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BLUE LINES

Angola's politicians are battling it out as parliamentary polls loom on 5 September, the first elections of any kind for 16 years. It is the country's biggest political test since its civil war ended in 2002. With oil and gas riches, and strategic relations with China and the USA, Angola is one of Africa's fastest growing regional powers. Much depends on the credibility of these elections.

Opposition UNITA leader Brigadier Isaías Samakuva has ruled out a return to war but tensions are growing between the parties and, significantly, within factions of the government. Supporters of the gaoled former intelligence chief Fernando Miala say the security services have been undermined by factional intrigues since his arrest in February 2006, accused of coup-plotting.

A disturbing letter from a claimed intelligence officer, Manuel Carvalho Kindissuka, details some of these battles around the ruling triumvirate of President José dos Santos, General Hélder Vieira Dias 'Kopelipa' and Army Chief General António José Maria. Kindissuka claims that prominent Angolans – including the gaoled Miala, opposition leaders, and civic activists – have been targeted for assassination.

Ruling party supporters dismiss this as paranoid fantasy but the Bakongo-supported PDP-ANA party, which published the Kindissuka letter, has bitter memories. Its own leader, Victor Mfulumpinga, was assassinated outside the party's offices in Luanda in 2004. The killer has not yet been found.

KENYA

How the fighting spread

A report shows how politicians, administrators and churchmen fostered the post-election slaughter and calls for their prosecution

The state-funded Kenya National Commission on Human Rights has produced a well researched but politically explosive report which links six government ministers to the violence that followed this year's elections, when over 1,000 people died and some 350,000 were displaced (AC Vol 49 No 16). Although the KNCHR is yet to release the full list of the 209 people it named as involved in the violence, *Africa Confidential* has obtained a copy which includes what the KNCHR describes as 'a list of alleged perpetrators' which it believes 'provides a basis and a good starting point for further investigations'. The KNCHR emphasises that it is 'not making any conclusions that the persons mentioned are guilty'. It insists that it has made every effort to ensure that the information about the named persons meets a threshold of credibility and that it has subjected the list to review by 'independent persons' and 'national experts'.

PERPETRATORS

The KNCHR's list of 'alleged perpetrators' includes six cabinet ministers: **Uhuru Kenyatta** from President **Mwai Kibaki**'s Party of National Unity, **Sally Kosgei**, **Henry Kosgey**, **William Ruto**, **Najib Balala** and the late **Kipkalya Kones** from Prime Minister **Raila Odinga**'s Orange Democratic Movement. It also included allegations against a bishop and several preachers, Christian and Muslim, for involvement in the violence.

To substantiate its 'list of perpetrators', which includes 20 MPs, the KNCHR report goes into some detail about political meetings leading up to the election crisis and some held once the violence had started. It argues forcefully that at least part of the violence was well organised prior to the election.

For example, it reports that Agriculture Minister William Ruto (MP for Eldoret North) held a meeting in August 2007 with other senior ODM leaders in Kipkelion near Kericho which included the late **Lorna Laboso** (MP for Sotik), the late Kipkalya Kones (MP for Bomet and a Minister) and **Franklin Bett** (MP for Bureti). At this meeting, the report states the attendees resolved to carry out mass evictions of non-Kalenjins from their homes in the Rift Valley, particularly the Kikuyu and Abagusii.

In a separate section, the report names former High Commissioner to London and now Minister of Higher Education Sally Kosgei as 'planning, inciting and financing' the violence in the Rift Valley. It also accuses Tourism Minister Najib Balala of inciting and paying youths Ksh500 (US$7.37) each to cause violence.

The Commission Chairwoman, **Florence Simbiri-Jaoko**, who replaced **Maina Kiai** at the end of July, said the full report listed five ministers, five religious leaders, eight senior provincial administrators and 13 others. She would pass its findings to the government's own probe, the Commission to Investigate Post-Election Violence, which is headed by Justice **Philip Waki** and which is partly funded by the United Nations, she added. She will call for the prosecution of the named officials and others implicated in the events in five of Kenya's eight provinces (Rift, Nyanza, Western, Coast and Central) and in Nairobi.

Now politicians and journalists are taking aim at the KNCHR's report. Nairobi's *Daily Nation* claims that an annexe with the

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full list of names was removed at the last minute and suggests that the names of Odinga's allies were removed but those of Kibaki's stayed. KNCHR officials deny any such doctoring.

It is true that in the version of the report made public, the Odinga supporters named – with the exception of a former lieutenant of ex-President **Daniel arap Moi**, **William Ole Ntimama** – are almost all minor political and business players who would have drawn finance and support from more senior figures. Many say that powerful Kikuyu business and political interests financed the pro-Kibaki gangs in Nairobi's slums but the report says nothing about the financiers of the anti-Kikuyu gangs.

Three chapters of the report are devoted to the worst hit South, North, and Central parts of the Rift Valley. They detail atrocities such as the burning alive of Kikuyu people in a church in Kiambaa in Eldoret, the forcible circumcision of Luo men who then bled to death, murders and lynchings by gangs in various parts of the country and in Nairobi's slums, and hundreds of rapes.

The report criticises the 'negative ethnicity' of FM radio stations and of members of parliament at pre-election rallies. In the Rift, the term *kuondoa madoadoa* ('remove the spot') incited constituents to get rid of Kikuyu. *Kihii* ('uncircumcised man' in Kikuyu) was used to berate uncircumcised Luo.

Information was collected over four months in 136 constituencies from 1,102 deponents, including 46 senior policemen, 40 provincial administrators, 33 councillors and ten MPs. The detail, numbers and naming of at least some names is a breakthrough. It is unclear whether the individuals interviewed will testify, given the police's difficulty in obtaining evidence, or whether the information will stand up in court.

The KNCHR asks the Prosecutor of the International Criminal Court to open investigations on Kenya, claiming crimes against humanity were committed as part of a planned policy, and to determine 'who bears the greatest responsibility'.

The KNCHR details violence against Kikuyu and upcountry groups in the Rift and elsewhere, and retaliatory violence against Luo, Kalenjin and people of other non-Kikuyu ethnic groups, which led to 7,500 'episodes of violence', numerous rapes, and the destruction of property. It claims that this was premeditated, highly organised and financed by key politicians, businessmen, community leaders, civil servants and many teachers.

The former District Commissioner of Uasin Gishu in the Rift, **Bernard Kinyua**, has told the Waki Commission that he and others received no reports that youths were being trained and said the violence there was spontaneous. **Hassan Noor Hassan**, Provincial Commissioner of the Rift Valley, also insisted to the Waki Commission that the violence was spontaneous and that reports of oath-taking had been inferred incorrectly from circumcision ceremonies taking place at the time.

Three District Commissioners from the North Rift, **Stephan Ikua** (Koibatek), **Mabeya Mogaka** (formerly of Nandi North) and **Aden Parake** (Kipkelion), also told the Waki Commission that the violence was spontaneous. In the 1990s, the **Akiwumi** Commission's investigation into tribal clashes accused government administrators of being untruthful and attempting cover-ups.

The report argues that the police and security agencies adopted a shoot-to-kill policy, mainly in Kisumu and parts of Nairobi. Police officers from Kisumu and Homa Bay in Nyanza (**Edward Mwamburi** and **Simon Kiragu**) told the Waki Commission that they were ordered to use live rounds.

The KNCHR chastises the government for failing to act on warnings from the National Security Intelligence Service. Earlier, the Director of that service, Brigadier **Michael Gichangi**, had testified to the Waki Commission that it had information forecasting violence before the elections, including reports of oathing and the names of gang sponsors.

The report describes positive actions to quell violence by police and other agencies, acknowledging that their task was enormous and sometimes overwhelming. It also describes cases where police and others assisted individuals from their own groups and failed to protect other communities. Some clergy did likewise, although in Narok and Mombassa, elders, religious leaders and police persuaded local youths to desist from violence.

The report asked the Attorney General or the police to investigate those listed in its unpublished Annex 1, while noting that the list is not comprehensive. It also calls for an investigation of the security forces and for special courts in the 'theatres of violence'. Its other recommendations include the enactment of legislation on 'hate speech', provision for internally displaced people and human rights education for nation-building. ●

THE NAMES AND THE SHAME

The August report by the Kenya National Commission on Human Rights lists many groups and individuals involved in the post-election violence but it is far from exhaustive.

In Nairobi, attacks were launched by the ethnic gangs known as *Siafu*, *Bukhungu*, *Jeshi la Darajani*, Ghetto and *Mungiki*. The *Siafu* gang was supported by 'some councillors' and transported in a pickup linked to football clubs. A Nissan *matatu* minibus owned by two Luo businessmen transported gang members from the Huruma Youth Group, who were paid 500 Kenyan shillings (US$7.3) a day.

