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## Tycoon in quiz over ties to Labour

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**Sunday April 6, 2003**  
**[The Observer](#)**

An Anglo-Iraqi billionaire who has close links to the Blair government, built his financial empire on peddling his influence with Saddam Hussein's Baathist regime - the Observer can reveal.

Nadhmi Auchi, who is one of Britain's richest men, will appear in court this Tuesday after his arrest in London last week. He faces extradition to France on fraud charges connected with a multi-million pound corruption scandal involving the French oil giant Elf-Aquitaine.

In a series of astonishing new developments in a story first broken by this newspaper two years ago, a fresh Observer investigation has discovered that Auchi:

- Was tried alongside Saddam Hussein for his involvement in a conspiracy to assassinate an Iraqi prime minister in Baghdad in the 1950s;
- Used money from military contracts in Iraq to establish a business and banking empire in Britain and Luxembourg; and
- Was employed to pay alleged bribes from Italian companies to win oil contracts in Iraq because of his close links to the regime.

The disclosures have already prompted opposition MPs to demand full details of Auchi's relationship with the Blair government.

Nadhmi Auchi's influence stretches to the highest levels of the British political establishment and he counts princes and presidents among his personal friends. The wealth of the Iraqi billionaire outstrips the Queen and Sir Richard Branson and has given him access to the rich and powerful from Crown Prince Abdullah of Jordan to Lord Sainsbury. He collects prominent former politicians from across Europe as directors of his companies.

But in a small court in central London this week, no amount of powerful friends will help the controversial Iraqi tycoon as he fights for his freedom.

Auchi was arrested last week in connection with a £26 million kickback scandal involving the French oil giant Elf-Aquitaine. His arrest is the latest spectacular twist in a story that spans three continents and involves an attempted assassination, two of Europe's largest political corruption scandals and a series of multi-million pound oil and arms deals with Saddam Hussein. An Observer investigation can today reveal how a man who built his fortune on secretive deals with the Iraqi regime came to mix with ministers in the Blair government.

Auchi's extraordinary career began in the in the back streets of Baghdad in a post-war world of coup plots, intrigue and murder. Iraqi court transcripts from 1959 show that the man who would later hire British politicians Lord David Steel, Lord Norman Lamont and Keith Vaz to work for him, once stood trial with Saddam Hussein for conspiring to assassinate Iraq's Prime Minister Abdul Karim Qasim.

Qasim's car was riddled with bullets from machine-guns wielded by activists from the banned Ba'ath Party that Saddam would later come to dominate. The assassination attempt and Saddam's escape on horseback to Syria later became part of the mythology of the Iraqi dictator's rise to power. In the 1980s an Iraqi state film, *The Long Days*, was made about the attack and the bullet-riddled car is still exhibited in one of Saddam's palaces.

Auchi admitted that the Baathist plotters had collected a machine gun from his house a week before the attack, but said he had not used the weapon and played no part in the conspiracy. Court records from the show trial that

followed, show the name 'Nadhmi Shakir Auchí' in the list of dozens of accused along with the full name of the man who would become the feared leader of Iraq 'Saddam Hussein al-Tikriti'. It is not known if Auchí was ever convicted.

The nature of the relationship Auchí had with the Iraqi dictator are not known. He has always denied dealing with Saddam after the last Gulf War and claims the dictator murdered his two brothers. But it is beyond doubt that the Iraqi businessman first established himself in Britain in the early 1980s with money he had earned from deals carried out for the regime in the pre-sanctions era.

From the moment he arrived in this country Auchí was immersed in controversy. His first business coup was to broker a deal to sell Italian frigates to the Iraqi defence ministry, for which he received millions of dollars in commission. The deal to buy the ships and other military equipment from the Italian naval shipyards Cantieri Navali Riuniti sparked an Italian parliamentary investigation into alleged bribes. Investigators discovered that a Panamanian company owned by Auchí, The Dowal Corporation, was used to funnel alleged illegal payments.

The Observer has obtained a letter from Auchí to the Italian shipbuilding company in February 1982 demanding payment of \$17 million dollars to be paid into a bank account in Luxembourg.

While Auchí has never denied the existence of this deal, he has always denied any wrongdoing in this case and was never prosecuted.

This was not be his last brush with the Italian authorities over his deals with Saddam regime.

Four years later he began a relationship with one of Italy's most controversial bankers Pierfrancesco Pacini Battaglia, a man whose role at the heart of Italian political scandals was exposed by the 'Clean Hands' anti-corruption investigation. Such was Battaglia's influence he was dubbed the 'one below God'.

In 1987, Saddam Hussein ordered the construction of a giant pipeline from Iraq to Saudi Arabia after the port southern port of Umm Qasr had been destroyed by air raids during the lengthy war with Iran. The contract to build the pipeline was one of the most lucrative in the world and the Italian-French joint venture used Battaglia and Auchí to secure the contract.

A confession by Battaglia to Italian prosecutors has been obtained by New York lawyers Kreindler & Kreindler who are investigating the sources of Saddam Hussein's wealth. Battaglia claims that Auchi was used to pay bribes to Iraqi government officials to win the deal for the Italians. Auchi's price was a juicy commission of €11 million, which was allegedly paid via a network of secret slush funds in Guernsey and Liechtenstein into another Auchi company in Panama, Barsy Services.

In his confession Battaglia said: 'To acquire the contract it was necessary, as is usual, especially in middle eastern countries, to pay commission to characters close to the Iraqi government... In this case, the international intermediary who deal with this matter was the Iraqi Nadhmi Auchi.'

