

ECAAR-SA will Release BAeSystems Arms Deal Loan Agreements on Monday, September 22 at 10:30 am

Press Statement by :

Economist Allied for Arms Reduction - South Africa

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ON MONDAY, SEPTEMBER 22 AT 1030 AM

President Thabo Mbeki has yesterday again refused to appoint a judicial inquiry into the arms deal, and has invited South Africans to come forward with information to challenge the Joint Investigation Team report tabled in Parliament in November 2001. The JIT report purportedly exonerated the government of any wrong-doing. In fact, the report found that every tender -- and the BAe tenders in particular -- was riddled with irregularities and malpractices.

Chapter Four details how bid criteria were twice altered after Air Force chiefs and the Secretary of Defence had rejected the BAe Hawk and BAe/Saab Gripen fighter aircraft as being unsuitable for South African requirements. The Air Force was then overruled by cabinet ministers who applied "non-costed options" in violation of constitutional requirements that government procurements must be conducted in a manner that is "fair, equitable, transparent, competitive and cost-effective".

On Monday, September 22 at 1030am in the Minor Hall in the old grammar school at St George's Cathedral, ECAAR-SA will release copies of relevant pages and a CD rom of 255 pages of loan agreements signed by the Minister of Finance, Trevor Manuel. These agreements give effect to the purchases of BAe Hawk and BAe/Saab Gripen fighter aircraft.

These loan agreements were obtained on the Internet, and were confirmed as authentic by the government's senior counsel in the Cape High Court on March 20 2003. Senior counsel at that time told the Court that it would be naive to set aside the agreements because of the terrible consequences that would result for South Africa. In signing these documents, the Minister of Finance has for 20 years ceded control of South Africa's economic and financial policies to European banks and governments, and to the International Monetary Fund.

He has done so without the authority of Parliament, and contrary to the public interest of the people of South Africa.

ECAAR-SA in November 2001 filed an application in the Cape High Court for the loan agreements to be declared null and void, thus collapsing the arms deal. In their responding affidavit, the Minister of Finance and the Director General National Treasury declared that that **"the agreements he [the Minister] signed are self-standing loan agreements with binding force and not dependent on any other agreements entered into by government"**. This declaration made under oath is exposed as false.

The stated purpose of the loans conforms precisely to what we described in our application as "the foreign loan agreements and export credit guarantees necessary to conclude the arms deal," but which government respondents so rigorously denied.

On March 26 2003 the Cape High Court ordered the President, the Minister of Finance and the government within ten court days to make discovery of

The documents containing the advice of the International Offers Negotiating Team and the Financial Working Group.

These documents in August 1999 had warned the cabinet sub-committee (including the President and Minister of Finance) of the foreign exchange and other risks of the arms deal. The JIT report confirms that it was a "voluminous document that dealt comprehensively with all the relevant issues", and that "the risk analysis was submitted to cabinet in October 1999". We know from other documents that it comprised at least 643 pages.

On September 8 2003 -- after filing an application on August 20 that the government was in contempt of court -- ECAAR-SA finally received 28 pages of documents. On September 12 2003 we sought a second declaration that the President, the Minister of Finance and the government remain in contempt for manifest non-compliance with the judgement and order of March 26 2003. Failing receipt of these documents, we will also move for a final order for the loan agreements to be set aside.

The IONT and Financial Working Group documents in combination with the loan agreements will prove that the cabinet was warned about the economic and financial risks of the arms deal, but recklessly and unconstitutionally proceeded with the transactions. The projections of the government's own consultants suggest that the final cost of the arms deal by 2019 will amount not to R30 billion, but about R370 billion given future depreciation of the rand.

Terry Crawford-Browne
