ACSS SPECIAL REPORT

A PUBLICATION OF THE AFRICA CENTER FOR STRATEGIC STUDIES

The Anatomy of the Resource Curse: Predatory Investment in Africa's Extractive Industries

J.R. Mailey

May 2015

The Africa Center for Strategic Studies

The Africa Center is an academic institution established by the U.S. Department of Defense and funded by Congress for the study of security issues relating to Africa. It serves as a forum for bilateral and multilateral research, communication, and the exchange of ideas.

The Anatomy of the Resource Curse: Predatory Investment in Africa's Extractive Industries

ACSS Special Report No. 3

J.R. Mailey

May 2015

Africa Center for Strategic Studies

Washington, D.C.

First printing, May 2015.

For additional publications of the Africa Center for Strategic Studies, visit the Center's Web site at http://africacenter.org.

Table of Contents

Executive Summary

With more than 20 countries possessing bountiful oil and mineral deposits, Africa is home to more resource-rich states than any other region in the world. Yet, living conditions for most citizens remain dismal as a result of inequitable distribution of resource revenues. Sub-Saharan Africa's top five petroleum producers rank among the bottom third in the world in terms of child mortality. The continent's two largest producers—Angola and Nigeria—rank among the bottom ten countries in this category.[1]

Natural resource wealth is also strongly associated with undemocratic and illegitimate governance. Roughly 70 percent of the world's resource-rich states are categorized as autocracies. This pattern is not a coincidence. The steady flow of natural resource revenues funds the patronage and security structures these governments rely on to remain in power without popular support. Nearly without exception, Africa's resource-rich states also exhibit high levels of public sector corruption. States heavily reliant on the export of oil and minerals, moreover, face a greater risk of civil conflict than their resource-poor counterparts.

These patterns need not be the norm. If accountably governed, natural resource wealth could be a boon to a society, enabling valuable investments in infrastructure, human capital, social services, and other public goods. With their technical expertise and financial resources, international corporations can be a vital component in the resource management equation in Africa by helping a country get its resources to the market and recovering a higher return for the public than would otherwise be the case. Yet, too often, such collaborations are not at all beneficial. Unscrupulous investors eager to turn a quick profit have found Africa's resource-rich governments to be attractive targets. These investors' readiness to engage in business transactions that are illegal, morally questionable, or otherwise exploitative becomes a comparative advantage relative to more reputable firms. These entrepreneurs thrive in environments where governments are financially desperate or diplomatically isolated, oversight institutions are weak, and civil society is stifled. These predatory corporations are not merely bystanders conducting business as usual in an unsavory environment. They often proactively empower unaccountable leaders and frequently benefit directly from conflict and political crises. The potential return for these investors is enormous, compared to the marginal downside of a deal that falls through. With the right connections and willingness to operate amid relative chaos, these companies can make a fortune from resource-rich fragile states.

This report examines these linkages by tracking the practices of one group of investors that has been particularly active on the continent since the early 2000s: a Hong Kong-based consortium known as the 88 Queensway Group. Cultivating relationships with high-level government officials in politically isolated resource-rich states through infusions of cash, promises of billions of dollars in infrastructural development, and support for the security sector, Queensway has been able to gain access to major oil and mining concessions across Africa. Starting in Angola in 2003, Queensway has been engaged in the extractive industries in at least nine African countries, including Guinea, Madagascar, Tanzania, and Zimbabwe.

Contracts—often in the billions of dollars—between Queensway-affiliated companies and African governments are rarely made public. The syndicate's leaders have forged deals found to be unfavorable to the respective countries as a whole by appealing to the short-term interests of those senior officials controlling their countries' natural resources.

Queensway's collaborations with the governments of Africa's resource-rich states have often failed to improve citizens' living standards. Promised high-profile infrastructure construction projects regularly fail to materialize. Allegations of corruption among senior government officials who control natural resource contracts are widespread. Reputable extractive firms are cut out of the market, undermining the long-term health of the resource sector. And unaccountable governments are able to persist, propped up by the infusion of financial and material support to the regimes in power.

Transactions involving the Group have been the subject of criticism by journalists, watchdog groups, government officials, and lawmakers in numerous countries. Yet, a decade into its existence, Queensway continues to thrive and remain active across Africa. The Group is able to access multibillion-dollar loans from mainstream financial institutions, control a company listed on the Hong Kong Stock Exchange, and own high-end real estate around the world—including the historic headquarters of J.P. Morgan & Co. across the street from the New York Stock Exchange.

Queensway's business model persists in Africa and elsewhere because of weaknesses in domestic and international oversight structures. These gaps in accountability occur at three levels.

First, at the national level, predatory investors operate in environments where the institutions needed to hold public officials and international corporations accountable are often absent. The exclusionary and personalistic nature of politics in these states distorts leaders' incentives to act in the best interests of the population at large, while rendering those in power more susceptible to engaging in graft. Restrictions on civil society and the press are commonplace in these states, further undermining opportunities to expose mismanagement of state resources and scrutinize the actions of government officials. Interactions between public officials and investors in these states are typically extremely opaque, and oil and mining contracts often contain confidentiality clauses that prevent terms of a deal from being disclosed.

Second, failure by the governments of countries of origin ("home countries") to regulate the overseas activities of corporations anchored in their jurisdictions helps these firms escape scrutiny. Some governments have enacted legislation that criminalizes the corrupt activities of domestically registered firms occurring beyond the country's borders. However, more often than not, governments have lacked the necessary political will to hold their citizens and companies accountable for such activities even where such laws exist.

Third, the international legal and institutional framework for dealing with corruption and exploitation in the extractive industries by multinational corporations is deficient. Despite some progress in enhancing money laundering controls and improving financial regulatory regimes, numerous scandals involving international banks opening and maintaining accounts for politicians and heads of corporations diverting ill-gotten gains illustrate that banks continue to be a key enabler of corruption in the extractive industries. Further complicating matters are secrecy jurisdictions that allow individuals to incorporate companies without disclosing key information such as the identities of beneficial owners. The use of anonymous shell companies anchored in these jurisdictions prevents outsiders—potential business partners, banks, regulators, and law enforcement officials—from identifying who truly controls and benefits from the operations of unscrupulous corporations.

While the ills of the resource curse are frequently lamented, the transactions, business relationships, and regulatory gaps that underpin this phenomenon are less well understood. The cases profiled in this report—Queensway's activities in Angola, Tanzania, Guinea, and Zimbabwe—provide examples of how the resource curse manifests in practice. This report provides a glimpse into how unscrupulous investors seize on loopholes in the international financial system and profit from the exploitation of Africa's resource-rich states. Patterns that emerge from these experiences provide a three-pronged framework of reforms to enhance accountability in the protection of Africa's natural resource sector so that these riches can be used to benefit the populations to whom they belong.

Within Africa, steps must be taken to strengthen independent oversight institutions, transparency, and public scrutiny at every stage of the extractive industries value chain. Key elements of oil and mining contracts should be made public. Legislatures can play a crucial role in this process. Public accounts committees, which are chaired by opposition members of parliament, can be a particularly effective forum for safeguarding the management of public assets and state-owned enterprises by reviewing audits and assessing government expenditures.

Home-country governments must fulfill their responsibility to regulate the overseas activities of multinational corporations anchored in their territories. This requires not only enacting laws that criminalize the bribing of foreign officials but also ensuring that agencies tasked with enforcing foreign corrupt practices legislation are adequately funded and shielded from political influence. Furthermore, home-country governments can enhance transparency by mandating that companies listed on their stock exchanges disclose payments to foreign governments on a project-by-project basis.

Finally, steps need to be taken to eradicate the loophole of anonymous shell companies and prevent banks from doing business with them. Without exception, every country—especially major financial centers—should create and maintain a low-cost, searchable public record of all corporate entities registered or operating within its territory that includes the identities of the beneficial owners of each firm.

Part 1: Africa's Natural Resource Challenge

Oil and mining ventures are arguably the most lucrative businesses in Africa, generating billions of dollars in revenues annually. But these billions have typically been squandered. Oil-rich Equatorial Guinea, for example, boasts an impressive annual gross domestic product (GDP) per capita of $37,479. Yet, on the United Nations Development Program's (UNDP) Human Development Index, Equatorial Guinea ranks 144th out of 187 countries.[2] Equatorial Guinea ranks dead last in public expenditure on education as a percent of GDP[3] and near the bottom in terms of health expenditure per capita. Equatorial Guinea's poor stewardship of its natural resource wealth reflects a lack of accountability. Instead of using oil wealth to fund public services, Equatorial Guinea's leaders have been able to channel hundreds of millions of dollars into private overseas bank accounts to underwrite the lavish lifestyle of members of the ruling family.[4]

Equatorial Guinea's experience is not unique. Poor governance of the extractive industries is the norm, not the exception. A survey of the institutional and legal environments in 58 resource-rich countries around the world found that only 11 manage their natural resource sectors effectively.[5] These 58 countries represent 85 percent of the world's petroleum reserves and a significant share of global mineral wealth, including 90 percent of diamond reserves and 80 percent of copper reserves. Of the 58 countries included in the survey, 20 are in Africa—more than any other region in the world. None of these African countries was deemed to manage their natural resource wealth satisfactorily.

The challenge of effective natural resource management in Africa is becoming increasingly urgent. In 2000, 7 Sub-Saharan African countries exported more than 20,000 barrels of oil per day. By 2013, this number had climbed to 10 countries. Overall crude oil production in the subregion rose from 4.2 million to 5.8 million barrels per day, a 38-percent increase.[6] With promising crude oil discoveries in Kenya, Madagascar, Sierra Leone, and Uganda, as well as important natural gas discoveries in Mozambique and Tanzania, the number of African resource exporters can be expected to grow still further. Many of these states will need to develop from scratch the institutional and legal frameworks required to effectively manage the extractive industries. In Kenya, for example, the country's Petroleum Act is a 13-page document from 1986.[7]

Human development performance in many resource-rich African states remains dismal. African oil and mineral exporters routinely rank near the bottom of UNDP's Human Development Index and exhibit highly inequitable levels of income and wealth. In Angola, for instance, the poorest 10 percent of the population accounts for just 0.6 percent of total income, while the richest 10 percent control 44.7 percent of the country's wealth.[8] Such highly skewed income distribution also obstructs economic development, as economic inequality undermines the cultivation of markets, limits investment opportunities, and deprives the poor of access to tools and resources needed to improve productivity.[9]

Natural resource wealth is also strongly associated with illegitimate governance. According to one estimate, 70 percent of states rich in oil and gas are autocracies.[10] In the absence of popular legitimacy, natural resources provide these regimes with the financial means needed to hold onto power, regardless of governance performance. The effect is to prolong the negative outcomes for societies subject to this dysfunctional rule. Libya's Muammar Qaddafi and Gabon's Omar Bongo remained in power for four decades in no small part due to the robust patronage networks and extensive security forces funded by oil revenues.

Corruption is another common feature of Africa's resource-rich states. In August 2012, French authorities seized a $186 million mansion in Paris and several luxury vehicles worth a total of $4.1 million belonging to Teodorin Obiang, Vice President of Equatorial Guinea and the son of the country's president.[11] In March 2014, a French court convicted Vice President Obiang in absentia of embezzling state funds to procure the confiscated goods.[12] Denis Christel Sassou Nguesso, the son of the Republic of the Congo's president and a high-ranking official in the country's national oil company, similarly gained notoriety for his extravagant lifestyle and shopping sprees on the Champs Élysées.[13] South Sudanese President Salva Kiir solicited the help of the international community to recover $4 billion of oil-generated revenue looted by senior South Sudanese government officials.[14]

Natural resource wealth has also been intimately linked to violent conflict across Africa. In the Democratic Republic of the Congo, rebel groups have used the proceeds of mineral sales to fund their military operations. Grievances about environmental degradation and inequitable distribution of oil wealth—as well as the manipulation of these sentiments by warlords seeking to profit from instability in the region—fuels insurgent groups in Nigeria's Niger Delta. The sale of "blood diamonds" funded brutal civil wars in Sierra Leone and Liberia during the 1990s and early 2000s.[15] Inequitable distribution of oil wealth was a central issue in Sudan's civil war, and continued disputed claims over oil-rich territory regularly threaten renewed conflict between Khartoum and independent South Sudan.

In short, for the vast majority of resource-rich African states, oil and mineral wealth has not translated into improved living conditions for citizens but contributed to growing disparity, corruption, and repression.

Natural Resource Wealth and the Accountability Deficit

Certain governments have been able to find ways to avoid the negative economic consequences of resource extraction.[16] Norway, which produces roughly the same amount of petroleum as Nigeria, and Australia, the world's leading bauxite exporter, have managed to establish strong linkages between the extractive industries and the economy at large.[17] Diamond-rich Botswana, which led all countries in economic growth per capita over the four decades after its independence, managed to avoid falling victim to the fate that diamond mining wrought in Sierra Leone and elsewhere.[18] Although these cases may be exceptions, they prove that the resource curse is not an unavoidable fate.

Of course, the governments of successful resource exporters did not pursue such sound policies by chance. Governments prove capable of overcoming the resource curse only when leaders are effectively incentivized, typically by the presence of empowered oversight institutions and transparent and inclusive political processes. But resource-rich states are often trapped in a vicious cycle in which the economic monopoly enjoyed by autocrats reinforces the incumbent regime's grip on power and vice versa.[19]

The equation typically boils down to three components: 1) corruptible senior figures in a government responsible for managing the natural resource sector coupled with weak oversight institutions, 2) unscrupulous multinational investors who partner with senior government officials to exploit resource-rich states while evading scrutiny, and 3) loopholes in the international economic legal system that allow external investors and corrupt officials alike to transfer revenues out of resource-rich states and into the international financial system with limited reporting requirements.

Corrosive Political Dynamics in Africa's Resource-Rich States

In most of Africa's resource-rich states, the corrosive political dynamics associated with the resource curse actually pre-date the discovery of oil or minerals. Oil-rich states in the Gulf of Guinea are cases in point. At the time oil was discovered, "every structural prerequisite was missing for the sound use of oil revenues."[20] Long before the region experienced the oil boom, autocratic rule was the norm, state institutions were underdeveloped, and accountability mechanisms were almost entirely absent. These weak institutional legacies undermined potential progress toward economic and human development that oil revenues could have generated. While the developing world as a whole has seen noteworthy social and economic development over recent decades, progress in resource-rich states—especially those rich in petroleum—has been elusive.[21]

Distorted incentives and the removal of constraints. The natural resource sector tends to be subject to far greater centralized state control than other more labor-intensive sectors for two main reasons. First, governments are typically recognized globally as having the sole legal authority over natural resources and are therefore the party with which international investors must negotiate and sign contracts. Second, the environmental and health risks posed by natural resource extraction require a greater degree of government regulation than many other sectors.

The rent-seeking opportunities afforded to those in power in resource-rich countries typically provide an easy path to personal financial gain. Consequently, control over the extractive industries at once diminishes incumbents' incentives to govern responsibly while empowering them to reduce and remove many of the mechanisms for citizens to hold officials accountable. Meanwhile, the large, centrally controlled revenue stream created by natural resource extraction provides political leaders with the financial resources needed to pursue their priorities without having to rely on tax revenues from the population at large. A lower tax burden, in turn, reduces society's standing to demand good governance, democracy, and accountability.[22] In effect, natural resource wealth "emancipates the state from dependence on society."[23]

A lack of transparency surrounding management of the extractive industries in most resource-rich African states renders corruption a less risky and more attractive option for government officials and investors.[24] Transparency is vital to effective natural resource management because it constitutes the first line of defense against graft and mismanagement and bolsters public confidence in government decision making. However, in many resource-rich states, licensing and contracting processes often take place behind closed doors, and most oil and mining contracts contain confidentiality clauses that prevent the public from accessing crucial information about the deals. Citizens of most resource-rich African states neither have access to the amount of royalties collected by the government nor information about how this revenue is ultimately spent.

Widespread restrictions on civil society and the press prevent public concerns about natural resource management from being articulated and disseminated. Journalists and nongovernmental organizations are frequently the initiators of investigations that expose corruption and spearhead campaigns to enhance transparency and accountability. However, censorship and interference by those in power creates a major imbalance in access to information and coordination between a regime and a population. If the public actually knew what these revenues were and could organize to represent their interests, the outcome would be different.

Self-enrichment and self-preservation. In the absence of mechanisms to hold them accountable, many leaders of resource-rich states are free to use natural resource revenues as they please. Rather than implement sound policies to avoid the economic pitfalls associated with resource extraction—as have Australia, Botswana, Chile, and Norway—leaders of the majority of Africa's resource-rich states typically use resource revenues for self-enrichment. Resources are diverted into offshore bank accounts controlled by high-level government officials, channeled to patronage networks, and used to maintain disproportionately large security forces in order to insulate incumbents from any potential threats to their hold on power.

With few incentives to govern effectively, governments of many resource-rich states routinely fail to deliver needed public services. Nearly without exception, social spending pales in comparison to military expenditure and to luxury goods for those with strong connections to the state.[25] During late President Bongo's four-decade tenure in office, for example, Gabon became the world's leading consumer of champagne per capita despite the fact that a third of the country's population lived on less than $2 per day.[26] Furthermore, rural areas that do not sit atop mineral or petroleum reserves often experience a withdrawal of the state apparatus altogether. Mounting popular resentment that inevitably results from such inequity only serves to intensify these regimes' reluctance to cede authority, as incumbents often fear reprisals for abuses committed while in power. In order to bolster their control, these regimes often impose a governance model based on three pillars: political patronage, coercive force, and support from international actors who have a vested interest in the regime's stability.

The durability of some of Africa's longest serving leaders has been intimately linked with resource wealth. These states represent an unfortunate paradox: the basic needs of the populations are often chronically neglected but the regimes in power have proven remarkably successful in achieving their narrow objectives.[27] However, governance models reliant upon natural resource-fueled patronage networks and the violent suppression of dissent by security forces prove unsustainable over time. A sharp decline in commodity prices often corresponds with a rapid contraction of patronage networks and a reduction or interruption in the allocation of salaries to security forces. And given that inequitable distribution of natural resource wealth invites frequent challenges to regimes' power, the sudden erosion of superficial support networks can spell disaster for incumbents.

Indeed, numerous resource-rich states across Africa suffer from chronic instability. In some places, disputes over access to natural resource revenues or grievances about the environmental impact of resource extraction are among the major triggers of conflict. In other places, natural resource revenues provide belligerents with the resources necessary to sustain military campaigns. To make matters worse, the onset of conflict or political crises further distorts leaders' incentive structures and weakens states' chances to manage natural resources effectively.

An uphill battle for fragile states. Countries experiencing conflict or political crises are particularly vulnerable to mismanagement of the extractive sector and exploitation at the hands of predatory investors. Governments of these states typically have limited capacity or popular support. The exodus of investors and donors from these environments often leaves incumbents financially desperate. Consequently, such governments rely on the extractive industries to remain afloat financially. Extractive companies have proven remarkably resilient to instability. Oil and mining firms are often the last firms to leave hostile environments and among the first to return when the situation stabilizes.

In fragile state contexts, however, the bargaining position of a regime in crisis vis-à-vis international investors is reduced. Moreover, unconstrained by oversight structures, leaders are incentivized to maximize their personal and political interests rather than invest in public goods or services. As a result, the natural resource deals borne from these crises tend to be extremely unfavorable for the citizens of the host country.

Political transitions that usher in democratically oriented leaders can provide a window of opportunity for meaningful reform of the extractive industries. Even then, however, unfavorable legacy deals signed by a previous, illegitimate government can linger for years. Newly elected officials also face bureaucratic obstacles to pushing through fundamental reform. New leaders face immense pressure from international financial institutions to honor contracts signed by previous regimes and to continue operating within the legal and institutional framework created during previous administrations. In some cases, restructuring the natural resource sector is seen as upsetting a fragile balance between interest groups, rendering it potentially destabilizing. Moreover, politicians and technocrats seeking meaningful reforms often face intimidation and the threat of violence. Wary of scaring off important sources of revenue or threatening political equilibrium, newly elected leaders often ignore the need for natural resource sector reform.

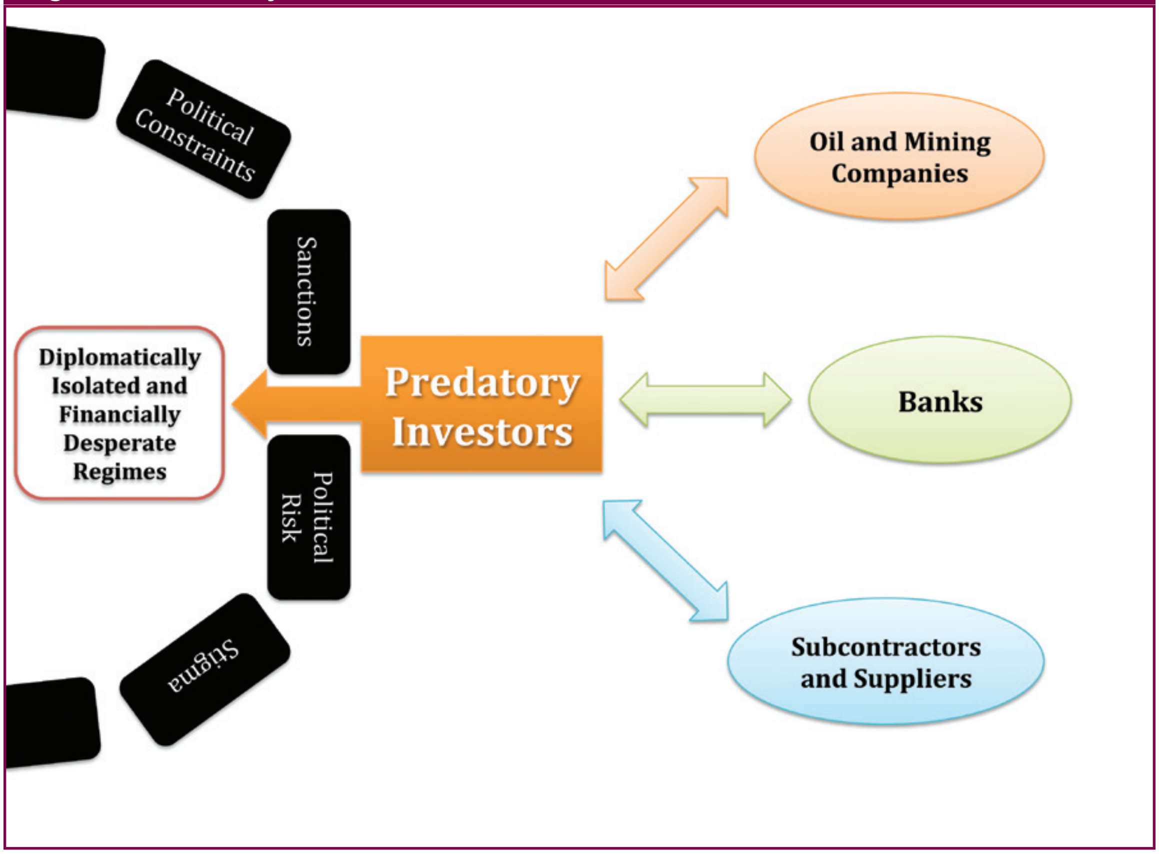
Weak Regulation of Predatory Investors

International oil and mining companies play an important role in virtually every resource-rich state in Africa. They provide the cutting-edge expertise and capital needed to undertake costly and complex oil and mining projects. However, oil and mining companies are particularly prone to engaging in corruption and exploitation, especially in resource-rich fragile states.[28] Economically viable oil and mineral deposits are so rare that companies face immense pressure to access concessions wherever they are located—even if that means investing in a country known for high levels of corruption. The large amount of upfront investment required and high levels of government control over extractive industries renders oil and mining companies vulnerable to extortion at the hands of politicians and bureaucrats. Of course, not all extractive sector operations are corrupt or exploitative. Many abstain from such practices because of laws and regulations in their home country or because of reputational or ethical concerns. However, these concerns have not proven to be a sufficient deterrent to all firms. Employees in the oil and mining sectors are routinely found to be among the most likely to pay bribes to government officials.[29] As is the case for rulers who preside over resource-rich states, oil and mining companies' willingness to engage in corruption is based on a calculated examination of incentives and constraints.

Predatory investors. For some firms, paying the occasional bribe is an unfortunate reality of doing business in the oil and mining sectors in Africa. For others, willingness to engage in business transactions that are exploitative, illegal, or morally questionable constitutes a comparative advantage. These investors are oftentimes free from many of the constraints that deter mainstream investors from doing business in states experiencing conflict or political crises. They typically have an extremely high tolerance for political risk and show little concern for the implications of doing business with corrupt politicians or rogue regimes. Instead, the potential upside for these predatory investors is substantial compared with the marginal downside of a deal that falls through. With the right connections and willingness to operate amid relative chaos, these investors can make a fortune in resource-rich fragile states.

For diplomatically isolated and financially desperate regimes, these investors represent a much-needed lifeline. The leaders of resource-rich fragile states often lack the tools, expertise, and connections needed to circumvent the constraints such regimes face. The ability to evade such constraints is a sine qua non for successful predatory investors in the extractive industries. They provide access to financing (typically at a hefty markup) so the government can remain financially afloat. They help broker and conceal commercial transactions between repressive governments and mainstream investors who might

Figure 1. A Gateway to the Outside World



otherwise shy away due to reputational concerns. These brokers even help pariah regimes get around travel bans, asset freezes, and arms embargos. In essence, these profiteers offer a gateway to the outside world (see Figure 1).

Predatory investors pose a particularly pressing challenge in resource-rich states when incumbents are financially desperate or diplomatically isolated. Glencore, a Swiss commodity trading company, and its founder, Marc Rich, became infamous for "busting UN embargoes to profit from corrupt or despotic regimes."[30] A 2002 investigation by the U.S. House of Representatives found that, "[d]espite clear legal restrictions on such trade, Rich…engaged in commodities trading with Iraq, Iran, Cuba, and other rogue states that have sponsored terrorist acts."[31] From the late 1970s to the early 1990s, Rich purchased crude oil from regimes facing international sanctions, such as Iran and Iraq, and earned over $2 billion selling it to South Africa, circumventing apartheid-era sanctions.[32]

In resource-rich fragile states, predatory investors are not merely bystanders conducting business as usual in an unsavory environment. They often proactively empower unaccountable leaders and benefit directly from conflict and political crises. Franco-Algerian businessman Pierre Falcone and Russian-Israeli tycoon Arcady Gaydamak earned the loyalty of Angola's senior leaders in the early 1990s when they helped the government of then war-torn Angola, which was subject to a UN arms embargo, finance and acquire shipments of weapons from Eastern Europe. On a separate occasion, in 1996, Falcone and Gaydamak helped restructure Angola's $5 billion debt to Russia, a deal in which both Angolan and Russian officials "profited handsomely."[33] As a result of these contributions, Gaydamak and Falcone earned nearly unrivalled access and influence in Luanda. According to one report, "Thanks to their sensitive role in Angola, Falcone and Gaydamak are alleged to have…been given not only Angolan citizenship, but also a stake in virtually every key sector of the Angolan economy, from food to diamonds to oil."[34]

Negligent Regulators. In some cases, predatory investors are able to leverage high-level political connections in their home country in order to evade scrutiny and regulation. For example, Marc Rich was wanted by U.S. law enforcement for decades on charges of tax evasion and engaging in oil deals with Tehran during the Iran hostage crisis. However, Rich was ultimately pardoned by then U.S. President Bill Clinton during his final days in office.[35] During his 2003 trial for corruption charges, former Elf Aquitaine Chairman Loïk Le Floch-Prigent admitted that the company made annual payments of "at the very least" €5 million per year to all the main French political parties in order to secure their support.[36] When charges were filed against Pierre Falcone in France, President dos Santos nominated him to be Angola's ambassador to UNESCO in an attempt to provide him with diplomatic immunity.[37] A French court found Falcone guilty of influence peddling and tax evasion, ordering him to serve a 6-year prison term eventually reduced to 30 months after an appeal.[38]

Such high-level political connections are often sufficient to escape scrutiny. Only a select few states have proven capable of holding predatory investors accountable for foreign corrupt practices. Some governments have enacted laws that prohibit engaging in bribery or other corrupt activities abroad, but many key capital-exporting states simply have not. Even where laws are in place, governments have failed to enforce these regulations to curb foreign corrupt practices. In 1997, the Organisation for Economic Co-operation and Development (OECD) enacted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The OECD Anti-Bribery Convention, as it is known, requires each signatory to criminalize bribery of foreign government officials. However, Transparency International found in 2013 that only 4 of the Convention's then 38 signatories actively enforced foreign antibribery laws. According to the report, insufficient allocation of resources to investigative agencies and prosecutors and political interference are two major causes of the lag in enforcement.[39]

International Conduits for Illicit Enterprises

A major challenge to the fight against corruption and exploitation in resource-rich fragile states is the absence of an adequate international legal and institutional framework for regulating the activities of multinational corporations in these environments. This is extremely problematic given scenarios in which neither host-country nor home-country officials are willing or able to rein in predatory international investors. Adding to this regulatory vacuum, the availability of services designed to ensure corporate secrecy facilitates corruption and poor governance of the extractive industries.

Weak money laundering controls. The international financial sector has enabled corruption by providing perpetrators of graft with a means to launder their ill-gotten gains. Many governments require international banks to take steps to prevent the illicit proceeds from entering the global financial system. Yet, negligence on the part of some banks gives leaders of resource-rich states and international criminals a means to obtain credit lines and a place to park their illicit earnings. Sometimes this happens because corrupt investors and government officials are able conceal their identities when opening bank accounts. Other times, banks simply disregard their responsibilities to undertake due diligence.

Anonymous shell companies. Secrecy jurisdictions—financial centers that allow firms to incorporate without disclosing the identities of their beneficial owners—provide investors with the anonymity needed to evade scrutiny. For investigators and law enforcement, the use of secrecy jurisdictions makes it virtually impossible to conclusively map complex relationships between African officials who commandeer natural resource revenues, criminals, and their support networks. Without access to beneficial ownership information, banks and businesses are incapable of undertaking thorough due diligence on clients and partners. Anonymous shell companies anchored in secrecy jurisdictions have been used on countless occasions to launder the proceeds of ill-gotten gains or to reinvest illicit profits into the formal economy.

Part 2: Country Case Studies

The Rise of the Queensway Group

On the 10th floor of Two Pacific Place, 88 Queensway, Hong Kong, are the shared headquarters of China International Fund Limited and China Sonangol, two companies controlled by a corporate network with a multibillion-dollar portfolio of investments ranging from the reconstruction of Angola's railway system to coal mining in China's Xinjiang Uyghur Autonomous Region to ownership of real estate in New York's Financial District. The two companies are anchors in a corporate structure that is extremely complex and changes frequently. As such, analysts have referred to this group of investors as "the 88 Queensway Group" or "the Queensway syndicate" after the address of its offices in Hong Kong.[40]

In many ways the prototypical predatory investor, Queensway frequently appears in resource-rich states in Africa where it can operate with high levels of opacity. In Angola and Zimbabwe, for example, few details from the contracts pertaining to Queensway's investments—reportedly worth up to $9 billion in each country—have ever been disclosed to the public. In states where contracts have been unearthed, such as Guinea and Tanzania, the deals were revealed to be flagrantly unfavorable to the citizens of the host country. Having allegedly bribed African government officials and engaged in illicit arms trafficking and diamond smuggling, Queensway's deals in Africa have often had a disastrous impact on governance.[41]

Little biographical information is available about any of Queensway's owners, although several articles claim they have significant ties to Chinese state-owned companies and tenuous links to the Government of China itself. Although the use of nominee shareholders (individuals nominated to hold in name only the title of an investor's stake in a company), aliases, and secrecy jurisdictions obscures the power structure and ownership of many of the companies within this network, investigative reports reveal that Queensway is largely the creation of three investors from Hong Kong and mainland China. Sam Pa, Lo Fong Hung, and Wu Yang jointly founded Queensway's main Hong Kong-registered holding company in 2003, which would become known as Dayuan International Development Limited.

The Beginning: Sam Pa and Berlin Limited

There is not much agreement about the founder of the Queensway Group, Sam Pa. Even his name is a subject for debate. Chinese media reports refer to him as Xu Jinghua, the Mandarin pronunciation of his Cantonese name, Tsui King Wah. Reports reveal he has used a variety of aliases, including "Xu Songhua," "Sa Muxu," "Sam King," "Ghiu Ka Leung," "Samo," and "Antonio Famtosonghiu Sampo Menezes." His employees and business associates refer to him only as "Mr. Sam" or "Mr. Tsui."[42]

Reportedly coming from humble beginnings, Sam Pa is now said to be "fabulously wealthy."[43] He has access to the highest echelons of power in many African capitals. He is described by colleagues as being an incredibly hard worker with high expectations and having a volatile temper. His African business partners know him as a shrewd, well-connected businessman with the ability to make the seemingly impossible happen. Yet, many of his former associates remember him as a swindler who exaggerates his importance and routinely fails to deliver on promises.[44]

Sam Pa's nationality is as much of a mystery as his real name. Some who claim to know him well say he was born and raised in Hong Kong. Others claim he moved from the mainland to Hong Kong as a child. Still others claim he is from Macau or Singapore.[45] As "Sam King," he claimed British citizenship before the United Kingdom ceded Hong Kong to Beijing. He spent time elsewhere in Europe in the 1970s and early 1980s, including a stint in Belgium where former associates claim he assumed the name "Ghiu Ka Leung." Media reports covering his 2004 visit to Argentina claim he is Cambodian.[46] He is known to use numerous different passports and travels on a fleet of private jets owned by the Queensway Group.

Using the names "Ghiu Ka Leung" and "Sam King," Sam Pa was director of several dozen companies during the 1980s and 1990s, many of which revolved around a Hong Kong-registered firm called Berlin Limited (see Table 1). Many of these entities were jointly owned or run with someone named "Chiu Yee Mui," who frequently used the same residential address as Sam Pa. Though the purpose of many of these companies is unclear, legal records show that Sam Pa had business relationships with architects, property developers, and engineering firms.

His relationships with African military and government leaders date back several decades. These relationships were developed, in part, during his time as a Chinese intelligence operative and weapons trader.[47] "All his life he's worked in Chinese intelligence," one well-placed source told the *Financial Times*. "Sam is a big player in arms in Africa. Oil, diamonds and weapons go together. Everyone who was in intelligence at that time, they went into business."[48] Other sources insist that his intelligence activities—allegedly with the Chinese Ministry of State Security—overlapped considerably with his business operations. These activities included three main types of work: acting as an intermediary between Beijing and foreign governments, providing information on foreign governments to senior Chinese officials, and brokering arms deals with friendly governments.[49]

With Berlin Limited, Sam Pa gained experience working in war-torn environments. For example, beginning in the mid-1980s, Sam Pa used Berlin Limited to do business with the Eritrean People's Liberation Front (EPLF), an Eritrean rebel group that went on to become the country's ruling party in 1991. Sam Pa established a joint venture called Ascot Investments Limited, which was incorporated in Hong Kong on November 4, 1988. Half of Ascot's shares were split between Berlin Limited and "Ghiu Ka Leung." The remaining shares were held by Vaerini Mokonen and Ermias Debessai, Eritreans who held Somali passports and addresses in London. Ermias Debessai was a founding member of the EPLF

Table 1. Companies Tied to Ghiu Ka Leung (alias Sam King)

Company Name	Year Est.	Description
Ace Choice Limited	1986	A joint venture with a Belgian national named Marie Helene Driesen.
Comewide Limited	1986	A company jointly owned by Ghiu Ka Leung and Chiu Yee Mui.
Fairmost Investments Limited	1986	A joint venture between Ghiu Ka Leung and an unknown investor represented by Sincere Nominees Limited.
Longhorn Investments Limited	1986	A firm linked to the investors behind Ascot Investments Limited.
Galwo Investments Limited	1987	A company owned by Ghiu Ka Leung (later represented by Chiu Yee Mui), a Chinese citizen named Lu Kwong Ting, and a third investor represented by a nominee.
Berlin Limited	1987	The holding company at the center of a large web of corporations controlled by Sam Pa when he used the alias Ghiu Ka Leung.
Ascot Investments Limited	1988	A joint venture with two individuals using Somali passports believed to represent the Eritrean People's Liberation Front, including former Eritrean Ambassador to China Ermias Debessai.
Pizza Belle Limited	1988	A joint venture between Berlin Limited and Galwo Investments Limited.
Asiawide Investments Limited	1989	A joint venture between Berlin Limited and two Chinese citizens, Yu Zhong Li and Gao Jiang Cheng.
Munich Development Limited	1989	A joint venture between Berlin Limited and Yu Zhong Li, a Chinese citizen.
Anwol Enterprises Limited	1991	A joint venture with Galwo Investments (see above) and Fresh Fortune Limited, a Hong Kong firm controlled by several individuals from Mainland China.
Berlin International Limited	1991	A subsidiary of Berlin Limited.
Contex Investments Limited	1991	A subsidiary of Berlin Limited.
Crown Light International Limited	1991	A joint venture between Ghiu Ka Leung, Chiu Yee Mui, and Fresh Fortune Limited.
Moreland Investments Limited	1991	A company jointly owned by Ghiu Ka Leung and Chiu Yee Mui.
Pacific Light Limited	1991	A company jointly owned by Ghiu Ka Leung and Chiu Yee Mui.
Sunmax Investments Limited	1991	A joint venture between Berlin Limited and Galwo Investments Limited.
Winbuild Land Limited	1991	A company jointly owned by Ghiu Ka Leung and Chiu Yee Mui.
Berlin Industrial (Beijing)	1993	A joint venture between Berlin International Limited and China Huitong Group—a firm owned by the General Staff Department of the People's Liberation Army—engaged in the jewelry business.

and a key figure in Eritrea's push for independence.[51] He was also the EPLF's envoy in Beijing at the time Ascot was formed and Eritrea's Ambassador to China after the country achieved independence in 1992. Debessai was arrested in 1997 and then convicted in 2001 by a special court in Eritrea (albeit highly controversially) of embezzling public funds to finance his own arms trade and hiding more than $1.2 million in bank accounts in Singapore, Hong Kong, and Britain.[52]

Sam Pa traded with the Angolan government during the last decade of the country's civil war, which ended in 2002, developing strong relationships with President dos Santos and Angola's senior military leaders in the process.[53] Sam Pa also made inroads in Cambodia in the early 1990s, gaining access to Prime Minister Hun Sen. Those familiar with his business dealings in Cambodia claim that these deals involved the transfer of large quantities of armaments to the government. However, by the mid-1990s, the relationship turned sour following a financial dispute with Phnom Penh.[54]

Sam Pa's relationship with Hun Sen was not his only partnership to deteriorate during the early 1990s. During this period, Berlin Limited and other firms linked to Sam Pa became embroiled in legal disputes with many of its business partners. A property development company sued Pizza Belle Limited for HK$187,500 (about US$25,000) in 1990. In 1993, Berlin Limited was sued by one of its joint venture partners for HK$17,052,091 (about US$2.2 million). In 1994, Hong Kong's Commissioner of Inland Revenue Department—Hong Kong's tax authority—sued Munich Development Limited, another company controlled by "Ghiu Ka Leung," for HK$316,105 (about US$40,000). Sam Pa's legal troubles continued through the mid-1990s. A May 1995 application for bail suggests that Sam Pa may have spent time in prison in Hong Kong during this same period. Shortly thereafter, numerous firms tied to Sam Pa filed for bankruptcy, and he appears to have ceased using the names Ghiu Ka Leung and Sam King and dissolved all of the companies tied to either alias.[55]

Despite Berlin Limited's dissolution, the business strategy that it employed would reappear years later with Queensway. First, cultivate high-level connections to military and government officials in resource-rich fragile states. Second, demonstrate the willingness and capacity to do business in unstable environments. Third, exploit legal loopholes to achieve corporate secrecy and investor anonymity.

A Key Partnership: Lo Fong Hung and New Bright International Development

In 2003, Sam Pa forged a partnership with Madam Lo Fong Hung, a Chinese citizen with connections to senior officials of Chinese government agencies and state-owned enterprises. In July 2003, the two began incorporating a series of holding companies, most of which had the same address: 10/F, Two Pacific Place, 88 Queensway, Hong Kong. Unlike the companies formed around Berlin Limited, none of Sam Pa's aliases appear on any corporate filings for this new set of companies. Rather, his interests appear to be represented by Veronica Fung Yuen Kwan. Fung is listed as a shareholder and director of most Queensway companies. Most importantly, she appears to represent Sam Pa's 70-percent stake in New Bright International Development Limited, a holding company at the core of the Group's complex corporate structure.

