

Cherchez The French

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Who got what for the sale of French submarines to Malaysia?

On September 3, a 66-meter submarine named for Tunku Abdul Rahman, Malaysia's founding father, glided into the Royal Malaysian Navy base at Port Klang on Malaysia's western coast after a 54-day voyage from France. Malaysia's Prime Minister Najib Tun Razak was there to greet them.

As defense minister, Najib had commissioned a huge military buildup to upgrade Malaysia's armed forces including the purchase of two Scorpene-class submarines and the lease of a third, a retired French Navy Agosta-class boat, for US\$1 billion. The two submarines were designed by France's DCNS naval shipbuilder and built in partnership with Spain's Navantia. Both companies are state owned. The deal earned a commission of €114 million for a company owned by Najib's best friend, Abdul Razak Baginda, once the head of a Kuala Lumpur political thinktank.

The Tunku Abdul Rahman, along with its companion, to be named for Najib's father Tun Abdul Razak and to be delivered in 2010, is at the very heart of the continuing controversy over the death of Altantuya Shaariibuu, a 28-year-old Mongolian translator and Razak Baginda's jilted lover. Altantuya was murdered in October of 2006 by two bodyguards attached to Najib's office after Razak, who had jilted Altantuya, went to Najib's chief of staff, Musa Safri, for help in keeping the 28-year-old woman away from him. Not long after being acquitted under questionable circumstances of participating in her murder, he left the country for England.

Questions over the purchases go well beyond the death of a spurned paramour and point to some difficult subjects for French and Malaysian officials. These questions assume added relevancy in light of revelations last week that someone, allegedly close to the Prime Minister, was willing to pay RM5 million (US\$1.48 million) to a private detective to forget his statement connecting Najib to Altantuya.

The continuing controversy makes it appropriate to ask to examine the defence minister's diaries, calendars and telephone logs and those of Razak Baginda in 2002, when the Royal Malaysian Navy ordered the vessels. In letters found after her death, Altantuya said she was attempting to blackmail Razak Baginda for as much as US\$500,000, apparently, her father said, because of her role as translator over the purchase of the submarines. Malaysia ordered the two diesel-electric submarines from DCN SA (Direction des Constructions Navales), a French manufacturer of warships and submarines and the largest naval shipyard in Europe, in 2002. However, Razak Baginda and Altantuya went to France at the same time Najib did in 2005 to settle details of the purchase.

Perimekar, a company owned by Abdul Razak Baginda, received the €114 million for "coordination and support services" - 11 percent of the sale price of the submarines. Zainal Abidin, then the deputy defense minister, told a parliamentary inquiry that such commissions were commonplace in Malaysia. No further inquiry was made as to the commission, nor was any attempt made to determine what coordination and support services Perimekar might be providing.

However, it might pay to take a look at some other deals in which top French politicians were

involved in, some of them along with DCN, and to ask whether all of that €114 actually went to Razak Baginda, or if some, with the complicity of Malaysian politicians, went into the pockets of their French counterparts.

There is plenty of reason to entertain that possibility. French politicians seem to have a knack for backhanders. On October 26, in a trial that centered on illegal arms sales to Angola, Jean-Christophe Mitterrand, the son of the late president Francois Mitterrand, was given a two-year suspended sentence and a €375,000 fine for receiving embezzled funds. The court ruled that he had accepted millions of euros in “consultant fees” on the arms deals between 1993 and 1998. In the dock with him were 42 people accused of selling weapons to Angola in defiance of a UN arms embargo, or of taking payments from the arms dealers and using their influence to facilitate the sales.

The trial, it was said, shined a light into a murky world of secret payments made in cash and discreet deals linking Parisian high society with one of Africa’s longest-running wars. But it hasn’t shined a light on what happened elsewhere with contracts concluded by the representatives of France, and particularly by DCN. For instance, 11 French engineers employed by DCN, which peddled Malaysia’s subs to Pakistan, were blown up in a bus bombing in 2002 which was first thought to have been perpetrated by Islamic militants. The 11 were in Karachi to work on three Agosta 90 B submarines that the Pakistani military had bought in 1994, with payment to be spread over a decade. According to Reuters, commissions were promised to middlemen including Pakistani and Saudi Arabian nationals. Agosta is a subsidiary of DCN.

Two French magistrates, Marc Trevidic and Yves Jannier, who were looking into the case on behalf of the victims, said kickbacks ended up in the campaign funds of Edouard Balladur, then the French prime minister and a rival of Jacques Chirac in the 1995 presidential election. The current French president, Nicolas Sarkozy, was Balladur’s campaign manager as well as budget minister when the contract for the subs was signed.

Although Sarkozy and Balladur have both denied any wrongdoing, a top-secret memo turned up in October 2008 from DCN, which was state-owned at the time of the alleged kickbacks. Copies of the memo were shown on French television. The memo reportedly said France had stopped paying the bribes after Chirac won the 1995 elections despite requests by Pakistani officials for several years afterwards. Eventually, according to the story, the Pakistanis eventually lost patience and orchestrated the bus attack on the Agosta engineers in retaliation. The third submarine ordered and leased by Malaysia was an Agosta.

Another case involves the French company Thales, formerly Thompson-CSF, which sold six DCN-built La Fayette-class ‘stealth’ frigates to Taiwan in 1992 for US\$2.8 billion. The warships, designated Kan Ding by Taiwan, were delivered between 1996 and 1998. The website DefenseNews reported that Taiwan is seeking US\$882 million, down from US\$1.12 billion on its claim against Thales, according to documents filed with the French market regulator Autorité des Marchés Financiers. The update was made to its reference document submitted on April 12.

Taiwan’s claim, the website said, is based on allegations that Thales wrongfully paid commissions to agents in the sale of the frigates. Thales said in the filing that it and its industrial partner have consistently contested the claim. A Thales spokesman declined to comment to Reuters beyond the information contained in the filing. Thales was prime contractor on the sale of the frigates, which were built by DCN. If Taiwan won the case, Thales would be liable for 30 percent of the claim, the filing said.

French judges have been investigating corruption allegations arising from the Taiwan contract over a number of years but have made no arrests, notably because documents are protected by defense

secrecy laws, which the government refuses to lift. Nonetheless, it is widely believed that at least some of the alleged kickbacks were used as political campaign funds in the French 1995 elections.

At least six people connected with the case have died under suspicious circumstances, including a Taiwan naval captain, Yin Ching-feng, who was found floating off the country's coast, a victim of foul play. Yin is believed to have been killed because he planned to go to the authorities about the case. His nephew, who was also pursuing the case, a Thomson employee in Taiwan and a French intelligence agent were also among the dead. It gradually emerged that some \$600 million in commissions had been paid into various Swiss accounts set up by Andrew Wang Chuan-pu, the Taiwan agent for Thomson-CSF. In October 2008 a French judge finally ruled that no one could be prosecuted because of lack of evidence.

P.S.

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