

Attachment 1

Appendix I: Timeline of Major Events Related to Sanctions Against Iraq and the Administration of the Oil for Food Program

Date	Event/Action	Summary
Aug. 2, 1990	U.N. Security Council Resolution 660	Iraqi forces invaded Kuwait. Resolution 660 condemned the invasion and demands immediate withdrawal from Kuwait.
Aug. 6, 1990	U.N. Security Council Resolution 661	Imposed economic sanctions against the Republic of Iraq. The resolution called for member states to prevent all commodity imports from Iraq and exports to Iraq, with the exception of supplies intended strictly for medical purposes and, in humanitarian circumstances, foodstuffs.
Aug. 6, 1990	Operation Desert Shield	President Bush ordered the deployment of thousands of U.S. forces to Saudi Arabia.
Nov. 5, 1990	U.S. legislation	Public Law 101-513 prohibited the import of products from Iraq into the United States and export of U.S. products to Iraq.
Jan. 12, 1991	U.S. legislation	Iraq War Powers Resolution authorized the president to use "all necessary means" to compel Iraq to withdraw military forces from Kuwait.
Jan. 16, 1991	Operation Desert Storm	Operation Desert Storm was launched: Coalition operation was targeted to force Iraq to withdraw from Kuwait.
Feb. 28, 1991	Gulf War cease-fire	Iraq announced acceptance of all relevant U.N. Security Council resolutions.
Apr. 3, 1991	U.N. Security Council Resolution 687 (Cease-Fire Resolution)	Mandated that Iraq must respect the sovereignty of Kuwait and declare and destroy all ballistic missiles with a range of more than 150 kilometers as well as all weapons of mass destruction and production facilities.
Jun. 17, 1991	Creation of U.N. Special Commission	The U.N. Special Commission (UNSCOM) was charged with monitoring Iraqi disarmament as mandated by U.N. resolutions and to assist the International Atomic Energy Agency in nuclear monitoring efforts.
Aug. 15, 1991	U.N. Security Council Resolution 706	Proposed the creation of an Oil for Food program and authorized an escrow account to be established by the Secretary General. Iraq rejected the terms of this resolution.
Sep. 19, 1991	U.N. Security Council Resolution 712	Second attempt to create an Oil for Food program. Iraq rejected the terms of this resolution.
Oct. 2, 1992	U.N. Security Council Resolution 778	Authorized transferring money produced by any Iraqi oil transaction on or after August 6, 1990, which had been deposited into the escrow account, to the states or accounts concerned as long as the oil exports took place or until sanctions were lifted.
Apr. 14, 1995	U.N. Security Council Resolution 986	Allowed Iraq to sell \$1 billion worth of oil every 90 days. Proceeds were to be used to procure foodstuffs, medicine, and material and supplies for essential civilian needs. Resolution 986 was supplemented by several U.N. resolutions over the next 7 years that extended the Oil for Food program for different periods of time and increased the amount of exported oil and imported humanitarian goods.
Mar. 27, 1996	U.N. Security Council Resolution 1051	Established the export and import monitoring system for Iraq.
May 20, 1996	Government of Iraq and the United Nations	Signed a memorandum of understanding allowing Iraq's export of oil to pay for food, medicine, and essential civilian supplies.
Jun. 17, 1996	United States	Based on information provided by the Multinational Interception Force (MIF), communicated concerns about alleged smuggling of Iraqi petroleum products through Iranian territorial waters in violation of resolution 661 to the Security Council sanctions committee.