Veronica Fung's only known business affiliation prior to the incorporation of New Bright was as director and co-owner with Sam Pa of a now-defunct Hong Kong-registered firm called Acegain Investments Limited. Former colleagues claim that Fung is Sam Pa's wife and frequently accompanies him on his

Sam Pa (back left) stands in background as Lo Fong Hung (front row, left) poses at a deal-signing ceremony for China Sonangol, a key Queensway affiliate. (Source: China National Materials Group Corporation Ltd., 2011.)

travels.[56] She is the mother of at least one of his children, a son born in the early 1990s. However, during a September 2013 public appearance in China, Sam Pa was accompanied by a woman named Sun Baihui who was introduced as his wife.[57] Nevertheless, Fung's presence as a nominee director or nominee shareholder in the Queensway companies would in theory allow Sam Pa to deny any legal responsibility for the Queensway Group.

Lo Fong Hung holds the remaining 30-percent stake in New Bright. While some have suggested that Lo is merely a figurehead, others claim that she wields significant power over the Group. "Madam Lo is the Beijing connection," says one former associate who insists that she derives her power from high-level connections within the Chinese government.[58] One report claims that Lo once was a translator for Deng Xiaoping, China's head of state from 1978 until 1992. Lo has represented Queensway companies on numerous business delegations across the globe. On one such trip, she was introduced by President Hugo Chávez as "the daughter of a powerful military general" in China's People's Liberation Army.[59] She represents the Queensway Group at high-profile ceremonies commemorating newly established partnerships or major investment deals. By 2013, she was listed as a director of 70 firms in Hong Kong. "Sam was clearly the boss," said one executive who has done business with Queensway's leaders. "But Lo Fong Hung seemed to be the power behind the throne."[60]

Lo's high-level connections are matched by those of her husband, Wang Xiangfei, an executive who has held positions with several of China's most powerful state-owned companies, including China International Trust and Investment Corporation (CITIC) and China Everbright.[61] Wang serves as Independent Non-Executive Director of China Development Bank International Investment Limited, a Cayman Islands-registered subsidiary of China Development Bank. As director of several Queensway affiliates in Hong Kong, Wang also plays a role in the Group's operations.

Queensway Takes Shape: Wu Yang, Beiya Industrial, and China International Fund

In late 2003, New Bright established a Hong Kong-registered joint venture, Beiya International Development Limited (BID), which was used as Queensway's holding company for oil, mining, and infrastructure deals across the globe.

Initially, BID appeared to be a joint venture between New Bright and Beiya Industrial Group Co. Ltd., a railroad engineering firm based in Harbin, China. Beiya Industrial was a publicly traded company with a list of shareholders that included 28 Chinese state-owned enterprises. New Bright held the controlling stake of the joint venture with 70 percent of BID's shares. Both of New Bright's directors—Veronica Fung and Lo Fong Hung—sat on the board of the newly established company. According to Hong Kong company filings, Beiya Industrial held the remaining 30 percent of BID's shares. Wu Yang, previously identified as one of Beiya Industrial's employees, served as its third director.

Wu Yang has a long history of ties to Chinese state and party entities. On Hong Kong corporate filings, for example, Wu lists his residential address as 28/F No. 14 Dong Chang An Street, Beijing, China, which is the street address of the Chinese Ministry of Public Security (MPS). An online biography of Wu claims that he took a position with MPS in August 1983, shortly after earning a bachelor's degree. It further states that in September 1986, he took a position on the staff of the Central Committee of the Communist Party of China (CPC).[62]

Wu has publicly stated that he had "been active in business circles in the Mainland for some time and ha[d] strong and useful connections in official circles and with various large companies including China Petroleum & Chemical Corporation (Sinopec)."[63] By 2006, Angolan media and government reports referred to Wu as "vice director" of Sinopec.[64] In January 2010, Wu was serving as deputy general manager of Sinopec's International Petroleum Exploration and Production Corporation (SIPC).[65] In the years that followed, Sinopec would emerge as one of Queensway's most important partners, especially for its operations in Angola.

In late 2003, Queensway incorporated China International Fund Limited (CIF), a Hong Kong-registered firm, which would become one of the main vehicles for its investments throughout Africa.[66] BID owned 99 percent of CIF's shares, and Lo Fong Hung individually owned the remaining 1 percent.

By early 2004, therefore, Queensway had a team in place and began to seek access to natural resources in order to obtain commodity-backed loans from international banks. These credit lines would underwrite large-scale construction and public works projects, which Queensway would, in turn, subcontract to outside firms. The 88 Queensway Group would be a one-stop shop for oil-for-infrastructure deals—at least in theory.

Taking the Show on the Road: Abortive Investments in Latin America

During Queensway's initial push overseas, its founders used relationships with well-established businessmen in order to gain traction in target countries. None was more crucial to their early success than Hélder Bataglia, a Portuguese banker who grew up in Angola.

As head of Espírito Santo Commerce S.A. (ESCOM), Bataglia had developed strong relationships with senior government officials across Africa and Latin America, including numerous heads of state. In 2003, Sam Pa approached Bataglia about setting up a joint venture to do business in Africa and Latin America. He brought Bataglia to China and introduced the Portuguese banker to senior officials from numerous Chinese state-owned enterprises. Bataglia was left with the distinct impression that Sam Pa had previously worked for Chinese intelligence. "Of course I thought Sam worked for the government," Bataglia recalled to the *Financial Times* in 2014. "His background, I thought, was in the secret services—he had a mission now to expand China into the world."[67] In April 2004, Bataglia and Queensway formalized their partnership, setting up a Hong Kong-registered company called China Beiya Escom (CBE) that aimed to do just that.

That month, Bataglia and his newfound business partners travelled to Caracas to sign letters of intent for several large-scale investment projects in Venezuela, where Queensway had been trying to establish a foothold for the previous year.[68] During the April 2004 visit, CBE signed up for 20 projects in Venezuela worth $3 billion.[69] Shortly after signing the letters of intent, the CBE delegation appeared on "Aló Presidente," then President Hugo Chávez' nationally televised program. The CBE delegation included Lo Fong Hung as managing director of BID, "Xan Kin" (a former associate claims this was actually Sam Pa) as vice-director of CBE, and Bataglia.[70] Also present for the broadcast were China's ambassador to Venezuela and several senior Venezuelan officials involved in the deal.[71]

Remarks delivered by "Xan Kin" to Chávez during the broadcast bore an uncanny resemblance to the pitch that Sam Pa would give on Queensway's behalf on later trips to resource-rich African states: "I am convinced that under your leadership, the leadership of your ministers, and with the drive of the Venezuelan people, in very little time there will be immense achievements in the economic area, in the area of social redevelopment." Xan Kin stressed that Venezuela could replicate the rapid economic growth experienced by many East Asian countries during the decades prior. "I would like to mention, Mr. President, that less than 20 years ago, Asian countries were in a very similar situation to the one we have here in Venezuela, but perhaps even worse, not enjoying the huge natural resources possessed by this country," he said. "In less than 15 years, Asian countries have achieved tremendous economic development, and I am convinced that if Asia could do it, the Venezuelan people can do it too."[72]

The late Venezuelan leader seemed to believe his allies in the region could also benefit from cooperation with CBE. "You have to help out my friend Kirchner," Chávez reportedly told members of the delegation, referencing then Argentine President Néstor Kirchner.[73] Shortly thereafter, Queensway's leaders arranged to have lunch with Kirchner in a government office building in Beijing to discuss a potential multibillion-dollar investment package. According to Kirchner, the location of the meeting led him to believe that Beijing officially endorsed Sam Pa's enterprise.[74] There was also an elaborate deal-signing ceremony in Buenos Aires on November 17, 2004, that coincided with then Chinese President Hu Jintao's visit to Argentina. There, Sam Pa and Kirchner signed letters of intent for nearly $20 billion worth of investments.

A Chinese embassy official in Buenos Aires later rejected any official Chinese government connection, telling reporters that "Hu's entourage was never aware of those agreements, nor of those investments, entrepreneurs, or self-styled Chinese companies."[75] Chinese diplomats in Caracas delivered a similar message to the Government of Venezuela. Ultimately, Queensway's proposed investment packages in Latin America fell through.

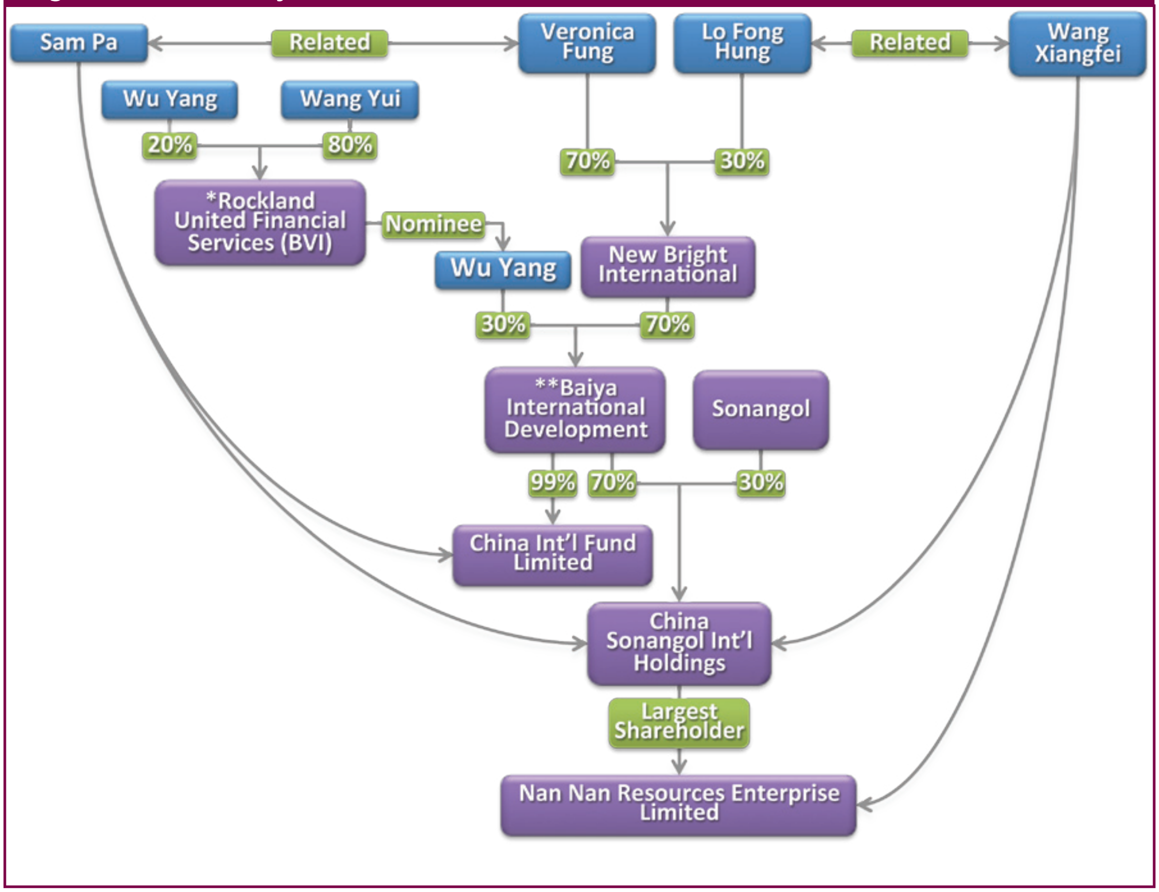
From China Beiya Escom to China Sonangol

In contrast to its foray into Latin America, the Group's early collaborations with Bataglia in Africa bore significant fruit. CBE's first destination in Africa was Angola, the country where Bataglia spent his childhood. According to Bataglia, Sam Pa already had ties to Angola dating back at least a decade. "Sam told me that 10 or 15 years ago he was in Angola," Bataglia recalled to the *Financial Times*, in reference to early meetings with Sam Pa in 2003. "In that time, to go to Angola, it must be for official purposes," he added.[76] Despite these past links to Angola, Queensway's leaders had relatively little experience doing business in Angola. Accordingly, Queensway leveraged links to well-established investors like Bataglia to gain access to key senior Angolan officials, including Manuel Domingos Vicente, then CEO of Angola's powerful state-owned oil company, Sonangol.

Queensway left little room for its Angolan counterparts to doubt its connections in Beijing. Queensway's leaders arranged a series of meetings between Bataglia, Vicente, and influential Chinese officials. According to one Chinese report, Wu Yang arranged for Vice Premier Zeng Peiyan, then in charge of energy affairs for the Chinese government, to meet with Vicente in May 2004.[77] In June 2004, just a few weeks after Vicente's meeting with Zeng, CBE and Sonangol formed a joint venture called Sonangol Asia. On September 8, 2004, BID formed a joint venture of its own with Sonangol called China Sonangol International Holding Limited. BID held a 70 percent stake in the company, and Sonangol owned the remaining 30 percent (see Figure 2).

This arrangement would go on to flourish for Queensway. China Sonangol (along with CIF) subsequently established over a dozen subsidiaries in Hong Kong and several more in Singapore. In addition to owning stakes in nearly a dozen Angolan oil blocks, China Sonangol was the main corporate vehicle used for Queensway's investments in Guinea, Madagascar, Niger, Tanzania, and Zimbabwe. Representatives at the Group's headquarters in Hong Kong and Singapore explained

Figure 2. Queensway's Core Structure



*Wu Yang would later claim that his stake in Beiya actually represented shares he jointly owned with a business partner named Wang Yui (see Fighting over the Spoils: Wu Yang v. Dayuan).

**Beiya International Development changed its name to Dayuan International Development in 2006. In September 2012, Dayuan's share in CIF and China Sonangol was transferred a British Virgin Islands (BVI)-registered shell company called Magic Wonder Holding Limited.

that CIF and China Sonangol "are the same thing" and that "there is no difference between China Sonangol and CIF."[78]

For Sam Pa and Lo Fong Hung, BID's partnership with Sonangol diluted the usefulness of their earlier partners, Wu Yang and Hélder Bataglia, each of whom were eventually marginalized. BID also formally severed ties with its namesake, Beiya Industrial, less than 2 months after forming China Sonangol and changed the holding company's name to Dayuan International Development Limited two years later (see "Cutting Ties with Beiya Industrial" below). Vicente would become the Group's staunchest ally in Africa. Before leaving his post at Sonangol in early 2012 to become Minister of State for Economic

Coordination and subsequently Vice President of Angola, Vicente traveled on private jets owned by China Sonangol to help Queensway forge relationships throughout Africa. He was often accompanied by Sam Pa, who traveled on an Angolan diplomatic passport.[79]

Cutting Ties with Beiya Industrial

Although Queensway's partnership with Beiya Industrial seemed promising, the marriage did not last long. A former employee of Beiya Industrial told reporters that Liu Guiting (chairman of Beiya Industrial at the time) had given day-to-day control of Beiya Industrial to China International Fund sometime around 2002.[80] During this period, Wu Yang briefly served as general manager of Beiya Industrial. Before long, however, the arrangement ran afoul. The employee recalled that, initially, Liu was attracted to the prospect of partnering with the Queensway Group on large-scale projects but quickly lost confidence in Wu and CIF and "drove them out."[81] "[Liu] said that the other side [Queensway] had made huge bids," the employee recalled, "but after he found out the truth, he felt they were false, so there was no deal."[82] By October 2004, formal links between Beiya Industrial and Queensway had been severed. At that point, Beiya Industrial's 30-percent stake in BID suddenly was transferred directly to Wu Yang.

Holding onto the name "Beiya" soon became a reputational liability for Queensway. The launch of BID coincided with a period of rampant fraud and embezzlement at Beiya Industrial. Between 1997 and 2005, Beiya Industrial had been falsifying important corporate records and criminally failed to disclose key information in order to conceal a large-scale embezzlement and money laundering operation.[83] The scandal brewing at Beiya Industrial became public when its chairman, Liu Guiting, was arrested in 2006 while trying to flee the country. In April 2009, a Chinese court convicted Liu of "misappropriating 100 million Yuan ($14.6 million)" and "of embezzling more than 13 million yuan, taking 500,000 yuan in bribes and paying millions more under the table to government officials during his time as chairman from 1997 to 2005."[84] Within a few months of Liu's arrest, it appeared that Queensway had completely severed its links to Beiya Industrial.

In 2006, BID changed its name to Dayuan International Development Limited. On paper, Wu Yang appeared to remain integrated into Queensway's corporate structure for several more years. By 2009, he was listed as director of at least 12 Hong Kong-registered firms linked to Dayuan.

A State within a State within a State: The Case of Angola

In 2002, Angola emerged from a brutal civil war that had lasted three decades and claimed the lives of approximately 1 million people. The challenges facing the country in the wake of the conflict were immense. Infrastructure was in shambles. Hundreds of bridges were destroyed. The country's three major railways were badly damaged and largely unusable. Millions of landmines remained scattered throughout the countryside, impeding access to roads, bridges, and farmland. The government lacked physical access to large swaths of the country's interior, prompting some analysts to refer to Angola as "an archipelago of cities."[85] Luanda's population had ballooned from about half a million people to nearly 4 million by 2002 due to displacement from the country's conflict. Many of the newly arrived lived in informal slums known as musseques.

The end of the war presented Angola with a crucial opportunity for jumpstarting the economy. Oil output was about to rapidly expand, generating funds that could be used for reconstruction, development, and poverty reduction. Indeed, between 2002 and 2013, Angola's GDP grew on

Chinese construction workers travel through Luanda on a pickup truck owned by the GRN. (Source: Susana Moreira.)

average at an astounding rate of 10.5 percent per year—from $12.4 billion in 2002 to $124.1 billion in 2013—making it one of Africa's fastest growing economies.

Despite this massive expansion in resources, many Angolans remain mired in poverty—the prototypical paradox of the resource curse. Although Angola's gross national income (GNI) per capita is more than triple that of Sub-Saharan Africa as a whole, life expectancy in Angola (51) still lags behind the average for the rest of the region (56).[86] World Bank data shows that the percentage of Angola's rural population with access to improved sources of drinking water actually fell over the decade after Angola's civil war, dropping from 37.6 percent in 2004 to 34.3 percent in 2012.[87] Worse, Angola still has one of the world's highest child mortality rates, as one of every six children born in Angola is likely to die before the age of 5.[88]

Political and economic decision making in Angola remains highly centralized within a clique of advisors close to the president. There are few institutionalized checks on the executive branch's power. High-level Angolan officials have routinely been embroiled in corruption allegations by the international and domestic media but many of these have gone uninvestigated. Reporting on corruption is both difficult and dangerous and the few journalists that have managed to unearth details about corruption have faced intimidation, violence, or legal action. Numerous journalists and activists have been imprisoned or brought to trial on dubious defamation charges.[89]

In short, in the aftermath of its civil war, Angola perfectly matched Queensway's preferred operating environment—a resource-rich but fragile state where authority was highly centralized around a small group of influential and unaccountable leaders.

Oil and Diamonds in Angola

Oil accounts for 93 percent of Angola's exports and diamonds account for another 6 percent. Without question, the most powerful institution in the petroleum sector is Sonangol, Angola's national oil company. Established in 1976, Sonangol gained a reputation for technical proficiency. During the civil war, Sonangol emerged as "an island of relative competence in a sea of chaos."[90] Unlike most businesses and public sector institutions, Sonangol was shielded from ideologically driven reforms and day-to-day political machinations and received advice and training from industry leaders, including Eni, an Italian multinational oil company.[91]

Sonangol received protection and special treatment in its infancy for several reasons. First, its management team consisted mostly of well-connected members of the ruling MPLA political party. Second, the company's managers were broadly perceived as skilled technocrats at a point when few MPLA officials were university educated. Finally, the oil sector was vital to ensuring MPLA rule.[92]

The company was crucial in maintaining strong relationships with multinational financial institutions and oil companies, especially when relationships with many foreign governments were strained.[93] Sonangol was also able to secure much-needed oil-backed loans for various purposes, including the procurement of weapons.[94]

From its beginning, Sonangol has been criticized for opaque management and accounting practices, corruption, and a general lack of accountability. The company holds multiple, conflicting roles in the petroleum sector at once, serving as concessionaire, operator, and regulator. A 2004 Human Rights Watch report found that Sonangol could not account for approximately $4 billion in oil revenue from 1997 to 2002.[95] In December 2011, the International Monetary Fund (IMF) revealed that the Government of Angola could not account for $32 billion in public funds between 2007 and 2010. The Angolan government dismissed these discrepancies as the result of poor accounting and a lack of capacity. However, as Global Witness points out, "A government and state oil company that handle billions of dollars through complex offshore arrangements, including the use of Special Purpose Vehicles and foreign tax havens, can certainly manage a simple balance sheet."[96]

Sonangol reported solely to the Office of the President and was led by a protégé of President dos Santos, Manuel Domingos Vicente. Vicente took control of Sonangol in 1999 and remained the company's CEO until February 2012 when he became Minister for Economic Coordination. There have been persistent reports that Vicente reaped enormous personal benefits from his role at Sonangol. In 2008, for example, Vicente transferred shares of Sonangol Holdings—one of the most important entities within Sonangol's sprawling corporate structure—to his own name.[97] On a separate occasion, Sonangol granted equity stakes in lucrative offshore oil blocks to a little-known Angolan oil company called Nazaki Oil. Subsequent investigations revealed that the owners of Nazaki Oil included Vicente.[98]

Sonangol is involved in a wide range of activities beyond the oil sector, including shipping, logistics, construction, real estate, banking, and aviation. The company is also episodically involved in servicing the country's public debt, providing fuel subsidies, and many other "quasi-fiscal activities" (off-budget spending of public funds) that have led analysts to refer to the company as "a state within a state."[99]

Although significantly smaller than the oil sector, Angola's diamond industry is also plagued by corruption and opacity. There have been numerous reports of human rights abuses and environmental degradation in Angola's diamond fields. Documents brought to light during a legal dispute in London demonstrated how the Angolan government "manages its diamond trade for the benefit of certain oligarchs and members of the elite."[100] Licenses are often granted to companies run by political insiders and high-level military officials.[101] President dos Santos' first wife, Tatiana Cergueevna Regan, and their daughter, Isabel dos Santos, are allegedly anonymous shareholders in Angola Selling Corporation (ASCorp), the state-controlled diamond-marketing firm.[102] Senior Angolan generals hold stakes in lucrative joint ventures with foreign mining companies as well as in the private security firms hired to secure diamond facilities.[103] Much like the oil sector, only a select few well-connected Angolans benefit from the country's diamond wealth.

Cashing in on Victory

The government's overall postwar reconstruction strategy has been summarized as "top-down, accelerated high-technology economic development, with heavy emphasis on investment, big projects and borrowing to build infrastructure."[104] This high-profile reconstruction campaign would help to satisfy several objectives of Angola's leaders. Rebuilding the nation's shattered infrastructure would help jolt economic recovery, enhance the government's access to the former rebel-held hinterland, and burnish the credibility of MPLA rule.

While the government's reconstruction agenda was in line with the postwar interests of its citizens, the Angolan government soon began to pursue "flashier and mostly needless" projects.[105] Since the beginning of the reconstruction process, moreover, donors and civil society organizations frequently criticized the lack of public consultation and transparency.

Initially, the government looked to the traditional donor community for financing, calling for an international donor conference to discuss Angola's financial needs and objectives.[106] However, relations between the Angolan government and many donors and lenders—especially the Paris Club and the

IMF—had been strained since the mid-1990s when Luanda repeatedly backed out of IMF reform programs and refused to provide the IMF with basic economic statistics.[107]

High-profile campaigns by civil society watchdogs that exposed oil sector corruption in Angola only heightened these concerns.[108] Instead of organizing a donors' conference, donors and lenders pushed a reform agenda whereby Angola would be ineligible for financial assistance until there were visible improvements in governance and economic management. According to one diplomat stationed in Luanda, "The Angolan government thought that the donor community was going to march into Luanda with bags full of money with no questions asked; and they were sadly mistaken."[109]

Laying the Groundwork

Instead of following the proposed reform agenda, Angola's leaders sought alternative financing, including from several Chinese "policy banks" (state-owned banks tasked with financing and promoting Chinese business activities abroad), commercial lenders, state-owned companies, and a previously little-known Hong Kong-registered firm called China International Fund.

Manuel Vicente, then CEO of Sonangol, shuttled back and forth from Angola to Beijing and Hong Kong several times during late 2003 and early 2004. The main purpose of Vicente's trips to China appeared to be to negotiate a large financing package with the Export-Import Bank of China (China Eximbank). Indeed, the state-owned policy bank approved a $2 billion oil-backed credit line to Angola on March 21, 2004. However, it soon became clear that a significant portion of Vicente's time had been spent orchestrating a series of massive—yet secretive—deals with the Queensway Group.

After establishing contact with Vicente through a series of middlemen (including ESCOM CEO Hélder Bataglia), Sam Pa wooed the Angolan oil executive by providing him high-level access in Beijing.[110] Throughout mid-2004, he worked with Vicente and others in Luanda to negotiate an investment package that would span the oil, mining, infrastructure, real estate, and finance sectors. The major breakthrough came on September 8, 2004, with the formation of China Sonangol International Holding Limited. China Sonangol—70 percent held by Queensway and 30 percent by Sonangol—initially was to have two major purposes. First, China Sonangol would operate in Angola's oil exploration and production sector and serve as a major trader of Angolan crude. Second, China Sonangol would serve as the "borrower" for several multibillion-dollar oil-backed loans. Over time, however, China Sonangol emerged as the key corporate vehicle for Queensway's investments in Angola.

On September 6, just a few days before the creation of China Sonangol, Queensway formed another joint venture company with Vicente and Francisco de Lemos José Maria (also an executive at Sonangol) called Global Investments Fund Limited. In addition to Vicente and Lemos, the board of directors included Lo Fong Hung and Veronica Fung. However, unlike China Sonangol, it is unclear whether or not the Angolan state held any stake in this company. Global Investments Fund is wholly owned by Gold Ascent Limited, a Hong Kong-registered corporate services company, making its true ownership structure virtually impossible to determine.

Queensway signed up to undertake high-profile national reconstruction projects in Angola, including railways, public housing developments, government office complexes, and a new international airport. The Queensway Group's China International Fund (CIF) brand was initially used for the majority of its infrastructure construction projects.[111] Although no contract between Queensway and the Government of Angola has ever been disclosed to the public, CIF's Web site advertises its extravagant financing and construction projects in Angola.

By early 2006, CIF's presence in Angola was highly visible. Trucks bearing the CIF logo seemed ubiquitous in Luanda, and the newly constructed China International Fund building—nicknamed Luanda One—was a dominant feature in the skyline of Angola's capital. Billboards advertising reconstruction projects to be undertaken by CIF sprung up across the country. Chinese security guards with uniforms bearing "CIF Security" logos were present throughout Luanda.[112] Seemingly overnight, this obscure Hong Kong-based firm, run by individuals with little apparent experience in the oil or infrastructure sectors, had become the predominant player in Angola's reconstruction.

Queensway's Investments in Angola's Oil Sector

Most of Queensway's investments in crude exploration and production are channeled through China Sonangol. A few other stakes are held through a lucrative joint venture with the largest Chinese state-owned oil firm, Sinopec. China Sonangol does not appear to be involved in the technical aspects of extracting oil in Angola—the company merely holds equity stakes in numerous lucrative oil blocks.

China Sonangol's oil blocks. China Sonangol has held stakes in nine different oil blocks but had divested its interest in three blocks by mid-2014 (see Table 2). One of China Sonangol's more valuable oil concessions—a stake in Angola's Block 32—was obtained in 2010 under questionable circumstances. Although Sinopec initially partnered with China National Offshore Oil Corporation (CNOOC) to acquire this stake from Marathon Oil, Sonangol invoked its right of first refusal to block the sale, and instead, Sonangol itself paid Marathon Oil $1.3 billion for the stake. Shortly thereafter, Vicente said in an interview with Sonangol's promotional magazine that the company intended to transfer "this share in Block 32 to a joint venture we have with the Chinese called China Sonangol."[113] However, no information was disclosed about why the stake was transferred to China Sonangol or how much the Hong Kong-based joint venture paid Sonangol for the acquisition.

"As it stands, Sonangol appears to have spent US$1.3 billion on the 20 per cent stake in Block 32, only to add it to a joint venture in which Sonangol is a minority partner," said Global Witness,

Table 2. Queensway's Oil Assets in Angola			
Company	**Oil Block**	**Stake**	**Years Held**
China Sonangol	Cabinda North	11%	2011-present
China Sonangol	3/05	25%	2005-present
China Sonangol	3/05a	25%	2005-present
SSI	15/06	25%	2006-present
SSI	17/06	27.5%	2006-present
SSI	18/06	40%	2006-present
SSI	18	50%	2005-present
China Sonangol	19/11	10%	2011-2013
China Sonangol	20	10%	2011-2011
China Sonangol	31	5%	2011-present
China Sonangol	32	20%	2010-present
China Sonangol	36/11	20%	2011-present
China Sonangol	38/11	15%	2011-2014

describing the deal as "a complex transaction which did not have an obvious financial benefit."[114] However, for the shareholders of Dayuan International Development, the financial benefit of this transaction was potentially massive. If no money was paid in exchange for the acquisition, as a 70-percent shareholder in China Sonangol, this would amount to a $910 million gift from Sonangol to Dayuan.

The terms of the majority of China Sonangol's other acquisitions remain a mystery, as the contracts pertaining to many such acquisitions have not been disclosed.

Sonangol Sinopec International. In September 2004, China Sonangol and Sinopec formed a joint venture in the Cayman Islands called Sonangol Sinopec International (SSI). Sinopec owns 55 percent of SSI, and the remaining shares are owned by China Sonangol.

SSI made headlines in February 2005 when it won a 50-percent stake in Angola's highly coveted offshore oil Block 18 that had recently been relinquished by Royal Dutch Shell. (The remaining 50 percent of Block 18 is held by British Petroleum, the operator of the concession.) In April 2004, Shell had agreed to sell its 50-percent stake to ONGC-Videsh, an Indian oil and gas firm. However, in mid-2004, Sonangol exercised its pre-emptive rights on the oil block and, through SSI, acquired the relinquished stake. Some critics of the deal claimed China's previous extensions of multibillion-dollar oil-backed loans to Angola gave SSI an unfair advantage. The block had a maximum production capacity of 240,000 barrels per day (bpd) making it a lucrative prize, worth $960 million according to documents filed by Sinopec in 2010. In addition to its stake in Block 18, SSI also had stakes in the exploration of three deepwater blocks.

Sam Pa, Manuel Vicente, and Lo Fong Hung (right) meet in December 2008 with officials from Sinopec (left), including Su Shulin, then Chairman of Sinopec Corporation, Cai Xiyou, Director of Sinopec's Board of Directors and Senior Vice President, Mr. Zhang Yaocang, Vice Chairman of Sinopec Corporation, and Zhou Baixiu, Head of Sinopec's International Exploration and Production Unit. (Source: Sinopec Web site, retrieved January 21, 2014.)

Lobito Refinery. SSI was also slated to construct and run a refinery in Lobito, a coastal city located south of Luanda. Negotiations for the construction of the refinery, known as Sonaref, began in March 2006. For the Angolan government, the refinery would quadruple its refining output, a major achievement considering that the oil-rich country imports about 70 percent of its refined petroleum products. However, negotiations stalled in January 2007, and the project was scrapped entirely the following month. Initially, media reports suggested that negotiations collapsed amid disagreements over the target market. Although Sonangol had envisioned that the refinery would primarily serve Angola and its neighbors, Sinopec hoped Sonaref would export 80 percent of its production to the Chinese market. "We can't construct a refinery just to make products for China," Vicente said to reporters following the collapse of the negotiations in March 2007.[115] Others have indicated, however, that Sinopec may never have been interested in participating in the refinery project in the first place and had merely moved ahead with the planning because the Angolan government had linked the refinery's construction with the allocation of oil concessions.[116]

Queensway's Foray into the Diamond Sector

Queensway entered Angola's diamond sector around the same time as it created China Sonangol. By 2006, the Group had created at least seven firms with links to Angola's diamond sector (see Table 3). The first was China Africa Development Holding (CADH), which was created on September 6, 2004, the same day as Global Investments Fund Limited (the opaque joint venture firm established by Queensway and Manuel Vicente). Like that of Global Investments Fund, the ownership structure of CADH is murky, as its shares are split evenly between Dayuan and Gold Ascent Limited (the same corporate services company that nominally owns Global Investments Fund). The directors of CADH are Lo Fong Hung and Catarina C. Marques Pereira, a major figure in Angola's diamond industry. Pereira is the deputy-chair of Sociedade Mineira do Camatchia-Camagico's board of directors, the corporation representing the Angolan government's interest in the Camatchia-Camagico diamond

Table 3. Queensway Companies Linked to Angola's Diamond Sector

Company Name	Date Formed	Location	Owners	Directors (other Affiliation)
China Africa Development Holding	September 6, 2004	Hong Kong	Dayuan (50%)	Lo Fong Hung (Founder/Director, Dayuan)
			Gold Ascent (50%)	Catarina C. Marques Pereira (Sociedade Mineira do Camatchia-Camagico)
Endiama China International Holdings Limited	December 15, 2004	Hong Kong	New Corporate International Limited (45%)	Lo Fong Hung (Founder/Director of Dayuan)
				Yuk Ying Angel Tong (Chief Financial Officer, China Sonangol)
			ENDIAMA (55%)	Manuel Arnaldo de Sousa Calado (President, Endiama)
				Beatriz Jacinto António da Sousa (ENDIAMA)
				Miguel Bondo Júnior (Director, Angola Polishing Diamonds SA)
				António de Jesus Matias (ENDIAMA)
Endiama Asia Pacific Limited	December 15, 2004	Hong Kong	CIF (100%)	None
Endiama International Limited	December 15, 2004	Hong Kong	CIF (100%)	None
New Corporate International Limited	Unknown	BVI	Unknown	Unknown
World Noble Holdings Limited	Unknown	BVI	Unknown	Unknown
Worldpro Development Limited	June 12, 2006	Hong Kong	World Noble Holdings Limited (100%)	Lo Fong Hung (Founder/Director of Dayuan)
				Moshe Hallak (Director of LLD Asia)
				Manuel Domingos Vicente (Fmr. Sonangol CEO, now VP of Angola)
				Francisco de Lemos José Maria (Current CEO of Sonangol)

mine.[117] Notably, this mine was developed jointly by the Portuguese bank and frequent Queensway partner, ESCOM, Russian diamond miner ALROSA, and Angola's state-owned diamond company, ENDIAMA E.P.

A few months later, on December 15, 2004, Queensway established three firms bearing the name "Endiama," although only one of these companies actually appears to be a joint venture with the Angolan state diamond firm. Endiama China International Holding Limited is a joint venture between ENDIAMA and New Corporate International Limited, a British Virgin Islands (BVI)-registered firm controlled by Queensway. Its directors include two representatives from Queensway companies and four Angolan officials working in the country's diamond sector. The other two companies—Endiama International Limited and Endiama Asia Pacific Limited—are wholly owned subsidiaries of CIF. Angolan state press announced in 2005 that ENDIAMA would, in fact, partner with CIF on several diamond concessions throughout the country. In 2007, press reports claimed the partnership had been cancelled. Nevertheless, corporate records show that each Queensway-created Endiama firm remains active.

On June 12, 2006, Queensway formed another firm with links to Angola's diamond sector: Worldpro Development Limited. Notably, this company was directed by Lo Fong Hung, two Sonangol executives (including Vicente), and an employee of Lev Leviev, who was already one of the dominant players in Angola's diamond sector. Unlike other partnerships in the diamond sector, the ownership of this company does not clearly trace back to any Angolan state entity but rather to an anonymous shell company in the BVI.

On May 29, 2011, China Sonangol made its own foray into the diamond sector, purchasing Leviev's 18-percent stake in the Catoca complex—Angola's largest diamond mine—for $400 million.[118]

Opaque Oil-Backed Credit Lines

One might assume that perceptions of corruption and ineffective public sector institutions would damage a government's chances of acquiring multibillion-dollar loans from private banks. However, oil-backed credit lines have allowed the Angolan government and Sonangol to gain immediate access to cash by securing loans against future oil output. The loan agreements typically stipulate the creation of a mechanism, such as an offshore special purpose vehicle (SPV) or an escrow account, to collect oil revenues for the purpose of repaying lenders. This system allows banks to circumvent many of the risks associated with extending loans to governments or corporations operating in states with high-risk profiles or poor accounting standards.

Several reports claim that CIF extended a multibillion-dollar oil-backed credit facility to Angola sometime between late 2004 and early 2005, though accounts of the exact size of the loan vary considerably (estimates range from $2.9 billion to $10 billion). China Sonangol's corporate filings reveal that the Queensway Group did help secure numerous oil-backed loans for Angola's benefit from large European and Chinese banks. The absence of details about the terms of the loans and the means of repayment precludes analysts and, more importantly, Angolan society from determining whether or not these deals were in the population's best interest.

The first loan is a case in point. China Sonangol was the centerpiece of this arrangement, a $3 billion loan from over a dozen prominent international banks negotiated between July and October 2005. For this loan, China Sonangol was technically the "borrower" and also acted as an intermediary between the seller of Angolan crude, Sonangol, and the purchaser, China United International Petroleum and Chemicals Co. Ltd (UNIPEC). Industry analysts have suggested that the main reason China Sonangol served as borrower for this loan was that negative pledge restrictions imposed on Sonangol by the World Bank prevented it from using assigned offtake agreements as collateral. Although previous financing agreements used SPV companies to avoid these restrictions, SPVs provided an extra layer of complexity and could prove expensive. "The overall complexity of using an SPV is a big disincentive," Philip Badge, a specialist in international banking who has advised lending banks on a number of Sonangol financings, noted shortly after the deal was closed.[119] A report by the South African Institute of International Affairs suggests that China Sonangol acted as borrower because, unlike Sonangol, it "had a clean borrowing file."[120]

The syndicated loan was coordinated by the London branch of Crédit Agricole Lyonnais (Calyon), one of the largest banks in France. Other banks involved in the loan included Banco BPI, BNP Paribas, Commerzbank, Deutsche Bank, DZ Bank, Fortis, HSH Nordbank, KBC Bank, Natexis, Nedbank, Royal Bank of Scotland, Société Générale, Standard Bank, SMBC, UFJ, and West LB. The 7-year loan had an interest rate of LIBOR plus 2.5 percent.

Corporate filings provide some details about the repayment of the loan. On September 26, 2005, China Sonangol signed an agreement with Sonangol "providing for delivery of sufficient crude oil to China Sonangol in order to enable China Sonangol to meet its delivery obligations." Several days later, on September 30, 2005, China Sonangol signed a "dedicated oil contract" with UNIPEC "providing for deliveries of Angolan crude to UNIPEC on a quarterly basis" in specified amounts. Between October and December 2005, China Sonangol would deliver to UNIPEC 4 cargos of crude oil containing a minimum average of 912,500 barrels. From January 1, 2006, until September 30, 2008, China Sonangol would be required to deliver 6 cargos of the same quantity to UNIPEC each quarter. Thereafter, China Sonangol was required to deliver 7 cargos of 912,500 barrels to UNIPEC until the loan was repaid in full.[121]

Although neither the Angolan government nor China Sonangol has ever fully disclosed the terms of the deal, records from China Sonangol's oil-trading department, dated March 23, 2007, show that between December 2004 and March 2007, China Sonangol supplied 74,854,704 barrels of crude oil to UNIPEC. The total value of these sales is estimated to have generated $4.3 billion in revenue.[122]

These transactions also show that China Sonangol was selling Angolan crude at prices close to market rate, demonstrating that, on paper, neither UNIPEC nor Sinopec received oil on concessional terms. However, crucial details about the loan remain unavailable. Most importantly, there is no information about the price at which China Sonangol purchased crude from Angola.

