

TRANSCRIPT

"DIRTY DEBT: THE SHADY DEAL BETWEEN RUSSIA AND ANGOLA"

A Conversation With Andrew Feinstein, Elias Isaac, and Adriano Parreira

Moderator: Ken Hurwitz

* * *TRANSCRIBER'S NOTE: RUSTLING AND AUDIENCE HEARD THROUGHOUT:
NOTED ONLY WHERE INTRUSIVE. MR. PARREIRA'S ACCENT AT TIMES
DIFFICULT.* * *

ANNOUNCER:

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KEN HURWITZ:

This report is something that Corruption Watch and the porch-- and the Angolan Group Mas Libres (PH) (NOISE) have been working on for some time. It relates to an extraordinary set of transactions that are extraordinary (BEEPING) most likely not in their substance and content, but in the fact that we've actually gotten to know quite a lot about them.

The-- the value of the report I think is that it really shows the plumbing-- what are the nuts and bolts. And (NOISE) we know that in many, many resource-rich and governance-poor countries, resources are siphoned off by a combination of-- basically greedy-- dic-- dictators or rulers-- foreign (NOISE) enterprises that are very often involved in-- in bribery or other kinds of-- illicit activities in order to get beneficial access to resources, particularly oil, but not only.

And then the major set of bankers, financiers, lawyers, accountants and other

professionals in-- banking centers and financial centers in the global North, largely-- largely Europe and the United States-- who help all these funds move, (COUGH) who help the bribes move in one direction, and who help the stolen assets move in another direction. And then who put them, channel them into the legitimate-- in-- the stream of commerce, and so it goes. We-- we are-- we see this report as-- of course, extremely timely. There's a lot of discussion, which everyone in the room I'm sure is familiar with-- between the offshore leaks that keep coming (CLEARS THROAT) out-- the legislation that is pending in-- in-- in the United States.

Senator Levin's legislation on disclosure of beneficial assets-- sorry-- beneficial owners of shell corporations. The EU is debating-- a directive on-- on-- on money laundering that will, among other things, also focus very much on the question of shell corporations.

One of the things about these discussions, there's been a lot of movement on the question of tax havens as tax havens, tax havens as vehicles for the-- subtraction of legitimate reven-- taxable revenue from producing countries, from resource-producing countries by putting all the profits into tax havens where there are essentially no taxes paid.

And with regard to individuals and corporations in developed countries who basically put their assets, often illegally, sometimes not, in tax havens and don't pay taxes on earnings from them that belong-- (CLEARS THROAT) should belong by right to their own governments. There is movement on this. There needs to be a lot more work, but it very-- exciting to see that this is-- an issue that has been such a tough nut to crack.

And it is beginning to crack. And I'd say that's about how much it is. One of the things that I think this report really can help us do, though, is to help the public discussion not lose sight of the fact that it is not just about about tax. Tax is a very critical issue. It may even-- on-- in dollar terms be the biggest amount. But the you-- the same channels that are used for tax avoidance and tax evasion are obviously used for kleptocrats to steal money, for corporations to pay bribes, and for mafias and transnational corporate enterprises to hide their money.

I am concerned that that aspect of the issue is being lost in everybody's rush to at least appear or at least to take some steps on tax revenue. So, it is from that point of view and the focus on showing how the criminality works with regard to the offshore in shell structures that-- that I think is the particular value here. So, with that I'm going to introduce (NOISE) our guests.

First is (CLEARS THROAT) Andrew Feinstein-- a former Open Society Fellow, and a colleague of The Open Society and many other worthy groups. (LAUGH) Former-- dep-- former par-- member of parliament for the African National Congress in South Africa who had the misfortune to uncover the-- stumble upon the biggest-- corruption scandal in South African history-- ron the-- called The Arms Deal and (NOISE) who eventually-- ran into a lot of trouble and left the country. I'm sh-- (LAUGH) I-- I should probably tell more of that-- (LAUGHTER) but it's-- it's such a

complicated story all told his book, *After The Party*, by the way. Adriano Parreira is an Angolan living in Angola. He's a professor. He taught, among other things at-- St. John's University here in Washington.

(ADRIANO PARREIRA: UNINTEL)

KEN HURWITZ:

And he's a former ambassador of-- the Republic of Angola to the UN at Geneva, is that correct?

ADRIANO PARREIRA:

Yes.

KEN HURWITZ:

And then Elias Isaac, who is the head of-- Open Society Initiatives-- Open Society Foundations' office in Angola and has been-- an enormous light on-- on-- on-- on events in the struggle against corruption and for human rights in that country. So, without further ado, I'm gonna ask Andrew to say a word or two.

ANDREW FEINSTEIN:

Thanks very much, Ken, and thank you very much to The Open Society and (CLEARS THROAT) to the team here that-- that put this meeting together and our few days in Washington together. It's a great pleasure to be here. So, thank you, for-- for joining us.

And it's a particular pleasure to be here with-- some of our partners from Angola who I think at the outside, it should be said and understood that they're taking great personal risk by leading this exposure of grand corruption perpetrated by some of the most senior political leaders and officials.

As Ken mentioned, I've been involved with issues around public sector financial management accountability attempting to investigate large-scale corruption cases in my own political party in South Africa quite soon after our first democratic elections-- and also in the arms trade. I published a book-- a year and a bit ago called *The Shadow World: Inside the Global Arms Trade*. And in what is now 20 years working in this area, I don't think I have ever seen a more egregious case of senior politicians and officials defrauding their own fiscus, and therefore their own citizens with the help of global financial institutions and the use of tax havens and front companies.

The jurisdictions involved through which money (CLEARS THROAT) passed through, which money was laundered, includes Switzerland, Portugal, Luxemburg,

Cyprus, Israel, Holland, the British Virgin Islands, the Isle of Man, and possibly the United Kingdom itself.

I'm going to try and give you a very simplified and a fairly (LAUGH) succinct summary of what is the very complicated Angola-Russia debt deal. In essence, it concerned a \$5 billion debt that Angola owed Russia. This was renegotiated to \$1.5 billion, and a largely unnecessary intermediary company was inserted into what was a very straightforward transaction between two sovereign governments.

