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The Continuing Trial of Wouter Basson

Extended Quarterly Review no 1

This report covers the period January–April 2000. It is an expanded version of the commentary that appeared in issue 48 of The CBW Conventions Bulletin. The opening of the trial and its initial proceedings are reported in the News Chronology of previous Bulletins, most recently at 24–28 January in issue 47.

Friday 28 January–Friday 4 February Forensic auditor Hennie Bruwer remained on the stand during which time detailed evidence of the forensic audit was presented.

Financial transactions involving Antionette Lourens, David Webster and Roger Buffham were the subject of much of the testimony and evidence presented on 28 January. Documents presented in court indicate that Buffham's company, CSD, intended developing security products during 1987. Reference was made to payments into the CSD account. Correspondence between Webster and Basson presented in court revealed Webster's concern that Buffham did not have good business sense.

Details of financial transactions involving accounts held by Charles Van Remoortere were also presented. Bruwer testified that Van Remoortere's accounts were used on occasion to launder South African Defence Force (SADF) funds for various secret projects. He referred to deposits made by the military from company, Executive Services, into an account held by Van Remoortere which ultimately made their way into the account of Contemporary Systems Design, Buffham's company in the UK.

As reported in the *News Chronology*, Roger Buffham, David Webster, Bernard Zimmer and David Chu have refused to come to South Africa to testify in the trial. The prosecution is pursuing international judicial channels in order to get their testimony on record.

Bruwer gave testimony in relation to Charges 11, 12 and 13 which refer to the alleged purchase of DNA probes, peptides and the peptide synthesizer. Bruwer found that the US\$3.2m involved was partially used by WPW Investments, Cayman, to provide share capital for Medchem Forschungs AG (the Swiss company owned by David Chu), but the official Coast audit documents show that the authorization was for an "industrial scale" peptide synthesizer to be bought in Switzerland. On 22 June 1989, however, a letter from Basson informed the Co-ordinating Management Committee (CMC) of Project Coast that the synthesizer deal was not going according to plan.

A subsequent letter told the CMC that the synthesizer purchase would not take place at all at this time, but a quantity of the peptide Thymus could be obtained immediately. The Surgeon General, DP Knobel therefore authorized Basson to use part of the funds previously transferred abroad to make

these purchases — and for the Blackdale account to be used to pay the supplier, Dr David Chu. This change of plan led to a complicated series of transactions which ultimately saw the SADF providing a performance bond for a three-way deal to sell NBC [nuclear/biological/chemical protective] suits to a company called Copperdale, which in turn would sell them to a company called Tagell — of which the managing director was Mr. Hashemi, identified by the defence last year as the Iranian secret agent who could supply the peptide synthesizer. The NBC deal fell through and an amount of R101,000 was paid back into the Coast funds in November 1989 as interest on the performance bond. Bruwer claimed during his testimony that the NBC suits deal was a ruse and that no such protective clothing was ever to be sold.

The court also heard that in December 1989, Medchem Forschungs entered into a contract with Medchem Contract Research Company, in which Chu and Basson were the principals. Peter Matthys, previously mentioned as a director of Medchem Forschungs, acted as the attorney for MCRC, which was to provide "contractual research and charts in the fields of chemicals, pharmaceuticals, agriculture, food research and hospital supplies". The research unit to be used was Roodeplaat Research Laboratories.

Relating to Charges 14 and 15, Bruwer found that R12m of the money paid to Medchem Consolidated Investments by the SADF for cancellation of contracts at the time of Delta G privatization, found its way to the account of Medchem Forschungs.

Charges 14 and 15 centre on the R12m paid to the Swiss account of Medchem Forschungs in April 1990, officially for payment of the research contract with RRL. Bruwer's investigation has shown that the funds were placed on a six-month fixed deposit and used as security for a US\$2.3million loan to WPW Aviation Inc and used as partial payment for the Jetstar. In a letter authored by David Webster, he claims that the WPW group of companies owned a King Air aircraft, which was leased to the United Nations for use during the elections in Namibia and further, that according to Dr Basson, the Jetstar "would be used for medical projects in Africa."

On Monday 31 January and Tuesday 1 February the court heard further details of the peptide synthesizer deals and the deal allegedly involving the purchase of methaqualone from Croatia in 1992. With regard to the peptide synthesizer, Bruwer

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told the court that he could find no evidence of such equipment having been purchased. The Croatian deal led to the auditor general having to write off an amount of R7 million lost on the deal. Bruwer found no evidence that the 500kg of methaqualone from Croatia ever existed, nor that it was delivered, as claimed by Basson, in late November/early December 1992. Gen. Knobel testified last year that the methaqualone purchased in Croatia was destroyed in January 1993, and was reflected in the documents relating to the destruction of chemicals.

Evidence relating to trust funds established by Basson was also heard. On 2 February the court heard that on 16 June 1993, U\$100,000 was paid into the Aries trust, with another U\$150,000 paid in on 13 September. The two amounts were recorded as a loan to Aries Trust from Waterson Trust.

Bank documents relating to the trust record the amounts as being paid by Baker Hostetler for "transfer of technology — transfer of know-how and methods of manufacturing (inclusive of process package and synthetic route) for 4, 5-Epoxy-3-Hydroxy-6-Methoxy-A-Ethorphime".

This substance has been identified as Etorphine, a highly potent and rapid acting opiate used in veterinary medicine for large animals. Minute amounts of this substance can exert serious effects leading to coma. It is used in large animals as a restraint for surgical procedures. It is at least 400 times more potent than morphine in humans. It may also be absorbed through broken skin or mucous membranes. Naloxone is the antidote, if used in time. Meat that has been injected with it is not for human consumption. Effects are tachycardia or bradycardia, hypertension or hypotension, respiratory depression, cyanosis, temperature drop. The outcome of exposure to minute amounts in humans may be fatal. It is not intended for domestic animals.