In Nakuru, local leaders, enraged by the violence against Kikuyu and Kisii, held meetings to raise funds for revenge against the Luo, Luhya and Kalenjin; those who resisted were beheaded and youths were paid KSh100-200, with a bonus for killing a Luo. In Naivasha, a former MP, **Jane Kihara**, bought machetes for and contributed KSh3,000 to *Mungiki* to attack Luo who did not vote for her. The report calls her a 'key mastermind' of Naivasha's anti-Luo violence.

A former MP for Kurosoi in the Rift, **Moses Cheboi**, financed a meeting at Chepkinoiyo to organise the eviction of Kikuyu and reduce the votes cast for a local Kikuyu candidate.

In Narok, **William Ole Ntimama** of the Orange Democratic Movement, now National Heritage Minister, threatened Kikuyu and Kisii with eviction during the election campaign. The Akiwumi report listed him for investigation after the ethnic clashes of the 1990s; the KNCHR says that he and Kalenjin elders paid for attacks in Narok in 2007 and 2008.

In Western Province, Assistant Chief **Diana Awino** tried to restore order in Lugari after it was raided by 400 youths commanded by **Luseno Lusaba**, Assistant Chief of Lukuyani.

Key Central Province leaders named in the report are **James Njenga Karume**, former MP for Kiambaa; **Stanley Githunguri**, MP for Kiambaa, said to have organised fund-raising; and **Kabando wa Kabando**, MP for Gatundu South, who organised weapons deliveries to pro-Kikuyu gangs. The report says that **Mary Wambui**, President **Mwai Kibaki**'s unofficial second wife, organised finance and arms deliveries from **Ethiopia**; it added that Deputy Prime Minister **Uhuru Kenyatta** organised funds for pro-Kikuyu gangs. **Peter Mungai Mwathi**, MP for Lari, asked *Mungiki* to arm itself to defend Kikuyu in the Rift.

Named Kikuyu businessmen met at the Kikuyu Country Club on 26 January to raise funds for the eviction of non-Kikuyu squatters. ●

ERITREA/ETHIOPIA

Bristling border

The United Nations has given up, the parties will not talk and the troops are face to face

The risk of another war between Ethiopia and Eritrea grew on 31 July, when the United Nations Security Council closed its mission along the border, the UN Mission in Ethiopia and Eritrea. UNMEE's job was to watch over the 25 kilometre-wide Temporary Security Zone within Eritrea, established to keep the two armies apart when their war ended in 2000. Its mandate was laid down under the Algiers Agreements of June and December that year, and included monitoring the TSZ and providing security for the Eritrea-Ethiopia Boundary Commission (EEBC) to demarcate the border.

The countries have never agreed on the process. Ethiopia says there must be a dialogue about placing border pillars; Eritrea insists pillars should be placed without discussion, including in the 200-odd villages that the frontier would split.

In November 2006, the EEBC announced that, unless the parties agreed, it would itself announce a demarcation line based on map coordinates. No progress was made and in November 2007, the EEBC declared its 'virtual demarcation' complete and dissolved itself, though both countries were still insisting the line be marked by posts on the ground.

Ethiopia argued that the virtual border had no legal status, while Eritrean President **Issayas Afewerki** claimed it meant the EEBC's mandate was complete and there was no need for UNMEE to keep watch. Asmara promptly began to encroach along the border, squeezing UNMEE and prompting the UNSC to issue several complaints. Ethiopia called for sanctions but the UNSC did nothing.

In early 2008, Eritrea made UNMEE's operations impossible, by steadily increasing restrictions, including on movement and fuel supplies, and by banning helicopters; Eritrean forces began moving back into the TSZ. In February, the UN withdrew all UNMEE personnel and on 30 July, it noted that Eritrea had undermined 'the basis of the Mission's mandate'. This was the first time a UN peacekeeping mission had been rendered inoperative, raising concern about future operations.

In fact, the whole 2000 peace deal has collapsed. In the border area, some 60,000 Ethiopian troops face much larger Eritrean forces, in some places a few hundred metres apart. Eritrea has well over 400,000 men in its armed forces, many of them conscripted in 1998 and never demobilised, and has acquired arms, including antitank weapons, from eastern Europe. However, it claims that the end of UNMEE does not make hostilities more likely. Issayas complains that the UNSC did nothing about Ethiopia's refusal to accept demarcation immediately, so Ethiopia remains in control of areas which the EEBC allocated to Eritrea, including Badme, whose seizure by Eritrea in May 1998 started the war.

Eritrea has repeatedly said it does not want further conflict and insists the world must try to reverse Ethiopia's continued occupation of Eritrean territory. Ethiopia claims it cannot give up the disputed areas as they have not been formally demarcated. It insists a dialogue is needed, though with UNMEE closed, ending its meetings of military commissioners from each country, there is no forum left for dialogue. Eritrea refuses to talk and has rejected all special representatives proposed by the UN Secretary General.

On 22 July, the UNSG, **Ban Ki-moon**, offered three options for a follow-up UN presence: a small observer mission of up to 42 people, most to be based in northern Ethiopia; a small military-political liaison office in Addis Ababa to help normalise relations; or the appointment of a new SG's Special Envoy to promote better relations. The UNSC has instructed Ban to keep it informed but does not say how often it expects reports. It looks as if it is tired of the dispute. As expected, neither Eritrea nor Ethiopia welcomed the proposals.

Eritrea has weakened its case by moving against UNMEE and by its increasingly strident and improbable criticism of the **United States**. Issayas speaks of 'acts of destabilisation that the US administration is fomenting night and day in our region', including allegations that the Central Intelligence Agency is bribing Eritrean youth to flee conscription. He claims that UNMEE was a US creation and that (despite photographic evidence) the accounts of his army's invasion of **Djibouti** were invented to distract attention from a US-supported Ethiopian seizure of Djiboutian territory.

Eritrea's incursions into Djibouti (AC Vol 49 No 13) seem in fact to be part of its other campaign, against the Ethiopian-backed Transitional Federal Government of **Somalia**. To sustain the Somali conflict, Eritrea has backed the Alliance for the Re-liberation of Somalia and tried to disrupt reconciliation talks between the ARS and TFG, organised by the UN in Djibouti. Most ARS leaders attended the talks and have not returned to Asmara, leaving there only their more extreme elements, including Sheikh **Hassan Dahir 'Aweys'** and supporters of Somalia's *Al Shabaab* (youth) Islamist militia.

Issayas still seems to believe in Eritrean military invincibility, gained in the war of liberation of 1961-91 (and lost in 1998-2000). He is also committed to a dream of Eritrean regional hegemony and his quarrel with the US arises largely from its failure to support this. Eritrea's record of aggression against its neighbours seems to increase the risk of conflict. Yet its army, though big, is in poor shape. Over 10,000 troops have deserted into Ethiopia and as many into **Sudan**, despite the danger of being shot on sight by Eritrean border guards.

No progress seems possible without discussion. Ethiopia does not want to fight and has no reason to do so, save to remove Eritrea's regionally troublesome regime. Its troops are tied up in Somalia and opening another front would be a strain. Eritrean efforts at destabilisation are irritating but pose little threat to Ethiopia. Premier **Meles Zenawi**'s government has no real problem with the situation along the border. It is the same as the pre-conflict border of 1998, so that the symbolic town of Badme remains under Ethiopian control.

Both governments believe time is on their side. Issayas sees Ethiopia as a fragile state that could have broken apart under the pressure of the 1998-2000 war and then in the aftermath of the controversial 2005 elections. He still believes it will collapse under the disruption caused by Eritrean-supported armed opposition movements, including the Oromo Liberation Front and the Ogaden National Liberation Front. With slightly more reason, Ethiopia sees Eritrea as close to collapse; its deteriorating economy depends on steadily diminishing remittances, its external opposition is growing although divided and its repressive government drives thousands to flee every year.

Little is likely to change soon. Eritrea will keep its troops in the TSZ because it says demarcation has taken place. Ethiopia will not accept that demarcation because it is merely virtual, while physical marking of the border was a central issue of the Algiers Agreements. Ethiopia would likely accept an attempt to launch political dialogue if it addressed the disengagement of troops from the border, Eritrea's withdrawal from the TSZ, the normalisation of relations and an end to support of each other's armed opposition groups. Eritrea accepts none of these conditions. Until the two sides start talking, no settlement of the border issue is possible – and an exchange of fire is. ●

ZIMBABWE

The Nogo and Gono show

As the political talks stutter, the economy continues to implode and the regime is far from having 'total control'

Robert **Mugabe**'s slogan for his victorious, opponent-free rerun of the presidential election was 'the last battle for total control'. Yet the formal economy is spiralling out of control and he is losing the economic battle. Apart from the praise-singers of his Zimbabwe African National Union-Patriotic Front, few commentators would disagree with Professor **Tony Hawkins** of the University of Zimbabwe's Business School that, even with a political settlement, the economy cannot last out the year.

