Foreign Policy VOICE

The 750 Million Dollar Man

How a Swiss commodities giant used shell companies to make an Angolan general three-quarters of a billion dollars richer.

BY Michael Weiss FEBRUARY 13, 2014

Revolutionary communist regimes have a strange habit of transforming themselves into corrupt crony capitalist ones and Angola -- with its massive oil reserves and budding crop of billionaires -- has proved no exception.

In 2010, Trafigura, the world's third-largest private oil and metals trader based in Switzerland, sold an 18.75-percent stake in one of its major energy subsidiaries to a high-ranking and influential Angolan general, Foreign Policy has discovered. The sale, which amounted to $213 million, appears on the 2012 audit of the annual financial statements of a Singapore-registered company, which is wholly owned by Gen. Leopoldino Fragoso do Nascimento. Details of the sale and purchaser are also buried within a prospectus document of the sold company which was uploaded to the Luxembourg Stock Exchange within the last week. "General Dino," as he's more commonly called in Angola, purchased the 18.75 percent stake not in any minor bauble, but in a $5 billion multinational oil company called Puma Energy International. By 2011, his shares were diluted to 15 percent; but that's still quite a hefty prize: his stake in the company is today valued at around $750 million.

The sale illuminates not only a growing and little-scrutinized relationship between Trafigura, which earned nearly $1 billion in profits in 2012, and the autocratic regime of 71-year-old Angolan President Jose Eduardo dos Santos, who has been in power since 1979 -- but also the role that Western enterprise continues to play in the Third World.

Despite a boom in its oil revenue over the last few decades, and dos Santos's own declared zero-tolerance campaign against corruption, Angola has yet to implement any meaningful development programs for a citizenry of 14 million, many of whom still live in poverty. "Angola is incredibly compelling from a human rights point of view partly because of the corruption and the fact that this is a government that has the resources to respond to the needs of its people and to fulfill the huge economic and social and cultural rights and yet is not doing so," said Leslie Lefkow, the deputy director for Human Rights Watch's Africa Division.

Meanwhile, Trafigura has spent the last several years cultivating lucrative commercial interests in Angola and buying up shares in at least seven different companies, ranging from real estate to cargo shipping. Unsurprisingly, it has assiduously pursued investment in Angola's oil sector, according to Marc Gueniat, the senior researcher at the Berne Declaration, a Swiss NGO that monitors corporate transparency. (The group is named for the 1968 accord signed by scholars and intellectuals calling for more equitable business practices in an increasingly globalized economy.) "I am not aware of any other country where one company has such a dominance on the oil imports as Trafigura has in Angola," Gueniat said.

"It effectively has a monopoly to supply petroleum products in the country. What sense does this make from an Angolan perspective?"

Gueniat has extensively documented the curious arrangement between Trafigura and the dos Santos regime, including deals that directly involve General Dino, whose actual legal ownership of former Trafigura assets was previously unsubstantiated although suspected. In a February 2013 Berne Declaration report titled "Trafigura's Business in Angola," Gueniat found that the commodities trader, which is the third-largest company in Switzerland in terms of money brought in "seems to have committed itself to agreements in which the risk is high that the distinction between public and private interests becomes confused."

Most of Trafigura's investments in Angola have been managed through a Singapore-registered company called DTS Holdings, also known as the DT Group. The two directors of this entity are General Dino and Claude Dauphin, a French billionaire who helped found Trafigura and is today its chief executive officer. As the Berne Declaration noted: "While DTS Holdings is involved infrastructure, logistics and real estate, it is oil where the majority of its revenues are generated. The group is party to a swap contract, which may be one of the largest in the world. They export unknown quantities of Angolan crude and in return, since 2009, have been supplying Angola with all of the oil-derivative products required to meet domestic demand."

DTS Holdings's monopoly on oil-derivative products has proved remarkably lucrative. In 2011, DTS Refining -- the subsidiary responsible for controlling the company's contract with the Angolan state -- was valued at $3.3 billion.

