

Controversy around MTN's Iran deal raises embarrassing questions for South Africa

'No normal country'

BY STEVE STECKLOW AND DAVID DOLAN
WASHINGTON/JOHANNESBURG, JUNE, 15, 2012

For a South African telecommunications company, it represented a unique chance to seize what its chief executive called "one of the most significant 'virgin' mobile opportunities in the world."

But the location, he added in a memo marked "Strictly Confidential," was "no normal country."

The country was Iran. The company, MTN Group, was widely seen as a post-apartheid success story.

Now, seven years after MTN and its local partners won a lucrative licence to launch a new Iranian mobile-phone carrier, the deal is swirling in controversy and raising embarrassing questions for South Africa at a time when the Western world is trying to contain Iran's nuclear ambitions.

Turkcell, an Istanbul-based rival, in March filed a federal lawsuit in Washington alleging MTN bribed

its way into Iran and stole the licence from under it. It is seeking at least \$4.2 billion in damages. An elite South African police unit called the Hawks is investigating. MTN has denied the allegations and called Turkcell's demands "extortionate."

MTN has appointed a prominent judge in London to conduct an internal probe of the allegations surrounding what has become one of its most valuable holdings. In 2011, MTN generated \$1.3 billion, or 9 percent of its annual revenue, from its Iran venture, the company reported.

The core of the Turkcell case is the sworn testimony of Chris Kilowan, a former MTN executive who guided the company's bid to win the Iranian licence and has emerged as the key witness. He has turned over to Turkcell's attorneys some 7,000 pages of internal MTN documents related to "Project Snooker"—MTN's code name for its effort, named after a billiard game popular in Britain. "We said we are going to snooker Turkcell," Kilowan testified.

MTN, now Africa's largest mobile phone carrier, has called Kilowan "a disgruntled former employee" and has termed his allegations "outlandish."

During three days of sworn testimony in Washington that concluded May 2, Kilowan presented an extraordinary tale of a multinational company so intent on winning a contract, it was willing to help Tehran obtain military hardware, sway South Africa's votes before the United Nations' International Atomic Energy Agency and pay bribes, sometimes in the guise of consulting fees. MTN has yet to give evidence in the case, which is continuing and may go on for years.

Kilowan admitted fronting \$200,000 of his own cash to reward South Africa's then ambassador to Tehran, Yusuf Saloojee, for assisting MTN in Iran. Kilowan says it was MTN's later refusal to pay him back that convinced him to cooperate with Turkcell. Saloojee, now South Africa's ambassador to Oman, didn't respond to requests for com-

“You should push your government that they must sell these things to us.

Sairan official

according to testimony by former MTN exec Chris Kilowan



SPEAKING OUT: Chris Kilowan says MTN tried to help Tehran obtain military hardware in return for a mobile phone contract. MTN says his allegations are "outlandish." **REUTERS/HANDOUT**

ment. Other South African officials denied Kilowan's allegations.

Reuters has reviewed the entire transcript of Kilowan's deposition, most of which has not been made public, as well as numerous other exclusive documents.

The dramatic testimony comes at a time when the Western world is trying to contain Iran with forceful sanctions intended to deter its nuclear development programme, which Iran maintains is peaceful. After choking off Iran's banks from the international monetary system, the European Union plans to implement an embargo on Iranian oil and a ban on insuring oil cargoes on July 1.

The sanctions haven't been leak-proof. Reuters has documented in a recent series of articles how Iranian telecoms — including the MTN joint venture — have managed to obtain embargoed U.S. computer equipment through a network of Chinese, Middle Eastern and Iranian firms. The Turkcell-MTN case offers further evidence that there are always companies willing to

do business with a country even when it becomes an international pariah.

That goes for some governments as well. South Africa's ruling party, the African National Congress, has long maintained close ties with Tehran, which during the 1980s supported the anti-apartheid underground and imposed a trade boycott on the white-ruled government.

In an interview last month with Reuters, Gwede Mantashe, the ANC's secretary general, said he had "no problem at all" with South Africa "trading anything" with Iran today, including weapons.

"I WILL TALK TO MY PEOPLE"

Kilowan's story begins in 2004 when MTN sent him to Iran. MTN had seemingly lost out to Turkcell for the licence to launch what would be the country's second mobile-phone operator. He testified he began meeting with Iranian officials to determine what had gone wrong with MTN's bid and lay the groundwork for competing for a licence to run a third carrier. At the time, Iran had just one mobile operator, Telecommunication Co. of Iran.

Kilowan said he learned from Ambassador Saloojee, who recently had arrived in Tehran, that MTN shouldn't give up on pursuing the second licence even though it appeared Turkcell had won. It also soon became clear to Kilowan that if MTN was going to undo Turkcell's victory, it would have to meet a long and growing list of onerous Iranian demands.

