stretched that an interchange of skills between the two sectors is problematic, Maree believes it's a principle that should still be encouraged.

In SA, there's one manager for every 20 workers whereas in developed Western countries the ratio is 1:10. And SA's problems can only get worse as the population grows. Maree's management cadre isn't growing, and the rest of the population is, he says. "That's why I think it's essential to draw blacks into management in both the private and public sectors — presently there are no black managers in public corporations."

"One of the most important tasks facing SA management," he adds, "is the development of a management philosophy which accounts for black culture. Blacks have a culturally-determined lack of performance or achievement drive which we as managers must overcome."

"It's important for European managers to learn about black culture and find methods of understanding the black man, particularly as our economic future is dependent on solving black productivity problems."

SA's low productivity rate, he maintains, is one of the major reasons for high inflation and the weak rand. It's these factors which make him pessimistic about the possibilities of bringing down inflation to the level of SA's trading partners.

As Chairman of the Commission of Inquiry into Iscor, Maree spends a good deal of time wheeling and dealing on his car phone while commuting between Johannesburg and Pretoria. When he's not tending his three acres in Hyde Park, he's probably discussing business on the undulating fairways at the River Club, of which he is president.

An ardent admirer of P.W. Botha, Maree is perfectly comfortable with the current pace of political change. However, he feels government's immediate economic priority must be to balance the Budget properly.

He's absolutely adamant the Defence Budget should not be cut: "If change is to take place by consensus then we'd better see that we can protect our rich country by bringing about change without outside interference," he says.

... we can't keep borrowing



ARCHIVE FOR JUSTICE

Peaks
Talks on move still under way'
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AMENTS
CITZ 17.11.84

Armcor curbs costs

Profit motive is a good enough reason for most businesses to keep costs under control. But as profits are not the main priority for SA armaments supplier Armcor, it has had to devise other methods of measuring its cost-effectiveness. This need became apparent during the last few years — a period in which Armcor became one of the biggest manufacturing organisations in the country. The company procures for the SA Defence Force will cost the taxpayer R1,62 billion. Of this, some R720m will be managed by its own subsidiaries which employ 23 000 people. The main reason for the focus on cost-cutting, thanks to Armcor's own success in supplying a backlog of military orders have stagnated. This is a differentiation from the times immediately after the United Nations embargo in 1977 when one official puts it, "we were hell-bent on production with productivity a low consideration." Since then, to meet the country's arms needs and to expand its capabilities, Armcor has had to adopt a policy which must be a cost-accounting nightmare. Most manufacturers, which do not have production facilities unless they are profitable sales volumes, it is not obliged to tool up for small short production runs of sophisticated products. What often happens is that these facilities are kept in constant readiness for production even when all firm orders have been filled. In a similar situa-

tion most manufacturers would simply decommission the plant involved. It is also forced to tie up much of its resources in holdings of strategic stocks. While three months' supply of materials and components may be reasonable for most civilian manufacturers, Armcor holds up to four years' supply of some items which are not easily available in SA. Over and above this it has high research and development costs and maintains one of the biggest and most rigidly enforced security systems in the country. Not only does this incur direct costs but it also hampers productive activities. Armcor claims that its own yardsticks to measure the utilisation of production inputs have helped greatly in improving efficiencies over the last three years. One of these is the cash investment ratio which indicates the level of investment as a percentage of the organisation's cash flow (see graph). Performance on this index has improved partly through a reduction of stock holdings, says GM of internal production Johan van Vuuren. "We cut stock levels without affecting our capability by simply designing-out certain imported components and raw materials in our products," he explains. "We either produced a substitute of our own or we redesigned the entire product to do without the item in question." Other measures which improved cash investment ratios were the implementation of a manufacturing resource planning programme, a more rational economic evaluation of new projects and a centralised cash management and cross-financing system

for Armcor's eight manufacturing subsidiaries. Van Vuuren says Armcor has also improved its performance on a cost of sales index, which measures the cost of sales excluding depreciation and financing as a percentage of sales revenue (see graph). Inventory turnover has also improved (see graph). Price increases have been well below the rate of inflation, says Van Vuuren, and this was made possible by measures such as a critical analysis of all costs and functions in the organisation in terms of their contribution to declared goals and the use of computer-aided design techniques. Other measures were improvements to factory layouts, better training schemes and the merging of Somchem, which produces explosives and rocket propulsion systems, with the Kentron arm which produces artillery rockets. **Quality** One of the most important measures was the "first time right" quality control programme. This drive was aimed at reducing the costs of sub-standard, rejected products by increasing the effort and expenditure to prevent them being made in the first place. In some cases, the programme was a great success, as demonstrated by the performance on the index of quality costs as a percentage of sales by Armcor's small arms and gun manufacturer Lyttelton Engineering Works (see graph). "The successes we have achieved in all these areas are mainly due to the dedication and enthusiasm of our subsidiary managers working in close co-operation with

Armscor hints at back-door arms buys 'if necessary'

African arms group, has implied that clandestine buy arms in spite of embargo Africa.

September edition, the monthly magazine, Executive General of Armscor, Bell, said the embargo was wrong every country to defend it-

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operate," Mr Bell said. "It is, therefore, not surprising that the media frequently speculate about Armscor's alleged purchases (and more recently, alleged sales).

"The public has the right to know how Armscor administers the funds allocated to it and although we respect that right, it is understandable that Armscor's and the Minister of Defence's standard reply to questions of this nature has been a firm 'no comment'," said Mr Bell.

He said this approach left the activities of Armscor and its employees shrouded in secrecy, but when the corporation entered the international market as a seller rather than a buyer, there was a change in attitude.

"This change necessitated a more open approach towards the international Press and as a re-

er he was a "one-pipper".

At home and in business he continued to pursue his first love and already beginning to make a contribution to agricultural economics — joining local and national agricultural organisations, studying the business of farming.

But while Lieutenant, then Captain, then Major Marais was making his choices, he could not escape the choices of others. In 1961 he was appointed commanding officer of the De Aar Commando.

"At that time, they wanted to do a lot of reshaping of the commando and there-

sult, many articles describing our products were published, both at home and abroad."

Mr Bell said that when an Armscor matter was secret, the corporation would protect it with all its means. Similarly, when a matter was not secret, no-one would be permitted to hide behind secrecy "no matter how embarrassing it may be for the individual or for Armscor. — Sapa.

ly. The style was integral to his management philosophy; it shapes Armscor today.

The success of the De Aar Commando — and of his papers — won him the Southern Cross Medal, at that time given only to Permanent Force officers.

By 1968 he had completed several advanced courses at the Military College, was president of the Cape Agricultural Union and a member of the executive of the South African Agricultural Union.

On a July day he was out in the fields when the call which changed his life came through.

"My wife took it. When I got back to the house, she told me a call had come through from Pretoria and I was to call back. I thought it was something to do with the commando work.

"I rang the number and found myself talking to the Minister of Defence, Mr P W Botha. It was a complete surprise.

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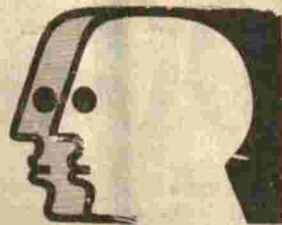
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The sheep farmer who controls the Armscor tiger

Room 28.4.84

SOLDIER, farmer, manager, communicator, economist. Commandant Piet Marais, chairman of Armscor, is all of those things.

Some time back he was called "the armoured of the warmonger". The Russian newspaper *Isvestia* coined that particular description for him.



PROFILE

PAUL BELL

General Magnus Malan
commander of the war

reputation for tough rugby. ly. The style was integral to his management philos-
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knew he was trapped; he couldn't walk away. So he went to a second meeting, and a third. "That went on for 66 board meetings."

In 1970 he was appointed chairman of the PMP board, and joined the Armscor board. In 1971 he was appointed to the then Armaments Procurement Board.

Slowly, he and his colleagues were drawing together the various threads of armaments and munitions manufacture, using existing facilities in the private sector.

He now also serves on the board of Volkskas Bank, Saambou Nasionaal and is chairman of the national mohair co-operative.

It makes for a busy day. He spends 80% of his time at Armscor, attends other board meetings, flies to Cape Town once or twice a week for consultations with the Minister of Defence and gets down to Nuwejaarsfontein as often as he can.

He rises at 6am, usually leaves his townhouse in Groenkloof to be at work at the Armscor building in Visagie Street by 7am and gets home after 9pm most nights.

He reads non-fiction or scientific works, and much time goes to armaments literature. For flying, he tucks a Louis L'Amour into his hand luggage.

Other personal notes: married to his wife Deborah for nearly 35 years, with a daughter, two sons and five grandchildren.

When he took over at Armscor, South Africa had just returned from its bruising encounter in Angola. A year later, the United Nations introduced the arms embargo.

"People still don't appreciate what the embargo meant to us then, and Angola showed we were simply not equipped to deal with the Soviets."

Now Cmdt Marais had to focus his diverse experience on the job of shaping armaments development.

The success of the De Aar Commando — and of his name, began in 1954.

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"Would I join that of Pretoria Metal Pressings? They were having a board meeting in a fortnight and could I be in Pretoria to attend?"

"I couldn't say no over the telephone. I thought: 'Okay, I'll go,' and then tell them: 'No, this isn't for me.' I had no interest whatsoever in industry then."

He went. "We found that the management had severe problems. I opened my mouth — opened it big, I suppose — and told them: 'Hell, chaps, you can't work like this!'"

Having criticised the operation, Cmdt Marais

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"I never accepted for a moment we couldn't do this job. We had heavy equipment experts telling us (he gestures to a model of the 5-6 mobile gun on his windowsill): 'You can't put 32 tons of steel on rubber wheels, then move it at 0km/h. You can't control it.

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"I often tell people, on sheep farmer from Karoo would be dumb enough to know when he can't do a thing."

Management has always interested him greatly. He to use people to achieve objective. Armscor was in a super-challenge.

Cmdt Marais' prime get is human material. "The formula for management has always been the same. Concentrate on the strong points of a Nobody's perfect, but put a man in where

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g: "Kaffir wars," in her spent time ang the Second War, his father Bo the army in v in the early W

campaign of the First World War. "It's in the blood."

He hasn't considered retirement, but "when the Government tell me I've had enough" he'll return to the farm.

His objective now is to give greater permanence to the arms industry, to expand the international market for South African weaponry and to keep ahead in technology.

"It's like riding the tiger," he says.

Thus far, he and Armscor appear to be in no danger of falling off.

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full-time development staff who devise new systems and products for our growing markets," says Steyn.

Grinel's world-first frequency-hopping radio and other electronics developments for the SADF have led to increased exports, and the resulting economies of scale have led to better profitability, lower product prices and improved quality, says Steyn.

Grinel has won Armscor's export marketing achievement award every year since inception. "Export sales increased 50% in the last year and I expect their contribution to total turnover to move from 10% this year to at least 50% in the next five years," says Steyn.

GH also owns 47% of the Siltek electronics group which operates in the communications field. "The two electronic groups should produce more than a third of GH's turnover, which was running at R420m last year, in 1986-1987," says Steyn.

the building of the range.

PAUL BELL

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Town. Although "La Somme" was in good repair, the main was to work to an extremely tight schedule in unfavourable weather. Nevertheless, La Somme was ready to sail again after only three weeks. The French were so impressed with the quality of the team's work that they have since sent a second vessel, the "Centaure", to South Africa for repairs.

Both these projects were beneficial to the maritime industry in several respects. Jobs were created and South Africa earned valuable foreign revenue.



As usual, the Chairman's Award function was attended by a large number of VIP's from the defence industry. The picture shows Dr Seshi Chonco, Managing Director of Denel, and Mr Zoli Kunene of Kunene Bros with Mr Ron Haywood, Executive Chairman of Armscor.

Multiple-emitter environment simulator

Before an electronic-warfare system can be deployed in battle, it has to be thoroughly tested to ensure that it performs to specification. This is done using a multiple-emitter environment simulator, or MEES system, to simulate complex enemy radar signals. Sanctions and budget limitations had made the few existing Mees systems in the world inaccessible to South Africa, so

is probably the only one of its kind in the southern hemisphere to simulate a threat scenario in real time

Industry performance measurement system

The winning project in the non-technical category of the Chairman's Awards was a system developed to measure defence industry performance. Armscor works in close collaboration with the SANDF and industry to produce sophisticated armaments. Management of the business between these three concerns needs to be continuously monitored to ensure that it is operating at an optimum level.

In 1996 Jan de Necker, Gerhard de Coning, Pieter Burger and Carl Hafele were appointed to develop a model which could be used to accurately measure the defence industry's performance in the production of armaments.

The system strives to determine the amount of added value to be gained in terms of quality, service, time and cost. The team identified six elements by which industry can be measured: cashflow, roll-overs, line-ups, quality performance, penalties, and quotation time. Each element is allocated certain percentage points from which the contractor's performance is calculated.

The first element, cashflow, plays a major role. Effective cashflow is proof of proper planning.

Roll-overs are the result of cashflow not realised in a given year. Contractors who have roll-overs year after year must be identified and steps must be taken to restrict these roll-overs to a minimum.

Line-ups are available funds which are unnecessarily held within the computer system and which cannot be used for any other projects.

Quality performance is based on the number of items that pass with first acceptance, penalties are what a contractor is fined for non-performance in a financial year, and quotation time is the period from when the contractor receives the request to



The Minister of Defence, Mr Joe Modise, delivering the opening address at the Chairman's Awards function.

The technology established in this project can also be used to detect hidden substances such as explosives and minerals. Negotiations are already under way with a local company to use the technology to detect hidden minerals in smuggling operations.

Modern air defence system

One of the most difficult threats for an army to counter is an attack from the air. When in 1992 the South African Army realised the need for a new and modern air defence system, it initiated a project to establish, maintain and demonstrate the South African air defence industry's capability to support the needs of the National Defence Force.

Included in the project team were Hanlo Pretorius of Armscor, Lt Col Gary Francis of the SA Army, Dewald Visser of Altech Defence Systems, Mike Movius of Reunert Defence and Paul Schutte of Kentron.

Project requirements stipulated by the client were to develop and integrate surveillance sensors, target tracking sensors, a remote fire control unit and various weapon systems into an accurate quick-reaction air defence system. The system had to be field-evaluated in simulated air attack scenarios.

To meet this challenge, the team worked closely together to ensure that a strict design and development methodology was maintained, despite a continuously decreasing technology budget and limited resources.

The last phase of the project required a missile launch capability to be added to the fire control system. Kentron's new-generation surface-to-air missile was integrated as technology demonstrator, and a joint-development contract was concluded with Swiss manufacturer Oerlikon Contraves for a towed anti-aircraft missile launcher.

The successful development of the complete integrated air

defence system, which provides the basis for solutions to the SANDF's point-target air defence requirements, has demonstrated that the local air defence industry is a worthy contender in the world market for complex air defence systems.

Kentron's new-generation surface-to-air missile was integrated as technology demonstrator for a missile capability

Refurbishment of foreign naval vessels

Over the years, Armscor has earned itself a reputation as a supplier of reliable weaponry and related products. It was not surprising, therefore, that when two foreign navies needed refurbishment work done to their vessels, they opted to look no further than South Africa's shores.

The first request came via Denel for the refurbishment of the Gabonese Navy's replenishment vessel, the "El Haj Omar Bongo", while the second project involved the repair and maintenance of a French naval vessel, the "La Somme", stationed in the Indian ocean.

The team of Bill Smith, Dirk Muller and Johan Grobler of Armscor, Pieter Koekemoer of Denel, and Salvo Cutino and Andrew MacMillan of Dorbyl was appointed to carry out the

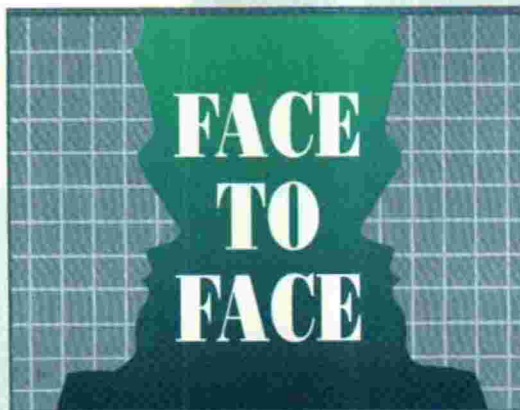


The winning team in the technical category: Petrie Marais (holding the trophy), Dr Deon Joubert (centre), and Maj Gen Runus van Rensburg (right) with Mr Ronnie Kasrils, Deputy Minister of Defence (left) and Mr Ron Haywood, Executive Chairman of Armscor (second from right).

Omar Bongo project. Bill Smith, Johan Grobler, Salvo Cutino and Commander Willie Holt of the S A Navy Dockyard took care of the French project.

It was the first time that Armscor's maritime division had undertaken work of this nature and magnitude for a foreign navy.

When the ship arrived at Cape Town harbour, it was in an extreme state of disrepair. The entire refurbishment project



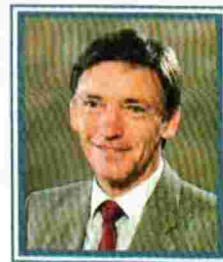
with
Chippy Shaikh,
Chief of Acquisition
in the Defence Secretariat

In the restructured defence family, the Defence Secretariat's Chief of Acquisition forms an important nodal point between the Secretariat and Armscor

Salvo: Could you sketch for us your position and function as Chief of Acquisition in the restructured Department of Defence?

Certainly, but I think there are one or two background issues which arise from the very thorough Defence Review and from the White Paper on Defence that we should get clarity on before we can really discuss my function. It is important to bear in mind for instance that we now have a constitutional imperative as regards civilian control of the military function. Since this control flows from the constitution, it is not vested in one man or one body – it is institutionalised in that the whole system is structured with that idea as a starting point. The principle of civilian control of the military is the basic factor underlying the function of every division in the Secretariat for Defence, including the Acquisition division.

*By Don Henning
Corporate Communications
Armscor*



However, we must now take this idea of civilian control and ask ourselves what it really means – what do we want to control? To my mind, civilian control is all about drawing a balance between that which the military feel is their right to do and that which the general public feel is their right to question and check. Where acquisition is concerned, we need a balance between the military's decisions on the buying of new equipment and the taxpayer's need to be sure that his money is spent responsibly. The taxpayers pay for everything, so they have the right to lay down certain do's and don'ts. Someone has to check on those do's and don'ts on their behalf, so they empower the Secretariat, via Parliament, to do it for them. Thus the Secretariat is responsible to Parliament for policymaking, for budgeting, and for monitoring and controlling the system. Because of events during the recent history of the country, where the military got involved in politics

and internal suppression, the taxpayer has little faith in the military stating and controlling their own requirements. The military are structured in a particular way and tend to take their lead from the top down – orders are not questioned to the level and depth that civilians would like to have them questioned. Civilians are less hierarchical and tend to take their lead from what the public wants.

