

Deep and Dirty: Malaysia's Submarine Scandal
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Leaked prosecution documents show a pattern of official misdeeds in two countries

A two-decade campaign by the French state-owned defense giant DCN and its subsidiaries to sell submarines to the Malaysian ministry of defense has resulted in a long tangle of blackmail, bribery, influence peddling, misuse of corporate assets and concealment, among other allegations, according to documents made available to Asia Sentinel.

Some of the misdeeds appear to have taken place with the knowledge of top French government officials including then-foreign Minister Alain Juppe and with the consent of former Malaysian Prime Minister Mahathir Mohamad, according to the documents, comprising 133 separate files and hundreds of pages. They were presented to the French Prosecuting Magistrate at the Court de Grand Instance de Paris in May and June of 2011. French lawyers have begun preparing subpoenas for leading Malaysian politicians including Prime Minister Najib Tun Razak, the current Defense Minister, Ahmad Zaki Hamad and several other figures.

The documents were sent anonymously to Asia Sentinel via a circuitous route that took them to Brussels, Belgium; Lagos, Nigeria; Brazzaville, Congo; Libreville, Gabon; then to Leipzig, Germany and finally to Hong Kong. The documents, written in French, can be found in a collection in Asia Sentinel's Scribd account.

The documents were compiled as a result of a raid on April 7, 2010, when scores of investigators from the anti-organized and financial crime unit of the French Directorate of Judicial Police swooped down on DCN's offices at 19 rue du Colonel Pierre Avia in Paris's 15th Arrondissement, and four other locations, demanding that stunned officials give them access to safes, files and computers. They collected thousands of documents that form the bulk of the files delivered to Asia Sentinel.

Together, they present a damning indictment of Malaysian officials whose goal was to steer a €114.96 million (US\$114.3 million at current exchange rates) payment through a private company called Perimekar Sdn Bhd, wholly owned by Abdul Razak Baginda. Razak Baginda was then the head of a Malaysian think tank called Malaysian Strategic Research, which was connected with the United Malays National Organization, the country's biggest political party.

The payment appears to have been in violation of the OECD Convention on Bribery, which France ratified on June 30, 2000. On Sep. 29, 2000, according to document D00015, DCNI, a DCN subsidiary, "took corrective actions" after France joined the bribery convention. Contracts concluded after that date were to be routed to Eurolux and Gifen, companies held by **Jean-Marie Boivin**, DCN's former finance chief, and headquartered in Luxembourg and Malta respectively. Boivin is being investigated for having played a central role in the "corrective actions," with what were described as "outlandish commissions" traveling through the welter of companies that he established

in tax havens around the world. Among the documents is one that shows Boivin paid to send Razak Baginda on a jaunt to Macau with his then-girlfriend, Altantuya Shaariibuu, a Mongolian national who was later murdered by two of Najib's bodyguards.

"A separate agreement sets other compensation consisting of a fixed amount independent of the actual price of the main contract," one document reads in reference to the payment to Perimekar. "This has been made to be consistent with [DCN's] internal rules and [its subsidiary] Thales and those of the OECD. The beneficiaries of these funds are not difficult to imagine: the clan and family relations of Mr. Razak Baginda. In addition, these funds will find their way to the dominant political party." Malaysia's dominant political party was and is UMNO.

Malaysian Defense Spree

The story in essence began when Najib Tun Razak was appointed defense minister in Mahathir's cabinet in 1991 and embarked on a massive buildup of the country's military, arranging for the purchase of tanks, Sukhoi jets, coastal patrol boats – and submarines. That kicked off a stiff competition between French, German, Swedish, Russian and Dutch manufacturers, who in turn went looking for the most effective cronies of the Malaysian leadership to help them out. By 1995, according to document DC00078, DCN's subsidiary Thales was losing out to the German manufacturer Kockums AB, which was represented by Amin Shah, dubbed "Malaysia's Onassis" because of his business and shipping interests, who was close to then-finance minister Daim Zainuddin and was suspected of being a front man for Daim's interests.

French authorities seemed to counter by paying a "consultancy fee" according to a handwritten document called a "Consultancy Agreement" signed in Kuala Lumpur on Oct. 1, 1996 between DCN International representative Emmanel Aris and a Malaysian Army major named Abdul Rahim Saad. The purpose was "to reintroduce DCNI in the short list of tenders after it was rejected by the Government of Malaysia" on Dec. 14, 1995, according to the French documents.