Trafigura's investments tend to involve or enlist the so-called "triumvirate" of regime officials who oversee large swaths of the Angolan economy. Angolan Vice President Manuel Vicente, said to be dos Santos's anointed successor, as well as the former CEO of Sonangol, Angola's state oil company, is one member of this triumvirate. Another is Gen. Manuel Helder Vieira Dias Junior, also known as "General Kopelipa," who is now the chief of the Security Intelligence Bureau of the Presidency, a national security agency. Kopelipa is widely considered to be the most powerful man in the country, and the only real rival to President dos Santos's influence. That makes his deputy, the third man in the trio, extremely well placed: General Dino, formerly the head of communications for the Angolan presidency and then General Kopelipa's special advisor. He was appointed to this role in September 2010 by in a presidential decree which was heralded in *Diario da Republica*, the state newspaper of Angola.

Whether he's still formally in this role is somewhat unclear. Trafigura, in a statement, noted that "Leopoldino Fragoso do Nascimento is a leading Angolan business man and a long standing partner of Trafigura and holds no current position in the Angolan Government." But the Angolan journalist and watchdog Rafael Marques de Morais counters, "When ranking officials are dismissed or resign, the president must publish his decision in the daily gazette. Also, as a general he should have been retired from the army to be able to take a private job."

Regardless of his position now, the Berne Declaration makes clear that he was indeed *General* Dino at the time Trafigura "befriended" him, which may account for how he managed to buy a nice chunk of one of its most valuable assets.

Here's how it happened.

In 2010, a Singapore-registered company known as Cochan Pte Ltd. invested approximately $213 million in cash and in kind to purchase an 18.75 percent stake in Puma Energy International, a company acquired by Trafigura in 2000. Headquartered in Singapore and claiming to "bring secure, safe and affordable fuels, lubricants and other oil products to millions of business and retail customers every day," Puma Energy International is in the business of supplying, storing, refining, and selling petroleum-based products. It employs 6,000 people in over 30 countries, operates 1,500 gas stations, and has regional offices from Puerto Rico to Australia.

The investment in that 18.75 percent stake was made via Cochan Pte's Marshall Island-registered holding company, Cochan Holdings LLC. Cochan Pte's sole shareholder is an entity known as Cochan Ltd .-- this one registered in the Bahamas, an offshore tax haven much sought for its corporate secrecy laws. In 2011, owing to an enlargement of shares in Puma Energy International, Cochan Pte's 18.75 percent stake was diluted to 15 percent. It was not at the time disclosed, however, who the ultimate legal beneficiary was of the Bahaman parent company. That mystery has now been solved thanks to Cochan Pte's financial statements for 2012, which were audited by global accounting firm Ernst & Young, copies of which have been obtained by Foreign Policy*,* and by a newly published prospectus document which corroborates the audit*.* The owner of the Bahaman Cochan is none other than General Dino, making him the owner of Cochan Pte (in Singapore) and now the sole owner of 15 percent interest in Puma Energy International.

"Where did a general get $213 million dollars to invest?" asks Arvind Ganesan, the director of the Business and Human Rights Program at Human Rights Watch. Another question asked by anti-graft monitors contacted by *Foreign Policy* is how General Dino managed to enrich himself so extravagantly in such a short period of time, and through a transaction with one of the world's largest commodities trader.

Yet General Dino wasn't the only one to gobble up shares in in the oil company. In 2011, Trafigura also decided to sell another 20 percent stake of Puma Energy International to Sonangol Holdings LDA, a holding company of Sonangol, the Angolan state oil company. This transaction apparently satisfied both buyer and seller because, as the *Financial Times* reported last November, Trafigura sold an additional 10 percent interest in Puma Energy International to the Angolan state oil company for $500 million. That means, that as of this writing, 45 percent of a $5 billion multinational is owned by either the dos Santos regime or General Dino.

