

British Police Probe South African Arms Deal

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A former South African Defence Ministry adviser, now in the arms manufacturing, supply and export business, is being investigated by Britain's Serious Fraud Office (SFO) for allegedly receiving substantial payments from BAE Systems - the company that won the contract to supply South Africa with 24 Hawk trainer jets.

Businessman Fana Hlongwane, formerly special adviser to defence minister Joe Modise who died in 2001, was being investigated for receiving "substantial payments" from BAE Systems, according to the Guardian newspaper of 6 th January.

The South African police, the Scorpions, were handling a "mutual legal assistance" request from the SFO to investigate Hlongwane's financial accounts in relation to the 1999 deal, according to the report.

Hlongwane was reported to have had substantial influence over the £1.5bn contract won by the arms company to supply planes at nearly twice the price of a rival Italian bidder.

The investigation centres on claims of substantial payments to Hlongwane, apparently while he was Modise's adviser. At the time, Hlongwane was also a director of arms company Denel, and Osprey, a company BAE had named as the agent handling commissions paid in South Africa.

Questions were raised about the aircraft acquisition component of the arms deal when Modise changed the formula by which the winning bidder was decided, resulting in BAE and Saab winning the bid to supply the Hawks and 28 Gripen fighter jets.

BAE has acknowledged that it paid tens of millions of pounds in secret commissions to win the bid. The company originally intended to pay 12% of the contract price in commissions, but agreed to cut that back to 7% - more than £100m - following questions from the British authorities underwriting the deal. BAE also made a donation to the ANC after the contract was signed.

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Hlongwane, who today is the majority shareholder in Ivema - a military equipment supplier - and a shareholder in Ngwane Defence Group - which designs and develops military systems for export - could not be reached for comment yesterday.

Allegations of corruption related to the controversial multi-billion rand arms procurement process were earlier made against Modise. These included that he received a £500 000 bribe from BAE and \$10m from a German consortium that signed a contract to sell South Africa submarines.

Neither the Scorpions nor the SFO would confirm or deny the existence of a joint investigation into Hlongwane's role in the arms deal. Scorpions spokesman Makhosini Nkosi said he was not aware of any "mutual legal assistance" between his organisation and the SFO. He said he was still on leave and would only be able to "get more details" tomorrow.

"I have also just spoken to Vusi Pikoli (National Director of Public Prosecutions) and he, too, is not aware of such assistance. But the fact that we don't know about it does not mean that it does not exist," he said.

David Jones, head of communication at the SFO, also said yesterday that he was not in a position to confirm details of the Guardian story.

"All I can say is that the SFO has been conducting an investigation involving the relationship between BAE and South Africa with regard to the arms deal. And, as part of that investigation, we have been in contact with South African authorities," he said. He was not sure which law enforcement agency was involved.

"I also currently don't have access to the SFO investigators to get more information as it is the weekend," said Jones, adding that he never heard of Fana Hlongwane.

"There is no indication that he may or may not be part of the investigation," said Jones.

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Patricia de Lille, who produced a dossier of evidence supporting allegations that ANC politicians and business people were involved in irregularities around the arms deal, welcomed the SFO investigation.

"We tried in 2000 to approach the British authorities about it and at the time we were informed that it was not illegal in the UK to pay a bribe." De Lille said the British government had yet to introduce legislation following its ratification of the 1998 conventions by anti-bribery watch-dog the Organisation for Economic Co-operation and Development (OECD).

The Independent Democrats leader said it was a pity the probe into the alleged bribes paid by BAE was not being led by South African investigators, who are in possession of her dossier.

"The National Prosecuting Authority does not seem to be interested in following the allegations. The BAE allegation is a long-standing one that was also taken up by Terry Crawford-Browne," she said.

(Culled from the Cape Argus [of Cape Town] of January 7, 2007) □