

AFRICA

U.S. Imposes Sanctions on Individuals Linked to South African Scandal

Treasury freezes assets of Gupta brothers, who had close ties to the government of Jacob Zuma, and a business associate



Former South African President Jacob Zuma appeared before the Commission of Inquiry into State Capture in Johannesburg in July. PHOTO: POOL NEW/REUTERS

By Gabriele Steinhauser

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JOHANNESBURG—The U.S. Treasury froze assets owned by three brothers at the center of a sprawling government-corruption scandal in South Africa that contributed to the ouster of former President Jacob Zuma and ensnared major international companies.

Ajay, Atul and Rajesh Gupta, who arrived in South Africa from India in the early 1990s and quickly forged connections within the ruling African National Congress, used their ties to engage in corruption and bribery to get government contracts and misappropriate state assets, the Treasury's Office of Foreign Assets Control said.

The department on Thursday also imposed sanctions on one of the brother's close business associates, Salim Essa. All four men couldn't immediately be reached for comment, but have previously denied wrongdoing.

“Treasury’s designation targets the Guptas’ pay-to-play political patronage, which was orchestrated at the expense of the South African people,” said Sigal Mandelker, Treasury undersecretary for terrorism and financial intelligence. “The Guptas and Essa have used their influence with prominent politicians and parties to line their pockets with ill-gotten gains.”



Atul Gupta is one of three brothers on which the U.S. Treasury imposed sanctions on Thursday. PHOTO: /ASSOCIATED PRESS

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e the most concrete punishment doled out to the Guptas, whose alleged grip on Mr. Zuma’s government was so strong that it was dubbed “state capture” by South African media and analysts. Although the scandal dominated headlines in Africa’s most-developed economy for several years and forced Mr. Zuma to step down in February 2018, none of the men have been charged in South Africa.

Mr. Zuma has also denied wrongdoing and recently blamed the allegations against him on an international conspiracy.

Revelations about the Guptas and Mr. Essa, stemming from a trove of leaked documents and whistleblowers, drew scrutiny to their business ties with major global companies, including consulting firm McKinsey & Co., accounting firm KPMG LLP and software company SAP SE.

McKinsey paid back money it received from a major government contract that involved a company run by Mr. Essa and apologized to the South African public for its actions, even as it denied wrongdoing. KPMG, which audited the accounts of several Gupta-owned businesses for years, withdrew sections of a key report on the government revenue service and swapped out its South African leadership, saying it fell short of its standards. SAP reported itself to U.S. authorities, saying it may have broken U.S. anticorruption laws by making payments to companies linked to the Guptas.

The Treasury statement made no mention of any South African or international companies.

The Guptas' alleged actions—along with other suspected cases of corruption—are currently being investigated by a commission of inquiry in South Africa. But President Cyril Ramaphosa has come under criticism for local authorities' slow pace in pursuing criminal charges against the family, its business associates and politicians allegedly involved in the scandal.

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