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Folder Title: President Wolfensohn - Briefing Book for President's Meetings and Events - Courtesy Call - Mrs E Salina Amorini - Societe Generale de Surveillance Holding SA [SGS] - October 8, 1997

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Series: Meeting and event briefing materials

Dates: 09/23/1997 - 10/08/1997

Subfonds: Records of President James D. Wolfensohn

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THE WORLD BANK

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Courtesy Call: Mrs. E. Salina Amorini
Societe Generale de Surveillance
Holding S.A. (SGS)

Wednesday, October 8, 1997
4:40 - 5:00 p.m.
JDW Office

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WBG Archives



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R2002-036 Other #: 43 Box #: 186493B
President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Material
Courtesy Call - Mrs E Salina Amorini - Societe Generale de Surveillance Holding S

Archive Management for the President's Office

Document Log

Reference # : Archive-01776

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Edit

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A. CLASSIFICATION

- ☒ Meeting Material
- ☐ Trips
- ☐ Speeches

- ☐ Annual Meetings
- ☐ Corporate Management
- ☐ Communications with Staff

- ☐ Phone Logs
- ☐ Calendar
- ☐ Press Clippings/Photos

- ☐ JDW Transcripts
- ☐ Social Events
- ☐ Other

B. SUBJECT: COURTESY CALL: MRS. E. SALINA AMORINI, SGS SOCIETE GENERALE DE SURVEILLANCE HOLDING S.A. (B) (N) // VENUE: MC 12-750 (OFFICE) // CONTACT: CLAIRE ALLARD @ 41-22-739111 // FAX: 41-22-739-9871 // IN ATTENDANCE: JDW, NISHIMIZU // EXTERNAL ATTENDEE: MRS. E. SALINA AMORINI // (B) BY MEIKO // DUE FRIDAY, OCT. 3 // 9/29 CFMD VIA FAX // EXC: MM // LFG (9/26)

DATE: 10/08/97

Brief Includes:

--- Letter from Nishimizu: Pakistan -- Your possible meeting with SGS (10/2/97)
--- Financial Times Articles "Executive suspended by SGS as Bhutto net widens" and SGS ahead but warns on year" (9/23/97)

C. VPU

Corporate

- ☐ CTR
- ☐ EXT
- ☐ LEG
- ☐ MPS
- ☐ OED
- ☐ SEC/Board
- ☐ TRE

Regional

- ☐ AFR
- ☐ EAP
- ☐ ECA
- ☐ LAC
- ☐ MNA
- ☒ SAS

Central

- ☐ CFS
- ☐ DEC
- ☐ ESD
- ☐ FPD
- ☐ FPR
- ☐ HRO

Affiliates

- ☐ GEF
- ☐ ICSID
- ☐ IFC
- ☐ Inspection Panel
- ☐ Kennedy Center
- ☐ MIGA

D. EXTERNAL PARTNER

- ☐ IMF
- ☐ UN
- ☐ MDB/Other IO
- ☐ NGO
- ☐ Private Sector

- ☐ Part I
- ☐ Part II
- ☐ Other

E. COMMENTS:

Mieko Nishimizu
Vice President
South Asia

October 2, 1997

To: Mr. James D. Wolfensohn

PAKISTAN -- Your possible meeting with SGS

Jim,

You have a possible meeting next week with Elisabeth Salina Amorini, Chairman and CEO of SGS, the Swiss pre-shipment inspection company. You will recall that SGS prepared the World Bank Procurement Audit of Pakistan last year.

Evidently Jean-Daniel Gerber and Franz Blankart, State Secretary of the Swiss government, have asked you to meet Ms. Salina. In her letter to you of September 24, Ms. Salina indicates her wish to speak with you before your trip to Pakistan.

I advise that you do not meet Ms. Salina at this time in view of the ongoing dispute between the Pakistan government and SGS (and Cotecna, an SGS subsidiary) and the allegations of corruption against SGS.

