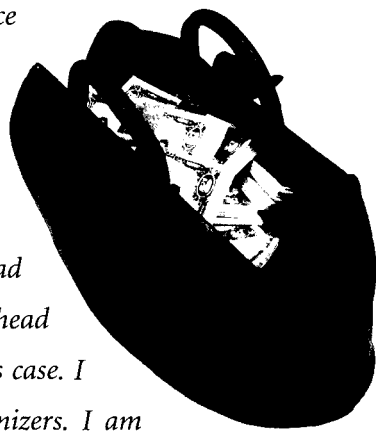


BY MARCUS NOLAND

Hi, Marcus, this is *Tracy Newton. I am 22 years old*

now and have been in Africa with my dad, Bill Newton, since 1996 ... About three months ago, my father came to Nigeria at the request of the new government. During a meeting with some officials, state security officers arrested him for questioning ... Before he was detained, my dad transferred a large amount of money out of Sierra Leone to Europe ... Since my dad is uncertain about when he will be released, he wants me to go ahead and retrieve the deposit ... so we can retain lawyers to fight his case. I found your contact information inside one of my dad's organizers. I am reaching you now because I need you to help me secure the funds. We will monetarily compensate you. Please reply back as soon as possible. Thanks much, Tracy Newton



Bill, I hardly knew ye.

Sound familiar? In the past year, millions of people with e-mail accounts probably have received a similar – though probably not as well-written – message from Nigeria's notorious 419 scammers. Named for the section of the Nigerian penal code covering fraud, this venerable racket has used the Internet to join the New Economy. In the past, 419 scammers actually had to post forged documents to prospective marks. But with the advent of e-mail, the scammers are spamming, trawling for suckers.

While the Internet has vastly extended the

reach of the con men, their nets can get tangled, creating enormous fratricidal possibilities. Recently, I received an e-mail from "Gen. Benjamin Ojiani (Ret.)," who identified himself as "the first inaugural Nigerian commander" of the ECOMOG peacekeeping operation in Liberia in which Samuel Doe was overthrown as Liberian president. The general related how "during the final onslaught which resulted in the capture of Samuel Doe, the campaign was meticulously planned and executed flawlessly; Samuel Doe's headquarters was seized by my men, and much ammunition was recovered."

Never mind that Doe was captured by a rival warlord and had his ears lopped off while being tortured to death and that the

DAVID HALE is the global chief economist at Zurich Financial Services in Chicago.

TRENDS

video circulated around West Africa as a political snuff film – you know what they say about the fog of war. Anyhow, as General Ojiani tells the story, among the ammo were 10 large trunks, “When I examined the trunk boxes, I got a shock! They were stacked full of \$100 bills! To my inexperienced eye, I estimated that the boxes must contain over \$100 million!”

General Ojiani then did what any corrupt Nigerian general would do – he requisitioned a Hercules transport and hauled the booty back to Abuja to await the right time to get it out of the country. That moment came with the installation of Nigeria’s current civilian regime. But given his high profile and a law against retired officers maintaining foreign bank accounts, General Ojiani needs a foreign partner – which is where I would come in. For my assistance, the general would give me a cut, which, according to my calculations, would come to roughly \$30 million.

Just as I was about to sign on to the Ojiani gravy train and begin shopping for property in the Caribbean, I received a message from a subordinate military officer, Brig. Gen. Bibiola Waritimi. General Waritimi described the exact same campaign, which was in his modest view “meticulously planned and executed flawlessly.” But in this version he discovered five boxes with \$50 million.

Now I was really confused. But I was raised to “dance with the one that brung you,” so I wrote to General Ojiani, “I’m not sure how to raise this issue discreetly, General, but this morning I received a message from one ‘Brig. Gen. Waritimi’ claiming to be your subordinate and offering me a \$15 million deal on five boxes. Are you working together? I would hate to think that your associate was trying to cut a side deal without your knowledge.”

General Ojiani never replied. I shudder to

think what happened to the brigadier general.

Come to think of it, I never heard back from Laurent Mpeti Kabila Jr. either, after I asked him if his brother Joseph had approved his plan to move \$165 million “and some thousands of carats of diamonds” out of the Congo. When asked about one Moshood Seko who kept pestering me, Joy Seko, widow of the Congo’s longtime dictator Mobutu Sese Seko, (who graciously corresponds in English rather than French) advised me to stop wasting my time with this impostor – “he must be one of those people that are looking for ways to take undue advantage of one’s predicament.”