The remuneration was to be paid in two lots, US\$20,000 before Jan. 31, 1996, and US\$80,000 after acceptance. Apparently it was successful. Rahim is now managing director of a company called ARS Sejahtera Sdn Bhd., which supplies logistical equipment to the Malaysian armed forces.

However, there are questions whether Rahim was ever paid. A memo found in the DCN files said he "expresses discontent and proclaims his support for the Agosta [the Spanish manufacturer of the Scorpenes for DCN] submarines since 1996 but he 'has not had any news from DCNI to date.' He says he organized shady activities to promote the French bid...He complains of not having been paid for his services."

Eventually, according to the documents, Amin Shah began to lose his influence with the government after Daim Zainuddin left his position as finance minister. DCN and its subsidiaries began casting around for other sources of influence within the Malaysian government.

An attempt to woo Tan Sri Razali Ismail, one of Malaysia's most distinguished diplomats, failed. "It was ultimately unsuccessful and Mr. Abdul Razak Baginda was chosen in his place," the documents note. "The role of the latter was to facilitate the submission

procedure to the Malaysian government and the responsible ministers, in particular the Minister of Defense, with whom he claimed to have a close relationship.”

According to Document D000112, “...Razak Baginda has maintained excellent relationships with the Defense Minister and Prime Minister. Moreover, his wife, Mazlinda Makhzan, is a close friend of the Defense Minister’s wife. Thus, Baginda has become the center of the network. Both companies are at the center of this network: Terasasi, related to Baginda, and Perimekar, which was initially controlled by Mohamad Ibrahim Mohamad Nor,” who was also close to Daim Zainuddin. However, with Daim stepping down as finance minister after a spat with Mahathir, Razak Baginda took over sole proprietorship of that company through his wife.

“The major defense contracts in Malaysia as in other countries require substantial money transfers to individuals and/or [political] organizations,” the document noted. “In Malaysia, other than individuals, the ruling party [UMNO] is the largest beneficiary [rather than Perimekar, the company to which the commission was directed]. Consultants [agents or companies] are often used as a political network to facilitate such transfers and receive commissions for their principals.”

The Heart of the Deal

Over the next few years, the documents show, as the contract came closer to fruition Razak Baginda and Najib maneuvered in France to get the best possible deal for themselves and UMNO, establishing a tangle of companies through which funds would ultimately pass.

Their activities included the founding of several companies including Perimekar in 2000 as a vehicle to funnel the €114.9 million commission to Razak Baginda and others, with Razak Baginda’s wife the principal shareholder. The plan appears to have had the approval of Mahathir. A diplomatic cable to Foreign Minister Juppe said, “The company chosen by the government for the submarine project is...Perimekar. This choice is the subject of an official notification from the Malaysian Ministry of Finance to the Ministry of Defence... Note that this decision of the Ministry of Finance was taken while the Prime Minister himself held the post of Minister of Finance, after the departure of Tun Daim.”

The French company appears to have had no illusions as to Perimekar’s function. Documents note that “Perimekar was a limited liability company with a capital of MR5 million (€1.4 million) of which 1 million is available. It was created in August 1999 ... it has no record of sales during 2000. Its ownership is in the process of restructuring.”

As Asia Sentinel has previously reported, document D00087 shows that Najib demanded a US\$1 billion “condition” for Perimekar Sdn Bhd’s “stay in France.” The notes, however, don’t make it clear exactly what that means. The information is contained in a note faxed from Francois Dupont, the Asian representative of Thales International Asia, to his bosses but the notation in the documents presented to the court doesn’t elaborate. Dupont indicated that a meeting with Najib on July 14, 2001 would take place with the above mentioned “condition” but it was not known if the meeting transpired.

Along the way, Jasbir Singh Chahl, one of Razak Baginda’s associates at Perimekar, decided he hadn’t been paid enough. In several memos to DCN, Jasbir Chahl demanded a full fourth of Perimekar’s total €114.96 million. Despite several demands, there is no

indication that Chahl has ever been paid. He has been subpoenaed as a witness in the case, but after first indicating to French lawyers that he would cooperate, he has since said he knows nothing of the affair. He is said to be extremely ill and suffering from some form of cancer.

Other documents made public by Asia Sentinel earlier show that at least €36 million flowed from the DCNS subsidiary to Terasasi Hong Kong Ltd., whose principal officers are listed as Razak Baginda and his father. Najib was defense minister from 1991 through the time when the submarines were delivered in 2002. Terasasi only exists as a name on the wall of a Wanchai district accounting firm in Hong Kong.

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