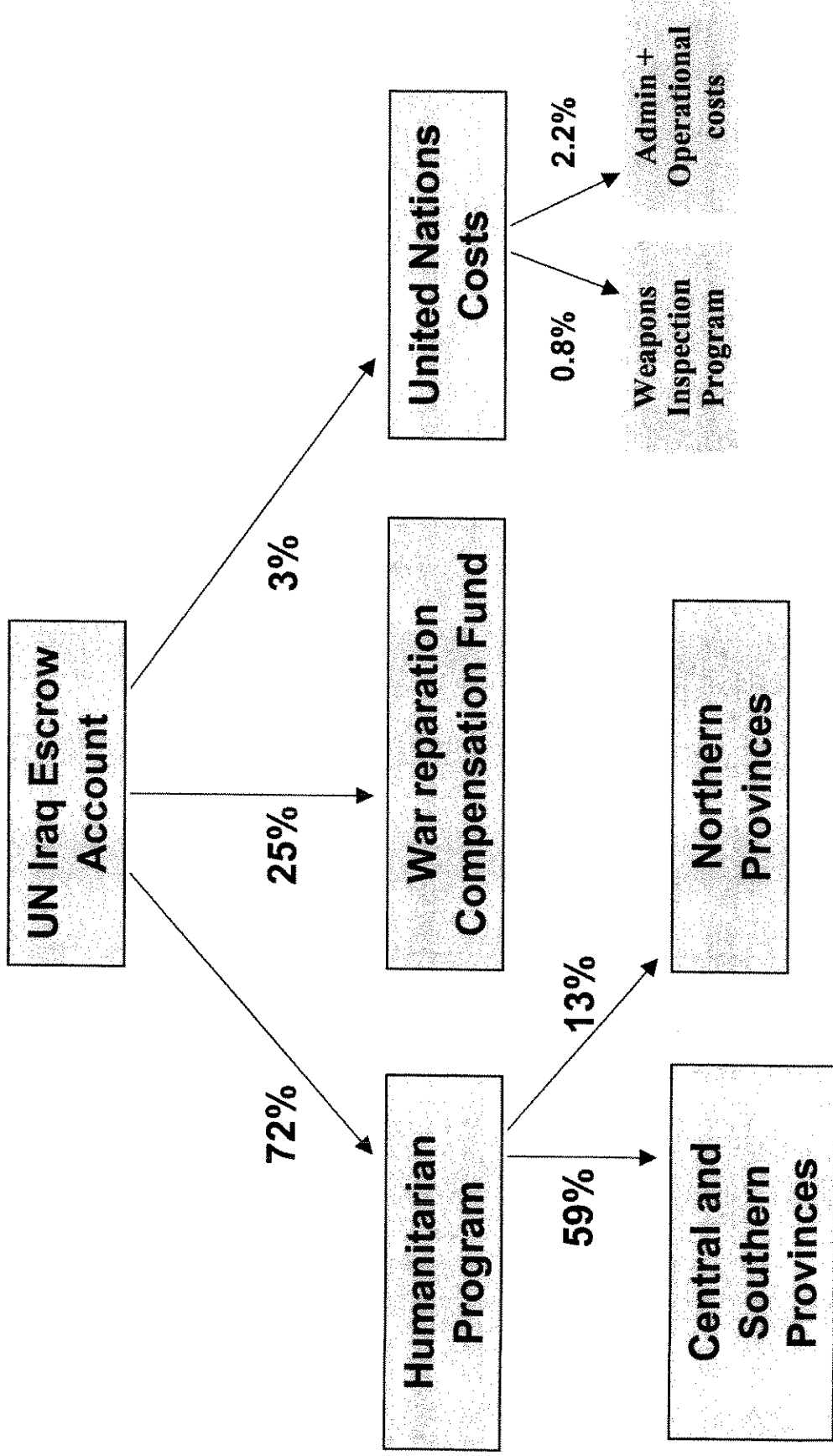
Date	Event/Action	Summary
Jul. 9, 1996	U.N. Security Council Sanctions Committee	Committee members asked the United States for more factual information about smuggling allegations, including the final destination and the nationality of the vessels involved.
Aug. 28, 1996	U.S. delegation to the U.N. Security Council Sanctions Committee	Provided briefing on the Iraqi oil smuggling allegations to the sanctions committee.
Dec. 3, 1996	Islamic Republic of Iran Permanent Representative to the United Nations	Acknowledged that some vessels carrying illegal goods and oil to and from Iraq had been using the Iranian flag and territorial waters without authorization and that Iranian authorities had confiscated forged documents and manifests. Representative agreed to provide the results of the investigations to the sanctions committee once they were available.
Dec. 10, 1996	Iraq and the United Nations	Phase I of the Oil for Food program began.
Jun. 4, 1997	U.N. Security Council Resolution 1111	Extended the term of resolution 986 another 180 days (phase II).
Sep. 12, 1997	U.N. Security Council Resolution 1129	Authorized special provision to allow Iraq to sell petroleum in a more favorable time frame.
Oct. 8, 1997	Representatives of the United Kingdom of Great Britain and Northern Ireland to the United Nations	Brought the issue of Iraqi smuggling petroleum products through Iranian territorial waters to the attention of the U.N. Security Council sanctions committee.
Nov. 18, 1997	Coordinator of the Multinational Interception Force (MIF)	Reported to the U.N. Security Council sanctions committee that since February 1997 there had been a dramatic increase in the number of ships smuggling petroleum from Iraq inside Iranian territorial waters.
Dec. 4, 1997	U.N. Security Council Resolution 1143	Extended the Oil for Food program another 180 days (phase III).
