

**A STATEMENT ON ‘OIL FOR FOOD PROGRAM’ BEFORE THE HOUSE
SUBCOMMITTEE ON NATIONAL SECURITY, EMRGING THREATS AND
INTERNATIONAL AFFAIRS (APRIL 21, 2004)**

By

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Mr. Chairman

On January 25, 2004 the Iraqi daily *Al-Mada* published a list of 270 individuals and entities who were beneficiaries of Saddam Hussein’s oil vouchers. The Middle East Media Research Institute or MEMRI, translated the list from the Arabic and made it available to the non-Arabic readers on January 29.

Mr. Chairman

In my presentation I will address five questions that we have frequently been asked:

First: what are these oil vouchers and how were they used?

Second, who were the beneficiaries?

Third, is the list authentic?

Fourth, what other means did Saddam Hussein use to subvert the Oil for Food Program?

Fifth, could the administrators of the Oil for Food Program have been unaware of the regime’s subversion of the Program?

I shall now answer the questions briefly and in that order.

First: The Nature and Use of the Oil Vouchers

In May, 2002, or two years before the oil vouchers achieved their present notoriety, MEMRI issued a special dispatch entitled “Iraq Buys and Smuggles its Way out of UN Sanctions.” That dispatch catalogued techniques that were being used to subvert the Oil for Food Program, including the use of vouchers to buy friends.

In brief, Saddam Hussein granted oil vouchers to various beneficiaries -- individuals as well as public and governmental entities -- who could then sell them to oil dealers or agents operating from the Rashid Hotel in Baghdad. The agents would then sell the vouchers to oil companies which, in turn, would submit them to the State Oil Marketing Company or SOMO, to collect the oil. Both the beneficiary and the agent collected quick and handsome profits. A one million barrel voucher surrendered against \$0.25 per barrel earns \$250,000.

Second: The Beneficiaries

The beneficiaries were from 52 countries and included 19 political parties, and numerous politicians and journalists. Russia led the way among countries, with 46 recipients for a total of about 2.5 billion barrels. Significant individual recipients include the president of Indonesia, the prime minister of Libya, the former prime minister of Yemen, a former French minister of interior and Mr. Patrick Maugein who, according to French sources, is a financial supporter of French President Chirac.

Finally, the beneficiaries included the sons of the former Egyptian President Gamal Abdul Nasser, the President of Lebanon Emil Lahoud, and the perennial Syrian minister of defense Mustapha Tlass.

Third: The Authenticity of the List

There is a propensity among totalitarian regimes to keep accurate records of their misdeeds. The first half of the last century provides several examples. Saddam's regime provides another.

What gives credence to the authenticity of the list is the statements by many of those implicated that they had received the vouchers for goods which they provided under the oil for food program. These statements are, at best, disingenuous. Under the Program, contracts had to be approved by the U.N., and upon the delivery of goods, the U.N. would reimburse the suppliers from the escrow account held at the French bank BNP-Paribas. No official contracts were financed by oil vouchers. Hence, if vouchers were granted they were given either as bribes or as payment for illicit goods, which could not be purchased under the Program itself.

Fourth: The Subversion of the Program by the Saddam Regime

Despite the sanctions, the regime of Saddam Hussein perfected a number of methods to sell oil for personal gains.

- a. By Saddam Hussein's son, Uday, own admission, Iraq exported to Syria approximately 200,000-250,000 b/d through the Kirkuk Baniyas pipeline. Syria never denied it.
- b. Trucks carried diesel oil from Kirkuk to southern Turkey. The Kurds who controlled northern Iraq were happy to collect transition fees
- c. Small Iraqi ships carried crude oil across the Persian Gulf mainly to Qatar for transshipment elsewhere. Many were intercepted and quite a few sank causing environmental damage.
- d. Grains and other food supplies imported under the program were re-exported

- e. Legal shipments of oil were topped up by varying quantities with the excess sold for the benefit of the regime
- f. Invoices were inflated—a practice commonly referred to as pricing transfer

Fifth: The Knowledge, if not the Complicity, of the UN Managers of the Program

On February 18, a month after the list was first published by *Al-Mada*, Mr. Shashi Tharoor, United Nations Under-Secretary-General for Communications and Public Information, wrote a letter to the editor of the *Wall Street Journal* professing ignorance of wrong doing. That letter makes two curious assertions. First, it protests, “No one at the United Nations has yet seen the original list.” Note, please, that *Al-Mada* had published the list one month earlier.

Second, it offers an elaborate explanation of procedure. “The oil buyer had to pay the price approved by the Security Council Sanctions Committee into a U.N. escrow account, and the U.N. had to verify that the goods purchased by Iraq were indeed those allowed under the program.” Mr. Tharoor then introduces the caveat: “But the U.N. had no way of knowing what other transactions might be going on directly between the Iraqi government and the buyers and sellers.” Now comes the shocker: Mr. Tharoor says, “The program itself was managed strictly within the mandate given to it by the Security Council and was subject to nearly 100 different audits, external and internal, [I repeat, Mr. Tharoor says, “100 different audits”] between 1998 and 2003 and, as the secretary-general has said, this produced no evidence of any wrongdoing by the U.N. Official.”

It is odd, indeed, that all these audits, paid for from \$1 billion collected by the UN to administer the program could not find one of the several infringements of the program that had been noted two years earlier by MEMRI – which has no access to official records.

Thank you Mr. Chairman