The bidding rules required foreign companies to partner with Iranian entities. Turkcell's partners had included Sairan, which Kilowan testified was an arms manufacturer owned by Iran's Ministry of Defence, and Bonyad Mostazafan, a foundation he said reported directly to Iran's supreme leader.

He portrays Sairan and Mostazafan, which eventually teamed up with MTN, as manipulative and untrustworthy, and later wrote in an internal memo that MTN's



PLAYERS: Former South African defence minister Mosiuoa Lekota (above) visited Iran in 2004 but says he did not work on behalf of MTN, whose chairman, Cyril Ramaphosa (below), has long been seen as a potential South African president. **REUTERS/ SIPHIWE SIBEKO/MIKE HUTCHINGS**



desire for the licence “should not blind us to the clear reality that we are not negotiating with honest partners.” Officials at Sairan and Bonyad Mostazafan could not be reached for comment, and Iranian diplomats in South Africa and New York did not respond to requests for comment.

Kilowan said he and two South African diplomats held an initial meeting around March 2004 with a Sairan official, who complained that South Africa had failed to deliver military radios Iran had purchased a year earlier. “You should push your government that they must sell these things to us,” Kilowan quoted the Sairan official as saying. “I said, ‘Okay, I will. I will talk to my people, and they will talk to the government.’”

MTN had longstanding connections to the South African government through the ANC, Kilowan testified. These ties are well documented: MTN was set up with government help in 1994 as one of the first black-owned companies after the end of apartheid. Many MTN officials, including chairman Cyril Ramaphosa, had been ANC activists during the struggle to end white rule. Ramaphosa has long been seen as a potential president of South Africa.

A spokeswoman for Ramaphosa referred Reuters back to MTN, which in turn referred to his public statements on the matter. Ramaphosa announced in February that MTN had set up a special committee to investigate Turkcell’s claims, saying, “MTN has zero tolerance for corrupt and unethical business practices.”

Kilowan testified that during meetings, the Iranians - people at Sairan and other government officials - repeatedly raised two requirements: their need to acquire military hardware, including drone aircraft, and to win support for Tehran’s nuclear development programme. He said he and his then boss, Irene Charnley, an MTN director, concluded that “if we could somehow develop a strategy around these two issues,” MTN might be able to win the second licence.

According to Kilowan, MTN set out to provide the Iranians access to high-level South African government officials. This included helping to arrange a visit to Iran by South Africa’s then defence minister, Mosiuoa Lekota, to meet his Iranian counterpart.

Lekota visited Iran in August 2004, accompanied by MTN director Charnley and its then chief executive, Phuthuma Nhleko, Kilowan testified. “It was specifically arranged so as to prove to the Iranians that MTN can deliver on the defence matters,” said Kilowan, who noted he was in South Africa at the time.

Nhleko, who left MTN last year, told Reuters in an email: “It is really not for me to comment on the visits abroad of South African government ministers.”

In response to emailed questions, Charnley, who left her executive post at MTN in early 2007, said: “Turkcell’s allegations are entirely without substance. Neither I nor MTN were in a position to influence the policies or decisions of the South African or Iranian governments, and we did not do so.”

“THE FISH”

An Iranian news agency account of Defence Minister Lekota’s two-day visit reported that he told a news conference that Iran had a right to pursue peaceful use of nuclear energy. The Iranian defence minister, Ali Shamkhani, said the two sides had discussed expanding military, economic and political ties, and had signed an agreement to expand bilateral cooperation.

In an interview with Reuters, Lekota said he travelled to Iran “on official business” and was not working on behalf of MTN. “I have never had anything to do with the MTN licence,” he said. Asked the nature of the visit, he replied, “You are subjecting me to a cross-examination of issues that happened some time ago... I don’t have access to those documents now.”

Asked about the documents, Lindiwe

Sisulu, until this week South Africa's defence minister, said her office received none of Lekota's records when he resigned in 2008. "I'm therefore not able to answer on his behalf what it is that he was doing" in Iran, she said.

According to Kilowan, Ambassador Saloojee later showed him a wish list of arms the Iranians wanted to buy from South Africa. The shopping list included radar systems, armoured personnel carriers, long-range cannons and the Rooivalk attack helicopter – similar to the U.S. Apache. Kilowan testified that Saloojee told him, "They want everything from the earth to the sea, and everything that is in the sea and everything that flies."

Kilowan said Iranian officials also directly told him they wanted help in acquiring military equipment, including helicopters and drone aircraft. He said he and MTN director Charnley worked to contact South African defence contractors to help deliver to Iran what MTN executives code-named "the fish" – weaponry.

"We were not promising to facilitate the arm sales," Kilowan testified. "We were promising to get them in front of the right people for these arm sales. And if there are any bottlenecks, we would talk to the minister, for example."