The company called Abalone Investments was created by two people I've written an enormous amount about in my arms trade work, a Frenchman by the name of Pierre Falcone and a Russian-Israeli called Arcadi Gaydamak. They were later joined by another partner, Vitaly Malkin, who until his resignation just a few weeks ago was the richest member of the Russian Duma. So the two gentlemen, Falcone and Gaydamak, created this shell company, Abalone Investments, for the sole purpose of this particular transaction. (CLEARS THROAT)

It had no material assets, it had no capital base, it had no track record suggesting that the sole purpose of its creation was for this deal, but created in a way that their participation in this deal was anticipated prior to any formal agreements being signed, and that the two governments, Russia and Angola, were complicit in this.

Angola paid \$1.39 billion of the \$1.5 billion via Abalone Investments and private individuals, including Gaydamak, Falcone, and Malkin earned over \$386 million-- at least 27% of the amounts paid through Abalone for doing virtually nothing. More than \$400 million, 30.37% of the funds paid to Abalone, went to suspected insiders or still unknown beneficiaries. The basic mechanics of the deal were as follows.

The debt was paid through a series of 31 promissory notes issued by the Angolan Central Bank. Russia would issue 31 corresponding repayment certificates for each of these notes, however-- and crucial to understanding this deal, Abalone purchased these notes from Russia at half their face value-- 50% of their face value-- while Sonangol, the Angolan start oil producer, agreed to purchase all of the notes from Abalone at their full face value resulting in a profit of just under \$750 million for Abalone.

And to emphasize just how unnecessary Abalone's (CLEARS THROAT) role was in the deal, the company did not make a single payment to Russia before first receiving its much larger infusion of funds from Sonangol raising the obvious question of why didn't the Angolan state simply pay the monies directly to Russia? The entire agreement was facilitated by what was then the Swiss Bank Corporation. They played the role of escrow bank.

It later became during the life of this transaction through merger the Union Bank of Switzerland-- UBS, the largest bank in Switzerland today. Glencore, the controversial oil trading company which has been in the news just in the last few days again about various transactions with Iran, introduced SBS (PH) to the parties as the escrow agent. Glencore also had a pre-financing agreement (CLEARS THROAT) with Sonangol that used prospective oil deliveries as collateral so that Sonangol could

borrow the funds needed to transfer onwards to Abalone.

It is our opinion that UBS executed the transfers out of the Abalone account held at the bank in Geneva without submitting them to a meaningful internal review or reporting anything to the relevant authorities despite the obvious criminal risks attached.

In terms of scale, and to try and understand exactly why this intermediary was involved in this transaction, in the first phase of the deal, which was between October 1997 and July of 2000, Sonangol transferred over \$774 million to Abalone's UBS account to purchase 16 of the promissory notes. The profits from this transfer went to Arcadi Gaydamak, who overall on this transaction received at least \$138 million, Pierre Falcone, who received almost \$125 million, and their later partner, Vitaly Malkin, who received almost \$49 million.

I refer you to page 18 of the report that I hope you all have which gives a diagrammatic representation of who received what. But crucial to understanding this transaction is that in addition to those amounts made, five powerful Angolan politicians, who in their official functions would have either overseen or otherwise had influence over this debt deal, were also paid large sums of money.

Their names are listed on the right-hand side of that diagram. I'll mention only one. The president of the Republic of Angola, Jose Eduardo dos Santos who received \$36.25 million from Abalone via a whole range of front companies. The other gentlemen who are named on that diagram at the time and many still today are either ministers in the Angolan government or very senior officials of Sonangol.

Remarkably, if one looks at those names \$3 million of the funds that repaid to one Jose Letow de Costa (PH) were paid from Abalone's UBS account in Geneva directly into a Swiss bank account bearing the Angolan politician's own name raising the question of why UBS did not flag or report what was clearly and obviously a suspicious payment that didn't even bother to use front companies to try and hide its beneficiary. This entire deal was regularly amended as certain consequences forced changes in strategy, but the extraordinary thing is (CLEAR'S THROAT) every single amendment that took place was always to the advantage of the intermediary, Abalone Investments.

So, for example, when the arrangement was changed at the request of the Russians so that Abalone would pay Russia through Russian debt instruments rather than in cash. These instruments were exchanged at face value even though their market value was much, much lower.

To give just one example, at the time that the new agreements, the amended agreements were signed, \$100 worth of one of these debt instruments was trading at just \$10.54 cents on the open market meaning that Abalone was making a profit of \$43 million on each \$48 million promissory note (CLEAR'S THROAT) they paid during this time.

The deal took numerous other twists and turns. At one point Russia ended its escrow agreement with UBS, and asked for the debt instruments to be

transferred directly to a bank in Moscow called Spare Invest (PH). Arcadi Gaydamak's response was to establish an account in the same name-- Spare Invest-- in Cyprus to which he had Angola pay the monies. He did this, we later discovered without the knowledge of either of his partners, Falcone or Malkin, who later sued him unsuccessfully.

So, in this what we call the second phase of the deal where debt instruments were used instead of cash, Sonangol transferred just over \$618 million to the Spare Invest Cyprus account. Now, together with the earlier transfers that were made to the Abalone Geneva account in the first phase of the deal, those funds should have entirely extinguished Angola's debts.

But, of course, it didn't as a huge amount of the funds were never paid to Russia. This swindle was supposedly only uncovered belatedly in 2005 during a meeting between Angolan and Russian officials. The way in which the matter was resolved as the Russians pointed out to the Angolans that there were still eight notes that they hadn't been paid for was that in November 2005, Angola, despite having already paid Abalone, agreed to pay the full face value of those eight remaining notes worth a total of \$387 million. Gaydamak, meanwhile, in terms of that agreement, was to pay back \$206 million he had received from Angola but failed to pay to Russia.

It is unclear to us if he ever paid that money back. If he did not, then Angola would have paid \$1.779 billion dollars to settle a debt of only \$1.5 billion. If he did pay back that money, Angola still paid a net amount of \$1.573 billion, \$73 million more than had been stipulated in the original 1997 agreement between Angola and Abalone.

In either event, the reality of the matter is that the deal made little sense for either country. If Angola had paid the funds directly to Russia on the same terms as Abalone was able to buy the notes from Angola, (CLEARS THROAT) Angola would have saved itself at least \$823 million and maybe even as much as \$1.029 billion. That would have constituted 13% of the country's entire GDP in 1996, the year that this intermediary agreement was signed.

