

A group of Angolan anti-corruption campaigners is taking legal action in Switzerland and Angola over a corrupt deal that robbed their country of over \$700m dollars—and diverted the money into the pockets of European arms dealers, a Russian oligarch, and Angola's President Eduardo dos Santos and other officials.

The Angolans have filed a criminal complaint with the Swiss Federal Prosecutor's Office in Berne, asking it to reopen an earlier investigation into the deal, on the basis of new information contained in a report released today by CorruptionWatch UK and Mãos Livres, an Angolan anti-corruption group.

Today they have also filed a criminal complaint before the courts in the Angolan capital, Luanda. David Mendes, an Angolan lawyer and opposition figure who was among the signatories to the complaint in both Berne and Luanda, said:

“We now know much more about where the money went, and how this corrupt deal was put together. Switzerland's banking system allowed this money to be stolen from one of the world's poorest countries; it is not too late for Switzerland to properly investigate all those who made it happen, and to seek restitution.”

The report, *Deception in High Places: The Corrupt Angola-Russia Debt Deal*, not only reveals extraordinary financial impropriety on the part of Angolan officials and politicians, but throws new light on the role of ostensibly respectable financial intermediaries in the deal.

It highlights the role of senior bankers at Swiss Banking Corporation (SBS - which later merged with Union Bank of Switzerland to become UBS) in enabling the fraudulent multi-million dollar transaction, which involved paying off Angola's restructured Soviet-era debt to Russia. It also reveals the involvement of Glencore, the Swiss-based multinational oil and commodity trader.

Andrew Feinstein, Director of CorruptionWatch UK, who co-wrote the report, said:

“This report provides an unprecedented close-up of grand corruption in action; it shows the greed and venality of rulers entrusted with the welfare of their people, as well as how the lack of proper supervision, checks and controls in the financial centers of the world allows apparently respectable banks and commodity traders to enable theft from some of the world's poorest people, with untold impact on their life chances and well-being.”

Central to the deal were Pierre Falcone and Arcadi Gaydamak, two businessmen who helped orchestrate illegal French arms sales to Angola in the 1990s, which were exposed in France's “Angolagate” trial and scandal in 2009.

The two men together made over \$260m for their role in the deal, while their associate Vitaly Malkin, a wealthy Russian, received over \$48m. (Malkin resigned his seat in the Russian parliament last month over allegations of unlawfully holding dual Russian-Israeli citizenship and undeclared wealth outside of Russia.)

Earlier inquiries by magistrates in France and Switzerland found that almost \$75m more was split between senior Angolan officials, including President Eduardo dos Santos, who received over \$36m. A further \$500m paid out from the deal is unaccounted for.

Using newly available documents and payment records, the report also highlights the role of both Glencore and UBS in the transaction – underlining the extent to which grand corruption in the developing world is regularly enabled by supposedly reputable intermediaries based in Europe or the United States.

In addition to naming Falcone, Gaydamak, Malkin, and three senior Angolan officials as perpetrators of bribery, breach of trust, criminal conspiracy and money laundering, the complaint before the Swiss prosecutor's office also names three bankers who handled the SBS/UBS escrow account that was central to the transaction.

Glencore, which was buying oil from Angola's state-owned oil company at the time, was brought in to help put the deal in motion by providing advance payments on oil shipments. The trading company, in turn, brought in the Swiss Banking Corporation to set up an escrow account that received the rescheduled debt payments, and forwarded money on to Russia and to other accounts owned or designated by Falcone and Gaydamak.

The payments by UBS on behalf of the intermediaries Falcone and Gaydamak - some directly to the accounts of senior Angolans - do not appear to have been subject to adequate internal review, or reported to the authorities despite the obvious criminal risks.

An earlier criminal investigation into the affair in Switzerland was terminated in 2004, and a related complaint filed by Angolan citizens in 2006 was not taken up by the prosecutor's office.

The report urges Swiss prosecutors to launch a proper investigation of the Angola-Russia debt deal. It also calls on Switzerland to increase the transparency of its commodity trading companies by requiring public disclosure of all payments to governments in their annual reports, following the example of the US and EU, and to extend money laundering controls to cover trading and resource extraction companies.

It also urges Angola's attorney general to initiate appropriate criminal investigations, including into any public officials who may have unlawfully benefitted from this and

previous deals, and urges Angola's parliament to set up an independent commission to investigate both the debt deal and other notorious corruption cases.