The court did not sit on Thursday 3 February but resumed Friday to hear details of the privatization of the chemical research and production facility, Delta G Scientific.

Monday 7 February Court opened with an application from the prosecution for an adjournment. The state prosecutor, Adv. Anton Ackerman requested the adjournment in order to give the Director of Public Prosecutions time to study the official transcript of Friday's hearing so that he can decide whether or not to bring an application for Judge Hartzenberg to recuse himself from the case. The judge told the court that he had discussed the matter with the Deputy Judge President, Justice Eddie Stafford, who felt that a week was an unnecessary delay and that the decision should be made sooner.

Defence counsel, Adv. Jaap Cilliers said he would vigorously oppose an application for recusal, as there appeared to be no basis for it "except for certain media reports over the weekend" which, Cilliers claims, he did not see. He said could see no merit in the State's proposed application, which, if granted, would seriously impinge on his client's constitutional right to a speedy trial.

If the Director of Public Prosecutions indeed decides to apply for a recusal, Hartzenberg himself will hear the recusal application arguments, and will decide as to whether or not he is replaced. In the event of the Judge rejecting the application, the trial will continue with Judge Hartzenberg presiding. At the end of the trial, once judgement is pronounced, and if it were in favor of the accused, the prosecution could appeal using the request for recusal as a basis for the appeal. The law does however, make provision in extraordinary circumstances for his decision, at this stage, to be referred to a full bench for review.

The implications of a successful application, in other words if the Judge does recuse himself, are a likely delay of several

weeks, or possibly months while a replacement is found. Pretoria judges are already assigned to cases at least for the rest of the current term, and in some cases, even for the next term. The case would start again with all the original charges and the application for the dismissal of some of those charges, since a different judge might hold different views on the question of jurisdiction and even, possibly, the Namibian amnesty. Likewise, the admissibility of the bail application record would have to be dealt with anew. All the witnesses who have already testified would have to be called again. The cost implications are enormous.

The long-term implications are equally serious. Legal precedent exists for a mid-trial recusal to be declared wrongful by the Appellate Division. In other words, if Judge Hartzenberg steps down and his successor convicts Basson, and the defence takes it on appeal and the appeal court finds that grounds for Hartzenberg's recusal were not justified — the conviction can be overturned on those grounds alone. The trial was scheduled to resume on 9 February but was adjourned again until 14 February.

Monday 14–Wednesday 16 February On Monday and Tuesday the court heard the state's application for the recusal of Judge Hartzenberg. Chief prosecutor Anton Ackerman made the point that the decision to force Hartzenberg to step down had not been taken lightly, and enjoyed the full support of both National Director of Prosecutions, Bulelani Nguca, and his deputy, Dr Jan D'Oliveira (who initiated the prosecution of Basson three years ago while he was still attorney-general of the Transvaal Division).

According to the prosecution, the benchmark by which a judge's impartiality is measured in SA courts is the ruling of the Constitutional Court in the State v SA Rugby Football Union. In a nutshell, this means that the public is entitled to the assurance that a judge is impartial, and should not hear about any circumstances that could compromise that impartiality. The right to equal justice before the law was premised on a fair, impartial and unbiased consideration of the case before court, and even a "reasonable apprehension of bias" was grounds for recusal.

The state raised issues relating to: (1) prior professional interest in the case and expression of a prior opinion. (Hartzenberg was involved in one of the media applications for Basson's bail hearings to be in open court, and eventually ruled that this was not in the national interest, though he did subsequently rule that the transcript of the Ecstasy bail hearing could be released to the media, heavily censored according to Basson's own guidelines); (2) a perception which was based on a series of events during the proceedings including, *inter alia*, the admissibility of certain evidence, rulings made by the Judge and his comments.

The state argued that the timing of the Judge's ruling on the inadmissibility of the record of Basson's bail application showed bias because the ruling was made before the accused had pleaded. This record was a key piece of evidence for the state.

The state also argued that through denying the prosecution sufficient time to research English law in relation to jurisdiction issues, he had shown bias. This research, the state argued, was essential to the matter. Various other incidents were cited by Ackerman in making his point. The only example of bias used by Ackerman which did not take place in open court, relates to the abortive attempt last August to seize Basson's assets. At the time, allegations were made in an affidavit by Basson that Ackerman and Pretorius had acted in a less than transparent manner towards the defence team. When the

matter arose in Hartzenberg's chambers, he evidently "burst out laughing" about the asset seizure reversal and refused — when the defence objected to its submission — to accept an affidavit made by Ackerman refuting the defence claims that he and Pretorius had been obstructive/non-cooperative.

During discussion of the state's objections to comments made by the Judge during the proceedings, Judge Hartzenberg noted that during the some 10 years of the existence of the Project R380 million had been spent on its operation. The state, in turn, stated that the alleged fraud computes to R36m, though the lump sum allegedly misappropriated is R46m, the balance of R10m having been stolen through the unauthorized sale of NBC suits rather than fraudulently obtained.

The Judge gave a ruling on the recusal application at 2pm on Wednesday afternoon, dismissing the application by the state as frivolous, mind-boggling, absurd and "unfounded in its totality".

In stating his reasons for arriving at that conclusion, Judge Hartzenberg presented his understanding of the case thus far. He said that, as he understood the fraud section of the case, it was common cause that Basson was ordered to develop both an offensive and defensive CBW capacity for South Africa. The project was top secret and managed by the SADF's Coordinating Management Committee, on which served a handful of the most senior military officers. The need to know basis was religiously enforced and Gen. Knobel had testified that if it took theft, bribery or any other normally unacceptable means to acquire what was needed for the project, Basson was to get the goods. The CMC did not want to know where or how he did so, nor the names of people or countries involved, when, how and to whom payments were made.

