

OPENING STATEMENT OF SENATOR NORM COLEMAN

Chairman of the Permanent Subcommittee on Investigations

Hearing on *How Saddam Hussein Abused the United Nations Oil-for-Food Program*

November 15, 2004

Good morning and thank you all for being here. Today's hearing presents the first findings from our investigation into the United Nations' Oil for Food Program. The Permanent Subcommittee on Investigations began this bi-partisan investigation in April. After 7 months of investigating, 8 subpoenas, 13 chairman's letters, numerous interviews with key participants, and receipt of over a million pages of evidence, we are just beginning to understand the behind-the-scenes machinations of participants in the OFF program.

The magnitude of the fraud perpetrated by Saddam Hussein in contravention of UN sanctions and the Oil for Food program is staggering. The majority staff estimates that Saddam generated personal profits of over 21.3 billion in contravention of UN sanctions from 1991-2002.

Today we will examine in more detail how it occurred. But why it was able to occur and flourish over the course of a decade is still not fully understood. The extent to which member states were motivated by Saddam's influence pedaling to ignore the fraud and lack of oversight has still not been fully explored. The question that hangs out there is—how high up does the corruption go?

The extent to which UN officials personally benefited from Saddam's influence pedaling has not been fully explored. We need substantially greater cooperation from the United Nations to answer these and other questions.

Senator Levin and I have joined together and requested access to UN investigative reports and personnel. To our dismay, those requests have, to date, been denied. In addition I am angered by the proactive interference from the UN with our efforts to question groups contracted by the UN to oversee parts of this program.

I believe the credibility of the UN to monitor any future sanctions programs hangs in the balance unless the corruption and mismanagement in Oil for Food is identified and rooted out.

In the end, my goal, and I believe the goal of all of us on the Subcommittee is to reach conclusions based on the facts. To ask questions in which answers must be given. And, hopefully, with candor given, and fairness returned, end the growing quagmire of doubts about the Oil for Food program and the UN's role in it.

The Oil for Food Program was intended to allow the government of Iraq to provide for humanitarian aid and assistance for its people. Instead, under the Oil for Food Program, Saddam Hussein generated massive amounts of money that had one sole purpose: To keep him in power. He used this money to cultivate international support – to avoid being responsive to UN resolution after UN resolution after UN resolution. The Iraqi people suffered – the world was more dangerous – and Saddam Hussein laughed at world opinion and UN sanctions.

And, the failure of the program wasn't just in not providing food, medicine and comfort to the Iraqi people – but the failure of the program was also in not having strong oversight and checks and balances that would have prevented a small group of people and nations from reaping billions and billions of dollars from the people of Iraq.

And finally, the question must be raised as to what happened to Saddam's billions—and are they being used today to fuel an insurgency that has taken the lives of over a thousand American and coalition service men and women—and thousands of our Iraqi allies. The clear inference and be drawn that the failed management of the Oil for food program has cost the lives of many innocent individuals. We have an obligation to more fully understand how was this massive fraud able to thrive for so long; who benefited from it; and what has been its past and ongoing costs—in dollars and lives.

So, how much money did Saddam generate in contravention of the U.N. sanctions from 1991-2002? As stated earlier, the majority staff estimates the figure to be \$21.3 billion. (please show Chart 1A) This figure builds upon previous estimates of the General Accounting Office (\$10.1 Billion) and the figure contained in the Duelfer Report (\$10.9 Billion). The \$21.3 Billion estimate is based upon evidence discovered during our investigation and was formulated with the assistance of experts from the Joint Economic Committee, Congressional Budget Office and GAO. The estimate of \$21.3 Billion includes:

- oil smuggling facilitated through trade protocols with Iraq as well as unauthorized smuggling including “topping off” of oil tankers (\$13.6 Billion),
- surcharges on oil purchases (\$241 Million),
- kickbacks on humanitarian goods (\$4.4 Billion),
- substandard goods purchased under the OFF Program (\$2.1 Billion),
- abuses in the Northern Kurdish Region (\$405 Million), and
- investment of illicit revenues (\$403 Million).

Today the Subcommittee will unveil new evidence that will show:

- How Saddam used oil vouchers to peddle influence and reward friends around the world;
- How Saddam exacted illegal surcharges from oil purchasers; and
- How blue-chip international corporations gave Saddam millions in illegal kickbacks.

Our first witness today is Charles Duelfer, Special Advisor to the Director of Central Intelligence for Strategy Regarding Iraqi Weapons of Mass Destruction Program. We look forward to his testimony about the report he prepared for the Administration detailing Iraq's abuse of the OFF Program. The Duelfer Report concludes that Saddam Hussein's primary goal was to have U.N. sanctions lifted. In addition, he found that the introduction of the OFF Program was a key turning point for the regime. This Program provided additional illicit billions of dollars in revenue streams of kickbacks and surcharges. More importantly, the

program rescued Iraq's economy from U.N. sanctions by increasing economic activity and reducing international support for U.N. sanctions. It appears that OFF abuses, particularly vouchers to well-placed individuals and entities favoring Iraq, and kickbacks and surcharges, which went unhindered by the U.N. Security Council despite their knowledge of them, emboldened Saddam Hussein to finance and procure missile delivery systems, dual-use items, and military munitions.

As we know, Saddam Hussein devised a myriad of ways to violate the Oil for Food Program. On the second panel, investigative counsels from the Subcommittee will present new evidence that describes three of the principal ways that Hussein abused the sale of Iraqi oil under the OFF Program.