From early 1995, when SGS/Cotecna started providing pre-shipment inspection services to Pakistan, the deal was controversial -- partly because customs officials and others benefiting from underinvoicing opposed it, but more importantly due to serious concerns expressed by various observers that the deal was not clean. In March, Pakistan's new government terminated the SGS contract on grounds of ineffectiveness but mostly due to the charges of corruption involving SGS directly. In the past week, the press has reported that SGS paid off Asif Zardari, Benazir Bhutto's husband, in return for SGS getting that pre-shipment inspection contract. SGS has just fired a senior executive vice president, indicating at a minimum some recognition on their part of a serious problem (see attached Financial Times articles of September 23, 1997).

I suggest that I meet with Ms. Salina instead, and to report to you her concerns. If you agree, your office could quickly signal this to SGS.



FINANCIAL TIMES

Tuesday September 23 1997

Executive suspended by SGS as Bhutto net widens

By William Hall in Geneva, Farhan Bokhari in Islamabad, and Jimmy Burns in London

Société Générale de Surveillance, the Swiss inspection company, has suspended a senior executive while it investigates allegations of corruption linked to Benazir Bhutto in its operations in Pakistan.

Elisabeth Salina Amorini, chairman of SGS, said she had launched an inquiry following the Pakistani government's request to Switzerland to block the Swiss bank accounts of Ms Bhutto, the former Pakistani prime minister, and her family. She said SGS and Cotecna, an inspection company which is majority-owned by SGS, had been named in documents circulating in Pakistan.

Hans Fischer, a senior SGS executive vice-president responsible for the government contracts division, has stepped down.

SGS is used by governments of developing countries to help prevent capital flight, commercial fraud and evasion of customs duties.

Ms Bhutto is facing investigations in Pakistan and Switzerland over accusations that millions of dollars, deposited at four bank accounts in Geneva belonging to her, her husband and her mother, were earned in illegal deals. Ms Bhutto has denied the charge.

Pakistani investigators have linked SGS and Cotecna with payments made to individuals close to the Pakistani government while Ms Bhutto was prime minister between 1993 and 1996.

Documents circulated by Pakistani investigators include a letter apparently sent by Cotecna on June 29, 1994, to a Geneva address for Mariston Securities Inc, one of six companies registered on the British Virgin Islands which the Pakistani authorities suspect of having a covert partnership with Ms Bhutto.

The letter states: "Should we receive, within six months from today, a contract from the government of Pakistan for the inspection and the price verification of goods imported in Pakistan, we Cotecna Inspection SA, Geneva, will pay you 6% on the total amount invoiced and paid to us by the government of Pakistan for such a contract during the whole duration of that contract and its renewal."

SGS and Cotecna had been given contracts in 1994, but in spite of payments of Rps14.139b (\$336.64m) to the two companies during a 21-month period from January 1995, there was no substantial improvement in import tax revenues, officials say.

EUROPEAN NEWS DIGEST

SGS ahead but warns on year

Société Générale de Surveillance, the world's leading testing and inspection company for international trade, yesterday reported a 5.9 per cent increase in first-half net profits, to SFr117.6m (\$80.7m). However, it warned that full-year profits would be lower than the 1996 result.

It said the full impact of its loss of contracts in Indonesia and Pakistan - two of its most important pre-shipment areas - would be felt during the second half. The warning came as the company suspended a senior executive pending an internal inquiry into its alleged involvement in corruption scandals in Pakistan. This follows the cancellation in March by the Pakistan government of a pre-shipment inspection contract with SGS, which was due to expire in January 1999. The group has been forced to cut 1,300 jobs in 20 countries and has taken a SFr15.5m restructuring charge to cover the lost contracts.

First-half revenues rose 17.7 per cent to SFr1.65bn, while operating profits climbed 3.9 per cent to SFr141.4m. Operating margins fell from 9.7 per cent to 8.6 per cent. Expressed in local currencies, revenues rose 6 per cent, but after stripping out acquisitions organic growth was 3.2 per cent. Internal revenue growth at the core inspecting and testing business rose 3.4 per cent, with operating profits rising at the same rate to SFr135.3m.

William Hall, Zurich

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