Similarly, if Russia had dealt with Angola and directly (CLEARS THROAT) received all the funds that were paid by Angola to Abalone, Russia could have made an additional \$750 million from the transaction. In either scenario, one of the treasuries was significantly prejudiced by the insertion of Abalone into the deal. Court proceedings in Geneva were ended in 2005 on the basis that Russia said it had not been disadvantaged by the deal.

Angola remained silent. And crucially, the court decided to hold proceedings and to unfreeze certain of the assets related to the deal on the opinion of an international financial expert who gave it his stamp of approval. In concluding, let me just raise two issues. The first is that, as you will see in reading the report, there is an extraordinarily complex cast of characters and a myriad of transactions related to the deal which sometimes tend to obfuscate the central point, and that is that a number of individuals made vast profits of the repayment of debt at the expense of the citizens of Angola and Russia.

The manipulations of the financial sector enabled the rich and powerful to do little, earn much and cause massive harm to the ordinary people of both countries. And this clearly is one of the reasons why we have again raised this transaction into the public domain. It was also never prosecuted in Switzerland, and we believe it should be.

In addition, we have managed to gain through a variety of sources crucial new information about the transaction that was not available in 2005. This includes far more accurate data on the amounts paid to various parties and who some of those beneficiaries were. It also includes that second (CLEARS THROAT) Cyprus phase of the scandal, and crucially we engaged with the expert witness whose testimony was so crucial to the case being halted in Switzerland.

What we discovered in engaging with him was first of all in a case like this you would expect that such an expert would be appointed by and paid for by the court who would provide him with all the information available on the transaction. In this case, we discovered that the expert was paid for not just by the lawyers of Vitaly Malkin, who was simply a witness in those proceedings, but also the lawyers of one of the accused in the proceedings, Pierre Falcone.

It was these lawyers who decided exactly what material the expert would and would not have access to. And when I met with the expert, I asked him whether he thought there was information that had been withheld from him? Whether he thought there were other things going on in this transaction? He said, "Undoubtedly so." And then asked him specifically whether he thought there was corruption in the transaction, and he said, "Yes, but I had no information about that."

On that basis, I then asked him whether he believed the citizens of Angola and Russia were disadvantaged by this transaction? And he answered, "Yes," which was exactly the opportunity of what he had said to the judge in Geneva.

This case speaks to the ease with which powerful individuals with government and business, with the assistance of international financial institutions, tax havens and the veil of front companies, can steal from their often poor citizens with impunity. And finally may I refer you to page 69 of the report where we lay out our specific technical and other recommendations to try to ensure that it is more difficult for this sort of deal to be repeated in the future. Thank you very much. (APPLAUSE)

KEN HURWITZ:

Thank you very much, Andrew. Gives us a lot to study. (LAUGHTER) Adriano-- one thing is the-- that-- as as a result of the information in this-- report, a criminal denunciation, or a criminal filing, was-- submitted in Geneva-- in Byrne by four-- re-- rather courageous Angolans.

Basically that complaint urges that the federal prosecutor in Switzerland re-open the case that was closed rather improperly, we believe, in Geneva some years earlier. It mentions as-- suspects in the case-- Messrs. Gaydamak and Falcone and Malkin. It

mentions-- three Angolan officials. I think it's Joacin (PH)-- Joacin David and Jose Piva (PH) and--

(OFF-MIC CONVERSATION)

KEN HURWITZ:

Jose-- Jose Letall (PH)-- who were the ones that received the-- the funds improperly in abo-- from Abalone into accounts in Switzerland, thus-- seemed to provide, appropriately, the-- the easiest route for prosecution. And very significantly-- and I think-- innovatively, it also mentions the three bank officials at UBS bank who were-- who are-- who are revealed in the documentation that was uncovered as being the main players at the bank with regard to the structuring and implementation of this transaction.

That's an extraordinarily important step that this denunciation-- takes, I think. So, we will all wait with bated breath to see how the prosecutor-- accepts that. Adriano-- was one of those four Angolans, and-- it can only have been a huge step to-- to decide to do that. I just wonder if-- if-- even briefly, if you could just say a little bit about-- why did you do that?

ADRIANO PARREIRA:

Yes. I'm very happy to be here with you and share these moments with you. Excuse for my English. It's not so good as I want it. But hopefully you will understand what I have to tell you. We forgot also Mr. Figerado (PH). He was--

(KEN HURWITZ: UNINTEL)

ADRIANO PARREIRA:

He was the (BACKGROUND VOICE) former ambassador of Angola to the United Nations in New York. In Angola, you-- it was also inter-- through this (FOREIGN LANGUAGE)-- yes. And-- some 27 Angolans subscribed there to the-- denunciation to the general attorney, public ministry, and the-- we expect an (FOREIGN LANGUAGE).

Until today, no-- (FOREIGN LANGUAGE) was given, and-- the reaction of the government was completely null-- no reaction at all-- what is somehow very strange for us. I am surprised-- when-- when-- I was surprised when I read these-- very, very good report-- and a little bit revolted because-- (CLEARS THROAT) all these-- dirty businesses happened during the civil war. (LAUGH) This is very, very-- very sad, and thousands of people were killed for nothing only to enrich a very few.

This is-- really-- revolting, and-- we know that-- dirty businesses have been happening-- from our (UNINTEL) to our days in-- different countries. And we hope

as Angolans that-- the authorities of these countries, especially Europe, the United States-- will pay more attention in the sense that-- these people cannot go on with full impunity just-- you know, joking with us, (LAUGH) killing us.

You know, brutalizing us. And-- I hope (CLEARS THROAT) that my presence here will-- will-- allow to-- allow me to tell you that-- really, we are-- we are very, very sad for-- for what is happening. And we need in some way that you-- I don't say help us, but to-- you know, really be as kind of ambassadors of the Angolan people-- in the institutions you represent-- for justice and for those things will never happen again. It's all I have to tell you. (LAUGH)

KEN HURWITZ:

Thank you--

ADRIANO PARREIRA:

Thank you very much.

KEN HURWITZ:

Thank you very much. That was very important. Elias, I wonder if you could just add-- a couple words about what you think has been or will be the impact of the practical matter in Angola? (CLEARS THROAT)

ELIAS ISAAC:

Well, thank you, Ken. Thank you everyone for being here. One question that many people asking, you know, why bring up this issue that was closed in 2005? Why bring it now? What-- what are we looking for? We have realized that the issue of corruption and money laundering in Angola is not something of the past.