The government has responded in the only way it knows, piling on more controls, including a price and wage freeze, which is as unlikely to succeed as the three earlier attempts.

Reserve Bank approval is needed for cash withdrawals above 300 of the revamped Zimbabwe dollars; Z$130 buys a sausage roll but not for long. Cheques are accepted only if up to a 100% premium is added, as they will be worth a fraction of their face-value by the time they have cleared. The Real Time Gross Settlement system, devised to speed everything up, is equally delayed by Reserve Bank vetting. Suppliers (even the milkman) insist on payment in kind – private school fees in eggs, undertakers in fuel coupons. Payment in **United States**' or other foreign currency is highly acceptable but illegal.

OUR MUTUAL FRIEND

The control freaks of the Zimbabwe African National Union-Patriotic Front seem astonished that their *diktats* go unheard by the world's stock exchanges. Yet when it comes to their personal pockets, they show resource and ingenuity. The government's muddling of fiscal and monetary policies has resulted in a variety of foreign exchange rates that are used for different transactions (see Feature). Banks are theoretically free to use market forces to establish an exchange rate, which trades well below parallel market rates and is the basis on which government-approved transactions are calculated.

The parallel market is strong. The exchange of physical cash for foreign exchange is illegal and subject to periodic police swoops; it is the target of the cash squeeze which Reserve Bank Governor **Gideon Gono** has imposed by limiting cash withdrawals from banks. For paper transactions, the rate has soared. There are rich pickings for those who manage to buy or sell at one rate and do the opposite at a more advantageous rate. The accepted standard, named after the giant **South African** insurance company, is known as the Old Mutual Implied Rate (OMIR). On the Harare Stock Exchange (HSE), it is calculated by dividing OM's local share price by the price of the same stock on the London Stock Exchange.

When OM ceased to be a mutual company, policyholders received at least 300 shares for their lost rights. One result is that over 5% of OM's share capital is held in Zimbabwe but (as with shares held in **Botswana**, **Malawi** or **Namibia)** is registered in OM's central records in South Africa. These shares are interchangeable wherever they are held, provided they have been traded openly on one of the participating exchanges.

In 2007, the Reserve Bank realised that buying OM shares in Harare and selling them in Johannesburg could raise cash to pay for South African electricity. This made the Bank an active player on the HSE, driving up the OM share price in Harare and pushing the OMIR above that of the parallel exchange market. Anyone could transfer money to Zimbabwe by buying OM shares in London or Johannesburg and selling them in Harare, thus earning far more than through normal foreign exchange channels. The HSE acts as the Reserve Bank's agent in such transactions.

The daily turnover of OM on the HSE seems to run at around 10,000 shares, far more that the local market could normally sustain. It is believed 70% of deals relate to Reserve Bank arbitrage operations. Ordinary investors can make fat profits by piggybacking on these and it is widely believed that some Reserve Bank officials operate on their own account or for powerful establishment figures.

OM is the main instrument of this exercise in arbitrage but the shares of other quoted Zimbabwean companies are used in similar ways, including Pretoria Portland Cement and Meikles, and smaller fry such as Hwange Colliery and African Banking Corporation Holding Limited. ●

There is no shortage of US and other foreign notes, nor of the remonetised coinage. Banks were not forewarned that the coins were coming back and struggled to remember where they had stashed the coin-weighing machines they had thought redundant. Passing coins across the counter takes at least ten times as long as a note transaction, further lengthening queues and fraying the tempers of customers and staff. Most people had discarded the old coins as worthless; those who held on to them got a windfall.

The currency reform was part of the Monetary Policy Statement (MPS) jointly presented on 30 July by Gono and Mugabe – irreverently dubbed the 'Nogo and Gono Show'. The sycophantic *Herald* and other state media trumpeted it as an historic occasion and dusted off the copy they had used seven times over the past four and a half years to report on similar presentations. The electorate may respond to the pickaxe but poleaxing the economy risks a rebound.

THESIS DEFENCE

Finance Minister **Samuel Mumbengegwi** was granted a three-sentence role welcoming Mugabe but that was his total policy input. Mugabe has often dismissed academically qualified economists as being too bookish and seems uneasy with PhD-holders who give him answers he does not want to hear. This is partly because he is acutely sensitive about failing to complete his own PhD thesis.

Mugabe went through the tiresome litany of dignitaries in attendance: the usual culprits but surprisingly including Harare's new Mayor, **Muchadeyi Masunda** of the Movement for Democratic Change, whose wife was brutally murdered during the election rerun. Listeners were surprised to hear that **John Nkomo** was still Parliamentary Speaker, although the last Parliament was dissolved five months ago and the new one has yet to be summoned – a token saving at a time of national stringency.

Gono, who holds only a non-threatening honorary doctorate, wove his usual haphazard way between fiscal and monetary policy without showing how production could be restored, particularly in agriculture. An earlier concession for exporters to retain 65% of their hard currency earnings was reduced to 50%, with the time limit for repatriation extended slightly. Monetary reform was addressed by knocking ten zeroes off the face value of notes: the number of noughts was partly because a stockpile of notes printed for an earlier currency reform had never been issued because hyperinflation made that pointless; most of the newly issued notes are dated 2007 or earlier. Thus, a Z$100,000,000,000 note issued days earlier becomes interchangeable with a new Z$10 note. Depending on which exchange rate is used, the result is one US dollar to Z$5, Z$10 or Z$80. Once the markets digested this, the rates moved sharply downwards.

Mugabe and Gono made much of the opportunities an impending political settlement afforded. Yet everyone knew that the Grand Facilitator, **South African** President **Thabo Mbeki**, was at that very moment entering Zimbabwean airspace on his way to try to break yet another deadlock; negotiating parties had reached early agreement that the South African venue, at the unfortunately named Muldersdrift, was inappropriate and the hospitality mini-bars inadequate.

Gono made a token mention of sanctions as the root of the economy's troubles and Mugabe amplified this. Nobody knows which sanctions are biting so hard: the high-profile travel restrictions can only help the balance of payments, as they limit high-level travel junkets and the foreign shopping sprees of the First Lady and her pals. Nobody dares to mention that, because Zimbabwe squandered its exemplary record of debt servicing in the late 1990s, international financial institutions regard it as off-limits. The abuse of property rights, contracts and the rule of law as a whole deters foreign investors.

Relentless verbal abuse aimed at the main aid donors discourages them from all but humanitarian responses to Zimbabwe's needs. The hope that **China**, **India** and **Russia** will fill the gap seems fanciful. None has strong development assistance programmes, all are increasingly hard-nosed about where they put their money.

Faced with orders to charge unrealistic prices, many producers limit themselves to token output and have sent their staff on leave for the August school holidays. A return to earlier production levels seems a dim hope. Supermarket shelves grow emptier, the supply of the staple maize meal scarcer. The police, unable to afford food for their animals, have handed over 100 canine experts in crowd control to a dog welfare charity.

John Mangudya, President of the Zimbabwe Bankers' Association, recently warned that almost 80% of economic activity was informal. Gono's reforms are unlikely to reverse this and there seems no sense of urgency to resolve the political impasse. ●

MALAWI

The rot at the top

As President Mutharika's life-and-death struggle with his opponents continues, things start to fall apart

The country's political crisis is intensifying and threatening government finances, thanks to the confrontational style of President **Bingu wa Mutharika** and his eager lieutenants. More clashes are in prospect within and outside the Parliament buildings and will worsen the political rivalries which have, since 2005, forced the government into a host of frantic stop-gaps.

Mutharika has rejected the compromises proposed recently by a mediation team led by Catholic Archbishop **Tarcisius Ziyaye** and continues to treat Parliament and the constitution as tiresome obstacles thrown into the path of his economic bandwagon.

Lacking a more original strategy, Malawi Congress Party leader **John Tembo** and the Chairman of the United Democratic Front (UDF) and former President, **Bakili Muluzi**, desperately wait for foreign aid purveyors, mainly **Britain**, to cut off funds in response to the political shenanigans – as once happened to Tembo and Muluzi themselves.

In the absence of a compromise deal over the key issues of Section 65 (vacating seats after political defections, AC Vol 47 No 23) and the 2008 budget, Mutharika's eager apparatchiks have been given free rein. Rumours of treason, assassination plots and arrests swirl around Muluzi and his UDF lieutenants **Brown Mpinganjira**, **Humphrey Mvula**, **Friday Jumbe**, **George Nga Mtafu** and, now, former Attorney General **Ralph Kasambara**.