The travails of the Mobutu, Kabila and Savimbi dynasties have yielded a stream of narratives more byzantine than those served up by *The Sopranos*. In the last month alone, I have been contacted by widow the late Angolan rebel Jonas Savimbi (looking for help in getting \$15.6 million out of the Netherlands), his daughter (trying to move \$25.6 million from the Netherlands), his personal assistant (needs help getting \$27 million out of Ghana) and his “top adviser” who needs a partner to gain access to approximately \$45 million in gold bullion stored in London.

But for sheer volume, nothing can touch the clan of former Nigerian strongman Gen. Sani Abacha, whose widow, Hajia Mariam, has more e-mail addresses than Imelda Marcos has shoes. Of course, fratricide is only one hazard of casting one’s net widely – one doesn’t always know what might get ensnared, as I pointed out to Mr. Paul Abbas, a “top official of the Federal Government Contract Review Panel” of Nigeria, “You are a very lucky man. You recently sent a business proposal to a friend of mine – a high-ranking U.S. diplomat. Fortunately for all concerned, instead of reporting you to the authorities during President Obasanjo’s recent visit to

Doe: \$100 million hidden!
Savimbi: Widow scored
\$15.6 million!
Abacha: Widow has untold
riches! Just e-mail her!



Washington, he passed your message along to me. Under no circumstances should you reply to Ambassador X.”

I then asked for a larger cut for Ambassador X and myself. I thought I had heard the last of Mr. Abbas when three days later I received a message beginning “First, I must thank you very much for not taking my proposal to my government, in fact when I first saw your letter I was very scared, but after much deliberation with my colleagues we decided to give it a try. I hope that this is not a mistake.” Mr. Abbas then made a counteroffer on the division of the spoils and attached a specimen letter to be used in defrauding the Nigerian government of \$31 million.

DANGEROUS LIAISONS

It seems that the life expectancy of a foreign businessman in Nigeria is less than that of a

first lieutenant on the Western Front in 1916. And though the “dead foreigner” ruse is a hardy perennial, one might think that having no idea who your message’s recipient could be might give its practitioners pause. But this does not appear to be the case.

Whatever you do, stay away from William Eke, manager of the Lagos branch of the Orient Bank of Nigeria, the Dr. Kevorkian of Nigerian bankers. On a single day in 1997, two American oil industry consultants, John Leon and Barry Kelly, and a Japanese engineer named Yukio Matsuda deposited upward of

TRENDS

\$175 million in various accounts at Mr. Eke's bank and then were promptly killed in automobile accidents – though whether separately or together, I have never ascertained. Since no next of kin has come forward to claim these funds, Mr. Eke, whose Yoruba name could be translated into English as Mr. "Fake," "Counterfeit" or "Liar," along with his two hardworking assistants, Kuti and Adeniyi (the names of the two most popular Nigerian musicians of the past generation), have been looking for a foreign partner to help them abscond with the loot before it reverts to the government.

Of course, it helps if your foreign partner is, well, a foreigner:

"Dear Mr. Eke, You are a very lucky man. Recently you sent a message soliciting assistance in a business transaction to an acquaintance of mine, Miss X, requesting that Miss X pose as an American oilman, Mr. Leon. Well, Mr. Eke, you can already see the problem, especially since Miss X is a Nigerian female!!! Fortunately for all concerned, she passed your

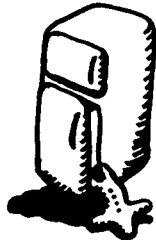
request along to me, a Texan male with a long history in the oil industry and a much more suitable substitute for the departed Mr. Leon. Given your clumsy first pass – asking a Nigerian woman to pose as an American oilman – I was suspicious, but I have checked out your bank and I am willing to help. In the message that Miss X passed along, you proposed a sharing formula of 70/30. However, under the circumstances, we believe that a 40/30/30 split is more equitable. Now I know that if I were in your shoes I would be disappointed. But think of it this way: after we successfully complete this transaction, you will have two reliable business partners in the USA. Miss X can use her proceeds to hire a fine immigration lawyer and regularize her status here. Perhaps she will even be able to sponsor you!"

The logical circumlocutions in Mr. Eke's reply would confound the *Milken Institute Review's* most savvy readers. He did insist on a 65/25/10 split, though.