First, we will hear testimony that illustrates how Saddam converted oil into influence. In that segment, we will examine of how Saddam gave so-called "oil vouchers" to foreign officials, journalists and possibly even terrorist entities in order to peddle influence and reward friends. In doing so, we will reveal previously undisclosed evidence that illustrates what oil vouchers were and how the voucher process worked. For instance, we will introduce a number of documents that illustrate how high-ranking officials in Saddam's regime, such as Tariq Aziz, were personally involved in handing out these favors.

We will present a step-by-step review of how voucher recipients turned those favors into cash. For instance, we will see evidence of how Vladimir Zhirinovskiy, a prominent Russian politician, invited an American oil company to "negotiate" the sale of an oil voucher. We will show how vouchers were translated into formal oil contracts that were approved by the U.N. As an example, we will trace a voucher given to a Syrian journalist named Hamida Na'Na [Ham ee dah Nah Nah] and see how that voucher ended up as a formal contract for the sale of oil under the Oil for Food Program. In the end, our presentation will reveal how Saddam turned the U.N. sanctions on their head and actually used the Oil for Food Program to his own advantage.

Aside from our analysis of Saddam's oil vouchers, we will examine a second method that Saddam abused the sale of oil under the OFF Program – namely, oil surcharges. While the vouchers scheme was a ploy to peddle influence, the surcharges were simply a way to generate under-the-table revenue for Saddam's cash-strapped regime. We will explore how Saddam managed to generate roughly 230 million dollars in revenue through the oil surcharges. Our presentation will introduce new evidence of who made under-the-table payments to the regime. We will also explore how they made those payments. For instance, we will trace one transaction that involved an American oil company in which more than 1 million dollars in illegal payments were made to the Hussein regime. Finally, we will present an excerpt of a document created by the Government of Iraq that details each and every surcharge payment.

In addition to peddling influence and generating illicit revenue through oil vouchers and surcharges, Saddam Hussein concocted a separate scheme to siphon off billions of dollars for himself by demanding kickbacks on contracts for humanitarian goods. Saddam used his freedom to contract with whomever he pleased to cut deals that were in his own best interests and not for the humanitarian needs of his people.

We will also hear testimony describing the kickbacks paid by a Scottish company called The Weir Group, which did over 80 million dollars worth of business under the Oil-for-Food Program. The story of the Weir group is particularly disturbing since it demonstrates that legitimate, reputable corporations were complicit in enriching the regime of Saddam Hussein. Our investigation revealed that in June of 2000 the Iraqi regime demanded kickbacks from The Weir Group. Rather than reject the demand, The Weir Group agreed to enter into an arrangement to pay a portion of every subsequent contract back to Saddam. We will hear testimony detailing this arrangement and a step-by-step description of how Weir inflated its contracts by marking-up the price of its products and by overstating the quantity of parts shipped.

At the direction of the Iraqi regime and over the course of four years and 15 contracts, The Weir Group paid over eight million dollars into a secret Swiss bank account in the name of a non-existent corporation called "Corsin Financial Limited." Weir and Iraq were able to transact business in this manner with impunity, under the nose of the United Nations, and without regard of the sanctions imposed by the international community. The Office of the Iraq Program, the U.N. entity that oversaw the Oil-for-Food Program, approved Weir's contracts even though the prices of the contracts were sometimes inflated by 30 to 40%.

Assistant Secretary of Treasury Juan Zarate is the perfect witness to wrap up our hearing today. As head of the interagency Iraqi Asset Tracking Task Force, Mr. Zarate, will provide valuable information on the efforts of the U.S. government and its coalition partners to identify, locate, and repatriate the assets of the Iraqi people. Although the Department of Treasury's primary mission is the recovery of Iraqi assets, one tangent to this recovery effort has been the uncovering of information pertaining to the illegal kickbacks, surcharges and other fraudulent activities committed by the former Iraqi regime under the UN Oil for Food program. How much of the \$21.3 billion as estimated by this Subcommittee has been channeled into the hands of terrorist or currently funding the insurgency in Iraq? Mr. Zarate will attempt to answer this question by providing examples of Treasury's efforts in undermining terrorist actions through the identification and freezing of assets as well as the designation of terrorist individuals and organizations.

The weaknesses in the OFF Program raise serious questions about the U.N.'s ability to enforce sanctions and administer a humanitarian aid program in the future. American taxpayers pay close to 22 percent of the U.N.'s operating costs. They need assurances that their tax dollars are being well spent, especially in light of the fact that sanctions will likely be imposed upon other nations in the future.

The maladministration – and I submit to you that is an understatement -- of the Program also undermined the infrastructure and economy of Iraq, which led to a substantially greater level of U.S. money needed for the reconstruction of Iraq after the war. The Iraqi people were harmed by substandard food and medicine, severely affecting the quality of life of innocent Iraqis.

Finally, allegations have been raised by credible sources that money diverted from the OFF Program has been diverted to the Iraqi insurgency and/or terrorist activities both in Iraq and elsewhere around the world. If these allegations are true, then the failure of the OFF Program can be tied directly to American casualties.

I anticipate that our investigation will lead to many more disclosures over the next several months. The Subcommittee will continue to work diligently to uncover the truth and when we feel confident that we have found it, we will schedule additional hearings. I especially want to thank Mr. Duelfer and Mr. Zarate for their cooperation in helping us get the truth. I hope that others will be equally forthcoming.

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