These rumours emanate from over eager and underemployed government-party hacks, military intelligence officers under Brigadier **Reuben Ngwenya** and Security Intelligence Service officials under **Clement Kapalamula**. Meanwhile, resplendent in evening dress but minus cloak and dagger, Muluzi presided over a family wedding in the English Home Counties (the prosperous ones near London). Back home, the small but voluble chattering classes of Blantyre and Lilongwe have been kept busy by a well documented sexual scandal involving several business people and their spouses.

SITTING AND WAITING

The current sitting of parliament should have ended on 15 August, with the President threatening to call in the army to chase away legislators if they had not accepted his budget by then. This was always an impossible deadline. There is talk now of a partial budget, for part of the year, with parliament giving retrospective authorisation to illegal government spending. The problem of implementing Section 65, as the Opposition demands, would be held over until after the elections, when the government would no longer feel threatened by it. It is more likely, however, that parliament will be dissolved until elections are called for next year and the government will continue to fund itself illegally and without parliamentary approval.

Aid donors may then have to make a decision on their massive budget support. For three years, this has helped to prop up a heavily subsidised 'green revolution', upon which so much of Mutharika's reputation for sound economic management depends. With elections to win in May, he would have to take this threat seriously. A 50-kilogramme bag of fertiliser now sells for 9,000 kwacha (US$36.63) on the open market: it cannot be presented to farmers at MK800 ($5.36), as he now promises, without considerable outside help.

Western governments and multilateral aid purveyors have their own weaknesses. They have encouraged the economic liberalisation which has created the mini-boom now being enjoyed in the agriculture, mining and finance sectors. They at last have a President and Finance Minister (**Goodall Gondwe**) who not only talk their austere, bookkeeping language but actually walk the talk and believe in it. They have witnessed three consecutive years without the panic of famine and with tobacco, the export staple, doing well, against all odds.

They face a dilemma as Mutharika abandons any pretence of democratic politics. He takes his tactics from his hero and neighbour, **Zimbabwe**'s President **Robert Mugabe**, and regards criticism as neo-colonial interference. Mutharika's instincts are reinforced by operators such as **Hetherwick Ntaba** (current Secretary General of the governing DPP and, like Tembo, once an acolyte of the late President **Hastings Kamuzu Banda**), who lurk in the shadows of the presidential state houses. Bilateral and multilateral organisations have much money to disburse but most are committed to a policy of local autonomy through 'budget support'. They have yet to confront the issue of there being no budget to support.

This raises tough questions about how the economy can be managed. Meanwhile, the political options look limited. Mutharika and Tembo are doubtful democrats. There is not much more enthusiasm for Muluzi, whose democratic credentials may be stronger but whose financial ethics have been widely criticised. ●

Wasteful wars, foreign friends

A long history of failure does not discourage Western leaders who believe their intervention can improve conditions in the oil-rich Niger Delta. Yet judging from recent history, the capacity of outside intervention to make things even worse in the Delta looks assured. After the United States' stalled efforts at training Nigeria's military and Royal Dutch Shell's attempts at corporate responsibility, Britain and France have offered military assistance to tackle continuing violence in the Delta.

UNSOLICITED BIDS

Offering military assistance to a country that did not request it is extremely bad manners, responded a seasoned Nigerian analyst after **French** President **Nicolas Sarkozy** and **British** Premier **Gordon Brown** offered to send their troops to the Delta to stop violence and rampant oil theft. Nigerian President **Umaru Yar'Adua** reacted a little more diplomatically and thanked Sarkozy and Brown for their concern. He is well aware how desperate Western leaders are to get Nigeria to boost its production and exports by another million barrels per day (bpd).

He also insisted, in response to a question from *Africa Confidential*, that crisis in the Niger Delta was a domestic political problem and there was never any question of foreign troops being brought in to keep order there. However, Yar'Adua thanked Brown for his offer of diplomatic backing for Nigeria's campaign to get the United Nations to outlaw the trade in 'blood oil', that is, oil that is stolen, onshore or offshore, in Nigeria, with some of the proceeds used to buy weapons – hence the 'blood'.

More quietly, we hear, Yar'Adua has told both London and Paris that what his government really needs from them is military equipment and hardware, not shaven-headed commandos.

Although Yar'Adua discreetly turned down the military 'training and advisory support package', he was very enthusiastic about Brown's offer of help with chemical fingerprinting of oil-wells as a way to control 'bunkering' of blood oil, the lucrative racket in siphoning oil from pipelines, rigs and supply tankers that costs Nigeria as much as US$5 billion a year.

Yar'Adua argues that stopping the oil theft would be decisive in ending the crisis in the Delta, which has seen a quarter of potential oil production lost since 2006. After talking to Brown in London in July (AC Vol 49 No 15), Yar'Adua said that better security in the area could free up 1.2 mn. bpd.

Chemical fingerprinting is a process whereby the origin of crude oil can be determined down to the reservoir and well from which it was extracted. The technique is widely used to identify whether an oil find is new or an extension of an existing source and to trace responsibility for oil spills. It is five years since Shell recommended it as a way to fight bunkering in Nigeria. Both Chevron and Shell have laboratories that conduct such analysis; what is needed is a database of Nigeria's crude, so that refiners could be warned not to buy stolen oil.

Yar'Adua pushes the term 'blood oil' to appeal to international pressure groups and the UN Security Council, hoping to deploy a process for oil like the Kimberley Process that identifies diamonds, and thus to catch those who steal and smuggle out oil from the Delta; he argues, rightly, that 'part of the proceeds are used to buy sophisticated weapons which are taken back to the Niger Delta and used to shed the blood of innocent people'. Yet many Nigerians, including some in Yar'Adua's own party and government, profit from the gangster economy – from state governors to village chiefs, from generals to militia leaders. No UN resolution could do much to bring the calm that the Delta so desperately needs.

Within hours of the Brown-Yar'Adua talks in London, militants in the Delta ended a shaky ceasefire called in June. Blaming Britain's threatened military involvement, **Jomo Gbomo**, the mercurial Spokesman (or, some say, militant avatar) for the Movement for the Emancipation of the Niger Delta, declared oil workers and all British nationals targets for kidnapping. About 4,000 British subjects work in Nigeria. Gbomo, or one of his many e-mail aliases, showed a lively sense of humour with an offer from MEND to instruct Brown's own Scottish constituents in the arts of militant protest against 'English colonialists' and their oil companies.

Civil society activists – as opposed to the militants in the creeks – say the solution for the Delta is about politics and economics before security. Most activist groups say the crisis in the region starts with corrupt and ineffectual administration, at local and, most of all, at state government level.

KLEPTOCRATIC TENDENCIES

They say the serially corrupt state governments under former Governors **James Ibori** (Delta, 1999-2007) and **Peter Odili** (Rivers, 1999-2007) consolidated the most oppressive and kleptocratic tendencies of the previous military governments in the Delta. Now, a network of local and international criminals have joined up with the state's existing security structures in the region, making the financial stakes even higher.

Former President **Olusegun Obasanjo** announced an extensive road-building programme for the Delta. MEND and other militants said that was not enough and demanded a development master plan. Yar'Adua was getting ready for wide-ranging negotiations on, among other things, a reconstruction master plan but the government seemed to back off when MEND ended its ceasefire.

Meanwhile, the price of oil was drifting down on world markets, from the mid-July high of more than $147 per barrel. Fresh attacks on pipelines by militants will no longer push prices up much. Yet with its ceasefire over, MEND in July sabotaged the Kula and Rumuekpe pipelines, operated by Shell, forcing the oil giant to declare *force majeure* on its exports of high-grade, low-sulphur, Bonny Light crude oil until September.

MEND also threatened to blow up the Chanomi Creek pipeline, run by the Nigerian National Petroleum Corporation (NNPC), whose Group Managing Director, **Abubakar Lawal Yar'Adua**, told the House of Representatives Committee on Finance that contractors had paid $12 mn. over two months as protection money to the militants, to supervise the pipeline while it was being repaired. He first said they had asked for $30 mn., then claimed that local newspapers had misquoted him.

MEND was angry at being painted as gun-toting thugs and racketeers, and said it knew that huge payments had been made to criminal gangs in Delta State as a protection fee. '[We] will never sell our birthright for a bowl of porridge when the impoverished masses in the region continue to live in abject poverty'. MEND has promised to disrupt NNPC's output in August, for free.

There are big questions about the organisational integrity of MEND or indeed, whether it has any kind of conventional structure. Many think it operates more like a militant franchise, allowing relatively disparate groups to pursue a common interest – ramping up pressure on oil companies and government. Whatever the case, some extremely canny operators operate in association with MEND and run rings around companies and government. But to what end, beyond personal profit?