So we end up with a "marriage" between a civilian Secretariat and a military SANDF. A marriage works best when the relationship between the parties is formalised in the shape of an ante-nuptial contract. In our "marriage", the relationship is formalised by the existence of and a defined structure for the Secretariat.

It is against this background that the transformation team set about re-structuring the Department of Defence. They identified 18 different functions or areas and thus set up 18 divisions. Among these function areas are policy, finance, and acquisition. At this point I think we should note two things. One is that the Secretary is the Accounting Officer. He presents the budget to Parliament and is held accountable for expenditures. The other is that the Secretary is the Head of Department of which policy-making and implementation are of paramount importance. One needs to bear in mind that acquisition policy is not determined by the Chief of Acquisition – it is written by the Chief of Policy and Planning. We'll come back to this point later.

One of the other objectives of transformation is to enable the Department to spend more money at combat levels. At the moment we are top-heavy, in that we spend more money at headquarters level than at the level where the soldier has to fight. We also spend more money on supporting functions than on main-line core functions. Our spending must be better pro-

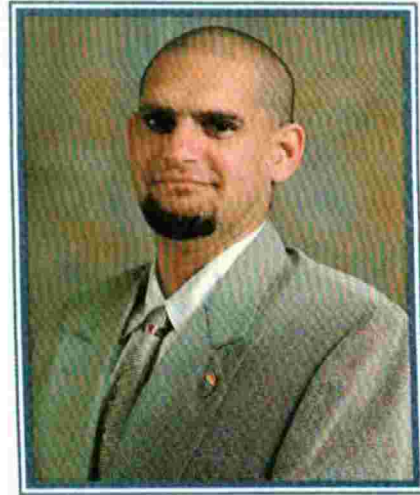
*Acquisition policy is not
determined by the Chief of
Acquisition – it is written by
the Chief of Policy and Planning*

portioned between core activities and support activities. We are also looking at ways to eliminate the triplication of the acquisition function in the restructured arms of service. We should be able to merge these functions, bearing in mind of course that each head of an arm of service will still have the responsibility of stating his own equipment requirement and technical needs.

Who takes the real decisions on the buying of equipment?

The real decisions are taken in the acquisition fora. There are three fora at various levels from the Minister of Defence at level zero and one down to levels two and three. Which level approves a particular acquisition project depends on the value and political nature of the project. But in the fora, four groups are always represented: the Ministry of Defence, the Chief of the Defence Force and the Chiefs of the various arms of service, the Secretary for Defence, the Defence Secretariat members, and Armscor. By working in this organised way we obtain

consensus on what needs to be done and avoid unpleasant allegations within and outside the Department of Defence. The fora also serve as a conduit for informing the Joint Standing Committee, and through them Parliament, of our acquisition plans and the reasons for them. Thus they become co-involved and can support the Department of Defence for instance on the acquisition of



*Chippy Shaikh,
Chief of Acquisition
with the Defence Secretariat*

corvettes. What it all means is that we function as one big team. If we leave the arms of service to go it alone in the spirit of "leave me alone, it's my department", we are divided in our support for a project before we get out of the Department of Defence to express our intentions to the rest of our countrymen.

Do you play any part in the fora's decisions on what to buy?

I play no part at the level of cardinal projects which are served before the Minister's acquisition council. I should like to make it clear that I, as Chief of Acquisition, have a limited say in the decisions of the various fora. At the second level of approval I have an equal say in acquisition matters like any other member of the steering board. This level approves non-cardinal projects only. In the acquisition of military equipment one spends substantial sums of money, and the responsibilities are enormous. Such decisions are better made by a collective body. Thus all decisions rest with the respective fora.

Armscor of course is still an integral part of the acquisition process...

Armscor is very much part of the process. Once the decision is taken, someone must go and find the appropriate equipment, do the contracting, manage the contract, look after the quality assurance, etc. That part of the process remains the responsibility of Armscor.

What you have described is centralised control of the acquisition process, but it seems the various arms of service each still have their own acquisition departments – i.e. the process itself is not centralised. Would you care to comment on this?

We in the department would like to move to centralised acquisition, but we cannot take away altogether the total responsibility for acquisition from the various acquisition departments of the arms of service. The arms of service are the people who

have to use the equipment to do their job. As I see it, the project officers who will work in the Acquisition Division must come from the arms of service. They could report on two different functions to two different reporting lines: on functionality to the chief of their arm of service, but on acquisition activities to the Chief of Acquisition. We wouldn't want to alienate the chiefs of the arms of service from the acquisition of equipment – in fact, we would want to bring them closer to the real decision-making and political support required for such decisions. It's another way of saying yes, they are the people who get the equipment and therefore need to have a say, but no, they don't take the final and absolute decision on the equipment they get. That decision is taken by the acquisition fora, Parliament, or the Cabinet.

Suppose the acquisition of a certain item or system has been approved. What happens then? What does your division do?

Once consensus has been reached and the decisions taken, the fora task the Acquisition Division to obtain the required equipment. The Chief of Acquisition then becomes a kind of executive-staff-officer-cum-paymaster of the fora, acting as an interface between the Department of Defence and Armscor. In other words, my division functions as a nodal point, an interface, with Armscor, who in turn does the actual contract management. In this way we hope to enhance efficiency and eliminate duplication within the acquisition process. We should be able to decrease the amount of roll-over and also decrease the amount of decision-making required, thereby decreasing the amount of control and frustration between the arms of service, the Secretary for Defence, and Armscor. It will be a streamlined process where the decision-making span is short and the actual work gets done. If we enhance the efficiency we can save money, and saved money means more equipment for the defence force. I'm hoping that the acquisition function as a nodal point will bring about this streamlining.

Do you see any particular challenges for the defence family in the future?

Yes, I do see one particular challenge: taking our defence industry and making it viable internationally. This means that we will have to help the industry to develop certain niche markets, and in this regard the government has a direct and indirect role to play. It can and does assist the industry directly through the marketing support provided by the Minister and by Armscor for example, and through general support from such bodies as the Departments of Foreign Affairs, of Trade and Industry, and of Arts, Culture and Science. Indirectly, it must stabilise the political, social and economic environment, so that the industry can function more efficiently and increase its exports. The world is our oyster, and we need to form some sort of marketing association.

We could also increase local spending on defence equipment and technology so that the industry can stabilise, but the drastic cuts to the defence budget make this very difficult.

As a civil servant I cannot challenge the cuts – I must accept them as reality and learn to adjust my acquisition division and the Department of Defence acquisition requirements to accommodate the cuts. But of course this is what transformation is trying to do: re-arrange the way we do things in order to free more money for core functions and equipment. This becomes the greatest challenge: making transformation work so that we can release funding, which can be used for equipment acquisition and for maintaining our industry and the technology we have. If we don't succeed in this, the industry will slowly shut down. It lives by rands and cents, not by strategies and policies.

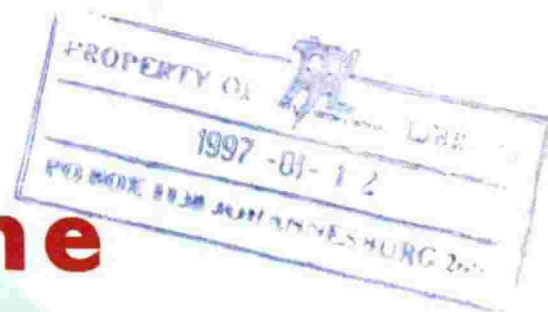
You mentioned that we would be coming back to the matter of policy determination.

Yes. It is a point on which I would like to make myself very clear. The Acquisition Division does not write the acquisition policy. It concentrates on the acquisition function as such in co-operation with Armscor. Policy is written by the Policy and Planning division, and this division also audits and monitors the various divisions to see that they stick to the laid-down policy. So Acquisition is not its own watchdog – there are checks and balances, as required by the taxpayer.

How do you see your role with respect to the maintenance of technology?

We must do our utmost to retain it. We have world-class technologies, because someone at some stage had the foresight and initiative to invest in the development of a G5, a Rooivalk and similar products. Unfortunately, when budgets are cut it becomes very hard indeed to maintain leading-edge technology, because one is then easily criticised for spending money on research and development, and accusations of subsidising the defence industry are leveled at the department. In fact, the Department of Defence is sometimes criticised for spending money on R&D which relates directly to military products. It is true that it spends fair amounts, but the critics lose sight of the fact that defence R&D is project-driven. There is no research just for the sake of research, generating volumes of paper explaining new scientific theories. We undertake R&D as a building block for equipment we need. We will develop infra-red technology because we need it for a missile, not just because we are interested in infra-red technology. Thus the research is well focused, and this makes it different from research going on in some other government sectors. We have managed to bring home this fact to some of our critics, and have managed to bring them round to our point of view or a common point of view.

When talking about technology and skills, it should be mentioned that a number of other government institutions can and do benefit from military technologies. The Defence Review actually sees us sharing technology and management skills with other parastatals and government departments such as Science and Technology as well as Trade and Industry. •



From the Minister's Desk

The Minister of Defence, Mr Joe Modise, looks back on the challenges and successes of 1997 and discusses the defence family's prospects for 1998

*Compiled by Don Henning,
Corporate Communication, Armscor*



*Mr Joe Modise,
Minister of Defence*

The year is fast drawing to a close and it is appropriate to look back and note some of the many achievements to date.

The priority during this year has no doubt been the transformation within the various elements which comprise the defence family.

There are several steps afoot to dramatically transform the defence family. At the moment the key business processes within the

Department of Defence are undergoing re-engineering. This exercise could be completed before the end of November.

However, already achieved is a re-defined Ministry of Defence. It consists of my own Ministry, including my Deputy Minister of Defence, the Office of the Secretary for Defence, the Office of the Chief of the SANDF and the Office of the Chairman of Armscor. There are also 18 Ministry of Defence Divisions, some falling under the Secretary for Defence and some under the Chief of the Defence Force.

The Department of Defence is also a new concept which came into effect on 1 April 1997. It consists of the Defence Secretariat and the SANDF. The Secretary is the Head of Department and is the accounting officer of the DOD. This ensures the principle of civilian control which flows from the constitution. (These structures are shown in the accompanying diagram.)

The Defence Policy is described in the White Paper on Defence (approved by Parliament on 14 May 1996), and the Defence Review, compiled from the White Paper, underlies all the above transformations. This Defence Review is, as far as I know, the most comprehensive review exercise that has been undertaken anywhere in the world. It strived to gain inputs from many and diverse interested parties, from defence specialists to anti-defence organisations and everything in between. My heartfelt thanks go to all those who participated to make this such a successful exercise. The contribution made by the Parliamentary Standing Committee on Defence was, I think, invaluable in maintaining the civilian interest.

Armscor of course participated very actively in the Defence Review and has also been very involved in the transformation processes.

The Acquisition Management Process itself, which is of central concern to Armscor, is still being formulated at present and should be completed shortly. Some of the interfaces, for example, between Armscor and the Chief of Acquisition in the Secretariat still need to be more closely defined. (The...

icy is in place it will form part of the chapter on the defence industry in the Defence Review. Thus the Process continues.

MODAC 1, 2 and 3, which were completed in 1996, spelt out the three different levels of control in the acquisition process. Armscor has representation at all three levels and of course the Armscor Board of Directors acts as an independent and impartial tender board for the procurement of armaments.

I have recently approved MODAC 4 which provides for a Defence Industry Marketing Support Board which will be chaired by the Chief of Acquisition and co-chaired by the General Manager Foreign Trade of Armscor. Armscor itself plays a vital role in the Market Support Organisation which will provide marketing support to the broader defence industry.

As you know, I strongly support the marketing effort of the defence industry and will do all that I can to ensure that our industry grows as a global player. It seems clear to me that successful sales to foreign governments will be very difficult without support from the South African Government. This includes my own Ministry, Foreign Affairs, the Department of Trade and Industry, the NCACC, and many others. The co-

The co-operation which is developing between all these players is very pleasing and encouraging

operation which is developing between all these players is very pleasing and encouraging.

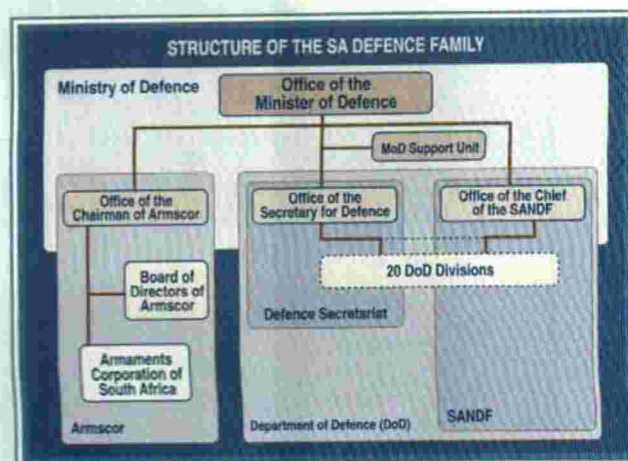
The major constraint on all the plans and the implementation of these plans at this stage remains the cuts in the Defence Budget. Nevertheless, planned activities will be converted into programmes to ensure that personnel and equipment are maintained in an orderly and economic fashion. Annual Budgets will be developed so that the whole process can be managed in an auditable and efficient manner.

One of the most promising developments for the future is the Government to Government Package Offers which have been made following the very successful conclusion of our White Paper and the first-phase Defence Review exercises. Cabinet approved this first phase on 26 May 1997.

This allows us to look at the acquisition of major defence systems to replace our present ageing equipment. A number of countries have responded by making attractive offers to supply our needs. These offers have a very strong defence industrial participation (countertrade) component which should not only enable us to satisfy our requirements but which should benefit all our people.

I have sent out a 'request for information' to eight countries, viz. the UK, Germany, France, Spain, Sweden, Italy, Brazil, and Canada. Since then a number of other countries have also shown an interest. The information should be received before this issue of SALVO goes to print and the process of making the selection of the best equipment to satisfy our requirements will move into full swing.

Promoting defence co-operation and common security in our region, Southern Africa, and beyond has been a major suc-



The present structure of the South African defence family.

cess. Coupled with this has been the consolidation of civil control over the military – vital to defence in our democracy.

We are also pleased that our Affirmative Action and Equal Opportunity programmes are now firmly established.

On another note, the previous SALVO reported on South Africa destroying 4 700 anti-personnel landmines at the Alkantpan Test Range. This reaffirmed our status as a leader in the international effort to combat the landmine problem. In fact, on 30 October 1997 members of the media were again invited to Alkantpan to witness the demolition of the remaining anti-personnel mines.

Our defence industry, under the auspices of Armscor, recently exhibited at the UN International Aid and Trade Show in New York. It is the first time we have been able to participate at such an exhibition and we were able to demonstrate to the UN and the world the contribution our equipment can make to world peace.

A last positive for this year is the fact that the ISC case with the USA has finally been resolved. The fines which were imposed have been settled and the requested Compliance Programme has been drawn up and submitted. The implementation of this programme by all players in the defence industry will be of the utmost importance in normalising defence trade relations with the United States.

1997 has held many challenges but is coming to a close on a high note. Many of the planning phases mentioned earlier have been completed or are nearing completion. In 1998 we will have to continue to implement these plans. There are still challenges ahead, but I believe we have achieved many successes in 1997, and 1998 looks to hold even more promise. Let us move towards the future with confidence.

My personal thanks for the support I received from my Deputy, Minister Kasrils, Mr Steyn, Gen Meiring, Tony Yengeni, Prof Kader Asmal, Ron Haywood, and the many other people who have assisted me during the year. The Season's good wishes to all in the Defence Family. •

We've beaten embargo, says Armscor chief

By CHRIS STEYN

South Africa's successful participation in the 1984 International Military Airshow recently proved that South Africa has finally overcome restrictions imposed by the 1977 United Nations arms embargo.

Armscor, Commandant Piet Marais, yesterday Armscor had successfully ended the arms embargo "race" with a "consolidation" phase.

Armscor has achieved important developments in the South African arms industry in the next few years — developments he said could bring clients a considerable advantage.

Armscor's participation in the Fida '84 Show was part of a pre-marketing publicity to establish Armscor as a serious supplier of quality arms.

Armscor said international arms merchants were surprised by the arms embargo put on show in Chile from 2 to March 17.

Armscor's air-to-air missile system with its "hot" helmet was by far the biggest attraction at the show.

Armscor, with the aid of the helmet, was able to aim at a target merely by

listening to the radio, developed in

South Africa to photograph them.

Armscor was represented by the Minister of Defence, Mr Pik Botha, has served to attract attention on this case.

Armscor's representatives are Mr Hendrix Jacobus Johannes de Jager, Mr Francois la Grange and Mr Willem Metelerkamp.

Armscor was given an amended licence that on or about March 6 at Johannesburg he had been engaged in the importation of gas cylinders.

Armscor's representatives are Mr Botha and Mr Metelerkamp. They were based at the White House where Mr Le Grange was arranging to board the ship.

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South Africa and described as a "world breakthrough" by overseas media, also drew "great interest".

The radios make eavesdropping extremely difficult as the transmitter and receiver are synchronised to alternate between frequencies at a very fast rate.

International buyers also displayed much interest in the Gogga mini night-sight — regarded as one of the most compact and effective night-sights in the world.

The Gogga is exceptionally light and durable.

A revolutionary South African-made 20mm cannon, which can fire 700 rounds a minute and is mounted on a Ratel military vehicle, brought many favourable comments.

Armscor also had a wide range of ammunition, pyrotechnic products and 81mm and 60mm mortars on the Chilean show, which was attended by about 40 000 people.

Cmdt Marais said the arms embargo had forced South Africa to fulfill every need of the South African Defence Force in a time of increasing military onslaught on its borders.

He said the arms embargo had "a certain motivating force" which gave South Africa the opportunity to prove it could survive in isolation.

"Armscor's products are manufactured to win wars," Cmdt Marais said.

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Armscor denies link with Mueller

Rhodes 9.12.83

By Correspondent

JOHANNESBURG. — The Armaments Corporation of South Africa (Armscor) yesterday denied it had links with the late Mr Mueller's computer company, who made this claim. Armscor spokesman for the giant corporation, a procurer of arms and equipment, said of refusing to comment on alleged arms sales or purchases. He delivered an angry rebuttal made in Washington that Armscor operations had been supervised by the South African Govern-

ment. He also denied that Armscor had any connection with Mr Mueller and his company, who had made the claim in the Mail's Washington column. Simon Barber.

Armscor was reacting to a rebuttal that there had been a twist in the developing story of Mueller's computer transac-

tion. It was told by official US Government sources that late last year the Department became interested in the computer-based concern, Micro Research Institute (MRI), which believed the institute had been involved with the SA Government's plans for a scheme to circumvent export restrictions by de-

veloping a local micro-chip industry. The sources said they had received strong evidence that MRI was officially sanctioned by Pretoria in an effort to achieve "computer independence", and thus sidestep tight US controls on military and nuclear-related technology exports to the Republic.

