

First World Criminals, Third World Crimes - Part 2: France's Heart of Darkness: The ELF Story.

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INTRODUCTION

On November 13-14, 2003, the former CEO **Loik Le Floch-Prigent** and 22 other former executives of France's **Elf Aquitaine**, plus seven other accessories, were sentenced by a French court to a few €millions in fines and no more than 5 years apiece in jail -- 14 of the accused got suspended sentences -- on charges that they had embezzled €300 million (\$346.8 million) from the company from 1989 to 1993. These sentences, the culmination of an investigation that started in August 1994, determined that most of these thefts had been skimmed from secret slush funds managed out of Switzerland, Luxembourg, and Liechtenstein.

From our standpoint, the key fact is that these secret funds had originally been created in order to pay up to **\$130 million of bribes** a year to senior officials in African countries like Gabon, Congo-Brazzaville, Cameroon, Angola, Guinea, and the Congo, as well as in **Venezuela, Russia, Taiwan, Central Asia, China, Uzbekistan, and Kazakhstan.**



DeGaulle and Chirac

Significantly, this extraordinary global corruption eventually "blew back" to France itself, where, according to Le Floch-Prigent, Elf paid at least €5 -€20 million in bribes per year to France's leading politicians, ministers, and political parties -- not only Gaullist parties like **Chirac's RPR/UMP** party, and **former Interior Minister Charles Pasqua's RPF**, but also the Socialists and other parties.

Even after this extraordinary 9-year trial, we still lack much of the detail on precisely where all this payola went. However, as usual, some things can be said.

LES RESEAUX DE LA POLITIQUE ET LE PROFIT

To begin with, it appears that most of Elf's transgressions were committed with the knowledge and tacit or active approval of **every French President** from **Charles de Gaulle** on down to Chirac, after de Gaulle created Elf and the original "black box" system in the 1960s.

In addition to these domestic political subsidies, Elf also paid out an extraordinary amount of personal payola to France's political elite – including free airfare, sweetheart deals and payoffs for ex-wives and girlfriends, and fancy apartments. For example, when **President Mitterand's weekly golfing partner** was threatened with losing his house near their favorite golf course, Elf bought the house and let him continue living there, all expenses paid.



Mitterand



Tarallo

Many of the key figures involved with these funds turned out to have top-level connections in the French government. After his stint at Elf ended in 1993, its former CEO, Le Floch-Prigent, was appointed by Mitterand and Jacques Chirac to serve as head of the state-owned utility **Gaz de France** and **SCNF**, the French National Railroad. **Roland Dumas**, President Francois Mitterand's close friend and Foreign Minister in the 1980s, was convicted in 2001 of receiving Elf bribes in connection with an arms sales to Taiwan – though the conviction was overturned on a technicality in 2003.

Andre Tarallo was a close friend and former classmate of French President Jacques Chirac (**Ecole Nationale d'Administration**, class of '59), and an Elf employee since 1967.

From our standpoint, Tarallo is an especially important figure. During the course of his long career, he became known as Elf's



Sirven

"Monsieur Afrique," the "real boss of Elf-Afrique," in charge of the company's relationships with corrupt regimes all over Africa. Meanwhile, he also helped himself to \$27 million worth of property, including a mansion in Corsica and one of the largest apartments in Paris. For all these efforts, 74-year old Tarallo received a four-year sentence and a €2 million fine.

This huge case has been nine years in the making. As it slowly wended its way to a conclusion, many **cynics** predicted that because the case is one of France's most sensational corruption scandal ever, few convictions would ever be seen. But for evidentiary reasons as well as "pour raison d'Etat," the French court limited the investigation to personal enrichment by Elf's own officials. When it came to exposing the details of the many bribes paid in the Third World and the First, they drew a complete blank.

