

Arms corruption scandal erupts in South Africa

By Barbara Slaughter
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A series of major corruption scandals have rocked the South African government in the past few months. High-ranking members of the ANC government are accused of taking "kick-backs" and of funnelling lucrative contracts to companies in which they or their families have a personal interest.

The issue goes deeper than personal corruption. Since Nelson Mandela was swept to power in 1994, the South African government has been based on a compromise between the old white ruling elite, who needed to open up the country to international investment, and an aspiring layer of black businessmen who hoped to enrich themselves in the process. This rotten compromise was most graphically embodied in the "Truth and Reconciliation Commission", which provided an apology for all the crimes of the apartheid regime.

This settlement is now coming under strain, as conflicts within the ruling echelons of the ANC and between the party, business leaders and the judiciary are fought out through claims and counter-claims of government nepotism and corruption.

The allegations centre on a massive arms deal, announced in 1998, to re-equip the South African military forces. The first phase of the deal involved the purchase of patrol corvettes, light helicopters, submarines, Hawk jet trainers and light fighter aircraft, from manufacturers in France, Britain, Italy, Germany and Sweden. Within one year, the cost of the deal had skyrocketed from R29.9bn to R43bn (US\$5.5bn)—an increase of more than 42 percent.

Government ministers justified the massive expenditure by insisting that it would generate 65,000 new jobs in South Africa. They claimed that local firms, including the state arms manufacturer Denel would benefit from billions of rand of investment in new technology. Critics claim to have exposed financial links between the subcontractors and members of the government and the military.

Chippie Shaik is the Chief Director of Procurement in the South African Defence Department. His brother Shabir is a director of Thomson CSF, the French arms manufacturer, which was awarded a contract to supply management technology for four corvette patrol vessels for the South African Navy. Shabir Shaik is also the director of African Defence Systems (ADS), a Thomson CSF subsidiary, which is involved in the same deal. ADS employs Chippie Shaik's wife, Zarina.

Shabir Shaik's "black empowerment" company, Nkobi Holdings, is also a shareholder in ADS. An informant told the *Mail and Guardian* how Nkobi Holdings planned its bid for a share of the arms package as early as 1996, and how they boasted about using ANC contacts to secure government contracts.

Richard Young of CCII, a rival South African arms firm, is threatening to sue for damages of between R100 to R200m. He claims that CCII was the navy's preferred supplier, but they lost the deal to Thomson CSF because of Shabir Shaik's close relations with the government.

Likewise, American company Quantam International Services Limited claims it concluded an agreement with the state arms agency Armscor for

the purchase of redundant transport aircraft and spares from South African Air Force. Quantam says that four days before they were due to finalise the deal, they were told that the planes were no longer for sale—on the orders of former Minister of Defence Joe Modise. It emerged that Modise and Ron Haywood, the current chairman of Armscor, were seeking to put together their own deal to purchase and refit the planes. A claim for R2bn damages is being made against Armscor.

Two other allegations concern the supply of MiG fighter aircraft engines from Russia and a R1.5bn government oil contract, which is under investigation, after serious irregularities were found.

Rumours of financial impropriety began circulating about 18 months ago. Two opposition parties, the Pan Africanist Congress (PAC) and the Democratic Alliance (DA), spearheaded the campaign.

The PAC is a small Black Nationalist party, which polled just one percent of the vote in the 1994 election. It was formed in 1959, after splitting from the ANC because of its opposition to the growing influence of the South African Communist Party (SACP) within the ANC. The PAC had some success in the 1960s, but their membership declined as the ANC was able to use the influence of the SACP to enhance its "left-wing" credentials and thus consolidate its support among the African masses.

Today the PAC attacks ANC policies from the standpoint of a defence of the interests of the black petty bourgeoisie who have not benefited from power in the same way as their more successful counterparts in the ANC. It does this in the name of "the poor" and "the small business community" and advocates economic growth through "a lot of hard work and commitment". It opposes government corruption in order "to make savings which can allow us to look after the informal and small business community which has sadly been neglected by our present rulers for too long."

The DA, led by Tony Leon, is a free market pro-business alliance. It was formed last year between the Democratic Party, which was the parliamentary opposition under apartheid, and the New National Party (NNP), the successor to the racist National Party that ruled apartheid South Africa for 46 years.

The corruption allegations were first raised by PAC MP Patricia de Lille, using documents provided anonymously by ANC MPs. These alleged that bribes were paid to senior ANC members and contracts were awarded to their relatives.

According to the news website *WOZA*, de Lille's file included allegations of attempts by former members of the ANC's armed wing, Umkhonto weSizwe — some of them senior ANC members and government officials — to enrich themselves through subcontracts and tax offset-packages related to the arms acquisition programme.

De Lille handed a 10-page dossier to the head of the government Special Investigation Unit (SIU), Judge Willem Heath, a member of the judiciary under the apartheid regime.

Heath had conducted an earlier inquiry into corruption in the Eastern Cape, when he was supported by the ANC leadership for rooting out

corruption among the local party bosses that was threatening government support in the area. This time things were to be different because the allegations of corruption involve the highest echelons of the party.