Certainly, it is not clear on whose behalf 'Jomo Gbomo' really speaks. Some journalists claim to have a close 'e-mail relationship' with him, sharing Nigerian banter and political gossip; others are convinced that any number of MEND officials have access to the e-mail account and the ability to speak on 'his' behalf.

All the manoeuvring and posturing in the past few months has happened in the context of government peace initiatives but also during the trial, *in camera*, of **Henry Okah**, accused of trading arms for MEND. The return to violence after a few weeks' respite postpones once again Vice-President **Goodluck Jonathan**'s much trumpeted plans for a Niger Delta peace summit; he now calls it a 'dialogue of stakeholders' instead.

Whatever it is called, the appointment of Professor **Ibrahim Gambari** as Chairman was a mistake. He served as Nigeria's UN envoy in the 1990s and was an apologist for the military regimes of General **Sani Abacha** and Major General **Abdulsalami Abubakar**. Delta leaders have neither forgotten nor forgiven Gambari's description of executed civil rights activist **Ken Saro-Wiwa** as a 'common criminal'. Faced with strenuous opposition from political and community leaders from the oil-producing southern states, Gambari resigned and the meeting failed to take place, transforming a summit into a dialogue. As usual, Jonathan's judgement was widely questioned.

Key militant groups reject both summit and dialogue, so any resolution is likely to be stillborn. MEND will not negotiate now but some of its top officials want to improve their image. They sacked some commanders for taking bribes from politicians but again this raises awkward questions about what MEND is and where it is along the continuum between 100% political activism at one end and 100% criminal enrichment at the other.

That is partly why MEND's operations are so hard to interpret. Last week, it rescued two expatriate employees of the **German** construction company Julius Berger, which has been rebuilding the Delta's main east-west road. MEND usually prefers to take hostages, not rescue them, but Jomo Gbomo said the kidnap victims were not involved in the energy sector but were building much needed infrastructure. This followed a threat from MEND to attack Julius Berger in Abuja and a claim MEND had refused a $20 mn. bribe by government Secretary **Babagana Kingibe** (which he denied). Julius Berger is Nigeria's biggest private sector employer, with over 16,000 staff; when its employees were kidnapped in July, it announced its withdrawal from the Delta. It also has powerful friends in the political and military elite, such as former President **Ibrahim Babangida**.

The decade's old conflict took a particularly violent turn after politicians armed groups of youths to steal the national and state elections in 2003. They did their job well and, once let loose, could not be reined in. They went on a rampage of crime, oil theft and then insurrection.

Delta activists say the region's insecurity is made considerably worse by the simmering stand-off between criminal gangs, the army, MEND and other militants claiming to fight for the Delta's autonomy. Some believe, though, that the oil shut-in is more the result of long-standing conventional disputes between communities and foreign oil companies. These disputes tend to be over compensation for oil spills and promises of work (often for cleaning up spills) that rarely materialise.

While billions of dollars' worth of oil are extracted from and transported across their land, most Delta citizens work in farming and fishing. The compensation for an oil spill is worth far more than a year's production from land that is polluted, so people smash open the pipelines and take the money. The greater the violence and the more squalid the daily existence, the more the money flows. There is little connection between the institutions of government and business on the one hand and the Delta's tens of millions of residents on the other. That is why MEND can claim wide grassroots support.

The militants make unconvincing Robin Hoods. As Yar'Adua met Brown in London, thousands of civilians were fleeing attacks in the Bonny Island area, site of the Delta's main oil terminal and liquefied natural gas facility. In July, an unknown militant group said it would behead people not originally from the area. This threat followed earlier attacks on soldiers and others in Bonny which left nine people dead, two of them reportedly beheaded, one a pregnant woman.

Delta campaigners say the local economy, which has hardly benefited from oil wealth, suffers also from rising insecurity. Julius Berger's pullout means the long-awaited trunk road will once again be delayed. Some oil companies, their employees facing constant risks, would love to follow Julius Berger out of the Delta – if their concessions were not so profitable despite it all.

The serial rigging of national elections in 2007 and local elections in 2008 made politics look like a fight for access to the machinery of corruption. The regular defrauding of the electorate also ensures that armed thugs get well paid employment every four years, delivering election results. It looks unlikely there will be comprehensive disarmament for the Delta any time soon. ●

DELTA FORCES

Nigerian suspicion of foreign military support creates opportunities for the security professionals, some of whom are looking for business openings since an agreement between the **United States** and **Iraqi** governments in July removed private security contractors' immunity from prosecution.

Dele Cole, a former advisor to ex-President **Olusegun Obasanjo** and founding member of the People's Democratic Party, recently called for 'private security operatives to guard the oil from extraction to export', with the companies being offered a fixed percentage of the oil they are able to rescue from thieves. Ijaw Republican Assembly spokesman **Annkio Opurum-Briggs** argues that local militias should be given security contracts and put to work.

We hear that the British ex-soldier Lieutenant Colonel **Tim Spicer**, formerly chief of Sandline International (AC Vol 39 No 5), now head of the private security contractor Aegis Defence Systems, was seen in Abuja in June canvassing opinion for a move into the Delta. After Iraq, he would find the volatile mix of oil, insurgents, corruption and lawlessness familiar, and lucrative.

Security coordinators contracted to multinational oil companies are paid around US$18,000 a month, bodyguards $12,000 a month and consultants to advise on kidnapping and security up to $2,000 a day. We hear that Blackwater Worldwide, which gained notoriety in Iraq, is also interested. So are its fellow American firms Triple Canopy, which has US Delta Force veterans on its board, and Military Professional Resources Inc, owned by L-3 Communications (see **Djibouti** Pointer).

The newcomers will join the British outfits Armor Group, Control Risks Group, Erinys (in partnership with the family-run Ibru Organisation), Group 4 Securicor (in partnership with Outsourcing Services) and Mars Omega, who already have analysts and advisors on the ground. None of these is officially allowed to carry firearms, because Nigeria's Private Guards Act of 1986 bans anyone but state servants from carrying arms. The private firms must rely on the Nigerian police, army and Joint Task Force to mount serious operations and that is not about to change soon. ●

In the dock for the bombings

A US lawsuit claims that the Sudanese and Iranian regimes plotted the bombing of two East African US embassies in 1998

The tenth anniversary of the East African embassy bombings, when 206 **Kenyans**, 11 **Tanzanians** and 12 **Americans** died and over 5,000 were injured, was marked by sombre memorial services in Nairobi and Dar es Salaam on 7 August. Two days earlier, a United States' law firm filed a complaint in a US civil court against the **Sudanese** and **Iranian** governments for what it claims were their roles in supporting the bombers' attacks on the US embassies in Kenya and Tanzania.

This latest legal challenge to Sudan's Islamist regime follows the International Criminal Court (ICC) Prosecutor's genocide charges against President **Omer Hassan Ahmed el Beshir** on 14 July (AC Vol 49 Nos 15 & 16). The US suit was filed on behalf of 223, mostly Kenyan, relatives of 33 employees of the US Nairobi Embassy.

The defendants are five: 'the Republic of Sudan, the Ministry of the Interior of the Republic of the Sudan, the Islamic Republic of Iran, the Iranian Revolutionary Guards Corps and the Iranian Ministry of Information and Security...'.

The plaintiffs allege that the attack was carried out by the *Al Qaida* 'terrorist group, headed by' **Usama bin Laden**, 'and was provided with material support or resources including cover, sanctuary, technical assistance, explosive devices and training by the Defendants'.

Linking the two governments to each other is significant. Not long before the bombings, Pentagon officials had told us they dismissed such links. Yet Iran was training National Islamic Front operatives in torture and military tactics even before the NIF seized power in June 1989.

The law firm, Chicago's Mann and Mairone, specialises in tax but also represents victims of terrorism and has constituted a 'Counterterrorism Research Group', some of whose members are listed as **Israeli** former intelligence officers. This provides ample ammunition for the campaign by Khartoum and the international Islamist movement against a 'Western/Jewish/Christian/neo-colonialist' plot in Darfur. It should also provide ample counter-terrorism expertise, as Sudan's National Congress (NC, aka NIF) regime well knows.

The legal complaint links the NC (at the time, NIF) regime to the bombings, primarily through its cooperation with *Al Qaida*, 'headquartered in the Sudan from approximately 1991 until approximately 1996'. It also refers to evidence presented at other trials, including on the transfer by state-owned Sudan Airways of Stinger missiles from **Afghanistan** to Sudan.

Linking trials is gradually revealing the covert network of international Islamist operations. Sudan's involvement in the first bombing of New York's World Trade Center, in 1993, passed largely unnoticed. Yet Khartoum's subsequent involvement in the suicide attack on the destroyer USS Cole in **Yemen** in October 2000, with the loss of 17 sailors, and the East Africa bombings follow a pattern.