As noted, because of the sensitive nature of Elf's payoffs, we are unlikely to ever learn the full story. Nevertheless, it is already clear from many other sources that Elf



Omar Bongo

– **France's largest multinational company** at the time, with owned refineries and gas stations throughout Europe, Africa and the West Indies -- became a **cornucopia of global corruption**. As **Alfred Sirven**, Elf's second-in-command in the early 1990s, and the former head of Elf's Geneva office, said at the trial this year, "I know enough to eliminate the whole French political class." Or as the former CEO, Loik Le Floch-Prigent, said, "If the money sometimes ended up in an orphanage then I am very happy - but let's say it didn't always

end up in an orphanage."

SPREADING CORRUPTION

Among Elf's many unsavory activities around the globe: (1) Elf developed incestuous, mutually profitable relationships with key African autocrats like **Omar Bongo**, Gabon's ruler, the Congo-Brazzaville's **Sassou Nguesso**, the Cameroon's **Paul Biya**,



Biya

Cameroon's Biya

Jonas Savimbi, the Angolan rebel leader; **Jose Eduardo dos Santos**, Angola's "Marxist" President; and Nigeria's Sani Abacha.

However, mainly because of the perseverance of a handful of courageous judges and magistrates in France and Switzerland, the embezzlement charges ultimately stuck.



Dos Santos



Nguesso

For example, according to an investigating magistrate, \$30-\$50 million a year was placed in a secret bank account belonging jointly to Bongo



Kofi and Sani

and Tarallo, his close friend, and Bongo's Presidential Guard was partly paid for by Elf. In **Congo-Brazzaville**, where Elf has lucrative refineries and other concessions, it supplied helicopters and financed arms supplies for rival leaders. In Nigeria, it reportedly paid bribes to secure a lucrative oil concession in 1995. All told, according to the French magistrate, Elf ran "a vast and opaque system aimed at paying commissions, via intermediaries, to certain African personalities."

(2) Elf allegedly paid \$2.5 million in bribes to **Venezuela’s President Carlos Andres Perez** and other Venezuelan politicians in 1991-92, part of some \$20 million in commissions that Elf was alleged to have spent in Venezuela.



Andres Perez

(3) Elf allegedly made still more payoffs in China and Taiwan in connection with a 1991 arms deal – including millions of dollars that were allegedly paid to **Zhu Rongji**, the former Mayor of Shanghai who served as China’s Premier from 1998 to 2003, and to



Clinton and Zhu Rongji

Foreign Minister Dumas, to secure their tacit approval for the deal.

These payments were reportedly made by Elf’s network in connection with the sale of six frigates to Taiwan by **Thompson-CSF**, another French company, in 1991. On this deal alone, the commissions reportedly totaled more than 30 percent of the \$2.5 billion purchase price.

(4) Elf also allegedly made huge payoffs to **Nadhmi Auchi**, an obscure Iraqi-British billionaire who is reputedly Britain’s seventh wealthiest man, the largest shareholder in BNP Paribas, and – according to some – one of Saddam Hussein’s oldest cronies and private bankers. (They both took part in the attempted assassination of Iraqi leader **Abdul Karim Qasim** in October 1959.).

The Elf payoffs to Auchi, which he reportedly passed on to Spanish politicians and partly kicked back to Elf officials, were made in connection with its 1991 purchase of Ertoil, a Kuwaiti-owned oil refinery in Spain. Auchi, one of the 37 people charged by the French court, was given a two-year suspended sentence and fined £1.4 million, after having been found guilty of accepting illegal commissions from Elf worth \$84 million.