It's something of the present. It's happening now, and-- we are really concerned that corruption and money laundering in our understanding is a big threat to Open Society. It-- it creates an environment where human rights violation can be practiced with a lot of impunity. It creates a kind of a police state because those corrupt people, you know, have to protect themselves and repressing other people.

In Angola right now issues of freedom of expression and information is a big challenge with (UNINTEL). We have-- we have people still disappearing, you know, assassinations of people. There is-- a high level of impunity in the way governance is conducted in Angola. I would like to ask you now to read the State Department report two-- thous-- 2012, you know, Human Rights Report on Angola.

You will be able to see-- how corrupt governments really behave and treat their own

people. On the-- the issue for Angola is not just looking how well Angola is doing economy because of the price of-- the high price of oil in the international markets, but how this is translated in good governance, transparency and especially social justice for the people.

Despite this great economic growth that is happening in Angola, we-- Angola's still has a lot-- a huge number of people so impoverished. We don't even call them poor people. We call them impoverished people because we believe that we are the system of governance that impoverishes its own people. So, it's a del-- deliberate position.

When you have people stealing money in millions and millions, you can understand that there is a deliberate policy of impoverishing its own citizens. So this is a big concern and is a big threat Open Society-- ideals and values, and that's why we feel that this report should come out-- as a way of unveiling other cases. You know, and some of these cases have taken place here in the United States. I remember-- in 2010, there was a big corruption scandal of-- of a \$60 million that one government official-- used the bank in New York, if I'm not mistaken, trying to transfer this money somewhere else.

And then-- the Treasury or the State Department just stopped that transfer. We have issues that have been unveiled by the IMF-- two years ago of over \$32 billion that we have not properly accounted in Sonangol's-- account. So, this happened 2005, but things in a bigger, bigger way are happening right now. So, the challenge for us, you know, and this report as Open Society really to understand, you know, to what-- to what extent corruption, money laundering, really, you know, becomes a threat to our work as Open Society. Let me just end there.

KEN HURWITZ:

Thank you very, very much. (CLEARS THROAT) Well, thank you to our speakers. It was extraordinarily im-- important, I think, that these messages come out. I think we have a little while left. Do-- can-- yeah-- take questions. So--

(OFF-MIC CONVERSATION)

MALE VOICE:

Hi, my name's (UNINTEL). I just wonder do you really push for prosecution? I think that just like in the United States, corruption is everywhere. I know it's (UNINTEL) during (UNINTEL), but also from the money diversion through the economic developments, through the educations, through-- construction, the-- major money was diverted to benefit a few, or their network.

And then the Department of Justice just never prosecute anybody. Instead, Department of Justice and the F.B.I. (UNINTEL PHRASE), they are trying to coerce or threat whoever who want to expose all these corruptions. And as you can see, they don't (UNINTEL) their own citizens in terms of money or in terms of their income or

take away their total G-- GDP or basically it's a disservice. So, instead all the really higher people who are doing a good job-- maybe expose all these, they are trying to (UNINTEL) somebody in key positions so they will silence them down.

KEN HURWITZ:

Do you have a question?

MALE VOICE:

So, my question is-- do you cooperate with (UNINTEL) United Nation or Department of Justice? They have all kinda commission or civil rights division (UNINTEL) that work on this by persecush-- prosecution them, and (UNINTEL) to send them to jail. And (UNINTEL) asked them to restitution to compensate for their citizens?

KEN HURWITZ:

Okay. I think I'll take maybe three or four questions, and then have people respond as they think-- they can.

FEMALE VOICE:

Hi, I'm (UNINTEL PHRASE) Syracuse University. Thank you very much for both (BACKGROUND VOICE) written report.

(OFF-MIC CONVERSATION)

KEN HURWITZ:

And it would good if everybody does identify themselves, just so we can have a sense of context.

FEMALE VOICE:

Shall I do it over again? (LAUGH) All right, Connie Freeman, Syracuse University. First, let me-- thank you and compliment you both on this very rigorous written report, and on the presentations today and the work that you're doing.

I can't stress how important I believe it is after a 40-year career of working on development in Africa, both in Africa and from here. My concern, however, is what comes next to help ensure that this isn't just one more report and one more exposé of corruption-- in Africa, but you could say worldwide.

Africa's what I study. We knew for years what Mobutu was up to, even though we may not have had this kind of detail in Zaire, and yet political forces kept that from being handled. I've spent years in Kenya, and the Goldenberg scandal there was fully reported, fully investigated, all the details came out, and it died. And corruption continues there, and those are just a couple of cases that come to mind. In other words--

KEN HURWITZ:

What's next?

FEMALE VOICE:

--what next?

KEN HURWITZ:

Yeah--

FEMALE VOICE:

Thank you--

KEN HURWITZ:

Thank you. (CLEARS THROAT) I'll take--
(OFF-MIC CONVERSATION)

MALE VOICE:

I'm Rick Messeck (PH), and I'm a part-time consultant to the-- foundation. So, how much is going on today in Angola? And how much has there-- is there any sort of opening either from-- that this case will provide or that other pressures from the international community will provide to sort of bring some more-- transparency to-- natural resource earnings by the government?

KEN HURWITZ:

So, I'll-- I'll take maybe one more question, and then-- we'll go to the answer. Yes, sir?

(OFF-MIC CONVERSATION)

MALE VOICE:

(UNINTEL). I'm afraid, but very short. (LAUGHTER) Have you any assistance from the Russian side during the investigation? And by the way, my name is Alexandar Pommolf (PH), and this is RTVI (PH), a Russian television international. What about-- help, assistance, from the Russian side? What do you think was the role of-- of former Russian officials who signed the papers? Who give preference to Mr. Gaydamak, Mr. Malkin, to this company?

And actually any hints of their personal interest in this case? And just a question, Mr. Boris Ivanishvili, who was a partner-- of Mr. Malkin in now prime minister of Georgia-- have you his name-- in-- your investigation? Did you see his name in any papers? And his involvement in this case? (COUGH) Thank you.

KEN HURWITZ:

Thanks. All right, I'm just gonna summarize as very briefly as I can the question, and then I'm just gonna leave people to answer. First question was (CLEARS THROAT) isn't this just another example of corruption that's everywhere? And isn't it true that the Department of Justice and other governmental agencies in developed countries don't really prosecute? Have we looked-- or have-- have the-- have anybody looked at-- looking at the UN or other international bodies or remedies for-- for serious prosecution? 'Cause it doesn't seem to happen.

