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Switzerland steps back from global fight against corruption and money laundering

Switzerland is about to reaffirm its commitment to fighting corruption and money-laundering, yet Geneva's Public Prosecutor has inexplicably closed a corruption case linked to debt repayments by Angola to Russia.

Today sees the completion of a review of Switzerland's implementation of the OECD Anti Bribery Convention. Switzerland is currently strengthening its money laundering and terrorist financing laws. Its Federal Council recently stated: 'Switzerland attaches great importance to a healthy financial centre. It is particularly committed to ensuring that the financial centre is not abused for criminal purposes'. (1)

Despite these commitments, the Genevan Public Prosecutor has just dropped a long-running corruption investigation against businessman Pierre Falcone. The case arose out of a deal to reschedule Angola's \$5.5 billion debt with Russia in 1996, and focussed on the role played by a shell company set up by Falcone and his partner, Arcadi Gaydamak, called Abalone Investment Limited. Falcone is currently under investigation on corruption-related charges in France. (2)

The Prosecutor's decision makes no reference to the charges at the heart of the investigation. The decision states that, as the Russian Federation is making no complaint, there can have been no fraud committed. Implicitly, the decision accepts the defence argument that money transferred from Abalone's account in Geneva to offshore accounts belonging to Angolan officials constituted "strategic funds" placed abroad in a time of war. This ignores evidence of the misappropriation of millions of dollars of public money which leaves the Angolan and Russian people the real, silent victims in the case. (3)

Swiss anti-corruption campaigner Stefan Howald said: 'the case in Geneva throws into question Switzerland's attempts to clean up its banking system, and threatens to turn its commitment to the international fight against corruption and money-laundering into empty rhetoric.'

Global Witness last year highlighted evidence that vast amounts of oil revenues deposited in Abalone's Geneva bank account, ostensibly to buy back Angola's debt, were siphoned off. Of a total \$774 million paid into the account during 1997-2000, only \$161 million went to an account marked Russian Finance Ministry. Around \$600 million was transferred to accounts belonging to Falcone, Gaydamak and a series of obscure companies. Millions also ended up in the private accounts of high-ranking Angolan officials, including President Dos Santos. (4)

Global Witness campaigner Sarah Wykes commented: 'The decision gives a green light to corrupt public officials and their middlemen everywhere, and implies Switzerland is not serious about stopping the looting of public revenues. In our post 9/11 climate, no state should allow suspicious bank transfers to go uninvestigated and unpunished.'

International NGOs will now ask for the case to be reopened, and for Genevan and Swiss Federal authorities to make public all information related to funds blocked during the investigation. (5)

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Editor's notes:

(1) See Swiss Federal Government statement 'Implementation of the revised FATF Recommendations on money laundering: opening of the consultation procedure', 12/01/05

(2) In the Genevan case, Falcone was charged with money-laundering, support for a criminal organisation and corruption of foreign public officials

(3) Swiss criminal code, Art. 322^{septies}

2. Corruption active d'agents publics étrangers

Celui qui aura offert, promis ou octroyé un avantage indu à une personne agissant pour un Etat étranger ou une organisation internationale en tant que membre d'une autorité judiciaire ou autre, en tant que fonctionnaire, en tant qu'expert, traducteur ou interprète commis par une autorité, ou en tant qu'arbitre ou militaire, en faveur de cette personne ou d'un tiers, pour l'exécution ou l'omission d'un acte en relation avec son activité officielle et qui soit contraire à ses devoirs ou dépende de son pouvoir d'appréciation sera puni de la réclusion pour cinq ans au plus ou de l'emprisonnement. http://www.admin.ch/ch/fr/rs/311_0/a322septies.html

(4) See Global Witness **Time for Transparency**, March 2004.

<http://www.globalwitness.org/reports/index.php?section=oil>. A Swiss Banker reportedly testified that \$56 million in an offshore account belonged to President Dos Santos, and the report reproduces documentary evidence from representatives of a Luxembourg Bank that funds deposited in a private account belonged to 'Mr Jose Eduardo dos Santos – Luanda, Angola'.

(5) According to press reports, the paltry sum of around \$20 million blocked in Swiss banks will now be returned to Angola. There is no public information about the amount of money to be returned or the conditions for its repatriation. Given Angola's appalling track-record of corruption, without ongoing public scrutiny how is the Swiss government going to ensure that any money returned will go to the country's development? Unlike the current process for the return of millions stolen by Nigerian dictator Abacha and deposited in Swiss banks, there has been no public consultation in either Switzerland or Angola over this decision.