To this end, Basson had been issued with three false passports by the SADF to support his cover as a wealthy international businessman with chemical interests.

Knobel testified that the SADF would have had no problem if Basson had been required to pay collaborators or spend money to help them create plausible cover stories in their own countries, in exchange for their assistance. For example, share capital could be bought, backed up with flamboyant correspondence to support such a cover story.

Gen. Knobel also testified that Basson carried out other tasks for the SADF, not connected to Project Coast, of which he knew no detail. Countries mentioned in this regard have been the US, UK, Belgium, Luxembourg, Poland, Libya and Croatia.

Gen. Knobel testified that Project Coast was an unqualified success, with not a single security breach over its 10-year lifespan. The SADF had not an inkling of funds being abused until 1994 when questions were asked about the Croatia transaction. (Mention was not made of the mid-92 internal probe into Merton House, the first indication of alleged irregularities, or even the launch of the Office for Serious Economic Offence's probe in the early 1990s).

Thursday 17–Tuesday 29 February The proceedings resumed with the continued evidence of forensic auditor, Hennie Bruwer. Bruwer testified at length about the sale of protective clothing (Charges 65, 66 and 67). The 1990 sale was made from Project Coast's "secret" depot in Pretoria West by Regent International Trading Services to Technotek, which in turn sold the suits to Armscor — which procured them for the SADF. Armscor was unaware that it was not only buying property already owned by the SADF, for the SADF, but also that it was charged an inflated price, the suits originally having been manufactured by National Tents Sails for R356 each. The second sale, in 1991, included stock taken from the South

African Medical Services (SAMS) warehouse, to which Armscor's "purchase" had been duly delivered.

Details were presented of the genesis and operation of the company Regent International Trading Services (RITS) during which it emerged that RITS was set up as a close corporation in January 1987. The first deposit into the secret RITS investment account was R827,200 on the date it was opened (19 October 1990). The source of this amount cannot be identified, but Bruwer believes it was Technotek. Four days later, another R1m, also probably from Technotek, was paid into the account.

Additional deposits were R5.2m which is identified as being from Technotek, R250,000 from BR Holdings, R229,965 from WPW Investments, R163,200 from sale of Krugerrands (the Merton House builder, Niel Kirstein, testified that Basson paid him in cash for 16/17 Krugerrands he wanted to sell in order to buy his son a horse) and R101,000 from an unknown source.

Payments from the RITS accounts from February to August 1991 include, R453,426 paid in cash to Wouter Basson; R900,000 paid to the Aries Trust, R50,000 to Annette Versluis, R30,000 to Mrs B Basson (likely to be Dr. Basson's mother, Bronwyn), R16,000 to Dr M Blom (Basson's first wife), R100,000 to Wynand Swanepoel, R170,000 to Chris Marlow, R1.1m to L Larson, the Merton House architect, and travellers cheques worth U\$3,000 in favour of Mrs E Oelofsen (believed to be the mother of Antoinette Lourens) in May 1991.

R3m was transferred to the secret account of D John Truter and R3.8m, in two installments, to the Karko account, one of the official Chief of Staff Intelligence front company bank accounts. By 12 September 1991, the RITS current account had been cleaned out and had a zero balance.

Earlier in the trial proceedings, it was put to Gen. Knobel under cross examination, that a large consignment of suits was "donated" to Unita by an unidentified foreign beneficiary, to be distributed by the South African Medical Services. At the time, the defence was not yet in possession of the dossier regarding the NBC investigation, and was not aware that the state had tracked the sale of the NBC suits at every stage, including details of the freight company that shipped the suits through Belgium to the Gulf during the 1991 war against Iraq.

On 18 February Bruwer completed his evidence in chief. He provided details of a second, apparently unauthorised, sale of NBC suits to a Belgian company by the name of Seyntex. According to Bruwer, the consignment included suits that had been sold to Armscor some nine months prior to this deal. He told the court that these deals had taken place in 1991. He also testified that he had traced the proceeds from this sale, through the accounts of a series of companies, and found that some of this money had been used to purchase a house for Basson.

The court also heard that in May 1991, despite the fact that Knobel testified that the threat of a chemical attack had abated, a new contract was signed between D John Truter and Technotek for delivery of an additional 25,000 NBC suits over the next five years. By 1994, when President Nelson Mandela was briefed on Project Coast, the SADF reported having 20,000 NBC suits in its arsenal.

Although Bruwer had not been able to find all the documentation necessary relating to the WPW group of companies based in the Cayman Islands, nevertheless, he was able to say that by 30 June 1993, R86 million had gone through the various accounts of companies in this group. R66m of this had originated from Project Coast funds (of which some R21.6m was repatriated to Coast). The balance of R19.6m could not be sourced by Bruwer.

Bruwer concluded his evidence by outlining the final financial situation of some of the companies in which Basson is

alleged to have an interest. He testified that in all cases these companies showed a net loss at the end of the day.

On Monday 20 February cross examination of Bruwer commenced with Adv. Jaap Cilliers presenting argument to discredit his report. Adv. Cilliers also charged that Bruwer had prolonged his investigation for personal financial gain.

Adv. Cilliers, put it on record that documents retrieved from the office of American attorney, David Webster, were false and misleading. Although he put it to the court that Webster had made a statement in which he described his relationship with Basson as a friendship, Cilliers went on to say that Webster was a "consummate perjurer".

Adv. Cilliers raised the possibility that Basson was merely the South African contact for other 'principles' who required Webster's services. Given the sanctions against South Africa during the eighties, means had to be found to procure items in such a way as to disguise the purchaser, the SADF. Cilliers drew on a statement made by Webster in which he said that he had been introduced to Basson by Wilfred Mole who introduced him as a cardiologist and South African businessman who wanted to encourage investment in South Africa. Mole, Cilliers told the court, was an expert sanctions buster who Basson had consulted to find out how to circumvent the international embargo. For this purpose, Cilliers claimed during the process of cross examination, most of the documentation found by Bruwer was false and had been constructed to present a particular picture of events to hide their true nature.