General Kopelipa and the GRN

The Angolan government's management of oil-backed credit lines has been highly centralized, secretive, and fraught with allegations of graft and negligence. The entity responsible for overseeing the credit lines from the Queensway Group (and the construction projects ostensibly paid for with the credit line) was the Gabinete de Reconstrução Nacional (GRN). President dos Santos created the GRN in October 2004 to more closely manage reconstruction. Led by General Manuel Hélder Vieira Dias Júnior ("Kopelipa"), a senior military advisor to the president, the GRN would in theory coordinate the various ministries involved in the process. However, in practice the GRN has a reputation for opacity and involvement in turf wars with other government agencies, especially the Ministry of Finance. According to one account, "The GRN helps President dos Santos have a better and more direct line of control into an important part of the Chinese funds; it also enabled him to dilute the power of the Finance Ministry, which had been becoming increasingly powerful."[123]

The relationship between the GRN and the Queensway Group has been one of the most secretive aspects of the Group's operations. The terms of these loans are even a mystery to numerous high-level Angolan officials with relevant policy portfolios. "I've no idea how much [CIF has] given out in loans, and I don't know anyone at the CIF," said Bastos de Almeida, a spokesman for Angola's Ministry of Finance. "I don't even know where their Luanda offices are."[124] Deputy Prime Minister Aguinaldo Jaime told reporters in 2007 that "[the CIF loan] is not managed by me. It's managed by other administrative entities. It's concessional lending and some of the loans are not supposed to be repaid so I don't have exact figures." Jaime went on to say that the loan was not "fully commercial… It's more political. Some of it is not to be repaid. It's highly political, probably dealt with at the highest level."[125]

To date, no analysts have been able to confidently calculate the total amount of money lent to the GRN by Queensway. At various points, Angolan government officials have assigned a wide range of dollar amounts to these credit lines—and, curiously, these amounts have decreased over time. On May 17, 2007, José Pedro de Morais, then Minister of Finance of Angola, told the audience at an African Development Bank meeting in Shanghai that CIF had supplied a total of $6 billion in financing.[126] However, on October 29, 2008, Angola's Ministry of Finance released data indicating that the GRN had received credit lines from CIF worth about $157 million and that these loans accounted for 75 percent of its budget. By the time Angola's final state budget was released on June 11, 2009, the GRN's budget had been lowered to only $125 million. Noting the sharp contrast between the official statistics and the multibillion-dollar figures widely discussed in the press, a 2009 report by Chatham House observed that "either the projects ha[d] been drastically cut back because CIF was unable to raise the capital it had promised even before the 40% reduction from 2008 to 2009, or a large part of the GRN expenditure is off-budget, adding further opaqueness over the use of funds from credit lines."[127] In 2007, General Fernando Miala, the longtime head of Angola's External Intelligence Services who was sacked in 2006 and later jailed for "insubordination," claimed that high-level Angolan officials had misappropriated funds obtained through the Queensway credit line.[128]

Sam Pa (far right) and General Kopelipa (center right) inspect one of CIF's projects in Angola. (Source: China Railway 20th Bureau Web Site, retrieved August 2011.)

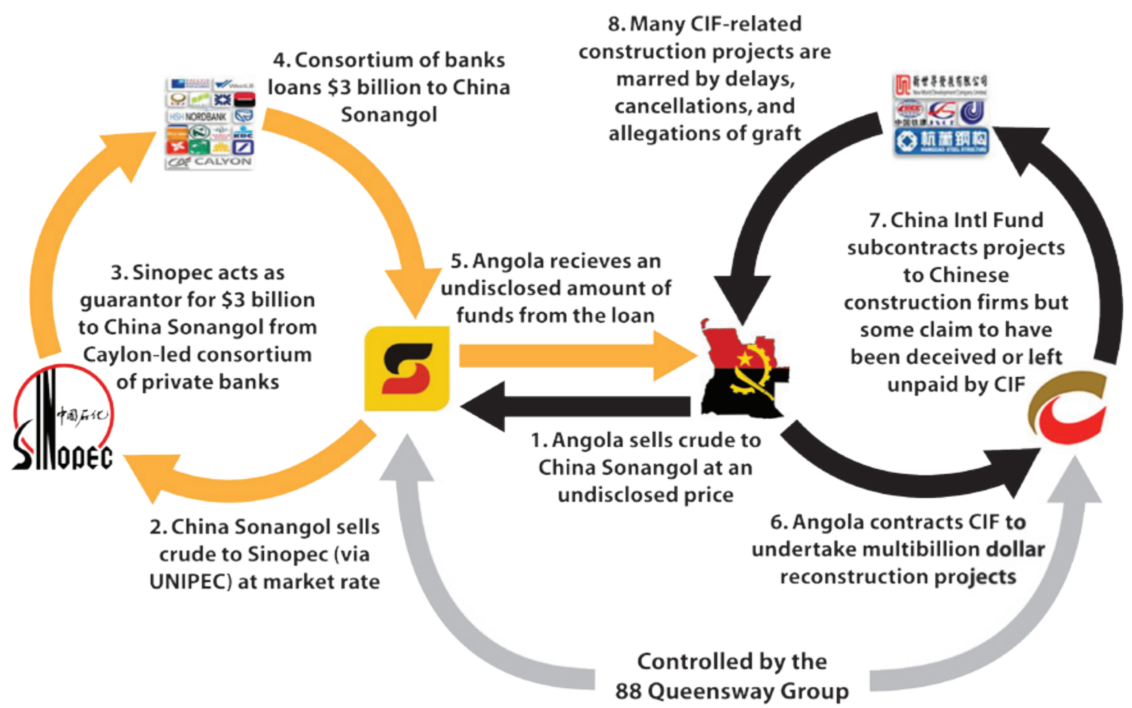
From the outside, it would seem that Queensway's financial ties to Angola's government are opaque by design. As one diplomat stationed in Luanda quipped, "The only person who could figure out the relationship between the CIF and the [GRN] is Al Capone's bookkeeper."[129]

CIF's Grandiose Promises

The funds Queensway channeled through the GRN were purportedly intended to finance a series of ambitious public works projects carried out under the CIF moniker, including several hundred thousand housing units, highways, railways, an industrial zone, water and sanitation systems, an automobile manufacturing plant, a large airport, and an enormous and extravagant complex of government office buildings.[130] Plans for the complex, which was proposed in 2005, included a new "Presidential Palace, Parliament House, Supreme Courts, offices for new ministries" as well as a conference center.[131] The company also boasted plans to create a "new city" on the outskirts of Luanda. Impressive graphic depictions of the projects were posted to CIF's Web site. Journalists described the proposed "new city" project as fitted "with marinas, lagoons, and enough artificial islands to make Dubai look positively medieval."[132]

Projects were mostly subcontracted out to Chinese firms or undertaken by joint venture companies established with Chinese construction or engineering companies. However, in early 2007, it became clear that the Group was failing to deliver the promised infrastructure. By mid-2007, the majority of CIF's projects in Angola had come to a standstill (see Figure 3).

Figure 3. Queensway's Oil-for-Infrastructure Scheme in Angola



For example, in January 2006, the GRN commissioned CIF to rehabilitate the dilapidated Benguela Railway. CIF, in turn, subcontracted China Railway 20th Bureau (CR20) to undertake construction. CR20 proceeded to install more than a dozen construction camps and import the materials necessary to build the railway. However, the equipment, machinery, and even the Chinese laborers imported to install the tracks sat idle for months as the project faced delay after delay. Some 2,000 Angolan laborers hired to work alongside the Chinese were laid off.[133] One Benguela Railway official offered a simple explanation for the abrupt stoppage: "A lot of money hasn't got here yet.… I can't tell you any more than that, because I don't know more than that. We don't get to talk to the Chinese—everything's arranged by the [GRN]."[134]

CIF also planned to deliver the Novo Cidade do Kilamba, a public housing development 20 kilometers from downtown Luanda consisting of 25,000 housing units and apartments. However, responsibility for

Photos and diagrams of CIF's proposed projects in Angola posted to the company's Web site. (Source: CIF Web site.)

the project was transferred to several other companies in 2008 after CIF ran into financial difficulties.[135] China International Trust and Investment Corporation (CITIC) was brought on to undertake the construction of the Kilamba housing project with financing from the Industrial and Commercial Bank of China.[136] Pierson Capital, a firm run by convicted arms-trafficker Pierre Falcone, was brought in to oversee the project.[137]

To help get the projects rolling again, the Angolan Ministry of Finance issued treasury bonds in 2007 to raise the needed $3.5 billion.[138] The Angolan government then contracted directly with the Chinese construction firms previously hired by CIF, and the billboards boasting CIF's involvement in the construction projects were replaced with the logos of other Chinese companies.[139]

Another of CIF's flagship projects that has faced major delays is the construction of an international airport that the Angolan government claimed would be Africa's largest when completed in early 2011. A description of the project that had been uploaded to CIF's Web site in December 2008 gives the appearance that the project has already been undertaken. However, the airport is years behind schedule (see "After a Decade, Africa's 'Largest Airport' Remained Incomplete" below).[140] Initially estimated to cost $300 million, the budget ballooned to approximately $9 billion. According to a February 2014 report by anticorruption advocacy group Maka Angola, "The exorbitant budget estimate of $9 billion, the opacity of funding sources and expenditure, as well as delays and quality of work make it the biggest white elephant in Africa."[141]

Left: Pierre Falcone, wearing a CITIC hard hat, visits the Novo Cidade do Kilamba. *Right*: The view of the Kilamba housing project from above in 2012. (Source: Wikipedia Commons.)

Apart from funding shortfalls, project setbacks resulted from the GRN's weak management skills and a lack of experience in the construction sector. A GRN official acknowledged:

> *We went ahead with projects pressured by [a] strict time deadline and did not take into account the forward planning that is required in a country like ours.… We overlooked crucial elements such as the fact that our ports would not be able to cope with the increased amount of material being imported for these projects.*[142]

In September 2010, many of the GRN's responsibilities as an overseer of the national reconstruction process were transferred to Sonangol Imobiliária, a subsidiary of the state oil company.[143]

After a Decade, Africa's "Largest Airport" Remained Incomplete

July 2005: Angolan Minister of Transport André Luís Brandão travelled to Bom Jesus to present plans for the construction of an airport in the area. The presentation was interrupted by local protesters who were upset that their land had been seized without proper compensation.[144]

September 2005: Agora, an Angolan newspaper, reported that construction had begun at the airport project site in Bom Jesus. The article noted that the project would cost $300 million and would be financed by a Chinese credit line.[145]

November 2007: Minister of Transport Brandão recognized a delay in the construction of the airport, claiming the setback resulted from a need to reassess the project and raise further funds.146 By this point, CIF had already begun to advertise construction of the airport on its Web site: "We have undertaken the construction project of the largest airport in Africa, New International Airport of Luanda."[147]

November 2008: President dos Santos visited the airport project site for the first time on November 23, 2008. During the visit, António Flores, an official from the GRN claimed that CIF would complete the construction of the airport in 2010.[148] "At present, we are in the process of recasting the project," said Flores. "Problems still exist with the [removal] of 140 families living in the area covered by the project."

October 2011: President dos Santos visited the project site for a second time on October 22, 2011. New Angolan Minister of Transport Augosto Tomas told reporters from the state-run media outlet, Angop, that "the work is well under way and the deadlines are respected." This time, state press reported that construction had begun in late 2008 and that the project would be completed by the end of 2013, with the first phase of construction completed in 2012.[149] However, there was little sign that progress had been made on the airport at that time.[150] CIF claimed that the delays were due to the continued presence of 3,000 families living on the project site.[151]

September 2012: An investigation by Maka Angola highlighted allegations of "secret dealing of diamonds on the airport site by Chinese and Angolan officials." The same report found that "soldiers involved in the project have confirmed that for some time the DCPS [Central Protection and Security Unit of Angola's presidential guard] has overseen and protected the transport of gravel from the airport building site to the Port of Luanda, from where it is shipped to China."[152]

February 2014: President dos Santos visited the airport project site for the third time on February 19, 2014. This time, the air traffic control tower had been constructed[153]—but many aspects of the airport construction process remained far from complete. Ju Lizhao, CIF's senior representative in Angola, told Angola's state press, "we think the visit of the President will allow work to move faster because we will leverage it to overcome financial and material constraints."[154] Officials announced the airport would not be completed until 2016. By this point, budget estimates had ballooned to $9 billion dollars—30 times the initial estimate.[155]

A few projects linked to CIF have been completed. Many of these appear to be prestige projects. One such project is Luanda One, a skyscraper that serves as CIF's headquarters in Angola. Renowned for the practice of projecting children's cartoons on its façade at night, Luanda One has become known by locals as the "Tom and Jerry" Building.[156] Queensway was also involved, in some capacity, in the construction of a brewery and a large cement plant on the outskirts of Luanda.

Other projects initially tied to CIF also seem to have come to fruition after being transferred to other contractors—but even the most celebrated projects are fraught with allegations of high-level corruption. For example, several high-level Angolan officials are known to have conspired to gain financially from the sale of public housing units at the Novo Cidade do Kilamba.[157] The company contracted to manage this process, an ostensibly private firm registered in Angola called Delta Imobiliária, is owned by Manuel Vicente, Kopelipa, and General Leopoldino Fragoso do Nascimento, another senior advisor to President dos Santos.[158]

Similar problems have plagued the rehabilitation of the Benguela Railway. Although the railway is technically run by state-owned Caminho de Ferro de Benguela (CFB), it is ultimately controlled by a Singapore-registered firm called DT Group,[159] a firm partially owned by Fragoso do Nascimento.[160] According to one report, "Sam Pa…appears to have been at least the main representative for DT Group in China for the first five years of the arrangement when all infrastructure deals were channeled via the CIF."[161]

Left: Vicente (far left), Kopelipa (back left), Sam Pa (left center) with President dos Santos (right center) at CIF's cement plant in Luanda in October 2014. *Right*: CIF Luanda Brewery Company Ltd. (Source: Angola Press Agency, 2014.)

China Sonangol Becomes a State within a State within a State

Angola initially boasted that the global financial crisis that took hold in 2008 would have a minimal impact on the country's economy. But when oil prices plummeted in 2009, Angola's GDP growth contracted to 2.4 percent—a far cry from the 17-percent growth experienced the prior year.[162] The government's currency policy depended heavily on oil prices remaining high, resulting in a steep 33-percent decline in usable reserves. Unchecked government spending continued despite sharply declining revenue. Analysts would later find that the government accumulated upwards of $9 billion in arrears, mostly to construction companies.[163] The Angolan government was again strapped for cash, and this time looked to the IMF for assistance.

On November 23, 2009, the IMF announced that it had approved a $1.4 billion loan to Angola "to help…combat the adverse effects of the global economic crisis." In accepting the loan from the IMF, Angola committed to improving oversight of state-owned enterprises (especially Sonangol), setting up a sovereign wealth fund, and developing a tax reform strategy that would "move toward a consumption-based tax system."[164] A December 2011 follow-up report by the IMF revealed a major accounting discrepancy: the Government of Angola could not account for $32 billion in public spending between 2007 and 2010. By late January, the IMF believed that a large part of the discrepancy ($27 billion) could be attributed to unrecorded "quasi-fiscal operations" by Sonangol on behalf of the government. Transparency and human rights activists sharply criticized the Government of Angola, calling on the IMF to withhold the $133 million remaining from the 2009 loan until Angolan authorities fully accounted for the missing funds. Despite such ongoing concerns, including calls for an audit of Sonangol, the IMF released the final tranche of the loan in late March 2012.

Even during the height of Angola's liquidity crisis, China Sonangol appeared to remain enormously profitable. A subsequent legal dispute between former China Sonangol co-founder Wu Yang and his former business partners revealed that the company was to receive a total of $186 million in dividends from Sonangol Sinopec International (SSI) activities in September 2008 and August 2011. As a 70-percent shareholder in China Sonangol, Dayuan International Development would seemingly be entitled to at least $130.2 million—from these two payments alone.

As reform-minded governments and international institutions pushed for Sonangol to cease acting like a state within a state, China Sonangol allowed Angola's ruling clique to have its cake and eat it too. Luanda could enact some of the pro-transparency reforms the international community had been pushing on Sonangol for decades while keeping its slush fund in the form of China Sonangol. Meanwhile, Sonangol assumed an increasingly assertive role in the management of Angola's relationship with the Queensway Group, appearing to have a hand in virtually every aspect of Queensway's operations—as evidenced by Sonangol Imobilaria's management of CIF construction projects. Queensway's portfolio of operations in Angola, in turn, became increasingly diversified. By 2011, China Sonangol had already become active in Angola's oil, mining, aviation, and financing sector. According to one 2012 report, a Queensway affiliate called "China-Africa" was even paying the salaries of some of Angola's presidential guard.165 In effect, China Sonangol became a state within a state within a state.

Queensway's Endgame: Becoming Indispensable

On January 30, 2012, after 12 years at the helm of Sonangol, Vicente left the oil company to become Angola's Minister of State for Economic Coordination, leading many to speculate that he was being groomed to succeed dos Santos as President of Angola.[166] Such speculation only intensified when on September 26, 2012, dos Santos named Vicente as his Vice President.[167]

Despite leaving Sonangol, Vicente appeared to remain involved in several Queensway-controlled companies. Hong Kong corporate records from 2012 and 2013 indicate that Vice President Vicente had remained a director of Worldpro Development Limited, Global Investments Fund, and several China Sonangol subsidiaries even after leaving the state oil company. Vicente's continued involvement in the management of these companies would appear to have violated Angolan law. Accordingly, on August 8, 2013, Angolan anti-corruption activist Rafael Marques de Morais filed a criminal complaint in Luanda that called on Angolan authorities "to initiate impeachment proceedings against Vicente" because his involvement with China Sonangol violated a constitutional provision that prohibits senior government officials from engaging in "any administrative functions, management or any corporate position in companies and other purposes of an economic nature."[168]

Vicente and the Queensway Group quickly took steps to remove his name from corporate filings from the previous 18 months. Around the time Marques filed his complaint, China Sonangol submitted a "Notification of Change of Secretary and Director" to Hong Kong authorities clarifying that Vicente had resigned effective December 23, 2011—almost 2 years earlier. China Sonangol also submitted an amended version of its 2012 annual return to reflect that Vicente no longer sat on its board. The Group similarly removed Vicente as director of WorldPro Development and Global Investments Fund claiming that he had left the companies at the same time he ostensibly stepped down from China Sonangol.

Marques did not believe his criminal complaint would be taken seriously. "The criminal justice system is run by the military as well. The Supreme Court chief justice is a general, as is the attorney-general. Many judges come from the security apparatus," he said in an interview. "It will throw out all my complaints. No doubt." This sort of pessimism often acts as a strong disincentive for journalists, activists, and regulators who seek to expose corruption. For Marques, however, continuing to expose corruption and the manipulation of state institutions is his only recourse. "If Angola is to take the path to effective democratization, it is my responsibility as well to contribute to people's education. I do so by using the state institutions for the purposes they have been established," said Marques. "This is the only way to fight for the devolution of the state institutions to the realm of public interest."[169]

In the meantime, Queensway appeared to have made itself indispensable to Angola's ruling regime and to key external players seeking to do business in the country. By partnering with senior Angolan officials who appear to be above the law, Queensway has managed to operate in Angola with impunity.

Going Global

Instead of using profits generated by China Sonangol to invest in infrastructure and improving government services in Angola, a large portion of these funds have paid for acquisitions of high-end real estate overseas and have been used to replicate the Queensway Group's Angolan operations in numerous other resource-rich, unstable states—in Africa and beyond. Beginning in 2007, China Sonangol began rapidly expanding throughout Africa. Alongside CIF, China Sonangol swept into Guinea, Madagascar, and Niger shortly after coups d'état brought military regimes to power in 2008, 2009, and 2010, respectively. China Sonangol similarly emerged in South Sudan shortly after the country gained its independence.

Left: Alpha Condé tours CIF's cement plant in Luanda in January 2011. (Source: China Sonangol Marketing Video, 2014.)
Right: Andry Rajoelina tours the same cement plant in early 2012. (Source: CIF SPACE VIII, February 2012.)

Throughout this period of expansion, Vicente travelled to several African states on China Sonangol's behalf. Government officials from African countries were regularly invited to Angola to view Queensway's showcase projects (see photos below). Officials from CIF and the Angolan government have taken President Alpha Condé of Guinea and Andry Rajoelina, then President of the High Transitional Authority of Madagascar,[170] among others, on extensive tours of a cement project site as evidence of CIF's capability.[171] A delegation from Niger's now-ousted military government also flew to Luanda in July 2010 to meet with "Sam Xu" and see what Queensway had to offer. Returning to Freetown after Nelson Mandela's funeral in South Africa, Sierra Leonean President Ernest Bai Koroma stopped in Angola to dine with Sam Pa at CIF's offices at Luanda One.[172]

Beginning in 2008, China Sonangol also began to pour hundreds of millions of dollars into real estate and other overseas assets. Considering the fact that the IMF had provided a $1.4 billion bailout loan to Angola in 2009, it is ironic that China Sonangol—a business that is, in effect, owned 30 percent by the Angolan state—was simultaneously allowed to park its earnings abroad. In effect, it appears that the IMF, albeit unintentionally, was subsidizing China Sonangol's real estate acquisitions abroad.

Republic of the Congo: Opaque Deals with the President's Son

Using the strategy crafted in Angola, the Queensway Group sought to gain a foothold in the Republic of the Congo in early 2005. On March 21, 2005, Queensway established a joint venture with Congo's state-owned oil company, Société Nationale des Petroles du Congo (SNPC), called SNPC Asia Holding Limited. Through Dayuan, the Queensway Group owned 85 percent of SNPC Asia Holding's shares. The Congolese parastatal held a 10-percent stake in the joint venture, and the remaining 5 percent was held by Espirito Santo Commerce Limited. Lo Fong Hung and Veronica Fung sat on the board of the holding company representing the Queensway Group's interests. SNPC's stake was represented by the company's president, Denis Gokana, and its general counsel, Blaise Elenga. SNPC Asia Holding, in turn, has two subsidiaries: SNPC Asia Development Company Limited and SNPC Asia. Denis Christel Sassou Nguesso, then head of SNPC's oil marketing entity and the son of the president of the Republic of Congo, serves as a director in these subsidiaries.

In 2006, SNPC Asia appeared to be implicated in a corruption scandal involving its Congolese directors. An investigation by Kensington International, a creditor that had purchased a portion of Republic of the Congo's external debt, revealed that the Congolese president's son had gone on several lavish shopping sprees in Hong Kong and Paris using funds siphoned from SNPC's oil sales. Credit card bills showed that Sassou Nguesso spent $35,000 in August 2006 on designer merchandise. A subsequent probe found that these debts were repaid using funds from two anonymous shell companies based in Anguilla, a secrecy jurisdiction. These companies were found to be part of a complex scheme in which revenue from Congolese oil sales was channeled through numerous intermediary shell companies and then into accounts controlled by the SNPC executives.[173]

Kensington viewed the scheme as evidence that the SNPC executives were laundering money to hide funds from creditors. Kensington subsequently filed a lawsuit in the High Court and the District Court of Hong Kong (where the companies in question are registered) seeking to collect the debts owed by the Congolese government. The lawsuit further alleged that the defendants transported stolen oil and sold it in the United States. Initially, SNPC Asia was listed as one of the defendants on Hong Kong court documents. However, the subsidiary of SNPC's joint venture with Queensway was removed from court documents as the case progressed. In the end, the Congolese defendants were required to pay nearly HK$900,000 (approximately US$116,000) in fines to Kensington and several other international creditors.

A later investigation by Global Witness found that Sassou Nguesso's lavish spending habits may have been enabled by negligence on the part of Hong Kong-based Bank of East Asia. In 2004, the Hong Kong Monetary Authority had issued guidelines to banks for dealing with "politically exposed persons" (PEP). These guidelines require banks to (a) obtain approval from senior management before accepting the PEP as a client; (b) take "reasonable measures" to identify the PEP's source of wealth; and (c) to ensure increased, ongoing monitoring of business relationships with the PEP.[174] Nevertheless, Bank of East Asia maintained accounts for Long Beach, an Anguilla-based shell company controlled by Sassou Nguesso that was used in SNPC's laundering scheme. "The bank was in a position to know that the funds in the account were likely to come from Congolese oil sales," Global Witness said in a 2009 report on the role of banks in natural resource corruption. "The bank's own records showed that oil was the main business of Long Beach and transfers into the account appear to have come from sales of specific oil cargoes carried in named oil tankers."[175] Nevertheless, the report indicates that Bank of East Asia continued to arrange for payment of Sassou Nguesso's personal credit card bills using funds from the same account.[176]

The scandal had little impact on the career of the Congolese president's son, now Deputy Director-General of SNPC. On December 31, 2013, Dayuan's stake in SNPC Asia Holding was transferred to Double Fame Holdings Limited, a BVI-registered shell corporation with untraceable ownership.

Flying Below the Radar: The Case of Tanzania


Sam Pa (left) shakes hands with President of Tanzania Jakaya Kikwete (right).

Beginning in mid-2007, senior officials from the Queensway Group—including Sam Pa—began travelling frequently to Dar es Salaam to meet with high-level government officials. In July 2008, the Tanzanian government signed a series of deals with China Development Bank (one of China's state-owned policy banks) and China Sonangol to develop Tanzania's agriculture, transportation infrastructure, housing, mining, and power sectors. On July 30, 2008, Tanzania's Ministry of Finance publicly released briefing notes about its discussions with China Development Bank and China Sonangol.

New Heights

Per the briefing notes, China Sonangol would construct a new terminal at Julius Nyerere International Airport and purchase 49 percent of Air Tanzania Company Limited (ATCL), the country's state-run airline. ATCL had struggled since it split away from the now defunct East African Airways in 1977. The government had attempted to keep it afloat by partnering ATCL with more profitable airlines elsewhere in the region, including selling off 49 percent of its shares to South African Airways (SAA) in December 2002. However, by September 2006, SAA and ATCL severed their partnership. With an estimated $4 million debt hanging over ATCL, the government began to look for new investment partners to put the company on sound financial footing.

China Sonangol's proposal to acquire SAA's relinquished 49-percent stake in ATCL and willingness to inject much-needed capital into the debt-ridden company appeared to be a lifeline. China Sonangol agreed to help the Government of Tanzania find funds needed to purchase nine aircraft for domestic and international flights. Plans for China Sonangol to procure new aircraft for ATCL had been solidified in a memorandum of understanding signed in 2007,[177] a year before details were published by Tanzania's Ministry of Finance. According to one account, China Sonangol's involvement prompted the Government of Tanzania and ATCL's board of directors to shelve a modest 5-year plan to rehabilitate the company in favor of a more ambitious plan to take the company to "new heights."[178]

The Queensway Group made at least three payments related to its operations in Tanzania in 2008. China Sonangol made a HK$15,600,000 (about US$2 million) payment to the Bank of Tanzania marked "President Office for preliminary [sic]." Dayuan International Development also made several payments related to operations in Tanzania, including a HK$12,156,241 (about US$1.5 million) transaction marked "Tanzania air [sic] Project" and another for HK$7,683,000 (about US$1 million) marked "Payment for Tanzania and Zimbabwe."[179] It is unclear how these funds were used.

Meanwhile, ATCL's performance continued to nosedive, and the prospects for an enduring partnership between China Sonangol and the struggling airline began to look more dismal. In 2009, the airline transported 60,018 passengers as opposed to 207,305 the previous year—a 345-percent decline.[180] In early January 2010, Sam Pa told *The East African* that China Development Bank would fund the acquisition of Air Tanzania but that government bureaucracy in Tanzania was causing the delay.[181] However, that same month, the Government of Tanzania announced that it would solicit additional bids from international investors interested in acquiring SAA's relinquished stake in its national airline. By July 2010, it seemed that the China Sonangol-Air Tanzania partnership had been abandoned, as Tanzanian newspapers reported that the country's national airline would instead forge a partnership with Air Zimbabwe.

A Missing Terminal

China Sonangol had also pledged to construct a new terminal at the Julius Nyerere International Airport, Terminal III, and agreed to build a VIP terminal at the airport "free of charge."[182] Tanzanian authorities' decision in February 2010 to demolish the Kipawa neighborhood adjacent to the airport, despite protests from residents, to make way for the new terminal gave the appearance that construction was imminent. Some 1,300 families were evicted. According to *The Guardian* (UK), "Teargas was used and more than 300 buildings were demolished within two days."[183] Some families were left homeless. Other residents of Kipawa were resettled in an area that lacked electricity, clean water, paved roads, and functioning schools.[184]

Left: A September 2011 photo of a billboard outside the empty lot where Terminal III was supposed to be built. (Source: Tang Xiaoyang / China in Africa: The Real Story (blog), 2011.) *Right*: The remains of Kipawa, the neighborhood had been bulldozed to make way for the terminal. (Source: Knowledge Matters (blog), April 2010.)

However, no progress was made on the construction of the airport terminal. The only trace of the Terminal III construction project, a billboard bearing the name "China International Fund" with an extravagant drawing of what was to be Terminal III, has since been painted over.[185]

Abortive Natural Resource Grabs

Neither the Government of Tanzania nor officials from ATCL provided the public with a clear explanation as to why the airline and airport deals with China Sonangol stalled. However, some answers began to emerge when Tanzanian media and members of parliament from opposition parties began to vigorously examine the case. These investigations revealed China Sonangol's primary objective in Tanzania was to gain access to natural resources. Specifically, China Sonangol sought entry into Tanzania's fledgling oil and gas sector, acquiring the rights to explore for petroleum on three blocks in the Lake Rukwa Basin in 2007, an initiative that had not been publicly disclosed by the Government of Tanzania at the time. However, in early 2009, Queensway suffered a major setback in Tanzania when *The East African* reported that Tanzanian authorities had "gifted" oil exploration licenses to China Sonangol in order to induce it to purchase stakes in ATCL. According to parliamentarians, this violated Tanzania's national procurement laws. Zitto Kabwe, chairman of the Parastatal Organisations Accounts Committee (POAC), claimed that Parliament was in the dark about the deal.[186] "Parliament needs to know how oil exploration rights can be exchanged for an airline," Kabwe told reporters. Parliament immediately rescinded China Sonangol's oil exploration rights.[187]

Sam Pa flew to Tanzania several times during November and December 2009 to state his case to President Jakaya Kikwete, complaining that the country had "excessive red tape."[188] Although China Sonangol's attempt to acquire petroleum exploration concessions in the Rukwa Basin was blocked by Parliament, Sam Pa continued to seek access to Tanzania's natural resource wealth, this time pursuing the diamond mining sector. According to one official at Tanzania's Ministry of Energy, in 2010, China

Sonangol was "ready to pay about $5 billion…to the government for the acquisition of Williamson Diamond Mine"—one of the oldest such mines in Africa.[189]

However, according to *The Guardian on Sunday* (Tanzania), China Sonangol's demand for rights to the mine prompted the Government of Tanzania to pull out of negotiations over the airline and airport terminal construction.[190] Other reports suggest that Tanzania's regulatory process was the major cause of delay. "In principle the proposed agreement for [China] Sonangol's investment looked appealing," an official from the Ministry of Transport told reporters in Tanzania. "But due to the government practice on sensitive matters such as this one, the agreement document had to go through a lengthy process, beginning with the cabinet secretariat, the government technical committee composed of permanent secretaries and, finally, to the cabinet for approval."[191]

Unlike many other resource-rich states across Africa, Tanzania had enough of an institutional oversight capacity to prevent Queensway from securing oil and mineral assets solely by appealing to the interests of a small ruling clique. Apparently once it became clear that Queensway would not be given privileged access to Tanzania's natural resource wealth, Queensway abandoned its plans to construct Terminal III.

Probes into Dubious Airline Deals

Continued investigations in 2011 and 2012 by Tanzanian journalists and Tanzania's Office of the Controller and Auditor General (CAG) found that at least one deal between China Sonangol and ATCL had come to fruition—and that the terms of this deal were extremely unfavorable.

These media reports revealed that ATCL was, in fact, leasing jets from China Sonangol. "The Chinese investors have left behind two airplanes, which we are using," ATCL Acting CEO, Paul Chizi, told *The Guardian* (Tanzania) in March 2012.[192] According to a former executive at the airline, ATCL had initially turned to the Queensway Group to lease the jets because the airline was not creditworthy enough to purchase aircraft by itself.[193] The airplanes, however, had not merely been "left behind." In a hastily penned contract ATCL agreed to lease the airplanes for a period of 6 years at an exorbitant rate (about $370,000 per month) from Wallis Trading Inc. The use of Wallis Trading is noteworthy in that this entity was reportedly used by China Sonangol when "controversy is likely to arise on the good faith underlining the contract, so it is advisable that the brand name [China Sonangol] be spared the blame throwing."[194]

The media scrutiny further revealed major deficiencies in the leasing agreement. During a meeting on March 1, 2010, ATCL's steering committee concluded that the 2007 deal to lease the planes was uneconomical.[195] The steering committee found that the company had neither a maintenance facility for the Airbus jet nor standard replacement parts for the aircraft. This proved problematic when, after the agreement was signed, it was revealed that the Airbus jet provided by China Sonangol was due to undergo major maintenance required once every 12 years. During the 48 months that this plane remained under ATCL's control, the plane was reportedly "grounded for major technical maintenance in France" for a total of 41 months.[196] Nonetheless, the lease rate to ATCL would remain the same regardless of "whether the plane was flying or grounded for any reason."[197] The rate was more than 10 times the usual rate for a nonoperational jet of the same model.[198]

Curiously, the Airbus that was allegedly grounded for maintenance in France appears to have been in use elsewhere in Africa while ATCL continued to pay rental fees. A report from ATCL, dated December 14, 2010, revealed that "the aircraft was found painted in Air Guinea colours during inspection in September 2010, [yet] the statement of accounts submitted by Wallis Trading Inc. showed the lessor continued to bill ATCL."[199]

Alerted by the media reports, continued problems at ATCL, and unfinished construction projects by China Sonangol, the CAG, led by Ludovick Utouh launched an investigation in 2011 into ATCL and its relationship with China Sonangol. Released on March 28, 2012, the report sharply criticized several aspects of the ATCL-China Sonangol deal. First, the report noted that ATCL's board of directors and managers had been excluded from negotiations with the Queensway Group while (unnamed) Tanzanian government officials played the leading role in orchestrating the deals.[200] "[ATCL's board members] were only informed of the decision to procure the two aircraft and asked to advance [$500,000] as commitment."[201] Second, the report found that the leasing of two second-hand aircraft violated the 2007 memorandum of understanding in which China Sonangol agreed to procure several new jets for the company. Third, the report revealed that ATCL accumulated $200 million in debt as a result of its deal with Wallis Trading Inc.—enough to buy two brand new Airbus A320 series jets. Ultimately, the CAG recommended that the government pursue legal recourse against the officials responsible for the ATCL-China Sonangol lease.[202]

On April 9, 2012, shortly after the release of the CAG report, the consequences of ATCL's dubious dealings with China Sonangol and Wallis Trading, Inc. became painfully clear when the second-hand Dash-8 300 series aircraft leased by the Queensway Group to the Tanzanian airline crashed upon takeoff at Kigoma Airport in western Tanzania, injuring 35 passengers and 4 crew members. *The East African* reported that the aircraft was obsolete.[203]

As details emerged about the company's relationship with China Sonangol, ATCL officials continued to distance themselves from the deal. "The A320 project was a government-cum-Sam Po [sic] initiative," one ATCL insider wrote in the *Business Times*. "This lease was literally rammed down the throats of hapless management and the board and the recriminations thereof can only be borne by the principal actors."[205] This official believed that the unfavorable deals were the result of interference by the Ministry of Transport and the lack of checks and balances within ATCL.[206]

A jet leased to Air Tanzania by China Sonangol crashed at the Kigoma Airport shortly after takeoff on April 9, 2012 (Source: Bongo5).[204]

The release of the CAG report on the ATCL-China Sonangol saga and news of the plane crash in Kigoma were met with a vigorous debate in Tanzania's Parliament. Several members of parliament posed pointed questions to cabinet members at a hearing on April 19, 2012. Both Parliament and the CAG posted the CAG's audit of ATCL and the hearing transcript on their Web sites.

Following the hearing, Prime Minister Mizengo Pinda informed President Kikwete of CAG's findings and the reaction in Parliament. "The Prime Minister…briefed me on all that transpired in the House and discussed each implicated minister on a case-by-case basis," President Kikwete later told reporters. "The matter was again seriously discussed by members of the Central Committee of the ruling Chama Cha Mapinduzi [party], who endorsed the cabinet reshuffle."[207] Shortly thereafter, Kikwete dismissed the Minister of Transport as well as two senior managers at ATCL including Paul Chizi, ATCL's Acting CEO.

President Kikwete publically embraced the results of the audit. In an International Workers' Day address on May 1, 2012, Kikwete expressed his satisfaction "with the level of transparency displayed by the MPs and the seriousness with which the House handled the CAG report."[208]

Excessive Red Tape or Effective Oversight?

The Queensway Group's experience in Tanzania had tangible, detrimental consequences for Tanzanian citizens. China Sonangol's entry into Tanzania's aviation sector ultimately resulted in ATCL's accumulation of major debts borne out of unfavorable deals with its Sino-Angolan partner. A barren lot has replaced a neighborhood in Kipawa where residents were evicted to make way for an airport terminal China Sonangol never built. The silver lining in Tanzania is that its oversight institutions prevented this problematic relationship from metastasizing. China Sonangol's attempt to acquire access to oil blocks and a diamond mine were ultimately thwarted by members of parliament and investigators seeking to shed light on their government's relationship with the Group.

Two key features about China Sonangol's foray into Tanzania distinguish it from the others profiled in this report. First, Tanzanian citizens and lawmakers were informed about their government's intentions to engage in a partnership with the Queensway Group. Indeed, the Ministry of Finance posted details about the country's prospective relationship with China Sonangol on its Web site. Second, when it became apparent that the partnership had either deviated from the intended path or that China Sonangol was not fulfilling its obligations, journalists and members of parliament alike tenaciously investigated the matter and demanded answers from the executive branch. In short, Tanzanians were able to hold their government to account because they had access to information and sufficiently effective oversight institutions.

This sentiment is not lost on Tanzanian civil society organizations. "The more information available, the better the quality of public debate will be," Dr. Stephen Munga, Bishop of the Northeastern Diocese of the Evangelical Lutheran Church of Tanzania, wrote in *The Guardian* (UK). "We will be able to convince government to enter business deals with credible partners, those prepared to go the extra mile on increasing transparency."[209]

Despite this progress, Tanzania continued to face challenges associated with Queensway's investments in the country. In January 2015, *The Guardian* (Tanzania) reported that Wallis Trading Inc., the firm through which China Sonangol leased jets to ATCL, was seeking $43 million in outstanding debts owed by Tanzania's government.[210] Shortly thereafter, the Tanzanian Parliament's Public Accounts Committee (PAC) responded by urging the Ministry of Transport to examine the possibility of filing a case against the Lebanese middleman who facilitated the lease deal with China Sonangol.[211] The committee also called for a thorough investigation into China Sonangol.[212]

Exploiting a State on the Brink of Failure: The Case of Guinea

Guinea is blessed with generous mineral endowments. It is the world's second largest exporter of bauxite, the key ingredient in aluminum production. However, by virtually any measure, Guinea is one of the poorest countries in the world. Its annual GDP per capita is just $460. Less than half of Guinea's population has access to running water and electricity, and a mere 30 percent of the adult population is literate. Almost 15 percent of children born in Guinea will die before reaching the age of 5.

Sam Pa (center right) poses with Guinean junta leader Captain Moussa Dadis Camara (center left) holding a model Airbus jet as Lo Fong Hung (front), François Chazelle, then Airbus Vice President of Sales, Executive & Private Aviation (far right), and then Guinean Prime Minister Kabine Komara (far left) look on in June 2009.

A widely recognized cause of Guinea's plight is poor governance. Abuse of public office and mismanagement of public resources and institutions have been the norm in Guinea for decades. The country routinely ranks near the bottom of Transparency International's annual Corruption Perceptions Index. Corruption has crippled the state's ability to perform basic public services and has created an environment of impunity.

Guinea has been subject to autocratic rule almost since independence in 1958. Between 1984 and 2008, Guinea was ruled by the notoriously rapacious regime of President Lansana Conté characterized by its opacity, predatory practices, and lack of accountability. He and his associates routinely made cash withdrawals from the country's central bank in broad daylight.[213] Petty corruption was also widespread, as civil servants in the president's good graces were free to overinvoice, misappropriate funds, and solicit bribes without fear of consequences or investigation.

On the evening of December 22, 2008, President Conté died following a long illness. Six hours after the announcement of Conte's death, a group of military officers took to the airwaves announcing the formation of a military government calling itself the National Council for Democracy and Development (Conseil National pour la Démocratie et le Développement, CNDD). Their first act was to suspend the constitution and dissolve the National Assembly. The coup was led by Captain Moussa Dadis Camara, a junior officer who headed the army's fuel supplies unit. On December 24, 2008, it was announced that Camara was President of the CNDD.

A Desperate and Isolated Regime

The African Union (AU) swiftly condemned the coup. The Economic Community of West African States (ECOWAS) suspended Guinea's membership. The United States and European Union put on hold some key bilateral assistance programs.

Inheriting a state on the brink of failure, the CNDD promised to undertake widespread reforms. Camara pledged that the junta would organize "free, credible and transparent elections" within 2 years' time, telling reporters "the council has no ambitions to hold on to power."[214] The CNDD also vowed to crack down on drug trafficking and corruption. "Anyone who has misappropriated state assets for his benefit, if caught, will be judged and punished before the people," Camara told an audience of hundreds of public representatives, including trade unionists, politicians, and clergy.[215] The mining sector was to receive particular attention as CNDD officials promised to undertake a review of all existing contracts and renegotiate those that were unfavorable.