The Government's role included tax concessions and other incentives to promote MRI's activities, the sources said.

"It seems the South African Government had considerable confidence that Mueller could help build a home-grown computer industry. The US was not the only government he fooled," a well-placed informant revealed.

According to the sources, the State Department's suspicions were aroused when it revised its list of SA companies to which "controlled commodities" could not be exported. The new list contained "dozens of private firms" that were believed to be doing business with Armscor.

As the list was compiled, the State Department realised items being licensed for sale to MRI could be used to develop a micro-chip manufacturing capability in the Republic.

The US Consul-General was asked to check on what MRI was doing with the equipment it was obtaining. At first, US officials were granted access to the Stellenbosch facility.

In April, however, a consular request for a further inspection was turned

down. A US official, who went to investigate in person, found the premises empty, and sent an urgent cable back to the State Department.

At or about this time, the sources said, somebody with connections at MRI "squealed to us" about abnormalities in MRI's operation and said he had doubts about what MRI was really up to.

Soon afterwards, further licence applications for MRI began to be rejected, though at that stage there was not yet an inkling that the equipment was about to be diverted to the Soviet Union.

The Armscor spokesman said yesterday that his organisation took "strong exception" to "the insinuation and reference to any association or dealings with Mr Mueller or any of his companies".

"Unsubstantiated fabrications of this nature do little to foster good relationships between South Africa and the United States."

"We categorically deny that Armscor had any association with Mr Mueller or any of his companies."

"In fact, Mr Mueller is becoming an embarrassment not only to Armscor but also to South Africa," he said.

● Mrs Sieglinde Mueller left the couple's Constantia home this week for a meeting with her husband "somewhere on the Continent".

Mr John van Niekerk, the Cape Town attorney retained by the Mueller family last week, said yesterday Mrs Mueller had left by air "on a return ticket".

General

Armscor."

He discovered only after his arrest that the deals he undertook for Armscor were fraudulent.

He said he had been instructed by overseas connections not to divulge anything related to the arms deals before getting in contact with them.

On April 26, he was told by Mr Reginald Berkowitz, a Durban attorney, that Armscor denied all knowledge of the documentation he had referred to in his dealings.

Mr Stein said he met Mr Christodoulou in Johannesburg the day after he saw Mr Berkowitz.

"Mr Christodoulou said that he would get in touch with a General Joubert who in turn would throw some light on the matter."

He was advised to go to Maseru until the matter had been cleared.

Mr Stein said that instead of flying to Maseru, he went to Jan Smuts airport and

Mr Stein's alleged "contacts" in London were Coetzee and a Mr Harcourt, whom he met outside Africa House and the Strand Hotel.

During his bail application, mention was also made of Mr Stein's alleged meetings with a Mr Swarts and de Bruyn at Armscor concerning the purchase of Orion surveillance equipment — costing about R300,000 each — from the United States to replace Soviet-made equipment now in use.

ARCH

It is also alleged that in January, 1982 Mr Stein held discussions with Mr Dieter Gustav Wilhelm Ehrentauf, managing director of Ace Haniel International.

It was also alleged that supply of the arms was delayed and the treasury had difficulty in repaying the performance bonds but undertook to pay them in January.

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An extraordinary tale of secret arms deals, alleged swindles and multi-million rand international contracts, unfolded in a Reef courtroom this week. LIZ VAN DEN NIEUWENHOF reports

The odd case of Armscor



Colonel Basie Smit

SE 27.11.83

QUOTE:

He had a British passport obtained through the FNLA in Angola

when travelling to Africa to negotiate arms deals.
"I was not quite an agent," said Mr Stein. "I was purchasing arms on behalf of Armscor."
He discovered only after his arrest that the deals he undertook for Armscor were fraudulent.
He said he had been instructed by overseas connections not to divulge anything related to the arms deals before getting in contact with them.
On April 26, he was told by Mr Reginald Berkowitz, a Durban attorney, that Armscor denied all knowledge of the documentation he had referred to in his dealings.

I was advised to consult a lawyer ... Mr Berkowitz was quite helpful," Mr Stein said.

When told that Armscor had made such a denial, he remembered feeling as if his world was falling in around him.

"Since then I have lost everything ... I have nothing at all."

His estate has been sequestrated and the companies, of which he was a 50% shareholder, had been placed in liquidation.

General

Mr Stein said he met Mr Christodoulou in Johannesburg the day after he saw Mr Berkowitz.

"Mr Christodoulou said that he would get in touch with a General Joubert who in turn would throw some light on the matter."

He was advised to go to Maseru until the matter had been cleared.

Mr Stein said that instead of flying to Maseru, he went to Jan Smuts airport and

QUOTE:

Mr Stein said he remembered feeling his world falling in around him

booked a flight to London.

"Only the source in London could help me and at that stage I was worried about security."

Mr Stein's alleged "contacts" in London were a Mr Coetzee and a Mr Hasheima whom he met outside South Africa House and the Cumberland Hotel.

During his bail application mention was also made of Mr Stein's alleged meetings with a Mr Swarts and a Mr de Bruyn at Armscor concerning the purchase of 10 Orion surveillance aircraft - costing about R30-million each - from the United States to replace Shackletons now in use.

Colonel Basie Smit, the investigating officer, testified that it was believed the money in question had not left the country.

"When trying to determine what had become of it, a great deal of emphasis was put on Mr Christodoulou but Mr Stein told us that it had nothing to do with Christodoulou."

In a prepared indictment it is alleged that Mr Stein was not an agent of or authorised by Armscor to acquire equipment on its behalf.

According to the indictment, Armscor did not receive any money, directly or indirectly, from the transactions that form the subject of 11 counts of fraud Mr Stein now faces.

Fraud

One of the counts of fraud involving Mr Christodoulou as the complainant will not, however, be proceeded with because of Mr Christodoulou's disappearance.

Mr Ernie Wentzel, SC, appearing for Mr Stein, said Mr Christodoulou had produced actors to pass off as people involved in the arms deals.

Mr Stein, he said, intended leading not guilty to all

QUOTE:

The person posing as the major had no connection with Armscor

profit or commission once the goods were delivered. Delivery was meant to take place within six months of Mr Stein receiving the loan.

It is further alleged that in February, 1981 Mr Stein met with Mr Denis Howard Bieber and showed him a letter purporting to come from Armscor (dated February 3, 1981), signed "J N Coetzee", informing Mr Stein that he would receive 4% commission on the successful delivery of the merchandise listed in the letter.

Mr Stein agreed to share the commission and all future commission with Mr Bieber provided he was able to supply him with a "performance bond".

The letter said Mr Stein was to provide Armscor with half the "bond", which would be matched by the

Christodoulou said he would get in touch with General Joubert who would throw some light on the matter."

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Mr Ernie Wentzel, SC, appearing for Mr Stein, said Mr Christodoulou had produced actors to pass off as people involved in the arms deals.

Mr Stein, he said, intended pleading not guilty to all counts of fraud.

In the indictment the state alleges that during September, 1980 Mr Stein approached Mr Jeffrey Rubenstein, chairman of Rubenstein Finance Co (Pty) Ltd, and advised him that he was a government agent acting for Armscor and had secured an order for arms overseas which the government required for its defence purposes.

Mr Stein required a loan of R250 000 to be made to him personally to use as a deposit to pay the supplier.

He showed Mr Rubenstein a copy of the letter purporting to be addressed to him by Armscor regarding the order, the state alleges.

Mr Stein offered Mr Rubenstein interest as well as a

1981, signed "J N Coetzee", informing Mr Stein that he would receive 4% commission on the successful delivery of the merchandise listed in the letter.

Mr Stein agreed to share the commission and all future commission with Mr Bieber provided he was able to supply him with a "performance bond".

The letter said Mr Stein was to provide Armscor with half the "bond", which would be matched by Armscor; that payment of the "bond" was to be made to Volkskas in Pretoria and that the money would then be transferred to a Mr V Grauer of Geneva.

Mr Bieber approached various people with the proposition put forward by the accused, the states alleges.

Mr Stein eventually received R220 000 from Mr Bieber but was pressurised by Mr Bieber and the other investors in December, 1981 regarding the non-delivery of the merchandise.

Mr Stein produced a number of letters purportedly from Armscor to explain the delay.

In April, 1981, it is alleged a meeting was set up at the home of Mr Solomon Krok, director of Wardrobe Stores

end of world says top man in Armscor

Pretoria Correspondent

Economic sanctions against South Africa will not be the end of the world, but rather "the beginning of life".

This is the view of Mr Fred Bell, executive general manager of Armscor, who leaves the corporation at the end of this month to take up a new, as yet still classified, position.

"The only way to break out of sanctions is when they are applied. Before that it is very difficult to decide what to do," he said in an interview.

He said that prior to the arms embargo, South Africa had a "supermarket buying" policy.

SUBMARINES

He pointed to the fact that among the arms "lost" when the United Nations resolution was passed was a French contract to supply corvettes and submarines. But now, nearly 10 years later, South Africa was still surviving even without the submarines.

When the embargo was imposed they decided what they really needed in the weapons field and made plans to get it,

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SAFETY

ARCHIVE FOR JUSTICE

1) Large 380 L. 14 cf.

2) Frost-free both fridge



● Mr Justice D Vermooten



● Mr Eric Ellertine of Ellertine Bros



● The Armscor logo

and the actors

export division), near Johannesburg to discuss an investment by Wardrobe Stores with Mr Stein.

Mr Stein informed Mr Krok and Mr Alan Matus that he and Mr Bieber were partners and had obtained — through Mr Stein's connections at Armscor — the right to purchase armaments abroad for Armscor.

His services, says the state, were being utilised in order to circumvent the boycott existing between South Africa and overseas arms suppliers.

Mr Stein required immediately R380 000 as bridging finance to lodge with Armscor via Volkskas in Pretoria, who were acting as a clearing house for Armscor.

Agreement

Wardrobe Stores, represented by Mr Krok, entered into a written agreement on April 11, 1981 with Mr Stein and Mr Bieber to lend the money to Mr Stein.

In a second transaction on May 13, 1981 Wardrobe Stores entered into another agreement to lend Mr Stein R272 000.

It is also alleged that in January, 1982 Mr Stein held discussions with Mr Dieter Gustav Wilhelm Ehrentraut, managing director of Ace Haniel International, concerning finance for Armscor orders.

On January 20, 1982 Mr Ehrentraut agreed to lend Mr Stein R722 000.

A month later Mr Stein informed Mr Ehrentraut that the original Armscor order was to be increased and asked whether Ace Haniel would be prepared to contribute R180 000.

Ace Haniel advanced the money in two cheques made out in favour of Allied African Foods and Allied African Exports. Mr Stein was a shareholder of both.

On April 6, 1982, says the state, Mr Stein again informed Mr Ehrentraut that the original order had been further increased and that a "performance bond" of R623 250 was needed.

Insisted

Mr Ehrentraut, however, insisted on meeting the person or persons responsible for the contract at Armscor. He insisted on meeting the person or persons responsible for the contract at Armscor. He insisted on meeting the person or persons responsible for the contract at Armscor.

ing where Mr Stein pointed out a Major Neethling Coet-

At the hotel the person referred to as Major Coetzee produced a green-coloured security card to identify himself. He also handed Mr Ehrentraut an envelope containing what was purported to be an Armscor letter dated April 8, 1982, signed by N Coetzee and advising Ace Haniel that it had received R623 250 from the accused.

According to the state, the person posing as Major Coetzee was a Mr Petrus Wilhelmus Struwig, who had no connection with Armscor, and the letter had been a forgery in its entirety.

On April 14 last year, Ace Haniel allegedly advanced R623 250 to Mr Stein.

And on May 21, Mr Stein said there was another substantial order amounting to R110-million and asked for another contribution of R650 000 from Ace Haniel, again producing letters from Armscor.

The money was allegedly paid to Mr Stein on May 26.

Another meeting was arranged with "Major Coetzee" on November 20 at which Mr Ehrentraut was informed that supply of the arms was delayed and the treasury had difficulty in repaying the performance bonds but undertook to pay them in January this year.

Identified

In mid-January, however, a person who allegedly identified himself as Ben de Bruyn of Armscor arrived at Mr Ehrentraut's office and said that the monies would be repaid before February 22.

But the state alleges that the person who was identified as Mr de Bruyn was a Mr Jabour.

Mr Eric Ellertine, managing director of Ellertine Bros, was allegedly informed by Mr Stein that he proposed to invest more than R1.7-million in a venture which would earn him a commission of more than R1.5-million and that, in consideration for Ellertine Bros having agreed to lend him R600 000, would pay them 18% interest per annum and one third of the commission.

In January this year Mr Stein allegedly met Mr John Church and informed him that he was acquiring Orion aircraft for Armscor and needed R500 000 urgently.

An "agreement" was entered into between Mr Stein and the John Church Trust No 2 and the money advanced to Mr Stein, it is alleged.

In January Mr Stein

government contacts.

Mr Lipworth agreed to approach Mr Stein on behalf of his mother, Mrsulu Lipworth, and on February 11 Mr Lipworth advised the

money.

Mr Colin Ian Berger, managing director of Lindex International, had discussions with Mr Stein in February regarding an investment

whereby Lindex would participate in advancing funds used for a performance bond for imports of equipment for Armscor, it is alleged.

It was agreed that Lindex

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time development staff who devise new
ems and products for our growing mar-
" says Steyn.

Grinel's world-first frequency-hopping ra-
and other electronics developments for
SADF have led to increased exports, and
resulting economies of scale have led to
er profitability, lower product prices and
proved quality, says Steyn.

Grinel has won Armscor's export market-
achievement award every year since its
ception. "Export sales increased 50% in the
year and I expect their contribution to
turnover to move from 10% this year to
least 50% in the next five years," says
Steyn.

GH also owns 47% of the Siltek electro-
s group which operates in the computer
communications field. "The two electronics
ups should produce more than a third of
l's turnover, which was running at some
20m last year, in 1986-1987," says Steyn.

"Total order intake in GH's electronics in-
terests have improved by 64% in the past
year," he adds.

Armscor's backing led to the creation of a
viable electronics manufacturing infrastruc-
ture after the arms boycotts of the Seventies.
"But the volatility of the defence industry
often leads to a feast or famine situation,"
says Steyn. "We have, therefore, decided to
diversify into other markets as well. In doing
this we believe we'll be able to serve Armscor
even better through contact with other tech-
nology and more money for R & D."

Proof of Grinel's diversification is the fact
that it is now manufacturing the first 5 000
M-Net decoders for the subscriber-TV
launch in October.

"We are also tendering for the first
100 000 decoders for commercial use and
we're optimistic we'll succeed. This should
boost electronics sales turnover by another
third," says Steyn.

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Mr Louis Nossel, dir
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Purchasing

Mr Stein met Mr Re
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At a later meeting
Stein told Mr Berkow
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R875 000 and R250 000

New markets for

Jane's links SA, Taiwan and Israel

ROBERT GENTLE

LONDON — SA has extensive military links in the field of aerospace technology with both Israel and Taiwan despite official denials to the contrary, aerospace analysts said yesterday.

They were speaking at the official launch of the 1989/90 edition of Jane's All The World's Aircraft (Jawa), the authoritative annual review of the latest flying machines.

It was "only natural" that the three countries, all of which were subject to embargoes in one way or another, should pool share their technology to their mutual advantage.

SA was described as benefiting from the Israeli Kfir and the Lavi, the high-tech fighter that was eventually discontinued because of soaring development costs, and Taiwan's recently unveiled AIDC Ching-Kuo fighter.

The alleged links between the three countries helped SA with its Cheetah, a redesigned and upgraded version of the SAAR's Mirage III. It signed

BUS. DAY FINAL 25 OCT 1989

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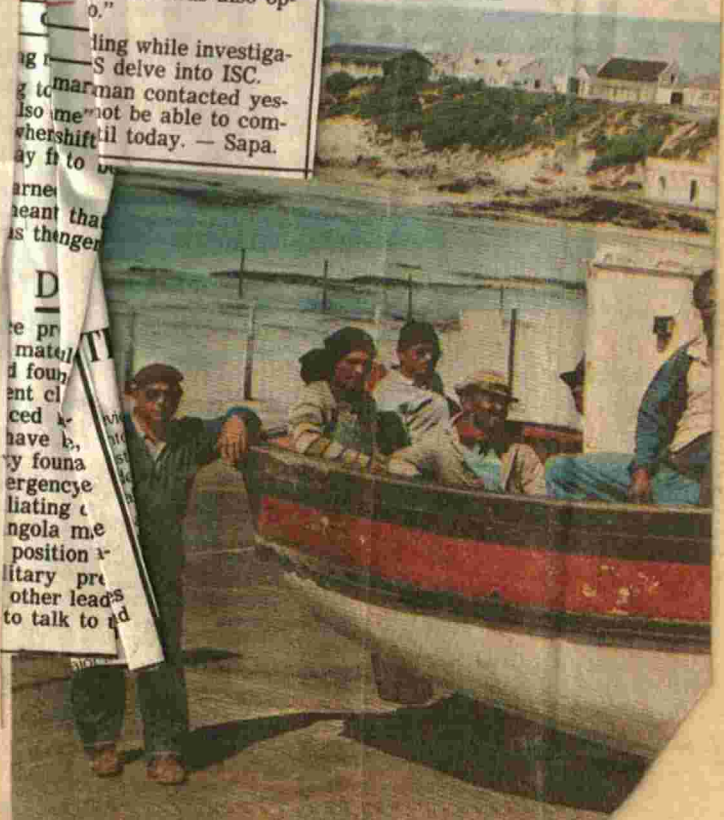
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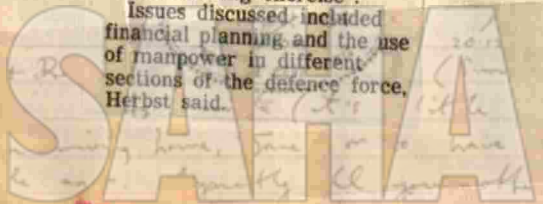
New markets for

FW and Magnus at talks on Arm Scor, SADF

DEFENCE Minister Magnus Malan yesterday confirmed he and President FW de Klerk attended top-level discussions in the northern Transvaal on Friday and Saturday on the role of the SADF and Arm Scor.

Malan's spokesman Das Herbst said yesterday Cabinet Ministers, SADF staff and senior Arm Scor management were also present at the "team-building exercise".

Issues discussed included financial planning and the use of manpower in different sections of the defence force, Herbst said.



ARCHIVE FOR JUSTICE

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fraud suspect 'had Armscor links'

US. DAY/FINAL 2 OCT 1989

The founder of a US company by British defence contractor and now alleged to be the instigator of fraud, had substantial business ties with SA, including or representatives, the London claimed yesterday in an exclusive report.
had shown that James Guerin, International Signal and Con- ad such ties going back to the of ISC in the 1970s, the newspa- and certain ISC companies he rant are currently the subject investigation into allegations been breaking the US's embar-

go on arms sales to SA.

