

## Epicentre of Corruption

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BOOK REVIEW

**The Shadow World: Inside the Global Arms Trade** by Andrew Feinstein (London: Hamish Hamilton), 2011; pp.672, £15 paperback [Rs.600/-].

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As investigating corruption becomes a more respectable affair, it is well to remember that at least 40% of corruption in world trade takes place in arms deals, where it plays a motivating role for monstrous increases in national debt, not to mention fuelling countless wars and conflicts. This fact is given near the beginning of a vital new book about the arms trade, essential reading for anyone trying to understand contemporary power structures and financial realities.

How the author came to it is an instructive story in itself. Andrew Feinstein was an elected MP of the African National Congress in South Africa's first post-apartheid government, and the ranking MP on Parliament's Public Accounts Committee, whose brief was to bring in a new era of transparency and non-corruption. In his first book, *After the Party*, he tells the tale – summarized again here - of how he and his colleagues brought to light shocking evidence of high level corruption, involving his own party's leadership, in an arms deal scam of shocking proportions. Basically, the South African Air Force, army and navy were forced by political pressure into buying planes from British Aerospace/Saab, and other hardware from German and Italian companies, that they knew were completely inappropriate for the country's needs and massively over-priced, induced by huge bribes to the party and key individuals in it.

After resigning as MP, sacrificing his political career to bring out the truth on this issue, Feinstein collaborated with the Serious Fraud Office (SFO) and other institutions in Britain and other countries, while carrying out his own investigation into similar arms scams around the world, in order to bring out the present long-awaited text, which shows multi-level systemic violations of the most elementary principles of law and democracy.

A key story-line is the history of British Aerospace (BAe Systems), and the contorted relationship between both Britain and the USA with Saudi Arabia, focused around oil for arms since 1965. The Al Yamamah ('Dove') and Al Salam ('Peace') deals break all records for size and the extent of corruption, involving major establishment figures such as Mark Thatcher, Prince Bandar, Wafic Said - who used some of his ill-gotten gains to set up the Said Business School in Oxford University - and several British Prime Ministers, from Margaret Thatcher to Tony Blair.

As for David Cameron, his visit to Egypt shortly after Mubarak's resignation was oriented around arms sales, including items used against demonstrators in Tahrir Square, before and since!

One part of the book – out of many - that makes a sensitive reader particularly angry is the history of the SFO's attempt to bring a case against BAe for corruption in Al Yamamah and several other deals. Some officials tried very hard to bring a conviction based on solid evidence – until the case was ordered closed by Tony Blair in the interests of 'national security' as well as British jobs! Britain's Attorney General Peter Goldsmith and others colluded in this 'craven capitulation'. The jobs argument, in Britain as in other countries, Feinstein shows depends on suppressing information about huge subsidies – 'Almost any other form of job-creation would be more cost-effective'. At least ten teachers' jobs for example, in Britain, South Africa and other countries, could be created for the cost of one in the arms industry.

BAe's false image of British respectability received more of a dent in the USA, where the company was fined \$400 million for 'unauthorized commissions' in deals with the Czech, Hungarian and Saudi governments, at the same time as it was minimally penalized in the UK.

If the US managed to impose a fine for corruption and extract an admission of guilt from BAe, its own arms companies, especially Lockheed Martin, get away with enormous levels of both 'legal' and illegal bribery. Revolving doors have facilitated seamless transfers between directorships of arms companies and top government posts, as the careers of Dick Cheney, Donald Rumsfeld and many others demonstrate: 'In the Bush administration the war profiteers weren't just clamouring to get access to government, they were the government.'

One aspect is the sale of arms supposedly for training that end up being used, against the terms of sale but with no questions asked, for massive internal repression. This has been evident in Indonesia for example, and also in Turkey, where F-16s have been used to attack Kurdish villages inside the country as over the border in Iraq, over a number of years.

In Afghanistan and Iraq the nexus of legal and illegal bribery are shown to intertwine almost seamlessly. What Feinstein calls the official system and the grey and black markets are hopelessly intertwined, with large secret commissions (sometimes as much as 20%) alongside official ones (of 1%), going through different accounts. As this book shows, the Afghan and Iraq wars have massively boosted the major arms companies' profits and share prices.

The black market is at its seamiest in fuelling African wars, where countries rich in natural resources have been induced by corrupt dealers and leaders to transform this wealth into vast quantities of arms, fuelling some of the world's cruelest conflicts. Charles Taylor, as dictator of Liberia, played a key role fomenting war in several countries, through close ties with 'top of the top' banking and political contacts in European countries.