The junta's promises of reform proved empty. Allies of Camara were granted key posts in government and on the boards of foreign companies operating in Guinea. The junta replaced regional administrators with loyal officers who ran state institutions by fiat. Already decaying public sector institutions slid into irrelevance. The junta tightly restricted civil liberties and political dissent. Those who criticized the government or tried to oppose the CNDD were intimidated, harassed, or attacked. Corruption, meanwhile, actually accelerated. When he took office in 2011, President Alpha Condé estimated that the junta spent more during its 2-year tenure than the country had spent in the previous five decades.[216]

Control over the country's lucrative mining sector was concentrated within the hands of the newly appointed Minister of Mines, Mahmoud Thiam, a former Wall Street banker who held U.S. and Guinean citizenship. Though he spent extensive time abroad even after assuming office, Thiam proved extremely influential. He engineered a shakeup of the mining sector that ushered in several multibillion-dollar deals and prompted audits of several major foreign mining companies' activities in Guinea. In reality, the changes merely reengineered long standing patronage networks to suit Guinea's new rulers.

Frustrations among Guineans steadily mounted. On September 28, 2009, tens of thousands of Guineans organized by civil society activists gathered at a rally held in Conakry's main soccer stadium to protest the junta after it became apparent that Camara would not honor his promise to sit out the presidential elections scheduled for January 2010. Shortly after opposition leaders arrived at the protest, an armed contingent of presidential guards, soldiers, police, and militia gathered at the exits of the stadium and fired tear gas at the protestors before charging the stadium and opening fire. According to Human Rights Watch, the attackers killed 157 protesters, raped dozens of women and girls, and left more than 1,400 wounded in the massacre that ensued.[217] Foreign governments and regional organizations tightened sanctions and called for a speedy transition to civilian rule.

Whereas many investors would shy away from such a turbulent political context because of concerns about political risk and damage to corporate reputation, the Queensway Group saw opportunity.

Every Crook on Earth Shows up in Conakry

To gain access to Guinea's lucrative mining deposits and exploration rights in its potential offshore oil fields, the Queensway Group made contact with the junta soon after the December 2008 coup by approaching Guinea's envoy to China, Ambassador Mamadi Diaré.[218] In early 2009, the Group sent a delegation to Conakry to meet with the junta. The Group's main contact in Conakry was Mines Minister Mahmoud Thiam. Initially Thiam was skeptical, saying that "When a new government comes into power, especially an inexperienced one, there's one phenomenon that never fails: every crook on earth shows up. And every crook on earth has the biggest promises, has access to billions of dollars of lines of credits, of loans."[219] However, his concerns subsided after Sonangol CEO, Manuel Vicente, flew to Conakry shortly thereafter.[220]

Still, other senior officials in the new government remained skeptical. After all, the Queensway Group was merely one of numerous international investors vying for a slice of Guinea's resource bounty. Helping Helping to separate itself from other contenders, Queensway sponsored a new national

François Chazelle (back right) shakes the hand of Captain Camara (back center) as Lo Fong Hung (front center) looks on at an inauguration ceremony for Air Guinée International in Conakry in early June 2009.

airline, Air Guinée International. Queensway hosted a celebration at Conakry International Airport to commemorate the launch of the new airline. Camara was the guest of honor. In attendance were Sam Pa and Lo Fong Hung, representing CIF and China Sonangol, the sponsors of the national airline. The Queensway Group was accompanied by a delegation that included François Chazelle, then Airbus Vice President of Sales, Executive & Private Aviation, who had a pre-existing business relationship with Sam Pa from China Sonangol's purchase of three Airbus jets. Also part of the delegation was Ian Lee, then Regional Director for Africa and the Middle East at International Enterprise Singapore, a government agency that promotes Singaporean business interests abroad.[221]

The partnership gained steam the following week, on June 12, 2009, when CIF and the CNDD signed a framework agreement that outlined plans to establish a joint venture company to be used as a vehicle for the Group's investments in the country. CIF would be the majority partner in the joint venture, holding 85 percent of the company's shares. (This 85-percent stake was ultimately divided between CIF and China Sonangol.) The Government of Guinea initially would carry a 15-percent stake with the option to purchase an additional 10 percent of the company's shares from Queensway at a later date.

The framework agreement stipulated that the joint venture company would carry out projects in a broad range of sectors, including "energy, water treatment, electricity, transportation, housing, agriculture, fisheries, or in any other area of common interest." [222] Indeed, as it had done elsewhere, the Group

Lo Fong Hung (front left) and Sam Pa (front right) sit in the front row of the airline inauguration ceremony in Conakry. The audience also includes François Chazelle (third row, far left), Mahmoud Thiam (far right), and Ian Lee (second row, far left).

promised to undertake an ambitious and extravagant set of projects, including a new thermal power station and several large dams, as well as the construction of palatial government office buildings, valued at $650 million. It would install a trans-Guinean railway to transport minerals from the country's interior to a port on the coast. The Group promised to ship 100 buses to Conakry within 45 days of signing the agreement. The recently inaugurated airline, Air Guinée International, was also part of the package.[223]

As in Angola, CIF committed to financing the projects and would be in charge of design and implementation. The Guinean government, in turn, would facilitate CIF's ability to obtain all necessary permits and approvals, and "applicable exemptions." Importantly, the framework agreement specified that during a period of 12 months ("the exclusivity period"), the joint venture company would have exclusive rights to undertake projects in all of the specified sectors. Indeed, the government agreed "not to undertake at any time during the exclusivity period, discussions, negotiations or enter into contracts or agreements with a third party on competing projects."[224] Importantly, a confidentiality clause stipulated that "all information exchanged between [the parties of the deal] in connection with this Framework Agreement and all documents, materials and other information…under this Framework Agreement and on negotiations related thereto…will remain strictly confidential to the parties, both during the performance and at the end of the Project."[225]

As sweeping as it was, the framework agreement was just that, the framework for a partnership. Many of the details of the partnership's setup and operations still needed to be ironed out. The Queensway

Group sent two envoys, Jack Cheung Chun Fai, a senior aide to Sam Pa, and Adrian Lian, to represent its interests in Conakry. For the Guinean side, Camara created a "steering committee" to coordinate CIF and China Sonangol's investments in the country. Mahmoud Thiam served as one of the steering committee's vice presidents. [226]

The "Contract of the Century"

On October 10, 2009, just 2 weeks after the September 28 massacre, representatives from the Queensway Group and the Guinean junta signed a shareholders agreement to finalize the terms of their partnership. Vicente and Cheung signed the agreement on behalf of Queensway. Two representatives from the CNDD—Minister of Finance Mamadou Sandé, and Minister of Justice Siba Nolamou—signed the agreement for the junta.

Thiam called the shareholders agreement "the contract of the century." Although the documents governing the partnership were not released to the public, Thiam provided the press with an overview of the agreement, likening the deal to the partnership between the Queensway Group and Angola:

> *The $7 billion will be financed by the CIF through the same mechanisms used for the $11 billion invested by the Chinese in Angola since 2005: a combination of their own funds, private and Chinese state banks' credit lines, and by international banks upon their signature.*[227]

The shareholders agreement formally created a joint venture between the Queensway Group and the Guinean state called Africa Development Corporation (ADC). Singapore-registered subsidiaries of China Sonangol and CIF were each to hold a 42.5-percent stake in the deal, and the Government of Guinea would carry the remaining 15 percent.[228] The agreement stipulated that ADC would have several subsidiary companies for various business sectors operating under the label "Guinea Development Corporation" (GDC). ADC would own 85 percent of each subsidiary, and the Guinean state would control the remaining 15 percent. These companies included GDC Mining Oil & Gas, GDC Commercial & Logistics, GDC Water & Energy, and GDC Transport.

Upon inspection, the terms of the deal were flagrantly unfavorable to the Guinean people. The agreement effectively provided ADC and the GDCs with exclusive rights to projects in a wide variety of sectors. Two clauses illustrate the scope of the deal:

> *The parties propose that ADC and the GDCs should be used as their joint venture vehicle to inter alia (a) [sic] construct and/or provide services in the following sectors: water, electricity (including power generators, power plant, hydorelectric [sic] dams),*

> *housing, port, fisheries, telecommunication, airport, airline, logistics, road, railway and all such transportation, infrastructure and other utilities projects; (ii) invest and operate diamond, iron, bauxite, gold, oil and gas and minerals concessions and (iii) such other projects as may be agreed by the Parties from time to time (the 'Projects'), in the Republic of Guinea….*
>
> *Subject to the laws and regulations in force, The Republic of Guinea shall give full exclusivity to ADC and the GDCs in respect of the sectors identified and approved by the Parties, as set out in the proposed Projects to be undertaken by the GDCs in this Agreement and the Master Agreement ('Projects Sectors')….*[229]

In essence, the shareholders agreement granted ADC control of the country's entire economy for as long as the junta saw fit.

The composition of ADC's three-member board of directors provides a second example of the extremely disadvantageous terms. According to the shareholders agreement, the board would consist of three members, two nominated by CIF and China Sonangol and the third nominated by the Guinean government. According to *Africa-Asia Confidential*, the three initial board members were Adrian Lian, Jack Cheung, and Thiam. Requiring only a simple majority for key investment decisions, this board structure guaranteed that the Queensway Group would permanently control all key investment decision making for the company (and country). [230]

The ADC's shareholders agreement contained a confidentiality clause that each party "shall treat as confidential and not disclose or use any information of a confidential nature relating to ADC and the GDCs or the other Parties received or obtained as a result of entering into this Agreement." The junta had entered into an agreement that would have major implications for nearly every sector of the country's economy yet it would be unable to discuss any specifics with its citizens about the investments or parties with whom it made this deal. According to *The Economist*, the Queensway Group was "so pleased that it reportedly gave Guinea's military ruler a helicopter as a present."[231]

The Queensway Group also helped alleviate the junta's short-term financial woes. Media reports claim that in late October 2009, CIF's Singapore-registered subsidiary transferred $100 million from an account in Hong Kong to the Central Bank of Guinea. Thiam requested to use $50 million from this transfer for "emergency budgetary support" to keep the cash-strapped government afloat.[232] Correspondence between China Sonangol and the Central Bank of Guinea links Sam Pa to this bank transfer. A July 21, 2010 letter from Alhassane Barry, then Governor of the Central Bank of Guinea, to "Mr. Antonio Famtosonghiu Sampo Menezes"—a known alias of Sam Pa—confirmed that at least one $45 million bank transfer did occur from a Bank of China (Hong Kong) account under the same alias.

International criticism of the Group's deals in Guinea came swiftly. The U.S. House of Representatives passed a resolution condemning the deal and calling for its cancellation. UK Minister for Europe, David Lidington, followed suit, criticizing the deals in an explanatory memorandum. An analysis published by Chatham House stated that CIF "does not seem to regard the instability of military rule as a brake on its ambition. Far from it, the company seized on the coup to strike deals potentially giving it overwhelming control over the economy."[233]

Given the glaring deficiencies in the deal, the "contract of the century" was looking to be an economic debacle for Guineans.

Criticism Suppressed or Ignored

On October 8, 2009, several days before the deal was announced, Guinea's Council of Ministers met to discuss "the various documents which were to govern the contractual relationship" with the Queensway Group. During this meeting, which was led by then Prime Minister Kabiné Komara, the Council of Ministers provided substantive feedback and raised several concerns about the draft shareholders agreement. However, upon review of the final version, Prime Minister Komara observed that the guidance of the Council of Ministers had largely been ignored and that "new provisions that [went] far beyond the mandate given to the Steering Committee of the Council…also emerged." Prime Minister Komara then wrote to the steering committee responsible for coordinating investments by CIF and China Sonangol on November 4, 2009, urging that the Minister of Mines should renegotiate "certain clauses that were rather unbalanced for the Guinean side."[234]

When concerns expressed in the Prime Minister's first letter went unaddressed, he wrote a second letter to the president of the steering committee. On December 2, 2009, copies were also sent to the Minister of Mines as well as to the Ministers of Justice and Economy. Attached to the second letter was a six-page memorandum that provided a detailed analysis of the deficiencies of the shareholders agreement and guidelines to "facilitate and expedite the revision and renegotiation"[235] of the contract. The memo stated that the Council of Ministers specifically had decided during its October 8 meeting that exclusivity should not be granted to ADC or the GDCs, though it did recognize that CIF and China Sonangol could serve jointly as a strategic partner. "Priority would be given to the strategic partner," Prime Minister Komara wrote, "under the condition that the prices it offers are more profitable and that its competence and reputation in the sectors concerned are proven."[236] Furthermore, the Prime Minister contended that exclusivity should be granted to ADC only for a fixed term of no more than 12 months and that such status should only apply to projects agreed upon when the framework agreement was negotiated.

The memo reveals that the Council of Ministers was unaware that the steering committee planned to create a national mining company with CIF:

> *The Council of Ministers did not…discuss the issue of [the creation of] a national mining company. Moreover, it is unacceptable to promise now that a foreign investor will be a shareholder in such a company, as it would give it ipso facto ownership of all present and future wealth of the country.*[237]

The Prime Minister questioned the entire premise and validity of the arrangement. "The Government will not grant concessions in return for investment," the memo stated bluntly before advising the steering committee, "this clause should be dropped altogether." Moreover, Prime Minister Komara contended that the shareholders agreement could not be considered final, stating that "the document cannot be legally binding in the current context of the transition as the areas and subjects covered are sensitive, diverse and strategic."[238]

While few Guineans were privy to the details about the partnership with the Group, at least one activist faced consequences for speaking out against the deals. Yero Baldé, then Director of Project Financing at Guinea Alumina Corporation, lost his job after vocalizing concerns about the deals that the junta had negotiated with the Queensway Group. On February 27, 2010, Baldé appeared on national television and criticized the deal. "There was something seriously wrong," he later recalled. "The government had just raped women and killed innocent civilians, all investors were going away and yet this group stayed and signed. It's hard to know what's truly in it for Guinea in this contract."[239] After Baldé's appearance on national television, Thiam requested Guinea Alumina Corporation's managers deal with their outspoken employee. Baldé was fired shortly thereafter.[240]

The CNDD's Witch Hunt in the Oil and Mining Sector

As if exclusive rights to all of Guinea's unclaimed petroleum and mineral deposits were not enough, Queensway also helped to expedite the CNDD's shakeup of the oil and mining sector by underwriting audits of oil and mining firms already operating in the country. Moscow-based United Company RUSAL Plc, the world's largest aluminum company and a major player in Guinea's mining sector, was the first subject of the audits.

One of RUSAL's most lucrative assets in Guinea, the Friguia bauxite and alumina complex, was the main target of the CNDD's mining sector review. RUSAL had purchased the Friguia complex in 2006 from the Conté government. In May 2009, Thiam claimed to reporters that the Conté government had sold the complex to RUSAL for only $20 million dollars—a fraction of Friguia's true worth—justifying the government's legal proceedings to rectify the situation. In early September 2009, a Guinean court determined that the 2006 sale of the Friguia complex was null and void. According to Momo Sacko, a legal advisor to the Presidency at the time, this meant "that from now on, the [Friguia complex] is 100 percent owned by Guinea."[241]

On October 14, 2009, 6 weeks after the court decision voiding RUSAL's ownership of Friguia and just days after the signing of the ADC shareholders agreement, the junta entered into a loan agreement with the Queensway Group. The agreement stipulated that CIF's Singapore-registered subsidiary would extend a loan of up to $3.3 million to be used exclusively for the purpose of engaging Alex Stewart International, an international consultancy, "to perform an audit on specific mining operations in the Republic of Guinea, including RUSAL."[242] The loan agreement was signed by Thiam, who insisted that CIF "was the only place where [the Government of Guinea] could get that money."[243] In signing the agreement, Thiam also committed the Guinean state to pay CIF 2 percent of all funds that the junta recovered from Alex Stewart's audit of the Russian mining giant as a "success fee entitlement."

On January 13, 2010, Alex Stewart reported to the government that it was entitled to seek some $860 million in damages from RUSAL.[244] This meant that CIF could claim a success fee of potentially $19.2 million, a figure almost six times the original loan. Additionally, per the ADC shareholders agreement, ADC was poised to receive exclusive rights to the Friguia complex seized from RUSAL.

RUSAL was only one of several investors targeted by the CNDD's review of oil and mining contracts. Houston-based oil company Hyperdynamics Corporation similarly became embroiled in a dispute with the junta that led to the forfeiture of approximately 70 percent of its offshore oil acreage. According to *Africa-Asia Confidential*, this holding fell directly into the hands of China Sonangol.[245]

Ousmane Kaba, head of the CNDD's audit committee, told reporters at a news conference that the audits should not be seen as "a witch hunt." The audits, according to Kaba, were an attempt to understand how and by whom key decisions had been made previously. "If we do not try to know how our country was managed yesterday," he continued, "we cannot claim to bequeath to our children a prosperous Guinea."[246]

The role of the Queensway Group—a potential competitor of RUSAL—in financing the audit was clearly a conflict of interest which undermined the integrity of the contract review process. Another problematic aspect of the audit of Friguia (and the restructuring of the mining sector more broadly) were reports that Minister of Mines Thiam, Queensway's key ally in Conakry, may have been rewarded financially for ensuring that CIF and China Sonangol benefited from the shakeup.[247]

Thiam was implicated in another corruption scandal involving a major foreign investor that benefited from the mining sector review. Several reports claim that Thiam served as interlocutor for BSG Resources Ltd, a mining company controlled by Israeli billionaire Benny Steinmetz, to pay bribes to senior officials in the military. Thiam's alleged role in these transactions subsequently became the subject of an FBI probe.[248]

Queensway's Changing Allegiances in Conakry

On December 3, 2009, the commander of the presidential guard shot and seriously wounded Captain Camara, the leader of Guinea's junta. The following day, Camara was flown to Morocco for medical treatment. General Sékouba Konaté, the CNDD's Vice President and Defense Minister, stepped in to run the government. Although many feared that the assassination attempt would send Guinea deeper into a crisis, leaders from the region worked in tandem with Konaté to hasten the country's transition to civilian rule. In January 2010, Konaté vowed that elections would be held within 6 months and, importantly, there would be no candidate from Guinea's armed forces. Soon thereafter, Jean-Marie Doré, an opposition leader involved in organizing the September 28 protests, became interim Prime Minister and spearheaded preparations for presidential elections.

Although several of the Queensway Group's key allies temporarily maintained their posts in Conakry, it became clear that major changes to the political landscape in Guinea were imminent. The Group sought to forge new relationships that would ensure that its presence in Guinea outlived the CNDD.

In late June 2010, the director of the communications unit for the interim Prime Minister dispatched a press release announcing a declaration of commitment between CIF and the interim government. The dispatch explained that Sam Pa and Thiam (still Minister of Mines) had come to meet with interim Prime Minister Doré. During the meeting, Sam Pa apparently touted China as an example of an economic model for African countries and extolled the value of the Queensway Group's investments elsewhere on the continent. "What China has achieved, Africa can do it too," Sam Pa told Doré. In a slideshow presentation, Sam Pa showcased the Queensway Group's claimed accomplishments in Angola in an effort to demonstrate CIF's "power and reliability."[249] Sam Pa was reported to have suggested to the interim Prime Minister that the projects in Guinea could quickly get moving with the proper determination. Doré was quoted reciprocating Sam Pa's enthusiasm by saying, "we want to express our commitment to working with China and, in particular, with you."[250]

Left: Sam Pa and an assistant in Conakry. *Right*: Sam Pa (far left) meets with Prime Minister Doré (center right) and Minister of Mines Thiam (far right) in June 2010. (Source*: Guinea 24.*)

Sam Pa's courtship of the Prime Minister's office contrasted sharply with the Queensway Group's tense relationship with the Central Bank of Guinea during this time period. Shortly after Sam Pa met with interim Prime Minister Doré, the Queensway Group took steps to reclaim the funds it had transferred to the Central Bank of Guinea in November 2009 in the final months of the Camara junta.[251] In a series of letters in July 2010, Jack Cheung, Queensway's representative in Conakry, wrote to the governor of Guinea's central bank demanding that the remaining balance of the $45 million loan provided to the bank as "emergency budgetary support," be transferred back to China Sonangol. Cheung threatened that there would be "serious political and legal consequences" if the government did not address China Sonangol's concerns.[252] In his final demand letter, Cheung explained that the company's auditor was "not satisfied with the controllability of the money deposited in the Central Bank of Guinea.… It is very important to transfer the money immediately…. Otherwise, our auditor and the department of finance of our group will lose confidence in investing in Guinea."[253]

Meanwhile, as Guinea's political transition progressed, the Queensway Group heavily courted the two leading candidates in the country's highly anticipated presidential elections. According to *Africa Confidential*, the Queensway Group nominated one candidate's wife, Mrs. Halimatou Diallo, to the board of Air Guinée International.[254] After Alpha Condé won the November 2010 presidential election, Queensway's efforts to woo him intensified. Just over a month after his inauguration, Condé travelled to Angola for a state visit. In addition to meeting privately with President dos Santos, President Condé was given a tour of several CIF and GRN project sites. Angola's Foreign Minister, George Chikoty, accompanied President Condé to the Novo Centradidade do Kilamba, the controversial public housing project linked to CIF on the outskirts of Luanda. Later he was escorted to Queensway's cement plant located on the outskirts of the capital city.[255]

Partnership with Bellzone

Hedging its risks, in May 2010, CIF also forged a partnership with Bellzone Mining, a relatively unknown firm predominantly owned by Australian investors. The company's managing director and largest shareholder was an Australian national, Nikolajs Zuks, who held a 31.5-percent stake. CIF signed a series of agreements with Bellzone to jointly undertake projects in Guinea's mining and infrastructure construction sectors on August 4, 2010. The contract for the Bellzone deal was countersigned by Mines Minister Mahmoud Thiam and Minister of Economy and Finance Kerfalla Yansane—two holdover representatives from Guinea's junta.

Upon finalizing the agreement, Bellzone's managing director called CIF "a highly regarded group of companies with a proven track record of developing large infrastructure projects in Africa."[256] Listing the advantages of partnering with CIF, Graham Fyfe, Bellzone's chief operating officer, highlighted the firm's deep pockets, stating that "from a cash point of view, yes, they do have a lot of cash." Speaking at a mining conference in September 2011, Fyfe also cited the Queensway Group's "intimate relationship with Sinopec" (one of China's largest state-owned oil companies) and said that the firm likely has "relationships at the highest levels in China." The official referred to CIF's legal and commercial team as "a challenging bunch of guys" willing to engage in "tough negotiating," but said that overall Bellzone found that CIF was "easy to do business with."[257]

CIF and Bellzone agreed to jointly explore for iron ore at two sites in Guinea, Kalia and Forécariah. CIF agreed to finance the Kalia Iron Project, which would cost approximately $4.45 billion, in return for rights to purchase all of the mine's output at market price. Following the signing of the CIF-Bellzone agreement, Acting President Konaté signed a decree that gave Bellzone "an exclusive corridor" to construct railway and port facilities in order to export iron ore production from Kalia."[258] As part of its agreement with Bellzone, CIF agreed to finance and develop the needed infrastructure. At the same time, CIF and Bellzone formed a joint venture "to undertake the accelerated exploration and development program at CIF's Forécariah iron permits that lie between 30 and 80 kilometres from the Guinea coast."[259]

Even after securing two productive mining concessions in partnership with Bellzone, the Queensway Group continued its attempts to wrest control of mining opportunities from rival firms. During a September 2011 meeting with officials from the Government of Guinea, officials from the CIF-Bellzone team attempted to persuade the Condé government to grant it the rights to the Simandou iron ore mine, the lucrative concession run by Rio Tinto.[260] When *The Sunday Times* (UK) asked if his company indeed was trying to gain control of Simandou away from the rival mining giant, Zuks simply responded, "What's wrong with that?"[261]

Sorting through the Mess

After numerous campaign promises and public statements in the weeks following his inauguration in December 2010, President Condé took concrete steps to reform the mining sector. The newly elected president enlisted the services of billionaire philanthropist George Soros, founder of the Open Society Institute, to assist with a mining sector review process. "Guinea is currently experiencing a new era," Soros told reporters. "Its natural resources have in the past not been used to benefit the people. Guinea now has an opportunity to change this."[262]

The review process began shortly thereafter. In a June 30, 2011 letter of intent to the IMF, the government found that only one loan of $78 million was ever contracted by the Queensway Group over the 2 years of engagement and billions promised.[263] Going forward the Government of Guinea promised to "refrain from any non-concessional borrowing or the issuance of guarantees under [the CIF and China Sonangol] contract."[264]

A new mining code developed by the Condé regime was approved on September 9, 2011. International civil society organizations, several of which served as advisors to the Government of Guinea throughout the reform process, lauded the new code, highlighting both the content and the process by which it was crafted. The mining code mandated the publication of all mining sector contracts and established a formal commitment to the principles of the Extractive Industries Transparency Initiative. It established clear and transparent "procedures for the award, renewal, transfer, and cancellation of mining titles." The code required all companies in Guinea's mining sector to sign a "code of conduct" and develop an anticorruption monitoring plan in coordination with Guinean authorities. Mohamed Lamine Fofana, the Condé government's Minister of Mines, told reporters that "The new mining code will allow future investors in Guinea to work in transparency."[265]

On January 22, 2012, the Government of Guinea published the terms of reference for the Guinea Contract Review Process that outlined the institutions and procedures involved in the process. In this way, the terms of reference aimed to: bolster the legitimacy of mining contracts; eliminate unchecked suspicion about contracts; prevent reforms from undermining investor confidence; and reinforce the legal basis of contracts. The document also outlined plans to establish two committees to oversee the process—the technical committee and the strategic committee—and identified the roles for each. In short, a serendipitous turn of events that catalyzed the country's first democratic election since independence in 1958 brought a window of opportunity for reform in the mining sector.

On February 15, 2013, Guinea's government published existing mining sector contracts online, making it one of the first African states to make all such documents available to the public.[266] Additionally, the Condé administration recognized the institutional capacity constraints it faced and sought technical and strategic assistance from leading international experts on extractive sector transparency. Revenue Watch Institute (now the Natural Resource Governance Institute) partnered with the World Bank Institute and Columbia University to set up the Web site where Guinea's mining contracts were published.[267] The same organization also partnered with the Institut Superieur de l'Information et de la Communication and the Thomson Reuters Foundation to conduct a 10-day training program for 15 Guinean journalists on reporting on the oil and mining industries.[268]

Even after the country's transition to civilian rule, investigating corruption remained dangerous. In just 8 months as Director of the Treasury, Aissatou Boiro gained a reputation for being a fierce opponent of corruption and had launched official investigations into the disappearance of millions of dollars from Guinea's state coffers during the tenure of previous regimes. On November 9, 2012, Boiro was shot and killed by a group of men wearing military uniforms. Former colleagues believe the assassination was an attempt to thwart an ongoing investigation. "[I]n Guinea all of the cases of large-scale embezzlement happen at the treasury department," one former treasury official told Reuters. "[Boiro] became inconvenient for certain economic predators who are in the government."[269]

Keeping Pace

While the reform process struggled to maintain momentum, Queensway continued to advance its agenda in Guinea's mining sector through its partnership with Bellzone. On March 23, 2012, Bellzone announced that it had begun production and product stockpiling at its Forécariah mine. On August 9, 2012, Bellzone signed an offtake agreement with Glencore, a Swiss commodities trading firm, for the latter to purchase a 50-percent share of iron ore produced at the Forécariah mine. Less than a month later, on September 4, 2012, West African Iron Ore Group, also based in Switzerland, announced that it had reached a similar agreement with CIF for the purchase of the other 50-percent share of ore produced at the mine.

China Sonangol's partnership with Bellzone did not go entirely smoothly, however. Trading at £92 (about US$147) a share in early 2011, Bellzone stock plummeted over the next 4 years to only £0.50 (about US$0.80) a share amid plunging iron ore prices and concerns over the viability of Bellzone's projects in Guinea. When the company's ability to finance its operations came into question, Bellzone looked to China Sonangol to provide an urgently needed £4 million (about US$6.4 million) short-term loan in August 2014. The loan was secured against the entirety of the company's mineral assets in Guinea and, once finalized, would require Bellzone to transfer an unspecified asset from one of its subsidiaries to another. However, Bellzone suspended trading of its shares on September 21, 2014, as talks with China Sonangol over the loan facility stalled.[270]

Turmoil continued at Bellzone for several months after trading suspended. On September 5, 2014, *Africa Mining Intelligence* reported that Bellzone had entered into a "secret loan accord" with Panama-based PRVC S.A., a consulting firm headed by an Angolan businessman named Ezequiel da Cunha. The $860 million loan was not disclosed to the market, violating the rules of the London Stock Exchange.[271] In November 2014, China Sonangol negotiated a 51-percent stake in Bellzone and swiftly replaced the company's board with its own.[272]

By early December 2014, Bellzone had run into trouble with Guinean regulators. The Ministry of Mines warned the company that it had wrongfully dismissed local employees and failed to produce a plan for the safe transport of iron ore.[273] Meanwhile, the government's new technical committee charged with reviewing Guinea's mining sector found that Bellzone had engaged in an unapproved transfer of one of its mining licenses to an affiliated company and, on a separate occasion, pledged to sell its mineral rights without approval.[274]

In early March 2015, Bellzone and China Sonangol finalized the terms of a multiyear loan to finance the company's operations in Guinea. When trading of Bellzone's stock resumed on March 5, 2015—after a 5-month hiatus—the company's share price jumped 587 percent in one day.

Queensway's operations in Guinea reveal the lengths to which it would go to preserve its ill-gotten source of wealth from an illegitimate government even after its allies fell from power. Guinea's political transition has provided it a chance to become a rare success story among fragile states seeking to install effective systems for management of the extractive sector. At the same time, Guinea's experience demonstrates the uphill battle that newly democratizing states face when seeking such reforms. Ultimately, Guinea's ability to translate its mineral wealth into tangible development outcomes will depend on whether or not the government has the will and capacity to follow through with reforms.

Madagascar: Another Coup, Another Audit

The Queensway Group's strategy of targeting desperate and politically isolated regimes was clearly in evidence in March 2009 following a military coup in Madagascar that brought to power a junta known as the High Transitional Authority. By mid-2010, the Queensway Group gained access to the junta's leader, President Andry Rajoelina. A subsequent Queensway deal in Madagascar was strikingly similar to that negotiated with the junta in Guinea. This was not coincidental. Having been brought into the Queensway fold, Guinea's then Minister of Mines, Mahmoud Thiam, played a key role in establishing ties between Queensway and the Rajoelina administration.

Much like in Guinea, investor confidence had plummeted and international donors had largely withdrawn support from Madagascar following the coup, leaving the military-backed regime diplomatically isolated and strained for resources. As such, the arrival of a delegation of investors proposing to infuse billions of dollars into the nation's struggling economy seemed like a godsend to the ostracized junta. The willingness of government officials from several other African states to vouch for the Queensway Group's efficacy bolstered its credibility. As it had done in Angola and Guinea, Queensway promised to undertake lavish infrastructure construction projects in return for access to Madagascar's oil and mineral wealth. The Hong Kong-based investors promised to construct a cement plant, a light rail system in the capital city, and thousands of public housing units.

The Queensway Group was also able to orchestrate a government audit of Madagascar Oil, a private oil company listed on London's AIM exchange that held rights to assets Queensway coveted.[275] One group of "auditors" that arrived at Madagascar Oil's facilities included a mix of Malagasy government personnel from subsidiaries of China's three largest state-owned oil enterprises: Shanghai Oil Co., a Sinopec subsidiary; CNOOC-Zhanjiang (a subsidiary of state-owned China National Offshore Oil Company); and Great Western Drilling Company, a subsidiary of China National Petroleum Corporation. According to an official familiar with the case, part of the audit of Madagascar Oil "seemed less like an audit than an attempt to acquire information on oil properties and technology."[276] The same official believes that the Queensway Group hoped that the audit would reveal problems that would give the government an excuse to transfer the license to China Sonangol. However, the Group backed off once the audit revealed the level of the financial commitment and technical proficiency needed to extract petroleum from Madagascar Oil's Tsimiroro oil field.[277]

Profiting From a Protracted Political Crisis: The Case of Zimbabwe

In June 2006, a UK-based mineral exploration company called Africa Consolidated Resources (AFCR) discovered massive deposits of alluvial diamonds in an area called Marange, near Zimbabwe's eastern border with Mozambique. According to one estimate, the Zimbabwean government "could generate significant amounts of revenue from the diamonds, perhaps as much as $200 million per month, if Marange and other mining centers were managed in a transparent and accountable manner."[278] Media and industry reports suggested that the diamond deposits in Marange could be worth as much as $800 billion.[279]

President of Zimbabwe Robert Mugabe (center) tours the facilities of Sino Zim Cotton Holdings (a Queensway-controlled company), wearing a hat and overcoat bearing the company's logo. (Source: China Sonangol marketing video, 2014.)

Revenue generated from diamond extraction represented an opportunity to greatly improve the livelihoods of many Zimbabweans. The country was in the midst of economic turmoil, facing record levels of inflation, unemployment rates of 80-90 percent, and hundreds of local business bankruptcies. Zimbabwe's public health system had likewise deteriorated sharply leading to a cholera outbreak in 2008 that affected over 90,000.

Many Zimbabweans blamed the long dominant, Zimbabwe African National Union-Patriotic Front (ZANU-PF) for the country's economic downward spiral, specifically the perceived rampant patronage and corruption. The government had become diplomatically isolated, budgetary support had fallen to minimal levels, and many officials were banned from travel and sanctioned by the United States and European governments. As such, ZANU-PF faced an uncertain future.

This dynamic was reflected during the 2008 national elections. Despite reports of pervasive fraud, intimidation, and outright violence against the opposition, Morgan Tsvangirai of the opposition Movement for Democratic Change (MDC), managed to edge out incumbent and ZANU-PF party head President Robert Mugabe in the first round of the presidential election to force a runoff. A campaign of violence by security forces and ZANU-PF militias was subsequently unleashed on the opposition, leading to hundreds of deaths and many more injuries. Mugabe won the second round when Tsvangirai refused to compete to spare his supporters. However, international outrage compelled the Mugabe government to concede to a power-sharing arrangement. On September 15, 2008, ZANU-PF and the MDC signed a Global Political Agreement. It outlined the establishment of a unity government to hold power while a new constitution was developed. Under the arrangement, Mugabe would remain head of state, controlling the country's security forces and the Reserve Bank of Zimbabwe. Tsvangirai would become Prime Minister and his MDC party would take control of the Ministry of Finance and other key ministries.

No Return

Soon after notifying authorities about its diamond find at Marange, AFCR, the UK mining firm that had been awarded exclusive rights to the region, requested government assistance to control villagers who had begun panning for diamonds. Instead, the Mugabe regime announced that the Marange operation was open to anyone, prompting a rush of thousands of artisanal miners. In October 2006, the Government of Zimbabwe evicted AFCR from the Marange diamond fields.

At first, the Zimbabwean state-controlled mineral marketing entity moved into the Marange diamond fields to purchase diamonds from artisanal miners. However, the miners soon discovered that smugglers from neighboring countries—mainly Botswana, Mozambique, and South Africa—offered a higher price than the Zimbabwean government. Almost immediately, diamond smugglers from all over the world turned up in Zimbabwe in search of precious stones unearthed from the Marange fields. Meanwhile, previously sleepy villages in Mozambique located along the border were transformed into bustling transit points for smugglers.

To the cash-strapped Mugabe regime, the illicit outflow of precious stones was a threat. "No other country is blessed like Zimbabwe to a point where precious minerals anongonyuka ega (just sprout from nowhere)," said Dr. Gideon Gono, the Governor of Zimbabwe's Central Bank. However, Gono claimed that Zimbabwe was "losing between $40 million and $50 million per week through the smuggling of gold, diamond[s] and all precious minerals." In an effort to curb illicit diamond exports, the Zimbabwean government launched Operation Chiorokoza Chapere (An End to Illegal Panning) in November 2007. The police-led operation resulted in the arrest of about 9,000 miners that had been working "illegally" in the Marange fields and the seizure of approximately $7 million worth of precious stones.[280] Eventually, to gain total control of the fields, Operation Hakudzokwi (No Return) was launched in October 2008 and carried out by General Constantine Chiwenga, commander of the Zimbabwean Defence Forces, and Air Marshal Perence Shiri. At about 7 a.m. on the morning of October 27, 2008, more than 800 heavily armed Zimbabwean soldiers packed in military buses and large transport vehicles arrived at Marange, accompanied by helicopter gunships hovering overhead. Upon arriving at the diamond fields, the ground forces and helicopters poured a barrage of teargas and bullets on the unarmed miners. The operation continued daily for the next 3 weeks, killing hundreds and leaving scores more wounded.[281]

Diamond Export Dilemmas

Once ZANU-PF gained physical control over the diamond fields, it faced the challenge of securing the revenue from the diamond sales for its benefit and not that of its chief rival, the MDC. According to the constitution, diamond revenues had to be channeled through the Ministry of Finance, a ministry controlled by the MDC. Additionally, economic sanctions affected many state agencies, including the security forces and the Zimbabwe Mineral Development Company (ZMDC). This meant that potential buyers from states imposing sanctions on ZANU-PF—primarily the United States, the members of the European Union, and Australia—were unable to purchase Zimbabwean diamonds. Nor could ZMDC or state entities acquire financing or equipment from companies anchored in these jurisdictions.

To make matters worse for the Mugabe regime, by early 2009, Zimbabwe faced the possibility of being cut off from international diamond markets altogether. Human rights groups began campaigning for the Kimberley Process Certification Scheme (KPCS) to suspend Zimbabwe from its list of certified diamond exporters. Officially launched in 2003, KPCS is an initiative spearheaded by governments, industry, and civil society organizations "to stem the flow of…rough diamonds used by rebel movements to finance wars against legitimate governments" by imposing "extensive requirements on its members to enable them to certify shipments of rough diamonds as 'conflict-free.'"[282] Suspension of Zimbabwe by the Kimberley Process would, in effect, make it illegal for the country to sell its diamonds on the international market.

In June 2009, a Kimberley Process review mission was deployed to investigate abuses in Marange and determine whether or not Zimbabwe had been in compliance with the KPCS's standards. The delegation's assessment was unequivocally damning, identifying several areas in which Zimbabwe was noncompliant with its minimum standards. Appealing to Zimbabwean officials, the head of the review mission, Liberian Deputy Minister of Mines Kpandel Fayia condemned the abuses that were discovered:

> *On the issue of violence against civilians, I need to be clear about this. Our team was able to interview and document the stories of tens of victims, observe their wounds, scars from dog bites and batons, tears, and on-going psychological trauma. I am from Liberia, Sir; I was in Liberia throughout the 15 years of civil war, and I have experienced too much senseless violence in my lifetime, especially connected to diamonds. In speaking with some of these people, Minister, I had to leave the room. This has to be acknowledged and it has to stop.*[283]

In addition to evidence of gross human rights violations, the review mission found that many of the mining groups that remained active in Marange operated directly under the control of Zimbabwe's security forces. In light of these and other violations, the delegation recommended that Zimbabwe be suspended from the KPCS. Although KPCS decided not to suspend Zimbabwe as a whole, the monitoring body did temporarily prohibit the export of diamonds mined at Marange.[284]

In order to maintain control over diamond revenues, ZANU-PF needed international brokers who would be willing to risk the possibility of international sanction. They would need to be willing to bypass official channels and procure the precious stones directly from ZANU-PF. The regime would also need a procurement specialist capable of acquiring the goods, vehicles, and communications equipment needed by the party and security forces. Fortunately for Mugabe, a Hong Kong-based magnate named Sam Pa would shortly arrive in Harare and offer to help with all of the above.

Enter Queensway

Sam Pa first arrived in Harare in February 2008, on the eve of the tumultuous elections. For more than a year, he conducted his business under the radar and kept a low profile. He flew to Zimbabwe frequently, usually using his Angolan diplomatic passport, and purchased a luxurious bungalow. No state agencies disclosed information about Sam Pa's business activities. Then, in late 2009, the government announced that it had agreed to a multibillion-dollar investment package with China Sonangol.

During the signing ceremony, senior ZANU-PF officials, acting on behalf of the Government of Zimbabwe, hailed the deals as a testament to strong relations with both China and Angola. Manuel Vicente, then CEO of Sonangol, was on hand. "Zimbabwe, Angola and China enjoy good relations in their South-South co-operation," Vicente told the crowd. [285]

Despite the fanfare surrounding the announcement, the exact terms of the deal were unclear. Gono, the Central Bank Governor, claimed that he could not reveal the actual size of the deal but that the figure involved was massive. "This deal represents the most significant inward investment inflow in Zimbabwe. This comes at a time when the country is being ridiculed left, right and centre," said Gono.[286] "The various banking and financial institutions that are handling this deal can't believe the huge inflows that have come in already."[287] Kelvin Kwan Man Fai, listed as Deputy General Manager of China Sonangol, was also present at the ceremony and confirmed the "huge amounts of money involved."[288] Kwan, a lawyer who has been involved in many of the Queensway Group's deals around the world, later commented that the deals were the "beginning of a long and fruitful relationship aimed to give Zimbabwe's economy a giant leap."[289]

As in Angola and Guinea, the Queensway Group created several corporate vehicles to carry out their operations in Zimbabwe. The first joint venture, Sino Zim Development Private Limited, was formed in Singapore. Shortly after the signing ceremony, state-controlled news outlets reported that Sino Zim was to invest in a wide variety of business sectors in Zimbabwe—and that the Group would inject $8 billion into Zimbabwe.[290] Sino Zim pledged to undertake a $40 million expansion of Harare International Airport that would include a new runway, taxiway, and lighting systems. It would build a 25-km railway between Harare and Chitungwiza, a large suburb of the capital, and would improve the Harare-Gweru railway line.[291] An attempt by another Queensway subsidiary to acquire a company wholly owned by the Reserve Bank that printed Zimbabwean currency was thwarted by the MDC-controlled Ministry of Finance.[292]

Sino Zim's focus appeared to be the acquisition of mineral assets. The company was to receive the rights to refine platinum and chromium (though these negotiations stalled at an early stage).[293] Sino Zim also pledged to partner with the Reserve Bank of Zimbabwe to buy between $500 million and $1 billion worth of the country's gold. As part of the deal, Sino Zim would pay gold sellers "in cash and fully on the spot."[294] The Queensway Group's priority, however, was gaining access to Zimbabwe's diamonds.