"ISC companies had what one former insider described as a 'regular flow of trade with a variety of SA companies'.

"This business was ostensibly in electronic components for non-military equipment such as computers, radios and television. This trade was licensed by the US authorities.

"But there is a growing suspicion ISC was also involved in supplying military equipment or components capable of military use in breach of the US embargo," the Observer said.

Describing Guerin as understood to have been well connected with individuals em-

ployed by Armscor, "the sophisticated state-owned SA arms manufacturer", the Observer said US customs, on at least two occasions in the early 1980s, sent back shipments destined for SA on the grounds the equipment being shipped did not match the export licences.

"A Reaganite right-winger, Guerin is understood to have been politically sympathetic to the SA regime. He was also opposed to the embargo."

Guerin is still in hiding while investigators in the UK and US delve into ISC.

□ An Armscor spokesman contacted yesterday said he would not be able to comment on the report until today. — Sapa.

on fishing

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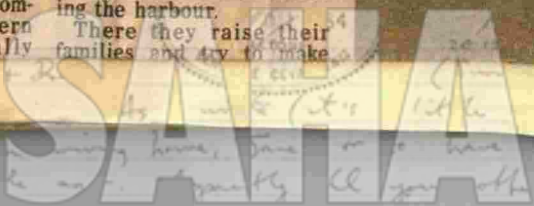
Arnskrans, popularly known as Arnis-
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that's been here for several generations."

The Arniston fishermen live in Kassiesdorp, a quaint collection of whitewashed cottages on a hill overlooking the harbour.

There they raise their families and try to make



ARCHIVE FOR JUSTICE

Armcor

sub's row prints again

Malan said no country could both Africa, arms industry, or

many faces allegations of submarine sanctions busting

ARMSCOR
The question of whether a is finally building a sanctioning submarine at Durban's is set to be debated once West Germany from whom re secretly obtained in 1984. A source in Bonn said the West German government likely to face increased political pressure when parliament next week to re-open discussions into possible criminal under the UN arms embargo

Howaldswerks-Deutsche Werft (HDW).

The SA Navy has only three outdated Daphne class submarines, but one of these has already been modernised in Simon's Town by Armcor.

The other two are in line for conversion, but the SA government has said more submarines are needed to patrol the Cape sea route.

Government leaders have spoken confidently over the last year about the capability of SA's arms industry to build its own submarines in defiance of the 1977 UN arms embargo.

The acquisition by SA of German submarine technology occurred in 1984 but only came to light in 1986 when HDW officials claimed they had been given the nod by the West German government.

A memorandum to ministers showed the documents were sent to SA on micro-film in a diplomatic pouch.

The Bonn government launched an official inquiry earlier this year, but said the sale of blueprints did not include sufficient detail for SA to start its own submarine building programme.

— Sapa.

re, however, said the issue of "perennial" in West Germany and discounted claims of evidence being disclosed.

est allegations included in West German submarine that the first submarine was built at an Armcor shipyard in Durban.

claimed on a German teleprogramme that construction being carried out with the assistance of the state-owned manufacturers in Kiel,

who retired from Armcor years ago, said he knew "absolutely" about the letter.

In particular to reassure them this procedure was being implemented to eliminate any possible risks of exposure.

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South Africa and the training of its soldiers had opened the way for the peace initiatives taking place in Southern Africa. Without South Africa's military and technological superiority, that had been demonstrated in southern Angola, the SWA-Angolan settlement would not have been possible, he said.

The example set by Armcor, of how to change problems and challenges into opportunities, was an example for the rest of South Africa.

(News by A. J. Stirling, 28 Height Street, Doornfontein.)



FOR JUSTICE

Malan: Armscor exporting to 39 countries

SA exports arms to 39 'selected'

Armscor SA sub's row erupts again Submarine letter' denied

RETIRED Armscor director has denied knowledge of a letter said to have been sent to a West German engineering office in Lübeck outlining a strategy for a code of secrecy regarding SA's top-secret submarine-building programme.

This follows fresh allegations of an ongoing, top-level cover-up among SA and West German officials in the West German media last week.

West German TV and Press reports said it was official denials from Bonn and Pretoria, a secret SA submarine programme continuing with West German aid.

The letter was first revealed on the German TV programme Monitor and has since been extensively used in the West German media. Details of its contents along with allegations of the SA-West German cover-up have also been sent to the West German Foreign Minister and the UN Security Council's Arms Embargo Committee.

Three West German submarine manufacturers were named in reports as conspiring to supply SA with technology in the form of worksheets, blueprints and highly skilled engineers.

A letter allegedly sent from Pretoria on October 22 1984, W Venter proposed a strategy to an L Nohse at an engineering firm in Lübeck, outlining how to go about maintaining secrecy and the subtle release of disinformation. Asked for comment yesterday, Willem Venter, who retired from Armscor four years ago, said he knew "absolutely nothing" about the letter.

requirements. In this way we need to sacrifice any political interests in order to ensure security or to seek assistance," he said. The significance of Armscor's contribution is that it meant that no one could prescribe a policy to South Africa and enabled South Africa to occupy a position of strength that was envied by many nations. He said that, under the leadership of Cmdt Marais, Armscor had achieved extraordinary success.

South Africa and the training of its soldiers had opened the way for the peace initiatives taking place in Southern Africa. Without South Africa's military and technological superiority, that had been demonstrated in southern Angola, the SWA-Angolan settlement would not have been possible, he said.

The example set by Armscor, of how to change problems and challenges into opportunities, was an example for the rest of South Africa.

to seek assistance."

Malan said no country could do this in South Africa, arms industry, for

DANIEL SIMON

He asked: "How do you know if it is my signature on the letter?"

The letter, allegedly signed W Venter, states that he, Venter, hoped the proposed strategy met with Nohse's approval and that he would implement procedures to be able to co-operate accordingly.

The proposals put forward in the letter signed W Venter are:

- ☐ By a process of subtle release of disinformation, the impression had to be created that the build phase of this programme had been delayed indefinitely;
- ☐ Under no circumstances should a formal announcement be made in this connection;

Covert

- ☐ All persons and parties involved in the covert continuation of the programme should be fully informed of the situation and receive specific instructions about how to deal with inquiries from people who had an interest in the matter;
- ☐ The present contract for the so-called package should continue without interruption in the present covert manner;
- ☐ An up-to-date register should be kept of the names of all people informed of the actual situation; and
- ☐ That IKL/HDW be requested to selectively inform individuals in the West German administration about this matter and in particular to reassure them this procedure was being implemented to eliminate any possible risks of exposure.

Malan leads MPs on Natal visit
pleased from
films it was

cks want SA naval vessels
an: Armscor exporting to 39 countries

exports arms to 39 'select

Armscor

subs' row erupts again

DAVID M. 25 AUG 1988

Armscor

to seek assistance.

Malan said

Own Correspondent

fresh allegations have
the West German media
official denials from
Munich, SA is continuing
of submarine-building

German submarine
have been named in
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blueprints — and
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acking the claims in-
letter, allegedly from
strategy for a disinforma-
to "create the im-
the construction phase
Armscor has been post-
tely".

also pinpoint the San-
s, in Durban, as the site
Armscor are being built

under the direct supervision of a
named West German engineer.

This latest spate of developments
in the ongoing row dating back to the
early 1980s could have major political
implications for the Bonn govern-
ment which is now being accused out-
right of knowingly deceiving the
Bundestag and blocking an investiga-
tion by the State Prosecutor.

This week the World Campaign —
the main international organisation
opposing military and nuclear col-
laboration with SA — sent a cable to
West German Foreign Minister
Hans-Dietrich Genscher, pointing out
the further damaging effect on the
country's international relations.

Asked to respond to the allega-
tions, an Armscor spokesman said he
had "no comment".

isations involved in the
development and produc-
tion of arms and by-prod-
ucts.

The considerable con-
tribution of Armscor to
the economy could be
seen by the fact that 70
percent of its expenditure
flowed back into the pri-
vate sector, creating more
than 75 000 jobs in the
process.

The quality of the
weapons available to
South Africa and the
training of its soldiers had
opened the way for the
peace initiatives taking
place in Southern Africa.

Without South Africa's
military and technological
superiority, that had been
demonstrated in southern
Angola, the S.W.A.-An-
golan settlement would
not have been possible,
he said.

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ARCHIVE FOR JUSTICE

SA nearly had top missile

Arms dealer tells of Malan leads MPs on Natal visit

Starstreak portable missile that was involved in the proposed deal.

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can Armscor exporting to 39 countries

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exports arms to 39 'selected countries'

Chandler, Pretoria Bureau

a exported armaments worth 12 billion to 39 "selected coun-
Minister of Defence, General
eljan, said in Pretoria last

industry meant the country
beg of others" for its wea-
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at a farewell function for
P G Marais, the retiring
Armscor, General Malan
r's achievements were such
Africa need not depend on
tion for its requirements".
y we need not sacrifice any
in order to ensure our se-

QUALITY OF INDUSTRY

General Malan said no country could prescribe politically to South Africa, which, as a result of its arms industry, occupied a position of strength longed for by others.

The quality of the industry had opened up "avenues for the current peace initiatives in southern Africa ... without South Africa's military and technological supremacy in southern Angola, the South-West Africa/Namibia settlement plan would never have been possible".

General Malan said apart from Armscor's affiliates there were more than 900

main contractors and other organisations in the private sector involved in the development and production of armaments and by-products. A total of 70 percent of Armscor's annual expenditure flowed back into the private sector and helped create 75 000 jobs, he said.

The organisation's achievements served as an example for all South Africans on how to change problems and challenges into opportunities.

"We stand on the eve of challenging constitutional processes and developments. This is a challenge that we have to accept with daring," General Malan added.

(Report by N Chandler, 216 Vermeulen Street, Pretoria).

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has produced several missiles of repute.
"For obvious reasons we are not prepared to disclose the details of our qualification programme. We will therefore not comment on any speculation in this regard," the spokesman said.

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SAHA

ARCHIVE FOR JUSTICE

Field 'arms dealers',
directors of SA firm

man citizen who has lived in SA for 25 years, are shareholders in Varan (Pty) Ltd. A man who identified himself as a shareholder said the company had sold the pistols overseas as well as marketing them extensively domestically. He declined to say where they had been sold.

□ A Johannesburg arms dealer said the pistols were half the price of most similar weapons at about R1 000 each.

□ An Armscor spokesman declined to comment on a report that the two men had claimed they could supply rifles, missiles and other military equipment.

SA men arrested in New York on charges of illegal arms dealing identified yesterday as directors of Rand engineering firm which turned the pistols concerned. Baker, 39 and Heinz Gluckle, 45, allegedly trying to sell guns to agents posing as arms smugglers allegedly agreed to supply PMIX pistols to the agent, with selling them to a Colombian group. Baker and Gluckle, a German, agreed to supply PMIX pistols to the agent, with selling them to a Colombian group. Gluckle, a German citizen based in SA for 25 years, are share-

cor spokesman declined to report that the two men had could supply rifles, missiles and military equipment.

Maggie to quiz

SA men are arms firm's directors

PETER DELMAR

THE two SA men arrested in New York last week on charges of illegal arms dealing were identified yesterday as directors of an East Rand engineering firm which manufactured the pistols concerned.

A source at the Varan factory at Chloorkop, near Edenvale, said the company had previously sold the pistols overseas.

Sydney Faker, 39, and Heinz Gluckle, 45, were detained on Friday with a US arms broker after allegedly trying to sell guns to US federal agents posing as arms smugglers. They allegedly agreed to supply 8 000 Varan PMX pistols to the agent, with a view to selling them to a Colombian terrorist group.

ARMSCOR
Baker and Gluckle, a German citizen who has lived in SA for 25 years, are shareholders in Varan (Pty) Ltd.

□ A Johannesburg arms dealer said the pistols, at about R1 000, were less than half the price of most similar firearms.

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SA

ARCHIVE FOR JUSTICE

ms and the man

FIN. MAIL

5 MAY 1988

one of the SA envoys expelled in the aftermath of the Daniel Blowpipe missile affair, is apparently tied to the cloak-and-dagger world of In 1982 Steyn was identified by authorities as an agent of the Intelligence Service (NIS), after the 1976-77 coup by 45 mercenaries under

described at the time in the *Rand* as a rotund, charming man who (he could shoot a dog at 500 m) and friend of NIS agent Martin who was caught on the island and to life imprisonment. A former of Steyn tells the *FM* that, at the Dolinchek's detention, there had been in Durban intelligence circles and Dolinchek had been based at Steyn would try to secure the is friend.

Steyn's possible visit to the Seychelles was revealed by authorities on the island. It became known that two other of Steyn — Gerhardus Rothman and the Wet — had been to the island at action could be taken to prevent Steyn from revealing secrets, and that assistance could save the situation. Steyn and five other mercenaries, who were condemned to death, were sent back to SA.

Steyn — whose late father, Louis Steyn, was a high-ranking officer — was expelled from SA's army. Serving for a second time in the army, he was attached to the embassy in London as secretary in the political section. He was married to a woman from one of the islands.

It has come to light that Daniel Steyn, arrested by French police in a motor car while examining the motor car (the Blowpipe missile) is not a diplomat. After being briefly held by French counter-intelligence, he was released when he claimed diplomatic immunity.

Foreign Affairs Minister Pik Botha twice denied Armcor's role in obtaining arms in the last week dealing with the issue. However, Armcor spokesman earlier told the *FM* that Steyn was an accredited diplomat working for the firm. It is for that department

to accredited diplomats," says the official. "By rights he could not have claimed diplomatic immunity."

□ To further complicate relations between SA and Britain, Ian Donaldson, an employee of Short Brothers in Northern Ireland (they manufacture the Blowpipe and sophisticated Starstreak missiles), was reportedly sacked with immediate effect, after it was learnt that he was emigrating to SA to work for Armcor, according to Beeld.

The British government are clearly concerned that Donaldson, who had been with Short Brothers for 15 years, may divulge classified information to the South Africans, despite being bound by the UK's Official Secrets Act: he has denied that he will do so. It was reported that Donaldson would receive three times his present salary, a car and accommodation in SA.

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en, maar koud oorlog op die platorand ver-



en 'n Amerikaner in Parys aan nadat hy hom op sy diplomatie het. Hy is kort daarna saam met 'n Amerikaanse diplomaat uit die land. Die Minister van Buitelandse Sake, P. W. Botha, het gesê dat hy nie weet van die Amerikaanse diplomaat nie.

Abattoir skuldige beeska

DIE eienaar van die Rooiberg-abattoir in die distrik Warmbad is in die landdroshof aangeklaag en van 100 meter.

ubaar en het tientalle aangeklaag. Die landdroshof het die aangeklaagde van 100 meter. Die aangeklaagde het gesê dat hy nie weet van die aangeklaagde nie. Die aangeklaagde het gesê dat hy nie weet van die aangeklaagde nie. Die aangeklaagde het gesê dat hy nie weet van die aangeklaagde nie.

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is the news again that it has been with Ulster loyalists for the first time that they 'dirty tricks' reports.

twelve years ago, the "onslaught" virtual arms embargo of efficient fighting force is one of the worst one of the world.

Weekly estimates that the families of the missing men worth nearly \$500 million say this is not false. Sources say this is not false. Success story have been told of espionage and fraud.

Force and Armscor
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African court arms-R2 million "Covenant" known, until never African that The

claims

Two years ago, South Africa believed it was "virtually unarmed".
UN arms embargo of 1977, it has not only become the world's biggest exporters of arms worldwide.

estimates that in 1987 Armscor exported worth a early \$500 million (R1 275 million) to 23 countries. This is not far wide of the mark.
The success story have been sinister allegations of espionage and fraud.
Forcibly Armscor itself, contact with the less than arms market was only to be expected. Defence Minister Magnus Malan has openly admitted that the arms embargo resort to "unconventional methods".

aid campaigns in at least in private. At many European countries are embarrassed at their own embargo with South Africa. Now cracking down on it. It is this, they led to a surge in contacts with the military's shadowy fringe. Operations of this kind have been shrugged off, there are potential implications for much-valued relations. A prime anti-sanctions Thatcher.
Both Britain and SA cited in their condemnation. Now, the alleged to be selling arms to the South African Government operating on the island.

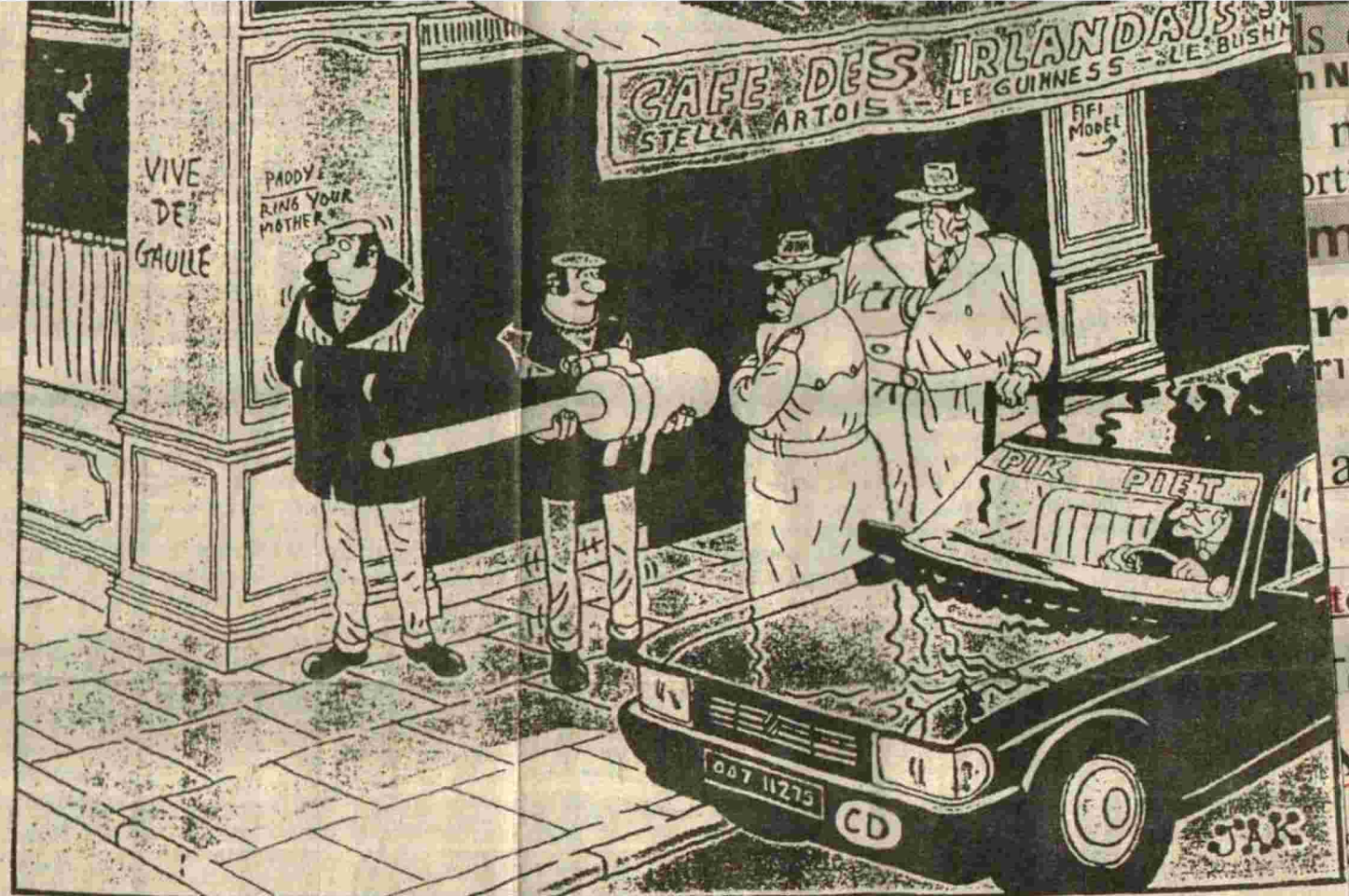
Due of past claims African arms-dealership and long. New Soviet tanks to Uganda were Durban when Idi Achebe found the tanks. The shipper compensation from the French government. The shipper received \$800 million. The shipper's official. In 1980s four South

SA plays for high stakes in no-rules arms game

Africans appeared in a Coventry court charged with smuggling arms-related goods worth up to R2 million to South Africa. The "Coventry Four", as they became known, were allowed to go home until the trial began, but they never returned — despite South African Government assurances that they would.

