

MOZAMBIQUE News reports & clippings

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FT: "Far from the end of the scandal for Credit Suisse"

More secret debt court action is expected in the United State and London in coming months. The 19 October settlement is "far from the end of the scandal for Credit Suisse," said the *Financial Times* (FT, 25 Oct, <https://on.ft.com/3mbWC6D>)

Three Mozambicans are still charged by US authorities: Manuel Chang, the former Finance Minister still detained in South Africa; Antonio do Rosario, the SISE head of the three companies; and Teofilo Nhangumele, the fixer. The deal with Credit Suisse (CS) was a deferred prosecution agreement. Credit Suisse almost certainly committed to assist the prosecution of the three, and the deferral is to see if CS really cooperates. Note was taken in the court documents about CS's failure to cooperate earlier, and the US clearly thinks that to enforce cooperation a threat must remain over CS. But this also means that the cases against the Mozambican three are still active, and thus the US will continue to pursue the extradition of Chang. The settlement also pointedly noted the continued involvement of the FBI.

Can Mozambique get damages?

The US Mandatory Victims Restitution Act requires federal judges to order restitution for victims of a range of crimes including fraud. CS will have to compensate the US victims of the fraud who bought the bonds, and amounts still have to be agreed. But the Mozambique government could and should petition the US court to also be considered for damages.

Three CS bankers pleaded guilty in the US in 2019 and have not yet been sentenced, Andrew Pearce, Detelina Subeva, and Surjan Singh. The crime Singh admitted committing, and for which he will be sentenced, includes actions that directly harmed Mozambique.

Richard Messick, a lawyer who has closely followed the secret debt for years, says that the Mozambique government stands a good chance of winning damages. "Singh admitted to conspiring to violate the anti-money laundering laws of the United States for, among other acts, bribing Mozambican officials in violation of Mozambican law. ... His case, and that of the other two,

remains open until sentencing. Mozambique could file a request for damages in his case and almost certainly the other two's as well. Between the three, one would think at least a million if not more from the bribes they took plus whatever savings they have could be recovered. Remember, damages are awarded before any fines are levied."

"More importantly, in agreeing to plead guilty and explaining what he did wrong, Singh implicates CS in the entire scheme," stresses Messick. "It is plain from Singh's statement that CS was responsible for the crimes that caused so much harm to Mozambique, and a good argument can be made that CS cannot escape compensating its victims by clever pleading."

The size of damages to be paid would depend, in part, on who is to blame and how great the damage to Mozambique is. *Bloomberg Law* (20 Oct, <https://bit.ly/3nABIO6>) says "of course, the main bad actors here are the Mozambican government officials who stole the money." Clearly Mozambican leaders were greedy, but even the *FT* (25 Oct <https://on.ft.com/3mbWC6D>) writes "Prinvest pitched maritime security projects to then-president Guebuza's government, allegedly after introductions by his son, according to testimony by Andrew Pearse, one of the Credit Suisse trio who admitted handling bribes."

Without Prinvest promoting the project, with the backing of CS, one of the biggest banks in the world, Mozambicans would never even have thought of such a project. The people now on trial in Maputo, plus past and present presidents, accepted bribes and/or facilitated a corrupt deal - but no one claims it was their idea. Indeed, it was proposed to the Mozambicans as a way of building coastal protection as well as providing big bribes - to be paid off with gas money.

The cost has been enormous. The *FT* notes that "In 2016, just before the loans concealed from it were revealed, the IMF forecast that Mozambique would be a \$31bn economy in 2021, and \$75bn by 2025. The fund's latest forecasts are that Mozambique's GDP will be under \$16bn this year, and just over \$25bn in 2026."

And the May study by CIP (Centre for Public Integrity) and the Norwegian Chr. Michelsen Institute) has received very wide publicity, by the *FT* and other mainstream press. It shows that between 2016 and 2019, the \$2bn fraud ultimately cost Mozambique's economy \$11bn, or \$400 per citizen - the country's entire gross domestic product in 2016.

