

# Secrecy, lies and corruption

## The Arms Deal

Despite great pressure the government refuses to set up a commission of inquiry into the arms deal. Why?

**Paul Holden** traces the history of the Arms Deal and comes to the conclusion that corruption is the only reason – a crime that eats away at our democracy.

South Africa, in the heady days of 1994, was the last place that you would have expected the government to pursue sophisticated weapons purchases. While on the election trail, the ANC promised to redirect the obscene military spending, previously undertaken by the apartheid state, towards the Reconstruction and Development Programme (RDP).

The RDP document, which was effectively the ANC's election manifesto, advised that "the size, character and doctrines of the new defence force must be appropriate to a country engaged in a major programme of socio-economic reconstruction and development." That the military, which had been involved in wars of destabilisation throughout the region, needed to have its wings clipped was obvious.

However, only two months after the election, the South African Defence Minister, Joe Modise, approved the idea of purchasing four new sophisticated corvettes for the Navy. Many South Africans were appalled. The *Sowetan* wrote that, "we cannot agree that, being a country which is faced with the huge

task of improving the living conditions of its people, we should divert such large sums to buying expensive boats for the Navy. We have to agree with the SA Council of Churches that the real enemies of the country are hunger, poverty and homelessness. Fighting these should be a priority above all others."

Even Tony Yengeni, once a politician who was willing to fight arms purchases, but later convicted of fraud relating to the arms deal, commented in the *Weekend Star* that "the levels of poverty are so high that most victims of poverty cannot comprehend that a new democratic parliament can endorse spending a substantial amount on corvettes."

The reaction to the corvettes was so severe that the idea had to be scrapped altogether. Instead, a 'scientific' survey of our countries defence needs was done in 1997 and 1998, culminating in a document referred to as the Defence Review. This was presented to Parliament, and was very clear on one point: "there is no foreseeable major external military threat to South Africa in the short to medium term. Due to the imperatives of the RDP, Defence Spending has to

be kept to an appropriate level."

The Defence Review included a wish-list of equipment, but also came with a warning: "The approval of a force design by the parliamentary defence committee, Cabinet or Parliament does not constitute blanket approval for all implied capital projects or an immutable contract in terms of the exact numbers and types of equipment. At best, it constitutes approval in principle for the maintenance of the specified capabilities at an approximate level..."

In other words, Parliament needed to be approached for approval of any further weapons purchases. This was never done. Instead, at the end of 1998, it was unilaterally announced by Cabinet that they had a list of preferred bidders for a whole range of equipment ranging from submarines to jet fighters. By the end of the following year, we had signed the Arms Deal. But we had never, in fact, given Cabinet the approval to do this.

### COST OF DEAL

At the time, the South African public was told that the Arms Deal would cost R30-billion. In fact, as is clear from a 2008 budget report, we have spent R43-billion since 2000, with a further R4-billion to be spent by 2011. And this excludes other costs, such as the amount of interest and finance charges we are paying on the loans taken out to pay for the purchases: an amount estimated to be around R23-billion, if not more. In total, we will have spent roughly R70-billion by the time we pay off the last loans in 2020.



Former defence minister, Joe Modise, intervened to help BAE win the contract for Gripen and Hawk fighters

In 1997, then Deputy Defence Minister, Ronnie Kasrils, promised that the Arms Deal would “delight the Minister of Finance”. In fact, the Arms Deal has cost us more than we have spent on major social services over the last eight years. The Arms Deal has officially cost us R43-billion, while over the last eight years we have spent R41-billion on low-cost housing; just R8.7-billion on ARVs; and R6-billion on bursaries for university students. It would cost R5.7-billion a year to provide ARVs to everyone who needed them, which would save the lives of 1,7-million people and prevent the orphaning of 860 000 children.

In fact, if we had spent the R43-billion spent on the Arms Deal on housing, we could have built nearly 2 million houses; just 300 000 short of the estimated figure needed to provide housing to all South Africans in 2008.

### STILL IN THE DARK

What a democracy means is that our government needs to be accountable for its actions. This is why, in 2001, Parliament suggested an investigation into the Arms Deal. As soon as this was done, the investigation came under political pressure.

The bone of contention was the inclusion of Judge Willem Heath and his unit, which the government did not want to have investigating the Arms Deal, and for one key reason: Heath’s unit had the power to cancel the Arms Deal contracts if he found evidence of corruption. Using its majority in Parliament and in Parliamentary Committees, the ANC

forced the exclusion of Willem Heath and shut down Parliamentary oversight of the investigation.