Second question was what's next? This is-- is this just another report? Or is it-- are we actually trying to do something to change the world? (LAUGH) Excuse my paraphrasing. (LAUGHTER) The third one, what's going on in Angola? Is there any response to this? And what's-- what's-- what's-- what's-- what's-- holding out? What-- what's-- what's in store in Angola, I guess? And the fourth one, three-- three part question. One is was there any assistance from Russia in-- in-- in carrying out this investigation?

What is the role of foreign Russian officials? Any evidence, I suppose, of malfeasance? And the third-- Mr. Boris Ivanishvili, the current prime minister of Georgia who was a business partner of Vitaly Malkin's-- any-- any hints as to his potential involvement? So, maybe I'll-- unless somebody yells out, I'm just gonna go in order--

ANDREW FEINSTEIN:

Sure, absolutely.

(OFF-MIC CONVERSATION)

ELIAS ISAAC:

First of all, corruption and money laundering is not a localized, you know, geographic issue. It's a global one. And that's why everybody needs to be concerned and needs to get involved. I agree with you, it's happening all over the place because this has now created a big mafia of interest.

A big link on the fight against corruption has to be global. We can fight in Angola, but as you-- as you have said it very well, it's happening in the United States. So, it's a global fight. And we have to get involved otherwise we may see it happening in Angola and-- we don't-- we don't care, but it's happening in the United States.

It's happening in China. It's happening in the U.K. It's happening over-- all over the place. It's happening in Cyprus where now this-- the-- the-- the Cypriots, you know, are really suffering. So it's a global problem that everybody needs to get involved. In Angola, as-- as-- as-- someone has pointed out, we presented a denunciation at the attorney general's office. We hope that, you know, some action will-- will take place.

We presented the petition to the National Assembly to investigate the president. We have hope, even if we-- if we-- even if the experience of the past, you know, tell us the contrary, but we have hope that something needs to happen in the country. And that's why we're on this fight, you know. So, we hope-- we hope that, you know, the denunciation in Byrne-- somehow will open up the space for further prosecution.

What next? We believe that, you know, with this report, this (UNINTEL) happened in 2005, 2007, when we first did the first deduc-- denunciation on this case, after it was closed in 2005, Angolans did the first denunciation in 2007. But we fell short of evidence, of facts. And that's why we spent most of this time with our colleagues, you know, trying to dig information. And this is the information we-- we have right now, and we believe that out of this process additional information will come out somewhat.

We don't know how, but this is our belief. And this process for us-- will go on until-- I don't say we are satisfied, but something will crack up somewhere, you know, somehow. So, it's a process that, you know, (UNINTEL) Angolans are-- are very willing, you know, to go-- to-- to-- to-- to go on with and see where-- where it goes. (UNINTEL) political parties in Angola are the members of civil society are so interested to pursue this-- this issue.

And we believe-- we believe that, you know, out of this report other latic-- other related cases of corruption will emerge. We have a number of cases of corruption in Portugal. It's just that (UNINTEL) don't have time, you know, to go in-- in details. So there are other related cases of corruption in Portugal, and we hope that, you know, we have the strength and the resources, you know, to push for further investigation on this case.

What's going on in Angola? (SIGH) Apparently, you know, since the end of the war, people think that, you know, Angola-- because Angola economically is doing very

well-- there is a lot of development happening in Angola. People think that-- the country's okay. What we feel, what we see and what we know is that a lot of bad things are happening in Angola.

The levels of corruption is so big, and because the issue of international political ideology today we don't have, you know, the West versus the East, so there is not political idol-- ideology to govern the world, countries like Angola and (UNINTEL) Nigeria, you know, on the issues of corruption, there is so much impunity. I gave you one example of the \$32 billion (?) that IMF were able to-- to discover in (UNINTEL PHRASE). But then you see the IMF, you know, putting aside all the principles of good governance and transparency and giving money to the Angolan government.

Many people say that the West do not-- does no longer have political leverage, you know, in Angola. But that's not true. There is a lot that the West can do because all the stolen money is not kept in Angola. It's either kept in Switzerland, in-- in Brussels, in Belgium, Netherlands or U.K. I don't know if some is kept in the United States. So the stolen money is not kept in Angola. It's kept outside. So, under-- with-- now with the China-- with the China money coming into Angola, that created another problem because the Chinese-- loans into Angola are not accounted in the national budget.

So, it's very difficult to track Chinese investment in Angola. It's another piece of a big problem that we have right-- right now in Angola (COUGH) because nobody can track the Chinese investment in Angola. So, there is a lot that is happening in Angola in terms of not just development, a lot of oil exploration, but on the issue of corruption money laundering-- a big (UNINTEL). Just here-- just last week if not the beginning of this week when we are in-- in Brussels, we came across a piece of information that the son of the vice president of Angola who used to be the CEO of Sonangol, Manuel Vicente, had these accounts frozen in Portugal of €11 million.

This guy never worked in his life. He was a student in Portugal. €11 million. So, we can see that there's a lot that's-- and Portugal is being used for money laundering. Money's coming from Switzerland, probably from Luxemburg, from other parts of Europe into Portugal to buy property so that it comes out as a clean-- as clean money. So, there is a lot going on in-- in Angola right now.

KEN HURWITZ:

Thanks.

(OFF-MIC CONVERSATION)

ANDREW FEINSTEIN:

Just very quickly, I think first in broad terms, and then I'll get more-- more narrowly focused. I mean, my conception of dealing with corruption issues-- and I hear the frustration that a couple of the questioners-- reflected-- is that one has to continue to

expose these cases.

Because when we stop to expose them, it's almost accepten-- accepting of the world and governance as it is. So, that's the first thing, and that exposure is crucial. Related to that quite clearly is specific work on policy and advocacy around those specific policies, and I'll come back to that.

And then thirdly I would suggest that what is absolutely essential to link to those is campaigning and activism around these issues to attempt to generate the political will to do something about them. Now, having worked for almost a dozen years on the arms trade, I'm more than used to banging my head against a brick wall. In terms of-- of this particular case, though, I think there is a very obvious focus, and that is the issue of beneficial ownership.