On Tuesday 21 February Cilliers said that the chief purpose of the WPW Group, set up after Wilfred Mole introduced Basson to David Webster, was to facilitate the flow of funds from Project Coast to suppliers in such a way that their identities were protected. This was why the first three companies — WPW Inc, PCM Inc and Medchem Inc — were established in the Cayman Islands in 1986. At David Webster's recommendation, one account would be used for East Bloc suppliers, one for the Libyans and the third for "general" components. In other words, Basson's defence for all the deals conducted through the WPW group of companies, is that they were to the benefit of the unnamed 'principles' mentioned earlier. Bruwer said that he had been unable to uncover any evidence showing that the WPW Group was set up or structured for the benefit of suppliers, it had been physically impossible to verify any purchases. The Special Force Headquarters Laboratory had been destroyed by fire, then dismantled by design. The chemicals allegedly obtained in Croatia had apparently been dumped in the ocean. No trace could be found of the 12 Chemical Agent Monitors (CAMs) allegedly bought through Buffham, and SADF records never included the 45,000 NBC suits. In addition, all documents relating to Project Coast had been destroyed, so no invoices, delivery notes or other records were available. The only method of investigation had therefore been to trace the financial transactions through banks.

With regard to the NBC suits, Adv. Cilliers argued that some of these suits, along with CAMs, had been given to Unita and that it had been common practice that no records of these donations were kept. The defence said that they had consulted a Col. Schutte, the logistics officer in charge of Unita supplies from the end of 1986 to 1992, who told them that there was a "huge" internal problem in Unita's ranks following three genuine chemical attacks against them. According to Adv. Cilliers, Schutte will state that the 50,000 Unita troops in the field were so panicked and terrified that all "the enemy" had to do was throw inert yellow smoke grenades to send the Unita troops scurrying into the bush, fleeing for their lives. Apart from the physical protection offered, it was thus psychologically

essential that the SADF supply NBC suits to these men. Schutte also told the defence he had an annual budget of R300 million to supply Unita with everything from food and medicines to armoured vehicles.

The court was also told by Adv. Cilliers, that thousands of troops had been issued with NBC suits during three continuous operations in Angola.

Cross examination of Bruwer continued on Thursday. Cilliers explained that the proceeds from the sale of NBC suits were used to purchase proximity fuses needed by "the Army" which was weaponising CR in 120mm mortars for shipment to Unita. According to Basson, the mortars were weaponised "on the specific instructions" of the late General AJ (Kat) Liebenberg, and the weaponised mortars were dispatched to Unita by Military Intelligence.

During cross examination on Friday 25 February, Bruwer reiterated during questioning that the reasons for certain transactions being put forward by the defence counsel could have been offered at an earlier stage when investigations were still on going.

With regard to Charge 13, the Blackdale-Copperdale-Tagell deal for NBC suits to Iran, Adv. Cilliers stated that the structure of the deal was "very strange indeed", but claimed that a deliberately inflated selling price was included in the false contract which was designed to hide the actual purpose of the deal, namely the purchase of the peptide synthesiser. The contract, drawn up by David Webster, who knew that the Iranians were involved in supplying the peptide synthesiser, structured the deal in a way that would protect them.

Other transactions too were done in such a way as to hide the original source of the funds, in this way he explained both charges 14 and 16 which relate to funds transferred to Medchem Forschungs and funds which were used in the purchase of the peptide synthesiser. These charges, along with charge 15 will only stand if the state can prove that the peptide synthesiser was indeed never purchased. Contradictory evidence in this regard has been presented to the court. The defence counsel also claimed that the peptide synthesiser was later swapped for Quinozoline (methaqualone), and the 500kg of this substance were then destroyed, as shown on the Military Intelligence destruction certificate, so if the 500kg of methaqualone existed, the peptide synthesiser must have existed too.

Adv. Cilliers also told the court that with regard to charge 18, which refers to the alleged transaction during which Basson was to have made a divisible guarantee available to two Croatian officials so as to ensure the purchase of 500kg of methaqualone, that in fact, these funds were used to purchase "a large amount" of BZ — in a joint operation with General Peter Regli, head of Swiss intelligence. Adv. Cilliers claimed that a joint divisible guarantee had been created with Swiss and SA funds. He also said that the write-off values of drugs destroyed in January 1993 makes mention of 980kg of Product B, a variant of BZ. Cilliers told the court that approximately four tons of BZ had been bought, but by the time of destruction, "this had largely been used up". Later during the week, Bruwer said that the money referred to in Charge 18 could not have been used to purchase BZ.

Cross examination of Bruwer continued on Monday 28 February with Adv. Cilliers putting it on record that much of the documentation in possession of American attorney, David Webster, was still in Webster's possession. The court order which forced Webster to open his files to investigators was specific about which documents could be removed, so although Bruwer was able to peruse the contents of all 30 sealed

cartons, he was not able to bring all of them, or even copies of all of them, back to SA.

Cilliers argued that the state's case against Basson was absurd because, he argued Basson could not have stolen the R36 million from Project Coast over a six year period. To prove this he stated that the total budget for the financial years April 1987 to March 1993 was R270m, including establishment and privatisation costs of Delta G Scientific and Roodeplaat Research Laboratories (R60m to set up, R70m to privatise). Operating costs of the two facilities averaged R21m a year — R9m for Delta G Scientific and R12m for RRL — or about R105m for the six years in question. In addition, the 45,000 NBC suits purchased by Regent International Trading Services from YCVM/Technotek cost R14.5m. When all these costs were subtracted from the total budget for the six years, only about R20m was left. Bruwer pointed out that this arithmetic was an oversimplification, and that the budget for each year had to be considered separately. He had established from the annual audit reports how much had been budgeted, what expenditure had been made and then been able to track the flow of fraudulent funds as set out in his report.