Despite Battaglia's evidence, Auchi was never called to answer these allegations. While the Clean Hands investigation wiped out a whole generation of Italy's political and business elite, the Iraqi tycoon escaped untouched by the scandal.

With his role at the centre of two major Italian political scandals, Auchi was fast developing a reputation as the Scarlet Pimpernel of the international business world: always at the scene of the crime, but always one step ahead of the law.

His next big opportunity came when Saddam Hussein invaded Kuwait. While the world held its breath fearful of the consequences of a global conflict, Auchi stepped in to cut a new business deal that would enrich him even further. After the invasion, the Kuwaiti government desperately needed ready cash and wanted to sell an oil refinery it owned in Spain. The French state-owned oil giant Elf-Aquitaine had agreed to buy it, but needed clearance from the European authorities. Kuwait couldn't wait and in stepped Auchi to act as intermediary. It was a deal that would return to haunt him and eventually lead to his arrest in London 12 years later.

Once again, the deal involved alleged secret commission payments to Auchi. But this time, investigators believe a cut of the payments from Elf-Aquitaine found its way back into the pockets of the senior oil company executive Alfred Sirven, who orchestrated the deal. It appeared to be a classic 'kick-back' scandal that soon aroused the suspicion of French anti-corruption investigators who were busy piecing together a web of corruption involving the French oil giant that led to the heart of the French

government.

Investigators believe that Auchi received a total of 5.6 billion pesetas for arranging the deal for Elf and siphoned off 2.4 billion pesetas to a secret account set up for Sirven in a bank owned by Auchi in Luxembourg. The account was in the name of Irish-registered company Travlane. Despite the appearance of a regular company account, Travlane turned to have the sole purpose of funnelling kickbacks to Sirven.

In a second deal, investigators allege that Sirven pocketed a \$2 million kickback thanks to a deal facilitated by Auchi to buy property for Elf in Japan. Auchi has always claimed that the money received in the Ertoil refinery deal was legitimate commission, but this explanation never satisfied the tenacious French investigative magistrates who issued an international arrest warrant for Auchi in 2000. It stated that Auchi is suspect of 'complicity in the misuse of company assets and receiving embezzled assets'.

For Tony Blair, the events in France may have seemed unimportant, but scandal was about to cross the channel in a spectacular fashion. Auchi, despite being one of the country's richest men, with a fortune estimated at £1.7 billion, had managed to keep an extremely low profile. But he had already begun quietly buying influence at the very highest level of British public life.

He hired former Conservative Chancellor Lord Lamont to serve on the board of his Luxembourg banking company Cipaf and Lord Steel, speaker of the Scottish parliament, agreed to take up a directorship with the British arm of the Auchi empire, General Mediterranean Holdings. For Steel the new revelations will prove deeply embarrassing as the former Liberal leader has enjoyed thousands of pounds of Auchi's generosity over the years.

The latest register of interests in the Scottish parliament shows that last September Steel flew first-class on the Auchi's private jet to Amman to attend a GMH board meeting and the formal opening of Le Royal hotel by King Abdullah of Jordan. The cost of the flight alone was £2200. He then stayed two nights at a company five-star Hotel in Amman at £268 a night. He flew back via Amsterdam on a commercial flight paid by the company. Steel receives £10,000-15,000 a year as a board director of GMH but declined to comment on the relationship.

Hiring Steel and Lamont was an important step towards

political respectability in Britain. But Auchi's most spectacular coup came on 23rd April 1999, the occasion of the 20th anniversary of GMH when fellow billionaire and Labour Science Minister Lord Sainbury presented Auchi with a painting of the House of Commons on behalf of Tony Blair. It was signed by the Prime Minister and over a hundred fellow MPs including party leaders William Hague and Charles Kennedy. The painting now has pride of place above Auchi's desk at GMH's plush Kensington headquarters.

Auchi hit the headlines in Britain for the first time in 2001, when The Observer revealed that he hired the senior New Labour politician Keith Vaz as a director of GMH, although he resigned when he became a minister. But it later emerged that Vaz remained in contact with Auchi when he was made Europe Minister in the Foreign Office and made enquiries on his behalf over the French extradition warrant. It emerged that Auchi had called Vaz at home and asked the minister for advice. A Labour Party spokesman admitted that Vaz 'made some factual enquiries to the Home Office about the [extradition] procedure'.

Since then speculation has mounted over Auchi's relationship with the Blair administration with recent rumours circulating of meetings with the prime minister himself to discuss the future of Iraq.

Norman Lamb, Liberal Democrat MP for North Norfolk, has written to Blair to demand answers. Lamb said: 'Given these serious allegations against Mr Auchi, it is essential to have transparency about the Government's contacts and relations with him on the subject of post-war Iraq. The Government must identify who he's been meeting with, why these meetings have taken place, and what was discussed. Far too many questions remain unanswered.'

For over two years it appeared that Auchi had fended off the attentions of the French authorities, exactly as he had done with the Italians. But last Monday officers at Charing Cross police station finally acted on the Interpol warrant and arrested Auchi in London. The Iraqi tycoon continues to protest his innocence, but now for the first time since his appearance in a Baghdad court as a 23-year-old he will have to make his case in a courtroom. The politicians who have taken his money and favours are no doubt praying he will go free once again.

The Observer has sought to put its allegations to Auchi, but he declined to answer them.

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