(Richard Messick consults for a range of international organisations, including for Mozambique NGOs on debt. His Global Anticorruption Blog is on <https://globalanticorruptionblog.com/author/rickmessick/> which is not totally up to date on the CS decisions.)

Credit Suisse in the High Court in London

Credit Suisse will face another trial after the High Court judge presiding over a London lawsuit brought by creditors against Credit Suisse set a date last month of September 2023 for a 13-week public trial. The case was brought by investors accounting for \$622 mn of the \$2 bn in loans, including Banco Comercial Português and United Bank for Africa against Credit Suisse, Mozambique and a state-owned company that received the funding. The claims include fraud and conspiracy. This is a blow for Credit Suisse because it "had been trying desperately hard to push off substantive proceedings for many years," said the *Financial Times* (3 Aug, <https://on.ft.com/3pEANI7> paywall). And CS must disclose documents and its defence of the case next year.

At least six other cases are pending in London and may also be incorporated into one giant secret debt case: 1) Mozambique v Credit Suisse, 2) Mozambique v Safa, 3) Banco Internacional de Moçambique v Credit Suisse, 4) VTB Capital v Mozambique, 5) Beauregarde Holdings LLP v Credit Suisse and 6) Beauregarde Holdings LLP v Mozambique.

The state of the various London cases with links to court documents is on <https://www.spotlightcorruption.org/mozambique-and-the-tuna-bond-scandal/>

Fines should go to paying off the debt

"All the fines paid by Credit Suisse to various agencies should immediately be channelled towards resolving Mozambique's debt. There is no moral justification for any development partner to retain the fines, when Mozambican people continue to suffer economic and social harm. The \$475-million in fines, though wholly inadequate, must be channelled towards debt relief for Mozambique and/or be used towards transformational projects in the country," declared Mozambique Budget Monitoring Forum (FMO) on 25 October. <https://bit.ly/Moz-CD-FMO>

"The Republic of Mozambique welcomes the admission by Credit Suisse to regulators... of criminal wrongdoing," the Mozambique attorney general said. "This is an important step towards obtaining full redress for the people of Mozambique," the government said in a statement issued through London lawyers Peters & Peters.

And in Maputo, SISE lawyer ejected

And in the ongoing trial in Maputo, one of the key lawyers, Alexandre Chivale, has been excluded for being a SISE (security service) agent and for being a collaborator in the bribery scheme. He was lawyer for António Carlos do Rosário, the senior SISE official who was head of the three companies involved in the secret debt scandal. Chivale is seen as a Guebuza family lawyer, and was also part of the defence team of Ndambi Guebuza, son of former president Armando Guebuza; Maria Inês Moiane; and Elias Moiane. He is replaced by Isalcio Mahanjane

On Thursday 21 October, judge Efigénio Baptista said the law was clear, that a state employee could not participate in actions against the state. But he went on to also cite indications of participating in crime, because Chivale is head of a company, Txopela, which was used to pay bribes to his client Rosário.

When prosecutors ordered the seizure of properties owned by Rosario in 2019, Txopela was appointed as the "bona fide depositary", despite its close relations with Rosario. To run Rosario's property portfolio, Chivale set up another company, Dandula Investments, in which he owns 75% of the shares. He also took advantage of the situation to occupy one of the Txopela flats. Judge Baptista gave him five days to vacate the flat, and removed Txopela as "bona fide depositary".

Rosario had identified his own lawyer on 5 October as "a SISE collaborator", to the surprise of everyone. Mozambique's Bar Council (OAM) was outraged, and described Baptista's decision as "illegal, abusive, and disrespectful." (Lusa, AIM, Zitamar, MediaFax)

The trial was been adjourned for a week to allow Isalcio Mahanjane to read in on the case. We are posting the daily English press reports of the trial on our secret debt website <https://bit.ly/Moz-secret-debt>.