Bruwer's cross examination was concluded the same day and re-examination of the witness by the prosecution began. Cilliers concluded by saying that the State's fraud case rested on the premise that Basson was the beneficiary of the WPW Group of companies based in the Cayman Islands and not an undisclosed group of principles. If the State is unable to prove this, the defence argues, the case against Basson will fail. In re-examination the State set out to prove that Basson had ample opportunity to inform investigations conducted by the Auditor-General and the Office for Serious Economic Offences about the companies he is allegedly linked to and about the flow of funds. The State also attempted to demonstrate that Basson had instructed Webster on all occasions and that it had not been the other way around. The state presented correspondence between from Basson to Webster instructing him on various matters, to prove the point.

Tuesday 29 February–Friday 3 March An associate of Basson's, Pieter Willem de Jager took the witness stand. De Jager has known Basson "very well" since about 1979, when they met while both serving in the SADF. De Jager left the SADF in 1981, but he and Basson stayed in touch, meeting socially, playing squash, watching rugby together, until about 1988. At that time, De Jager was head of the South African Broadcasting Corporation's security division, responsible for its facilities throughout the country. At a social function, Basson told De Jager "someone" would approach him in due course in regard to a company he might be interested in. The approach was made by Wynand Swanepoel, whom De Jager had met previously through Basson, but did not know well. Through Swanepoel De Jager became involved as a director of some of the companies in which Basson is alleged to have interests. De Jager ultimately became involved in a farming enterprise, Waag 'n Bietjie Boerdery, mentioned in the charge sheet. However during the three years that he farmed, the business lost some R3 million and he lost the land. The minutes of meetings of the holding company for the farming enterprise show that Basson was present a most of the directors meetings. De Jager testified that the capital invested in this, and other companies by Basson was from an undisclosed source.

During the cross examination of De Jager, Adv. Cilliers, put it to the witness that the zoo which was allegedly owned by a company known as Wisdom Idle Winds, in the Western Cape was to be the source of animals for laboratory research by

Roodeplaat — animals that RRL itself could not/did not keep. According to Adv. Cilliers, the "zoo" would have served as a "very convenient way of expanding the range of animals for research at RRL".

Wednesday 1–Thursday 2 March The next witness was Hercules Orffer, who was a major at Military Intelligence from January 1987 to October 1990, and the man who made the foreign fund transfers on Basson's orders. Orffer performed the same service for various other secret projects. The procedures were the same in all cases — funds were to be moved in such a way that they could not be traced back to the SADF, transfers had to be duly authorised and within the broad project budgets.

The prosecution questioned Orffer about the usual manner in which funds would be transferred. Orffer told the court that Basson would call him from his car phone and tell him he was on the way to MI headquarters. Orffer, who by nature of his work always wore civilian clothes, would then have to wait for Basson outside the Liberty Life building in Vermeulen Street (home of Military Intelligence). When Basson pulled up in his car, he would hand Orffer a brown envelope from within, and drive away. Inside, Orffer would find the necessary instructions and authorisations. Basson's signature alone was sufficient to facilitate the transfer of millions — his bona fides were accepted by Military Intelligence without question, and no one, not even General Knobel, was required to co-sign the request for fund transfers or confirm the details of the purpose. All further arrangements were made by Military Intelligence through the Reserve Bank. Various accounts were used by Military Intelligence to launder funds — Executive Services, Karko and Herpeco being most frequently used. There was also Global Capital Investments (Pty) Ltd, which Orffer believed was, like the other accounts, merely a name that was used. He later learned, however, that this was a duly registered company. The GCI account was used sparingly, however, and only for certain projects, of which Coast was one, at times. Another "name only" account sometimes used for Coast was Dynamic Services. Because of the need-to-know principle, Orffer accepted the explanations for expenditure at face value. Checks and balances were left to members of the Auditor-General's staff, of whom three were permanently assigned to MI at any given time, and the internal SADF auditors. At Military Intelligence, the man in charge of Coast internal audits was Brigadier Hein Pfeil. Orffer could not recall any errors being made by Military Intelligence in transferring funds, and says the system was so well oiled that he was never aware of any security breaches.

Friday 3 March Brigadier Hein Pfeil was next to take the stand. The former SADF brigadier served as internal auditor on secret projects with Military Intelligence from 1984 to the end of 1988. Among the projects he audited was Coast, and he reported verbally to General Niel Knobel about once every three months. His reports were based on audits confined to the paperwork for transfer of project funds abroad. Like Major Orffer, Pfeil's mandate was merely to ensure that the correct signatures were on the authorisation documents. He never knew what the expenditure was for, beyond the vague and fairly general descriptions given on the fund transfer requests by the project officer(s). This applied to all top secret projects, so was not unique to Coast.

Pfeil never saw, nor did Military Intelligence receive, any proof of payment or invoices to show that the equipment ordered had been received. Once funds had been placed in foreign accounts, MI had no further control over them. Since he

never knew exactly what equipment was being purchased, or where it would be deployed, there was no way he could ever have physically checked that the SADF got what it paid for.

Friday 3–Tuesday 14 March On 3 March evidence from the first of Basson's close business associates to testify began with accountant Tjaart Viljoen being warned by the judge in terms of Section 204 of the Criminal Procedure Act. This means that if the court finds at the end of the trial Viljoen has been totally frank and honest in his testimony, he may be granted indemnity from prosecution for his own involvement in the alleged fraud.