While foreigners typically succumb to auto accidents, plane crashes and tropical disease,

MURDERED IN COLD BLOOD... POLITICALLY MOTIVATED

DEAD
RELATIVES
ARE A STAPLE
OF THE
419 GENRE.
AMONG THE
SADLY
DEPARTED:

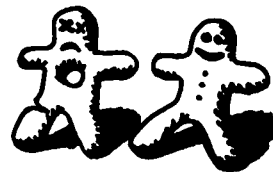


DEAD RELATIVE
Bola Ige, minister of justice, Nigeria

CAUSE OF DEATH
"murdered in cooled blood...Politically motivated [sic]"

ESTATE: \$36.5M

DUPE'S TAKE: "well compensated"



DEAD RELATIVE
Dr. Maxwell Swarin, general overseer of the diamond mine in Kanema, Sierra Leone

CAUSE OF DEATH
"military forces...assassinated [him] mistaking him for his brother Mike"

ESTATE: \$22M

DUPE'S TAKE: \$3.3M plus 20 percent investment stake



DEAD RELATIVE
Amara Yapobi, wealthy cocoa merchant, Abidjan, Ivory Coast

CAUSE OF DEATH
"poisoned to death by his business associates"

ESTATE: \$14.5M

DUPE'S TAKE: \$2.2M

the locals tend to die in more lurid ways. Poor Mark Williams, the only son of Chief Fred Williams of the Mende District in Sierra Leone lost his father in a rebel attack, his uncle in a plane crash and his mother to “heart failure and related complications” – surely brought on by the attacking rebels, crashing planes and a steady diet of artery clogging palm nut soup. Now he’s stuck in Abidjan with \$21.8 million, needs my help to get him and his sister into college, and is offering a 15 percent cut.

ANATOMY OF A FRAUD

Who, you might be asking, could fall for all this cheap melodrama? Well, quite a few of our fellow citizens, it seems. The United States Secret Service, Financial Crimes Division, which is assigned to deal with these scams, fields 400 to 600 complaints a day. An FBI survey last year found that the average loss was \$5,575 per victim, and U.S. officials have put annual losses to American citizens in the hundreds of millions of dollars. It has been estimated that, globally, the 419 scams

REVENUES FROM SCAMMING, 2000
BILLIONS OF DOLLARS

| ACTIVITY | \$ BILLIONS | FOREIGN EXCHANGE EARNINGS | |
|---------------|-------------|---------------------------|-------------|
| | | | \$ BILLIONS |
| Agriculture | 12.1 | Oil | 18.9 |
| Mining | 18.9 | Non-oil exports | 0.2 |
| Manufacturing | 1.7 | Aid | 0.2 |
| Services | 10.1 | Worker remittances | 1.3 |
| Scamming | 2-5 | Scamming | 2-5 |

SOURCE: World Bank, IMF, The 419 Coalition.

pull in anywhere from \$2 billion to \$5 billion a year. If true, revenue from scamming would be as large as the entire Nigerian manufacturing sector, and would be as large a source of foreign exchange as all of Nigeria’s non-oil exports, aid receipts and worker remittances combined.

The scams work in a number of ways, but typically a fraudster contacts a potential victim describing a large sum of money, frequently obtained through questionable means and hence requiring secrecy, for which a partner – often a foreigner – is needed to gain access. For his cooperation the dupe is



DEAD RELATIVE
Lt. Col. M. Obed, former military administrator of Kaduna state, Nigeria

CAUSE OF DEATH
“one of the victims of the 7th November 1996 ADC Aircraft Boeing [sic] 727 that crashed in Lagos”

ESTATE: \$30M

DUPE’S TAKE: \$6M



DEAD RELATIVE
Gen. Alexandre Biros, former director of military intelligence, Sierra Leone

CAUSE OF DEATH
“murdered along with half brother in cool blood during a mid-night rebel shoot-out”

ESTATE: \$18M

DUPE’S TAKE: \$4.5M



DEAD RELATIVE
General Biros’s wife

CAUSE OF DEATH
“very sever [sic] bullet injuries resulted to her untimely painful death”



DEAD RELATIVE
Gen. Gumel Bello, former minister of mines and power, Nigeria

CAUSE OF DEATH
“cancer of the knee”

ESTATE
\$18M

DUPE’S TAKE
“negotiable”

TRENDS

offered a cut of the proceeds. Once the victim agrees to participate, he is asked for various upfront fees to cover legal costs, travel expenses and so on, while the scammers ply the mark with photographs, forged documents and other materials intended to engender trust. The scammers also try to get per-