Feinstein picks up the threads from the build-up of arms before the First World War, highlighting the role of Sir Basil Zaharoff, 'Godfather of BAe', who sold arms to both sides. Also from key Nazis who were protected and patronized by members of the American military after the Second World War. Between the wars, there was a widespread revulsion against 'merchants of death' and their trade, with an understanding that the build-up of arms had played a key part in the drift to war in 1914, and a motion brought in the League of Nations to ban the sale of weapons for private profit, that was scuppered by US lobbyists in 1927. As an article in *The Times* expressed this, 'War is not only terrible, but a terribly profitable thing.'

Similarly, the US were selling to arms to India and Pakistan during the build-up to war in 1965, and throughout the terrible Iran-Iraq war, that served as a laboratory and shop window for arms companies. Feinstein shows how the complex Iran-Contra deal served as a key nexus for arms corruption, and the cross-over between official and black market systems.

The book leaves aside the whole issue of nuclear arms, though the patterns here show an obvious similarity. *Deception: Pakistan, the United States, and the Secret Trade in Nuclear Weapons* by Adrian Levy and Catherine Scott-Clark (2007) reveals how American intelligence agents with integrity risked and ruined their careers trying to bring out monstrous truths that their bosses wanted to deny – for example that vast sums of the American aid aimed at supporting the Afghan mujahideen actually paid for Pakistan to develop a nuclear bomb; that intelligence agencies knew this from the start but pretended not to; and that American planes were being adapted for nuclear missiles. In this case, as in similar cases revealed by Feinstein, it is clear that the business of selling weapons took priority over every consideration of security and sanity.

Other issues largely left out of this book include the arms trade's links with foreign aid – links that run very deep yet tend to be carefully concealed. Malaysia's Pergau dam scam is mentioned as a classic instance of 'development for UK arms' when the mask slipped. More emphasis is given to BAe's sale of an inappropriate, over-priced radar system to Tanzania through major bribes to top people in the government – 'Poverty no bar'. This brings out an aspect that needs more emphasis – the role of arms sales in deepening poor countries' burdens of unrepayable debt.

There is much hard data here on the economics of the arms trade. This raises much broader questions about the role of the industry and trade in arms at the core of the world financial system. How do economists understand this? If the wars in Iraq and Afghanistan are sources of massive profit for defence contractors, these profits in turn can be seen not only as a driving force for these wars, but as the means by which rich countries maintain their economic dominance.

The arms trade also needs to be understood alongside the manufacture of arms. Among other aspects, arms factories, as well as the use of arms on battlefields, are without doubt a superlative source of pollution and the greenhouse gas emissions causing global warming. This is too rarely emphasized. Arguably, there's little point trying to reduce our individual carbon footprints unless we also reduce our wars!

Closely linked with arms manufacture is the mining and metals industry, characterized by similarly systemic corruption, and similar patterns of massive subsidy and debt. These links need much more exposure: military hardware is nearly all made from complex metallic alloys, especially based on aluminium and steel, but involving the full range of metals, with e.g. aluminium-lithium alloys among many known to be particularly polluting.

In India, this link deserves particular scrutiny due to the resource conflicts escalating throughout the mineral-rich tribal areas. To what extent is the Maoist conflict a 'false flag', manipulated civil war, oriented towards corporate takeover of land and resources? – a war over the raw resources for war? As Bhaghaban Majhi asks, a leader of the adivasi movement against the aluminium industry in Odisha – 'How many planes and bombs will you make from the bauxite in our mountain? Gives us an account!'

*The Shadow World* emphasizes the role of Israel as 'Shop Window' for American arms companies, while calling for similar studies on the arms trade in India, China, Turkey and Southeast Asia, relatively neglected here.

Throughout this extraordinary volume, Feinstein emphasizes 'Blowback' – how corrupt sales to repressive regimes undermine democracy in the selling as well as buying countries, and feed wars that blow back at the sellers – Afghanistan being a classic case of massive arms supplied to a country turning against the superpower that promoted them. The Bofors scam cast a dark shadow over Sweden as well as India, with a grim trail of unsolved assassinations and unpunished bribes there. Among many other key contours of today's world, this book shows that systemic corruption is not a particularly Indian phenomenon, and is disseminated from boardrooms and Prime Ministerial offices that uphold an aura of the most impeccable respectability.