Because if there was transparency in the beneficial ownership of what are today front companies, it would make it far more difficult for these sorts of transactions to take place in any meaningful way. But let me-- let me also give you besides the fact that I think there is a very specific focus for advocacy, which on the one hand should give hope, let me give you another instance, Connie, perhaps of why it is worth just continuing with this. There has been advocacy and campaigning work around the South Africa arms deal that I investigated.

\$10 billion deal, over \$300 million of bribery for a dozen years now. Just last year, the president, who himself in implicated in \$783 counts of corruption in relation to the deal, was forced by the highest court in the country to appoint a judicial commission of inquiry into that arms deal 12 years after we first started investigating it. So, I do think that one also has to be in this, as you say, for the long haul-- three decades.

And I think what is crucial in terms of next steps in this particular case with this particular report, obviously the inquiries and the investigations have to continue. We decided to present what we had at this point in time in a report. Given our partners in Angola, the emphasis was always going to be on the Angolan side, but there is more to the transaction that we don't feel we have enough evidence on, like we do with what is in the report.

That's the first thing to say. Then secondly we have already started as-- as all of the speakers have mentioned to push for prosecution in the two key jurisdictions-- Angola and Switzerland. And I think that that is extremely important as well to attempt to put pressure on prosecutorial authorities to actually take action to themselves investigate these matters fully.

And then to emphasize the sort of ongoing nature of-- of these sorts of exercises in terms of the questions from the gentleman from Russian TV-- we have not had formal assistance from Russia. We have found investigating the Russian arm of this transaction incredibly difficult for a variety of fairly obvious reasons. We do have what I would (CLEAR'S THROAT) describe as prima fascia evidence that there was involvement of Russian officials and even possibly Russian politicians that they, too, were beneficiaries of the deal.

We, however, do not have documentary proof of that like we do in the case of the

Angolans, which does not mean that we will stop investigating or inquiring into it. And often when one first publicizes a case like this, that in itself leads to further information that can deal with area that you know you haven't yet covered.

In terms of Mr. Ivanishvili, yes, he does appear in the report in so far as-- he was a business partner of Vitaly Malkin's at the time that Mr. Malkin got involved in this transaction. They together owned a bank-- that was the vehicle through which Mr. Malkin involved himself interest deal. So that's the extent to which we have mentioned him in this report. And, finally, let me just say that another reason that we will continue to investigate these other aspects of the case is because it is sometimes a little bit easier to identify the-- recipients of corruption in the African context, as many of us who've worked in this field for a long time know.

But what we should never lose sight of, and what we as researchers and investigators have a responsibility, is to show, first of all, what the sources of that corruption are and who is facilitating and enabling that corruption. So, very often the sources would find are in the big capitals of the world, be it London, Berlin, Washington, Moscow, Beijing.

And so in this case, I would not like people just to think of the fact of the recipients of corruption in Angola. Not to in any way lessen their involvement, but also to look at the broader systemic and global issue of how that corruption is taking place.

KEN HURWITZ:

Wow. (CLEARS THROAT) Adriano do you have anything you'd like to add--
(OFF-MIC CONVERSATION)

KEN HURWITZ:

Shall we take another round?

FEMALE VOICE:

Hi, my name is Stephanie Ostfeld (PH) from Global Witness. I wanna thank you for pulling together this report and for trying to refile your case. We think this is very, very important. One of the things that we focus on are really the enablers of corruption and looking at how the West enables corruption.

That as long as banks are willing to take corrupt money or to finance corrupt deals, then they are complicit in what's happening. And other piece of what Andrew-- just said is beneficial ownership. That as long as it's perfectly legal in many places to incorporate a company and hide who's behind it, this is the easiest way to move dirty money.

So, I guess I would ask two questions. One, you may have already answered this, but

I'm wondering if any of the transactions were in dollars? If there's any implication of the U.S. in this case? And other question-- well, right now, there's a lot of action around beneficial ownership.

At the G8 level we're actually getting some types of political commitments and hope something will happen in June at the G8, which is very big for this issue, which normally nobody talks about at all. (LAUGH) And so I'm wondering what are the jurisdictions of the shell companies? Where is Abalone Incorporated, you and you mentioned that there are a number of others in moving the money?

(OFF-MIC CONVERSATION)

MALE VOICE:

(UNINTEL PHRASE) World Docs (PH). Question and comment. Are you pushing for a criminal prosecution? Or a civil prosecution? And the comment is as-- Mr. Feinstein suggested, there's a simple solution for corruption, and that is transparency, or exposure as he called it. I haven't had a chance to look at your recommendations in detail, but-- so far I haven't found any mention of transparency as-- like a Freedom of Information Act-- as one of your recommendations.

(OFF-MIC CONVERSATION)

MALE VOICE:

(INAUDIBLE PHRASE) Angola's now-- a middle-income country (UNINTEL) income (INAUDIBLE PHRASE). 60% of the population is living on-- 60% of the population is living on less than \$2 a day. So, you have this skyline emerging in-- in-- in Luanda that is absolutely first world.

At the same time, you have millions of people living in millions of people living in misery even in-- in-- in Luanda with-- no water, no sewage-- no access to schools, et cetera, et cetera. And-- so-- in a very, very real sense, if the money was stolen from Angolans, but it was stolen from those people who-- have a hard time eating each day, who are living in-- inadequate shelter, and that the Angolan economic-- miracle and recovery from the war has not trickled down to the-- people either in-- urban area or people who are living in rural areas with no government services.

KEN HURWITZ:

No, question. Okay.

(OFF-MIC CONVERSATION)

MALE VOICE:

Hi. (CLEARS THROAT) I am J.R. Warner from the Africa Center for (UNINTEL) Studies. You know, I'd like to compliment you on-- an amazing report. Such a complicated case, and to-- for it to be straightforward is pretty impressive. It doesn't seem like Pierre Falcone and Arcadi Gaydamak did too much.

It doesn't seem like this took up a whole lot of their time, and they've been involved in Angola for the-- last 15 to 20 years. Is this unique? Are they involved in lots of deals like this? Is this an exception just because you found information about it? Or is this an exceptional deal because it's the worst of the worst? Are there other deals like this that just haven't been discovered? And are we likely to discover them in some way? Thanks.

KEN HURWITZ:

Maybe one more.

MALE VOICE:

Hi, Joe Krauss. I work on transparency and accountability at The One Campaign (PH). Again, I wanna re-- reiterate what everyone ell-- else said in terms of thanking you for an incredible report. As-- as someone who does advocacy on this issue, this type of research is incredibly important-- and very timely.