The four were alleged to have tried to export such strategic vital items as lead-sulphide detectors — the basic technology in heat-seeking missiles — and high-tech magnetrons for radar systems. Both detectors and magnetrons were specifically prohibited by the arms embargo.

The men — Hendrik Botha, Stephanus de Jager, Jacobus la Grange and William Metelerkamp — were also said to have dealt in sophisticated phosphor-bronze elevating gears, which experts suggested were intended for some kind of missile system. Three British businessmen were charged with helping them. The four were accommodated



'... But don't ask me what end you blow through!'

in a luxurious Thames-side villa by the South African authorities, and a first secretary at the South African Embassy waived his diplomatic immunity to stand surety. The embassy also guaranteed security of R170 000 for the men's bail.

One of the three British businessmen and another Briton were also charged with exporting Buccaneer aircraft parts to SA.

● In 1982, three British arms dealers were convicted of providing spare parts and firing mechanisms for Browning machine guns. The court, which jailed them for periods ranging from three to six months, was told they had received payment from the South African Embassy.

● In 1986 a Danish court was told of the secret sale of French arms and ammunition to South Africa in 1981 and 1982.

A Danish shipowner, who was charged with smuggling arms, claimed France's state-controlled arms industry was behind a multimillion-rand arms and ammunition deal with SA.

Five consignments of rifles, hand-grenades and other weapons were allegedly shipped from Bordeaux to Durban. Official documents said the cargoes were bound for the Argentine navy.

● In 1988 South Africa was reported to have obtained a piece of high-tech military equipment, the multisensor platform, by saying it was for civilian use.

The platform, which was developed by British Aerospace and Messerschmitt, is used to track the behaviour of any high-speed airborne object.

West Germany originally allowed the sale of three platforms to South Africa believing they

would be used to track weather satellites — but experts pointed out that they were more likely to be put to military use.

After a public outcry last year, the Germans stopped the delivery of the last two platforms.

● For some years there have been rumblings that West Germany has sold nuclear technology to South Africa.

Late last year it was confirmed that proceedings had begun against officials of three nuclear technology concerns.

Reports said South Africa appeared to have taken delivery of reactor measuring equipment. A German radio station alleged it had proof that two of the accused had exported a highly strategic material, beryllium.

● Last year saw the continuation of a parliamentary inquiry in Germany into the alleged sale of

submarine parts and plans to South Africa. The West German Chancellor, Mr Helmut Kohl, has appeared before the all-party committee which is conducting the inquiry.

The Green Party claims that between July 1984 and July 1985 deliveries to South Africa of advanced submarine parts and plans continued with the tacit approval of the Bonn government.

The World Campaign Against Military and Nuclear Co-operation with South Africa says the submarine technology is being put to good use in Chile, where South Africa's plans for its construction are going ahead.

The campaign also alleges that a Chilean private arms manufacturer is assembling South Africa's sought after G5 artillery gun after a co-production agreement that it struck with Armscor.

The case of the Coventry Four casts light on the current missile story

Malan's unconventional methods

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fore they were unmasked.

They dismissed as "peanuts"
the R800 000 bail which they had
forfeited; they declared that
their clandestine activities had
saved South Africa R5 million.

The quartet's leader, Mr
Botha, said: "We acted in the in-
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... We did not contravene any
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Judging from the Coventry
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Foreign Minister Pik Botha
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South Africa does not supply
arms to "terrorists" but Arms-
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But what if, hypothetically,
Mr Storm was negotiating with
the arms dealer who happened
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Armscor S27/4/89
Four agents who should have stood trial boasted that they had operated undercover in Britain for five years and that their activities enabled Pretoria to develop many arms systems. Recent alleged events echo what was said in 1984, reports PATRICK LAURENCE.



The freed Coventry Four reunited with their wives on their return home ... Mr Fanie and Mrs Adri de Jager, Mr Randy and Mrs Cilla Meterlerkamp, Mr Hennie and Mrs Marie Botha and Mr Koos and Mrs Soleta la Grange.

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Breaking the embargo

STOCKHOLM — The book "Embargo Disimplemented — South
Africa's Military Industry", by Signe Landgren, details how South
Africa was able to continue building up its arms industry with
Western know-how and materials despite a United Nations embar-
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Landgren, a senior researcher at the Stockholm International
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Armscor sales ask few

The Star Bureau

LONDON — Armscor, South
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In an article yesterday on
corporation, which he says
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"The embarrassing exposure
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Armscor — the salesmen who ask few questions

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its members to stop buying
arms from South Africa.

He quotes *Jane's Defence
Weekly* as estimating that in
1987 Armscor exported arms
and ammunition worth nearly
\$500 million (R1,35 billion) to 23
countries.

"Weapons designed for fight-
ing in bush conditions in south-
ern Africa have proved irresist-
ible to UN members requiring
battle-tested equipment."

Until now, says Robinson,
Pretoria has tended to shrug off
the embarrassments which fol-
low when deals go wrong.

"Even in this latest case, se-
nior Ministers were quick to
reaffirm Armscor's duty to ob-
tain relevant technology where
it could. In principle, however,
Pretoria draws the line at sup-
plying arms to terrorist organi-
sations and has promised an in-
quiry into the latest incident

He concludes: "Not for the
first time, South Africa now
risks major damage to its
image."

"The danger, where under-
stood in Pretoria, is that South
Africa's opponents will use the
opportunity to undermine Mrs
Thatcher's efforts to broker a
negotiated political settlement
in southern Africa, and again
cast Pretoria in the role of un-
scrupulous outsider."

Security clearance for Vermaas

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The Harms Commis-
sion investigating Ver-
maas's activities was in-
formed yesterday Ver-
maas, who rubbed should-
ers with senior Cabinet
Ministers and other influ-
ential people, was sacked

as a director of Eloptro
(Pty) Ltd on November
10, last year.

The executive manager
of Armscor, Mr Johan
van Vuuren, said in an af-
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Eloptro on November 1,
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An investigation by the
South African Defence
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Gen Steyn said he re-
ceived a call from a for-
mer Chief of the Air
Force in February last
year in which he was in-
formed that Vermaas
might be of service to the
Air Force.

he was referred to Mr
Roy Spring of Armscor.

The senior manager,
aviation and maritime of
Armscor, Mr Trevor Gib-
bon said in an affidavit
presented to the Commis-
sion Armscor had never
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eerste prioriteit is om in die
behoefte van die Polisie,
wat op die oomblik die
duurder, ingevoerde Beret-
ta gebruik, te bevredig.
Daarom is net 600 aan-
vanklik vir die publiek be-
skikbaar. Teen volgende
jaar sal die produksie egter

van 'n ekstra gewig is
nodig om "die terugslag te
kan vat."

Om dié rede is die pistool
dan miskien nie heeltemal
so geskik as selfver-
dedigingswapen vir 'n vrou
nie. Vir 'n man is hy egter
ideaal. 'n Vrou sal dalk
eerder baat vind by 'n re-
wolwer.

marking van die pistool, is
trots op die produk, omdat
Suid-Afrika in dié verband
onafhanklikheid gekry het.
Elke sent is boonop plaas-
lik bestee. Daar heers ook
groot buitelandse belang-
stelling en Musgrave ont-
vang heelparty navrae.

Mnr. Pieter Pretorius,
die Parlements lid vir Ma-
rausborg, is baie beïndruk
deur die pistool.

"Die eienskappe van die
Z 88, soos byvoorbeeld die
veiligheidsknip, kry 'n
mens net in 'n baie duur
pistool.

"Hy is ook maklik han-
teerbaar en die pistool is
boonop so ontwerp dat 'n
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Hy hou ook van die veil-
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uitgeskakel.

"Selfs mense wat vir
sport skiet, kan gerus daar-
aan dink om 'n ou wapen
later met dié een te ver-
vang," sê hy.

Mnr. Danté Marais, die
senior superintendent van
die Verkeerspolisie in Roo-
denoord, sê die pistool so

Britse militêr

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No security clearance

PAGE 1

positive security clearance could not be issued. He was notified of the appointment and was notified.

This, Vermaas entertained the Defence, Gen Malan, on his visit to South West Africa was a "close" to the Minister of Defence, Mr Pik

Commission at one stage, the department for use of Vermaas and on one visit to the South African in Brazzaville, where in one of the aircraft.

Affidavit which the Commission Van Vuuren surmised that

no Armscor funds were invested with Vermaas or any of his companies.

Vermaas was also notified by Armscor that they were not interested in any of his offers and at no stage were any agreements made with Vermaas for the supply of aircraft, aircraft spares, or any other goods or services.

The Chief of Staff Operations of the South African Air Force, Major General P D Steyn, also submitted an affidavit to the effect that the Air Force did not buy any aircraft or spares from Vermaas.

Gen Steyn said he received a call from a former Chief of the Air Force in February last year in which he was informed that Vermaas might be of service to the Air Force.

Vermaas was called in and on March 7, last year, the two men met in Gen Steyn's office.

Vermaas told Gen Steyn that he had good relations with Gen Malan and Mr Botha and that he also had contact with the SADF and amongst others, Major General Neels van Tonder.

He offered to serve as an agent for the SADF to provide Caribou and Twin Otter aircraft.

Gen Steyn said the SAAF had no use for such aircraft, but because Vermaas offered to provide other aircraft as well, he was referred to Mr Roy Spring of Armscor.

The senior manager, aviation and maritime of Armscor, Mr Trevor Gibbon said in an affidavit presented to the Commission Armscor had never been involved in any

transaction or agreement with Vermaas in which Armscor made use of Chieftain Air's services.

Chieftain Air is the airline company belonging to Vermaas.

The Harm's Commission's hearing was adjourned to February 22 when it will reconvene in Cape Town.

in Afrikaans en Engels bevat. s'n boodskap van die Staats-
it.

en mnr. Heinz Pflugler van Mus-
stool reg vasgehou word.

Musgrave, ook 'n filiaal van Krygkor en vermoed met die verspreiding en bemarking van die pistool, is trots op die produk, omdat Suid-Afrika in die verband onafhanklikheid gekry het. Elke sent is boonop plaaslik bestee. Daar heers ook groot buitelandse belangstelling en Musgrave ontvang heelparty navrae.

Mnr. Pieter Pretorius, die Parlements lid vir Maraisburg, is baie beïndruk deur die pistool.

"Die eienskappe van die Z 88, soos byvoorbeeld die veiligheidsknip, kry 'n mens net in 'n baie duur pistool.

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"Selfs mense wat vir sport skiet, kan gerus daaraan dink om 'n ou wapen later met dié een te vervang," sê hy.

Mnr. Danté Marais, die senior superintendent van die Verkeerspolisie in Roo-depoort, som die pistool so

Boonop is alle ou vrylik en er as hul ingenieë beskik-

dele in ag ge-R1 750 wat ier-ou moet op-so buitenspo-Z kos onge-die Glock

filiaal van Krygkor, ontwerp en vervaardig. Die eerste prioriteit is om in die behoefte van die Polisie, wat op die oomblik die duurder, ingevoerde Beretta gebruik, te bevredig. Daarom is net 600 aanvanklik vir die publiek beskikbaar. Teen volgende jaar sal die produksie egter

van 'n diep ekstragewig is nodig om "die terugslag te kan vat."

Om dié rede is die pistool dan miskien nie heeltemal so geskik as selfverdedigingswapen vir 'n vrou nie. Vir 'n man is hy egter ideaal. 'n Vrou sal dalk eerder baat vind by 'n rewolwer.



nieke nomp
Vuuren new

at Armscor

Chairman Armscor to retire

Reporter

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n, who has
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971, is to be-
ve chairman.
lan lauded
s for the ex-

ceptional part he played
in the establishment of
South Africa's armaments
industry.

"Under his leadership
Armscor often achieved
successes which earned
worldwide attention and
respect," Gen Malan
said.

He also expressed his
full confidence in Mr Van
Vuuren and said during
his 17 years in the Arm-
scor group Mr Van Vuur-
en had built up a sound
knowledge of the arma-
ments industry.

"He is a man from c
ranks," Gen Malan sa

"het 'n ingenome mnr. Vlok gesê.



ARCHIVE FOR JUS

Waste

...develops

Enquiry into German 'arms sales' to SA

The West German government has ordered an investigation into whether it has acquired a sophisticated military equipment in contravention of the arms embargo.

Minister Hans-Dietrich Genscher ordered the investigation after reports by the Oslo-based World Against Military and Nuclear Proliferation with SA that one multi-paragraph form had been sent to SA with a copy awaiting delivery.

Armscor

MIKE ROBERTSON

The equipment is described by manufacturers British Aerospace (BAe) and Messerschmitt as an "electro-optical tracking system".

Brochures advertising the product claim it can track two targets travelling at great speed simultaneously.

Campaign director Abdul Minty said "friendly governments" alerted the or-

ganisation to the sales.

Last week, he met West German foreign ministry officials who told him the platforms had been ordered by the SA meteorological office.

□ The Transport Department yesterday denied purchasing hi-tech British and German-made "military equipment".

Department of Civil Aviation chief director Japie Smit said a variety of electronic and radar equipment was routinely purchased for airports.

equipped with anti-heat material inside the main shell.

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ce vir sy troepe.

Oor die huidige onderhandelings tussen Suid-Afrika en Angola het genl. Malan gesê Suid-Afrika doen dit op grond van sy militêre vermoë en ekonomiese krag op sy eie voorwaardes.

Die Suid-Afrikaanse Regering gebruik sy bevestigingsvermoë in die algehele belang van die mense van Suid-Afrika.

Om na die onderhandelingsstafel te gaan en te onderhandel oor die onttrekking van die Kuabaanse troepe uit Angola en die toepassing van resoluë 435 moet 'n positiewe stap gesien word.

SAHWA

ARCHIVE FOR JUSTICE

Anting the cost of capex cut

ing electronics suppliers for assistance to ensure the survival technology industries are likely following the release of a study on electronics market.

to research firm BMI Tech- the market for electronics equip- ices grew a mere 13% last year n real terms, this represents a the value of this sector of the

ly predicts growth in electro- will continue to slide. It is 2% rise in revenues this year, a 3% decline.

nowledge director Alan Paul mance of the local electronics ily tied to the country's lack- n GDE. However, capital ex- acks by the two pillars of the s market, the Post Office and had a severe impact on the uts prompted companies such mens and Grinaker Electro- Electronics 2000 conference platform to call on government ational technology strategy.

Paul, the Post Office's in- tronics equipment has plum- ne last three years. Spending 0 financial year was down to R1,05bn in the previous 12 ost Office now accounts for ecommunications purchases 80% five years ago. He says hree years its spending on pment will not match the

i work force at four of the f electronics systems to the STC, Siemens, Temsa and ut 24% to 4 100 in 1989 and eople are likely to be made ear, says Paul.

uts in the defence budget, n effective drop in spending ely to hurt Armscor's elec- as well as some of its con- is calculated to have spent ce electronics systems last ot include electronics "em- ment such as aircraft, artile- ed vehicles.

chknowledge survey, the nual study of the electro- icts that only a few sectors. ation. It expects revenue ftware and services to grow

ed to motor vehicles, rail transport and air- craft is expected to grow by 16% in 1990 and 18% next year.

Sales of computer products are accounting for an increasing proportion of the local electronics market, says Paul. Computer equipment contributed 18% of total electronics revenues in 1984 and this is likely to rise to 28% by 1992. During the same period sales of computer software and services are expected to grow from 6% of total electronics revenues to 17%.

Despite attempts by government to curb spending on imported electronics equipment — ranging from the imposition of import duties to local manufacture incentives — SA remains heavily dependent on foreign electronics technology. In 1988 the FOB value of imported electronics products was 43% of the value of the total market. This corresponds closely with the average figure for the five years from 1984 when the cost of electronics imports was first monitored, says Paul.

Government has earmarked R200m for grants and loans in the next five years to encourage the development of electronics products that have potential for import replacement or export. The first funds, worth about R16,4m, are expected to be awarded soon. They will be used to support 33 development projects with estimated export earnings, in the first three years, of R453m.

Local sales of these products are projected to be as high as R1,18bn.

These projections appear overly optimistic. The total value of electronics products exported in 1989 was only R140m. This is a mere 3,5% of the value of imported electronics products and is only slightly higher than the figures for 1988 and 1987.

The local manufacture and assembly of electronics products generated no more than R1,8bn in 1989. A further R2,2bn was derived from mark-ups by suppliers.

However, SA's improving image in the international community and the opportunities for exports could give the electronics industry a much needed boost.

The effects on the industry could range from a low-growth forecast of 1%-2% to a high-growth forecast of as much as 10% a year from 1992 onwards, says Paul.

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FOR JUSTICE

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Luidens die verklaring
het Somchem ruim voor-
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23/2/90

BUS. DAY/FINAL 7 MAR 1990

mscor was the
et ever under-
ndon Office
OR), says Eric

was carried out.

Because of the tight security every SOR employee had to get security clearance for the last 20 years before SOR could carry out the contract.

The biggest challenge presented by the Armscor move was the need to move efficiently so many different types of material.

"We moved more than 400 truck loads. Statistics like one million files and 470 safes indicate the scale of the project," he says.

