

**INTERNATIONAL BIDDING AND THE IMPLEMENTATION OF
COUNTERTRADE TO DEVELOP LOCAL ENTERPRISES: A
CASE STUDY OF THE SOUTH AFRICAN ARMS DEAL**

by

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ABSTRACT

INTERNATIONAL BIDDING AND THE IMPLEMENTATION OF COUNTERTRADE TO DEVELOP LOCAL ENTERPRISES: A CASE STUDY OF THE SOUTH AFRICAN ARMS DEAL

One of the biggest problems facing the South African economy is unemployment. It is estimated that 33,9 percent of the population between the ages of 15 and 65 are unemployed. The South African government is however aiming to utilise the instrument of international government procurement to leverage economic benefits and develop local enterprises. Through the use of countertrade the South African government is hoping to create sustainable economic growth, increase foreign investment, create job opportunities and develop South Africa's human resources.

Recently the South African government announced that it had signed a R30 billion deal to purchase defence equipment. In return South Africa hopes to gain countertrade benefits worth more than R104 billion over the next eleven years. Similar countertrade deals, however, reached between smaller countries and the major arms producing nations have more often than not failed to produce the promised benefits.

The purpose of this research was thus to determine whether countertrade – and specifically countertrade related to these arms procurement contracts - can aid in the development and growth of enterprises in South Africa. In doing so this would help create sustainable jobs in the South African economy.

The research started of with an evaluation to determine whether South Africa has a proper countertrade policy. It was found that both Armscor and the Department of Trade and Industry have countertrade policies. These policies were then evaluated against policy guidelines identified in a literature study. These policy guidelines included for example:

- A countertrade policy should contain clear and unambiguous objectives.

- The policy should specify the size of the countertrade requirements as a percentage of the total value of the original purchase.
- Performance penalties should be given for non-performance with the agreed countertrade obligations.

These policy guidelines were then tested for their relevance through an opinion poll conducted amongst countertrade practitioners worldwide. Evaluated against these policy guidelines it was determined that South Africa has got two properly formulated countertrade policies for the successful application and implementation of countertrade.

Secondly the research set out to determine whether proper procedures are in place to ensure the success of the countertrade obligations. It was found that South Africa has created three bodies namely the Industrial Participation Secretariat, the Industrial Participation Control Committee and the Defence Industrial Participation Committee to monitor the implementation of countertrade. In addition performance penalties are also being used to ensure the attainment of countertrade obligations by the suppliers.

Lastly the research identified the countertrade obligations that were negotiated for this arms procurement deal in order to be able to determine whether enterprises are in fact being established and grown. Countertrade obligations such as the following were negotiated:

- The establishment of a fish processing plant in the Western Cape by Saab and Swedefish.
- The proposed transfer of technology by the German Frigate Consortium to a local supplier of crankshafts to help boost its production for export purposes to 500 000 units a year.

It was thus found that: South Africa has got two proper countertrade policies aiding in the application and implementation of countertrade; that ample provision has been made for the monitoring of the implementation of the countertrade obligations; and that the countertrade obligations negotiated would indeed help create and develop local enterprises.

OPSOMMING

INTERNASIONALE AANKOPE EN DIE IMPLEMENTERING VAN TEENHANDEL OM PLAASLIKE ONDERNEMINGS TE ONTWIKKEL: N GEVALLESTUDIE VAN DIE SUID-AFRIKAANSE WAPEN TRANSAKSIE

Een van die grootste probleme wat die Suid-Afrikaanse ekonomie in die gesig staar is werkloosheid. Daar word beraam dat nagenoeg 33,9 persent van Suid Afrika se bevolking tussen die ouderdom van 15 en 65 werkloos is. In 'n poging om die probleem te oorkom, poog die Suid Afrikaanse regering om deur middel van internasionale regeringsaankope nie alleen ekonomiese voordeel te trek nie, maar ook om plaaslike ondernemings te help ontwikkel. Deur gebruik te maak van teenhandel poog die regering om ekonomiese groei aan te moedig, buitelandse beleggings te lok, werksgeleenthede te skep en Suid Afrika se menslike hulpbronne te help ontwikkel.

Die regering het onlangs aangekondig dat hulle 'n R30 biljoen kontrak onderteken het vir die aankoop van wapentuig, en as teenprestasie verwag hulle teenhandel ter waarde van sowat R104 biljoen oor die volgende elf jaar. Soortgelyke teenhandelsooreenkomste in die verlede tussen kleiner lande en die groot wapen verskaffende lande het egter nie gerealiseer nie.

Die doel van die studie was dus om te bepaal of teenhandel – en spesifiek die teenhandel verwant aan die wapenkontrakte – daarin kan slaag om ondernemings in Suid Afrika te help ontwikkel en groei, en in die proses werksgeleenthede te help skep.

Die navorsing het begin deur te bepaal of Suid Afrika 'n behoorlike teenhandelsbeleid het. Daar is bevind dat beide Krygkor en die Departement van Handel en Nywerheid teenhandelsbeleidsdokumente het. Die beleidsdokumente is toe geëvalueer teen beleidsriglyne wat gedurende 'n literatuurstudie geïdentifiseer is ten einde die volledigheid van die beleidsdokumente te bepaal. Die beleidsriglyne het onder meer die volgende ingesluit:

- 'n Teenhandelsbeleid moet duidelike en ondubbelsinnige doelwitte bevat.

- Die beleid moet die grootte van die verlangde teenhandelsprestasie as 'n persentasie van die waarde van die oorspronklike aankope spesifiseer.
- Boetes vir die versuim om aan die beloofde teenhandelsprestasies te voldoen moet gespesifiseer word.

Na die identifisering van die beleidsriglyne is 'n meningsopname gedoen onder teenhandelpraktisyns ten einde die relevansie van die teenhandelsbeleidsriglyne te bepaal. Gemeet teen die beleidsriglyne is daar bevind dat Suid-Afrika twee goed geformuleerde teenhandelsbeleidsdokumente het ten einde teenhandel suksesvol te kan toepas en implementeer.

Tweedens het die navorsing gepoog om te bepaal of daar behoorlike prosedures in plek is om te verseker dat die beloofde teenhandelsprestasie werklik gelewer word. Daar is bevind dat Suid Afrika nie alleen drie liggame naamlik die "Industrial Participation Secretariat", die "Industrial Participation Control Committee" en die "Defence Industrial Participation Committee" gestig het om die implementering van die teenhandel te monitor nie, maar dat prestasie boetes ook gebruik word om die lewering van die teenhandelsprestasies te verseker.

Laastens is die teenhandelsprestasies wat tydens die wapenaankope beding is geïdentifiseer teneinde te bepaal of ondernemings wel gestig en gegroei gaan word deur gebruik te maak van teenhandel. Teenhandelsverpligtinge soos die volgende was beding:

- Saab en Swedfish gaan 'n visverwerkingsfabriek in die Wes Kaap oprig.
- Die "German Frigate Consortium" gaan deur middel van die oordrag van tegnologie 'n plaaslike vervaardiger van krukasie help om sy produksie tot 500 000 eenhede per jaar op te stoot met die oog op uitvoere.

Daar is dus bepaal dat: Suid Afrika twee behoorlike teenhandelsbeleidsdokumente het ten einde die toepassing en implementering van teenhandel te bevorder; dat daar behoorlik voorsiening gemaak is vir die monitering van die implementering van die

teenhandelsprestasies; en dat die teenhandelsprestasies wat beding is wel sal lei tot die oprigting en ontwikkeling van ondernemings in Suid Afrika.

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