But that's not all. The Ernst & Young audit of Cochan Pte further discloses that General Dino owns 50 percent of DTS Holdings. If this company's subsidiary, DTS Refining, was valued at $3.3 billion in 2011, then General Dino's half interest in DTS Holdings is likely worth a small fortune today. Combined with his stake in Puma Energy International, he is almost certainly an on-paper billionaire, again raising the question of how he obtained the initial capital to make such remunerative investments.

Foreign Policy contacted Trafigura for comment. A spokesperson for the company, Victoria Dix, emailed back confirmation of the sale as well as General Dino's ownership of Cochan. Dix quotes from a prospectus document for the bond issued by Puma Energy International in January 2014, which does indeed name General Dino as the ultimate owner of the Bahaman entity. However, that prospectus is only available on the Luxembourg Stock Exchange website and was only uploaded on Feb. 3, 2014. There was no mention of General Dino's direct ownership of Cochan in any public press statement linking him to this much-scrutinized transaction four years ago. The prospectus also confirms that General Dino was appointed a special advisor to Kopelipa in September 2010 but adds that he "no longer serves in such capacity." It does not say when he stepped down from his position or whether or not he currently holds any other active role in the dos Santos government. (As recently as April 2012, the *Financial Times* referred to General Dino as one of three of the "most powerful officials in Angola.") Nevertheless, the prospectus confirms that General Dino was an active public official in Angola when he bought his stake in Puma Energy International.

Dix declined to respond to Foreign Policy's question about whether or not Trafigura was concerned that selling a sizable stake in a multinational oil company to an Angolan official, while simultaneously investing in Angola's publicly owned energy economy, constituted a conflict of interest. Puma Energy's bond prospectus, though, does seem to address these concerns by stating: "Certain of our direct shareholders, Sonangol, Cochan and Trafigura, and certain of their beneficial shareholders, as well as local partners have in the past or are currently, and may in the future, be the subject of criticism or allegations by the press relating to fraud, corruption, bribery and non-compliance with sanctions, and have in the past or are currently, and may in the future, be subject to investigation by certain regulatory authorities and other governmental and non-governmental entities relating to such matters. These allegations and criticism can be found in the public domain. Such allegations and criticisms do not relate to their shareholding in or relationship with us."

While Trafigura has not done anything illegal in selling its assets to either the government or an Angolan individual, General Dino may have violated his own country's Law on Public Probity. Passed in June 2010, or about two months after he was named an advisor to General Kopelipa, this law criminalizes the act of a state official "acquiring for [himself] or for another, in the exercise of [his] duties, responsibilities, employment or public function, goods of any nature whose value is disproportionate to the capital gains or income of the public servant." The law also requires those officials to disclose their assets and revenue, and the sources of both, once every two years, although, according to Freedom House, the "dominant interpretation of the law is that the president, vice president, and president of the National Assembly are exempt from this requirement."

General Dino is no stranger to corruption allegations within and without Angola. He currently features in a still-pending U.S. federal investigation into the activities of an American oil company. Along with General Kopelipa and Vice President Vincente, General Dino is a shareholder in Nazaki Oil & Gas, an Angolan enterprise that partnered with the Texas-based Cobalt International Energy, a U.S. concern whose main shareholders are Goldman Sachs and a joint energy fund controlled by the Carlyle Group and Riverstone Holdings, an American private equity firm.

In 2009, Cobalt received licenses to operate two deepwater blocks in the Angola seabed thought to contain large reservoirs of recoverable oil. Cobalt's original investment was $500 million in 2005, but, as the Angolan journalist Rafael Marques de Morais points out in a comprehensive study titled, "The Angolan Presidency: The Epicentre of Corruption," this was roughly the same amount that Sonangol itself had previously invested in the Carlyle Group and Riverstone Holding's joint energy fund. In other words, he claims, the money that private U.S. enterprise was investing in Angola actually already belonged to the Angolan people.

