

Weapons trade Stiffed arms merchant sues

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“WELCOME TO LONDON, MR. VEGAR,” were the first words that I heard from Jorge Pinhol, who lost no opportunity to demonstrate his interest in James Bond movies. But more than a spy-movie fan, Pinhol was also the key man in a \$30-million arms deal involving Portugal, France, and South Africa that I was investigating for my newspaper, *Expresso*.

Pinhol — a short, very tanned man of about 40, with black hair and black eyes—was in his youth an auto racer of some fame on the European circuit. Since the late 1970s, however, he has been an arms dealer, buying and selling guns all over the world, with special contacts in Paris, London, Tel Aviv, and Pretoria—and Lisbon, of course, since Pinhol is Portuguese.

The man in front of me had an ironic sense of humor—after all, on this day in 1995, he had chosen to

meet me at the best French hotel in London, Le Meridien, at the same time that he was suing a French state-owned company, *Aerospatiale*, for \$3 million. Despite his sense of humor, the subject of our conversation was the failure of a \$30 million deal—the deal of his life.

It all started in 1986 when Pinhol was contacted by a representative of *Arm Scor*, the state-owned South African arms manufacturer, who wanted to make a very big—and very secret—deal. The “Adenia Project” was what the South African called it. The South Africans wanted to buy 50 kits—engines and rotors—to upgrade their French-built Super-Puma helicopters.

Aerospatiale, the manufacturer of the helicopters, couldn’t make the deal directly, because the United Nations had imposed a weapons embargo against South Africa as an anti-apartheid measure, and violation of

the embargo would have created a major political problem for French Prime Minister Jacques Chirac. Still, the managers of Aerospatiale wished with all their hearts to make the deal, if only they could find a country willing to receive the material. As he himself explained, Jorge Pinhol was contacted in order to “open a channel to Portugal, a NATO country, which could easily get an export license from the French authorities.”

Authorized by both Aerospatiale and Armscor, Pinhol flew to Lisbon, where he began to contact military officers, including some of the top generals in the Portuguese armed forces. At his side was his agent in Lisbon, Henrique Troni, a very well-thought-of retired air force general. It was General Troni, using all his prestige, who opened the door to the highest military circles in Lisbon.

In one move, Gen. Soares Carneiro, chairman of the Joint Chiefs of Staff, Gen. Brochado Miranda, head of the air force; Gen. Rui Espadinha, the head of OGMA, a state-owned manufacturer of aerospace components; and Gen. Casimiro Proenca, head of Indep, the state-owned weapons manufacturer, agreed to the deal—with certain conditions.

The conditions were very simple: Portugal would receive the French materials, assemble the kits, and then ship them to South Africa. In ex-

change, the French would upgrade Portugal’s 20 Puma helicopters. As General Soares Carneiro later told me, “The deal might create a problem, but we had a state interest in the upgrading of our Pumas.”

General Brochado Miranda later said, “It was a subject of national interest. The government had told us that they didn’t have the money to upgrade our helicopters, which we needed. There is nothing more frustrating for an army man than to lack the means to perform his mission.

“Maybe I shouldn’t have agreed to the deal, but for me, the national interest was above everything. Besides that, if it wasn’t us, it would be someone else.” Still, none of the generals mentioned anything about the deal to civilian authorities—which Portuguese defense ministers at the time of the operation later confirmed.

Pinhol flew back to Paris to present the demands of the Portuguese, which were accepted by both Aerospatiale and Armscor. In 1987, with the green light from the Portuguese top brass, the deal was closed. From October 1989 to December 1994, the kits were transported secretly between Paris, Lisbon, and Pretoria by a private Zairean airline.

The South Africans got everything they wanted and the French modernized the Portuguese helicopters. Then, the last thing that anybody would have expected to hap-

pen, happened. After months of excuses, the South Africans failed to pay the usual 10 percent fee to Jorge Pinhol for arranging the deal.

Surprised, Pinhol first tried to discover the reason for such unusual behavior. Using his extensive knowledge of activities inside Armscor, he finally learned that the non-payment was related to an internal Armscor power struggle. The faction that didn't want to pay him had won. Members of this group had argued that not paying him was no problem because they no longer needed him.

But Pinhol was unwilling to write off a \$3 million fee, and after more discussions and delays, he finally broke the sacred rule of the arms dealer. He decided, in 1994, to take Armscor to court.

It was not an emotional decision, because Pinhol had very important people on his side. The four Portuguese generals had decided to testify for him, as had the former head of Armscor.

The idea that they would testify seems bizarre. But as a smiling Pinhol told me in an interview last year, "It was perfectly natural. The Portuguese generals were motivated by patriotism. And the South Africans agreed to talk because they recognized that I was a victim of a double cross that I didn't deserve."

Nonetheless, Pinhol eventually withdrew his suit in the South

African court, feeling it would be a lost cause (the proceedings would have been conducted in secret). He chose instead to file suit in Paris, charging Aerospatiale with "enrichment without just cause," demanding his 10 percent.

But when he heard the judge's decision, pronounced in September 1996 in the French court of Bobigny, Pinhol lost his ironic smile for the first time. The judge ruled that Aerospatiale owed Pinhol nothing, and further, that Pinhol had hurt Aerospatiale's good name just by mentioning the company to the press. A downhearted Pinhol complained to me at the time, "This is a total injustice. But the thing that most affected me was the fact that they, the judges, attacked my right to free speech"

However, Pinhol was willing to fight until the last battle. And he had more support than ever from the Portuguese generals and top South African figures, who stated in public that the deal would never have been made without his participation.

Pinhol decided to appeal to a higher court. And last May, the French appeals court ruled for him, overturning the earlier decision. When he learned of the judges' decision, Pinhol was pleased. "Finally, the justices have recognized that I was used and suffered a major loss."

The question of payment is now being considered by the highest court

in France, which will decide whether Aerospatiale should pay the 10 percent fee for the arrangement of the covert operation. Until the court decides, the Portuguese arms dealer will wait. But Pinhol seems willing to fight until the end. "If we need to, we will file suit in the European Court on Human Rights," he says.

The decision by the Paris court will make history in the secret world of arms dealers. And if other deals gone sour end up in the courts, it could— who knows?—open a Pandora box of secret operations by the most powerful nations of the world.