When the investigation was completed, a ‘Joint Investigation Report’ was presented. It largely cleared the government of any wrongdoing, and even claimed that “no evidence was found of any improper or unlawful conduct by the government... There are therefore no grounds to suggest that the government’s contracting position was flawed.”

This completely ignored the Report’s own findings, including how Chippy Shaik had failed to recuse himself from meetings where his brother’s company was discussed, and the way in which Joe Modise had intervened to get BAE the biggest slice of the Arms Deal.

After the investigation, we were still in the dark about what happened in the Arms Deal. But what we did know was that the government did not want us to know anything. In fact, the Joint Investigation Report, drawn up by constitutionally independent bodies, had been extensively edited by the Executive. Documents provided to Dr Richard Young through a Promotion of Access to Information request clearly show this to be the case. The Auditor-General, Shauket Fakie, even admitted to this fact in Parliament, but claimed that the editing that was done was superficial and did not affect the content of the report. Subsequent reports have shown how much this is misleading: huge sections were cut out and

reworded, largely to clear key figures of any crime.

### WHY PURSUE ARMS DEAL?

If we could not afford the Arms Deal, and did not need most of the equipment bought, why did we pursue it? Some have argued that we needed the weapons to assist with peace-keeping. But for peace-keeping, you need land-based forces, an Army, and not submarines, corvettes and jet fighters. Some said that it would create jobs. But to get 65 000 jobs from R70-billion expenditure relates to just over R-million per job created, substantially more than the R20 000/year received by cleaners and maintenance workers in 1999.

But if these explanations don’t hold up, what do we have to explain the Arms Deal? Unfortunately, it seems that the only explanation that makes sense is corruption.

Two people, so far, have been convicted for their role in the Arms Deal. Tony Yengeni for fraud regarding the illegal procurement of a Mercedes-Benz 4x4. And Schabir Shaik for soliciting bribes from the Arms Deal company Thompsons, allegedly to be paid to Jacob Zuma so that he would protect the company from any enquiry into the Arms Deal.

How many more people need to be investigated is still not clear, but two names have been frequently mentioned: Joe Modise and Chippy Shaik. Modise, as is certain from a number of investigations, intervened to help BAE win the contract to supply Hawk and Gripen fighters, even though the SA Airforce (SAAF) didn’t want two types of jets (they

wanted one), and had preferred the jets of an Italian company that could have provided the weapons at half the cost.

Why did Modise do this? For many reasons, one being that he was a director of Conlog, a company that was supposed to get considerable contracts from BAe as a result of the offset promises made by BAe.

Chippy Shaik was the man at the centre of it all. He was the Chief of Acquisitions, chairing nearly every key Cabinet meeting and directing the entire process. He was also alleged to have received \$3-million in bribes from a German company. But his centrality was never explored and never investigated.

In August 2007, Minister of Justice, Brigitte Mabandla, claimed that he had never been investigated, despite

all the evidence presented to the Joint Investigation Team. She even claimed that there was "no sufficient credible evidence" to prosecute him.

However, in February 2009, the National Prosecuting Authority, in a submission to the Standing Committee on Public Accounts, claimed that an investigation into corruption relating to a German contractor in the Arms Deal, who, it is alleged, had paid bribes to Chippy Shaik, had been blocked by the Department of Justice.

#### **CORRUPTION: A CANCER**

So what, some people may ask. Why get angry now? The answer is simple. As a country, we need to know what happened in the Arms Deal. As one eminent judge said, "corruption is a cancer." And like cancer, corruption

spreads like wildfire in an infested host. If we let individuals get away with their crimes, we are sending a simple message: that corruption is normal.

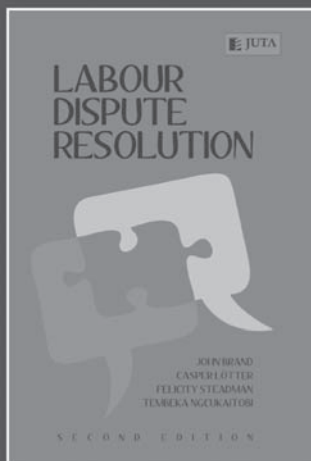
Corruption eats away at our society, and takes resources away from the people that really need it: the poorest of the poor. Forcing the government to account for its actions, therefore, is vital to securing the future of our democracy and ensuring that the government delivers on its promises.

This is why we need a Commission of Inquiry into the Arms Deal. **LB**

*Paul Holden is a freelance researcher, writer and historian. He recently published 'The Arms Deal In Your Pocket' (Jonathan Ball: 2008).*

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