Apart from directing and managing many of the companies of which Basson is said to be the beneficiary, Viljoen was also initially an accountant and auditor of Inffadel, one of the official Project Coast companies set up to handle the finances and administration of the project. During questioning Viljoen told the court details of the companies allegedly established by Basson and about his involvement in these companies. Viljoen testified in detail of the businesses in which Basson is alleged to have an interest including the following:

1. Aeromed. Established in 1987 this company was not an official front for Project Coast. Viljoen testified that the company was to be used by the Coast. The company's assets included a Piper Seneca aircraft and a King Air aircraft.

2. Wisdom Erf 1219. The company under which the development of Merton House resorted.

3. Wisdom Idle Winds. The holding company of the Tygerberg Zoo. The property and zoo was purchased from Basson's uncle. The property was variously owned by other companies in the Wisdom Group after 1991.

4. Wisdom Liquor Centre. A Pretoria liquor store in which Basson had a 45 per cent share. The business was sold in 1992–93 at a loss.

5. Contemporary Systems Design. A British based company established by Roger Buffham. Viljoen testified that he understood Basson to be CSD's financier.

6. Medchem Forschungs AG. A Swiss-based company headed by David Chu selling computer hardware and software and pharmaceuticals. Viljoen understood that David Webster also had an interest in this company. The company supplied Roodeplaat Research Laboratories with computer equipment. Viljoen told of a deal in which Medchem Forschungs in which an order for insulin was purchased for the United Nations 'necessity programme' for Iraq. The supplier was Novo Nordisk. Medchem Forschungs apparently acted as an intermediary between Novo Nordisk and the Iraqi authorities.

7. Intramex. A company established in October 1987, allegedly on Basson's orders. The company was to handle the future buying and selling of protective clothing and equipment. Intramex clients included Armscor, Swartklip Products, SAMS and 7 Medical Battalion. Intramex also sublet a warehouse in Pretoria West from Technotek, where 45,000 NBC suits were delivered and stored. In the warehouse was a secure wire cage, with a lockable gate, to which Basson alone had access. Drums of what Viljoen believed were chemicals, delivered by Delta G Scientific and Organochem, were stored in the cage. A February 1989 stock list faxed by Intramex to Technotek records the presence in the warehouse of "47 drums of poisonous acid". The warehouse was closed in 1990.

The company purchased a suite at the Pretoria rugby stadium, Loftus Versfeld. Viljoen told the court that Basson and his wife, Viljoen and his wife, Merton House building contractor Niel Kirstein and his spouse, Christopher Marlow, Wynand Swanepoel, Philip Mijburgh, Sam Bosch and his wife, General Lothar Neethling and his wife and David Spamer and his wife,

were regular users of the facility. The suite was sold in 1997 at a profit.

8. Waag 'n Bietjie Boerdery.

9. WPW Inc. Viljoen testified that he understood Basson to be the beneficial owner of this business. This is significant in that forensic auditor, Hennie Bruwer told the court on 28 February during cross examination that, if the court found that Basson and the WPW Group were one, there had clearly been personal gain by Basson, whereas, if the court found that Basson and the WPW Group were not one, then someone else had personally gained.

10. Profincor. The court heard that this company was financed by loans from WPW Inc.

11. Pretext Estate Agents. A company owned by Viljoen which received funds from PCM Inc at Bank Indosuez, Geneva on one occasion.

12. Regent International Trading Services. Established in January 1987 to be used to acquire protective clothing and equipment. The company would negotiate deals, buy the goods and distribute them. Viljoen understood this company to be an SADF front and paid SADF funds from Inffadel into the company's account. Forensic auditor, Hennie Bruwer, testified earlier that RITS was not an SADF front.

Viljoen testified that Basson appointed various people to act on his behalf in the private companies, namely, Viljoen himself, Christopher Marlow, Samuel Bosch, Philip Mijburgh, Wynand Swanepoel, D John Truter, David Chu, Roger Buffham, Bernard Zimmer and David Webster. Viljoen said the "agents" were all confidants of Basson, but there were two levels of confidentiality. It is Viljoen's impression that Philip Mijburgh and Wynand Swanepoel were fully informed of all business activities.

On Thursday 10 March, Viljoen told the court of the lifestyle he had enjoyed as a business associate of Basson. This included, on one occasion hiring a Lear jet to fly Basson and his wife, Lothar Neethling and his brother and Viljoen to Cape Town for a Northern Transvaal-Western Province rugby match. On another trip to Cape Town, in the King Air, Basson and his wife, and Viljoen and his wife paid a fleeting visit to the Tygerberg Zoo before flying on to Fancourt for an overnight stay. Viljoen also referred to trips he made abroad saying that on most occasions he traveled first class.

Viljoen completed his testimony on Friday 10. He told the court that he believed Basson was arrested in Switzerland on two occasions and that he had heard about the second arrest in November 1993. Viljoen told the court he was involved in the following companies: Aeromed, Wisdom Investment Properties, Intramex, Joostenberg (which became BR Air), Wisdom Liquor Centre, Medchem Sport International, Wisdom Finance, Waterson Properties, Wisdom Holdings, Wisdom Idle Winds, WPW Investments Inc (Cayman) — though he was not aware that he was listed in that corporation's records as chief executive officer — Regent International Trading Services, QB Laboratories, SRD (which became WPW Investments SA) and PCM International (Cayman). In all these companies, he represented Basson's interests, and continues to do so through Profincor and Joostenberg Properties.

During cross examination, counsel for the defence claimed that Viljoen's version of events was not to be believed on the basis that he had perjured himself on previous occasions. With regard to an account which Viljoen had testified had been of concern to him, the defence put it to the court that, as part of an intelligence gathering operation under control of former Special Forces operational commander, Corrie Meerholz, two shebeens were run by 5 Reconnaissance Regiment — one in

Hammanskraal, north of Pretoria, the other in the former homeland of Kwandebele.