Red Flags

Following the announcement of the Group's arrival in November 2009, signs of Sino Zim's presence were everywhere in downtown Harare. State-run media outlets reported that the company would undertake substantial projects in a wide variety of sectors. However, the deals immediately raised numerous red flags. Sino Zim's activities were extremely secretive. Opposition-affiliated officials were excluded from consultations, negotiations, and the implementation of all projects, despite the fact that Sino Zim seemed to be engaged in nearly every economic sector in Zimbabwe.

Despite Sino Zim's promises in 2009 of major infrastructure projects, no railway, airport construction, nor repair projects were undertaken. However, given that details pertaining to the Queensway Group's activities in Zimbabwe were never published, it remains impossible to verify what was even due and when.

There were also indications that Queensway sought political influence to edge out competitors. Sino Zim caused a stir in the agriculture sector, for example, when it embarked on a campaign to provide 180,000 farmers with seed and fertilizer in return for the right to purchase their output. The Cotton Ginners Association of Zimbabwe (CGAZ), which oversees contractors and enforces quality standards in Zimbabwe's cotton sector, filed a complaint with Zimbabwe's High Court accusing Sino Zim of "using political muscle"[295] to purchase cotton from farmers already contracted by local dealers. In its affidavit, the CGAZ alleged that Sino Zim, in coordination with senior ZANU-PF officials, "blatantly violat[ed] the law and induc[ed] the contracted growers to breach their contracts." "The police are hopeless as they are literally seen moving in Sino-Zimbabwe trucks," the trade group's leader wrote in the affidavit. The judge presiding over the case dismissed the CGAZ's claims as "not urgent."[296] The case was later settled out of court.

Queensway's connections to Zimbabwe's ZANU-PF-controlled security apparatus became more apparent when a January 2011 report revealed that Sam Pa had helped arrange a clandestine weapons transfer from Zimbabwe to forces loyal to ousted President of Côte d'Ivoire Laurent Gbagbo during the country's postelectoral standoff in December 2010.[297]

Secret Deals with the Secret Police

In March 2011, alarming details emerged concerning Queensway's activities in Zimbabwe and the use of revenue from the Marange diamond fields. A group of disillusioned intelligence officers and ZANU-PF officials released information to the *Times LIVE* revealing that Sam Pa was "part of the grand plan to use Marange diamonds to prop up the regime."[298]

According to one account, "the head of the Tanzanian intelligence service" helped Sam Pa gain access to Happyton Bonyongwe, the director general of Mugabe's secret police force, the Central Intelligence Organisation (CIO), in February 2008. Bonyongwe was looking for alternative sources of financing for the CIO's operations in the runup to the election, and Sam Pa was in a position to help. In return for access to Zimbabwe's diamonds and mineral resources, Sam Pa agreed to provide material support to the CIO in the form of funds and equipment.[299]

The composition of the boards of directors of two holding companies used for the Queensway Group's operations in Zimbabwe—Sino Zim Development Private Limited (Singapore-registered) and Sino Zim Development Pvt Ltd (Zimbabwe-registered)—indicate CIO involvement in the deals. Sino Zim (Singapore) has three directors. Representing Queensway's interests were Lo Fong Hung and Alain Fanaie, a French national and former banking executive (who was also China Sonangol's CEO from 2011 to 2014). Representing ZANU-PF's interest was Masimba Ignatius Kamba, a Zimbabwean citizen who previously sat on the board of the National Oil Company of Zimbabwe (NOCZIM).[300] Remarkably, Kamba's address is listed as the Seventh Floor of Chester House at the corner of 3rd Street and Speke Avenue in Harare—one floor above offices occupied by the CIO. The beneficial owners of Sino Zim (Singapore) were hidden, as the company was wholly owned by two shell companies in BVI. Star Delight Holdings Limited controlled 70 percent of Sino Zim, while Strong Achieve Holdings Limited held the remaining 30 percent of the company's shares.

The Group incorporated a second holding company in 2009. Confusingly, this company was also named Sino Zim Development Pvt Ltd, but was registered in Zimbabwe and had a different ownership structure and board composition. Kamba held 51 percent of this company's shares. The remaining 49 percent of the company's shares were held by Jimmy Zerenie, the Queensway Group's chief envoy in Harare. Zerenie and Kamba served as two of the company's six directors. Lo and Fung also sat on the board. The remaining directors included two ZANU-PF appointees: Gift Kalisto Machengete, a diplomat who previously served as Zimbabwe's Acting High Commissioner in Malaysia and later sat on Zimbabwe's Grain Marketing Board; and Pritchard Zhou, a Zimbabwean diplomat. Both Machengete and Zhou reportedly have close ties to the CIO.[301]

Sam Pa also provided the CIO with cargoes of equipment in early 2010, including 200 Nissan NP300 Hardbody pickup trucks shipped to Zimbabwe via Durban, South Africa. In an interview with the *South China Morning Post*, a spokesman for the Queensway Group acknowledged the delivery of the pickup trucks to Zimbabwe but insisted they were destined for Zimbabwe's police rather than the CIO. "Two hundred trucks were imported by CIF-related companies from South Africa into Zimbabwe," said the Queenway spokesman. "100 were used by Queensway companies for legitimate business activities, and 100 were donated to the Zimbabwean government, which we believe were used by the police for their policing activities."[302] Media reports from the same period, however, claimed that these trucks were indeed given to the CIO.[303] Evidence shows that these "policing activities" may have included violations of human rights.[304] News reports indicate that, on several occasions, the identified Nissan pickup trucks were used in connection with acts of violence against perceived MDC supporters.[305]

Further implications from the deal struck between Sam Pa and Bonyongwe became evident by early 2011. In the course of negotiations, Sam Pa offered "to match the salaries of the entire staff of the CIO, the police and the armed forces to ensure their loyalty to the ZANU-PF cause."[306] Sure enough, the salaries of many CIO operatives doubled within a year.[307] The CIO's new funding stream helped finance the training of militias deployed to harass and intimidate ZANU-PF's opponents and fund smear campaigns against Western governments that imposed sanctions against President Mugabe and his political allies.[308]

These transactions earned Sam Pa nearly unrivaled access to senior ZANU-PF officials, including Mugabe. By early 2011, Sam Pa was travelling to Zimbabwe on a monthly basis and routinely met directly with senior military and ZANU-PF officials. Later, when Mugabe flew to Singapore for emergency medical treatment in April 2012, he travelled on Sam Pa's airplane.[309] "No other foreign businessman in Zimbabwe has such enormous influence," one CIO officer confided to the *Times LIVE*. "[Sam Pa] has burrowed into the very heart of the regime."[310]

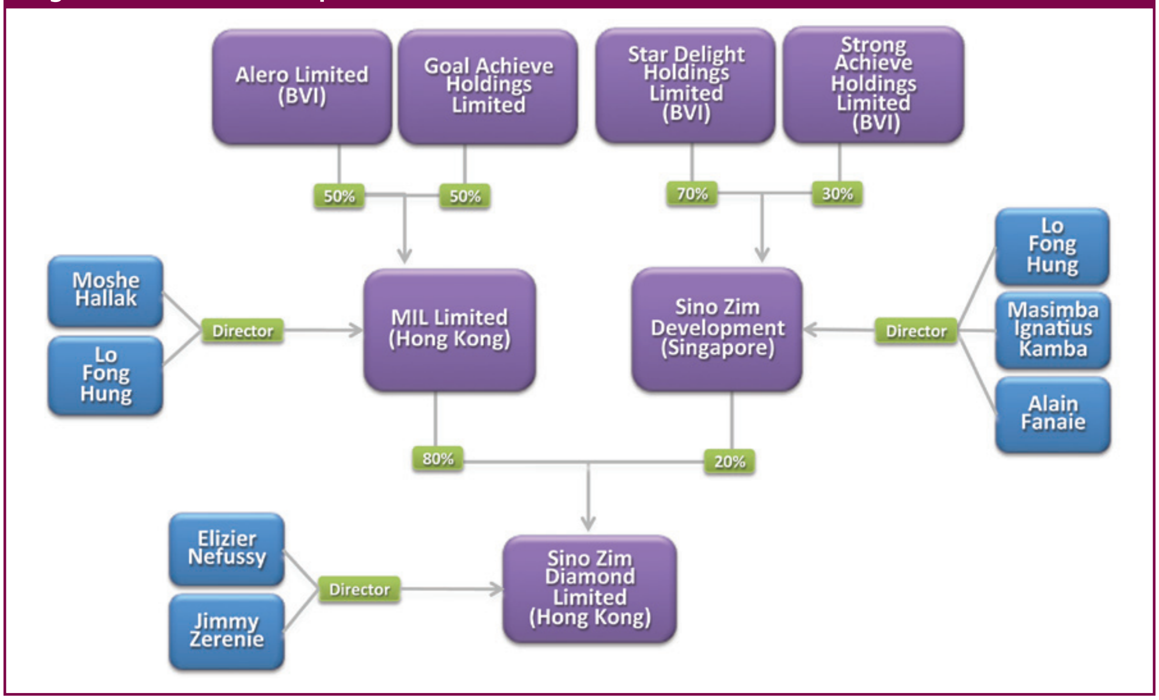
Sino Zim and the Marange Diamonds

According to the *Times LIVE*, Bonyongwe "used his position to intimidate local companies to sell assets to [Sam Pa] at knock-down prices."[311] Sino Zim was also, in fact, one of only five firms able to carve out a coveted stake in the Marange diamond fields. The company's bid actually ranked first among the numerous firms seeking access to the diamond fields, even edging out a Chinese state-owned enterprise backed by General Constantine Chiwenga, head of Zimbabwe's Defense Forces.[312]

Lacking technical experience in the diamond mining sector, Sam Pa reached out to an industry leader who had done extensive business with the Queensway Group in the past: Lev Leviev. Leviev had already sold high-end Manhattan real estate and mining assets to the Group. Additionally, Leviev owned nearly 10 percent of Nan Nan Resources Enterprise Limited, the Queensway Group's Hong Kong-listed firm that controlled several Chinese coal mines. Leviev's close business associates also sat on the board of directors of numerous companies controlled by the Group. For its operations in the Marange diamond fields, the Queensway Group enlisted the services of Sakawe Mining Corp (Samicor), a Namibia-based subsidiary of Leviev's mining corporation.[313]

On May 27, 2010, the Queensway Group formed the Hong Kong-registered Sino Zim Diamond Limited. The company was directed by Jimmy Zerenie, Queensway's senior representative in Harare, and Elizier Nefussy, an Israeli citizen and Chief Financial Officer (CFO) at Samicor. Sino Zim Development (Singapore) controlled 20 percent of the Sino Zim Diamond's shares. The remaining 80 percent were held by a Hong Kong-registered firm called MIL Limited. MIL Limited's directors are Lo Fong Hung and Moshe Hallak, a longtime business associate of Leviev. However, it is difficult to identify MIL Limited's beneficial owners, as the company's shares are split evenly between shell companies in BVI: Alero Limited and Goal Achieve Holdings Limited (see Figure 4).

Figure 4. Sino Zim's Corporate Structure



Zimbabwean media reports suggest that the Group's operation of the concession in Marange appears to have been less successful than hoped. In May 2011, *The Herald*, Zimbabwe's state-run (and ZANU-PF-controlled) newspaper, reported that Sino Zim was concerned that its diamond mining concession may not contain economically viable deposits and, as a result, the company halted operations and laid off the majority of its workers at Marange. In January 2012, the Zimbabwe Mining Development Corporation (ZMDC)—the country's state-owned mining firm—announced that it would take over "day to day management and operations of [Sino Zim]."[314]

Sam Pa was apparently able to export a large quantity of Zimbabwean diamonds purchased through his connection to Bonyongwe and, in the process, circumvent the Kimberly Process. Several reports indicate he did so through his private jet,[315] a VIP-configured Airbus 319CJ. "We don't know where the plane goes, what the routes are, or even who is involved," said Farai Maguwu, an award-winning Zimbabwean activist who has campaigned against abuses in the Marange diamond fields. "But we know that VP-BEX A319 [Sam Pa's private jet] was identified as playing an important role in facilitating this secretive system that is causing Zimbabweans to lose diamond revenue."[316] According to a March 2011 report in the *Times LIVE*, in 2010 alone (before Sino Zim officially acquired its stake in the Marange diamond fields), Sam Pa transported at least 60,000 carats of gem-grade diamonds in addition to 69 kg of industrial grade diamonds out of Zimbabwe on his private jet.[317]

In September 2013, *The Zimbabwean* reported it had uncovered CIO documents revealing that "Angola and China were key players in the smuggling of at least 36,800 carats of diamonds removed from the Marange mining field in a space of less than two months."[318] The documents indicated that General Hélder Vieira Dias Júnior "Kopelipa" (Queensway's key ally within Angola's military), Sam Pa, Veronica Fung, and several other Chinese citizens routinely carried millions of dollars' worth of Zimbabwean diamonds to Luanda, Dubai, and Hong Kong. The documents also reportedly showed that Sam Pa and senior Angolan officials routinely made multimillion-dollar payments to Zimbabwean military and government personnel in exchange for diamonds, including "a cheque [delivered by Sonangol] guaranteed by Mr Pa…for the supply of stones worth $41 million."[319]

According to a February 2013 investigative report by 100Reporters, VP-BEX A319 regularly evaded any scrutiny:

> *The Airbus appears to enjoy a remarkable lack of scrutiny, seemingly flying in a perpetual no-oversight zone. In the South African airport that was the plane's home base, unless cargo and goods were self-declared, the plane and its passengers were not normally subject to inspection by customs, police or civil aviation authorities.*[320]

In response to the article by 100Reporters, China Sonangol denied any involvement in the trade of Zimbabwean diamonds. "China Sonangol has not purchased a single carat of diamond from Zimbabwe," asserted J.K. Wee, China Sonangol's General Counsel.[321]

Queensway and Air Zimbabwe

The Queensway Group also facilitated transactions for the lease of two Airbus A320 jets for Air Zimbabwe, which had been unable to replace its aging fleet due to sanctions, leadership turmoil, and chronic financial problems. The company owed creditors approximately $150 million by 2012. China Sonangol had previously leased one of the A320s in question to Air Tanzania, albeit with considerable controversy (see Flying Below the Radar: The Case of Tanzania). To facilitate the Air Zimbabwe transaction, China Sonangol advanced payments to Reliance Aerospace Solutions, a French aviation consulting firm owned by a longtime associate of the Queensway Group. Reliance then secured the jets.

Key stakeholders were left in the dark throughout the process of negotiating the deal, which took shape in 2011 and

2012. The lease for the A320s was reportedly negotiated between China Sonangol and two Zimbabwean officials: CIO boss Happyton Bonyongwe and then Minister of Transport Nicholas Goche.[322] An official from Air Zimbabwe told reporters that the company's managers had "no idea where the money to buy the planes [came] from."[323] Once again, key MDC-appointed officials were kept out of the loop. Tendai Biti, the MDC-appointed Minister of Finance, says his ministry was not involved in what he referred to as "a ZANU-PF deal that involved diamonds and shady characters."[324]

Furthermore, the terms of the lease appeared to be extremely unfavorable to Air Zimbabwe. According to *Africa Confidential*, Air Zimbabwe began paying $410,000 for the two jets even before they were ready to fly. One former engineer at Air Zimbabwe claimed to reporters that the airline's managers had been swindled by members of Mugabe's party:

> *The management was tricked because the deal benefitted ZANU-PF and its functionaries. Reversing the deal would be very expensive but the interesting thing about the Airbus deal is that instead of the owners being responsible for major maintenance, it is Air Zimbabwe being asked to pay for such maintenance. But the question is how could they accept aircraft which were not airworthy in the first place? Obviously the answer is they left everything to the politicians who are benefitting from this despite the cost to the airline.*[325]

One of the two A320s remains grounded, reportedly because it had been "cannibalized" for parts to support the other.[326] According to one aviation industry news report, Air Zimbabwe contemplated abandoning the Airbus jets altogether because of "a lack of personnel qualified to both maintain and operate them."[327]

The same Airbus A320-214 painted in the colors of Air Tanzania in 2009 (left), Air Guinée International in 2010 (center), and Air Zimbabwe in 2013 (right). (Source, from left to right: Stuart Scollon, Sylvain Gourheu, and Charles Joubert via Planespotters.net.)

Constraints on Use of Diamond Revenue Compromised

Despite ZANU-PF's having physical control over the Marange diamond fields, the party faced several constraints on the sale of these resources. Here, again, Queensway appears to have provided a lifeline to the isolated regime.

First, ZANU-PF's opaque partnership with the Queensway Group helped the party bypass the Ministry of Finance, led by MDC appointee, Tendai Biti. Queensway's willingness to deal directly with senior military and ZANU-PF officials meant that extremely little diamond revenue was actually passing through formal channels. Obert Mpofu, the Minister of Mines appointed by ZANU-PF, disputed these claims. "It is not possible in Zimbabwe to stash away anything by anybody…. The systems are so tight. Everything that has been mined in this country, sold in this country, is accounted for." However, most informed observers reject this assertion. "We hear very detailed reports of how sales are made through suitcases full of cash and antisanctions units in local banks," one Harare-based diplomat noted. "By those sales and revenue details not being conveyed in treasury figures, it leads many to believe that real sales are higher, possibly much higher."[328] According to Biti, $800 million worth of diamonds were mined from Zimbabwe in 2012 but only $45 million in diamond revenues entered the country's treasury.[329]

Second, the Queensway Group constituted a major source of funding and material support for elements of Zimbabwe's security forces.[330] As a result, activists and policymakers began to call for Sam Pa to be placed on sanctions lists in the United States and the European Union. In July 2012, Peter Hain, a UK parliamentarian, spearheaded this call. "There is a real risk that any money given by Sam Pa…and Sino Zimbabwe Development to the security forces will fund human rights abuses in the run-up to next year's election," said Hain, who called on the European Union to impose asset freezes on "Sam Pa…so [Zimbabwe's] security forces cannot build a war chest before the [2013 general] election."[331] Ultimately, none of ZANU-PF's foreign collaborators were added to any sanctions list prior to the country's general election in July 2013. Belgium, a major hub for the international diamond trade, adamantly opposed expanding sanctions.[332]

Third, investigations by journalists, civil society organizations, and members of parliament (both opposition and disgruntled ZANU-PF officials) sought to expose misappropriation of the country's diamond wealth. However, these investigators were routinely blocked. For example, Parliament's Portfolio Committee on Mines and Energy—a 13-member bipartisan committee responsible for overseeing the extractive industries—was denied access to Marange mining data and the diamond field itself on two separate occasions.[333] Even for ZANU-PF insiders, probing too deeply into the use of diamond revenue is considered dangerous and, in one case, may have even been deadly. Edward Chindori-Chininga, a former Minister of Mines in Zimbabwe and one of the few ZANU-PF officials willing to openly criticize senior officials in his party, released a report in June 2013, highlighting discrepancies between royalties paid by diamond mining companies and the amount of revenue that ultimately made its way into Zimbabwe's treasury. A week after releasing the report, Chininga died in a mysterious car accident.[334] Many believe Chininga, who had previously spoken out against human rights abuses in Marange, was assassinated.[335]

Finally, the Kimberly Process ban on the export of Zimbabwe's diamonds was controversially lifted long before the country's 2013 election. Human rights and transparency activists across the globe had hoped that the suspension of Zimbabwe in 2009 would be extended until the human rights situation improved considerably and that its extension would deprive ZANU-PF of the resources needed to rig the elections or wage campaigns of violence and intimidation. However, following a Kimberley Process meeting on June 23, 2011, Mathieu Yamba Lafpa Lambang of the Democratic Republic of the Congo, then chair of the process, issued an administrative note announcing that KPSC "endorses exports of production from the compliant mining operations of Marange Resources and Mbada [two mining companies active in Zimbabwe] with immediate effect."[336] The announcement immediately sparked controversy.

Many claimed that KPSC members had not, in fact, reached consensus and that Yamba had acted unilaterally. The U.S. Department of State expressed that it was "deeply disappointed" and that the meeting "did not reach a consensus text."[337] Global Witness, a founding member of the Kimberley Process, announced in December 2011 that it was leaving the Kimberley Process. For Global Witness, the failure of the Kimberley Process in Zimbabwe illustrated the broader shortcomings of voluntary initiatives. "We now have to recognise that this scheme, begun with so many good intentions, has done much that is useful but ultimately has failed to deliver," wrote founding Director, Charmian Gooch. "It has proved beyond doubt that voluntary schemes are not going to cut it in a multi-polar world where companies and countries compete for mineral resources."[338]

At the center of the debate over the KPCS was its definition of "conflict diamonds." Under the current framework, the Kimberley Process is designed to ensure that diamond sales do not fund civil wars or rebel movements. For critics, this definition fails to account for abuses committed by sitting governments that are not engaged in a civil war. "Updating the definition will make the KP more credible, relevant, and effective and able to anticipate the challenges of the future," said Michael Posner, former U.S. Assistant Secretary of State for Democracy, Human Rights, and Labor.[339] The issue was raised at the KPCS's August 2012 intercessional meeting in Washington, which was chaired by the United States. However, the closed-door meeting yielded no concrete decision about updating the definition.[340]

None of the major structural deficiencies of KPCS has been addressed in the years since the Washington meeting, prompting many activists, experts, and retailers to lose confidence in the certification system altogether. "The very system set up to eradicate the trade in conflict diamonds is now giving the industry a perfect cover story, as it continues to operate in the same opaque way it always has," David Rhode, a London-based jeweler, wrote in *The Guardian* (UK) in March 2014.[341]

Campaign Financing and Reelection, Mugabe-Style

Flush with cash from diamond revenue and emboldened by the secured loyalty of the security forces, ZANU-PF's campaign of violence and intimidation continued throughout early 2013 as elections drew near. In February, officers from the police and CIO raided the offices of two election monitoring NGO coalitions—the Zimbabwe Electoral Support Network and the Zimbabwe Peace Project—seizing records, cell phones, t-shirts, and other items considered to be "subversive material."[342] On March 17, Beatrice Mtetwa, a prominent Zimbabwean human rights lawyer, was arrested when she demanded that the police produce a warrant during the raid of the home of one of her clients—Thabani Mpofu, a senior aid to Morgan Tsvangirai. She was later charged with "obstructing or defeating the course of justice."[343]

Despite repeated appeals from regional and international bodies to delay the elections until constitutional reforms were adequately implemented (as specified in the power-sharing agreement), elections were held on July 31, 2013. Unsurprisingly, Mugabe and ZANU-PF won resoundingly. After the elections, *The Sunday Times* (UK) revealed that ZANU-PF solicited assistance and donations from numerous international partners to help rig the election.[344] Sam Pa, the report states, "provided Zanu-PF with [2 million] campaign T-shirts and other election regalia."[345] An investigation by the U.S. Department of Treasury later concluded that "Among other actions, Sam Pa has given more than one million dollars, as well as supplies and equipment, to senior Zimbabwean government officials in support of the Central Intelligence Organization." Accordingly, on April 17, 2014, the U.S. Department of Treasury placed sanctions on Sam Pa and Sino Zim Director Jimmy Zerenie "for their role in undermining Zimbabwe's democratic processes and institutions or facilitating public corruption."[346]

Reached for comment shortly after the designation, Sam Pa dismissed allegations about his activities in Zimbabwe as "baseless." "People are writing without grounds and without base," he said, declining to comment further.[347] The move bars Sam Pa and Zerenie from traveling to the United States, owning U.S. property, or doing business with U.S. citizens and businesses, including banks. However, by this point, significant damage had already been done in Zimbabwe. The ZANU-PF victory dislodged the opposition and tightened Mugabe's grip on power. Rather than being forced to accommodate demands for greater transparency and accountability, the party was given new life.

For Mugabe and ZANU-PF's leaders, the discovery of diamonds at Marange was a timely blessing that led to continued self-enrichment and facilitated a crucial electoral victory. For average Zimbabweans, the find has been a curse. "The discovery of significant alluvial diamond deposits…should have been a means of salvation for the virtually bankrupt country after ten years of chaos that saw world record inflation and the nation brought to its knees," one Zimbabwean rights group noted. "Instead, it has led to greed, corruption and exploitation on a grand scale, the use of forced labour—both adults and children—horrifying human rights abuses, brutal killings, degradation of the environment and the massive enrichment of a select few."[348]

The depth of corruption and mismanagement of the country's natural resources underscores that the problem facing Zimbabwe extends beyond just the tight circle surrounding Mugabe. Zimbabwe's prospects for transforming its natural resource wealth into sustained economic and human development gains ultimately depend on establishing a system of institutions and laws capable of holding whoever is in power accountable.

Part 3: How Queensway Thrives

First Make Friends, Then Do Business: A Business Model Emerges

In the decade since its formation, the Queensway Group has expanded rapidly across Africa. Since 2004, Queensway-linked companies have been involved in at least a dozen African countries and numerous other states outside the continent. When asked about why the Hong Kong-based network has succeeded in expanding throughout the continent, one China Sonangol employee responded candidly, "In Africa, you must have relationships. First you make friends; then, you do business."[349] Indeed, gaining access to high-level officials—and working to ensure their loyalty—appears to be the cornerstone of the syndicate's investment strategy. Although its tactics and partners have changed depending on the country and sector, its overall strategy for operating in resource-rich fragile states has remained relatively constant.

Gain High-Level Access in Fragile States

States that Queensway targets for investment tend to exhibit a number of similar qualities. A number are embroiled in or emerging from conflict or political crises, and their governments are diplomatically isolated or otherwise desperate for cash. Nearly without exception, Queensway sought entry into states with high levels of official corruption and underdeveloped government oversight and accountability mechanisms. The target states typically have highly promising yet underdeveloped natural resource sectors. Importantly, in most of these countries, powerful individuals—not strong institutions—held the real authority over economic decision making.

Queensway's attraction to states with weak institutions is evidenced by its attempts to establish itself in Zimbabwe during a protracted political crisis and in Guinea, Niger, and Madagascar in the wake of coups d'état. Other Queensway partners have included governments of some of the world's most fragile states, such as South Sudan, Central African Republic, and North Korea.[350]

In each target country, the Group forged relationships with high-level officials (particularly in the military or intelligence spheres) or those with significant influence over the natural resource sector. Although Queensway initially relied on well-established Western businessmen to facilitate its access to African leaders, it soon began to seek out the respective country's ambassador to Beijing as an initial point of contact. Guinea's ambassador to China, for example, played a key role in helping the Group gain access to senior officials in Conakry.[351] China Sonangol loaned HK$2,340,000 (about US$300,000) to Mozambique's ambassador to China in 2009 for an unspecified "project" and made payments to entities connected to North Korea's embassy in Beijing.[352] Angola's consul general in Hong Kong sits on the board of directors of one of Queensway's Singapore-registered joint ventures, UNIPEC Sonangol International.[353]

Ambassador Antonio Inacio Junior (far left) and Sam Pa (center right) tour a project site in Mozambique. (Source: China Chemical Engineering Second Construction Corporation, 2012.)

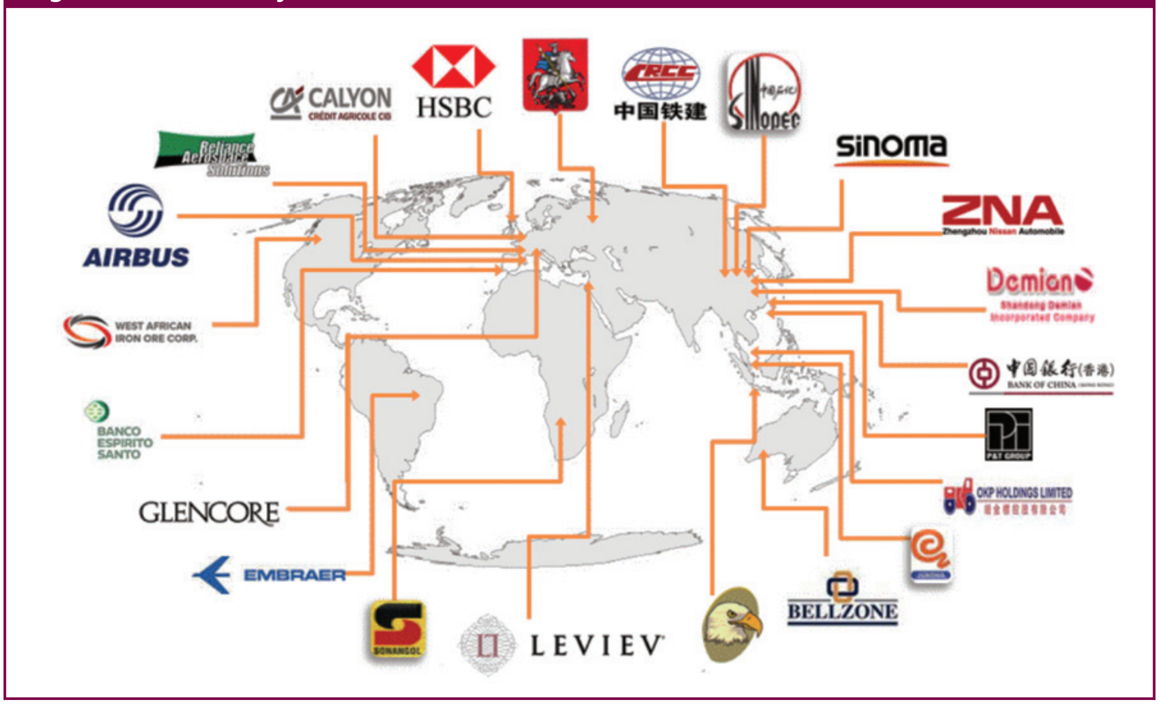
The Group's African partners have increasingly served as liaisons to other governments in the region. The syndicate even required its partners in the Government of Guinea, for example, to help Queensway establish relationships with other African states as part of its joint venture agreement. A senior Tanzanian intelligence official reportedly also helped introduce Sam Pa to Zimbabwe's CIO.[354]

Recruit the Right Partners

Given that Queensway's investments are scattered throughout numerous economic sectors and often require significant interface with high-level government officials, the Group often requires a strong local partner with elite political access and involvement in a wide range of economic sectors. Sonangol, for example, has direct access to Angola's president and is involved in construction, real estate, banking, and aviation in addition to its operations in the petroleum sector.[355] In Zimbabwe, Sam Pa formed relationships with the security sector—a dominant force in both domestic politics and commerce. Queensway's local partners elsewhere have exhibited similar characteristics.

Importantly, most of Queensway's projects are contracted out to third parties. This means that, in order to succeed, Queensway requires relationships with construction firms, oil and mining companies, commodity buyers, suppliers, and aviation and transportation firms. Infrastructure projects typically have been undertaken by Chinese engineering and construction firms, many of which are state-owned. Its airline projects have been outsourced to Reliance Aerospace Solutions, an aviation consulting firm based in France. Its iron ore project in Guinea is undertaken jointly with Bellzone, an Australian mining firm. Queensway partnered with Israeli diamond magnate Lev Leviev to operate its diamond concession in Zimbabwe. Sinopec, a Chinese state-owned oil company, buys the lion's share of the Queensway Group's crude through its oil-trading arm, UNIPEC. In effect, the Queensway Group often serves as little more than a broker (see Figure 5).

Figure 5. Queensway's Global Network



Offering a Lifeline to Isolated Regimes

Once gaining high-level access in a target country, Queensway has typically sought to negotiate large-scale investment packages financed by resource-backed loans. Although instability tends to discourage foreign investment, a handful of unscrupulous investors typically remain engaged during periods of conflict or political crises. Queensway has thus employed three tactics in order to distinguish itself from the pack. First, Queensway has made its presence felt by providing cash-strapped regimes with much-needed financing. It provided at least $45 million in "emergency budgetary support" to a military junta in Guinea in 2009. Around the same time, Queensway provided Zimbabwe's Central Intelligence Organization (CIO) with $100 million in financing.

Second, the Group has provided vehicles to several governments during periods of instability or isolation. It provided 200 Nissan pickup trucks to the Government of Zimbabwe, 300 Nissan Xterras to the Government of North Korea, and 350 Nissan and Hyundai 4x4s to President Hery Rajaonarimampianina of Madagascar in March 2014.[356]

Third, and most importantly, Queensway typically seeks opportunities to showcase its rolodex to potential clients. Queensway's leaders are known to show photos of themselves with high-level Chinese representatives and arrange for potential clients to meet with government officials in Beijing. Sam Pa and Lo Fong Hung have also arranged for executives from well-known companies and diplomats from partner African states to travel to the target country to help bolster Queensway's legitimacy and credibility.

Although Queensway's package deals often include projects in a wide variety of sectors and thus would normally require consultation with officials from numerous ministries, the Group has managed to negotiate with a tight circle of senior government officials. Without exception, Queensway's investment deals have been negotiated behind closed doors and oftentimes outside of normal protocol. The vast majority of contracts and agreements related to its operations have never been disclosed. For most of its major joint ventures, the Queensway Group establishes a holding company registered in Hong Kong or Singapore. In turn, these holding companies have numerous subsidiary companies dedicated to operations in specific sectors. The Group usually controls 70 to 85 percent of each joint venture's shares. The remaining shares are typically held by the host-country government, a major state-owned enterprise, or high-level government officials.

Although Queensway has often gone to great lengths to operate under the radar, senior officials in countries with which it partners often have strong incentives to flaunt their capacity to attract large-scale foreign investment and demonstrate international credibility. Accordingly, elaborate groundbreaking ceremonies or launch parties often accompany deal signings. Billboards depicting planned projects are frequently erected on the outskirts of Queensway's project sites. Government news agencies often publish or broadcast announcements of deals with the Queensway Group.

Repeatedly Failing to Deliver

Even in its capacity as a broker, Queensway has gained a reputation for not following through on its pledges. Many of the infrastructure construction projects initiated in Angola with great fanfare—reportedly worth upwards of $10 billion—came to a standstill in 2007 and were transferred to other contractors or cancelled entirely.[357] The airport CIF promised to build in Angola has been marred by delays, and its plans to construct an airport terminal and invest in the national airline in Tanzania have been completely abandoned. Infrastructure promises in Zimbabwe also proved unfulfilled.

Results have been similar elsewhere around the world. Between 2007 and 2009, China Sonangol lined up a series of projects in North Korea, including a massive riverfront commercial district called "KKG Avenue" in Pyongyang. No work appears to have been done on this project, however.[358] In November 2013, Lo Fong Hung appeared on North Korean state television at a groundbreaking ceremony for a "high-tech industrial park" Queensway planned to build—but reports since indicate that construction had been suspended by June 2014.[359] Although opacity surrounding the Queensway Group's activities makes it virtually impossible to take inventory of its operations, there is a clear pattern: promising big and failing to deliver. More pointedly, the promises often serve to endear Queensway to government officials, only to leave these plans on the table once access to more valuable natural resource contracts have been secured.

Initially, the Queensway Group made few proactive attempts to shape public perceptions of its operations, gaining a reputation for being extremely averse to any publicity whatsoever. Instead of relying on its brand to bolster its credibility, it relied on testimony from clients and business partners in order to prove its worth. However, after a series of highly critical think tank reports and exposés[360] detailing Queensway's activities, the Group shifted its strategy by disputing some allegations leveled against it. At times, Queensway representatives have gone so far as to deny that Sam Pa held any formal role in its activities.[361] However, legal representatives for CIF have admitted that "he does carry out work as an adviser for China International Fund and related companies."[362] These denials of Sam Pa's role in the company aside, when Sam Pa was photographed during meetings with leaders from Tanzania, Guinea, and Dubai in 2008, 2010, and 2013, respectively, individuals identified him as the head of China International Fund, vice chairman of China Sonangol, or chairman of China Sonangol Group.[363]

China Sonangol also subsequently embarked on a public relations campaign to repair its reputation. Lawyers hired by the company began to send letters threatening legal action to analysts and news outlets that reported any allegations leveled against the Group in print.[364] In late 2012, the company launched a new Web site that disclosed significantly more information about its portfolio of investments and some of its leaders. The company now even boasts of a strategy for corporate social responsibility.[365] There is little indication, however, that this has had any substantial impact on the conglomerate's activities in resource-rich states.

The most potent blow to Queensway's reputation came in April 2014 when U.S. sanctions were placed on Sam Pa for providing support to the CIO and facilitating public sector corruption in Zimbabwe. However, just a few weeks after the U.S. sanctions were announced, CIF signed a deal with Moscow to build a $1.3 billion bridge across the Kerch Strait connecting mainland Russia with Crimea, the Ukrainian region that had been controversially annexed by Russia just 2 months earlier. The announcement came as many governments began tightening sanctions on the regime of President Vladimir Putin over Russia's role in the Ukraine crisis. The bridge deal, followed by another multibillion-dollar agreement to construct infrastructure for the 2018 World Cup in Russia, showed that by partnering with diplomatically isolated regimes, Queensway can find business regardless of its checkered reputation.

Vedomosti, a Russian newspaper, reported in October 2014 that CIF and its partner, China Railway Construction Corporation, gained entry into Russia with the help of Putin Consulting Ltd., a firm owned by Roman Putin, cousin of Russian President Vladimir Putin.[366] "A crucial element of our team's success," the firm's Web site states, "is maintaining close contact with the leadership of the law enforcement services and oversight bodies."[367] When questioned about the deal with CIF, Putin suggested to *Vedomosti* that Russia was not in a position to be picky about its investment partners. "Do the sources of investment into the national economy really matter?" he said. "Especially in conditions of sanctions and a steep decline in energy prices."

Sam Pa (left), Marat Khusnullin, Deputy Mayor of Moscow for Urban Development and Construction (center), and Hu Zhenyi, Vice President of China Railway Construction Corporation (right), at a deal-signing ceremony in Moscow for an agreement to construct infrastructure for the 2018 World Cup. (Source: Business Wire, 2014.)

Queensway's Relationship with Beijing: From Posing as Envoys to Posing with Envoys

Queensway's leaders maintained strong ties to the Chinese state even before launching their flagship company, CIF, in 2003. Former business partners and acquaintances have claimed that Sam Pa worked for China's intelligence services prior to forming the Queensway Group.[368] He is said to frequently display pictures of himself together with various Chinese politicians and government officials to demonstrate his status.[369] Lo Fong Hung is the daughter of a Chinese military general and reportedly highlights her time as an interpreter for Deng Xiaoping.[370] Wang Xiangfei, who is married to Lo and has also held senior positions within numerous Queensway companies, has worked as an executive at Chinese state-owned banks for decades. Wu Yang used the address of China's Ministry of Public Security as his home address on official corporate records and has even made known that his strong links to Sinopec were what earned him a stake in Dayuan, a key Queensway holding company.[371]

Throughout its history, the Queensway Group has showcased its ties to high-level government and Communist Party officials in Beijing to curry favor with potential clients. Queensway regularly undertakes joint ventures with Chinese state-owned enterprises. In the oil sector, the Group works closely with state-owned Sinopec. It signed a major offtake agreement with UNIPEC, Sinopec's oil-trading subsidiary, for the sale of Angolan crude oil to the Chinese market. Sinopec even served as the guarantor for a $3 billion loan to China Sonangol in 2005.

However, relations between Queensway and Beijing have not always been smooth. In fact, there are indications that some elements of the Chinese government are embarrassed and frustrated by the Group's activities around the world. However, despite sometimes tense relations with Chinese diplomats, Queensway's links with key state-controlled entities have continued virtually without interruption, with some evidence suggesting that the relationship has thawed considerably since 2011. Throughout this ebb and flow Beijing has never publicly sought to hold Queensway's leaders to account for their activities in Africa.

Denunciations

Chinese state agencies have publicly criticized Queensway on several occasions. Chinese diplomats have issued statements distancing the Chinese government from Queensway's activities when they have attracted unfavorable attention. These statements reveal a pattern. First, they emphasized that the firms tied to these projects were private companies registered in Hong Kong or Singapore. Second, they stated that the Chinese government had no knowledge about their activities. And third, they asserted that Beijing could not vouch for the viability of the projects.