SOR also moved the whole Armscor showroom, including weapon displays.

How was so large a contract won?

Armscor chose the 10 leading PWV-based removal companies and awarded the contract after tough criteria were met.

After deciding which firms to consider the "Armscor removal committee" conducted a physical inspection of each company, including premises, equipment and infrastructure.

SOR won the contract after coming out tops in the point system used by Armscor to evaluate the prospects.

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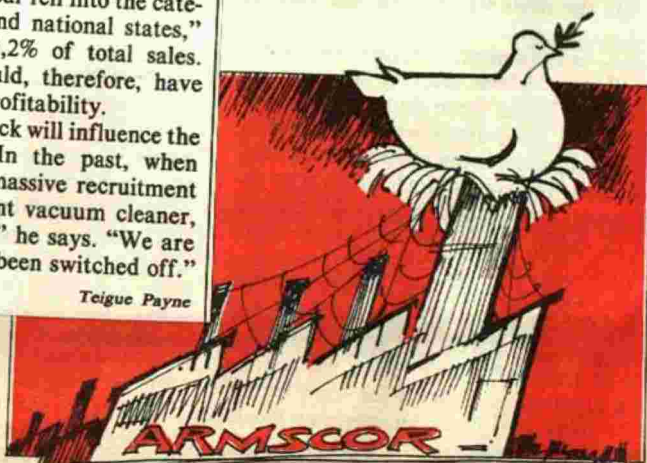
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timale infrastruk-
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oup CE Dawid Mostert says
ness last year fell into the cate-
gory of government and national states,"
nted for 3,2% of total sales.
cutback would, therefore, have
n group profitability.
s, the cutback will influence the
market: "In the past, when
arked on massive recruitment
like a giant vacuum cleaner,
arce skills," he says. "We are
eaner has been switched off."

Teigue Payne

in parliament on March 14. But government



important
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nt more
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cs systems last year. This does
electronics "embedded" in high-
pment such as aircraft, artill-
ised vehicles. Several Arms-
s, including Kentron, Atlas

is understood to be considering a 20% cut in
defence spending, from about R10bn last
year to R8bn. The SADF has already can-
celled 11 weapon and equipment projects
and a further 49 are expected to be scaled

man arrested in US gyroscope

likely in arms production

Page 1

17 NOV 1989

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Fritz Joubert

ON. - Die Suid-Afrikaanse wa-
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in 'n boek wat pas in Amerika

anse politieke en militêre ontleder
evolgtrekking dat die stigting van
reus-sukses was waarmee Suid-
ernasionale wapenverbod teen hom

Williams, 'n gewese kolonel in Ame-
riekorps wat ook as politieke en
der vir Amerika se generale staf
in sy boek *Armcor: South Afri-*
chant die feite wys dat die interna-
og om Suid-Afrika op militêre ge-
r, misluk het.

idinge is dat die Suid-Afrikaanse
sterker is, beter in sy eie behoeftes
en beter vir konvensionele oorlog-
gerei is as voor die instel van die

jaar se veroordeling deur Amerika
de het net die teenoorgestelde uit-
Suid-Afrika gehad. Dit het Pretoria
gedwing in sy soektog na wapens.
stadium van die wapenverbod het
e moontlike manier gebruik, van

omkoopgeld tot vervalste fakture, om wapens in
die hande te kry.

In dié verband sê McWilliams dat ekonomiese
werklikhede sterker as moraliteit, VVO-besluite,
ideologie of selfs diplomatieke ooreenkomste is.
Daar is talle wapenhandelaars in die wêreld,
medediging is straf en produksie moet gehand-
haaf word.

Wat gehalte, prys en die verskaffing van
volledige wapensels betref, sowel as die oplei-
ding wat hy verskaf, het Krygkor die oorhand in
die internasionale wapenmark.

Dit is twyfelagtig of 'n maatskappy soos Kryg-
kor in enige ander Afrika-land sou kon ontstaan.
Die infrastrukture en ekonomie van dié lande
sou dit nie toegelaat het nie.

Daar bestaan in Suid-Afrika 'n militêre ny-
werheidskompleks wat miskien nie so groot soos
ander lande s'n is nie, maar hy kan moontlik die
toppunt van doeltreffendheid blyk te wees verge-
leke met die Amerikaanse model indien Krygkor
se uitvoer steeds toeneem.

McWilliams sê alle aanduidinge is dat wapen-
betrekkinge tussen Suid-Afrika en Israel soos
gewoonlik voortgaan, ondanks verklaringe tot
die teendeel. Die verskil is dat dit nou nie so
opsigtelik soos in die verlede is nie.

Suid-Afrika ontwikkel tans juis met behulp
van Israel 'n nuwe vegvliegtuig. Nadat Israel die
ontwikkeling van sy Lavi-vegter gestaak het, het
meer as vyftig Israeliese lugvaartingenieurs in
Suid-Afrika gaan werk.

Ingeligte woordvoerders in die SA Weermag
het teenoor die skrywer erken dat die Atlas-
vliegtuigkorporasie 'n aanleg buite Pretoria sal
begin vir die bou van 'n weergawe van die Lavi.

Daar is ook betroubare inligting dat Krygkor
sy eie Stinger-missiele ontwikkel. Dit is 'n weer-
gawe van die Amerikaanse lugafweer-missiel
wat met groot sukses deur rebelle in Afganistan
en Angola gebruik is.

Dit is byna seker dat Unita 'n Amerikaanse
Stinger as 'n prototipe aan Krygkor gelewer het,
skryf McWilliams.

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Armscor's G-6 adverts target decrease in defence conversion

Armscor, Defence Force will lose 54 000 jobs by '93'

LINDEN BIRNS

Armscor and Defence Force jobs by 1993, leaving 13 500 people who look for work each year.

A prediction of Armscor research consultant's GM Andre Buys in the Armscor magazine, *Salvo*, the curtailment of national service resulted in 30 000 fewer conscripts in SADF.

That SA's embattled arms industry from the experiences of international companies which have had to make the transition from a wartime market to a peacetime economy.

Worst hit

The industry will have to think and market rules in a new economy. The military occupies a less prominent position in defence spending with a "full process" of restructuring.

The armaments, explosives and engineering industries will be hit with a corresponding decline in demand from Pretoria, the East Rand, and Durban — the four centres of the armaments industry.

As companies come for diversification, they should take a close look at the companies which have suffered by well-established UK, and companies when they tried to produce base and markets.

Key factors behind their failures are of selling only to the military and that prizes technical prowess

above cost-control.

"The armaments industry is also accustomed to developing and building weapons to detailed specifications rather than to taking risks on their own designs."

The technology structure and labour processes are tailored to production of capital goods and not the mass-market. These companies have little experience in civil marketing.

"If deficiencies are recognized and the conversion process is well planned and carried out gradually, then there is no reason why it should not be successful," he says.

In order for diversification to be successful, partnerships and mergers have to be entered into with commercial businesses to enable the transfer of technology and market knowledge.

He cites several success stories, such as GEC and Siemen's acquisition of Plessey, and Hughes military aircraft entering a partnership with Hewlett-Packard to make a civilian version of Hughes's tamper-proof military personal computer.

Armscor, like other developing countries' armaments manufacturers, is turning to markets which cannot afford sophisticated and expensive systems available from the superpowers and Europe.

Armscor should concentrate its efforts in "niche markets where we have established ourselves", such as artillery and mine-resistant vehicles, he says.

He sees SA as leading the way in riot control and security equipment.



ARCHIVE FOR JUSTICE

THE PROBLEMS OF PEACE

DEFENCE SPENDING IS FORCING A MAJOR RE-THINK

FIN. MAIL

21-05-1991

The launch of the Rooivalk XH-2 combat support helicopter was to have been Armscor's finest hour. The aircraft, by far the most sophisticated military system ever produced by the or-

was claimed to have a local content of 100% and to match the performance of any equivalent machine in the world. For more than six years, engineers at Armscor and its partners worked to bring the helicopter from the drawing board to the battlefield.

When Armscor subsidiary Atlas unveiled the Rooivalk in January, the defence force had already shelved plans to buy the machine. For now, at least, the only Rooivalks in the export market are those ordered by Angola, independent Zimbabwe and sudden political re-

cent changes in the South African war machine. The Rooivalk is a helicopter designed by Armscor in conjunction with the Defence Force. It is a 49-ton machine.

ent an-arch it is a defence machine. This year, the defence force will still be more than 14% of the budget.

ing, education and employment are critical issues facing government. The Rooivalk's fast evaporating, it is inevitable that defence spending will be further reduced. Military analysts estimate that R1bn more will be lopped off the defence budget.

or, lynchpin of SA's armaments industry for the past 12 months have been trou-

nology to local industry.

As a result of the reorganisation, two separate divisions will handle procurement and international marketing activities. Industrial interests, comprising 10 subsidiaries, have been grouped into three lines of business — aeronautics, weapons systems and support services — to enable the organisation to work more closely with companies in these sectors. Measures will also be introduced to improve efficiency.

Executive chairman Johan van Vuuren stresses Armscor's primary mission remains to procure and develop armaments for the SADF, police and prison service. "I don't foresee any cooling off of our relationship with the Defence Force," he says, adding that it is important to continue to have strong ties with the military, to produce the most effective and efficient products.

Of Armscor's subsidiaries' revenues, thought to be about R2bn in 1990, well over 70% comes from military products such as aircraft, rockets, guided weapons systems

and night-vision equipment. Though Armscor has undoubtedly made substantial exports of some of these products, the SADF is by far its biggest customer.

The new strategy aims to reduce the State corporation's dependence on sales to the SADF while making much better use of its huge investment in technology.

Armscor is estimated to have spent more than R3bn in acquiring technology in a wide range of fields, such as electronics, avionics, industrial chemistry and metallurgy, to overcome the arms embargo imposed by the UN in 1977. As well as procuring technology from abroad it has also funded considerable research and development at local universities and private contractors.

The organisation has also developed impressive management and technical skills in the design, manufacture, quality control and marketing of highly sophisticated products. It is thought to be SA's largest exporter of manufactured goods.

Government believes it is imperative these resources be channelled into local industry to stimulate the economy and create jobs, says Van Vuuren. "We are one of the few organisations that can really do something to help the manufacturing sector."

Armscor works closely with nearly 1 000 private-sector suppliers, says Van Vuuren. It believes it can extend these partnerships to produce a wide range of commercial products for international as well as domestic markets. Some suppliers have already begun applying technology developed for Armscor to commercial products such as nitrocellulose, safety flares, ammunition, ceramic pumps, beer cans — even cricket bats.

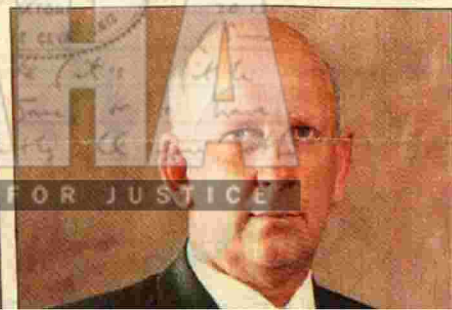
Opportunities for collaboration are plentiful in areas such as electronics, automotive engineering, avionics and chemical engineering, says Van Vuuren.

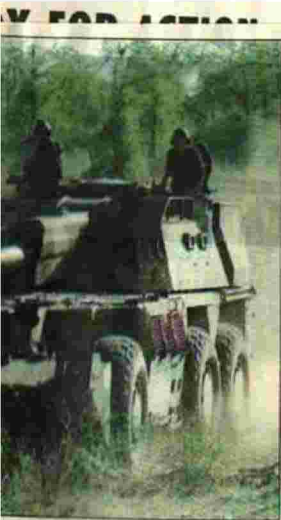
He acknowledges that adapting Armscor to meet the needs of the new SA will be far from easy. Like many of its suppliers it is already hurt by cutbacks in defence spending. In addition, it is looking to increase its involvement in commercial industry at a time of heavy recession.

"Our backs are to the wall. We have to work flat out to keep the technology alive."



Armscor's Rooivalk ... local order installed





non ... heading the export drive Armscor is at 975 companies in the private sector thought to depend to some extent on military contracts. In the mid-Seventies, Armscor always worked closely with the government. About 70% of its annual production is farmed out to subcontractors for the final assembly of weapons and the manufacture of highly specialised components — for example, missiles, shells and optics — are undertaken by companies such as Lyttelton Engineering, Eloptra. The production of the G6 mobile artillery involved 160 companies in the early 1980s, says Van Vuuren. Armscor is expected to award contracts worth R1,8bn to suppliers in the next year. A similar sum is expected to be spent on companies supplying Armscor with services and equipment. In the previous years, this is likely to have increased. Already major suppliers in the electronics industry — such as the biggest areas of spending for government assistance to the private sector. Groups such as Barloworld, Technology, Altech and others — some of which have been in Post Office spending — have broadened their businesses.

is greater emphasis on developing the manufacturing sector. Armscor, says Haywood, has the skills, experience and technology to encourage the development of manufacturing industries. He adds it is important for Armscor to be seen as working with, rather than competing against, the private sector.

"Industry doesn't want a parastatal coming in and competing in a declining market."

Haywood is confident Armscor has a lot to offer industry. "SA must become a global player with world-standard product quality. Armscor has been a global player all along."

It is now up to the organisation to identify potential areas of co-operation and forge relationships with private-sector companies in those markets. Joint ventures and even the privatisation of some non-strategic operations could be on the cards.

Haywood adds that Armscor management has considerable experience in international trade, as well as an extensive network of international contacts. This could be used to promote exports of commercial products.

Though Armscor is loath to talk about sales on the international armaments market, it is recognised as one of SA's most successful exporters. Since 1982, it has supplied artillery, military vehicles and a host of other armaments systems to more than 30 countries. *Jane's Defence Weekly* estimates these exports to be worth upwards of R2bn.

Van Vuuren is optimistic that with more aggressive and focused marketing Armscor can improve export revenues. In less than 10 years, it has established a reputation for reliable and well-priced armaments systems suited for hot and dry environments.

SA is estimated to be the world's 10th largest exporter of military equipment. G5 and G6 artillery guns, the Rooikat armoured car and, more recently, the Rooivalk helicopter



Olifant 1B ... SADF still calling the shots

italise on the favourable exchange rate as well as the thawing of international relations. He adds that, in the past, exports had to take second place to the local war effort.

However, Armscor is likely to meet increasingly stiff competition from military suppliers from the US, the Soviet Union, the Far East and Europe.

Though tension in the Gulf — where Armscor is thought to be a major supplier — may fuel arms sales to the Middle East, the world market for military equipment is in a slump. World-wide expenditure on defence electronics, for example, peaked at US\$1,02 trillion in 1987 and is falling by about 5% a year. As defence budgets in the US, Soviet Union and Europe are curtailed, major military contractors are increasingly looking for sales in Africa, Asia and the Middle East.

The SADF is likely to provide Armscor's bread and butter for many years.

Helmoed Heitman, local correspondent for the authoritative *Jane's Defence Weekly*, agrees: "Even if the Defence Force were allowed to buy equipment abroad, the rand is so weak that it could not afford to."

The extent of this business will depend on government. Though it desperately needs to cut military expenditure to fund social upliftment programmes, government is unlikely to risk weakening the Defence Force. A well-equipped military deterrent is needed to check increasing civil unrest.

Armscor has nearly completed developing

New Armscor

BATTLE Ploughshares

taking over from weapons

ARMSCOR was going great guns when peace tripped it up.

SA's armaments parastatal had reportedly pushed arms sales close to R5-billion. Jane's Defence Weekly says its exports were about R1-billion.

It had developed world-class products in its G5 and G6 artillery pieces, its Rooikat armoured car and its Rooivalk attack helicopter.

As export customers clamoured to breach the international arms embargo, Armscor became the 10th-biggest arms exporter.

The sky seemed no limit. Armscor moved into a huge head office building south of Pretoria that is said to have cost more than R100-million and the next project speculated about was an advanced jet fighter.

Then in one year, Comrade Gorbachev defused the cold war and several regional conflicts, such as those between SA and Swapo and Iraq and Iran, ended abruptly. President De Klerk's Government decided to jaw-jaw rather than war-war. Securocrats were sidelined as the Government sought money for social spending from the defence budget.

Even before this week's additional pruning, significant defence cuts had been effected — mainly in personnel, consumables and high-tech hardware.

Rooivalk, the product of years of sweat and hundreds of millions of rands, will not be ordered by the SA Air Force, though it is still for sale to other friendly forces.

Slashed

Staff numbers of a corporation that was booming two years ago have dropped from a high of 29 000 to 20 000. The new building was designed to house 2 200, but the number is now more like 1 800 — and due to fall sharply.

Armscor's staff cuts tell only a fraction of the story. Armscor is an important customer for 1 000 industrial companies. Their orders have been slashed and they have laid off at least two staff members for every one that Armscor has shed. So we are looking at 30 000 civilian jobs lost through military cutbacks.

Executive chairman Johan Van Vuuren is bloody but unbowed. He admits that the transition will not be easy. But he has three strategies to deal with impending peace.

1. Streamline the organisation. This entails cutting

By DAVID CARTE

numbers where shrinkage is taking place — for example, bullets, shells, rockets and bombs.

2. Push exports. Armscor products are battle tested in hot, dry, dusty conditions and are relatively low priced. It is a leader in mine-resistant vehicles and artillery. Western armaments companies are being savaged by defence cutbacks, but one day those huge markets could be open to Armscor.

Asset

Mr Van Vuuren warns: "We do know that the last sanction to go will be the arms embargo."

3. Transferring technology to

industry. Mr Van Vuuren says: "One of our prime objectives is to retain our technological base — it is a national asset."

"The big defence contractors in the US can't score by transferring technology. Industry there already has extremely high technology. The SA industry is less developed and there is a market for our technology. Another advantage is that we have worked closely with industry."

"Each of our companies is looking at ways of using technology. We have consulted hundreds of private firms and organised commerce and industry telling them about our capabilities."

Armscor has developed

19 years in the firing line ...

JOHAN VAN VUUREN took over as chief executive of Armscor from Fred Bell in 1986.

He has been with Armscor for 19 years, 14 on the manufacturing side.

Although most of his colleagues are engineers, Mr Van Vuuren's training was in business economics.

His commercial insight was helpful after 1982 when Armscor stopped counting on one dependable customer, the SA Defence Force. Armscor became more cost and efficiency conscious and started exporting to 40 customers.