Also during cross examination, counsel for the defence once again raised the matter of Basson's close relationship with Libya. It was put to Viljoen that four Libyans had lived in Basson's home for about six weeks at one stage and that Basson's mother had also accommodated three Libyans. The court was not told why Basson and his family had accommodated these people, nor why that was related to the financial transactions with which Basson is charged. It was also mentioned that a Libyan national had stayed in the cottage used by Basson in the UK.

American attorney, David Webster, was referred to during cross examination. Adv. Cilliers told the court that it is not Basson's defence that David Webster was in control of the WPW/Wisdom Group. Rather, Webster's role was identical to that of Basson himself — the two of them were in the front line on behalf of the "real" principals.

With regard to the company Aeromed, Adv. Cilliers told the court that this company provided the principals with a Western-based airline company and as a result Unita head, Jonas Savimbi, was able to fly into the heart of American military bases "frequently". At the same time, such a "position of trust" was built up because of these visits by Savimbi that Basson was also able to use the Jetstar to transport sensitive equipment for Project Coast, since the aircraft was "almost never" inspected by foreign customs officials.

The cross examination of Viljoen was concluded on 14 March with the defence counsel demonstrating that Viljoen had effectively stolen money from clients of his lending company, Profincor.

Wednesday 15–Wednesday 29 March The next witness to take the stand was banker Samuel Bosch. Bosch had been employed as a bank manager when he met Basson in 1989. After his meeting with Bosch, Basson transferred all his personal accounts to the bank he managed. The accounts of the Wisdom group of companies and Partners in Travel were also transferred to that branch of the bank.

Bosch testified that during 1990 he was invited by Basson to accompany him and Philip Mijburgh on a trip to Orlando from where the Jetstar was to take its inaugural flight to South Africa.

Bosch provided details of trips undertaken which had nothing to do with his work as a bank manager nor, later as a director in some of the companies in which Basson allegedly had an interest. For example, he told the court that during 1990–91 Mijburgh invited Bosch and a group of people from Delta G Scientific to fly to Cape Town in the Jetstar for a rugby match at Newlands. It was on this occasion that Bosch first noticed that the Jetstar had a Medchem logo on the side. They flew from Lanseria, and on landing at Cape Town, encountered Basson on the runway. He, according to Bosch, had flown down separately, in what looked like a Lear jet.

On 15 and 16 March, Bosch testified at length and in detail about financial transactions involving Basson. One of the transactions referred to related to a transfer of US\$360,000 on 20 October 1992, to an account held by the company PS which was recorded in the PS cashbook as being in respect of "sale of technology" to Firm Licenspolychim, 11 Minskaya Street, Moscow. According to the forensic audit, the funds originated from the Project Coast funds sent to Blackdale for the "second" attempt to buy the peptide synthesiser. Charge 16 refers.

On 21 October, Bosch had a Nedbank counter cheque issued against the PS account for R1m in favour of Medchem Consolidated Investments. In the MCI books, the money was thus shown as being a local payment. Bosch testified that over

a period of just six months in 1992, he transferred R31.2m in SADF funds to foreign accounts. It was the first of these transactions that was playing heavily on his mind when he flew to Poland on April 8, the date of the first transfer. He could not reconcile himself to the fact that official SADF funds were being sent to bank accounts of a private individual, he says.

Bosch said that he had no doubt at all that the funds came from the SADF, since in all four cases, he was given Treasury Orders for the amounts. He said he had previously been informed by Basson that the funds were to be handled in such manner that they could not be traced back to the SADF, so had set up various investment accounts — using variations on his own initials — abroad.

On 8 April he sent R17.5m to an account of SBC in Basle of which Charles van Remoortere was the beneficial owner. All account details were provided by Basson. On 20 May R2.5m was sent to an account at Bank Indosuez, Geneva, which also belonged to Van Remoortere. On 8 June, another R4m was sent to the same account. On 22 October Bosch was given a Treasury Order by D John Truter for R7.2m which was transferred to the account of Blackdale Ltd in Geneva. In all four cases, the funds were left in the bogus investment accounts for a few days before being moved. Basson told Bosch to keep for himself the accumulated interest of R52,562 earned during those few days.

Bosch has no knowledge of what happened to the funds after transfer.

On 17 March Bosch continued to give evidence about financial transactions within the consortium of companies in which he and Basson had interests. He told the court that in 1992 and 1993 the consortium began experiencing financial difficulties which were eased in February 1993 when over R3 million was made available. Two deposits of R1.1 million were paid into an account by Dr. David Chu as proceeds from the sale of technology. Bosch was unable to tell the court what these transactions involved.

Bosch said in court that at no time did he see Basson as having anything to do with the SADF. As far as he was concerned, Basson was the boss of the WPW and Wisdom groups, Philip Mijburgh the second in command, and their business was to make investments and profits.

Bosch testified that during September 1993 the Wisdom group of companies was experiencing such financial difficulties that he offered to lend the group some US\$150,000 that had been placed in a Swiss bank account as a pension for him. The Reserve Bank documents which report the transaction refer to the money as having been the proceeds from the sale of technology, allegedly for the formula of Etorphine. This testimony presents an explanation for this transactions which has been referred to in earlier weekly reports.

On 20 March Bosch continued giving evidence, he told the court that the companies in the Wisdom/Blowing Rock groups had been restructured in 1994 and it would appear that a further restructuring took place in 1996. On both occasions Bosch flew to the United States to have David Webster sign documentation. He maintained however that he always understood Basson to be the chief decision maker in the group.

Bosch testified that the renovation of Merton House in Pretoria cost R12m and that the net loss had been R5m when the property was sold to the Zimbabwean government in 1994 for use as an embassy.

There followed a three-day break in proceedings due to a public holiday on 21 March and an adjournment of the trial on 22 and 23 March.

