

Gun Begins to Smoke in Malaysian Sub Scandal
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Money may have been funneled to UMNO officials through Hong Kong incorporated company

French investigating magistrates probing the US\$1.2 billion sale of submarines to the Malaysian Defense Ministry are targeting, among other things, a Hong Kong-based company called Terasasi (Hong Kong) Ltd., whose principal officers are Prime Minister Najib Tun Razak's close friend and the friend's father.

Investigators believe that at least some of the €36 million funneled through Terasasi ended up in the pockets of Najib, who was Malaysia's defense minister and deputy prime minister when the two Scorpene submarines were purchased from Thales International or Thint Asia. The state-owned defense giant DCN, later known as DCNS, and Thales established a joint company named Armaris to manufacture the submarines in 2002.

The two Armaris Scorpene, named for the first prime minister of Malaysia, Tunku Abdul Rahman*, and Najib's father, Tun Abdul Razak, are on duty in Malaysian waters.

Abdul Razak Baginda, the former head of a Malaysian think tank who was at the center of a 2006 investigation into the death of Mongolian translator and party girl Altantuya Shaariibuu, is listed as one of the two directors of the company, which was previously incorporated on June 28, 2002 as Kinabalu Advisory and Support Services Ltd according to the Hong Kong Companies Registry. The other director is Abdul Malim Baginda, Baginda's father.

The Terasasi offices are located on the 19th floor of an office at 3 Lockhart Road in the Wan Chai district of Hong Kong. There is no indication in Hong Kong government records of what Terasasi's business is. It is only listed as a "local company." However, French authorities say Terasasi apparently received regular payments from Thint Asia. One payment was for €360,000 accompanied with a handwritten note saying "Razak wants it to be paid quickly."

The magistrates have documents that show that the money was funneled from Thint Asia to Terasasi -- €3 million of it when Terasasi was still domiciled in Malaysia, and €33 million after it was incorporated in Hong Kong. There is no indication at this point where the money went. French investigators, however, theorize that it was part of €146 million that may have been funneled to officials of the United Malays National Organization and Najib, who traveled with Abdul Razak Baginda several times to France as defense minister at the time the Malaysians purchased the submarines from DCNS.

On at least one trip in 2004, Altantuya, then Razak Baginda's lover, accompanied him to France as a translator. He later jilted her, impelling her to come to Kuala Lumpur to demand US\$500,000 from him. In a handwritten letter found after her death, she wrote that she was attempting to blackmail him, although she didn't say why. Two of Najib's bodyguards were convicted of shooting her in the head and blowing up her body with plastic explosives in September 2006, possibly to hide the fact that she was pregnant when she was killed.

Because her killing does not appear to be connected to the scandal, French investigators are not looking into the causes of her death or the reasons behind it.

Although Razak Baginda was charged with abetting her murder, he was released without having to put up a defense and fled to the UK, where he remains. Najib's former bodyguards remain on death row in Malaysia. Their appeal against the death penalty has been delayed, presumably until after national elections expected in May or June this year.

It was previously revealed on the floor of the Dewan Rakyat, Malaysia's parliament, that Perimekar received another €114 million as a commission on the sale of the vessels. Perimekar at the time was wholly owned by another company, KS Ombak Laut Sdn Bhd, which in turn was also controlled by Razak Baginda and Mazalinda. Perimekar is now 20 percent each owned by the military retirement system LTAT and Boustead Holdings.

Two years of police investigation at the behest of the Malaysian NGO Suaram into the sale of the submarines culminated recently with the appointment of investigating magistrates Roger Le Loire and Serge Tournaire at the Paris Tribunal de Grande Instance, according to Agence France Press, which said the probe involves three contracts for the submarines which were signed on June 5, 2002.

According to the documents, the contracts had two components: the sale of two submarines built by Thint and the Spanish shipbuilding firm Izar, for €920 million; and the delivery of "logistical support" from Perimekar Bhd – the €114 million -- to train the first 200 Royal Malaysian Navy personnel although there is no indication that the company had the wherewithal to train them.

Under the bribery conventions of the 32-member Organization for Economic Cooperation and Development, the French defense contractors could be liable for criminal sanctions if it is proven that no real services were delivered by the companies. Under French law, violators are liable for up to 10 years in prison.

Joseph Braham, a lawyer with Solicitors International Human Rights Group which was engaged by Suaram, said in October last year that DCNS often budgeted as much as 8 to 12 percent of its total receipts as "commissions" to grease sales of armaments in third-world countries. Braham said Perimekar had received the commission for "supporting the contract," which he said was a euphemism for unexplained costs, and also for "housing the crew" of the submarines in France.

In France, before 2002, any money used to bribe foreign officials was tax deductible. When the former finance director of DCN made a claim for €31 million allegedly used to bribe the Malaysians for the purchase of the Scorpenes, Braham said, the Minister of Budget questioned such a large bribe, although he did eventually authorize the tax break.

The contracts cited by AFP included the €114 million one paid by the Malaysian government to Perimekar. The second, called "C5 contract of engineering business," was concluded in August 2000 between DCNI, a subsidiary of DCN, and Thales International Asia worth some €30 million. The third was the "consulting agreement" signed in October 2000 between Thint Asia and Terasasi.

The French investigators are also studying one of the invoices issued by Terasasi in August 2004 for €359,450 sent to Thint Asia. For investigators, "it appears that... the amounts paid to Terasasi ultimately benefited Najib, the defense minister, or his adviser Razak Baginda."

Olivier Metzner, a lawyer for Thales, told the French daily Le Parisien that "we have already demonstrated to investigators that there was no corruption in this case." However, a confidential memorandum made available to Asia Sentinel and the Malaysian website Free Malaysia Today states that: "The beneficiaries of these funds are not difficult to imagine: the family clan and Razak Baginda relations. In addition, these funds will find their way to the dominant political party (Umno)."

*Correction: We inadvertently used the wrong picture of the Tunku Abdul Rahman. We thank our readers for pointing out the error.

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