Charnley said: "The first time I heard the phrase 'the fish' in this context was when my attorneys briefed me on the Turkcell allegations in 2012." She denied she tried to help Iran secure arms from South Africa.

To support Kilowan's allegations, Turkcell's lawyers have submitted what they say are internal MTN documents from his computers. The evidence includes an alleged fax from Charnley in November 2004 to the head of Sairan stating she was trying to set up a meeting about the helicopters between Denel, a South African, government-owned defence contractor, and an Iranian helicopter company. The document says it was "signed on her behalf by Nkateko Nyoka," another MTN executive.



WISH LIST: According to Kilowan, Iran wanted radar systems, armoured personnel carriers, long-range cannons and the Rooivalk attack helicopter. **REUTERS/ JUDA NGWENYA**

“We at Denel feel honored to have received your request for cooperation in the helicopter support field.”

alleged fax from Donald Ramfolo

Former Denel regional marketing manager

Charnley disputed the fax's authenticity. "I didn't send any such fax, am not aware of any such fax having been sent, and I never asked anyone to send such a fax on my behalf," she said. Nyoka, no longer with MTN, said in an interview he didn't know anything about the document.

Turkcell's documents also include an alleged fax to an Iranian official from Donald Ramfolo, then a Denel regional marketing manager, stating, "We at Denel feel honoured to have received your request for cooperation in the helicopter support field."

In an interview, Ramfolo said Denel had proposed selling Iran "aviation technology," including fibreglass technology for drones, but MTN wasn't involved and the South

African government nixed the deal. "We were doing our own thing and MTN were doing their own thing and we didn't mix," he said. Ramfolo no longer works for Denel. A spokeswoman for Denel did not respond to requests for comment.

Turkcell's evidence also includes an alleged signed agreement between MTN and its Iranian partners from September 2005 that states: "The cooperation between MTN and Iranian shareholders should be in the line of defensive, security and political cooperation. MTN shall fully support cooperation regarding the aforementioned issues in South Africa."

Kilowan testified that the Iranians were insistent on that clause and that Nhleko signed the agreement. Kilowan said it meant "that we would continue to provide support to Sairan in particular around defence matters and we would continue to provide political support or get political support from the South African government for the Iranian government."

Asked to comment, Nhleko said, "Nei-

ther the MTN Group nor I were in a position to influence or fetter the decisions and foreign policy of the South African government, and we did not do so.”

“A LOT OF PRESSURE”

In the end, South Africa never delivered any arms. In the case of the attack helicopters, Kilowan testified that Saloojee told him South Africa wouldn't sell them to Iran because they contained some American technology, which was under sanctions. Kilowan said the failure to deliver the arms resulted in continued friction between MTN and the Iranians. “The non-delivery of the full fish continued to be a discussion long after,” he testified.

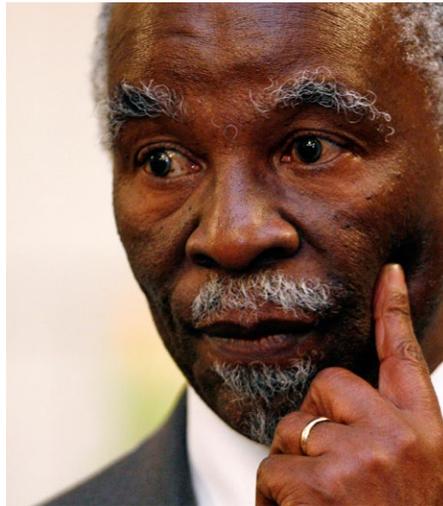
MTN was pressed to deliver in other ways. On the nuclear front, Kilowan testified that MTN helped pay for a trip to South Africa around late 2004 by Iran's then-chief nuclear negotiator, Hassan Rowhani, so he could meet with then-President Thabo Mbeki.

“We paid for the hotels in Cape Town. We paid for the dinners, everything. We bought presents for them. And we made sure that he got to see President Thabo Mbeki,” Kilowan testified. Rowhani could not be reached for comment.

Mukoni Ratshitanga, a spokesman for former President Mbeki, said, “We're not going to be drawn into commenting on these allegations.”

According to Kilowan, MTN was promised the telecom licence in November 2005. But when he arrived to pick it up, he said an Iranian official told him that it couldn't be issued until a vote later that week at the IAEA in Vienna. Members were considering whether to refer Iran, which had resumed developing enriched uranium, to the U.N. Security Council for possible sanctions.

South Africa abstained. Several days later, MTN received the licence. Kilowan testified that although MTN couldn't claim credit for the abstention, “we essentially



MEETING: Kilowan testified that MTN helped pay for a trip to South Africa by Iran's chief nuclear negotiator at the IAEA so he could meet with then President Thabo Mbeki. **REUTERS/MIKE HUTCHINGS**

put a lot of pressure” on the government. The South African government has denied MTN played any role.