Interestingly, in 2011, Cobalt further admitted that it'd been made aware of a "connection between senior Angolan government officials and Nazaki." But the Texan oil company chose to go ahead with the deal anyway. In November 2012, the U.S. Securities Exchange Commission and the Justice Department launched an investigation into Cobalt International under the Foreign Corrupt Practices Act, which outlaws U.S. citizens or companies paying bribes to foreign officials. The U.S. government's suspicions were triggered by Nazaki's links to the triumvirate of General Dino, General Kopelipa, and Vice President Vincente. The investigation remains ongoing.

Cobalt, meanwhile, maintains that it did nothing wrong. It told the *Financial Times* in April 2012 that it had "not found any credible support" to corroborate ties between Nazaki and these three Angolan officials. Vincente and Kopelipa also denied that their interests in the company consisted an "abuse of power." Still, the *Financial Times* disclosures about Cobalt's ties to General Dino and these other Angolan political figures cost the company close to $1 billion in market capitalization.

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For its part, Trafigura's history outside of Angola has similarly merited unflattering attention -- quite a lot, in fact, for such a short corporate lifespan.

The commodities trading giant was founded in 1993 following the departure of a number of senior commodities traders -- including Eric de Turckheim and current CEO Claude Dauphin -- from Marc Rich & Co., run by the eponymous American billionaire who fled to Switzerland in 1983 to evade U.S. federal prosecutors. Rich at that time had been charged with 64 crimes including racketeering and "trading with the enemy," namely Iran. He died last June but not before being infamously pardoned by President Clinton in 2001. Other Marc Rich & Co. traders left to found Glencore, today Switzerland's largest commodities trader, which last year merged with XStrata, a Swiss mining giant. According to a 2005 *BusinessWeek* article, Rich's own money may have helped to found Trafigura "to expand his empire," although he is thought to have divested at some point.

A 2012 bond prospectus put out by Trafigura's finance subsidiary states that the company, which now has 81 offices operating in 54 countries, and a total of 9,000 employees, is "exclusively owned by over 750 senior employees," although their identities are not stated. The French-born, 63-year-old CEO Claude Dauphin is widely regarded as Trafigura's single largest shareholder. A separate 2010 bond prospectus discloses that he owns "less than 20%" of the company.

Trafigura was accused of violating sanctions against Iraq in 2001 when it took part in removing 500,000 barrels of oil from the country, according to the 2005 Volcker Report on the abuses and misuses of the United Nations' "oil-for-food" program. The report found that Trafigura had bought Saddam Hussein's crude from a Bermuda company known as Ibex Energy -- itself owned by a former Marc Rich & Co. trader named Jean-Paul Cayré. Trafigura denied having any links to Ibex Energy but, in the end, its Swiss arm, Trafigura AG, was fined $20 million by the U.S. government after pleading guilty to falsifying information about the origins of the oil, which subsequently was sold on to American refineries.

In October 2009, the details of confidential scientific report Trafigura had commissioned three years earlier were published by the Guardian showing that the company bore responsibility for dumping tons of toxic waste in Abidjan, the capital of the Ivory Coast and created a public health crisis for tens of thousands of people. Effects ranged from severe burns to the skin and to the lungs; permanent ulceration; corneal damage; vomiting, diarrhea, loss of consciousness and death. Trafigura, the Minton Report found, had used an amateur chemical reduction process to lower the sulfur quotient in a consignment of cheaply-bought contaminated gasoline; the result led to the creation of a corrosive and poisonous black sludge that was then discarded recklessly by a ship called the *Probo Koala*.

Following this, Amnesty International and Greenpeace launched a three-year investigation into *Probo Koala* incident, concluding in a lengthy report published in 2012 that Trafigura hadn't adequately safeguarded against a repeat of toxic waste dumping and calling for the company to be brought up on criminal charges in Britain. The company's operations "are essentially run from London," as the *Guardian*'s David Leigh wrote. Trafigura countered by alleging "significant inaccuracies and misrepresentations" in the Amnesty/Greenpeace study, although it declined to specify what these were.