Auchi

(5) Meanwhile, back in the First World, Elf also allegedly

paid at least €47 million (\$54.8 million) in commissions to senior German ministers and a slush fund for former **German Chancellor Helmut Kohl's Christian Democratic (CDU) Party.**



**Helmut Kohl (rt) and
Liechtenstein's Dr. Dr.
Herbert Batliner**

These payments were made in connection with a corrupt privatization deal, Elf's purchase of a chain of gas stations and the Leuna oil refinery in eastern Germany in the early 1990s. Elf received more than €1 billion in German subsidies to help it finance €2.4 billion cost of modernization costs for the refinery. Former Chancellor Kohl denied any involvement in the scandal, and German prosecutors were unable to make a case against him – especially after Kohl's government destroyed millions of documents and two-thirds of its computer files during the three weeks after the CDU lost the 1998 German elections. However, one of those recently convicted in the November 2003 case in France was Dieter Holzer, a German lobbyist who had handled the refinery. He got 15 months in prison and was ordered to pay a €1.5 million fine and return at least €24 million in commissions.

A "TOTAL" REFORM ?

Most of the alleged behavior listed above pertained to the period before Elf was privatized in 1994, and then merged with Total/Fina in 2000. So some have argued that the core problem here was that Elf was simply a corrupt state-owned bureaucracy, at the mercy of French politicians, and that privatization would fix the problem.



However, it turns out that this "neoliberal" view of reform is extraordinarily naive. First, it usually take a long time to change corporate culture and interests. Second, as this recent 9-year Elf prosecution showed, even if senior executives are caught and convicted, the initial "loot" is so large, the investigations are so lengthy and complex, and the ultimate jail sentences and fines for such white collar crimes are so modest

under present laws, on a “net present value” basis, crime really does pay quite handsomely.

So it should not be surprising that misbehavior by Elf and its new parent Total S.A. appears to have continued long after privatization. For example:



Nazarbajev and Clinton

(6) Total S.A. has recently been implicated by the US with participating with five other leading oil companies – including ExxonMobil, BP, and Royal Dutch Shell – in a consortium that allegedly paid millions in illegal bribes to **Kazakhstan’s President Nazarbajev** and former Prime Minister Balgimbaev in the late

1990s, to secure oil concessions.

(7) Elf and Total S.A. have also compiled an unsavory record of dealing with **Burma’s SLORC/SPDC**, one of the world’s most repressive military regimes. Together with Unocal and **Thailand’s National Oil Company**, in July 1992 Total struck a deal with the regime to exploit the Yadana offshore gas field, and to build a \$1.4 billion gas pipeline across rebel territory to Thailand – with the help of forced labor. Throughout the 1990s, Total S.A. and **Unocal** were Burma’s largest foreign investors, with the pipeline and a related railroad accounting for more than a third of all foreign investment in Burma, and will provide the military its largest source of foreign exchange other than heroin. The “clean currency” provided by Total and Unocal to the regime helped Burma source mortars in Portugal and helicopters in Poland.

All told, then, what we have here is a clear demonstration of just how contagious corporate corruption can be -- and how it interacts with the power of the state to generate a long-term venal alliance that is extremely hard to unravel, once it is in place. From one standpoint, French justice worked -- after all, all these former Elf senior managers have at least been jailed and fined. But it took almost a decade to catch up with them, and apart from social disgrace, the actual fines and sentences they will suffer are relatively minor, compared with all the hundreds of millions still missing. Moreover, out of all the senior French officials who knew about Elf’s behavior and tolerated or encouraged it, only one saw any jail time -- and his conviction was overturned on appeal.

Finally, perhaps the worst damage from this scandal has been suffered by the scores of developing countries where Elf/ Total has long used bribery to wield undue influence. While the names of those Elf bribed are still in many cases secret, we can be sure that this not only tilted public policy unfairly in Elf's favor; it also helped to spread corruption from the First World to the Third, and helped undermine the rule of law in these fragile environments.

So those who blithely criticize developing countries for having "corrupt governments" -- which many of them no doubt do -- might do well to remember the case of Elf. For more than forty years -- and quite possibly still to this day -- the Government of France has joined together with leading French corporations and banks, plus quite a few friendly bankers in Europe's top havens, and made it ***national policy to foster corruption*** throughout the developing world, to serve its own perceived national interests and to make a few bucks for insiders on the side. If this does not constitute a "crime against humanity," the term has little meaning.



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