The Public Accounts Committee of the South African parliament recommended that Heath's unit along with three other agencies, the Directorate of Public Prosecutions, the Auditor General and the Investigative Directorate of Serious Economic Offences (Idseo) should carry out an inquiry.

Mbeki and the government, however, are completely opposed to any scrutiny of the arms deal. Behind the scenes, ANC officials made desperate attempts to stymie any investigation. The *Sunday Times* reported that Tony Yengeni, (a former chairman of the parliamentary joint committee on defence), tried to persuade ANC members of the committee to quash the inquiry, saying it was not in the interests of the party and the government.

Andrew Feinstein, an ANC MP who had supported the call for an inquiry, was sacked from his position as co-chairman of the parliamentary public accounts watchdog committee.

On January 12 four senior government ministers called a press conference to deny that there was any evidence of corruption. They accused the public accounts committee of incompetence and of failing to understand its own documents.

Five days later, President Mbeki appeared on television to announce that he would not allow the SIU to investigate the deal and demanded that Heath hand over whatever evidence of graft he had to the justice ministry. Mbeki said the government could not allow an organ of the executive to "run out of control...It is also clear that we cannot allow the situation to continue where an organ appointed by and accountable to the executive refuses to accept the authority of the executive."

He continued, "This situation of ungovernability will not be allowed to continue.

"Further, the Constitutional Court has directed that we act without undue delay to replace Judge Heath with somebody else who is not a judge. This directive of the Constitutional Court will be carried out as soon as parliament reconvenes at the beginning of February."

Heath refused to hand over the documents, saying it would be irregular to give such information to government officials, some of whom may be implicated in the alleged arms deal. To do so would "jeopardise the investigation, lead to victimisation of whistle-blowers and threaten the lives of potential witnesses", Heath said.

The ANC has announced that their chief whip, Tony Yengeni, would "sit in" on the investigation meetings even though he is listed among the suspects

Heath has claimed his telephone is being "bugged" and has said that any day he expects apartheid-era style state raids on his office. PAC MP Patricia de Lille, who first raised the allegations, claims she has received death threats.

The ANC's response to the corruption allegations has deepened public suspicion about the government involvement in the scandal. Sections of South Africa's ruling elite are worried that Mbeki's mishandling of the situation will lead to an escalation of the crisis.

Several religious leaders have met with Mbeki to advise caution. Afterwards the South African Council of Churches issued a statement expressing their concern that "the nation is becoming divided on the crucial issue of corruption...Whether unfounded or not, the public perception exists that a cover-up is being shaped, that our democratic institutions are being undermined, that mischievous and misleading forces may be at work and that correct procedures could have been flouted."

Although the president's advisors continue to insist that there has been no wrongdoing, Defence Minister Mosiuoa Lekota has conceded that ANC MPs have accused fellow parliamentarians of taking bribes to influence the arms deal. He said that it was "not impossible" that senior

politicians took kickbacks.

Corruption in the shape of "kickbacks" is a regular feature of bourgeois political life all over the world, especially in connection with the arms industry. According to a recent article in the *Mail and Guardian*, corruption was regarded as a legitimate business expense by the French government. Since 1977, when the oil crisis placed French export companies in an uncompetitive position, the French government has authorised the use of bribery in the form of "commissions", provided they were paid to foreign civil servants. All that is required is for the French company to report its payments to the French Ministry of Finance, who maintain a list of the handouts.

All other imperialist governments have their own methods of achieving the same ends. Today, however, the major corporations and the Western powers are demanding that all governments in the less developed countries reign in long-established practices of nepotism and kickbacks. The call for "transparency" raised by the IMF and World Bank is a euphemism for total subordination by local ruling elites to the dictates of global capital. This is why the IMF and World Bank are taking up the hue and cry against corruption all over Africa.

The issue is being taken up with such enthusiasm by the South African media, and fuelled by information leaked from unnamed sources within the ANC itself, precisely because criticism of Mbeki from within the South African business community is growing.

The ANC government is seen as having failed to fully carry out the dictates of the IMF and the World Bank. This could be detrimental to South African capitalism, which they are pledged to defend.

Over the past year, the economic situation in South Africa has deteriorated, with a reduction in foreign investment and a fall in the value of the rand. The government's failure to press ahead with the restructuring of the economy is causing foreign investors some concern.

The South African "independent think tank" *Business Map* recently cited Mbeki as an obstacle to foreign direct investment. It said, "The defensive political style of Mbeki has been a key factor in compounding negative investor perceptions." Undoubtedly the corruption scandal is being used by these forces to destabilise the government and whip it into line.

The party also faces growing political opposition from within the working class. With unemployment at almost 40 percent, workers can see the "fat-cats" in and around the ANC enriching themselves, while their own living standard is worse than it was under apartheid. The government is spending billions of rand re-equipping the South African armed forces, whilst claiming it lacks the resources to provide basic necessities like clean water and electricity for millions of ordinary families.

There is acute awareness, especially among the ranks of Cosatu, the trade union wing of the ANC, of the growing disaffection in the working class, and concern that the government may lose control of the situation. They too may be involved in leaking material to the media in order to reinforce their own position in the party. All of this has given rise to a raging crisis within the ANC. The current corruption "revelations" from within the party are a manifestation of this power struggle.

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