Trafigura had initially tried to keep its pollution of the Ivory Coast hidden from public view, despite a raft of damning internal company emails that were leaked to the press. Leigh accused the company of engaging in a "massive cover-up" and documented the legal avenues it had pursued which included "launch[ing] a libel case against BBC Newsnight, forc[ing] an alleged correction from the Times, demand[ing] the *Guardian* delete articles, and ... [trying] to gag journalists in the Netherlands and Norway with legal threats." To even publish an article on the Minton Report, the *Guardian* had to fight a "five-week legal battle."

Then, in December 2012, Trafigura again found itself mired in African controversy when Wynter Kabimba, the Zambian justice minister, was hauled before his own country's Anti-Corruption

Commission to account for allegations that the Swiss trader paid Midland Energy Zambia, a company he owned, to facilitate an oil and diesel deal. Trafigura denied that it had ever made any payments to Midland Energy Zambia.

As far as African countries go, Angola is at once a bad place for conducting clean and transparent business transactions and a good place for garnering sweetheart deals with state officials inclined to ignore their own laws and look the other way.

Much of Angola's $114 billion GDP has either gone missing or straight into the pockets of the ruling elite. Transparency International's Corruption Perceptions Index ranked Angola 153 out of 177 countries in 2013, and the U.S. State Department noted in 2012 that the Angolan "business environment remains one of the most difficult in the world. Investors must factor in pervasive corruption, an underdeveloped financial system, poor infrastructure and extremely high on-the-ground costs." Last year, Isabel dos Santos, the president's 40-year-old daughter, was declared Africa's only female billionaire, and the continent's youngest, with a net worth of $3 billion, according to an article in *Forbes*.

Perhaps most famously, between 2007 and 2010, the International Monetary Fund found that $31.4 billion had disappeared somewhere along the way from Sonangol to the government's bank accounts. Even though the dos Santos regime later claimed to have accounted for 85 percent of the money in "losses," Sonangol is still seen as the "personal ATM of the government," according to Human Rights Watch's Arvind Ganesan, who has spent 15 years studying corruption in Angola. "The fundamental problem in Angola with oil money is that, as the second largest oil producer in sub-Saharan Africa, there should be enough revenue to make Angola a model of development around the continent and really around the world," says Ganesan. "But that doesn't happen. The reason is that the dos Santos government is opaque in how it uses the funds."

Instead, the richer the dos Santos regime becomes on oil revenue, the more it cracks down on dissent and oppositional activity. Rafael Marques de Morais, the muckraking journalist who has anatomized the triumvirate's dodgy commercial involvements, now faces possible jail time -- for what, exactly, he's never been informed. "I've been indicted now to go to court, but after 8 months of investigations and questioning, I was never allowed to see a word on the charges against me," he told Foreign Policy. Even minor challenges to the authoritarian status quo are met punishingly. In October 2013, for instance, 17-year-old Manual Chivonde Bapista Nito Alves, who'd been arrested a month earlier for ordering T-shirts that read, "Out Disgusting Dictator," was tossed into solitary confinement and kept for weeks without access to lawyers, family, or doctors. (Under Angolan law, juveniles may not be kept in pretrial detention, much less solitary confinement.) Nito Alves is now the first citizen to be charged under a 2010 state security law which prohibits "insulting" the Republic of Angola.

The lesser insult, apparently, is making dos Santos' cronies exorbitantly rich at the expense of the people whose lives they are meant to better. In a speech delivered before the PMLA in 2009, President Dos Santos condemned "[i]rresponsible people, people of bad faith, [who] have taken advantage ... to squander resources and to carry out illicit and even damaging and fraudulent acts of management." General Dino, it seems, has yet to be included in this category.

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