As Stephanie pointed out, the G8 is considering action on beneficial ownership, which really is a remarkable change from where things stood even six month ago. And so this type of research along with the ICIJ's (PH) research on offshore leaks really makes a big difference in our ability to push on these issues. So, my question is I'm really sort of curious. Given the difficulties associated with doing this type of research-- how were you able to identify the beneficial owners of some of these shell companies?

KEN HURWITZ:

Okay. All right, I'm gonna try to (RUSTLING) summarize again. Were any transactions in dollars? And-- and/or does-- is there any implication of the-- of U.S. jurisdiction, I guess, in-- in-- (BACKGROUND VOICE) in these cases-- in-- in these transactions?

The-- is it a criminal case or a civil case that's been filed (CLEARS THROAT) in Switzerland? And I guess probably in Angola the same question. And the comments I guess that-- that-- freedom of information as-- as-- as-- as a legislative-- ask isn't in the recommendations, but I-- I assume that transparency is driving a lot of what's going on in-- in the (UNINTEL) in any case.

Then there were the comments about the injustice in Angola related to the poverty and the wealth. How exceptional is this deal? Falcone and Gaydamak seem to have had other time on their hands during this period. We know that some of this period overlapped, I think, with the Angola-gate transactions--

MALE VOICE:

Correct--

KEN HURWITZ:

--is that correct? So, clearly the French-Angola-gate scandal, which was the one that was getting the headlines while this was going on was a big piece and structured-- well, we'll see. (LAUGH) And-- how are we-- how-- how were you able to-- identify these-- these-- beneficial owners and who were the beneficiaries of the-- of the transactions? So, I think I'll-- unless you wanna--

(OFF-MIC CONVERSATION)

ANDREW FEINSTEIN:

Let me make comment on where I can on Stephanie's question-- around Western complicity, absolutely, around-- the-- the transa-- there were certain of the transactions that took place in dollars. The jurisdictions involved-- I think I mentioned them before-- before you came, but let me if you don't mind just repeat them very quickly so you know. The jurisdictions that we have definitely identified-- include Switzerland, Portugal, Luxemburg, Cyprus, Israel, Holland, favorite of arms dealers, the British Virgin Islands, the Isle of Man, and possibly the United Kingdom.

(OFF-MIC CONVERSATION)

ANDREW FEINSTEIN:

Through a whole range of-- of dimensions of the transaction. And you'll see in the report where each was involved-- throughout it. In terms of of U.S. jurisdiction, we are meeting with people today and tomorrow-- to explore that a bit further. There's nothing that, sort of, jumps out at you.

There are possibilities of some of the protagonists possibly having assets still in the United States. Some of the transactions did take place in dollars, but whether that is sufficient for there to be jurisdiction we are going to explore. That's something that we should talk a little bit about afterwards as well. As you-- as I'm sure you know Pierre Falcone for a time was resident in the United States.

Whether he still has property here, any other sort of assets we're not actually sure. In

terms of the prosecutions, my understanding is that in both cases we are calling for more investigations. In both Switzerland, where we've appealed to the federal prosecutors rather than the cantonal prosecutors in Geneva-- and in Angola, as well. The issue of transparency and freedom of information I think have a look through the report. The-- the nature of governance that-- that the report would like to see-- it littered throughout the report, and quite clearly transparency, greater accountability is absolutely central to those.

So, we talk about the failures of governance, and what we believe should probably have happened in the report whereas we have tended to (CLEARS THROAT) give the recommendations-- fairly technical at this point rather than very broad and sweeping with the exception of those financial elements that we believe need to be addressed that we've mentioned.

But I think what the report speaks to perhaps more than anything else is the failures of governance that allow this sort of thing to take place. The failures of governance not only at a governmental level, and in the case of Angola, one of the obvious things that we're seeing more and more of, for instance, in South Africa as well is this almost total elision of the state, the party, and the large ruling family and its political allies.

So, that-- that would be another element of the nature of governance that allows these to take place, but also the nature of corporate governance in the sorts of institutions-- that-- that Stephanie was referring to. The fact that these sorts of transactions can take place within one of the biggest financial institutions in the world, that there can be internal reports that identify what are very serious problems in the transaction.

But because of the sort of levels of profitability of such transactions, decisions are taken to continue involvement. So, I think corporate governance as much as-- as-- public sector governance is very (CLEARS THROAT) important here. I just wanna make one comment on the issue of the disparities in-- in Angola. Quite obviously-- one sees this wherever there is significant wealth, obviously often linked to natural resources in Africa.

And I mean while we were working on this report, the case that kept on coming back to me-- obviously slightly different, but with enormous similarities that I know some people in this room have worked on extensively-- is that of Equatorial Guinea, where you have that same elision, but you also have this flow of ill-gotten gains around the world, largely with impunity.

And at the same time you have a country that on paper is remarkably wealthy in-- in GNP or GDP terms, but the vast majority of people are living in abject poverty-- poverty without access to the most basic of the services that their government is responsible for. In terms of Falcone (LAUGH) and Gaydamak, yeah, we've heard the names often before, and believe me there are many others. I would just raise two things.

First of all, there was a very interesting piece of work done by I think-- Global Financial Integrity very recently that identified, if I'm not mistaken, over \$5 trillion

worth of monies that were lost to the citizens of their countries through the illicit dealings of their governments and global financial institutions.

If we just take the case of these two individuals there's obviously the Angola-gate case, which had in it as crucial elements the very sophisticated and quite extensive laundering of money in many parts of the world using many of the jurisdiction that were used in-- in the case that we report on. So, my sense is that there are enormous number of these sorts of (CLEARS THROAT) transactions going on where what should be very simple state-to-state financial arrangements are using intermediaries to divert significant amounts of that money to people who are politically involved in the setting up of the architecture of the transactions.

And finally in terms of how did we identify the beneficial owners, I think there were really two primary reasons. We were very fortunate in this case to have a number of sources and different types of sources-- come to us with significant information. (CLEARS THROAT) So, some of that information was actually brought to us in terms of beneficial ownership.

And then we were able to find from other-- some unrelated, but some related investigations-- entities and companies that had been identified-- as being beneficially owned by certain of the individuals we named. So, Angola-gate, for instance, was a very important other case where we were able to identify companies that had been used by beneficiaries in that case who were repeated in this case.