This further undermines the attempted, but unsuccessful, rapprochement with Khartoum, favoured by outgoing President **George Bush** and lately spearheaded by Special Envoy **Richard Williamson**. Some pro-Bush US diplomats claimed that President **Bill Clinton**'s government had turned down an offer from Khartoum to hand over Usama bin Laden, a campaign ably exploited by the Khartoum regime.

A US military official dismissed recent rumours of military aid for Khartoum. Yet the US 'Global War on Terror' still seems to argue that Sudan is being infiltrated by Islamist groups, rather than their being part and parcel of the regime, as *Al Qaida* once was. The NC encourages this view.

Meanwhile, **Fazul Abdullah Mohamed**, accused of masterminding the Nairobi and Dar attacks, escaped from pursuing Kenyan antiterrorist police on 2 August. He was also accused of being behind the bomb attack on the Paradise Hotel in Kikambala, Coast Province, in 2002, in which 13 people died.

Believed to have crossed the border from **Somalia** seeking medical treatment, Fazul is **Comoran** and uses multiple aliases. The NC regime hands out Sudanese diplomatic and other passports to Islamist activists, though recently claimed its borders were no longer 'open' to Muslims.

Fazul's escape caused uproar in Kenya, where corruption and rivalries between regular officers and the better paid antiterrorist officers were blamed. Meanwhile, in Tanzania, the weekly *An Nuur* (The Light) blamed the USA for the bombings, through its early support for *Al Qaida* in Afghanistan and, by implication, for organising the bombings themselves.

The next stage in the US lawsuit depends on the defendants' reactions: if Sudan and Iran defend the case, the next stage may take 12-18 months; if not, then it could come to trial in up to six years' time. Whatever happens, the lawyers are hopeful of success. 'We expect to prevail and the victims to obtain relief,' founding partner **Gavriel Mairone** told AC. 'We wouldn't drag the families through this if we didn't expect to win.' ●

THE GROUNDS FOR COMPLAINT

Below are key quotes from the 5 August complaint:

● 'The Defendant, the Republic of the Sudan, acting through the Defendant, the Ministry of the Interior of the Republic of the Sudan, entered into an arrangement with *Al Qaeda* and *Hezbollah* under which those organizations received shelter and protection from interference while carrying out planning and training of various persons for terrorist attacks, including the August 7, 1998 attacks on the **United States** Embassies in Nairobi, **Kenya** and in Dar es Salaam, **Tanzania**. These included an organizational and planning meeting within the Republic of Sudan between *Al Qaeda* and *Hezbollah* officials, with the purpose of planning and carrying out the attacks on the United States Embassy in Kenya, which caused the injuries and death to Plaintiffs...'.

● 'Starting in 1989, an international terrorist group emerged dedicated to opposing non-Islamic governments with brutal force and terrifying violence. This organization grew out of "*mekhtab al khidernat*" [*maktab el khidmat*: services office] (the "Azzam Service Center") organization which maintained offices in Peshawar, **Pakistan**, and received funds from Islamic charities, wealthy **Saudi** families, mosques, legitimate businesses and criminal enterprises, among others'.

● 'The Sudanese government employed *Al Qaeda* to manufacture chemical weapons in a section of Khartoum called Hilat Koko, for use in the genocidal campaign in southern Sudan'.

● 'The NIF, under the leadership of **Hassan al-Turabi**... organized its own militia and maintained ties to **Iran**, including its visit to Iranian President **Rafsanjani** in December 1991 and a high level Sudanese military delegation visit to Teheran, Iran during the summer of 1992... Following discussions between *Al Qaeda* and Iranian leaders in Sudan, senior *Al Qaeda* operatives and trainers travelled to Iran to receive training in explosives. In the fall of 1993, a delegation of *Al Qaeda* operatives traveled to **Lebanon** for further training in explosives, intelligence and security from the Iranian Revolutionary Guards.' ●

GHANA

Right number, right time

Just as the government runs out of money before the elections, along comes an offer that is hard to refuse

It is a rule of politics that any substantial sale of state assets agreed less than six months before national elections needs close scrutiny. The government's decision to sell a 70% stake in state-owned national telephone operator Ghana Telecom (GT) to **Britain**'s Vodafone Group for US$900 million clearly falls into this category. Opposition lawyers have launched a court action to stop the deal.

That has not stopped Vodafone from despatching a team from London to set up operations and make friends with GT staff in Accra. Ghana's parliamentary scrutiny of the deal was cursory. Members of parliament were recalled from their long, pre-election recess on 12 August to approve the sale. The governing New Patriotic Party (NPP) whipped its 128 MPs into line to push the deal through, although many have been quietly critical of the terms of the sale.

Noisily critical of the deal are opposition groups, including Professor **John Evans Atta Mills**'s National Democratic Congress (NDC), the Convention People's Party (CPP) led by **Paa Kwesi Nduom**, civil rights activist **Kwesi Pratt**'s Committee for Joint Action (CJA), and even the Christian Council, which groups leading bishops.

The parliamentary debate about the deal was long on rhetoric but short on facts and technical details. Finance Minster **Kwadwo Baah-Wiredu** challenged opponents to come up with an alternative within 24 hours. Economist **Kwame Pianim** said parliamentary scrutiny was essential to maintain the government's financial credibility (AC Vol 49 No 16).

Whatever the merits of the deal, at least some of the $900 mn. will go to plug a $130 mn. hole in the government budget, at a time when the NPP is struggling to find money to pay contractors to which it is heavily indebted.

The Vodafone agreement has been substantially amended since it was first presented to Parliament. It is now the subject of a High Court writ filed by six members of the CPP. They include two unsuccessful presidential aspirants, **Agyeman Badu Akosa** and **Bright Akwetey**, and the party's vociferous economics spokesperson, **Nii Moi Thompson.**

Thompson notes that in many countries, fiscal rules are in place which would automatically make the GT share sale illegal. The CPP's presidential candidate and former Energy Minister, Paa Kwesi Nduom, told *Africa Confidential* in Accra that he would certainly order a full review of the sale and its terms if he won the presidency. NDC candidate Atta Mills pledged the same.

The parliamentary deliberations were held against a background of loud debate. GT's 4,200 workers were broadly in favour, while the CJA, CPP and NDC joined forces to petition the 230 MPs against the deal. The sale of GT had been signalled in the 2008 budget, which Parliament approved last November.

Yet questions remain about the fairness and transparency of bidding. Three companies submitted substantial bids. ***France**-Télécom* offered $520 mn. (plus capital expenditure of $213.8 mn.), **Portugal** Telecom $484 mn. ($587 mn.) and Vodafone's **South African** affiliate, Vodacom SA, offered $346 mn. ($699.3 mn.). Yet these bids did not cover the value of major non-GT assets because these were not advertised as part of the sale package.

Government negotiators have now been included as part of the deal. Ownership of the **Chinese**-financed national communications backbone, which is still under construction because of a shortage of funds, valued at $55 mn. and the Volta River Authority (VRA) Voltacom fibre optic network, which covers southern Ghana and is valued at $25 mn., will give Vodafone a great competitive advantage as demand for broadband and other digital products grows.

The complainants will argue before Ghana's commercial courts that the bundling of VRA and GT assets to form an entity called the 'Enlarged GT Group' was illegal and unconstitutional. They have called for the publication of the valuation of assets conducted by the government's transaction advisors, Ecobank Development Corporation.

Under the 'debt-free, cash-free' arrangements, the Accra government is to source a concessionary loan to pay off GT's $400 mn. outstanding debt. Vodafone is committed to completing the fibre-optic national backbone but is only verbally committed to a capital injection of $500 mn. over the next five years.

The government has been forced to amend its offer of a 999-year lease to Vodafone for exclusive use of the fibre-optic network. It has now been agreed that the network will be 'open access' for all six licensed telecom companies.

Vodafone has largely ridden out the opprobrium attached to its involvement in the creation of the mysterious Mobitelea, with a 5% shareholding in the joint-venture between **Kenya**'s Safaricom and Vodafone (AC Vol 48 No 21). Shareholders in Mobitelea include members of **Daniel arap Moi**'s and **Nicholas Biwott**'s families, who held power when the Kenyan government approved Safaricom's licence.

Few dispute GT's need for recapitalisation and efficient management. Its mobile phone service needs upgrading and more sites to extend coverage beyond the main urban centres. But plans for the extension of fixed line and broadband services should produce growth and revenue in the medium term. Yet deep concern remains about how stoutly Ghana's interests have been protected in this hurried deal. That is a question that the courts will have to answer. ●

THE HIGH PRICE OF POLITICAL PHONES

Political controversy has dogged Ghana Telecom since the telecom sector was deregulated in the mid-1990s under the National Democratic Congress government. Its performance under the management of Telkom **Malaysia** led to the cancelling of the contract by the New Patriotic Party in 2002. A protracted court case was eventually settled under international arbitration.