Controversies surrounding the Group's operations in Angola have proved frustrating for Chinese contractors and diplomats operating in the country. There have been complaints by Chinese construction and engineering firms that they were swindled by CIF and never received payment for their work.[372] *Asia Times* reported in March 2007 that "[a]mong mainland Chinese construction companies, the CIF is well known for cajoling contractors into taking part in projects in Angola. So far half a dozen contractors have had unpleasant experiences with the CIF, which stands accused of routinely delaying payment for completed work and keeping rates as low as possible."[373]

The Chinese Embassy in Luanda briefly became a vocal critic of China International Fund. "We are not familiar with [CIF's] background, but all their projects that have been built in Angola are not good," said a spokesman from the Chinese Embassy in March 2007.[374] "We are not the direct department in charge of Chinese Angolan economic cooperative efforts," added a commercial counselor from the embassy, "but we never saw [CIF] emerge in any of the public exercises and meetings between the Chinese government and the Angolan government."[375] One anonymous Chinese diplomat based in Luanda expressed his contempt for CIF to a team of journalists:

> *Nobody at the embassy even knows how to get in touch with them. We don't know what they do to earn their privileges, by which I mean, for example, the fact that they're the only ones who seem to be preapproved for Angolan visas. And they have direct access to leaders both [in Luanda] and in Beijing. One thing I do know, though: Those thirty projects they're talking about? Lies. All lies. The ones that they started have been stopped, and the others will never get off the drawing board. They're responsible for all the misunderstandings between the two countries, and they're the reason that we're currently [at the end of 2007] having to use every diplomatic trick in the book to restore good relations with Angola.*[376]

According to several sources, Sinopec officials have unsuccessfully sought to bypass Queensway—perceived by some as an unnecessary middleman—and gain direct access to Angolan oil.

In Tanzania, discord between Queensway and China's embassy emerged shortly after the announcement of Queensway's investment deals.[377] In August 2008, Xia Na, the First Secretary of Economic Affairs at the Chinese Embassy in Tanzania, told the Tanzanian government that while China Development Bank would finance some projects in the country, the embassy was not aware of any plans by China Sonangol to acquire equity stakes in Tanzania's airline.[378] This contrasted with the briefing notes from the meeting between the Ministry of Finance with China Sonangol and China Development Bank, published by the Government of Tanzania at the time.

Beijing was also quick to distance itself from the deals signed between CIF and the military junta in Guinea in 2009. China's Ministry of Foreign Affairs claimed that it had "taken note of the recent intensive reports by Western media on the cooperation the Government of Guinea may have with China International Fund Ltd. The Fund is an international company registered in Hong Kong. Its investment in Guinea is completely its own corporate behavior. The Chinese government has nothing to do with its business operations, nor does it have knowledge of the specifics."[379]

The case was similar in Zimbabwe. Despite the fact that the deals were being hailed as evidence of "the relevance and efficacy of the Look East Policy," the Chinese Embassy in Harare actively distanced itself from Queensway's projects in that country. According to a March 2011 report, Chinese Ambassador to

Zimbabwe, Xin Shunkang, warned the Zimbabwe government to be cautious in its dealings with the Queensway Group, claiming that the Chinese government had no connection to China Sonangol.[380] In Nigeria, several Chinese state oil companies were blocked from obtaining concessions in favor of China Sonangol.[381]

The Chinese Ministry of Commerce (MOFCOM) sharply criticized Queensway in an investigation submitted to the Chinese State Council. The investigation referred to CIF as "a swindler run by lawless Hong Kong business interests who work alongside greedy mainlanders."[382] The probe revealed that Queensway had bribed officials in foreign governments and echoed claims that Queensway introduced clients to "phony envoys" of the Chinese government. The Group's dubious deals, according to the report, were "damaging China's image abroad."[383] The internal MOFCOM investigation was not willfully released to the public but rather unearthed by a group of investigative journalists in 2011.[384] While such private concerns have been expressed about Queensway's activities, there is no indication that Beijing took any formal action against the company.

Rapprochement

Despite these periodic denouncements, the Queensway Group continued to expand its partnerships with Chinese state-owned enterprises. Key relationships—such as its joint ventures with Sinopec—have persisted precisely because of the Group's status as a middleman. The Queensway-Sinopec joint venture, SSI, continued to win oil exploration licenses in Angola. In November 2010, China Sonangol established a new Singapore-registered joint venture with UNIPEC called Unipec Sonangol. Meanwhile, numerous Chinese construction and engineering firms signed on to partner with CIF and China Sonangol for a wide range of projects.

Chinese diplomats have been photographed alongside senior officials from the Queensway Group regularly over the years. Less than 2 weeks after presenting his credentials in August 2011, China's Ambassador to Angola, Gao Kexiang, visited CIF's headquarters at Luanda One and met with its senior officers. The Queensway Group has incorporated these photos in its marketing materials posted on CIF's Web site.[385]

Queensway's relationship with the Chinese government has become more overt in recent years. In September 2013, Sam Pa appeared as a featured guest at a military training exercise held at China's Yinchuan University.[386] A few months later, China Sonangol signed an agreement with the Government of Hebei Province (China) for shale gas exploration in Zimbabwe. In short, Queensway's ties to the Chinese government are extremely complex. More importantly, they are often based on ties to individuals rather than institutions and are therefore likely subject to change as power dynamics shift in Beijing.[387]

Sam Pa addresses the participants in a September 2013 military performance at Yinchuan University in China (Source: Yinchuan University Press Release, September 2013.)

Oversight Failure

A press release published by the Special Response Team of the Beijing General Station of Entry and Exit Frontier Inspection in August 2011 suggests that authorities in Beijing were aware of issues concerning China Sonangol's corporate jets. During the meeting, Xu Wang of the Special Response Team's Party Committee, "requested that Sonangol strictly comply with the laws and regulations of the country in the process of border entry and exit by their business jets, and to contact and consult with the Special Response Team to resolve in advance any issues that arise." Nonetheless, Wang Jianbang, the leader of the China Sonangol delegation, spoke of how "the Special Response Team police have actively cooperated with the efforts of [China] Sonangol and that they facilitated [China] Sonangol's work to a great extent." [388] The officials from China Sonangol presented the Special Response Team with a banner bearing the words "Defender of the People, a Great Wall of Steel."

Allegations that Sam Pa was using a China Sonangol corporate jet to smuggle diamonds out of Zimbabwe had appeared in the media months before this meeting had occurred.[389] Despite being in a position to know about the contents of Sam Pa's private jets, relevant Chinese authorities took no apparent action.

Beijing's inaction in the case of the Queensway Group is not a matter of law enforcement capacity. At times, Chinese government agencies have cooperated with foreign law enforcement organizations to curb criminal activities perpetrated by Chinese citizens overseas. In August 2012, China's Ministry of Public Security worked with its Angolan counterpart to arrest and repatriate 37 members of Chinese criminal gangs active in Luanda. These criminals were reportedly involved in "kidnapping, robbery, blackmail, human trafficking and forcing women into prostitution."[390] The sting was the first "large-scale action against crimes targeting Chinese in Africa," according to Xinhua, China's

Left: China Sonangol representatives meet with officials from the Special Response Team of the Beijing General Station of Entry and Exit Frontier Inspection. *Right*: China Sonangol representatives present the Special Response Unit with a wall hanging. (Source: Beijing General Station of Entry and Exit Frontier Inspection Web page. Copy on file with the author.)

state-run news agency.[391] In short, Chinese authorities have demonstrated the capacity to engage in complex transnational investigations and law enforcement actions—when it is in the government's interest to do so.

The case of the Queensway Group also exposes the use of Hong Kong as a loophole for Chinese investors seeking to escape Beijing regulation. While Queensway's registration in Hong Kong provides a convenient rationale for not taking action, Beijing can exercise jurisdiction over the Queensway Group for at least two reasons. First, the Group's two most important subsidiaries—CIF and China Sonangol—maintain offices in Beijing. Second, Chinese citizens have at various times held leadership positions within several companies controlled by the Group.

In short, numerous linkages exist between the Queensway Group, senior Chinese officials, and Chinese state-controlled entities—and many of these partnerships have been forged or expanded in spite of repeated denunciations by Chinese Foreign Ministry and embassy officials. Moreover, despite repeated denials by Chinese diplomats, perceptions persist that the Chinese state proactively supports Queensway's expansion or otherwise turns a blind eye to its exploitative tendencies.

Following the Money: Queensway's Links to the International Financial System

Although there have been persistent links between Queensway and the Chinese state, the Group's actions appear to be largely motivated by profit rather than politics. Though the opacity of the Group's operations makes it virtually impossible to determine the extent of its financial success, Queensway appears to have become extraordinarily profitable in the decade since its formation. A crucial tool for shielding Queensway's operations from scrutiny and facilitating the movement of money around the world is the use of anonymous shell companies—firms that allow owners to conceal their identities.

The confusion created by the Group's rampant use of these opaque corporate structures has even led to an acrimonious legal dispute between its founding directors.

Fighting Over the Spoils: Wu Yang v. Dayuan

Wu Yang was a founding director of Dayuan, the holding company at the center of Queensway's corporate structure, upon its founding in 2003. After a shakeup at Sinopec in 2007, Wu appears to have been marginalized by the other founding directors of Dayuan. The dispute became public when it came time for China Sonangol to pay dividends to its owners. Hong Kong court documents show that in September 2008 and 2011, China Sonangol was to receive approximately $186 million in dividends for its stake in an Angolan oil block. Wu's 30-percent stake in Dayuan should have yielded a payment of nearly $40 million. However, he never received any payment. Consequently, Wu filed a lawsuit against Dayuan and the other two directors of the company, Lo Fong Hung and Veronica Fung, asking for access to key financial and administrative documents pertaining to Dayuan's activities.

The legal battle between Queensway's founders showed that Dayuan's ownership structure was more complex and opaque than previously thought. Lo claimed in court that Wu had only nominal interest in Dayuan but, according to the judge, would not explain "why the shares were allotted to [Beiya Industrial] as fully paid, why [Wu] became a director and why [Dayuan] never sought payment for the shares."[392] Wu openly confirmed that he was, in fact, a nominee shareholder. According to Wu, he and a business partner named Wang Yui had been granted the 30-percent stake in Dayuan (which they held through an anonymous shell company in the BVI) "in recognition of the fact that he and [Wang] would be providing valuable connections and influence to the prospective business of [Dayuan]."[393] On June 4, 2013, the judge ruled in Wu's favor.[394]

The sums of money involved in the dispute confirm that Queensway's operations are quite profitable. Statements made during the case also raise questions about how profits were ultimately used. Lo argued that Wu would not have received any dividend payment anyway because "the money received by China Sonangol went to fund projects in Angola undertaken to build goodwill." However, the judge noted that "she [did] not identify any particular project or explain with whom the Dayuan Group was trying to curry favour."[395]

Wu's Courtroom Disclosure

The list of documents demanded by Wu Yang amounted to the largest financial disclosure in Queensway's history. The documents provided details of a HK$15,600,000 (about US$2 million) payment to the Office of the President of Tanzania and a HK$2,340,000 (about US$300,000) loan to Mozambique's ambassador to China for an unspecified project. Details also emerged about payments for numerous projects in North Korea. In addition, the disclosure revealed a HK$11,700,000 (about US$1.5 million) cash advance provided to "Mr. Sam" on June 30, 2009—just as the Group was finalizing partnerships with an unstable junta in the Republic of Guinea and the Central Intelligence Organisation in Zimbabwe. There was also a HK$996,663,894 (around US$128 million) payment to Dayuan from China Sonangol for "advice."

Early in the case, the judge shot down the Dayuan team's argument to deny Wu access to its corporate records because Wu might leak the sensitive records to the press or use them to force Dayuan to buy him out. "The court…should be slow to allow respondent companies to turn these applications into complex and expensive fights in an attempt to prevent shareholders seeing embarrassing documents," he reasoned. The court's denial in July 2013 of Dayuan's appeal left the previous June 4, 2013 ruling for Wu in effect.

New Layers of Opacity: Singapore, BVI, and Beyond

While the opacity and complexity of Queensway's corporate structure was at the center of the dispute between its founding directors, the use of shell companies has important benefits for Queensway. The use of these companies staves off suspicions of conflicts of interest, prevents investigators from fully mapping networks' operations, and precludes banks from properly undertaking due diligence when opening accounts for companies under its control.

In 2009, Queensway had already incorporated dozens of firms in Hong Kong. At that point, it began to register firms in jurisdictions outside of Hong Kong with greater frequency, adding new layers of opacity in the process. The main corporate vehicles for its partnerships with Guinea, Zimbabwe, and Madagascar were registered in Singapore, as were many of the specialized companies operating under the CIF and China Sonangol monikers. By the beginning of 2011, no fewer than 30 companies had been incorporated at the same business address: 9 Temasek Boulevard, #42-01 Suntec Tower Two, Singapore.

Since 2009, the Queensway Group has been transferring ownership of key companies under its control to shell companies registered in the British Virgin Islands (BVI). Most importantly, on September 6, 2013, just a few months after a Hong Kong judge granted Wu access to Dayuan's internal records, the Queensway Group notified Hong Kong authorities that it had transferred Dayuan's stake in China Sonangol to BVI-registered Magic Wonder Holdings Limited on September 7, 2012. In addition to Magic Wonder, at least seven other BVI companies are controlled by the Queensway Group: Newtech Holdings Limited, Shinerun Limited, Postrun Limited, Powerpost Limited, Richrise Holdings Limited, Grand Chance Investments Limited, and World Noble Holdings Limited.

None of these jurisdictions require disclosure of beneficial owners of companies incorporated in their territories. Rather, investors can simply use a nominee director or shareholder to legally represent their stake in a company incorporated in one of these jurisdictions. Moreover, in these territories it is cumbersome (and in some cases impossible) even for law enforcement officials and regulators to access beneficial ownership information about companies.

Many of the BVI-registered companies under the Queensway Group's control, for example, share the same business address: P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. This offshore incorporation service provider has registered tens of thousands of companies using its own address, demonstrating just how easy it is to incorporate offshore and what little information of the incorporating business is actually necessary. Numerous other Queensway companies are located in other secrecy jurisdictions, including the Cayman Islands, Bermuda, and the state of Delaware in the United States.

The Queensway Group's tendency to obscure ownership structures by creating a chain of corporations spread across multiple jurisdictions is a common tactic known as "laddering" or "saucissonage"—meaning to chop something into smaller, sausage-like pieces. "When you slice a structure among several jurisdictions, each provides a new legal or accounting 'wrapper' around the assets that can deepen the secrecy and complexity protecting the assets," Nicholas Shaxson wrote in *Treasure Islands: Uncovering the Damage of Offshore Banking and Tax Havens*. "Even if you can see parts of the structure, the laddering stops you from seeing it all—and if you can't see the whole, you cannot understand it."[399]

Sam Pa's absence from the Group's corporate filings and his use of aliases create significant barriers to linking the Group's operations to him. This also makes it entirely possible that even some of the Group's partners, both in government and the private sector, have no clue with whom they are really dealing.

Purchasing New York Real Estate

China Sonangol began acquiring high-end assets overseas beginning in 2008, including foreign oil concessions, stakes in publicly traded mining companies, and hundreds of millions of dollars in real estate around the world. China Sonangol's first big U.S. acquisition came on August 31, 2008, when it purchased 15 Broad Street, a landmark skyscraper, in Manhattan, which includes 23 Wall Street, the original J.P. Morgan & Co. headquarters, across the street from the New York Stock Exchange, for $150 million.[400]

Notably, the seller of the "House of Morgan" was AFI USA, a subsidiary of Africa Israel Investments, Ltd., a conglomerate controlled by one of Queensway's partners in the diamond sector, Lev Leviev. Originally, China Sonangol was slated to acquire three Manhattan skyscrapers from Africa Israel. However, the sale of the other two buildings—*The New York Times* building at West 43rd Street and the Clock Tower at Madison Avenue Park—fell through.[401] In 2009, China Sonangol signed an agreement with Africa Israel committing China Sonangol to pay $25 million for upgrades to *The New York Times* building. But this agreement was never honored. Reflecting the uneasiness that even some of Queensway's partners have with the Group, one Africa Israel executive lamented, "The letter may as well have been signed on toilet paper."[402]

Queensway's relationship with AFI USA, it turned out, sparked controversy within Leviev's company. Richard Marin joined AFI USA as the company's CEO in February 2009 to help the company "stop the bleeding" from the real estate investments it had made during the height of the market.[403] After the company abruptly fired him in December 2010, Marin filed a lawsuit against his former employer for unpaid compensation. Included in his lawsuit was an allegation that he was fired because he had uncovered improprieties that "would hurt [the company's] bottom line." Among the improprieties Marin claimed to have witnessed was that for over 2 years China Sonangol had owed AFI USA $700,000. But when Marin wanted to initiate litigation to recover the amount, Izzy Cohen, a senior official at AFI USA's Tel Aviv-based parent company, directed Martin to "write it off."[404]

Despite its iconic status, the House of Morgan remained without a long-term tenant for 6 years after China Sonangol bought the building. In 2011, China Sonangol retained Cushman & Wakefield to help find a tenant for its Wall Street property. In early October 2011, a pop up art exhibit set up shop inside the House of Morgan that sought to document the ongoing Occupy Wall Street protests outside.[405] A few weeks later, on October 30, 2011, film director Christopher Nolan briefly transformed 23 Wall Street into the Gotham Stock Exchange for the 2012 blockbuster film "The Dark Knight Rises."[406] By and large, however, the building produced no revenue for China Sonangol. In January 2015, real estate developer Latitude 360 announced plans to lease the entirety of 23 Wall Street's retail space and transform the House of Morgan into an entertainment complex complete with restaurants, movie screens, and "luxury bowling."[407]

However, even without a tenant, New York real estate is a sound investment for international businessmen or politicians who seek to operate under the radar. A report in *New York* magazine found that the city's property market has become a popular place for shadowy investors to park their assets. "While New York real estate has significant drawbacks as an asset—it's illiquid and costly to manage—it has a major selling point in its relative opacity," the report said. "With a little creative corporate structuring, the ownership of a New York property can be made as untraceable as a numbered bank account."[408]

Although China Sonangol highlights its ownership of 23 Wall Street on its Web site, it purchased the building using a Delaware-registered company called CS Wall Street LLC. This created yet another layer of distance between Sam Pa—who, under sanctions, is forbidden from doing business or owning a majority stake in any U.S. property—and China Sonangol's Wall Street asset.

A Diversified Portfolio

China Sonangol has continued to collaborate with trusted business partners from other sectors when investing in real estate around the globe. In Singapore, Queensway is developing two upscale high-rise properties with Singaporean civil engineering firm OKP Holdings. CIF and OKP first set up a joint venture in September 2009 to collaborate on construction projects in Angola, Guinea and Zimbabwe.[409] China Sonangol purchased a 14-percent stake in OKP in 2009, and OKP was temporarily involved in Queensway's plans to develop a high-tech industrial zone inside North Korea in November 2013.[410]

In Indonesia, Queensway has worked closely with Surya Paloh, a highly influential media mogul and politician who helped China Sonangol gain access to a stake in the country's Cepu oil block in early 2009.[411] Since then, China Sonangol and Surya's Media Group have collaborated in the property and hospitality sector, teaming up to purchase a retail, residential, and office complex in Jakarta called Entertainment X'nter (eX Plaza) and jointly operating the Intercontinental Bali Resort, a 418-room beachfront hotel.

In addition to its real estate acquisitions, Queensway has invested hundreds of millions of dollars in acquiring aircraft, vessels, and automobiles (see Table 4). China Sonangol owns a fleet of aircraft that includes 10 corporate jets and 25 helicopters, most of which were manufactured by Airbus. In November 2014, China Sonangol entered a deal with Rodman Group, a Spainish shipbuilding company, for a $40 million fleet of ships that will include 40 high-speed patrol boats and 10 catamarans. In March 2015, it was announced that China Sonangol would acquire a majority stake in Rodman.[412]

Table 4. China Sonangol's Overseas Acquisitions*

Investment	Year	Details
Fleet of Aircraft	2005	Aircraft fleet includes over 10 corporate jets and 25 helicopters from Airbus and several more from other manufacturers.
23 Wall Street	2008	China Sonangol purchased the historic headquarters of J.P. Morgan & Co. at 23 Wall Street from Lev Leviev.
Nan Nan Resources Enterprise	2008	China Sonangol transformed a former Hong Kong-listed clock maker into a coal-mining company in China's Xinjiang Province.
Cepu Gas Field	2009	China Sonangol acquired a 4.5-percent stake in the Cepu Gas Field on the Indonesian island of Java.
Angullia Park	2009	China Sonangol purchased 21 Angullia Park in Singapore from OUE and is partnering with OKP to develop the site into condos.
OKP Holdings	2009	In two separate transactions, China Sonangol acquired 30 million shares (a 14-percent stake) of Singaporean engineering firm OKP Holdings.
Bellzone Mining	2010-2014	Beginning in 2010, China Sonangol gradually acquired a majority stake in publicly traded Bellzone Mining Plc, one of its key partners in Guinea.
Amber Towers	2011	China Sonangol bought Amber Towers in 2011 and is working with OKP Holdings (a 10-percent shareholder in the property) to develop the site
Sampoerna Strategic Square	2011	Alongside Indonesian tobacco company Sampoerna Group, China Sonangol owns this highrise office complex in the heart of Jakarta.
Entertainment X'nter (eX Plaza)	2012	China Sonangol owns a 90-percent stake in this retail, residential, and office complex in Jakarta, Indonesia.
Royal Palace Hotel	c. 2012	China Sonangol owns this 22-story hotel in Guangzhou, China.
Haikou Yusha Village	c. 2012	Plans underway for a large residential, commercial, and real estate district on China's Hainan Island.
Intercontinental Bali Resort	2013	Alongside Surya's Media Group, China Sonangol co-owns this 418-room beachfront hotel in Bali, Indonesia.
Patrol Ships and Catamarans	2014	China Sonangol purchased 40 high-speed patrol boats and 10 catamarans with capacity for 350 passengers from Rodman Group.

This list does not include China Sonangol's stakes in projects tied to Queensway's large investment packages in Guinea, Madagascar, Mozambique, North Korea, Tanzania, and Zimbabwe.

Unscrupulous Bankers

In late 2009, the Queensway Group was in the final stages of the acquisition of 21 Angullia Park, a $200 million highrise in Singapore. In order to pay for the property, Sam Pa sought to transfer funds from Harare, Zimbabwe to an HSBC branch in Singapore. However, the transfer was initially blocked because the bank could not determine the source of the funds. Having maintained an HSBC account with hundreds of millions of dollars throughout the global financial crisis, Sam Pa allegedly expressed having felt betrayed by the bank. Nonetheless, there ultimately was little fallout from the incident. Shortly after the initial glitch, the funds were made available in Singapore and the purchase was finalized.

Revelations about gross deficiencies in HSBC's anti-money laundering (AML) program suggest that it is highly unlikely that the bank would have suspected anything suspicious from a significantly sized transfer of funds from Zimbabwe—and perhaps even less likely that the bank would have taken any action. In September 2010, HSBC came under intense scrutiny by U.S. regulators, including the U.S. Department of Treasury Office of the Comptroller of the Currency (OCC), for deficient AML controls. HSBC Bank USA N.A. (HBUS), the bank's key U.S. subsidiary, received several citations in late 2010 detailing a staggering list of AML deficiencies.

Subsequently, the U.S. Senate Permanent Subcommittee on Investigations (PSI) launched an indepth investigation of HSBC. Published in July 2012, it found that HSBC frequently shirked due diligence responsibilities and facilitated "transactions that hinder U.S. efforts to stop terrorists, drug traffickers, rogue jurisdictions, and others from using the U.S. financial system."[413]

The HSBC branch in Singapore received specific attention. In December 2007, an HSBC branch in Singapore opened an account for Islami Bank Bangladesh Limited, a bank linked to known terrorists and terrorist financiers.[414] HSBC opened the account despite the fact that HSBC's Financial Intelligence Group had uncovered Islami Bank's terrorist links and an HSBC compliance officer initially refused to approve the transaction. According to the July 2012 PSI report, "When an AML Compliance officer… declined to approve an account, HSBC personnel found someone else to take her place."[415]

Although the PSI largely placed blame on HSBC and its "pervasively polluted" compliance culture, the report also criticized the bank's regulators for letting problems fester.[416] Many countries have stringent AML and customer due diligence (CDD) laws and regulations in place. There is even an international body, the Financial Action Task Force (FATF), designed to enhance AML standards globally. However, the HSBC scandal is one of many examples that illustrate how enforcement has often lagged far behind legislation. Indeed, according to the PSI report, the fact that HSBC's AML deficiencies were "severe, widespread, and longstanding…raised questions about how the problems had been allowed to accumulate and why the OCC had not compelled corrective action earlier."[417]

Left: Lo Fong Hung (left), former China Sonangol CEO Alain Fanaie (center) and Jerry Tan, a Singapore-based luxury property consultant (right), pose for a photo at the March 2012 "Champagne Supper," a private event hosted by Tan's firm, JTResi, and China Sonangol to provide guests with a preview of the latter's new Singapore property, TwentyOne AngulliaPark. *Right*: Sam Pa (left) shakes hands with Jerry Tan (right) in March 2012 as Alain Fanaie (center) looks on. (Source: JTResi Web page, 2012.)

Following the money reveals another important truth about Queensway's leaders: they need the formal structures of the international financial system. The disclosure standards of the international financial system would theoretically create a dilemma for unscrupulous investors. However, through its deft use of anonymous shell companies, Queensway has shown that predatory investors can access courts to resolve legal disputes, maintain bank accounts, invest in publicly traded companies, and own real estate assets around the world without ever having to reveal their identity.

Part 4: A Problem Bigger Than Queensway

Although the scale of its exploitation of resource-rich fragile states is virtually unrivalled, the 88 Queensway Group is far from unique. For every unaccountable public official with discretion over the allocation of lucrative state contracts, there is a predatory investor willing to collude to make a profit at the expense of the country's population. While efforts aimed at holding individual predatory investors like Queensway accountable help deter corruption, any progress achieved remains fleeting as long as the system that allows them to thrive remains intact. Accordingly, preventing the spread of predatory investors requires identifying and addressing the systemic deficiencies that allow such firms to operate with impunity. Three structural deficiencies stand out across the cases examined in perpetuating the collusion that contributes to the dismal outcomes in many resource-rich states: a near absence of accountability mechanisms for senior officials responsible for countries' natural resource wealth, weak oversight of commercial entities in the extractive sector, and major loopholes in the international corporate and financial regulatory system.

Exploiting Resource-Rich States' Weak Immune Systems

As the cases profiled in this report illustrate, vulnerability to the resource curse begins with weak or nonexistent accountability structures within a resource-rich state. This vulnerability is exploited by the willingness of a select few individuals responsible for overseeing the natural resource sector to engage in self-enriching activities at the expense of the general population. The inequities that result are perpetuated by the regime's willingness to use force to stifle challenges to its authority.

Queensway gained entry into Angola just after the close of a three-decade-long civil war. It sought entry into Guinea, Madagascar, and Niger after military coups d'état ushered in new governments in each country. It brokered deals in Zimbabwe during the country's worst political crisis since independence. While other investors shied away from politically tumultuous environments, the Queensway Group charged right in.

The cases reviewed in this report show how the Queensway Group opportunistically attempted to leverage its influence in such transitional contexts where oversight institutions were weak. Queensway has thrived under such circumstances in Africa by developing relationships with leading figures in these governments who have outsized influence due to weak oversight structures. These relationships are cultivated by orchestrating elaborate financing schemes for the cash-strapped regimes, helping governments evade sanctions, and even arranging arms transfers.

Groups like Queensway persist because they are able to do business behind closed doors and work with individuals rather than through institutions. These investors are often able to persuade governments to engage in deals that are unfavorable to their populations by appealing to the private interests of a small group of well-connected officials with control over natural resources. Queensway thus has benefited from the access it gained to Africa's natural resources while unaccountable leaders benefited from the infusion of cash they need to maintain their monopoly on power, often when they had nowhere else to turn. The losers from these transactions are the general population, as citizens are deprived of the benefits that natural resource revenues could have served to help create infrastructure, skills, jobs, and poverty reduction.

Distorted incentive structures. Vulnerability to exploitative international actors is exacerbated by incentive structures in nondemocratic political systems that simultaneously financially reward those individuals who hold power, but provide few benefits for actually governing effectively. In particular, control over resource extraction and distribution of resource rents provides significantly greater opportunity for financial gain than involvement in other business sectors. At the same time, because these regimes frequently do not rely on popular support to stay in power, allocation of resources prioritizes party or patronage interests over investments in development. Meanwhile, although incumbents may enjoy a certain degree of impunity while in power, they would be highly vulnerable legally if they were ever to leave office. As such, political contests in resource-rich fragile states are often "winner-take-all."

Co-opting the security sector. Resource wealth allows incumbents to maintain robust security forces that are co-opted into enforcing the exclusionary political systems through which the resource curse persists. Several of the states targeted by the Queensway Group exemplify this cycle. Angola has earned the label "successful failed state" because of the regime's ability to use resource revenues effectively in pursuit of the objectives of the ruling clique. For the first several years of its operations in Angola, the Queensway Group liaised directly with General Kopelipa, one of the country's most senior military officers. For decades, Guinea's military leaders used mining revenues primarily to enrich themselves and maintain a security force capable of suppressing dissent. In Zimbabwe, President Robert Mugabe allowed the security forces to have direct control over lucrative diamond mines in order to ensure their continued loyalty.

Guinea under Moussa Dadis Camara is illustrative of the vulnerability created by distorted incentives. At the time the Queensway Group arrived in Guinea, the military junta was nearly broke. Many investors and donors had withdrawn due to deteriorating governance and human rights conditions. The Group's willingness to advance the junta at least $50 million for "emergency budgetary support" and to finance an audit of rival mining companies helped Queensway push through deals that were highly unfavorable to citizens. Guinea's junta sacrificed the long-term interests of the population in order to achieve short-term personal and political objectives.

Underdeveloped oversight institutions. Given the value of extractive resources, the problematic incentive structures of government leaders, and the technical complexity and environmental hazards associated with natural resource extraction, independent and capable oversight institutions are needed at every stage of the extractive industries value chain if these resources are to be managed in the public interest. Queensway sought out states in which such institutions were weak, enabling the Group to work through influential individuals. Legislative debate and approvals of negotiated contracts were almost unheard of in countries targeted by the Queensway Group.

In Guinea, key oversight institutions—many of which had been sidelined for four decades—lacked the capacity and independence to regulate the extractive industries. The architects of the CNDD's deals with the Queensway Group were free to insert provisions into the agreements without consent or consultation with relevant bodies and could discard the advice of senior government officials at will. The office of former Prime Minister Kabiné Komara even tried to intervene, producing a sophisticated analysis of the flaws in the junta's contract with the Queensway Group. However, this guidance was ignored.

In other cases, the Queensway Group worked with high-level government officials to bypass oversight institutions in place or to restructure the bureaucracy to obscure accountability structures. In Angola, the establishment of the Gabinete de Reconstrução Nacional ensured that one of dos Santos's closest advisors, Kopelipa, would oversee the sensitive Queensway portfolio. This arrangement effectively minimized the number of individuals with influence or awareness of the Group's operations and, importantly, it diluted the power of the country's Ministry of Finance. Similarly, in Zimbabwe, ZANU-PF systematically bypassed the Ministry of Finance so as to maintain full discretion over these resources. As a result, the Central Intelligence Organisation's arrangement with the Queensway Group to sell diamonds infused the secret police force with cash, which they used to procure weapons and equipment that bolstered the regime.

Lack of transparency. The choice by resource-rich governments to conduct business with extractive sector investors behind closed doors ensures that key details about the nature and terms of these relationships remain unavailable to the public. In Angola, Queensway has a multibillion-dollar portfolio of investments spanning multiple sectors, but no contract pertaining to its activities in the oil-rich nation has ever been disclosed. In Zimbabwe, the government official who announced the deal with the Queensway Group refused to reveal even the total amount of money involved in the transaction. In Guinea, documents governing the partnership that surfaced following a change in regimes revealed "confidentiality clauses"—acceptable for a transaction between two private parties but not for an agreement with a government. In the absence of a clear explanation, the fact that senior Angolan officials serve as directors of anonymous shell companies tied to external investors that do business in Angola at best gives the appearance of a conflict of interest. This lack of transparency surrounding the Queensway Group's operations and interactions with host-country governments increases the potential scope of corruption, mismanagement, and exploitation.

Lack of transparency also makes corruption less risky and more attractive. There have been regular reports of graft related to the Queensway Group's operations in Africa. The Chinese Ministry of Commerce found that the Group had bribed numerous African government officials.[418] *The Economist* reported that the Group provided a helicopter to Guinea's coup leader as a "gift."[419] Others have suggested that then Minister of Mines Mahmoud Thiam benefited financially from Guinea's arrangement with the Group. Given the paucity of information available about the Group's relations with each government, many questions about apparent malfeasance unsurprisingly go unanswered.

Most importantly, without knowledge of the terms of these deals, citizens are unable to determine whether or not their interests are protected. In Angola and Zimbabwe, for example, even high-level government officials with relevant portfolios were left out of the loop during the Queensway Group's negotiations. Amid such secrecy it is impossible to determine whether either party is even fulfilling its obligations.

Restrictions on civil society and the press. In Tanzania, the media played a crucial role in investigating the country's partnership with China Sonangol and disseminated information about the relationship. These revelations not only provided insight to policymakers, they also empowered citizens to hold their government to account. Conversely, major constraints on civil society and the press in other states targeted by the Queensway Group undermined this public scrutiny. In Angola and Zimbabwe, restrictive legal frameworks impose severe limitations on journalists. In these states, reporters and nongovernmental organizations frequently face intimidation, censorship, imprisonment, and violence.[420] Such policies or actions that deter or prevent civil society and the press from investigating and publicizing information about the extractive industries, corruption, or governmental mismanagement reinforce an environment of impunity and heighten a country's vulnerability to exploitation.

Official Complicity and Regulatory Failure in Countries of Origin

Given that predatory investors like the Queensway Group often target states with illegitimate, unaccountable regimes, a second layer of international oversight takes on even greater importance. Specifically, it is crucial that home-country governments monitor and regulate the activities of the corporations registered in their territory. In the case of Queensway, however, none of the governments that could be considered Queensway's "home country" have demonstrated sufficient will to regulate the syndicate's activities.

Mixed signals and regulatory failure in Beijing. Since Queensway's formation in 2003, debates about the syndicate's relationship with Beijing largely focused on whether or not the Chinese state "controlled" its operations. These debates overlook the fact that the Chinese government had the knowledge, the incentive, the authority, the capacity, and the responsibility to take punitive action against the Queensway Group. However, efforts by Chinese authorities to hold the Queensway Group accountable have been inadequate. There is evidence that at least some Chinese officials understand that the Queensway Group's activities undermine the rule of law. Still, substantive action by the Chinese government to curb these violations has not been taken. Ultimately, the Chinese government's muted response to Queensway's activities bolsters the Group's veneer of legitimacy and fuels perceptions that Beijing, at the very least, endorses Queensway's activities in Africa.

Regulators in Hong Kong and Singapore have turned a blind eye to the Queensway Group's activities. Hong Kong is the nerve center of the Queensway Group's operations—but there is no evidence that Hong Kong's government has sought to hold the Queensway Group's leaders to account for their predatory business practices. Whereas Beijing has responded to public criticism about Queensway on multiple occasions, neither the Government of Hong Kong nor the Government of Singapore (where the Group has a growing number of registered firms) have commented publicly about the controversy surrounding the Group.

Angola's government has fueled Queensway's predation. In Africa, the government most responsible for shielding the Queensway Group from scrutiny and facilitating its expansion is Angola. Sam Pa's possession of an Angolan diplomatic passport has allowed him to bypass customs and avoid searches of his belongings. Angolan officials introduced Sam Pa to military and government officials in numerous African capitals and vouched for his integrity. Luanda has been plagued by the resource curse for decades. By helping the Queensway Group, Angola is now exporting this model throughout the continent.

Oversight failure is the norm, not the exception. Investigating and prosecuting individuals or companies for engaging in corruption can be extremely difficult and expensive. After all, corruption is a willfully hidden activity, and perpetrators often operate in opaque environments in which government officials may be complicit and thus uncooperative with investigations. Furthermore, international corporations with complex legal structures that span multiple jurisdictions can prove to be slippery targets for regulators. Not only do jurisdictional boundaries complicate the efforts of investigators, they also provide authorities with a convenient excuse for inaction. Still, as Transparency International found in its evaluation of OECD member states' compliance with the Anti-Bribery Convention, the primary reason for lagging enforcement is simple: inadequate government support.[421]

An Enabling International Regulatory Environment

Predatory investors like the Queensway Group thrive on loopholes in the international corporate and financial regulatory system, revealing that the supply chain of corruption is truly global. Although there have been some key improvements, the institutional and legal frameworks for governing the activities of multinational oil and mining firms in fragile states remain insufficient. Worse, negligent banks and shadowy offshore incorporation centers enable corrupt officials and predatory investors to move their money with ease and operate with impunity.

Insufficient international legal and institutional framework. Although there are reports that the Queensway Group has been involved in numerous illicit activities, such as trafficking in diamonds and selling weapons in violation of embargoes, many of the Queensway Group's activities do not break any laws per se. In the same way that notorious Russian arms trafficker Viktor Bout proved a frustrating target for regulators, many of the Queensway Group's predatory business practices "fall into a legal gray area that global jurisprudence has simply failed to proscribe."[422] The signing of a multibillion-dollar deal with a military regime in Guinea that recently massacred peaceful protestors is not illegal. Providing funding to a secret police agency in Zimbabwe that was alleged to have been involved in widespread human rights abuses is perfectly legal. No international legal convention mandates that either China Sonangol or CIF disclose details about their operations in Angola. This is problematic given that the governments of resource-rich illiberal states often have vested interests in keeping these transactions out of the public eye.

Certain voluntary initiatives spearheaded by civil society and reform-minded governments to enhance transparency and improve governance have helped. For example, the Extractive Industries Transparency Initiative (EITI), a coalition of governments, private firms, and civil society organizations, provides a useful reform framework and has gained significant momentum since it was announced in October 2002. The ultimate goal for states participating in EITI is to meet a set of six criteria (see "EITI Criteria") to become "EITI Compliant." In short, EITI compliance requires that a given country have "an effective process for annual disclosure and reconciliation of all revenues from its extractive sector."[423] In 2015, 48 countries had signed on to implement the initiative, 31 of which were considered compliant. In Africa, 18 states were EITI compliant and three more were in the process of implementing EITI.

EITI Criteria

1. Regular publication of all material oil, gas, and mining payments by companies to governments and all material revenues received by governments from oil, gas, and mining companies to a wide audience in a publicly accessible, comprehensive, and comprehensible manner.
2. Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
3. Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.
4. This approach is extended to all companies including state-owned enterprises.
5. Civil society is actively engaged as a participant in the design, monitoring, and evaluation of this process and contributes toward public debate.
6. A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

Source*:* Excerpt from the EITI Rules, 2011 Edition.

However, EITI is not (and does not purport to be) a panacea for the resource curse. Two factors limit the impact of EITI. First, many states that are in acute need of reform in the extractive industries—including Angola and Zimbabwe—have shown no intention of signing onto or implementing EITI. Since EITI lacks an enforcement mechanism or tangible consequences for failure to comply with the EITI criteria, it is only effective in states with leaders who are truly incentivized to enact reforms. Consequently, EITI is prone to being used by regimes that want the reputational benefits of membership without genuinely committing to the principles of transparency that were the impetus for EITI in the first place. For example, a 2009 report by the OECD Development Centre found that "there is a perception that the government [of Cameroon] is using the EITI to gain Heavily Indebted Poor Country status, but is not really committed to implementation."[424] Second, EITI's scope is limited to the state's collection of revenues from investors. Other segments of the extractive industries value chain—such as the allocation of licenses and concessions, regulation and monitoring of operations, and revenue allocation by the government—are not covered under EITI.[425] This has been partially addressed by the introduction of EITI++ in 2008, a World Bank-initiated expansion of EITI designed to encompass the entire extractive industries value chain.

In contrast to EITI, the Kimberley Process has been hampered by an overly narrow mandate and a lack of flexibility. Nongovernmental organizations and human rights activists celebrated the Kimberley Process Certification Scheme (KPCS) when it was launched in 2003 as an example of effective collective action on the part of the international community to stem the illicit trade in conflict diamonds. To its credit, the process has succeeded in making it more difficult for diamonds mined in areas held by rebel groups to reach international markets. However, the inability of KPCS to stem the flow of diamonds out of non-war contexts such as Zimbabwe illustrates three major problems with the KPCS status quo.