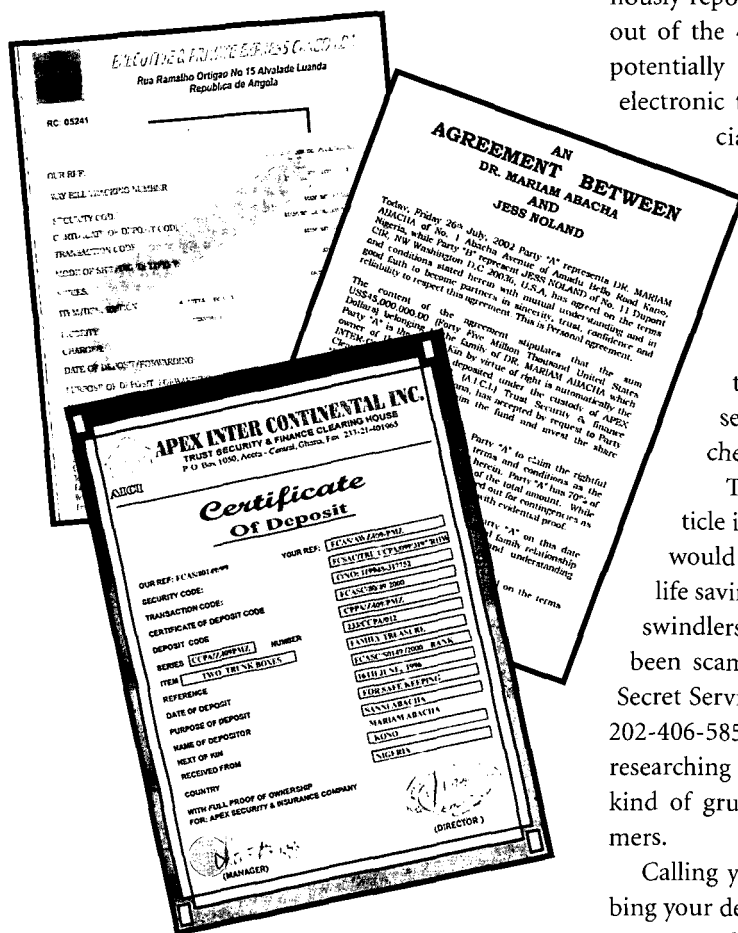
with 419 frauds in the past three years.

Officialdom has had little success in prosecuting these racketeers. The U.S. government guesses that only 5 to 10 percent of victims file reports, and the very nature of the Internet facilitates anonymity. Admittedly, compared with Enron, these swindles are still bush league. But U.S. intelligence officials ominously report that the scammers are moving out of the 419 racket into more direct and potentially destructive ways of intercepting electronic transactions and pillaging financial accounts directly. Ironically,

the decrepit state of the Nigerian telecommunications system actually imposes a constraint on these operators. Modernization could unleash an explosion of 419 activity since the con artists would be able to secure reliable phone lines more cheaply.

The behavior described in this article is, of course, illegal and I certainly would not want my mother to lose her life savings – much less her life – to these swindlers. If you think that you may have been scammed, contact the United States Secret Service, Financial Crimes Division, at 202-406-5850. But by the time I had finished researching this piece, I had begun to feel a kind of grudging admiration for the scammers.

Calling yourself “Mr. Deceiver” and dubbing your deputies the Nigerian equivalent of Lennon and McCartney while spinning a tale of corruption involving the Nigerian national soccer team shows a bit more flair than simply misstating earnings and calling in Arthur Andersen to shred documents. Maybe Hollywood should give these guys a shot – their scripts would beat anything on cable TV. Globalization, indeed. **M**



sonal information like bank account and passport details that can be used to perpetrate further fraud. Eventually, the victim is asked to visit Nigeria or some other foreign location. According to the U.S. State Department, at least 15 foreigners, including one American, have been murdered in Nigeria in connection

Business **ECOSystems** *toward* **Network Industries** **Rethinking Policies**

by Marco Iansiti and Roy Levien

How should one evaluate – and perhaps regulate – the impact of leading firms like Microsoft, IBM or Wal-Mart on the economy? Firms that cast long shadows over their industries have always made Americans uneasy, and sometimes for good reason.

Government has responded by introducing a host of regulatory policies, in areas as different as electricity pricing and mergers and acquisitions. A relatively new rationale for intervention is the rise of industries characterized by network economies, as in: the more consumers or organizations use a technology, the more valuable it is to each user. Once a technology establishes a large enough market presence, the argument goes, superior solutions may be unable to break through, as was said to be the case with the VHS video format and the traditional QWERTY typewriter keyboard. Network