History

35 years after, more evidence emerges Samora Machel crash was assassination

President Samora Machel died 35 years ago, on 19 October 1986. Returning from a summit in Mbala, Zambia, his plane crashed into hills at Mbuzini, just inside South Africa, and 65 km from Maputo. Samora was flying at night, in violation of normal policy, rushing back for a meeting the next morning to dismiss corrupt generals in the war with Renamo. The plane was a Tupelov TU-139 with a highly experienced Soviet crew. The crash killed 34 people, including the president; 9 people survived.

South Africa's Margo Commission was highly political and blamed the crash on pilot error. But the Soviet Union and many in Mozambique believe that when the plane was 250 km from Maputo, it was diverted toward Swaziland by a false VOR beacon into the hills. Very high frequency omnidirectional range (VOR) beacons send out a signal that the pilot tracks to land at an airport.

The US State Department sent Dr Alan Diehl to investigate the crash and give evidence to the Margo Commission. He is an aviation psychologist who investigates air crew behaviour and developed improved air crew training to improve responses to events. In an interview with the BBC Witness History broadcast last week (19 Oct) he says the evidence of the false beacon "is quite compelling". <https://www.bbc.co.uk/sounds/play/w3ct1x60> There is a similar TV interview five years ago by South African news channel eNCA on https://www.youtube.com/watch?v=qFfwWpf_Mo

VOR beacons are large, but many countries, including South Africa, have lorry-mounted beacons, which are taken to airports for use temporarily when the VOR there is being repaired. Diehl discovered that South Africa's movable VOR had been taken by the police and was in their control at the time. There were also South African troops on the site before the crash and Diehl tells that he talked to someone who was part of the South African team to kill the President.

Diehl also says pilot errors, faulty instruments, and lack of coordination on the cockpit contributed. The suggestion being that there was a false beacon and that the assassination was intended, but that a less tired, better coordinated crew might perhaps have gotten out of it. However the plane had very little fuel left and it was flying at night, both against normal protocol, which would have made a recovery very difficult.

Alan E Diehl's fascinating 2013 book *Air Safety Investigators* has two chapters on the crash, and is still available on Amazon for \$4 for the Kindle version. <https://www.amazon.com/Air-Safety-Investigators-Science-Lives-One/dp/1479728934>

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To cite for academic purposes, treat as a blog or a newspaper. Normal citation format would be: "Mozambique News Reports & Clippings, number XXX", DATE, bit.ly/Mozamb, accessed XXX.

\$2bn secret debt trial: Daily press clippings in English (and a few in Portuguese) on <https://bit.ly/Moz-secret-debt>. The trial is being broadcast live on TV; STV <https://play.stv.co.mz/> (click **Assista aqui**) and TVM <http://online.tvm.co.mz/site/emdirecto/tvm1>

Important external links

\$2bn secret debt trial (Aug-Oct 2021) press reports <https://bit.ly/Moz-secret-debt>

Exchange rates 2006-21 & minimum wages 1996-2021 <https://bit.ly/Moz-Exch-wage-2021>

Covid-19 daily updated data <https://www.facebook.com/miguel.de.brito1> and <https://covid19.ins.gov.mz/documentos-em-pdf/boletins-diarios/>

Daily flood and monthly dry season reports - <http://bit.ly/Moz-flood21>

Cyclone trackers, <https://www.cyclocane.com/> and <https://www.metoc.navy.mil/jtwc/jtwc.html>

Cabo Ligado weekly report on civil war <https://www.caboligado.com/>

Previous editions of this newsletter: <http://bit.ly/MozNews2021> and bit.ly/MozNews2020

Downloadable books: <http://bit.ly/Hanlon-books> Election data: <http://bit.ly/MozEIData>

My Mozambique archive: <http://bit.ly/Mozamb>

Cabo Delgado

Archive with reports, detailed maps, and census data <https://bit.ly/Moz-CDg>

Special reports on the war

Evolution of the war: global vs local. 27 Feb 2020 <http://bit.ly/CDelgadoOrigins>

Religion is shaping Cabo Delgado civil war. 30 April 2020 <https://bit.ly/CDelgadoReligion>

Intensifying argument over roots of war. 28 June 2020 <https://bit.ly/Moz-492>

Are the drums of war silencing any hope of peace? 26 July 2020 <http://bit.ly/Moz-496>

A history of violence presages the insurgency. 13 August 2020 <http://bit.ly/Moz-498>

Military & economic intervention. 3 Sept 2020 <https://bit.ly/CDelgadoIntervene>

Mozambique heroin transit trade

English - LSE - 2018 - <http://bit.ly/Moz-heroin>

Portuguese - CIP - 2018 - <http://bit.ly/HeroinaPT>

2001 first article- *Metical* - English and Portuguese <https://bit.ly/MozHeroin2001>

Gas for development?