First, the certification scheme's definition of "conflict diamonds" is narrow and thus does not apply to many contemporary situations where diamonds fund human rights abuses or conflict, including when such acts are perpetrated by sitting governments. The second concern is an insufficient enforcement capacity. This was demonstrated in Zimbabwe where large amounts of diamonds were reportedly smuggled out of the country, even during the period in which the country was suspended from the Kimberley Process.[426] Finally, the dispute about whether or not then Kimberley Process Chair Mathieu Yamba Lafpa Lambang, had the authority to unilaterally endorse the export of diamonds from Marange raises doubts about the effectiveness of the KPCS decision-making process as well as differences among members over the objectives of the organization.

Negligent banks (and regulators) facilitate corruption. "Corruption is not just done by the dictator who has control of natural resource revenues," wrote Global Witness in a landmark report on the role of banks in natural resource corruption. "He needs a bank willing to take the money. It takes two to tango."[427] There are numerous examples of large international banks engaging in questionable practices in resource-rich states. For example, bankers for the Congolese president's son, Denis Christel Sassou Nguesso, continued to facilitate payment of his personal credit card bills despite being in a position to know that the funds used to pay the balance were the proceeds of corruption. Indeed, numerous scandals involving banks opening and maintaining accounts for politicians diverting ill-gotten gains illustrate that banks often represent a crucial link in the global supply chain of corruption.[428] But negligence on the part of banks represents just one part of the problem. Ineffective regulators are also to blame. Indeed, the U.S. Senate probe into HSBC's anti-money laundering controls found that regulatory deficiencies allowed problems to fester. In other cases, laws and regulations may simply be too weak.

Oil-backed loans extended to China Sonangol raise a different set of concerns about how banks may enable corruption in the natural resource sector. The $3 billion loan in 2005 to China Sonangol from numerous prominent international banks arranged by the London branch of Crédit Agricole, one of the largest banks in France, highlights the high threshold for corruption risk of many banks. This pattern has been replicated by numerous other oil-backed loans extended to Sonangol since the end of Angola's civil war. The practice of extending resource-backed loans to unaccountable regimes, moreover, allows these governments to mortgage future oil or mineral production in order to acquire capital in the near term—extending their time in power. The second concern is that, without access to beneficial ownership information, banks involved in such loans often are not equipped to conduct thorough due diligence investigations.

There have been efforts at the international level to enhance money laundering controls at banks and improve regulatory regimes. Established in 1989 and endorsed by over 180 countries and numerous intergovernmental organizations, the Financial Action Task Force (FATF) has enjoyed some important successes in combating money laundering. The threat of appearing on the so-called "FATF blacklist" of "Non-Cooperative Countries or Territories" (NCCTs) has prompted many countries to push through anti-money laundering (AML) reforms, as the reputational damage suffered by states considered noncompliant often leads to capital flight.[429] The evolution of FATF demonstrates that, once specific concerns are articulated by reformers, there are opportunities for improving the international legal framework against corruption.

Since being asked by G20 leaders in 2011 to help detect and deter corruption, FATF has devoted a heightened level of attention to this problem. In February 2012, FATF issued new global standards that aim to clarify and strengthen certain requirements. Specifically, the FATF recommendations outline and explain the requirements for:

- customer due diligence;
- identification of beneficial ownership;
- transparency of cross-border wire transfers;
- identification of politically exposed persons;
- investigation and prosecution of financial crimes;
- information sharing; and
- measures to counter the financing of the proliferation of weapons of mass destruction.

The recommendations also explain in detail the application of the "risk-based approach," which requires countries and financial institutions to "identify, assess, and understand the money-laundering and terrorist financing risks they face."

While these new recommendations are a welcome development, many experts lament that a large part of the problem is that implementation of current laws and regulations remains weak. In a June 2012 report on the risk factors in laundering the proceeds of corruption, FATF itself concluded that both financial and nonfinancial institutions legally required to report suspicious activity have failed to undertake due diligence or otherwise apply AML controls effectively.[430] In some cases, these institutions have been proactively complicit or willfully blind to the laundering of the proceeds of corruption.

Secrecy jurisdictions empower criminals and corrupt officials. Offshore incorporation centers, known as secrecy jurisdictions or tax havens, have played an important role in the Queensway Group's expansion and evolution. These jurisdictions allow the Group to incorporate companies without disclosing key information such as beneficial ownership details. This prevents outsiders from identifying who truly controls and benefits from the Group's operations in Africa and stifles attempts to map its full corporate structure.

For the Queensway Group, anonymity has often resulted in impunity. Queensway's joint ventures with the Zimbabwean government, including its subsidiary active in the diamond sector, are owned by a web of offshore shell companies in the British Virgin Islands. Additionally, several Queensway partnerships with high-level officials from Sonangol or the Angolan government are controlled by anonymous shell companies.

The use of secrecy jurisdictions prevents banks and potential business partners from effectively undertaking due diligence. For example, many of the banks that extended multibillion-dollar loans to China Sonangol beginning in 2005 may not have even known that Sam Pa was one of the company's largest shareholders. Indeed, it is entirely possible that even some governments do not even truly understand with whom they are dealing.

The impact of secrecy jurisdictions is far reaching. Raymond Baker, Director of Global Financial Integrity, a research and advocacy organization working to curtail illicit financial flows out of developing countries, has referred to secrecy jurisdictions as "the biggest loophole in the global economic system."[431] In a review of 150 cases of corruption, the World Bank's Stolen Asset Recovery (StAR) Initiative found that in the vast majority, "a corporate vehicle was misused to hide the money trail."[432] Not only do secrecy jurisdictions grant safe haven to predatory investors like the Queensway Group, they also provide arms traffickers, drug cartels, terrorists, money launderers, and corrupt government officials with a place to hide their ill-gotten gains.

Sustained advocacy efforts have managed to bring the issue of corporate secrecy onto the international agenda. The topic was discussed at the June 2013 G8 Summit in Ireland. Several G8 member states committed to establishing national registries that allow citizens to access corporate records. Others vowed to develop plans to address the issue. However, even within the G8, not every country was in favor of beneficial ownership laws. Leaders from several countries ruled out creating national corporate registries that list beneficial owners.[433] Other international bodies, such as the EU and G20, made commitments in 2014 to improve beneficial ownership transparency. There are concerns, however, that these commitments do not amount to comprehensive action. The new system, for example, would only allow those deemed to have a "legitimate interest" to access corporate registries. One transparency campaigner warned that recent reforms "may end up replacing one big loophole with many small loopholes" since "[i]t remains unclear how countries will assess who has a 'legitimate interest'."[434]

In the meantime, key financial centers are backsliding. In January 2013, for example, Hong Kong lawmakers proposed new restrictions on access to company data after a long series of investigations using such data exposed the enormous wealth accumulated by senior Chinese leaders.[435] These setbacks pose a major challenge to the fight against corruption. Although legitimate companies are highly likely to remain incorporated in the same jurisdiction regardless of whether or not they are required to disclose their identity, criminals and corrupt officials are likely to flock to places that continue to offer corporate anonymity.

Part 5: Recommendations

Resource-rich countries are often governed by political leaders with weak legitimacy and limited oversight institutions. This combination lends itself to scenarios where leaders are effectively auctioning off a country's national resource treasure for personal benefit. While unaccountable governance is at the heart of the resource curse, it should be recognized that even reformed-minded governments face uphill challenges in bringing multibillion-dollar predatory networks like the Queensway Group to account. Following are recommendations aimed at addressing some of these systemic problems. These are presented across the three overarching enabling structures of the resource curse: weak domestic accountability institutions, limited home-country oversight of predatory investors, and a complacent international regulatory environment. Remedying this systemic exploitation will also require addressing the linkages between these three processes as the cumulative effect of their impact is more damaging than any one element of this equation on its own.

Strengthening Transparency, Oversight, and Inclusive Natural Resource Governance

The corridors of power in many states are occupied by leaders who benefit from the status quo and are thus resistant to change. Even when there is a window of opportunity for pushing through meaningful reform, vested interests and competing priorities render the challenge of ensuring effective management of the natural resource sector daunting. Given the lopsided power structure built into these systems, reform requires both accounting for the misdeeds of previous administrations as well as overhauling the institutional frameworks that govern the natural resource sector.

Provide citizens access to information about their natural resource revenues. Transparency is the first line of defense against corruption and mismanagement in the natural resource sector. Citizens should have access to key details about licensing and bidding processes, collection of royalties, and the use of natural resource revenues. Government officials involved in contract negotiations and the allocation of licenses for exploration and production should be those with a defined portfolio and with the authority to negotiate contracts on behalf of the state but not the authority to close the deal. That should be left to national legislatures whose role is to represent citizens' interests. The negotiating government officials should be publicly identified and required to declare their assets before and for several years after a negotiation, especially any business interests in the country's extractive sector. The foremost reason for transparency across the extractive industries value chain is that citizens, as the rightful owners of the state's natural resources, simply have the right to know. Public scrutiny of such information also acts as an important deterrent against corruption. Beyond rights-based arguments, transparency has significant, tangible benefits for citizens and governments alike. Access to financial information helps ensure spending matches societal priorities, leading to more rational governance. In short, transparency elevates the voices of ordinary citizens and facilitates a more inclusive debate over priority uses of natural resource revenues. A reputation for upholding the rule of law also attracts beneficial investments from respectable firms, strengthening the business and finance sectors of an economy. Since a more transparent market levels the playing field that is currently weighted in favor of less scrupulous actors, there are incentives for reputable oil and mining firms to support transparency initiatives.

Some companies and governments claim that publication of natural resource contracts will result in disclosure of commercially sensitive information. Such claims are frivolous. "Most information cited as commercially sensitive is not in primary contracts," notes Revenue Watch Institute.[436] Confidentiality clauses are legitimate provisions in agreements between private parties. This is not the case for agreements signed by governments that determine the legal basis for the management of public assets, such as natural resources.[437]

One promising initiative aimed at promoting transparency and inclusive governance—crucial ingredients for effective natural resource management—is the Open Government Partnership (OGP) established in 2011. In order to become a member of the initiative, governments must work with civil society to develop an action plan that outlines its commitments "to drive innovative reforms in the areas of transparency, accountability, and citizen engagement." Participating governments are also required to submit an annual self-assessment and participate in OGP's Independent Reporting Mechanism in order to evaluate their progress and performance. OGP has grown from 8 participating countries in 2011 to 65 in April 2015.[438]

Build strong oversight institutions at every stage of the extractive industries value chain. The key reason for the contrast between outcomes for successful commodity exporters and for the majority of Africa's resource-rich states is effective oversight institutions. Natural resources are invariably looted, squandered, or otherwise mismanaged when individuals or small cliques of influential presidential advisors preside over the extractive industries.

Importantly, no singular institution can mitigate the corrosive impact of natural resource revenues on governance. Too often, governments enact cosmetic reforms that merely enhance oversight at one stage of the natural resource extraction process while neglecting to close loopholes at other stages. Additionally, anticorruption commissions that are established in graft-ridden states often amount to an effort to pay lip service to reform in order to pacify donors but ultimately fail to reduce public sector corruption.[439] Corrupt officials and illicit entrepreneurs have proven that they are nothing if not innovative and can adapt quickly if reforms are not comprehensive. Effective management of the natural resource sector requires a system of independent, capable, and accountable institutions that spans every stage of the extractive industries value chain.[440]

The Natural Resource Charter (NRC)—developed by international economists, lawyers, and natural resource governance experts—provides a useful framework for reformers seeking to improve governance of the extractive industries. Launched in 2010 and adopted by the AU Heads of State steering committee in 2011 and by the New Partnership for Africa's Development in 2012, the NRC is a set of 12 economic principles (referred to as "precepts") that outline best practices for equitably managing the extractive industries (see "The Twelve Precepts of the Natural Resource Charter"). The Natural Resource Governance Institute offers expert advice, training, and courses that facilitate reform and institution-building based on NRC precepts. An example of this are partnerships such as with Oxford University's Blavatnik School of Government to host an intensive course for senior officials from resource-rich states in order to outline the major policy choices officials must confront throughout the extraction process.[441]

A variety of strategies have been advocated to ensure that resource revenues are allocated equitably, including the establishment of natural resource funds, direct cash payments to citizens, and resource-for-infrastructure swaps. While each has its merits, it is the criterion that key decisions are subject to review by an independent body representing the interests of stakeholders from civil society, government, and the private sector that is crucial.

The Twelve Precepts of the Natural Resource Charter

1. Resource management should secure the greatest benefit for citizens through an inclusive and comprehensive national strategy, a clear legal framework, and competent institutions.
2. Resource governance requires decision makers to be accountable to an informed public.
3. The government should encourage efficient exploration and production operations, and allocate rights transparently.
4. Tax regimes and contractual terms should enable the government to realize the full value of its resources consistent with attracting necessary investment, and should be robust to changing circumstances.
5. The government should pursue opportunities for local benefits, and account for, mitigate and offset the environmental and social costs of resource extraction projects.
6. Nationally owned companies should be accountable, with well-defined mandates and an objective of commercial efficiency.
7. The government should invest revenues to achieve optimal and equitable outcomes, for current and future generations.
8. The government should smooth domestic spending of revenues to account for revenue volatility.
9. The government should use revenues as an opportunity to increase the efficiency of public spending at the national and sub-national levels.
10. The government should facilitate private sector investments to diversify the economy and to engage in the extractive industry.
11. Companies should commit to the highest environmental, social, and human rights standards, and to sustainable development.
12. Governments and international organizations should promote an upward harmonization of standards to support sustainable development.

Empower legislatures to play a crucial role in effective oversight of the extractive industries. In addition to asserting authority to approve all natural resource licenses and contracts, African legislatures can enhance layered oversight by spreading responsibility over natural resource governance across multiple committees. Some African parliaments have deftly used the tools at their disposal to enhance transparency and accountability. Notably, the case of Tanzania shows how the country's Parastatal Organisation Accounts Committee can be an effective tool for parliamentary oversight of the executive branch. This type of committee, often known as a public accounts committee (PAC), is usually chaired by opposition members of parliament, which safeguards integrity and ensures that opposition parties have a voice, are able to challenge senior government officials, and push for alternative courses of action. In parliament, PACs can be an effective forum for reviewing audits and assessing government expenditures.[442] As in Tanzania, the existence of these institutions helps mitigate some of the negative repercussions of domestic and international actors aiming to exploit the country's natural resource wealth. African parliaments should mandate such committees to conduct annual evaluations of state-owned oil and mining companies as applicable.

Protect civil society and the press' right to act as a watchdog. Not only must information be available, it must be accessible to citizens. As one analyst noted, by itself "a complex audit report, posted on the internet in developing countries where frequently less than 20% have reliable internet access, using sophisticated language and analysis in countries which often have significant levels of illiteracy, is unlikely to mobilize the citizenry in a broad and meaningful way."[443] As the Tanzania case study illustrated, independent, empowered press and civil society organizations play a key role in interpreting publicly available audit reports and other government documents (such as briefing notes from ministries), articulating and publicizing public concerns, and advocating for policy responses that address these concerns. These organizations play an indispensable watchdog function by revealing graft and abuses of public office and serve as a deterrent against corruption.[444] Thus, reforms seeking to improve management of the extractive industries must protect space for the press and civil society organizations as well as improve access to information.

While journalists in many African states are hindered by resource limitations and deficient technical understanding of the extractive industries, several states have gone to great lengths to include journalists and civil society organizations in deliberations about the management of natural resources. Ghana provides an example of effective civil society engagement in the natural resource sector. Since 2010, Ghanaian civil society organizations and journalists have held an annual review of the natural resources and environment sector to discuss and debate key issues. This sort of mechanism allows society at large to remain informed about key issues in the extractive industries and provides a means for concerns to be articulated and broadcast to citizens. Notably, EITI also provides a forum for such engagement as its rules stipulate that civil society participate throughout the EITI process. It has thus been an important vehicle for fostering dialogue about reform in many member states.

Political transitions provide a crucial opportunity for progress. By temporarily breaking down established patronage-based exclusionary power structures, political transitions represent vital windows of opportunity for pushing through meaningful reforms in the natural resource sector. This was seen in Guinea's shift to civilian rule in 2010-2011. The window for taking action is finite, however. If a course correction is not made at an early stage, the old patterns of corruption and unaccountability will reassert themselves. This will make subsequent efforts at reform much more difficult. Accordingly, it is important for reformers operating in these environments to articulate a cogent agenda for managing a nation's natural resource revenues in a timely manner. The IMF Guide on Resource Revenue Transparency provides a technical guide for such reforms. Reformers must similarly be prepared to sustain their push for reform since establishing these new oversight institutions will take time and face inevitable pushback.[445] In the meantime, governments should work in consultation with a full range of stakeholders to develop long-term development plans for how natural resource revenues should be used. Citizens of resource-rich countries can often have high expectations of new governments—especially in postconflict situations. Such dialogues can help manage these expectations.[446]

Reviewing extractive industry contracts in transitioning countries can be an important step toward meaningful reform. Corrections from such reviews can rebalance egregiously detrimental contract terms for the public. The prospect of such reviews can also signal to unscrupulous investors that contracts signed with illegitimate governments, especially coup makers, will face a steep risk premium. However, contract review processes can be derailed and co-opted by opportunistic "reform spoilers," who seek to profit from a shakeup of the mining sector. The audits catalyzed by CIF in Guinea (leading to their gaining control of key assets) were undertaken under the auspices of a mining sector review.

To safeguard against these abuses, the review process should involve independent, technically proficient, nonprofit organizations to ensure the process is undertaken fairly and systematically. This role may be filled by respected intergovernmental organizations, such as the Stolen Asset Recovery (StAR) Initiative—an initiative of the World Bank and the United Nations Office on Drugs and Crime—drawing on accepted protocols for the review and revision of natural resource contracts. By making such reviews as predictable and transparent as possible, this approach would unshackle newly democratizing countries from the damaging effects of inequitable contracts while easing the anxiety of legitimate investors.

Recovering assets looted by previous regimes is another priority for newly elected leaders. The process of tracing, freezing, and repatriating the proceeds of corruption is costly and time consuming, however, and governments seeking to recover looted assets face immense technical, legal, and political challenges. According to a report by the StAR Initiative, "Even where the political will to pursue stolen assets exists, limited legal, investigative, and judicial capacity and inadequate financial resources could hamper the process."[447] Nonetheless, engaging in the mechanics of the asset recovery process and establishing partnerships with international actors with the requisite expertise will contribute to designing better financial control systems to safeguard against future abuses.

Stakeholders in government and civil society should be wary of cosmetic reform—superficial policies or campaigns that merely pay lip service to anticorruption efforts while maintaining the status quo. On numerous occasions, for example, senior Angolan officials have vowed to reform Sonangol and increase government transparency. The government's much-touted reform efforts have been focused on publishing statistics on revenue from which the public learns little about who actually benefits from the country's resource wealth. Meanwhile, senior military and government officials have been able to secretly hold stakes in oil and mining ventures and withhold statistics about government expenditure.[448] When international financial institutions accept these reform promises at face value and resume major financial assistance packages to the government in question, the effect can be to reinforce these opaque governance practices. This was arguably what happened when the IMF provided Angola its emergency loan in 2012. In short, citizens and international bodies must scrutinize the promises and commitments made by political leaders to ensure that announced reforms ultimately translate into improved governance.

Enhancing Regulation and Oversight in Countries of Origin

Given the challenges associated with building accountability mechanisms in many resource-rich states, the responsibilities of home-country governments to regulate the overseas activities of investors anchored in their territory is especially vital to breaking the cycle of the resource curse.

Pass legislation that clearly outlaws bribing foreign government officials. All countries should pass laws prohibiting citizens from engaging in corruption overseas. These laws should be supported by robust enforcement mechanisms. Specifically, governments must safeguard the integrity of agencies tasked with enforcing foreign corrupt practices legislation by ensuring that they receive adequate funding and are shielded from political influence.[449] Additionally, authorities also need to bolster protections for whistleblowers since their input often sparks investigations and can provide the basis for legal action.[450]

The responsibility to police foreign corrupt practices is by no means limited to the major players in the global economy. Africa-based multinational corporations, such as Sonangol, are becoming increasingly prominent players in a range of sectors across the continent and around the globe. EITI could play a role in this process by requiring resource-rich states to pass (and enforce) foreign corrupt practices legislation in order to be considered EITI compliant.

The countries that have been most effective at enforcing foreign corrupt practices legislation are those with vibrant civil society watchdogs that aggressively seek to expose corruption and advocate for proactive enforcement of laws and regulations. This is especially important considering the fact that deficient political will remains the biggest obstacle to enforcement in many states. For example, pro-transparency civil society organizations were a driving force behind legislation in the United States that required oil and mining companies to disclose payments to foreign governments. Furthermore, civil society groups that have effectively lobbied their governments to enhance enforcement of foreign antibribery laws should engage and share best practices with counterparts in states where such laws are either absent or poorly enforced. Governments are more likely to enforce laws when there is a domestic constituency with a vested interest in the development and passage of the legislation.

Require that corporations publish payments made to foreign governments. In addition to enacting laws that prohibit bribery of foreign officials, governments should require that corporations publish payments made to foreign governments. Sustained advocacy campaigns in the United States and Europe resulted in legislation that requires oil and mining companies in these jurisdictions to disclose significant details about payments to foreign governments. This legislation expands the amount of information available to financial regulatory authorities and thus improves investigative capacity Furthermore, on August 22, 2012, the U.S. Securities and Exchange Commission adopted rules mandated by Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, requiring publicly traded oil and mining companies to disclose payments made to foreign governments on a project-by-project basis. Though the rules were vacated by the U.S. District Court for the District of Columbia on administrative law grounds, the revised rules are expected to be very similar in intent.[451] "To comply with Section 1504, companies will have to identify all payments to governments relating to any of their operations or projects, be they drilling wells, building roads or training workers," says a report by auditing firm KPMG.[452] This is a crucial component of the legislation, as it will help to provide a comprehensive picture of investors' relationship with the host government.

Bolster information sharing and investigative cooperation. For regulators, seemingly nomadic transnational corporations like the Queensway Group can be elusive targets. Given that the Group's corporate structure spans half a dozen legal jurisdictions, it is important for investigative authorities in each relevant context to share information and cooperate to the fullest extent possible. This will facilitate identifying which of these authorities has investigated a designated corporation in the past. For example, those seeking to prompt an investigation into the Queensway Group's activities in Singapore or Zimbabwe might first contact the Parastatal Organisation Accounts Committee or the Office of the Controller and Auditor General in Tanzania, which has probed the Group's dealings with Air Tanzania. Information sharing could help familiarize investigators with a corporation's methods and procedures. To facilitate this process, Interpol, an international police organization with broad membership that is widely recognized as legitimate and neutral, should establish and maintain a database of case files on ongoing investigations of corruption in the extractive industries.

Place sanctions on international entities that support domestic actors responsible for natural resource revenue diversions. The support of predatory investors like the Queensway Group helps prop up ostracized and isolated regimes, enabling them to circumvent sanctions. Accordingly, governments and international organizations seeking to mitigate the resource curse should target these "middlemen" with sanctions as well. Given their indispensability to the resource curse equation, isolating these opaque actors will arguably generate more immediate effects and with less political fallout than targeting the state actors themselves.

Cracking Down on International Enablers of Corruption

Despite the fact that predatory investors and corrupt government officials seek to operate under the radar, most remain dependent upon the international financial system to move and protect their ill-gotten gains. Accordingly, improving international regulatory frameworks and closing major loopholes in the international financial system is an essential, though often overlooked, plank in combatting the resource curse.

Expand banks' due diligence requirements. Governments should expand and proactively enforce customer due diligence—examining key details about prospective clients in order to evaluate compliance risks—and anti-money laundering requirements. Financial Action Task Force (FATF) rules insist that simply conducting enhanced due diligence on politically exposed persons (PEPs)—politicians, government, and military officials as well as their immediate family members—is insufficient to halt attempts to launder the proceeds of corruption. "Corrupt PEPs will take great pains to disguise the identity and the source of the funds in order to place corrupt money in the financial system without suspicion," says FATF's June 2012 report on the risk factors in laundering the proceeds of corruption. "PEPs use corporate vehicles, sophisticated gatekeepers, cash, and countries with weak money laundering controls to disguise their funds."[453]

The case of the Queensway Group shows how difficult it can be to determine the beneficial owners of multinational corporations with complex transnational corporate structures. In order to understand these linkages better, banks should be required without exception to identify the beneficial owner of firms with which they do business. In June 2014, the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN) announced its intention to mandate that U.S. financial institutions identify beneficial owners of firms with which they do business as a standard part of their due diligence process.[454] Global financial centers and resource-rich states alike would benefit from enacting similar rules.

Additionally, banks should be required to undertake enhanced customer due diligence investigations on clients with extensive linkages to governments known to exhibit high levels of public sector corruption. Enhanced due diligence entails examining key details about the client and understanding the purpose for which the client seeks to use a particular account or credit line. Banks should have background information on the customer, their sources of wealth, and obtain details about their business operations. Accounts maintained by high-risk clients should be reviewed with greater frequency and with a higher degree of scrutiny than other clients.[455]

Strengthen compliance incentives for banks and banking executives. Virtually every bank in the world is already required to have an anti-money laundering compliance program in place. However, the case of HSBC and countless other examples throughout the past decade illustrate that compliance requirements have been simply ignored when they stood between unscrupulous bankers and greater profits. This is because the consequences for a lack of compliance with the regulations in place are minor compared to the financial gains from facilitating such transactions. Although the banks found guilty of money laundering are occasionally required to pay hefty fines, the individuals responsible for the institution's transgression are often sheltered from criminal charges and financial consequences. In the case of HSBC, which was fined $1.9 billion in 2012, the firm still made a sizable profit of $20.6 billion that same year. Moreover, none of the company's executives faced criminal prosecution, with several even receiving multimillion-dollar bonuses a few months after the fine was handed down.[456] This is partly due to a lack of clarity about exactly who should be held responsible for the bank's transgressions. In order to effectively deter banks from facilitating money laundering, specified senior officials within banks should be responsible for their institutions' compliance regime and should be held individually accountable for their role or negligence abetting crimes committed by the bank.

Enhance disclosure requirements for loans to governments with high levels of natural resource wealth. The economic crisis faced by Angola in 2009 is typical of resource-rich states. They often borrow based on inflated commodity price projections and wind up facing acute fiscal and liquidity crises when prices dip. Weak accounting standards within Angola (and especially within Sonangol) make it difficult to assess how natural resource revenues are used to improve the lives of average Angolans. Angola's habit of taking out sizable oil-backed loans, furthermore, allows the government to mortgage future oil or mineral production in order to acquire capital in the near term. If this capital is not used for social or productive investments, it forfeits future development. Worse, it fuels inflation which hurts all citizens, especially the poor. The case of Guinea shows how excessive spending by unaccountable governments can leave future regimes shackled with excessive debt for years to come.

Comparing international responses in Guinea and Angola highlight opportunities by which international actors can contribute to stronger disclosure norms. In a June 2011 letter of intent to the IMF describing the policies that Guinea intended to implement in the context of its request for financial support, officials from Guinea's Finance Ministry and Central Bank agreed to "collect the details of the contracts signed with China Sonangol and China International Fund and initiate a review of the terms of these agreements to ensure that the government does not contract or guarantee non-concessional loans."[457] By way of contrast, in Angola no such requirement was imposed despite the fact that there were repeated calls by civil society organizations for the IMF to require an audit of Sonangol before dispersing the final tranche of a $1.4 billion loan. Citizens' interests would be enhanced if regulators and international financial institutions required more extensive disclosures (i.e., publishing descriptions of the projects to be funded) for loans to states with natural resources given the stronger tendencies for misuse of these funds.

Require all firms to disclose beneficial owners. It is far too easy for criminals and corrupt officials to set up anonymous shell companies—especially considering that the reforms needed to eliminate this problem are so straightforward. There are a few legitimate uses for anonymous shell companies. Property developers, for example, often use anonymous firms when acquiring land in order to avoid price-gouging. However, this tool has been exploited by unscrupulous actors solely intending to hide their assets and ownership responsibilities.[458] Some defenders of the status quo argue that, in many cases, law enforcement can obtain access to beneficial ownership data at any time upon request. In fact, this is often not the case. Requesting access to such information also risks undermining ongoing inquiries into illicit activities by revealing to the targets of the probe that investigators have uncovered a relevant paper trail. This provides criminals with an opportunity to changes their modus operandi before an investigation has been concluded. Additionally, restricting the discussion of beneficial ownership data to the requirements of law enforcement overlooks the critical role played by civil society, the press, and international financial institutions like the World Bank in investigating crime and corruption. This is especially important in contexts where law enforcement is complicit in illicit activities or co-opted by corrupt politicians. Some opponents of enhanced beneficial ownership transparency claim that regulations about the collection of such data would be overly complicated and burdensome for regulators and businesses alike. This need not be the case. Authorities should simply require the disclosure of beneficial ownership information upon incorporation and, more importantly, this information should be in the public domain.

Without exception, every country—especially major financial centers—should be required to create and maintain a low-cost, searchable public registry of all corporate entities registered or operating within its territory. These registries should contain information about any individual who holds a substantial stake (5 percent or more) of the company, including their names, dates of birth, residential address, nationality, up-to-date contact information, and the means through which they exercise control over corporations (i.e., the chain of companies or trusts used to carry their stake). Firms should also be required to disclose details about any PEP who holds any stake in the company regardless of its size. Authorities should cross-check this information against other databases (tax forms, vehicle ownership records, asset declaration forms submitted by PEPs, etc.) in order to verify its accuracy. (Ensuring that beneficial ownership information is in the public domain will alleviate much of the burden on regulators seeking to authenticate it since a wide range of actors could then scrutinize the data.) Falsifying this information or using a nominee should be illegal, and authorities should impose significant penalties against firms or individuals responsible for any such misrepresentation.

Jurisdictions that house anonymous shell companies should be sanctioned or blacklisted. Jurisdictions that fail to disclose beneficial owners should face serious penalties. Otherwise, reforms in one opaque offshore financial center merely results in investors' migration to jurisdictions that continue to provide secrecy. "Rather than repatriating funds, our results suggest that tax evaders shifted deposits to havens not covered by a treaty with their home country," asserted one study that examined the impact of the G20's increased scrutiny on tax havens in the wake of the global financial crisis. "The crackdown thus caused a relocation of deposits at the benefit of the least compliant havens."[459] Many within these offshore financial centers believe that the jurisdiction's economic viability is entirely dependent upon the provision of secrecy services to legal persons. However, this is not an adequate justification. A willingness to facilitate crime and corruption should not constitute a comparative advantage. Penalties should be imposed on countries that continue to allow firms to incorporate without disclosing their beneficial owners. In order to effectively eliminate secrecy jurisdictions, FATF should consider creating an additional blacklist for states that allow firms to incorporate without disclosing beneficial ownership details.

International initiatives aimed at enhancing transparency and accountability in the extractive industries should continuously reevaluate and revise their mandates to meet new challenges. Whereas EITI has demonstrated the ability to evolve and respond to new challenges, the Kimberley Process Certification Scheme (KPCS) has proven less flexible and adaptable. The KPCS must address three major challenges. First, it should update its definition of "conflict diamonds" to include export bans not only from states plagued by civil war or in which rebels are funded by diamond sales but also from countries in which diamond revenues are used to fund oppression and violence against civilians. Second, KPCS stakeholders should clarify whether a committee chair has the authority to unilaterally endorse diamond exports from a given country or, conversely, if consensus from members is required. Finally, the KPCS must improve enforcement capacity. In September 2012, Zimbabwe's then Minister of Finance Tendai Biti suggested that "the people that are stealing our [Zimbabwe's] diamonds are so sophisticated that stealing will continue."[460] Simply put, regulators must keep pace with the techniques used by diamond traffickers. Certification and verification schemes cannot be completely effective unless mechanisms used to smuggle and launder diamonds are exposed.

Endnotes

1 "*Ending Preventable Maternal and Child Deaths: A Promise Renewed*: Under-five Mortality Dashboard," A Promise Renewed Web site, available at <http://www.apromiserenewed.org/dashboard/>.

2 *Human Development Report 2014: Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience* (New York: United Nations Development Programme, 2014), 198.

3 "*The World Factbook*: Country Comparison: Education Expenditures," U.S. Central Intelligence Agency Web site, available at <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2206rank.html>.

4 See *The Secret Life of a Shopaholic: How an African dictator's playboy son went on a multi-million dollar shopping spree in the U.S.* (Washington, DC: Global Witness, November 2009). See also, *Well Oiled: Oil and Human Rights in Equatorial Guinea* (New York: Human Rights Watch, July 2009).

5 *The 2013 Resource Governance Index: A Measure of Transparency and Accountability in the Oil, Gas and Mining Sector* (New York: Revenue Watch Institute, 2013), 7.

6 "International Energy Statistics," U.S. Energy Information Administration Web site, accessed March 2015, available at <http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=53&aid=1>.

7 Kelly Gilblom, "Election worries put new Kenya oil, gas investment on hold," Reuters, February 26, 2013.

8 Africa Progress Panel, *Africa Progress Report 2013. Equity in Extractives: Stewarding Africa's natural resources for all* (Geneva: Africa Progress Panel, 2013), 27.

9 Ibid.

10 Joseph Siegle, "Governance strategies to remedy the natural resource curse," *International Social Science Journal* 57 (2009), 45.

11 "France seizes £118 million mansion of Equatorial Guinea leader's family," Agence-France Presse, August 3, 2012. Mfonobong Nsehe, "Luxury Cars Owned By African Dictator's Son Auctioned For $4.1 Million," *Forbes*, July 9, 2013.

12 "E. Guinea head's son charged with money laundering," RFI, March 20, 2014.

13 See, for example, *Undue Diligence: How Banks Do Business with Corrupt Regimes* (London: Global Witness, March 2009).

14 Hereward Holland, "South Sudan officials have stolen $4 billion: president," Reuters, June 4, 2012.

15 See *The Truth about Diamonds: Conflict and Development* (London: Global Witness, November 2006).

16 Michael L. Ross, "The Political Economy of the Resource Curse," *World Politics* 51 (1999), 306-307. The term "Dutch Disease" was coined by *The Economist* to describe the decline of the manufacturing sector in the Netherlands after the discovery of a large natural gas field in 1959.

17 Philip Lowe, "Developments in the mining and non-mining economies" (*address to the ADC Future Summit*, Melbourne, Australia, May 2012).

18 For a review of Botswana's success in managing its diamond wealth, see Daron Acemoglu, Simon Johnson, and James A. Robinson, *An African Success Story: Botswana*, CEPR Discussion Paper No. 3219 (London: Centre for Economic Policy Research, 2002).

19 Siegle (2009), 45.

20 Ricardo Soares de Oliveira, *Oil and Politics in the Gulf of Guinea* (New York: Columbia University Press, 2007a), 50.

21 Michael L. Ross, *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations* (Princeton: Princeton University Press, 2012), 1.

22 Ibid, 5-6. Eoin F. McGuirk, *The Illusory Leader: Natural Resources, Taxation and Accountability*, IIIS Discussion Paper No. 327 (Dublin: Institute for International Integration Studies, 2010), 2.

23 Soares de Oliveira (2007a), 36.

24 Ivar Kolstad and Arne Wiig, "Is Transparency the Key to Reducing Corruption in Resource-Rich Countries?" *World Development* 37, no. 3 (2009), 521–532.

25 Soares de Oliveira (2007a), 101-103.

26 Andy Denwood, "Gabon's oil boom hangover," BBC, October 11, 2004.

27 Soares de Oliveira (2007a), 49.

28 Ian E. Marshall, *A Survey of Corruption Issues in the Mining and Mineral Sector*, MMSD Working Paper No. 15 (London: International Institute for Environment and Development, 2001), 15.

29 "Fraud and corruption in mining and metals," Ernst & Young (2010), 7, 9.

30 Stephen Long, "Swiss link undermines Xstrata's bid for WMC," *AM*, February 11, 2005.

31 *House Report No. 454: Justice Undone: Clemency Decisions in Clinton White House*, *Vol. 1*, U.S. Congressional Serial Set No. 14778 (Washington, DC: Government Printing Office, 2004), 99.

32 See Daniel Ammann, *The King of Oil: The Secret Lives of Marc Rich* (New York: St. Martin's Press, 2009).

33 Stephen L. Weigert, *Angola: A Modern Military History, 1961-2002* (New York: Palgrave Macmillan, 2011), 126-127.

34 Armindo Miranda, *Angola 2003/2004: Waiting for elections*, CMI Report No. 2004:11 (Bergen: Chr. Michelsen Institute, 2004), 12.

35 Bill Clinton, "My Reasons for the Pardon," *The New York Times*, February 28, 2001.

36 Jon Henley, "Gigantic sleaze scandal winds up as former Elf oil chiefs are jailed," *The Guardian* (UK), November 12, 2003.

37 "Government on Nomination of Pierre Falcone," Agência Angola Press, September 26, 2003.

38 David Gauthier-Villars, "Court Acquits 3 in Angola Arms Case," *The Wall Street Journal,* April 30, 2011.

39 Fritz Heimann, Sophia Coles, Gillian Dell, Ádám Földes, Kelly McCarthy, and Angela Reitmaier, *Exporting Corruption: Progress Report 2013: Assessing Enforcement of the OECD Convention on Combating Foreign Bribery* (Berlin: Transparency International, 2013), 74.

40 Lee Levkowitz, Marta McLellan Ross, and J.R. Warner, "The 88 Queensway Group: A Case Study in Chinese Investors' Operations in Angola and Beyond," U.S.-China Economic & Security Review Commission (July 10, 2009). "China International Fund: The Queensway syndicate and the Africa trade," *The Economist,* August 13, 2011. Laura Rena Murray, Beth Morrissey, Himanshu Ojha, and Patrick Martin-Menard, "African Safari: CIF's Grab for Oil and Minerals," *Caixin,* October 17, 2011.

41 Jon Swain, "Mugabe Secretly Arming Ivory Coast Election Loser, Gbagbo," *Sunday Times*, January 23, 2011. *Financing a Parallel Government? The involvement of the secret police and military in Zimbabwe's diamond, cotton, and property sectors* (London: Global Witness, June 2012), 23-29.

42 Author interviews, September 2011, January 2012, and February 2012.

43 Murray et al.

44 Yu Ning, Gu Yongqiang, and Wang Duan, "A Legacy of Dirty Deals," *Caixin*, October 17, 2011. See also, Mariano Obarrio, "De aquel 'megaanuncio' quedó muy poco," *La Nacion*, June 1, 2005. See also, Zhou Jiangong, "Africa frenzy feeds China stock bubble," *Asia Times*, March 27, 2007. Professor Deborah Brautigam notes on her blog that "China-in-Africa watchers know CIF as a dubious, murky, problematic Hong Kong company that had great difficulty coming up with the money for its promised projects in Angola and elsewhere." Deborah Brautigam, "China International Fund's New Bellzone-Kalia Guinea Deal," *China in Africa: The Real Story* (blog), June 2, 2010.

45 Author interviews, July 2011 and February 2012.

46 Levkowitz et al., 16.

47 Tom Burgis, "China in Africa: how Sam Pa became the middleman," *FT Weekend Magazine*, August 9, 2014.

48 Ibid.

49 Author interviews, October 2011 and February 2012.

50 "ERITREA: US says human rights worsened, prominent detainee reportedly freed," IRIN, April 10, 2003.

51 Sam Pa (a.k.a. Ghiu Ka Leung) and Debessai also jointly owned and controlled a second joint venture company called Longhorn Investments.

52 "Eritrean government official found guilty of corruption," Agence-France Presse, June 9, 2001.

53 *The Economist.*

54 Author interviews, October 2011 and April 2012.

55 Information about lawsuits filed against Sam Pa is sourced from Hong Kong legal records databases.

56 Jon Swain, "ZANU-PF in shadow of elusive Chinese magnate," *Times LIVE*, March 13, 2011. *The Economist*.

57 "银川大学举行2013级新生军训汇报表演暨开学典礼" ["Military Performance at the 2013 Opening Ceremony of Yinchuan University"], Ningxia Department of Education, September 16, 2013.

58 Author interview, February 2012.

59 Transcript of "Aló Presidente," April 4, 2004.

60 Author interview, April 2014.

61 Levkowitz et al., 5.

62 Professional biography of Wu Yang. Copy on file with the author.

63 *Wu Yang v. Dayuan International Development Ltd.*, HCMP 2143/2011 (June 4, 2013), para. 3.

64 Levkowitz et al., 7.

65 "SIPC obtain 'Advanced Units in Safe Production' for three years in a row," Sinopec International Petroleum Exploration and Production Corporation press release, January 2010. Wu Yang is currently listed as a vice president, on SIPC's Web site, available at <http://sipc.sinopec.com/sipc/en/about_us/teammanagement/>.

66 Levkowitz et al., 14.

67 Burgis (August 2014).

68 Yu et al.

69 Márcio Resende, "Bataglia, el hombre de los chinos en la region," *Clarín*, November 14, 2004.

70 "Aló Presidente."