Feb. 20, 1998	U.N. Security Council Resolution 1153	Raised Iraq's export ceiling of oil to about \$5.3 billion per 6-month phase (phase IV).
Mar. 25, 1998	U.N. Security Council Resolution 1158	Permitted Iraq to export additional oil in the 90 days from March 5, 1998, to compensate for delayed resumption of oil production and reduced oil price.
Jun. 19, 1998	U.N. Security Council Resolution 1175	Authorized Iraq to buy \$300 million worth of oil spare parts to reach the export ceiling of about \$5.3 billion.
Aug. 14, 1998	U.S. legislation	Public Law 105-235, a joint resolution finding Iraq in unacceptable and material breach of its international obligations.
Oct. 31, 1998	U.S. legislation: Iraq Liberation Act	Public Law 105-338 §4 authorized the president to provide assistance to Iraqi democratic opposition organizations.
Oct. 31, 1998	Iraqi termination of U.N. Special Commission (UNSCOM) Activity	Iraq announced it would terminate all forms of interaction with UNSCOM and that it would halt all UNSCOM activity inside Iraq.
Nov. 24, 1998	U.N. Security Council Resolution 1210	Renewed the Oil for Food program for 6 months beyond November 26 at the higher levels established by resolution 1153. The resolution included additional oil spare parts (phase V).
Dec. 16, 1998	Operation Desert Fox	Following Iraq's recurrent blocking of U.N. weapons inspectors, President Clinton ordered 4 days of air strikes against military and security targets in Iraq that contribute to Iraq's ability to produce, store, and maintain weapons of mass destruction and potential delivery systems.

Date	Event/Action	Summary
Mar. 3, 1999	President Clinton Report to Congress	President Clinton provided the status of efforts to obtain Iraq's compliance with U.N. Security Council resolutions. He discussed the MIF report of oil smuggling out of Iraq and smuggling of other prohibited items into Iraq.
May 21, 1999	U.N. Security Council Resolution 1242	Renewed the Oil for Food program another 6 months (phase VI).
Oct. 4, 1999	U.N. Security Council Resolution 1266	Permitted Iraq to export an additional amount of \$3.04 billion of oil to make up for revenue deficits in phases IV and V.
Nov. 19, 1999	U.N. Security Council Resolution 1275	Extended phase VI of the Oil for Food program for 2 weeks until December 4, 1999.
Dec. 3, 1999	U.N. Security Council Resolution 1280	Extended phase VI of the Oil for Food program for 1 week until December 11, 1999.
Dec. 10, 1999	U.N. Security Council Resolution 1281	Renewed the Oil for Food program another 6 months (phase VII).
Dec. 17, 1999	U.N. Security Council Resolution 1284	Abolished Iraq's export ceiling to purchase civilian goods. Eased restrictions on the flow of civilian goods to Iraq and streamlined the approval process for some oil industry spare parts. Also established the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC).
Mar. 31, 2000	U.N. Security Council Resolution 1293	Increased oil spare parts allocation from \$300 million to \$600 million under phases VI and VII.
Jun. 8, 2000	U.N. Security Council Resolution 1302	Renewed the Oil for Food program another 180 days until December 5, 2000 (phase VIII).
Dec. 5, 2000	U.N. Security Council Resolution 1330	Extended the Oil for Food program another 180 days (phase IX).
Mar. 8, 2001	Deputy U.S. Representative to the United Nations Remarks to the Security Council	Ambassador Cunningham acknowledged Iraq's illegal re-export of humanitarian supplies, oil smuggling, establishment of front companies, and payment of kickbacks to manipulate and gain from Oil for Food contracts. Also acknowledged that the United States had put holds on hundreds of Oil for Food contracts that posed dual-use concerns.
Mar. 8, 2001	Acting U.S. Representative to the United Nations Remarks to the Security Council	Ambassador Cunningham addressed questions regarding allegations of surcharges on oil and smuggling. Acknowledged that oil industry representatives and other Security Council members provided the United States anecdotal information about Iraqi surcharges on oil sales. Also acknowledged companies claiming they were asked to pay commissions on contracts.
Jun. 1, 2001	U.N. Security Council Resolution 1352	Extended the terms of resolution 1330 (phase IX) another 30 days.
Jul. 3, 2001	U.N. Security Council Resolution 1360	Renewed the Oil for Food program an additional 150 days until November 30, 2001 (phase X).
Nov. 29, 2001	U.N. Security Council Resolution 1382	The resolution stipulated that a new Goods Review List would be adopted and that relevant procedures would be subject to refinement. Renewed the Oil for Food program another 180 days (phase XI).