By the time MTN received the licence to launch the new telecom, called MTN Irancell, it had made a series of concessions to its Iranian partners.

Although MTN owned 49 percent of the joint venture, it agreed to put up 100 percent of the licensing fee and capitalisation costs – 450 million euros (\$570 million) in all. By Kilowan's account, the Iranians essentially tricked MTN into signing a document in Farsi that committed it to paying all its partners' share. Neither MTN nor its partners have commented on this allegation.

Over the objection of MTN's chief financial officer at the time, Rob Nisbet, MTN structured its additional contribution as a complex series of loans, Kilowan testified. Nisbet, who has since left MTN, declined to comment.

Kilowan said he also objected to the loan arrangement. In a confidential October 2005 memo to MTN's CEO that was reviewed by Reuters, Kilowan wrote, “They

have no intention whatsoever to repay the money that they want us to advance them.”

He also wrote, “I have now arrived at the conclusion ... that the primary reason they have shifted to MTN is because they have concluded that we are desperate enough for this licence that we will give anything.”

MTN's financial statements show that the loans, originally supposed to be repaid by 2009, were renegotiated and extended. The company recently reported that three of four loans were repaid last year, with the fourth extended until 2014.

Among Kilowan's most serious allegations is that MTN paid a series of bribes, including to Javid Ghorbanoghli, an Iranian deputy foreign minister who had once served as Iran's ambassador to South Africa. Kilowan also alleges that payments were made to Ambassador Saloojee and six Iranian government employees he declined to name.

At a meeting at Kilowan's Tehran house in May 2005, Kilowan testified Charnley told Ghorbanoghli: “Look, we are now entering a very delicate phase. We would really appreciate all your assistance that you can give us. And, of course, when we get the licence we will be very happy to thank you in the appropriate way for your assistance.”

Within months, Kilowan said, the Iranian diplomat began asking him about “compensation.” Kilowan said he and Charnley agreed to wait until after MTN received the licence.

After the licence was issued, Charnley suggested Saloojee also should be paid for assisting MTN, Kilowan testified.

Charnley denied this, stating, “I didn't bribe anyone, I'm not aware of anyone having been bribed, and I wouldn't have tolerated any bribery had I been aware of it.”

According to Kilowan, Ghorbanoghli grew agitated in 2006 over not having been paid, saying he needed money to buy a house for his children in South Africa. Kilowan said he and Charnley decided to pay him by awarding a consulting contract



BIG CALL: MTN is Africa's largest mobile phone carrier. REUTERS/MIKE HUTCHINGS

to an oil services company in Dubai owned by one of Ghorbanoghli's friends.

Turkcell's evidence includes a copy of an agreement signed by Kilowan on behalf of MTN International, a unit of MTN Group, to pay \$400,000 to Aristo Oil International Services for "consulting services" related to "MTNI's entry into the Iranian Mobile Market."

Ghorbanoghli later confirmed the money had arrived, Kilowan testified. "He wanted more, and I negotiated it down to 400,000," he said.

Ghorbanoghli couldn't be reached for comment. Aristo's managing director, Mousa Hosseinzadeh, whose name and alleged signature appear on the documents, asked Reuters for copies and then didn't respond to requests for comment.

As for Saloojee, Kilowan testified that the ambassador approached him after learning that Ghorbanoghli had been paid. Saloojee said he needed money to buy a

house in Pretoria, Kilowan said.

Kilowan testified that MTN delayed making the payment so he ended up giving Saloojee \$200,000 of his own money in April 2007, through the ambassador's attorneys, with a handshake agreement that Saloojee would repay him when MTN sent the cash.

It never did. Kilowan, who left MTN in late 2007 and is now a Dubai-based businessman, testified that he continued through early 2011 to try to recoup his money from Saloojee and MTN. When the company turned him down, he said, he decided to cooperate with Turkcell.

He testified he does not stand to benefit from the case's outcome, other than travel expenses and compensation for time spent on his deposition and "loss of business." He also said he bills Turkcell an hourly rate for reviewing documents in a separate arbitration case, and has received about \$21,800 over the past year. As a result of this disclosure, MTN, which is trying to dismiss

Turkcell's lawsuit in the United States, recently called his testimony "paid evidence."

Meanwhile, MTN Irancell has become Iran's fastest-growing mobile phone operator. MTN recently reported it had 45 percent of the Iranian market.

Stecklow reported from Washington and Dolan from Johannesburg; Additional reporting by Marcus George in Dubai, Ed Cropley in Johannesburg and Wendell Roelf in Cape Town; Edited by Mike Williams, Simon Robinson and Sara Ledwith

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