

Case between Taiwan, S'pore firm goes public

13-year dispute over contract breach by Taiwanese military

BY LEE SEOK HWAI
TAIWAN CORRESPONDENT

TAIPEI: A 13-year-old dispute between a Singapore technology company and Taiwan's military has gone public here this week.

Taiwanese media on Monday quoted the Defence Ministry's Armaments Bureau as saying that a sum of €2.2 million (S\$3.8 million) that French defence conglomerate Thales should have paid Taiwan is being withheld at the request of Strategic Technologies (ST), a wholly owned subsidiary of Singapore-based defence technology firm Stratech Systems.

ST is seeking the sum as damages that it had been awarded in 1998 by the Singapore High Court. The company took legal action after the Taiwan ministry allegedly breached a 1996 contract worth US\$1.96 million to build an underground test range measurement system. The Taiwan side also confiscated a \$140,000 performance bond put up by the company.

Last year, ST asked the French courts to impound the €2.2 million before Thales was to have returned a total of NT\$25.1 billion (S\$1.05 billion) to Taiwan. The latter sum was a fine that the International Court of Arbitration had ordered Thales to pay Taiwan for committing graft in a 1991 sale of six Lafayette-class frigates to the island.

Taiwan was informed that €2.2 million

had been impounded only shortly before the rest of the money was wired to the military's bank account in July, the United Daily News said.

The newspaper said the Armaments Bureau "denounced" the Singapore court for "turning a blind eye" to a clause in the contract with ST which obliges the firm to file a lawsuit in Taiwan, not Singapore.

In response to The Straits Times' que-

ries, ministry spokesman Lo Shao-ho noted that ST signed the contract on May 1, 1996 to build the test range measurement system for the 205th Arsenal. "But as of April 2, 1998, it had yet to meet any of its contractual obligations," he said. "After assessing the situation, we decided to terminate the contract on April 30, 1998."

Lieutenant-General Liu Fu-long, chief of the Armaments Bureau, told a parliamentary press conference later on Monday that ST had also tried to impound the military's assets in the United States, Britain, the Cayman Islands and Belgium.

But each time, its bid was rejected by the local authorities, he said. He expressed confidence that the French would eventually also rule in Taiwan's favour.

Refuting the Taiwan military's version of the case, ST told The Straits Times it had completed "approximately 80 per cent of the contract". The work included

design of the system and "all that is required to be done" to set up the system.

"We have not been paid a single cent for the work done," Mrs Chew-Leong Sook Ching, chief corporate officer of Stratech Systems, said in an e-mail reply to The Straits Times.

According to the papers it filed in the Singapore High Court in July 1998 to reclaim the \$140,000 performance bond plus damages, ST also alleged that its estranged client's "obstructive conduct" had made it difficult for it to work on the project. That the Taiwan side still demanded the performance bond from DBS Bank, the bond executor, was "dishonest and unconscionable", it argued.

Said Mrs Chew-Leong: "We started the action in Singapore because it was for a declaration that the bank which issued the performance bond, which was a Singapore bank, did not have to make payment... because MOND had breached the contract and we had terminated the contract." MOND refers to Taiwan's Ministry of National Defence.

Major-General Lo said on Monday the military decided not to answer the claims in Singapore since it had not paid any money to ST and the lawsuit pertained only to the performance bond. The Singapore court's ruling would also not be recognised in Taiwan, he added.

The High Court ruled in ST's favour in August 1998 and ordered the Taiwan military to pay the company US\$1.58 million in damages plus costs and interest.

ST engaged professional debt collector Commercial Intelligence about eight years ago to recover the money. The agency last year asked the French authorities to impound the money out of the Thales settlement.

"Recovery efforts are still ongoing," ST said.

✉ seokhwai@sph.com.sg

About the dispute

STRATEGIC Technologies (ST) and the Taiwan Defence Ministry signed a contract in 1996 to build an underground test range.

The contract, worth US\$1.96 million, was to be completed by the end of April 1998. ST also put up a performance bond worth \$140,000 with DBS Bank.

The project was never completed.

Taiwan said ST never fulfilled any of its contractual obligations. ST alleges that, among other things, its client changed the system

specifications unilaterally and also failed to provide information necessary for the company to schedule training for the army personnel.

Both sides terminated the contract as a result - ST on April 13, 1998, and the Defence Ministry on April 30, 1998. The latter then demanded the performance bond from DBS.

ST sued both the Taiwan military and the bank to recover the bond, plus damages for the losses it said it incurred for work performed and lost income.

The Defence Ministry's lawyer asked

the Singapore High Court to revoke the claim, but did not fight the claim subsequently, arguing it should have been filed in Taiwan in the first place.

The court ruled in August 1998 that the Defence Ministry had breached the contract and was not entitled to the performance bond. It was also ordered to pay ST damages and costs amounting to about US\$1.58 million.

The company has tried to recover the sum by impounding the Taiwan military's assets in various countries, most recently in France.

LEE SEOK HWAI