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Ex-Credit Suisse banker: maritime project backed by Manuel Chang was “rubbish”

Austin Cope

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Former Credit Suisse investment banker Andrew Pearse exits a Brooklyn federal courthouse following his testimony in the Manuel Chang trial on 18 July 2024. (Credit: Austin Cope)

A former international investment banker described his misgivings about whether a maritime project in Mozambique funded by international bonds would hold water and how he helped arrange a loan guarantee from the country’s former finance minister Manuel Chang anyway.

“It was rubbish,” ex-Credit Suisse managing director Andrew Pearse told a Brooklyn federal jury on 17 July, referring to a shipbuilding project called Mozambique Asset Management, one of three projects intended to bolster the country’s tuna fishing industry that never came to fruition. “There was no chance from the outset that it would have succeeded.”

Under direct examination by Assistant US Attorney Hiral Mehta over the course of two days, Pearse outlined his understanding of how Chang signed loan guarantees on behalf of the Mozambican Ministry of Finance, sidestepped oversight from the International Monetary Fund (IMF) and agreed to obscure some of the loan repayment structure from international investors.

Chang, **whose trial began on 15 July**, faces one count of conspiracy to commit wire fraud for allegedly misleading investors about $2 billion in loan payouts and another count of conspiracy to launder money over allegedly hiding bribes that he accepted for guaranteeing the projects.

Pearse **pleaded guilty in July 2019** to a wire fraud conspiracy charge for his role in the scheme and agreed to cooperate as a government witness. He told the jury that while he initially thought the other two maritime projects “made sense at the time”, he eventually realised their costs inflated too much. And he outlined how he and Credit Suisse investment bankers **Detelina Subeva** and **Surjan Singh**, who pleaded guilty in May 2019 and September 2019 respectively, netted millions of dollars in kickbacks from the sale of the loans on international bond markets and then hid the assets in an Abu Dhabi bank account.

To win Chang’s approval for the loans, Pearse testified that he worked with Jean Boustani – a salesman for the international shipbuilding company Privinvest – and Mozambican government fixers António do Rosário and Teófilo Nhangumele to set up meetings with Chang, who served as finance minister between 2005 and 2015.

During those meetings, Pearse said Chang supported the projects but expressed hesitation about disclosing the loans to the IMF because the proceeds from the bonds would then be subject to additional international oversight. Pearse also showed the jury loan guarantees and repayment agreements, several of which bore Chang’s signature. Pearse described how the loans, sold on the international bond market by Credit Suisse and Russian investment bank VTB, went through several restructuring rounds and increased to over $2 billion.

Pearse showed the jury a “gentlemen’s agreement” signed by Chang, do Rosário, and Boustani during one of the restructurings that would see Privinvest to take over the loans’ repayment to avoid a public default. However, Mozambique eventually defaulted on the loans, costing international investors and the country’s taxpayers millions of dollars in losses.

Pearse’s testimony received some scrutiny during cross-examination by Chang’s lawyers. Jamie Solano of Ford O’Brien Landy pointed out that Pearse only attended two in-person meetings with the minister and that neither of them discussed bribes or arranged any payments. She also pointed out specific inconsistencies in the details of Pearse’s sworn written statements versus his previous testimony about the projects’ financing, including his knowledge of the impact of an oil price crash on one project’s viability and the Mozambican prime minister’s support for funding.

Pearse also testified that other ministers supported the fishing projects, that Mozambique’s central bank approved the loan transfers, and that he made appeals to the country’s new finance minister to keep the loans from defaulting in the years after Chang departed. Solano attempted to draw out other complicating political and economic factors, but US District Court Judge Nicholas Garaufis sustained many of the prosecutors’ frequent objections.

The banker’s testimony will continue on 22 July, after which the government expects to call expert witnesses in investment banking and international transactions.

Counsel to Manuel Chang

Ford O’Brien Landy

Partners Adam Ford and Jamie Solano, counsel Anjula Prasad and Stephen Halpin III and associates Arthur Kutoroff and Carolyn Sartori in New York

For the DOJ

Assistant US attorneys Hiral Mehta, Genny Ngai and Jonathan Siegel at the US Attorney’s Office for the Eastern District of New York, trial attorneys Katherine Nielsen and Peter Cooch in the Criminal Division’s fraud section and Margaret Moeser and Morgan Cohen in the Money Laundering and Asset Recovery Section in Washington, DC

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