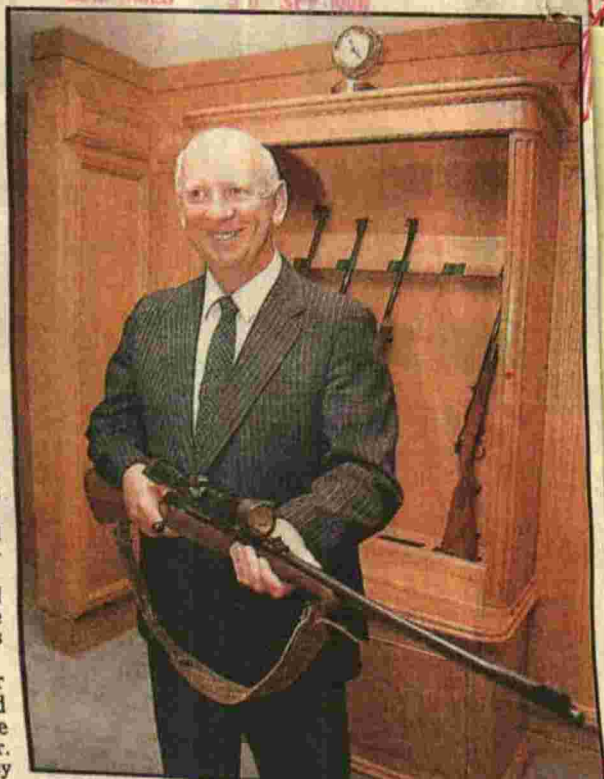
"When we started exporting, we were innocents abroad, with a lot of faith but little experience."

Efficiency

"In 1986, when I took over from Fred, we were already tasting success. We had to put an effective strategic plan in place but were already international players."

"Initially, I concentrated on strengthening the management team."

"To enhance competitiveness, we started monitoring efficiency and then changed the procurement side of the



JOHAN VAN VUUREN and friend — a Musgrave hunting rifle
Picture: GARTH LUMLEY

world-class capability in metallurgy, machining, explosives, electronics and other fields.

"We'll concentrate on unique products where we have a clear advantage and where there is export interest."

Display

ducts virtually ready for the open market:

● A "rock buster", based on a special drill and a shotgun shell. It can be used by civil engineers and builders needing to break up rocks too small for explosives but too big for jackhammers.

● Armscor makes of nitro cellulose, used in propellants. It has applications in paint and lacquer manufacture. SA paint makers import it.

● A head-up display pilots use for sighting can be adapted for mine drilling machines. Before each blast, rock has to be marked in 40 or 50 places by an engineer. A head-up display would eliminate marking up. It could be sold internationally.

● Armscor has a small, harmless detonator that could ensure that all Christmas crackers go off.

● Armscor knows its way around import and export markets. Its expertise could be useful to exporters and importers.

Mr Van Vuuren says: "The luxury Toyota Lexus is an instructive example. It equals the best in Europe, but is built with a quarter of the manpower. No wonder Toyota can sell the car for \$38 000 and make a profit. We have competed in tough markets and can attain the highest standards of output from inputs of manpower and material."

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From guns to butter, that's Fred

By DAVID CARTE

lands water schemes are ex-
amples. Mr Bell thinks there
is great scope for this kind of
deal between SA and Central
Europe.

Mr Bell explains how SA's
counter-trade drive started:
"For some years now,
several Eastern European
countries — they prefer to be
called Central European —
have been scouring Africa to
do barter deals. Like us, they
lack foreign currency and
access to trade credits and
therefore resort to barter.

"SA exporters were also
active in Africa and met the
Central European counter-
traders. They discovered
considerable complementar-
ity. We have what they want
and they have what we want.
My job has been to encourage
this trade and extend it."

SA is in a good position to
do counter-trade because it is
a big importer and exporter.

Mr Bell says: "We spend
more than R40bn a year on
imports. We are unusual
among counter-trading
nations in having real cash to
spend. That gives us enor-
mous clout. Counter-trade
enables the rand we spend on

imports to be matched by a
rand of exports."

Several transactions have
been completed with East
Germany, Poland, Hungary,
Czechoslovakia, Yugoslavia
and Turkey.

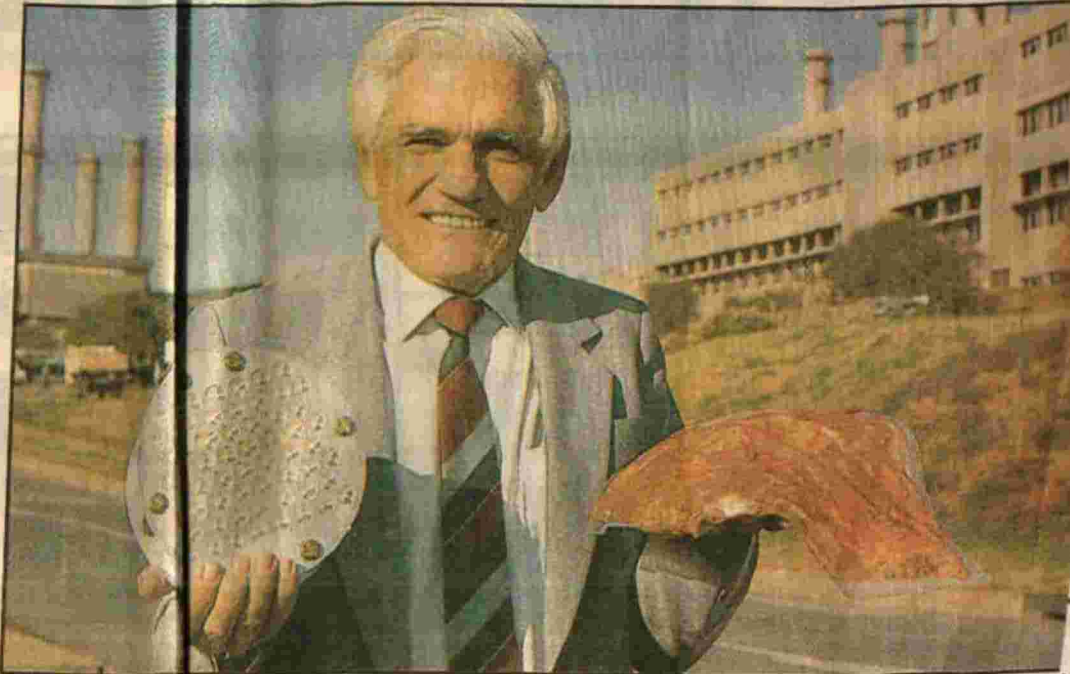
Mr Bell says these coun-
tries have much in common
with SA. Several have
similar populations, gross
domestic products, levels of
technology and markets.

Vital

They do not have the huge
production runs of US firms,
nor do they attain the First
World quality (and pricing)
standards of the Swiss. They
serve middle-income
consumer markets much like
ours.

Eastern European coun-
tries, with well-educated,
hard-working populations,
together with Western good-
will and capital, will grow
fast as they adopt market
economies. It is therefore
vital to start trading with
them now.

"In the past, we accepted
refugees from these
countries, notably from



FRED BELL and top products... Atomic Energy Board high-tech dust separator cluster to clean Europe's pollute air in exchange for Polish pork ribs
Picture: GARTH

Hungary after 1956, how the
friends of our refugees are
coming to power. There is
enormous goodwill towards
SA. The Poles even't
forgotten that the S.F. flew
in supplies in the Second
World War. It's easy for a
SA businessman to get a visa
to Eastern Europe and to the
United States."

Another advantage is that
Eastern European econo-
mies are unbalanced. They
have a surfeit of some things
and shortages of others.

When Russian central
planners held sway over
Eastern Europe, they
ordained that where a cer-
tain factory supplying the
whole bloc would be situated.
Production runs were huge
and regional specialisation
developed. Poland is famous
for steel and engineering and
Hungary for pharmaceuticals.
But both are short of
many items.

"I try to spread the word
wherever I can find an
audience. I visit supermar-

kets and mines and ask them
to examine where they are
buying. I ask whether they
cannot get these goods from
our counter-trade partners.

"But we never encourage
the replacement of regular
exports with counter-trade.
Counter-trade is the alterna-
tive to no trade, not to
normal trade. It frequently
develops into normal trade."

He admits that it is not all
plain sailing. It is hard to per-
suade SA importers to buy
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ARCHIVE FOR JUSTICE

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 are Gerard Wyss and Peter

Armstrong

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Even curiouse

A Stellenbosch group of businessmen, who stand to pocket millions in commission from a controversial aircraft deal between Armscor and Pilatus, were also involved in a deal between the SA Police and this Swiss company. Last year the SAP bought seven Pilatus PC 6 Porter aircraft for almost R21m.

The FM recently reported that the businessmen had been involved as go-betweens in the R520m deal between Pilatus and Armscor for the sale of 60 Pilatus PC 7 Mark II training aircraft (*Current Affairs* May 28). And that Armscor had in 1989 invited an investigation team from Pilatus to review the SA-designed Ovid trainer, which last year lost the Armscor contract to Pilatus.

Replying to a question in parliament from CP MP Pieter Groenewald on May 19, Law & Order Minister Hernus Kriel confirmed that the SAP had bought seven aircraft. Kriel added that the deal amounted to R20,8m but refused to name the seller or give details of the aircraft. "I do not regard it in the public interest to supply the requested information," said Kriel.

Earlier, Deputy Defence Minister Wynand Breytenbach told the FM that the sale of the aircraft had been a straight deal between Armscor and Pilatus. Defence Minister Kobie Coetsee told parliament: "According to Armscor there has, as far as is known, not been any commission paid to any other person or company."

A clause in the purchasing agreement between the two organisations forbade the payment of commission and made provision for cancellation and damages if this did happen. Stellenbosch attorney Willie-Pieter Marais, chairman of the Goldquest group of

His report listed techni-

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Armstrong

Wyss, who is described in documents registrar of Companies as a Swiss and Berger are also directors of International Holdings. Wyss, an employee of Pilatus, had also been a of the Pilatus team who reviewed its editor, the Ovid NGT aircraft.

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Tatham refused to discuss the matter with the FM when we phoned, saying: "You can't ask me to discuss this with you over the telephone."

At the time of the FM going to press Armscor had questions on the matter. ment itself has acknowledged agency in public affairs is an interest of public interest, how much this principle apply to those appear to have benefited, however, in the awarding of public contracts large sums and foreign supply to the detriment of a local

ch needs either to inform him-roughly on matters such as this apting to answer parliamentary

if there is some other explanation are increasingly curious circumstances the public deserves to be taken evidence.

Eddie Botha

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ARCHIVE FOR JUSTICE

Turning arms into profits

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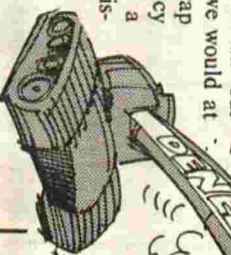
4 JUN 1993

When it comes to turning State subsidies into profitable businesses.

surprising that a year after splitting Armco and beginning to commercialise government-owned military and industrial assets, Denel can present a balance sheet that boasts a R35m profit — a forecast — on revenue of R2,82bn. By a R60m dividend to government shareholders from one of its commercialised

MD Johan Alberts attributes the increased last week, to a better use of assets and financial discipline, not to an insistence on upfront payments. "Class philosophy has been simple: 'If I can't cope, we close it down or we subsidise it to keep the expertise. We don't make it unprofitable.'"

Next government goes along, Alberts is a 1995 JSE listing, arguing that critics argued the taken place last year when the government decided to divest of its manufacturing capabilities. But the government de-commercialised before privatisation. "Had we sold all our liabilities, we would at realised scrap value, our policy to build up a industrial his-



study in 1991 to determine how assets and technological abilities without government aid, be used to supporting the security forces, honing export contracts and contribute only.

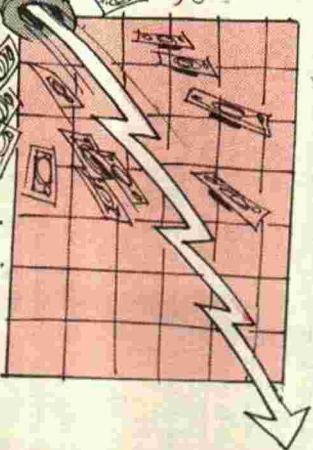
ly recommended that Armscor's production and service subsidise a company capable of manufacturing. This, it was hoped, would ensure the retention of capabilities otherwise be lost, but would also be applying those abilities to promote

and 55% from government — Denel has managed to generate 19% of its income from commercial products and services.

The past year has seen a number of innovations emerge from Denel's laboratories and workshops.

For example, subsidiary Somchem previously specialised only in manufacturing propellants and high explosives. But it has now succeeded in marketing glass-reinforced polyester water pipes, sophisticated medical monitoring devices and a number of commercial chemicals.

Other successful products include small tractors, previously imported, and a substantial amount of mining equipment. Ammunition has also been redesigned to appeal to



hunters, and Denel is cashing in on local and international demand for bullet-resistant vehicles. Merchants's Mamba vehicle is proving a popular alternative to the more expensive Land-Rover.

Last week Denel entered the international commercial space market, announcing the launch of Greensat. A small, relatively inexpensive satellite, it operates within 500 km of Earth and is designed to help manage natural resources. Its applications include town and regional planning, pollution control and monitoring, forestry management, cartography and disaster management.

But some in the private sector say Denel has succeeded by acting anti-competitively. A complaint from pharmaceutical manufacturer Norisan against Somchem is being investigated by the Competition Board. Board chairman Pierre Brooks says the

aggressive international marketing drive but admits there are still political barriers. "We are essentially dealing with a sensitive political product. We also have to abide by our Department of Foreign Affairs policy."



Alberts

He is thrilled with breakthroughs in the Middle East. "We exhibited in Abu Dhabi and will exhibit in Dubai in November and Malaysia in December." And he promises to unveil a large commercial contract this month at the Paris Air Show.

Aside from international and domestic military-budget cuts, Denel must still cut its workforce. Says Alberts: "We are looking at profitability and can't increase our selling prices because we are trying to win market share."

"Our only choice is continued rationalisation and lower working costs." With this in mind, Denel now subcontracts some research to universities and other institutions.

Alberts, a CA, attributes much of Denel's success to his 12-member management team, mostly former Armscor people. But Denel spokesman Paul Holzhausen says Alberts gave management a "rough talking to change their mindset from a bureaucracy to a business mentality."

Some observers say Denel did well largely because Alberts had already put Armscor on a sound financial footing before commercialisation. He was made Armscor CEO in 1990.

Pieter van Huysteen, former head of government's privatisation unit and now Price Waterhouse Meyer's corporate finance CE, is not surprised by Denel's performance. "From its inception, it was clear that Denel was well managed. I am, however, surprised at the extent of the good financial performance, given the current domestic and international economic climates."

programme for

Armaments cleared into Armscor

Voer in t.j.

NEWS

Investigation into Armscor contracts

THE Office for Serious Economic Offences had completed its investigations into two cases concerning contracts between Armscor and certain outside contractors, it said yesterday.

In one case former Armscor official J J G Kymdell had appeared in the Pretoria Magistrate's Court on fraud and corruption charges of R3m. The case was postponed to end-June and Kymdell was released on R100 000 bail. In the other case no evidence had been found linking Armscor or its staff to any crime.

In October last year, the office cleared electronics manufacturer Spescorn of any irregularities in its dealings with Armscor.

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NEWS

1 JUN 1993

Probe clears Armcor of 'irregularities'

THE Office for Serious Economic Offences said yesterday it had completed its investigations into alleged irregularities in connection with contracts between Armcor and certain outside contractors. *variant*

The office said that following an investigation it had cleared electronics manufacturer Spescom in October last year of any irregularities in its dealings with Armcor.

Two other cases had also been investigated. In the one, former Armcor official J J G Kymdell had appeared in the Pretoria Magistrate's Court on fraud and corruption charges amounting to R3m. The case had been postponed to the end of June and Kymdell was released on R100 000 bail. In the other case no evidence was found linking Armcor or its staff to any crime. *in the interests of the country (in landsbelang).*"

Intertechnic director Danie Maartens, when contacted by the *FM*, said his company had not acted as agents on behalf of any entity. "We have been involved with the Oerlikon-Buehrle group (Pilatus's holding company) for a long time," says Maartens, who was a director of Oerlikon Electrodes before it was sold to Afrox. "Being an agent implies making money. We have provided Pilatus with office facilities and worked closely with them. The sale agreement was a straight deal between Armcor and Pilatus. We assist all the time."

Maartens would not say who had requested that his company's files should be withheld at the Registrar's office. "I have received many investments for SA," was his comment.

Eddie Botha

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of a Stellenbosch close corporation
ing a multimillion-rand commis-
an SA Defence Force aircraft
deal. The controversial deal in-
sate of 60 Pilatus training aircraft,
Switzerland, to the SA Air Force.
the members of Channon cc,
as agent for the Pilatus company,
Wys, who previously worked for
Wys had co-ordinated an investiga-
ridesign team into the development
designated Ovid aircraft — which
the SADF accepted the Pilatus
man de ture
esch attorney Willie-Pieter Marais
member of Channon, confirms
mon acted as an agent in the
ll between Pilatus and the SADF.
ember of Channon is Cape Town
Peter Berger. However, a
purchasing contract between
Armcor (for the SADF) could

neration in commission earned.
Marais says Channon did act as a go-
between for Pilatus and the Air Force. "Ger-
rard Wys obviously assisted in the process.
He has had a long involvement with Pilatus."
As far as he knows, says Marais, Wys is an
SA citizen. However, documentation in the
office of the Registrar of Companies re-
vealed in March 1991 that Wys was still a
Swiss citizen.

Marais says that at this stage he cannot
comment on the possible amount payable to
Channon as commission. "We still have to
work out the commission structure. That will
be determined by various factors." Strong
rumours that an 11% commission would be
payable could not be confirmed by the FM.

However, Deputy Defence Minister Wyn-
and Breytenbach has told the FM that "no
go-betweens were involved" in the contract
between Armcor and Pilatus. He says the
name of Channon is unknown to him. Brey-
tenbach adds that "the SAAF and Armcor
are not involved with the payment of com-
mission. Any payment of commission is ex-
clusively a matter between Pilatus and its
possible agents."

This, however, is also in doubt. A docu-
ment faxed by Armcor to SABC science
expert Marinus Wijnbeek (whose *Agenda*
programme on the Pilatus deal caused for-
mer Defence Minister Gene Louw to accuse
the programme of being one-sided) deals
with the subject.

According to the document, Section 18 of
the purchasing agreement deals with "reme-
dies in the case of bribes." It reads: "If the
buyer has concluded on reasonable grounds
that the seller, in relation to the execution of
the agreement, has promised or has caused
on his behalf to be promised, offered or given
to an official, employee or any other person
any bribes, *commission, loan, advantage or*
any other consideration whatsoever ... the
buyer may summarily cancel the agreement
and (a) claim damages occasioned by such
cancellation; or (b) claim an amount of 10%
of the aircraft price as cancellation costs
(FM's italics)."

According to documents lodged with the
Registrar of Companies in Pretoria Marais,
Berger and Wys are also directors of Gold-
quest International Holdings and Goldquest
International Aerospace. Other directors are
former Stellenbosch Farmers' Winery
(SFW) MD Ronnie Melck (now a wine
farmer) and Colin Tatham, also formerly of
SFW.