Bosch completed his evidence in chief on 24 March. He told the court that he had stored trunks at his home on the

request of Basson but that he had not known the contents of the trunks and had not been given the keys for the padlocks which sealed them. He also said that he had been asked by Basson's wife, Annette Versluis, to store several heavy, sealed drums at his home after Basson's arrest in Switzerland in 1993. The trunks were seized by the Office for Serious Economic Offences during their investigation in 1997. The drums had been returned to Basson prior to his arrest in 1997 in South Africa.

Cross examination of Bosch began in the afternoon of 24 March. Defence counsel, Adv. Cilliers put it to the witness that he had attempted to blackmail Basson after his arrest if the US\$150,000 that he had lent to the group of companies was not returned to him. Bosch denied the allegation.

The defence counsel also referred to Bosch's mental breakdown. Bosch produced a psychiatric report which had been authored in September 1992 after he had sought early retirement for health reasons. The report states that Bosch was suffering from "paranoid psychosis, coupled with an acute persecution complex", was incoherent, suffering from extreme anxiety and depression and showed a serious lack of motivation. His condition was a long-term one with an extremely poor prognosis — the chances of total recovery were "exceedingly slim" and he was no longer considered mentally fit to carry out his professional tasks. Bosch stated however that he was receiving medication for his condition which he said is currently stable.

Cross examination continued on 27 March. As in previous cross examination, the defence counsel for Dr. Basson put it to the court that David Webster was the beneficiary and client referred to in the case of the Merton House development. The defence counsel put it to the witness that Bosch was merely under the impression that Basson was the boss of the Wisdom group because of the nature of his relationship with Philip Mijburgh and Wynand Swanepoel, the nature of that relationship having been determined by Basson's position as head of Project Coast. The real boss(es) of the group remain unnamed.

As in previous cross examination, reference was made to Basson's contacts in East Germany and Libya. Yusuf Murgham was mentioned as being Basson's chief contact in Libya. According to the defence Murgham was a senior intelligence agent of that country. Adv. Cilliers told the court that he intended screening video footage of Yusuf Murgham in the company of former President Mandela in order for Bosch to be able to positively identify him. The video footage was not screened nor mentioned again during the cross examination.

Adv. Cilliers claimed that the cash withdrawals from the account of Regent International Trading Services in the name of Basson, referred to earlier, were for payments to people at the Libyan embassy in Namibia. The court heard from Adv. Cilliers that Basson flew to Namibia to make payments to Libyan agents and to meet with East German agents. This trip took place on 22 January 1997 (as confirmed by Bosch who accompanied Basson and Philip Mijburgh on the trip). This was a week before Basson was arrested by the South African Narcotics Bureau, at a time when Basson had already been employed at 1 Military Hospital for over year and had allegedly cut all ties with Project Coast. According to evidence given earlier by Grant Wentzel the arresting officers, the request for 2,000 Ecstasy capsules was made by Wentzel to Basson on 21 January. At the time Basson allegedly told Wentzel it was a large order and he'd get back to him. The trip to Namibia took place during the process of this alleged drug deal. Bosch testified that he was not aware that Basson had met with Libyan

or East German agents but that he had been aware that Basson had met with Dr. David Chu.

During continued cross examination on 29 March the defence counsel put it to Bosch that when the blue trunks containing documents that had been delivered to his home for safe keeping in April 1995 by Philip Mijburgh, Basson had been on an extended trip to Libya. This concluded the cross examination of Bosch

Wednesday 29–Friday 31 March Petrus Troskie, senior manager, foreign exchange, Reserve Bank was called to give evidence.

Troskie's evidence centred on the international transactions made and was very technical. It however emerged during his evidence on Thursday 30 March that Justice Hartzenberg had gained the impression that the, so far unnamed, principles referred to by the defence during the cross examination of witnesses is the Defence Force. No evidence has been led to this effect.

The first High Court term of 2000 ended on Friday 31 March with defence advocate Tokkie van Zyl conducting brief cross-examination of Reserve Bank foreign exchange manager Petrus Troskie.

Troskie reaffirmed that South African citizens were barred from owning any foreign assets until 1997, the sole exception being inheritances. Not even a trust which existed in name only, i.e., had no actual financial assets, could be established without prior Reserve Bank approval. Troskie also confirmed that during the sanctions era, takeovers of local companies by foreign interests would first be referred to, for example, the SA Defence Force, if the local company was known to be a supplier of strategic/military goods.

The April 1987 capital investment by WPW Investments Inc in the company Systems Research and Development was supported, according to Reserve Bank records, by an (unsigned) letter from former SADF surgeon-general, Lt-Genl Nico Nieuwoudt, which states that he has no objection to the investment.

Future proceedings The court is scheduled to resume on Tuesday 2 May when Dr Torie Pretorius will present the first of about 30 witnesses on the human rights violations/murder charges. Meanwhile, prosecutor on the fraud charges, Anton Ackerman will prepare the application he has to bring before Judge Willie Hartzenberg to travel abroad to get the testimony of David Webster, Roger Buffham, Bernard Zimmer, David Chu and others on record.

When court resumes, Pretorius will present witnesses who have never before testified to their involvement with the Civil Co-operation Bureau (CCB) or its declared objective of eliminating enemies of the apartheid state. The evidence will be crucial, not only in the case against Basson, but also in answering some of the questions that were not addressed by the 1990 Harms Commission of inquiry and various other investigations launched since. Most of the witnesses to be called are not identified on the official witness list, but they will include operators implicated in the indictment and further particulars of the case against Basson in the murder/conspiracy to murder various activists and members of the security forces who presented a risk of exposure.

This report was written by Chandré Gould and Marlene Burger, of The Chemical and Biological Warfare Research Project at the Centre for Conflict Resolution, an independent institute associated with the University of Cape Town.

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