Ghana paid US$52.5 million for the Malaysian company's 30% stake in GT, which had originally been sold for $38 mn. No dividends were declared during the five-year management contract, despite the rapid expansion of GT's subscription base. This was followed by a disastrous agreement with Telenor Management Partners of **Norway**, whose management contract was cancelled in 2005 after a public outcry over the salaries being paid to GT's expatriate staff.

GT has since fared no better under wholly Ghanaian management. Within six months of floating the $200 mn. 'Iroko Bond' on international markets, the company was in financial distress, implying that its debt situation is critical. Under the Vodafone deal, the government will have to repay the bond early and in full before a change of ownership can take effect. This will be at a premium of 50%, by one estimate. GT's main suppliers, such as ZTE, Huawei and Alcatel, are also owed large sums, it is believed, because of the high interest rates charged to provide the company with vendor financing. ●

GUINEA

Iron ore, jaw-jaw

A tempting iron ore deposit on the Liberian border triggers fierce rivalries, national and international

The shock must have been great when mining giant Rio Tinto was told on 4 August that it had just lost its greatest potential asset, the gigantic Simandou iron ore concession. The letter was signed by **Sam Mamady Soumah**, the all-powerful Presidency Secretary General.

Fortunately for the **Australian** company, Soumah was sacked within 24 hours and replaced by **Alpha Ibrahima Keïra**. The only explanation was a hint that Soumah might have falsified the document. We hear the head of Rio's iron ore division, **Sam Walsh**, asked President **Lansana Conté** personally whether he knew what had been signed in his name.

Rio obtained the concession in March 2006 and Simandou is a key plank in its strategy. It employs 2,000 people there and has invested up to US$250 million, mostly on surveying and feasibility studies. In February, **David Smith** took charge: with 30 years at Rio, he was previously Managing Director of its flagship operation at Pilbara, Australia.

Rio Tinto may understand mining but the politics of Conté's court is something else. The court is Byzantine, with rival clans competing for power, especially for the ailing President's succession (AC Vol 49 No 12). They have been preparing for his death since March 2006, when he was so ill that he was evacuated to a **Swiss** hospital.

The clans revolve principally around his two most prominent wives, **Henriette Conté** and **Kadiatou Seth Conté**. Many Guineans say Henriette backed Soumah and Kadiatou, Keïra. That would help to explain why Soumah was fired, re-hired and fired again, all within 48 hours.

Rio Tinto also has to worry about its commercial rivals. Four companies dominate in iron ore: the **Indian-French** giant Arcelor-Mittal, followed by Rio Tinto, then Australia's BHP Billiton, and **Brazil**'s *Vale*. They and smaller rivals all eye the world-class deposits now proven to straddle the border area of Guinea, **Liberia** and even **Côte d'Ivoire**. BHP Billiton launched a US$140 billion takeover bid for Rio in February, which was rejected.

Soumah was aware of this battle. Apart from Simandou, both protagonists have mineral interests in Guinea. Soumah's given reasons for rescinding Rio's concession were failure to move decisively to production, suspicion that Rio was planning to 'freeze' the deposits, delays in building necessary infrastructure and non-compliance with parts of the mining code.

Most of these claims have little basis in reality and his actions have backfired on him badly. His point about infrastructure was intriguing, though. Rio Tinto estimates the total project cost at US$6 bn. If all goes to plan, production should start in 2013, eventually rising to 170 mn. tonnes per year.

The issue is getting this to market. Simandou lies in a remote part of Guinée Forestière Province, in an area that is both environmentally sensitive and devoid of infrastructure. To deal with the environmental part, Rio has taken a leaf out of the **Chad-Cameroon** pipeline project and roped in the International Finance Corporation, the World Bank's soft-loan department. It has taken a 5% stake in Simandou. As far as transport is concerned, the government insists there is only one way to get the ore out: by building a 950-kilometre railway across Guinea and a port, an investment of $1.5 bn. It is unclear whether the US$6 bn. figure which Rio quotes includes the railway. The company says it has studied the feasibility of building roads, airports, and information technology facilities – but no railway.

ORE AND INFRASTRUCTURE

One reason for this may be that in neighbouring Liberia, Rio's rival Mittal is revamping the old Liberia American Mining Company (Lamco) facilities that used to ship iron ore out of Nimba County to the port of Buchanan. A quarter of a century of war, neglect and political turmoil has reduced these facilities to skeletons, though nothing that Mittal cannot rehabilitate, it says.

In a much criticised deal, reconfirmed in March, Mittal got the old iron ore mine and all the infrastructure, including port and railway, with the explicit plan to invest upwards of a billion dollars and make exporting Liberian iron ore viable again. The distance from the Liberian side of the deposits to the coast is a mere 250 km. and the railway is already there, albeit in a dreadful state.

Mittal and Rio may be rivals but rivals can make deals. Other players are closing in as well, often small and inexperienced but still important. One is **Beny Steinmetz**, an **Israeli** businessman who has set his sights on a slice of Simandou. With a net worth of at least $3.6 bn., he is number 296 on *Forbes* magazine's annual list of billionaires. He started out in the diamond business (AC *passim*) and is still one of De Beers' principal sightholders. He has spread his business interests far and wide.

Through Beny Steinmetz Global Resources, he has mining interests in **Congo-Kinshasa**, where he has a good foothold in the Katanga copper and cobalt mines of Katanga through a Jersey-registered firm, Nikanor, in which he and others have interests. One partner is **Dan Gertler**, who is good friends with Congolese President **Joseph Kabila**. In 2005, it was investigated by the **Lutundula** Commission on corruption. Critics accuse Nikanor of asset stripping in Katanga, not an advantage if you're supposed to build assets in Guinea. Sources in Guinea say that Steinmetz's influence there should not to be underestimated and that he may well be cultivating the right ties with the right people.

Steinmetz cannot pull together an operation of this magnitude on his own. Enter the latest player that may have an eye on the iron: **China**. Delegations, including one from the powerful China Development Bank, visited Guinea last month and a Guinean delegation was due in China in August, said Economy and Finance Minister **Ousmane Doré**.

China has been busy in the region. In one year, Beijing and Kinshasa have sealed several deals that add up to 'minerals for infrastructure'. China will build roads, railways, bridges and everything else needed to get Congo's copper and cobalt from Katanga to the wildly expanding Chinese industrial parks. With proven bauxite reserves and massive iron ore deposits, Guinea is also an obvious choice. A country that promises to build over $3 bn. of infrastructure in ravaged Congo-Kinshasa will not baulk at building something for half the price in a country where the highest risk appears to be political.

It is yet hard to see who, in the end, will run one of the world's largest greenfield projects. Rio Tinto may survive the clannish games of Guinea's elites but may end up in the hands of its Australian competitor. The ore may be exported through a new Trans-Guinea railway or a rehabilitated Liberian line. New players may sweet-talk or muscle their way in. Simandou is far too enticing to let go. China will be a ready market and some Guineans will find employment. The forest will certainly suffer greatly: some companies will be more subject to corporate responsibility pressures than others and China has not so far shone in this regard. ●

MAURITANIA

Quiet coup

President Abdallahi's sacking of top soldiers led to the return of military rule after little more than a year of democracy

With little fuss and no shooting, on 6 August General **Mohamed Ould Abdel Aziz** took power in Nouakchott, overthrowing the elected President regarded as his *protégé*, **Sidi Mohamed Ould Cheikh Abdallahi** (AC Vol 48 No 10). Mauritania's army was back to its old ways.

The democratic experiment began in March 2007; it had seemed so promising, after Colonel **Mohamed Ely Ould Vall**, who seized power in August 2005, fulfilled his promise to be the first leader to hand over to an elected successor.

Abdallahi won last year's election with the army's backing. His desire to escape its embrace may have been his downfall. Early on 6 August, he announced on the radio a decree ousting the army's four most senior officers. By midday, he and Prime Minister **Yahya Ould Ahmed el Waghf** had been arrested by Abdel Aziz, Chief of the Presidential Staff and Commander of a Presidential Guard battalion. The national radio went off the air and a few army patrols disturbed the calm of Nouakchott; the airport was closed for a few hours and that was all.

The coup-plotting soldiers say they simply reacted to his early-morning decree, though their smooth putsch seemed well prepared. The President's majority party, the *Pacte National pour la Démocratie et le Développement*, led by **Sidi Mohamed Ould Maham**, had been obstructing him, in protest at the appointment of two ministers from the opposition, and had called for a parliamentary audit of the foundation run by his wife. A month before the coup, one seasoned observer told us the dissidence was instigated by Generals Abdel Aziz and **Mohamed Ould Ghazwani**, Army Chief of Staff.

