

French president's associates charged in "Karachigate" scandal

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Close associates of French President Nicolas Sarkozy have been accused of using kickbacks on the submarine sales to Pakistan in 1994 for illegal party funding. The scandal, known as "Karachigate" has further discredited Sarkozy's presidency, as there are now allegations that he was personally implicated. Moreover, state officials have apparently been trying to cover up the scandal by interfering with its investigation.

The Karachi affair emerged as judges began investigating whether a 2002 bombing in Pakistan that killed 15 people, including 11 French submarine engineers, was linked to the cancellation of kickbacks from French submarine sales to Pakistan in 1994. This became a major political scandal when investigating judges concluded that kickbacks from arms sales were used to illegally fund the failed presidential campaign of former right-wing prime minister Edouard Balladur in 1995. At that time, Sarkozy was then budget minister in the Balladur government and his election spokesman. (See: "France: Investigation of 2002 Karachi bombing implicates Sarkozy").

Balladur lost the presidential bid to Jacques Chirac, who cancelled payments on the submarine contract when he came to power, allegedly angering Pakistani intelligence officials who stood to make a good deal of money from the arrangement. The suspicion is that the Pakistanis organised the bomb attack, blamed on Al Qaeda, in retaliation.

Sarkozy associates now implicated in the scandal include businessman Nicolas Bazire, who was Balladur's chief of staff and a campaign manager in 1995; Thierry Gaubert, a long-time Sarkozy adviser; and Franco-Lebanese businessman Ziad Takieddine,

who was charged with fraud over arms contracts with Pakistan and Saudi Arabia in which he was allegedly an intermediary. Takieddine is also suspected of having organized negotiations concerning industrial projects between France and the former Libyan head of state, Colonel Muammar Gaddafi.

Bazire and Gaubert were arrested and questioned by police two weeks ago. Bazire has been accused of taking kickbacks from the sale of submarines to Pakistan in the 1990s, and Gaubert was charged and placed under investigation on suspicion that he brought cash in suitcases from Switzerland.

On September 8, Gaubert's ex-wife Hélène de Yougoslavie told police that her husband traveled often to Switzerland with Takieddine in 1995, to withdraw funds handed over to Bazire in Paris.

As the affair became a significant political problem for the Sarkozy administration, state officials denounced the affair and denied any involvement of Sarkozy in the affair. On September 22, the Elysée presidential palace issued a report, declaring: "The name of Nicolas Sarkozy does not appear in any element of the case, and has not been cited by any witness or person of interest in this case."

That report itself has provoked controversy, as French judicial officials accused the president's office of tampering with a criminal investigation. *Le Monde* wrote, "These two declarations are surprising: indeed, how can the Elysée claim that Mr. Sarkozy's name does not appear in the case, unless it has had access to the documents in the case? But since the head of State and the presidency are not technically parties to the case, they have no reason to have been able to consult

documents in an ongoing legal case.”

AFP questioned the president of the Union of Magistrates, Christophe Regnard on this point. He said, “This is clearly a violation of legal secrecy. It’s pretty amazing that the Elysée [presidential palace] would admit so clumsily that it accessed the materials in this case. Such an admission is out of the ordinary.”

Regnard added, “We should not be naïve. Information often gets around. But usually it would remain hidden. Objectively, it looks like there is panic on the ship of state.”

It recently came to light, as well, that officials from Sarkozy’s camp were involved in spying on a *Le Monde* journalist, who was investigating the Bettencourt scandal, in which Sarkozy’s camp is also implicated. (See: “French government admits to wiretapping journalists in Bettencourt scandal”).

In the meantime, Sarkozy’s close friend and former interior minister Brice Hortefeux has been accused of violating the secrecy of judicial procedure following the revelation that he had telephone conversations with Gaubert about the case.

On September 23, *Le Monde* published the transcript of a phone conversation between Hortefeux and Gaubert, recorded by the police on September 14. In the conversation, Hortefeux told Gaubert about his ex-wife’s testimony to police, as part of the investigation into the Karachi affair on September 8.

Gaubert acknowledged to police that he had the conversation with Hortefeux when he was detained on September 20. He asserted, “Brice Hortefeux confirmed for me that the anonymous witness was my wife, Hélène.” In July, after his home was searched by the police, Gaubert reportedly asked her not to tell police anything about the affair and threatened her, saying, “If you talk, you will not see the kids anymore; if I go down, you go down with me.”

Hortefeux’s intervention in the affair to protect Sarkozy underscores further the French president’s involvement in the scandal. Press accounts widely view Hortefeux’s entry into the fray as a clear indication that Sarkozy is at the heart of the scandal.

When judges began investigating the Karachigate corruption scandal, Sarkozy and his administration dismissed claims of a connection between the 2002 bomb attack and the submarine sales, including his role in the affair. However, a report by Luxembourg police named “Nicolas Sarkozy as one of the possible masterminds of the financial circuits through which the payoffs from the Pakistani contract circulated.”

According to the police report, “The president of the Republic, when he was budget minister, reportedly directly supervised the creation in 1994 of the Luxembourg-based offshore firm Heine, which was used to pay the intermediaries on the contract.”

Allegations of Sarkozy’s role in the scandal have further exposed his campaign pledges to promote an “irreproachable Republic” and clean up French politics. The Karachi and Bettencourt affairs are part of a series of politico-financial scandals implicating the entire political establishment, including Sarkozy’s rivals such as ex-president Chirac and ex-prime minister Dominique de Villepin, and exposing French imperialism’s predatory foreign policy.



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