71 Ibid.

72 Ibid.

73 Resende.

74 "Charlas de Quincho," *Ambito Financiero,* May 29, 2005.

75 Obarrio.

76 Burgis (August 2014).

77 Ibid.

78 Author interview, June 2011. Information on the directors and ownership structures of Singapore-based companies can be obtained through Singapore's Accounting and Corporate Regulatory Authority (ACRA).

79 Swain (March 2011). Author interviews, April 2012.

80 于小娜　刘华　翁海华，“香港调查：中基前世今生，21世纪经济报道，2007年03月23日 [Yu Xiaona, Liu Hua, Liu Weng Haihua, “Hong Kong Investigation & Research Center: China International Fund’s previous and present life,” *21st Century Business Herald*, March 23, 2007].

81 Ibid.

82 Ibid.

83 “CSRC Decision on Banning (Liu Guiting and He Hongda from Beiya Industrial) [2009] No. 8,” China Securities Regulatory Commission administrative sanction, April 7, 2009.

84 “Corrupt ex-head China rail firm boss jailed,” Agence-France Presse, April 1, 2009.

85 Ricardo Soares de Oliveira, “Illiberal Peacebuilding in Angola,” *Journal of Modern African Studies* 49, no. 2 (2011), 290.

86 “Data: Angola: World Development Indicators,” World Bank Web site, available at <http://data.worldbank.org/country/angola>.

87 Ibid.

88 Simon Kuper, “Why the West loves a kleptocrat,” *Financial Times*, March 6, 2015.

89 See “After 33 Days in Prison, Journalist Freed on Bail Pending Appeal,” Reporters without Borders, April 12, 2011. See also, “Angolan police assault, detain journalists,” Committee to Protect Journalists, September 20, 2013.

90 Nicholas Shaxson, “Angola’s Homegrown Answers to the ‘Resource Curse’,” in *Governance of Oil in Africa: Unfinished Business,* ed. Jacques Lesourne (Paris: Institut Français des Relations Internationales, 2009), 74.

91 Ricardo Soares de Oliveira, “Business Success Angola-style: postcolonial politics and the rise and rise of Sonangol,” *Journal of Modern African Studies* 45, no. 4 (2007b), 600.

92 Ibid, 601.

93 Ibid.

94 “Angola’s National Oil Company Continues to Be the Government’s Backbone,” *Stratfor*, September 2, 2014.

95 Arvind Ganesan, *Angola: Some Transparency, No Accountability: The Use of Oil Revenue in Angola and its Impact on Human Rights* 16, no. 1(A) (New York: Human Rights Watch, January 2004), 1.

96 Time for Transparency: Coming Clean on Oil, Mining, and Gas Revenues (Washington, DC: Global Witness, March 2004), 56.

97 Rafael Marques de Morais, “The Self-Dealings of Sonangol’s CEO,” *Pambazuka News*, June 24, 2010.

98 Rafael Marques de Morais, “The Angolan presidency: The epicentre of corruption,” *Pambazuka News,* August 5, 2010, available at <http://www.pambazuka.org/en/category/features/66476>. Tom Burgis and Cynthia O’Murchu, “Spotlight falls on Cobalt’s Angola partner,” *Financial Times*, April 15, 2012.

99 “Letter to IMF Managing Director Lagarde on Angola,” Human Rights Watch, March 26, 2012, available at <http://www.hrw.org/es/node/106117>. “Uncovering Sonangol’s Secrets,” *Africa Energy Intelligence* No. 315 (January 2002).

100 “Secrets are not forever,” *Africa Confidential* 53, no. 16 (August 2012).

101 “Diamond Industry Annual Review: Angola 2007,” Partnership Africa Canada (November 2007), 4-5.

102 Africa Confidential (August 2012).

103 Rafael Marques de Morais, “My stand against Angola’s blood-diamond generals,” *The Guardian* (UK), November 24, 2011.

104 Alex Vines, Nicholas Shaxson, Lisa Rimli, and Chris Heymans, *Angola: Drivers of change: an overview* (London: Chatham House, 2005), 6.

105 Soares de Oliveira (2011), 295.

106 “Angola calls for international donor conference,” Xinhua, January 10, 2004.

107 Ganesan, 6.

108 For accounts of Angola's relationship with international financial institutions in the wake of the civil war, see Soares de Oliveira, 2011. Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (New York: Oxford University Press, 2010), 273-277.

109 Author interviews, April 2011.

110 Burgis (August 2014). Levkowitz et al.

111 Levkowitz et al., i.

112 Alexandre Neto, "Empresas chinesas de segurança actuam ilegalmente em Luanda," Voz da América, May 16, 2011.

113 Rigged? The Scramble for Africa's Oil, Gas and Minerals (London: Global Witness, February 2012), 16.

114 Ibid, 17.

115 Indira Campos and Alex Vines, *Angola and China: A Pragmatic Partnership*, Working Paper presented at a CSIS conference, "Prospects for Improving U.S.-China-Africa Cooperation," December 5, 2007 (Washington, DC: Center for Strategic & International Studies, 2008), 17.

116 Ana Cristina Alves, *The Oil Factor in Sino-Angolan Relations at the Start of the 21st Century*, SAIIA Occasional Paper No. 55 (Johannesburg: South African Institute of International Affairs, 2010), 20.

117 "Who's Who: Catarina Marques Pereira," *Africa Mining Intelligence* No. 212 (October 2009).

118 Tal Moise, "Leviev sells Angola diamond mine stake," *Globes*, May 29, 2011.

119 "Engineering Efficiency," *Trade Finance* (November 2005).

120 Alves, 18.

121 See mortgage and charge records for China Sonangol International Holdings, available via the Hong Kong Companies Registry.

122 A transaction receipt dated June 5, 2006, details China Sonangol's sale of 971,336 barrels of crude oil to UNIPEC for $69,901,223.90 ($71.96 per barrel). Another receipt dated September 18, 2006, documents the sale of 1,049,438 barrels of Angolan crude to UNIPEC for $57,353,885.58 ($54.65 per barrel). Documents on file with the Hong Kong Companies Registry.

123 Nicholas Shaxson, João Neves, and Fernando Pacheco, "Drivers of Change, Angola," Final Report prepared for the UK Department for International Development (January 2008).

124 Serge Michel and Michel Beuret, *China Safari: On the Trail of Beijing's Expansion in Africa* (New York: Nation Books, 2009), 227.

125 Alec Russell, "Angola loan casts light on ties with China," *Financial Times*, October 19, 2007.

126 Michel and Beuret, 229.

127 Alex Vines, Lillian Wong, Markus Weimer, and Indira Campos, *Thirst for African Oil: Asian National Oil Companies in Nigeria and Angola* (London: Chatham House, 2009), 53.

128 Campos and Vines, 11.

129 Michel and Beuret, 231.

130 Levkowitz et al., 18.

131 Ibid, 48.

132 Michel and Beuret, 227.

133 The Economist.

134 Michel and Beuret, 226-227.

135 David Benazeraf and Ana Alves, '*Oil for Housing': Chinese-built New Towns in Angola*, SAIIA Policy Briefing No. 88 (Johannesburg: South African Institute of International Affairs, April 2014), 2.

136 "City of Kilamba, in Angola, to have 218 new buildings finished by January 2012," *MacauHub*, December 23, 2011.

137 Deborah Brautigam, "Chinese-Built Angolan 'Ghost Town' Wakes Up?" *China in Africa: Real the Story* (Blog), April 2, 2014.

138 Vines et al. (2009), 54.

139 The Economist.

140 Rafael Marques de Morais, "China's New Imperialism in Angola," *World Affairs* (March/April 2011).

141 "O Maior Elefante Branco de África," Maka Angola, February 26, 2014.

142 Vines et al., August 2009.

143 Rafael Marques de Morais, "The ill-gotten gains behind Angola's Kilamba housing development," Pambazuka, October 12, 2010.

144 Dani Costa, "Futuro aeroporto internacional de Luanda com parto complicado," *Seminário Angolense*, July 9, 2005.

145 "Novo aeroporto internacional de Luanda será no Bom Jesus," *Agora*, September 8, 2005.

146 "Obras do novo aeroporto em atraso - ministro dos Transportes," Agência Angola Press, November 15, 2007.

147 "Projects: Airport Projects," China International Fund Web site, available at <http://www.chinainternationalfund.com/projects1.asp?Id=283>. An archived version of CIF's Web page shows that its "Airport Projects" were uploaded October 2007. A message board posting from the same month uses language and images from the same Web site.

148 Maka Angola (February 2014).

149 "Presidente da República visita obras do futuro aeroporto internacional de Luanda," Agência Angola Press, October 22, 2011.

150 Author Interviews, March 2012 and December 2012.

151 Maka Angola (February 2014).

152 "Presidential Guards at the Service of Private Business," Maka Angola, September 25, 2012.

153 "New airport's control tower, administration building concluded," Agência Angola Press, February 20, 2014.

154 Maka Angola (February 2014).

155 Ibid.

156 Tom Burgis, "Property scene reveals Angola's wealth gap," *Financial Times*, July 13, 2012.

157 Rafael Marques de Morais (October 2010).

158 Ibid.

159 Ibid.

160 Ibid.

161 Ibid.

162 "*The World Factbook*: Angola: Economy - overview," U.S. Central Intelligence Agency Web site, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/ao.html>.

163 Søren Kirk Jensen and Francisco Miguel Paulo, *Reforms of the Angolan Budget Process and Public Financial Management: Was the crisis a wakeup call?* CMI Report No. 2011:7 (Bergen: Chr. Michelsen Institute, 2011), 42.

164 Lamin Leigh, Yuan Xiao, and Nir Klein, "IMF Lends Angola $1.4 Billion to Support Reserves, Reforms," *IMF Survey Magazine*, November 23, 2009.

165 Maka Angola (September 2012).

166 Shrikesh Laxmidas, “Oilman Vicente waits in Angola presidential wings,” Reuters, February 1, 2012.

167 “The Succession Question,” *Africa Confidential* 54, no. 15 (July 2013).

168 “Angolan Vice-President Vicente Accused Over ‘Illegal’ Business Role,” Maka Angola, August 8, 2014.

169 Author interview, April 2014.

170 *CIF SPACE VIII*, China International Fund newsletter, February 2012, available at <http://www.chinainternationalfund.com/UserFiles/Upload/20131868175041.pdf>.

171 “Guinea Conakry’s leader visits new Luanda’s city centres,” Agência Angola Press, January 28, 2011.

172 “President Ernest Koroma receives red carpet welcome in Angola,” Sierra Leone State House Communications Unit press release, December 11, 2013.

173 Global Witness (March 2009), 7.

174 “Anti-money laundering checks on customers from NCCTs,” Hong Kong Monetary Authority circular, July 2, 2004. “Supplement to the Guideline on Prevention of Money Laundering,” Hong Kong Monetary Authority guideline, June 24, 2004.

175 Global Witness (March 2009), 57.

176 Ibid, 57-58.

177 *Annual General Report of the Controller and Auditor General: On the Audit of Public Authorities and Other Bodies for the financial year 2010/2011*, The United Republic of Tanzania National Audit Office, March 28, 2012, 45.

178 Byase Luteke, “ATCL albatross: Has the govt been taking wrong decisions?” *Business Times* (Tanzania), April 15, 2011, reprinted by Byase Luteke on Jamii Forums, April 15, 2011. A report from *The Guardian on Sunday* notes that Luteke is the pen name for an ATCL insider. Nimi Mweta, “A320 lease was ministry project, says ATCL insider,” *The Guardian on Sunday* (Tanzania), March 4, 2012.

179 *Wu Yang v. Dayuan International* (June 4, 2013), Schedule, para. 3.

180 Polycarp Machira, “Highly indebted ATCL in pathetic condition,” *The Guardian on Sunday* (Tanzania), July 4, 2010.

181 Wilfred Edwin, “Govt wants more bidders for Air Tanzania,” *The East African*, January 10, 2010.

182 Beibei Yin, “Chinese investment in Tanzania bears bitter fruit,” *The Guardian* (UK), March 2, 2012.

183 Ibid.

184 Ibid.

185 Ibid.

186 Wilfred Edwin, “Chinese firm 'gifted' oil licences,” *The East African*, January 30, 2009.

187 Ibid.

188 “Kikwete and the 88 Queensway Group,” *Indian Ocean Newsletter*, November 28, 2009.

189 Florian Kaijage, “What govt didn’t tell on Sonangol, ATCL deal,” *The Guardian on Sunday* (Tanzania), July 1, 2012.

190 Ibid. “The President’s new partners,” *Africa-Asia Confidential* 5, no. 12 (October 2012).

191 Kaijage (July 2012).

192 Yin (March 2012).

193 Mweta (March 2012).

194 Ibid.

195 Florian Kaijage, “How cabinet was duped,” *The Guardian on Sunday* (Tanzania), February 12, 2012.

196 Ibid.

197 Ibid.

198 Ibid.

199 Ibid.

200 Mike Mande, "Chinese firm leased obsolete aircraft for Air Tanzania," *The East African*, May 19, 2012.

201 The United Republic of Tanzania National Audit Office (March 2012), 45.

202 Florian Kaijage, "Airbus deal to send top officials to jail," *The Guardian on Sunday* (Tanzania), January 22, 2012.

203 Mande (May 2012).

204 "Air Tanzania flight crashes in Kigoma, passengers in shock but no casualties," *Bongo5*, April 9, 2012.

205 Byase Luteke, "ATCL sackings underline dire corporate governance per se," *Business Times* (Tanzania), June 20, 2012.

206 Ibid.

207 Songa Wa Songa, "Fate of inept ministers in Kikwete's hands – CCM," *The Citizen* (Tanzania), December 15, 2013.

208 Orton Kiishweko, "Kikwete: Bunge has impressed me," *Daily News* (Tanzania), May 2, 2012.

209 Stephen Munga, "Greater transparency can shed light on the murky world of resource corruption," *The Guardian* (UK), March 30, 2012.

210 Aisia Rweyemamu, "ATCL debt crosses Sh180bn," *The Guardian* (Tanzania), January 24, 2015.

211 Alex Bitekeye, "Zitto committee wants Lebanese sued over ATCL," *The Citizen*, January 24, 2015.

212 Nelson Kessy, "PAC wants probe on Chinese firm," *The Guardian on Sunday* (Tanzania), February 1, 2015.

213 Paul Melly, *Guinea: Situation Analysis and Outlook*, Writenet Report (UK/Geneva: United Nations High Commissioner for Refugees, 2008), 3-11.

214 "Guinea Ministers Submit to Rebels," BBC, December 26, 2008.

215 Victor Omoregie, "Guinea: Junta Warns Mining Sector," *Vanguard* (Nigeria), December 29, 2008.

216 "Guinea bankrupted by junta - President Alpha Conde," BBC, February 22, 2011.

217 Bloody Monday: The September 28 Massacre and Rapes by Security Forces in Guinea (New York: Human Rights Watch, December 2009), 7-8. "Guinea massacre toll put at 157," BBC, September 29, 2009.

218 "CIF, Beijing's stalking horse," *Africa-Asia Confidential* 3, no. 7 (May 2010).

219 Murray et al.

220 Ibid.

221 Author interviews, April 2012 and May 2012.

222 Framework Agreement between the Republic of Guinea and China International Fund, June 2009. Copy on file with the author.

223 "Blood and money in the streets," *Africa-Asia Confidential* 2, no. 12 (October 2009).

224 Framework Agreement between the Republic of Guinea and China International Fund, June 2009.

225 Ibid.

226 Africa-Asia Confidential (October 2009).

227 Ibid.

228 Importantly, CIF Singapore is wholly owned by China Sonangol International (S), which is, in turn, owned by a BVI shell company called Newtech Holdings Limited.

229 Shareholders Agreement between the Republic of Guinea and China International Fund, October 10, 2009. Copy on file with the author.

230 *Africa-Asia Confidential* (October 2009).

231 *The Economist.*

232 Murray et al.

233 Daniel Balint-Kurti, "Guinea: Bought by Beijing," Chatham House, March 2, 2010.

234 Kabiné Komara, "Directives relatives aux amendements et à la renegociation du Pacte d'Actionnaires entre la République de Guinée, CIF Singapour, et China Sonangol International," memorandum, December 2, 2009. Copy on file with the author.

235 Ibid.

236 Ibid.

237 Ibid.

238 Ibid.

239 Murray et al.

240 "Who's Who: Abdoulaye Yéro Baldé," *Africa Mining Intelligence* No. 223 (March 2010).

241 Saliou Samb "Guinea court reclaims Friguia from RUSAL," Reuters, September 10, 2009.

242 Loan Agreement between CIF Singapore and Alex Stewart International, October 14, 2009. Copy on file with the author.

243 Murray et al.

244 Tom Burgis, "Behind the Wrangle for Guinea's Minerals," *Financial Times*, June 5, 2010.

245 "The junta rewards new friends," *Africa-Asia Confidential* 3, no. 1 (November 2009).

246 Alpha Camara and Antony Sguazzin, "Guinea Asks Rusal to Return Friguia Alumina Complex," Bloomberg, September 10, 2009.

247 *The Economist*. Murray et al.

248 Jesse Riseborough and Franz Wild, "Late Guinea President Wife Said to Assist Steinmetz Probe," Bloomberg, April 19, 2013.

249 "Le Patron de la China international Fund chez le Premier ministre: des beaux jours qui s'annoncent pour les secteurs énergétique et minier guinéens," Guinee 24, June 19, 2010.

250 Ibid.

251 Correspondence between the Central Bank of Guinea and China Sonangol indicates that the "Deposit Agreement" for the transfer of $45,000,000 to the Central Bank of Guinea was signed on November 24, 2009. Copy on file with the author.

252 Jack Cheung letter to Central Bank of Guinea dated July 21, 2010. Copy on file with the author.

253 Jack Cheung letter to Central Bank of Guinea dated July 27, 2010. Copy on file with the author.

254 "Minister Thiam covers his bases," *Africa Confidential* 51, no. 14 (July 2010).

255 "Guinea Conakry's leader visits new Luanda's city centres," Agência Angola Press, January 28, 2011.

256 "Binding MOU reached with China International Fund," Bellzone Mining PLC press release, May 24, 2010.

257 Graham Fyfe, "Bellzone's Guinea Projects" (presentation to the 82nd Minesite Mining Forum, London, United Kingdom, September 15, 2011), available at <http://www.youtube.com/watch?v=wf4gCwBmtxY>.

258 "Kalia Rail and Port Infrastructure Update," Bellzone Mining Plc press release, July 4, 2011.

259 "Forecariah Offtake Agreement with Glencore," Bellzone Mining Plc press release, August 9, 2012.

260 Danny Fortson, "Chinese eye Rio's African jewel," *The Sunday Times* (UK), May 6, 2012.

261 Ibid.

262 "New Guinean Mining Code to Tackle Corruption," Natural Resource Governance Institute, March 3, 2011.

263 Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding from the Government of Guinea to the International Monetary Fund, dated June 30, 2011, 13, available at <http://www.imf.org/external/np/loi/2011/gin/063011.pdf>.

264 Ibid.

265 Code Minier de la Republique de Guinee (Conakry: Ministere des mines et de la geologie, Septembre 9, 2011), 72-73.

266 Saliou Samb, "Guinea adopts new mining code boosting state share," Reuters, September 10, 2011.

267 On February 15, 2013, the Technical Committee in charge of reviewing mining titles and contracts, Comité Technique de Revue des Titres et Conventions Miniers (CTRTCM), announced the official launch of its Web site, available at <www.contratsminiersguinee.org>.

268 Emma Tarrant Tayou, "Training for Journalists Begins in Guinea," Revenue Resource Governance Institute blog, November 26, 2012.

269 Boubacar Diallo, "Official: Guinea treasury chief assassinated," Associated Press*,* November 10, 2012.

270 Tom Burgis, "Bellzone trading halted in fight over loan terms," *Financial Times*, September 22, 2014.

271 "A secret loan accord for Bellzone Mining," *Africa Mining Intelligence* No. 327 (September 2014).

272 "Chinese Directors Take The Top Jobs At Bellzone, Along With James Leahy," Minesite, November 19, 2014.

273 "Government hits out at China International Fund," *Africa Mining Intelligence* No. 334 (December 2014).

274 Ibid.

275 "Top Salesman for China Sonangol," *Africa Energy Intelligence* No. 643 (January 2011).

276 Author interviews, January 2011.

277 Author interviews, September 2011.

278 Diamonds in the Rough: Human Rights Abuses in the Marange Diamond Fields of Zimbabwe (New York: Human Rights Watch, June 2009), 4.

279 Rosie Spinks, "Export of Zimbabwean diamonds threatens ethical jewellery trade," *The Ecologist,* August 8, 2011.

280 Human Rights Watch (June 2009), 19.

281 Ibid, 30-31.

282 "About: KP Basics," the Kimberley Process Web site, available at <http://www.kimberleyprocess.com/en/about>.

283 Return of the Blood Diamond: The deadly race to control Zimbabwe's new-found diamond wealth (London: Global Witness, June 2010), 7.

284 "Zimbabwe: Kimberley Process on the Brink," Human Rights Watch, June 28, 2011.

285 Farirai Machivenyika and Tendai Mugabe, "Chinese firm to invest US$8bn in Zim," *The Herald* (Zimbabwe), November 19, 2009.

286 Ibid.

287 Ibid.

288 "Zim signs $8US billion investment deals with Zim," *TendersInfo*, November 20, 2009.

289 "Zimbabwe's Central Bank Launches 500m USD Gold Buying Programme," Namibia News Network, November 30, 2009.

290 "Zimbabwe, China ink 8 billion dollar investment deal: report," Agence-France Presse, November 19, 2009.

291 "Zimbabwe signs four more deals with China," New Ziana News Agency, December 9, 2009.

292 Author interviews, February 2012 and March 2012.

293 "Trading Partners," *Africa-Asia Confidential* 4, no. 6 (April 2011).

294 "Zimbabwe's Central Bank launches 500m USD."

295 "Chinese investors accused of unfair business practice," *The Standard* (Zimbabwe), October 8, 2011.

296 "Cotton furore: Ministers accused of aiding Chinese firms," *The Independent* (Zimbabwe), July 29, 2010.

297 Swain (January 2011).

298 Swain (March 2011).

299 Ibid.

300 "New Noczim Board Appointed," *The Herald* (Zimbabwe), March 2, 2006.

301 Global Witness (June 2012), 9.

302 Toh Han Shih, "HK adviser 'gave US$100m to Mugabe secret police'," *South China Morning Post*, August 5, 2012.

303 Swain (March 2011). Lance Guma, "CIO splash out US$5 million on 200 vehicles," SW Radio Africa, February 10, 2010.

304 Global Witness (June 2012), 11.

305 Ibid, 11-12.

306 Swain (March 2011).

307 The Economist.

308 Swain (March 2011).

309 Carlos Duarte, "Angola Empresta Avião a Ditador do Zimbabwe," Maka Angola, April 13, 2012.

310 Swain (March 2011).

311 Ibid.

312 Ibid.

313 "Polish to a shine," *Africa-Asia Confidential* 4, no. 9 (July 2011).

314 Takunda Maodza, "ZMDC takes over Sino-Zim operations at Chiadzwa," *The Herald*, January 7, 2012.

315 Swain (March 2011). Khadija Sharife, "Disappearing Diamonds," 100Reporters, February 20, 2013.

316 Sharife (February 2013).

317 Swain (March 2011).

318 "Gem Deals Listed," *The Zimbabwean*, September 11, 2013.

319 Ibid.

320 Sharife (February 2013).

321 A letter from J.K. Wee was posted to the comments section below Sharife's February 2013 article.

322 "Snakes on a Plane," *Africa Confidential* 55, no. 7 (April 2014).

323 "Air Zimbabwe trying to secure French planes amid sanctions," *The Africa Report*, October 26, 2011.

324 Jama Majola, "Biti distances himself from Airbus deal," *Times LIVE*, October 30, 2011.

325 *Africa Confidential* (April 2014).

326 Ibid.

327 "Air Zimbabwe's A320 deal negotiated without board consent," CH-Aviation, February 24, 2014.

328 John Eligon, "Millions From Diamonds Go to Mugabe, Observers Say," *The New York Times*, December 16, 2011.

329 Tendai Biti, "Prospects for Regional Cooperation and Investment Opportunities in Zimbabwe" (speech given at Chatham House, London, United Kingdom, April 24, 2013).

330 Global Witness (June 2012), 10, 13.

331 Aislinn Laing and Peta Thorneycroft, "Call to Extend Zimbabwe Sanctions," *The Telegraph* (UK), July 15, 2012.

332 Charlotte McDonald-Gibson, "The flawed diamond sale: Sanctions lifted on gemstones from Zimbabwe," *The Independent* (UK), December 15, 2013.

333 Farai Maguwu, "Marange Diamonds and Zimbabwe's Transition," *Journal of Peacebuilding and Development* 8, no. 1 (2013), 75.

334 Peta Thornycroft and Aislinn Laing, "Zimbabwean politician behind diamond royalties report killed in car crash," *The Telegraph* (UK), June 21, 2013.

335 "Zimbabwean politician dies in mysterious car crash," *The Africa Report*, June 20, 2013.

336 "Marange diamonds get KP greenlight," *The Herald*, November 1, 2011.

337 "No Consensus at Kimberley Process Intersessional," *U.S. Department of State Press Statement*, June, 24, 2011.

338 "Why we are leaving the Kimberley Process - A message from Global Witness Founding Director Charmian Gooch," Global Witness Press Release, December 5, 2011.

339 Alex Bell, "KP rift expected to deepen over reform calls," SW Radio Africa, June 7, 2012.

340 Ibid.

341 David Rhode, "The Kimberley Process is a 'perfect cover story' for blood diamonds," *The Guardian,* March 24, 2014.

342 "Zimbabwe: Arrest of peaceful protestors casts doubt on possibility of credible referendum," Amnesty International press release, February 14, 2013.

343 "Zimbabwe police arrest PM's aides," Agence-France Presse, March 18, 2013.

344 Miles Amoore, "Diamonds ensure Mugabe is forever," *The Sunday Times* (UK), August 4, 2013.

345 Ibid. Other African leaders also contributed to Mugabe's reelection slush fund, as Congolese President Joseph Kabila and Equatorial Guinean President Teodoro Obiang contributed a total of $177 million.

346 "Treasury Sanctions Persons for Role in Undermining Zimbabwean Democracy," U.S. Department of Treasury press release, April 17, 2014.

347 Author interview, April 2014.

348 *The Marange Diamond Fields Of Zimbabwe: An Overview* (Harare: Sokwanele, 2011), 2.

349 Author interview, October 2011.

350 J.R. Mailey, "A Tale of Two Kaesong Industrial Zones: Not All Foreign Investment is Created Equal," *38* North, July 14, 2014.

351 *Africa-Asia Confidential* (October 2009).

352 *Wu Yang v. Dayuan International* (June 4, 2013), Schedule, para. 3. Mailey, fn. 5.

353 Information on Singapore-based companies can be obtained through Singapore's Accounting and Corporate Regulatory Authority (ACRA).

354 Swain (March 2011).

355 Soares de Oliveira (2007b), 609.

356 Author interviews (May 2011, March 2012, February 2014); "Presidential election is reviving business," *The Indian Ocean Newsletter*, October 25, 2013; Hery Rajaonarimampianina, Remarks delivered at the United Nations, March 17, 2014.

357 *The Economist*.

358 Mailey.

359 Ibid.

360 Levkowitz et al. Vines et al. (2009). The Economist. Murray et al. Burgis (August 2014).

361 Toh Han Shih (August 2012).

362 "Update following Financing a Parallel Government report," Global Witness, October 30, 2012.

363 See Issac John, "Dubai to set up oil refinery," *Khaleej Times*, September 27, 2013.

364 See Global Witness "Update on Financing a Parallel Government," October 2012.

365 "Corporate Social Responsibility," China Sonangol Web site, available at <http://www.chinasonangol.com/social_responsibility.html>.

366 Polina Temerina "Легко ли быть Путиным" ["It Is Easy to Be a Putin"] Vedomosti Online, October 20, 2014.

367 "Investment Consulting," Putin Consulting Web page, available at: <http://www.putinconsulting.com/>

368 Burgis (August 2014).

369 Yu et al.

370 Ibid.

371 Levkowitz et al.

372 Zhou Jiangong, 2007; Serge Michel and Michel Beuret, *China Safari: On the Trail of Beijing's Expansion in Africa*, (Nation Books: June 30, 2009)

373 Zhou.

374 Levkowitz et al..

375 Ibid.

376 Michel and Beuret, 228.

377 "Briefing Notes on Available Opportunities for Public Private Partnership with Peoples of the Republic of China through China Development Bank (CDB)," Tanzanian Ministry of Finance, July 30, 2008.

378 Levkowitz et al.

379 "Foreign Ministry Spokesperson Ma Zhaoxu's Remarks on the Business Cooperation between the Government of Guinea and China International Fund Ltd.," the People's Republic of China Foreign Ministry spokepam's remarks, October 19, 2009.

380 Swain (March 2011).

381 Yu et al.

382 Ibid.

383 Ibid.

384 Ibid.

385 CIF SPACE VIII.

386 Yinchuan University press release, September 2013.

387 Hebei Province press release, December 2013.

388 "China Sonangol International Holdings Limited Presents a Banner to the Special Response Team," Beijing General Station of Entry-Exit Frontier Inspection press release, August 5, 2011. Copy on file with the author.

389 Swain (March 2011).

390 "37 suspects sent back from Angola to China," Xinhua, August 25, 2012.

391 Ibid.

392 Wu Yang v. Dayuan International (June 4, 2013), para. 4.

393 Ibid, para. 3.

394 Ibid, para. 44.

395 Ibid, para. 14.

396 Ibid, Schedule, para. 3.

397 Wu Yang v. Dayuan International Development Ltd. et al., HCMP 2143/2011 (July 27, 2012), para. 4 .

398 Ibid, para. 7.

399 Nicholas Shaxson, *Treasure Islands: Uncovering the Damage of Offshore Banking and Tax Havens* (New York: Palgrave Macmillan, 2011) pp. 27-28

400 Levkowitz et al., 31.

401 "Africa Israel agrees to sell New York property stakes," Reuters, August 31, 2008. Author interviews, April 2014.

402 Murray et al.

403 Oshrat Carmiel and Karen Freifeld, "Ousted Africa Israel Chief Marin Alleges He Uncovered 'Abuses'," Bloomberg, May 6, 2009.

404 Richard A. Marin v. AI Holdings (USA) Corp. et al., New York State Supreme Court Index No. 651224/2011 (May 5, 2011), para. 11-12.

405 Colin Moynihan, "Artists Occupy Wall Street for a 24-Hour Show," *The New York Times*, October 9, 2011.

406 "The Dark Knight Rises film locations," *The Worldwide Guide to Move Locations* Web site.

407 Tess Hofmann "Firm aims to turn iconic 23 Wall into entertainment hub," *The Real Deal*, January 8, 2015.

408 Andrew Rice, "Stash Pad," *New York,* June 29, 2014.

409 "OKP in joint venture to grow external wing; poised to take on larger urban development projects overseas," OKP Holdings Limited press release, September 28, 2009, 2. Mailey.

410 Mailey.

411 "Surya Paloh Akui di Balik Impor Minyak Angola, Diragukan Hemat 25%," FastNews Indonesia, November 7, 2014.

412 "China Sonangol invests in Galicia region of Spain, which wants to be part of the Community of Portuguese-speaking countries," *MacauHub,* March 9, 2015.

413 U.S. Vulnerabilities to Money Laundering, Drugs, and Terrorist Financing: HSBC Case History, U.S. Senate Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations report (July 17, 2012), 3-4.

414 This particular HSBC branch was subordinate to HBUS, the bank's U.S. affiliate.

415 Permanent Subcommittee on Investigations report, 239.

416 "Senate Subcommittee Holds Hearing and Releases Report," U.S. Senate Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations press release, July 16, 2012.

417 Permanent Subcommittee on Investigations report, 3.

418 Yu et al.

419 The Economist.

420 For indepth coverage of press freedom issues in Angola and Zimbabwe see Committee to Protect Journalists, *Attacks on the Press in 2011: A Worldwide Survey by the Committee to Protect Journalists* (New York: CPJ, 2012), 66-67, 92-93.

421 Fritz Heimann and Gillian Dell, *Exporting Corruption? Country Enforcement of the OECD Anti-Bribery Convention: Progress Report 2012* (Berlin: Transparency International, 2012), 6.

422 Douglas Farah and Stephen Braun, "The Merchant of Death," *Foreign Policy*, October 16, 2009.

423 "Iraq and Tanzania declared 'EITI Compliant'," Extractive Industries Transparency Initiative press release, December 12, 2012.

424 Dilan Olcer "Extracting the Maximum from the EITI," Working Paper No. 276 (OECD Development Centre: 2009) pp. 27-28.

425 Thorsten Benner, Ricardo Soares de Oliveira, and Frederic Kalinke, "The Good/Bad Nexus in Global Energy Governance," in *Global Energy Governance: The New Rules of the Game*, eds. Andreas Goldthau and Jan Martin Witte (Washington, DC: Brookings Institution Press, 2010) 296-301.

426 See Global Witness (June 2012), 5.

427 Global Witness (March 2009), 4.

428 Ibid.

429 J.C. Sharman, "The Bark *is* the bite: International organizations and blacklisting," *Review of International Political Economy* 16, no. 4 (October 2009), 573-596.

430 Specific Risk Factors in Laundering the Proceeds of Corruption: Assistance to Reporting Institutions, FATF Report (Paris: Financial Action Task Force, 2012), 3.

431 Raymond Baker, "The Ugliest Chapter in Global Economic Affairs Since Slavery" (speech delivered at the conference, "Illicit Financial Flows: The Missing Link in Development," organized by the CSIS Hills Program on Governance and the Center for International Policy's Global Financial Integrity Program, Washington, DC, June 28, 2007).

432 Emile van der Does de Willebois, Emily M. Halter, Robert A. Harrison, Ji Won Park, and J.C. Sharman, *The Puppet Masters: How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It* (Washington, DC: World Bank, 2011), 2.

433 "The beginning of the end of corporate secrecy? G8 strikes a blow against corruption – but still more to do," Global Witness press release, June 18, 2013.

434 Huw Jones, "EU shines light on dirty money with central registers," Reuters, December 17, 2014.

435 Grace Li, "Hong Kong proposes new restrictions on access to company data," Reuters, January 9, 2013.

436 Peter Rosenblum and Susan Maples, *Contracts Confidential: Ending Secret Deals in the Extractive Industries* (New York: Revenue Watch Institute, 2009), 35.

437 Ibid.

438 "How it Works: Requirements," Open Government Partnership Web Site, available at <http://www.opengovpartnership.org/>.

439 John R. Heilbrunn, *Anti-Corruption Commissions: Panacea or Real Medicine to Fight Corruption?* (Washington, DC: World Bank, 2004), 1.

440 See Eleodoro Mayorga Alba, *Extractive Industries Value Chain: A Comprehensive Integrated Approach to Developing Extractive Industries*, Africa Region Working Paper No. 125 (Washington, DC: World Bank, 2009).

441 “Oxford Executive Education Course,” Natural Resource Charter Web site, available at <http://naturalresourcecharter.org/content/oxford-executive-education-course>.

442 Mathurin C. Houngnikpo, *Africa's Militaries: A Missing Link in Democratic Transitions*, Africa Security Brief No. 17 (Washington, DC: National Defense University Press, January 2012), 5.

443 Mary Ella Keblusek, “Is EITI really helping improve global good governance? Examining the Resource Curse, Corruption, and Nigeria's EITI Implementation Experience,” Niger Delta Professionals for Development (January 2010), 15.

444 See Joseph Siegle, “Overcoming Dilemmas of Democratisation: Protecting Civil Liberties and the Right to Democracy,” *Nordic Journal of International Law* 81, no. 4 (2012) 471–506.

445 See Joseph Siegle, “ICT and Accountability in Areas of Limited Statehood,” in *Bits and Atoms: Information and Communication Technology in Areas of Limited Statehood*, eds. Steven Livingston and Gregor Walter-Drop (Oxford: Oxford University Press, 2014), 63-64.

446 Ernest Aryeety and Emmanuel Asmah, “Africa's New Oil Economies: Managing Expectations,” in *Foresight Africa: The Continent's Greatest Challenges and Opportunities for 2011* (Washington, DC: Brookings, 2011).

447 *Stolen Asset Recovery (StAR) Initiative: Challenges, Opportunities, and Action Plan*, (Washington, DC: World Bank, 2007), 1.

448 Ricardo Soares de Oliveira, “Transparency reforms yield little change,” *Financial Times*, July 18, 2012.

449 For a comprehensive list of recommendations on how to improve enforcement of anti-foreign bribery legislation, see Heimann et al. (2013), 8-11. See also, Fritz Heimann, Ádám Földes, and Gábor Báthory, *Exporting Corruption: Progress Report 2014: Assessing Enforcement of the OECD Convention on Combating Foreign Bribery* (Berlin: Transparency International, 2014), 8-9.

450 Heimann et al. (2013), 10.

451 Yin Wilczek, “SEC Sued Over Delay In Resource Extraction Rule,” Bloomberg BNA, September 18, 2014.

452 “Financial Transparency in the Extractive Industries: Dodd-Frank Section 1504,” KPMG (March 2014), 4.

453 FATF Report, 4.

454 Samuel Rubenfeld, “Proposed Rule to Force Banks to Identify Beneficial Owners,” *The Wall Street Journal*, July 30, 2014.

455 The Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering InfoBase (FFIEC InfoBase) provides useful background material and guidance for banks about customer due diligence and anti-money laundering compliance.

456 “Outrage at vast HSBC profits and bonuses despite role in drug money laundering,” Global Witness press release, March 4, 2013.

457 Letter of Intent from the Government of Guinea to the International Monetary Fund (June 2011), 15.

458 Michael G. Findley, Daniel L. Nielson, and J.C. Sharman, *Global Shell Games: Experiments in Transnational Relations, Crime and Terrorism* (Cambridge: Cambridge University Press, 2014), 33.

459 Niels Johannesen and Gabriel Zucman, “The End of Bank Secrecy? An Evaluation of the G20 Tax Haven Crackdown,” *American Economic Journal: Economic Policy* 6, no. 1 (February 2014), 65.

460 Mathew Nyaungwa, “Zim Fin minister says diamond leakages to persist,” *Rough & Polished,* September 13, 2012.

Acknowledgments

Joseph Siegle, Wendy Williams, and Davin O'Regan reviewed numerous drafts of this report and provided guidance, advice, and motivation. Their ability to always see the bigger picture was crucial throughout the duration of this project. Their contributions to this report are beyond measure.

This study builds on previous articles and reports by the U.S-China Economic & Security Review Commission, Chatham House, Global Witness, *The Economist*, Columbia University's Stabile Center for Investigative Journalism (namely Laura Rena Murray, Beth Morrissey, Himanshu Ojha, and Patrick Martin-Ménard), Jon Swain, Khadija Sharife at 100Reporters, and Tom Burgis at the *Financial Times*. The authors of many of these reports graciously shared their additional knowledge.

Others generously volunteered their time to review early drafts of this manuscript and provided invaluable feedback and insights. They include Lee Levkowitz, Marta McLellan Ross, Rob Sheldon, Judith Poultney, Deborah Brautigam, Sam Rosmarin, and Ricardo Soares de Oliveira. I also benefited from the insights of Nick Donovan, Almira Cemmell, and Lesley Anne Warner. Assis Malaquias and Rafael Marques de Morais provided valuable perspectives about the political economy of Angola. Alexis Arieff and Thierno Mouctar Bah shared their unique expertise about politics and governance in Guinea. This report could not have been completed without Caitlin Campbell's wisdom, patience, and encouragement.

The U.S. Department of State Office of Language Services translated numerous documents which helped strengthen this report. Graphics support was provided by Lorenzo Lowery. Francine McCain and Katelyn Moore helped review proofs of the report.

Numerous others provided insights about the cases profiled in this report but requested not to be named. Their contributions have not been forgotten.

About the Author

J.R. Mailey is a Research Associate at the Africa Center for Strategic Studies. Follow him on Twitter @MaileyJR.

AFRICA CENTER FOR STRATEGIC STUDIES
Director: Kate Almquist Knopf
National Defense University
300 Fifth Avenue, Building 20
Fort Lesley J. McNair
Washington, D.C. 20319-5066
Phone: +1 202 685 7300
Web site: www.africacenter.org

AFRICA CENTER RESEARCH PROGRAM
Director of Research: Joseph Siegle, Ph.D.
Phone: +1 202 685 6808
Email: Sieglej@ndu.edu

AFRICA CENTER FOR STRATEGIC STUDIES
National Defense University
300 Fifth Avenue, Building 21
Fort Lesley J. McNair
Washington, D.C. 20319-5066
Phone: + 1 202-685-7300
Web site: www.africacenter.org