The democrats' mistake was not to have defined the army's role in an unaccustomed democracy. The top brass had two reasons for fearing an elected civilian government. Firstly, they are accused of human rights abuses, against other soldiers as well as civilians. Secondly, visible population growth may quite soon give 'black' Mauritanians a majority over the 'white' Moors (*Beydane*). The Moors fear the voting power of the darker *Haratines*, descendants of their ex-slaves.

One of democracy's first achievements was the promotion of **Messaoud Ould Boulkheir**, a *Haratine*, as National Assembly President. He had long campaigned for his people's right to the full emancipation that the generals fear and leads a coalition of parties opposing military rule.

Alliances of other groups have opposed all military governments since 1978, when founding President **Moctar Ould Daddah** was deposed, until Ould Vall ended the repressive regime of **Maaouiya Ould Sid'Ahmed Taya** in 2005. The Halpulaar and other black Africans who live along the **Senegal** River were not slaves but have always been dominated by Moors. Many of those who became officers in the army have been imprisoned or killed; tens of thousands of civilians were deported after violent clashes between Senegal and Mauritania in 1984. President Abdallahi had begun to organise the exiles' return; the new junta promptly arrested the head of that programme, **Elimane Fall**. Yet the new leader, Abdel Aziz, has often promised repatriation would continue.

The runner-up in last year's election, **Ahmed Ould Daddah**, supports the junta, claiming their 'rectification' was necessary to 'save democracy'. Security forces have prevented supporters of democracy from holding public meetings; pro-junta demonstrations have been encouraged.

New Premier **Moulaye Ould Mohamed Laghdaf**, a former ambassador, could help win friends. The trump card in Washington, which has condemned the coup, may be the new strongman's anti-Islamist enthusiasm; the officers' fears of growing Islamist influence was one reason for their coup, we hear. ●

POINTERS

Zambia

AFTER LEVY

Zambia faces a difficult political transition after the death of President **Levy Patrick Mwanawasa** on 19 August, aged 59. Contrary to expectations, he had presided over an effective anti-corruption campaign as well as the best economic performance since Independence, with inflation cut to single figures and sustained annual gross domestic product growth of over 5%.

Along with **Botswana**, he broke the African Union's wall of silence around President **Robert Mugabe**. He will be remembered for calling **Zimbabwe** 'a sinking Titanic'.

Vice-President **Rupiah Bwezani Banda** takes charge until an election, which must be held within 90 days of the President's death. Yet the electoral register is out of date and most parties – especially the governing Movement for Multiparty Democracy (MMD) – look ill prepared to choose their candidate (AC Vol 49 No 16).

The parties' national executive committees may try to handpick candidates, which could create splits and political mayhem. Banda will struggle to win the nomination and may split the MMD even if he gets it.

Veteran political bruiser **Michael Chilufya Sata** of the Patriotic Front is running strongly, despite his own ill health. He is trying to negotiate an alliance with the second largest opposition party, the United Party for National Development, headed by the youthful **Hakainde Hichilema**. They held a joint rally in Lusaka on 16 August to protest against ministers awarding themselves huge salary increases while Mwanawasa was sick in a **French** hospital. Opposition fortunes will look up if this alliance holds.

Djibouti/Yemen/Saudia Arabia

BIN LADEN'S BRIDGE

The epic plan for the world's longest suspension bridge, stretching 27 kilometres between Djibouti and Yemen (AC Vol 49 No 13) and officially launched in Djibouti on 28 July, has prompted derision and a rush of companies in search of a US$200 billion building bonanza. Behind the project is Saudi Arabian Sheikh **Tarek Mohamed Awad bin Laden**, half-brother to **Usama**, whose role has fuelled both political and financial speculation.

The purpose of the bridge is not entirely clear: it will help project Saudi power but cost, construction and geography are all against it. So is one of the supposed beneficiaries, **Eritrea**. At this stage, it is the politics that count. Asmara's April invasion of Djibouti was a warning. The bridge threatens Eritrean plans to develop Assab and Massawa to gain more of the profitable Red Sea trade.

This cannot compete with Bin Laden's Emirate-style dream of 'Noor City', a dazzling skyscrapered metropolis (*noor* is Arabic for light) of 2.5 million residents which would change Djibouti (population, 800,000) and the region for ever. Tarek bin Laden's **United Arab Emirates**-based Middle East Development (MED) LLC, which has offices in Eritrea's arch-rival, **Ethiopia**, has set up Noor City Development Corporation in California, **United States**, to coordinate the 50-plus companies which are supposed to be involved.

The project manager is L-3 Communications Holdings Incorporated, a defence communications and engineering company that works 'primarily', it says, for the US Defense Department, 'US Government intelligence agencies and allied foreign governments'. Two directors are US former Chairman of the Joint Chiefs of Staff **John Shalikashvili** and ex-Deputy Defence Secretary **John White**; one subsidiary is military services company MPRI (see **Nigeria** Feature).

Some argue that bridging the strategic Bab el Mandeb straits would threaten Washington's 'War on Terrorism', whose regional US spearhead, the Combined Joint Task Force-Horn of Africa, is based in Djibouti. Last year, the Jamestown Foundation, which monitors *Al Qaida* and Islamist terrorism, pointed out that Tarek bin Laden had been a 'general supervisor' for the International Islamic Relief Organisation, which the USA has listed as helping to finance *Al Qaida*.

The danger of such a bridge itself becoming a target for terrorists is not being given the priority it deserves, observed one US official.

Somalia

TRUCULENT TWO

Personal rivalries between President **Abdullahi Yusuf Ahmed** and Prime Minister **Nur Hassan 'Adde'** threaten the Transitional Federal Government in Mogadishu and undermine the fragile United Nations-backed negotiations with the Islamist opposition (AC Vol 49 No 15). Prime Minister Nur Adde has been working with the UN Special Representative for Somalia, **Ahmedou Ould-Abdallah**, a **Mauritanian**, on reconciliation talks which led to the signing of the Djibouti Agreement on 9 June by the TFG and most of the Islamist opposition Alliance for the Re-Liberation of Somalia. However, President Abdullahi is unenthusiastic about the reconciliation talks.

Adde dismissed **Mohamed Dhere**, Mayor of Mogadishu and Governor of Benadir Region, on 29 July for corruption and incompetence. This opened a new rift with the President. The Premier's plans for an elected government in Benadir and Mogadishu also grate with Abdullahi, who is unlikely to win an election himself. He refused to ratify Nur Adde's sacking of Dhere, questioning its constitutional legality. He then persuaded eleven cabinet ministers to resign in protest and will not endorse his Premier's appointment of five new ministers.

Without finding a compromise, the government will collapse and UN peace efforts will collapse with it. That is why **Ethiopia** hosted talks between President Abdullahi, Prime Minister Nur Adde and the Speaker of Parliament, Sheikh **Adan Madobe**, which began on 15 August to resolve the crisis – so far, without success.

Nigeria

SERVICE SHUFFLE

President **Umaru Musa Yar'Adua**'s appointment of new service chiefs and a new Chief of Defence Staff on 20 August will further reduce the political power of former President **Olusegun Obasanjo**. Concern is mounting, though, at the growing influence of Delta State ex-Governor **James Ibori**, who faces multiple charges of corrupt enrichment.

General **Andrew Azazi**, a widely respected Ijaw from Bayelsa in the Niger Delta, was retired as Chief of Defence Staff. The Chief of Army Staff, **Luka Yusuf**, a Christian from Kaduna, also steps down. Obasanjo appointed both shortly before leaving office in May 2007.

The new CDS is Air Marshal **Paul Dike**, while Major Gen. **A.B. Dambazau** takes over as army chief, the key officer in the command structure. Yar'Adua had promoted him General Officer Commanding of 2 Division, based in Ibadan, in July 2007. From Kano in the north, he is seen as a solid professional officer with good standing among the ranks. Rear Admiral **Isaiah Iko Ibrahim** is the new Chief of Naval Staff and Air Marshal **Oluseyi Petinrin**, Chief of Air Staff.

Yar'Adua remains concerned about Obasanjo's influence in the governing People's Democratic Party, especially should the Supreme Court order a fresh presidential election. It is to resume, next month, hearing an appeal by 2007's losing candidates calling for a rerun. However, Yar'Adua's appointment this month of **David Edevbie**, a close associate of Ibori, as his Private Secretary, raises new questions about the government's commitment to the rule of law (AC Vol 49 No 16).

So does a subsequent move against **Nuhu Ribadu**, the former head of the Economic and Financial Crimes Commission, who had indicted Ibori in December 2007. Ribadu was demoted on Ibori's 50th birthday 15 August and, following protests by Washington, narrowly avoided arrest by the State Security Service.