KEN HURWITZ:

Thank you. Just-- just-- from my-- from my point of view since you mentioned Equatorial (LAUGHTER) Guinea, who (UNINTEL)-- the Justice Initiative in our work, we-- we've (CLEARS THROAT) focused quite a lot on Equatorial Guinea doing similar kinds of investigations and-- and-- and (NOISE) efforts to-- to bring prosecutions.

We-- I guess the lesson that I would say on the question of-- of investigation is it starts off as an accident almost. Somebody approaches you or you get something, you see something. In-- in-- in our case, we started a case working with a Spanish NGO called the Association for Human Rights of Spain-- trying to develop a money laundering investigation in-- in Spain.

And that-- the basis of that complaint came from-- from-- the-- the Senate Special Sub-- Subcommittee on Special Investigations, Carl Levin's-- investigation of Riggs Bank in 2004. (NOISE) A gift to anyone (LAUGH) who wants to investigate money laundering is (UNINTEL PHRASE). There we found-- a bunch of transactions.

There are basically a set of about 20-- wire transfers from the account at Riggs Bank that was the receiving account for payments of oil royalties. And-- those acco-- that account had-- as its signatories the president of Equatorial Guinea and his son. And as a result of that, he basically transferred-- basically wrote himself checks aggregating about \$26 million over three years that were transferred to an account at Banco San Tander (PH) in Spain.

And the owner of that account, it turned out-- was a Panamanian shell company who the committee found, and we have strong evidence to support that now-- belonged to the president of Equatorial Guinea who-- no surprise. And on that basis, a domestic money laundering investigation was opened. And then there was a case in France that many of you, I'm sure, are familiar with.

It's often called the BM Alakey (PH) case or the-- the illicit enrichment case where Transparency International France and an NGO called Association Sherpa (PH) filed a case basically as a civil party-- demanding an investigation because-- into the family assets in France of-- Omar Bongo of Gabon, of Denis Sasongesu (PH) in-- Congo-Brazzaville, and our from-- Obiong from Equatorial Guinea.

Since they had many, many, many millions of dollars of real estate, bank accounts, automobiles and so on in France that could not possibly be accounted for by their official salaries as president or-- or whatever position they had-- that case was advanced (CLEARS THROAT) due to the strong support of the investigating judge-- judges (two, actually), but over strong resistance from the Sarkozy administration and the Ministry of-- of-- Justice, which was representing Sarkozy's position.

With-- that case, nonetheless, has advanced sub-- substantially. Building on these kinds of information, the U.S. Department of Justice then filed a civil asset recovery case-- actually, two-- in California and in Washington D.C. Much of the evidence that the Department of Justice at least initially used came from the cases that I mentioned earlier.

So, one of the lessons here, I think, and-- and Andrew's referred to it, but I-- I wanna highlight it-- 'cause it responds to a lot of the questions that people are asking-- what next? Why-- is this just a report? Don't-- don't we-- aren't we getting headaches from banging our heads on the wall? Our-- the-- the lawyer that we're working with in Spain put it very nicely. He said, "You take a sweater, and you pull one thread. (LAUGH) And as you start to pull the thread, the whole sweater can unravel."

And-- and I think that that is the key from a legal point of view and an investigative point of view. Having said that, (BACKGROUND VOICE) advocacy for political will. Prosecutors can do so much, but whether they do so much, and whether they have the power to do so much, and whether they are-- told to shut down the operation is very much a question of what the public perceives and what the public will put up with and what the public expects to be done. There are always gonna be very deep-pocketed and very powerful domestic and foreign interests-- that are gonna be opposed to these cases. But I think that we've begun to see some experience that-- that they can be overcome.

(OFF-MIC CONVERSATION)

ELIAS ISAAC:

Can I just say one or two things-- first on the issue of freedom of information. Though we don't make it very clear on that (UNINTEL)-- no recommendations here--

but if you read, it's there. And probably-- I agree with you it's one issue that we should take on, you know, on to see how we can pursue (UNINTEL)-- next time to see how we can go with that. the other aspect is-- the situation in Angola is not different from Nigeria, is not different from Equatorial Guinea, is not different from-- Zaire, (UNINTEL), DRC, is not different from Cameroon, is not different from every oil-producing country in Africa. It's not.

Every produce-- every oil-producing country in Africa has got this problem. So much oil, so much poverty. And people ask me, "Why? What is wrong?" It's obviously (UNINTEL) corruption, mon-- laundering steals from the poor, from basic social services and so on and so on. That's why the money is taken away. And the issue is what-- I visited Nigeria last year.

And-- I was so shocked to see how similar Angola is resembling Nigeria in terms of social chaos, you know. And I'm-- I ask myself, you know, what's wrong with these countries, you know, so much wealth, so much poverty. The issue for me-- I know that this is a fight between David and Goliath, you know. (LAUGH)

We know that this is a fight between David and goliath, but we also know the result of the fight. And-- this is what keeps us hoping, you know. And-- just to tell you a story, you know-- that I learned in the United States when I was in school here. The father and a son were walking, you know, on this-- on the beach, you know, on the seashore. And from time to time the father could pick a fish star-- whatever, you know--

KEN HURWITZ:

A starfish--

ELIAS ISAAC:

A starfish-- and thrown him back to the ocean. So the walk (UNINTEL) the father picks one throws back to the ocean, and the son says, you know, "Dad, why are you doing this? There are so many-- hundreds and hundreds, millions of starfish. Why you just picking one?"

He said, "No, son, probably out of those that I'm throwing back into the sea, one of them will be saved." You know, I believe this is what we have to do. We-- we have to take one brick at a time, you know, and really not losing hope. It's a gr-- it's a struggle. It's dangerous, but this is something that is now endangering the lives of everyone in the world.

Up in-- in-- in the United States, you know, people in Cyprus as facing a crisis. It's going to go all over the world if we are n-- this is not happening just in Africa. It's affecting all of us because the mafia in the world, they're just the same people with (UNINTEL) connections.

KEN HURWITZ:

Thank you. Well, that's a very good note, I think. An encouraging note to-- to-- to terminate-- this meeting. I thank you all for coming and for your interest. And I think our speakers for coming so far to-- help us-- understand this. Thank you very much. (APPLAUSE)

* * *END OF TRANSCRIPT* * *