Gas_for_development_or_just_for_money?_2015 bit.ly/MozGasEng

Gás_para_desenvolvimento_ou_apenas_dinheiro?_2015 bit.ly/MozGasPt

Background reading

Special reports

Social protection report - 2017 Mozambique - <http://bit.ly/MozSocPro>

Special report on four poverty surveys: bit.ly/MozPoverty

\$2bn secret debt - in English

Secret debt trial (Aug-Oct 2021) press reports <https://bit.ly/Moz-secret-debt>

Kroll - Full report on \$2bn debt - <http://bit.ly/Kroll-Moz>

Kroll report summary - <http://bit.ly/Kroll-sum>

Key points of Mozambique parliament report - Nov 2016 - <http://bit.ly/MozAR-debt-En>

Following the donor-designed path to Mozambique's \$2.2 bn debt - <http://bit.ly/3WQ-hanlon>

In Portuguese:

Parliamentary Report on the Secret Debt (complete) bit.ly/MozAR-debt

2018 Constitution - <http://bit.ly/2KF588T>

Election study collaboration: We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. <http://bit.ly/MozEIData>

Election newsletters are on <http://bit.ly/2H066Kg>

Nine books by Joseph Hanlon can be downloaded, free: <http://bit.ly/Hanlon-books>

Bangladesh confronts climate change (2016)

Chickens and beer: A recipe for agricultural growth in Mozambique (2014) is on <https://bit.ly/Chickens-Beer>

Há Mais Bicicletas – mas há desenvolvimento? (2008)

Moçambique e as grandes cheias de 2000 (2001)

Mozambique and the Great Flood of 2000 (2001)

Paz Sem Benefício: Como o FMI Bloqueia a Reconstrução (1997)

Peace Without Profit: How the IMF Blocks Rebuilding (1996)

Mozambique: Who Calls the Shots (1991)

Mozambique: The Revolution Under Fire (1984)

Apartheid's 2nd Front (1986) <available shortly>

These are still available for sale:

Galinhas e cerveja: uma receita para o crescimento (2014) (free in English)

Zimbabwe takes back its land (2013)

Just Give Money to the Poor: The Development Revolution from the Global South (2010)

Do bicycles equal development in Mozambique? (2008) (free in Portuguese)

Beggar Your Neighbours: Apartheid Power in Southern Africa (1986)

Mozambique media websites, English:

Club of Mozambique (free): <http://clubofmozambique.com/>

Zitamar (paywall): <http://zitamar.com/>

Mozambique media websites, Portuguese (all with partial paywall):

Notícias: www.jornalnoticias.co.mz

O País: www.opais.co.mz

@Verdade: <http://www.verdade.co.mz>

Carta de Moçambique <https://cartamz.com>

Mozambique think tanks and pressure groups, Portuguese:

Centro de Integridade Pública: CIP <https://cipmoz.org/>

Observatório do Meio Rural: OMR <https://omrmz.org/>

Instituto de Estudos Sociais e Económicos: IESE <https://www.iese.ac.mz/>

Centro Para Democracia e Desenvolvimento CDD <https://cddmoz.org/> (some CDD in English)

Also CDD now controls Fórum de Monitoria do Orçamento - FMO (main debt group) <http://www.fmo.org.mz> and RMDDH - Rede Moçambicana dos Defensores dos Direitos Humanos (a human rights group).
To subscribe to all CDD publications: <http://eepurl.com/gO9I6v> (English or Portuguese).

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