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AFRICA

## Mozambique Fraud Trial Begins as Voters Go to the Polls

U.S. begins its case against alleged mastermind of \$2 billion fraud on election day in southern African nation



Voters queue as they wait to vote at a polling station in Chimoio, Manica Province, Mozambique, on Tuesday. PHOTO: ANDRE CATUEIRA/EPA/SHUTTERSTOCK

*By Gabriele Steinhauser and Matthieu Wirz*

October 15, 2019

The trial against one of the alleged ringleaders behind \$2 billion in fraudulent loans to Mozambique kicked off in New York on Tuesday, the same day citizens of the southern African nation cast judgment at the ballot box on whether their government had done enough to hold to account officials involved in the secret deals.

Mozambique, one of the world's poorest countries, plunged into a debilitating crisis after the loans were disclosed in 2016, following reporting by The Wall Street Journal. The loans, some of which hadn't been disclosed to other investors or the public, were arranged by Credit Suisse Group AG and Russian bank VTB Group for naval and tuna-fishing projects that never materialized.

The International Monetary Fund and other multilateral institutions suspended lending to the country after the disclosure. Within months, the government of President Filipe Nyusi defaulted on its debts, constraining funding for social and other programs.

“Life has become more difficult,” said Marisa Mabai, after casting her ballot in the capital Maputo on Tuesday morning. Ms. Mabai said she lost her job as a warehouse manager at a biscuit factory when the economy stumbled in 2017. “We are suffering for something that has been done by those politicians,” she said.



Mozambican President Filipe Nyusi delivered a speech during his party's last campaign rally on Oct. 12 in Matola, Mozambique.  
PHOTO: GIANLUIGI GUERCIA/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Nyusi, who was Mozambique’s defense minister at the time the loans were arranged, has staked his campaign on a promise to fight corruption in the nation of 30 million. But the fallout from the scandal has hurt the standing of his Frelimo party—which has ruled Mozambique since it gained independence from Portugal in 1975—especially with urban voters.

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*How can Mozambique ensure that expected revenues from its natural-gas fields don't get squandered? Join the conversation below.*

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Thousands of miles away in a Brooklyn federal court, jury selection began in the trial of Jean Boustani, a Lebanese former executive of Abu Dhabi-based shipbuilding company Privinvest Group. The company received most of the loan proceeds, but the fishing and security fleets it contracted to provide never became operational.

U.S. prosecutors allege that Mr. Boustani conspired with Mozambican officials and former

Credit Suisse bankers to create the maritime projects as fronts to borrow the \$2 billion, which they say was used to pay at least \$200 million in bribes and kickbacks.

Mr. Boustani has pleaded not guilty in the case and unsuccessfully argued the case should be dismissed because his alleged offense “falls outside the reach of the U.S.”



Manuel Chang, Mozambique's former finance minister, appeared in a South African court in January to fight extradition to the U.S. PHOTO: WIKUS DE WET/AGENCE FRANCE-PRESSE/GETTY IMAGES

Three former Credit Suisse bankers were arrested in London in January and pleaded guilty to some of the charges in the case. They face potential jail sentences of up to 20 years. The U.S. is also seeking the extradition of Mozambique's former finance minister, Manuel Chang, from South Africa, where he has been held on a U.S. warrant since December. Mr. Chang has denied wrongdoing and says he wants to be extradited to Mozambique.

The U.S. efforts to prosecute the alleged ringleaders behind the debt scandal contrast with what many observers say has been the slow pace of justice in Mozambique. It took the publication of the U.S. indictment in January for Mozambican authorities to charge 20 people—including the son of a former president and the former head of state security, but not Mr. Chang—in connection with the case. Lawyers for the accused couldn't be reached to comment Tuesday.

Opposition parties in Mozambique stand to gain from the scandal. Ossufo Momade, the leader of the opposition Renamo party, may be able to force a runoff with Mr. Nyusi, as some analysts say that the president risks falling below 50% in the first round of voting. Renamo also could win governorships for the first time in several provinces; the positions until now had been appointed by the central government.

“We are paying the debt without knowing why,” said Damião Cumbane, a 50-year-old public servant who said he was voting for the opposition after seeing his bills for water and electricity rise.

Whoever wins Tuesday's vote will oversee the distribution of revenues from natural-gas projects off the coast of northern Mozambique. Total SA, Eni SpA and Exxon Mobil Corp. have said they would invest as much as \$50 billion in projects to export liquefied natural gas from the country, deals that could transform an economy that last year generated a gross domestic product of just \$14.4 billion.

The high stakes have raised tensions in the run-up to the vote. Last week, the head of a local observation mission was shot dead in the southern city of Xai-Xai, and the police said they were investigating the alleged involvement of some of its own officers in the killing. Opposition parties and civil society have complained about voter intimidation and insufficient voter registration in areas hit by two violent cyclones earlier this year.

It will take several years for the bulk of the exports from the gas projects to start flowing and even longer for the benefits to reach most Mozambican citizens.

“The fear is that the hopes among Mozambicans that the money from the gas will lead them out of poverty in five to 10 years are not going to come true,” said Zenaida Machado, a researcher with Human Rights Watch in Mozambique. “Because in five to 10 years there will still be this debt and other bills to pay.”

### **Corrections & Amplifications**

Former Mozambican Finance Minister Manuel Chang hasn't been charged in Mozambique in connection with a \$2 billion debt scandal. An earlier version of this article incorrectly said Mr. Chang—who has been indicted in the U.S. on several counts, including fraud and money laundering—had also been charged in his home country in a case related to the fraudulent debt. (Oct. 16, 2019)

— *Luis Nhachote contributed to this article.*

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