According to documents filed with the
Registrar on September 17 1990 the aim of
Goldquest International Aerospace is to "op-

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act.

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to documents filed with the September 17 1990 the aim of ernational Aerospace is to "op- icts of aviation." In a signed October 2 1991, Marais, as Goldquest International Hold- o the Registrar that the com- holding company of the Gold- and is very operational at this and will stay operational for a period of time." This was after had previously given notice

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ARCHIVE FOR JUSTICE

MARAIS THIS WEEK SAID THAT IT
never been involved with the
Goldquest has been involved in
pects of aviation, including
craft, said Marais. He also de-
quest had ever sponsored or
at Air Force functions. "I
have any knowledge of this
against our policy," said Ma-
Commandant Pierre du P
commander of the SAAF as
the Silver Falcons, based at
echoed Marais' denial. "It
Air Force policy to accept sp
says he knows of the Goldque
is not prepared to discuss th
Breytenbach denies any know
quest. FM, MAIL

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The FM has, however, seen
sponsorship by Goldquest o
Silver Falcons. During a Sil
tion in 1992 all present receiv
lighters (about R80 each)
Falcon emblem. Also inscrib
sored by Goldquest."

Meanwhile, the files of ant
Intertechnic, which had org
by the Pilatus team to rev
signed Ovid aircraft in 1988
of Armscor, have been witho
lic scrutiny. The withdrawal
done in terms of Section 152
panies Act.

Registrar of Companies
says Section 15(a) is normal
sensitive cases where the info
held from the public "in the
country (in *landsbelang*)."

Intertechnic director D. D
when contacted by the FM, s
had not acted as agents on
party. "We have been inv
Oerlikon-Buehler group (P
company) for a long time,"
who was a director of Oerli
SA before it was sold to A
agent implies making money
vided Pilatus with office fa
closely with them. The sale
straight deal between Armsc
We assist all the time."

Maartens would not say w
ed that his company's files
drawn at the Registrar's off
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only comment.

IN A LATER DOCUMENT AFT
the visit, it is noted that "it
review was conducted as if it
would be a Pilatus project
learn investigated "Crisis 0040

that he intended to remove the company from the register. *Answer*

Marais his week said that Goldquest has never been involved with the Pilatus deal. Goldquest has been involved with other aspects of aviation, including the sale of aircraft, said Marais. He also denied that Goldquest had ever sponsored or presented gifts at Air Force functions. "I certainly do not have any knowledge of this. It would be against our policy," said Marais.

Commandant Pierre du Plessis, formerly commander of the SAAF acrobatic team, the Silver Falcons, based at Langebaanweg, echoed Marais' denial. "It would be against Air Force policy to accept sponsorships." He says he knows of the Goldquest company but is not prepared to discuss this with the FM. Breytenbach denies any knowledge of Goldquest. *FM Mail 28 " " " 1993*

The FM has, however, seen some tokens of sponsorship by Goldquest on behalf of the Silver Falcons. During a Silver Falcon function in 1992 all present received silver Zippo lighters (about R80 each) with the Silver Falcon emblem. Also inscribed was: "Sponsored by Goldquest."

Meanwhile, the files of another company, Intertecnic, which had organised the visit by the Pilatus team to review the SA-designed Owl aircraft in 1988 at the invitation of Armscor, have been withdrawn from public scrutiny. The withdrawal of the files was done in terms of Section 15(a) of the Companies Act.

Registrar of Companies' Bernie Roodt says Section 15(a) is normally applicable in sensitive cases where the information is withheld from the public "in the interests of the country (*in landsbelang*)."

Intertecnic director Danie Maartens, when contacted by the FM, said his company had not acted as agents on behalf of any party. "We have been involved with the Oerlikon-Biehrle group (Pilatus's holding company) for a long time," says Maartens, who was a director of Oerlikon Electrodes SA before it was sold to Afrox. "Being an agent implies making money. We have provided Pilatus with office facilities and work closely with them. The sale agreement was a straight deal between Armscor and Pilatus. We assist all the time."

Maartens would not say who had requested that his company's files should be withdrawn at the Registrar's office. "I have received many investments for SA," was his only comment.

Eddie Botha

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Armscor director was ordered programme in 1 Vorster, told devices were

Armscor's latest The bombs stein-clad sphum (HEU) with engineered core to fire a causing critical Key techni

he bullet to achieving the used in the cl SA was not device when est preparat hat stage it This only be 978, Nuclear

The weapons ena, 40km w roof was built atellite detect ever suspect Although he bombs height of th missiles — it force Western n all-out co loc forces.

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International dealer cheated Armscor

ExArmscor boss tells of imports

CAPE TOWN — Armscor handled "about 600" lots of arms and weapons a year, former chairman J G J van Vuuren told a parliamentary committee, it was disclosed yesterday.

It was also disclosed that a former Armscor agent had disappeared with R2.3m in an unnamed foreign country and could not be traced, nor could legal action be taken against him. The agent had used false documents to obtain the arms, Armscor executive chief manager De W. told the joint committee on parliamentary accounts, whose report was tabled in Parliament yesterday.

Van Vuuren and De Waal gave their evidence to the committee on June 3 last year. Van Vuuren said Armscor had to deal with intermediaries and was involved in certain clandestine imports.

"About 600 such imports are handled every year, but this was only the second

Political Staff

such incident in the history of Armscor."

The agent had falsified the signatures of foreign-based officials and Armscor had taken legal action as far as it could.

"It is very difficult to institute legal proceedings against him for an international transaction in weapons, which in international law is a so-called illegal transaction," Van Vuuren said.

The committee also heard evidence about the financial transactions of the Civil Co-operation Bureau. Former Auditor-General Peter Wronskley said R659 000 had still not been accounted for.

The committee also found it "disturbing" that such a large amount of money as R865 964.13 should have been placed in a foreign bank by a single CCB member, identified as "Jaco Black", without the authority or knowledge of the State Expenditure Department.

Gene Louw

if they were advising us on our aircraft industry and later competing against us," says Rogers. But Rogers feels that the Air Force is being unnecessarily criticised over the Pilatus contract.

Former SAAF fighter pilot and senior flying instructor Dries Marais has defended the local aircraft. Marais joined the CSIR as an independent specialist consultant during the development phase of the Ovid.

Ironically, Marais' strong defence of the Ovid landed him in hot water with CSIR chief Brian Clark. He was fired from his well-paid consultancy job by Clark after he (Marais) insisted on appearing on the SABC's *Agenda* programme to defend the Ovid.

After it became clear that the Ovid partners (CSIR, Denel and Armscor) would not back their own product in the wake of the future which followed the Pilatus contract, Marais told the CSIR that he would appear on TV in his personal capacity — as an outside consultant. Marais was given two hours to clear his office.

Marais tells the *FM* that he was aware of the invitation by Armscor to Pilatus. "I knew about the Pilatus review of the Ovid pro-

In 1981 the CSIR and the Ash Aircraft Corp (funded by taxpayers' money via Armscor) initiated the design

development of a new military training aircraft, de-named Ovid, to replace the existing Hawks. Test flights were well advanced when tenders were called for by the Df in 1991. Submissions were received from the makers of the Tucano (Brazil), the Freccha (France), Orlik (Poland) and Pilatus (Switzerland). The newly formed Denelkor company submitted a tender for the Ovid.

However, it now seems clear that Pilatus was a subsidiary of the Oerlikon-Buehler group) and three years previously been given a development to look at the development of the Ovid. According to a draft letter dated October 1987, the Armscor GM for aircraft, D R Marais representative in SA. Spring requested that the Swiss company should send a team to SA to provide a consultancy service on an experimental plane. "I believe that the this exercise will have a considerable benefit for our aircraft industry, it may be more than passing interest in Pilatus having contact with an outside organisation." Spring also cautioned the operation should be



Arms deals 'need'

PROCUREMENT

Strange deal

Why did the Cabinet sign a R500m contract for 60 trainer aircraft with the Pilatus company of Switzerland, instead of buying the SA-designed Ovid trainer? Why did a Pilatus research team visit SA in order to conduct a technical review of the Ovid aircraft? And why did Deputy Defence Minister Wynand Breytenbach feel bound to assure MPs in a personal memo that Pilatus were not asked to test the product of their SA competitor?

The FM has documents which show that a team from Pilatus visited SA in 1988. The invitation to Pilatus came from **Armcor** — whose privatised subsidiary, Denel, last year lost the R500m SADF contract in favour of Pilatus. Details of the Armcor invitation will make the purchase of the Pilatus aircraft even more controversial — and exacerbate government sensitivities.

In 1987, the CSIR and the Atlas Aircraft Corp (funded with taxpayers' money via Armcor and the SADF) initiated the design and development of a new military training aircraft, code-named Ovid, to replace the ageing Harvards. Test flights were well advanced when tenders were called for by the SADF in 1991. Submissions were received from the makers of the Tucano (Brazil), Omega (France), Orlik (Poland) and Pilatus PC7 (Switzerland). The newly formed Denel company submitted a tender for the Ovid.

However, it now seems clear that Pilatus (a subsidiary of the Oerlikon-Buehrle group) had three years previously been given a detailed look at the development of the Ovid.

According to a draft letter dated October 27 1987, the Armcor GM for aircraft, D R Spring, wrote to Compagnie Inter Technique, a Pilatus representative in SA. Spring requested that the Swiss company should send a team to SA to provide a consultancy service on an experimental plane. "I believe that while this exercise will have considerable benefit for our aircraft industry, it may be of more than passing interest to Pilatus to have contact with an outside organisation." Spring also cautioned that the operation should be confidentially handled.

Spring's letter was followed up by an Armcor letter, dated November 4, asking Atlas to allow the Pilatus team "access to all relevant information and facilities."

In a later document after the visit, it is noted that "the review was conducted as if it would be a Pilatus project." The research team investigated "project and design objectives; project activities, including and cost; designs, models and mock-ups; the use of composites in structures; and chances of reaching performance objectives including reliability and maintainability."

In its summary, Pilatus pointed to what it biggest secret.

The first bomb was completed in 1980. Five more were stored before 1989 at Advenda.

A seventh was on the

embargo now only obstacle to re

Armcor co

saw as certain deficiencies in the Ovid project and suggested some changes.

Breytenbach's document does not mention the invitation by Armcor to Pilatus. It merely says that "Pilatus has at no stage been invited by the SA Air Force to test the Atlas aircraft — that would have been unethical."



Gene Louw

Democratic Party De-

fence spokesman Lieutenant-General Bob Rogers, a former chief of the SAAF, says he will take up the matter with Breytenbach. While Rogers feels that the SAAF would not have chosen a second best aircraft, he admits that Pilatus might have enjoyed unfair advantage over its SA competitor. "It does look somewhat unfair, if they were advising us on our aircraft industry and later competing against us,"

says Rogers. But Rogers feels that the Air Force is being unnecessarily criticised over the Pilatus contract.

Former SAAF fighter pilot and senior flying instructor Dries Marais has defended the local aircraft. Marais joined the CSIR as an independent specialist consultant during the development phase of the Ovid.

Ironically, Marais' strong defence of the Ovid landed him in hot water with CSIR chief Brian Clark. He was fired from his well-paid consultancy job by Clark after he (Marais) insisted on appearing on the SABC's Agenda programme to defend the Ovid.

After it became clear that the Ovid partners (CSIR, Denel and Armcor) would not back their own product in the wake of the furore which followed the Pilatus contract, Marais told the CSIR that he would appear on TV in his personal capacity — as an outside consultant. Marais was given two hours to clear his office.

Marais tells the FM that he was aware of the invitation by Armcor to Pilatus. "I knew about the Pilatus review of the Ovid programme and to my mind this clearly constitutes preferential treatment of Pilatus," says Marais. Breytenbach, through Defence spokesman D A S Herbst, said this week that he had not been aware that a Pilatus team had reviewed the Ovid project at the invitation of Armcor.

TV producer Marinus Wijnbeek, a science expert who did the background investigation became a **fact** matter forgotten. A senior SABC **fact** told the FM that Wijnbeek had received threats from unknown sources to try to stop his investigation. Later, former Defence

Minister Gene Louw criticised the programme for having been one-sided — even though the SAAF appeared on the programme and Armcor had been invited to take part (they declined).

There seems to be a great deal of political pressure not to defend the local product.

Eddie Botha

stitutions are putting

Under a new

ails of expenditures

Writer ANITA ALLEN

Act of 1974. All expenses had to be approved

Minister of Defence, deciding was done by the

"Armcor is only in the acquisition of equipment and related services budgeted the SDA.

"We do not know the SDA is totally dependent on equipment and related acquisition would have to approve SADF for comment regard," the spokesman said.

He said it had been policy during the war not to disclose

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enough enriched uranium to make two bombs — about

the Klerk told a press conference that the weapons programme cost millions, but this is grossly low. Much of it could be hidden in shipping the legitimate programme for

Arms deals 'need

Embargo now only obstacle to release of more information

Armcor comes clean

Pg 2

SATS

11/5/93

ARMSCOR has for the first time revealed details of the Special Defence account (SDA) which this year was voted R2,74 billion of the total defence budget of R3 billion.

In a special briefing an Armcor spokesman gave Sunday Star a breakdown of Armcor projects financed from the account.

This year's acquisition plan for various weapons systems and equipment is divided into two categories: major equipment projects and non-project-related equipment.

Included in the major equipment projects are fighter aircraft, helicopters, ship system ground force systems, air communications systems including early warning and radar.

These projects account for about R2,5 billion, or 70 percent, of the SDA and will all be handled by Armcor.

The more than 100 projects include both running and new contracts. Examples include the production of Cheetah aircraft, Rooikat armoured cars, G-6 artillery and Oliphant 1B tanks. The Rooivalk combat helicopter is no longer on the acquisition programme due to budget cuts.

The non-project-related equipment covers hundreds of items including parachutes, infantry weapons, ammunition, stores, spares, repairs and maintenance. These account for the remaining about R1,1 billion, or 30 percent, and most of the ordering will be handled directly by various units of the armed forces.

Of the major equipment projects, the air force will receive the lion's share —

GOVERNMENT institutions are putting on a new face to match the changing times. Under a new policy of openness, Armcor has revealed details of expenditures under the so-called 'secret fund' to Science Writer ANITA ALLEN.

almost R2 billion, or 72 percent, of the total; the army around 20 percent; the navy about 7 percent; and about 1 percent will be spent on communications upgrading.

The R3,74 billion allocated by Parliament was deposited into the account, which was also credited with any money accruing from sales of surplus and obsolete equipment, such as the Harvard aircraft which were decommissioned last year.

The spokesman explained that the SDA operated like any bank account and was credited with any interest earned. The account was established and operated in accordance with the SDA

Act of 1974. All expenditures had to be approved by the Minister of Defence, and auditing was done by the Auditor-General.

"Armcor is only involved in the acquisition of armaments and related products and services budgeted for in the SDA.

"We do not know whether the SDA is totally devoted to equipment and equipment-related acquisition. You would have to approach the SADF for comment in this regard," the spokesman said.

He said it had been the policy during the Angolan war not to disclose any de-

tail concerning the SDA because that would have been useful to the enemy.

"However, Armcor believes that it should now be transparent regarding the procurement of military equipment in peacetime. We have therefore embarked on a policy to disclose much more than in the past. The only hindrance at this stage is the arms embargo. Once this is lifted we would be able to be even more transparent."

He confirmed that Saturday Star's request for more detail of the SDA was the first such request since the change in policy.

Approximately 40 percent

(R1,7 billion) of the SADF's armaments is currently supplied by the Pretoria company Denel and at present the armaments industry is the largest exporter of manufactured goods in South Africa, averaging about R500 million over the past few years, of which R80 million went to African countries.

The spokesman confirmed that Armcor had in the past funded a missile development programme directed at acquiring the necessary technology, but the manufacture and acquisition of ballistic missiles had never been part of the programme.

The spokesman said the export policy was decided by the Cabinet. Special restrictions that applied were that end-user certificates had to be supplied, and no armaments were supplied that fell under the Nuclear

Non-proliferation Treaty, the Biological and Chemical Weapons conventions, or the Missile Technology Control Regime embargoes.

Countries were divided into three groups: Group 1 — no restrictions; Group 2 — only certain support equipment; and Group 3 — total prohibition.

He pointed out that the United Nations embargo on sales of arms to South Africa was mandatory. However, a resolution to boycott South African-manufactured arms was voluntary.

"We are not authorised to divulge which countries fall into these groups. As a rule, the group 3 countries are those on which the international community has imposed restrictions, for example Iraq and Yugoslavia, or countries that would pose a military threat to South Africa."

our hands we held the

...grenades to the UN's initial supplies remained tight but claims finding their only that it is about clients say is that Africa, but users," he full knowledge of SA

Denel 'may be set to target' Armscor investment link is denied by Vermaas

Armscor investment link is denied by Vermaas

Citizen Reporter
PRETORIA attorney, Mr Albert Vermaas, yesterday denied that he had ever mentioned to one of his former accountants that Armscor, or one of its subsidiaries, were to invest millions of rands in his investment scheme.

Mr Vermaas testified that in 1988 he had discussed with Armscor and the SA Air Force the possibility that they could buy 72 Mirage aircraft through him, as he knew there was a shortage of this type of aircraft in the force and it was the only one of aircraft that could be bought "in secret" without an international treaty.

There are still a number of contracts being executed with Israel, but these contracts will be renewed when they end. When the first reports of the alleged Armscor decision appeared, they were denied by Armscor spokesman Don Hendrickson who said the organisation was sticking to agreements made with Israel during the 1970s and was not changing its policy to woo Arab customers.

Mobilise

...told The Star last that the decision not to renew contracts was Israel's

He said there might have been a conversation between him and his former accountant, Mr Gerald Grieveson, about the Mirage aircraft, but said he would not have talked about the selling price to the Air Force, because the deal had not been concluded yet.

Mr Grieveson testified that Mr Vermaas had talked about buying the aircraft for \$40 million (R120 million) and selling it to the Air Force for \$100 million (R300 million).

Mr Vermaas yesterday testified that he would as a businessman definitely

not have concluded any transaction without making a profit.

Mr Vermaas denied evidence by Mr Grieveson that he wanted to register a company in either America or Canada to refurbish aircraft.

He said he might have referred to such an idea in general terms during conversations, but said there certainly had not been any talk about registering such a company.

He again denied evidence by Mr Grieveson that he had been involved in a so-called roundtripping scheme, using overseas businessmen as front men to fictitiously buy his companies in South Africa.

The trial continues before Mr Justice Kirk-Cohen.

The United Nations Security Council has banned the sale of arms to South Africa.

● Last week's *Weekly Mail* allegations that Soviet aircraft were illegally shipping arms out of Mmabatho have led to the first official acknowledgement that clandestine consignments of weapons from South Africa may be reaching Unita forces in Angola.

● See PAGE 2