May 14, 2002	U.N. Security Council Resolution 1409	UNMOVIC reviewed export contracts to ensure that they contain no items on a designated list of dual-use items known as the Goods Review List. The resolution also extended the program another 180 days (phase XII).
Nov. 6, 2002	U.N. Security Council Sanctions Committee	MIF reported that there had been a significant reduction in illegal oil exports from Iraq by sea over the past year but noted oil smuggling was continuing.

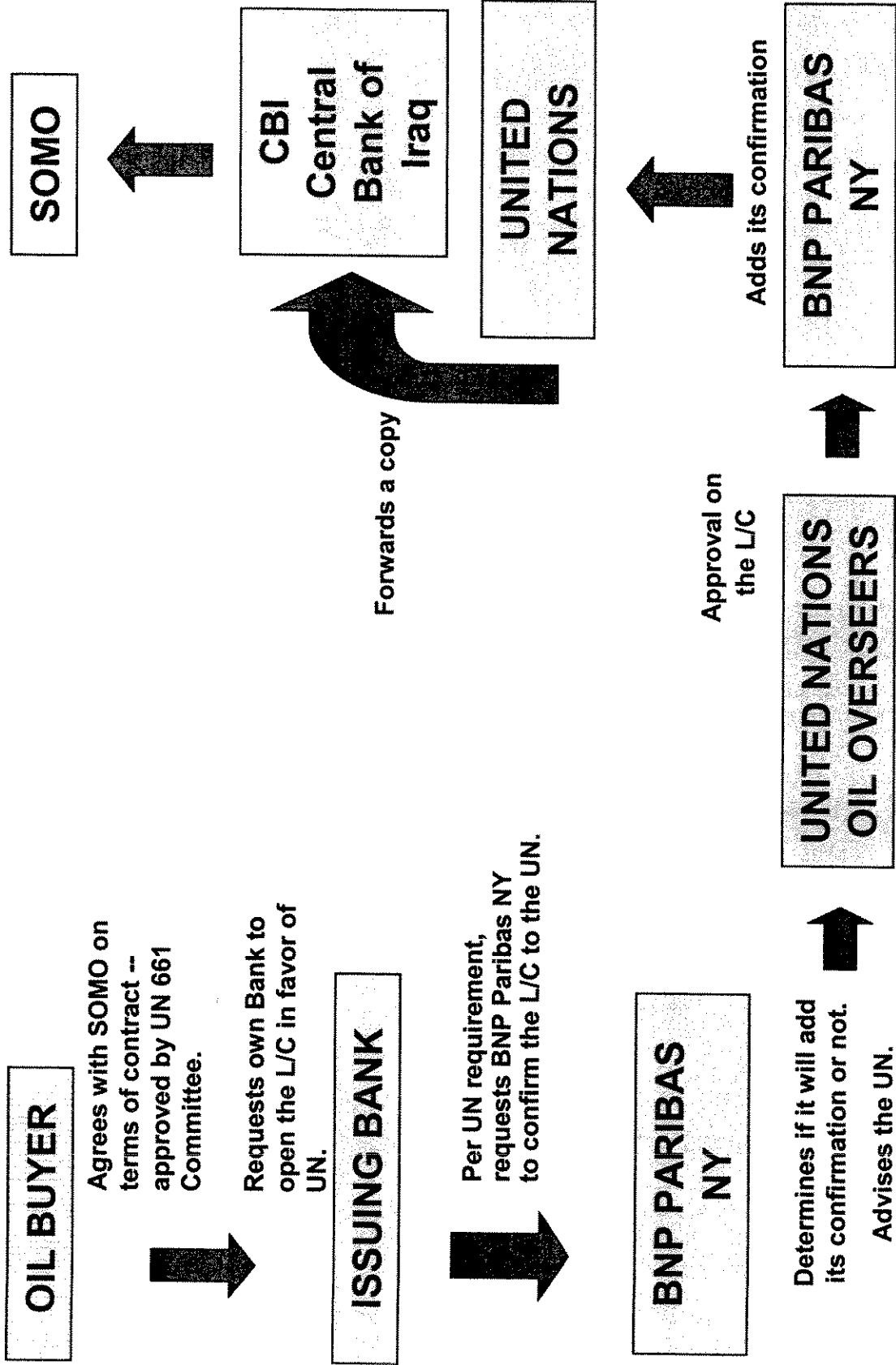
Date	Event/Action	Summary
Nov. 25, 2002	U.N. Security Council Resolution 1443	Extended phase XII of the Oil for Food program another 9 days.
Dec. 4, 2002	U.N. Security Council Resolution 1447	Renewed the Oil for Food program another 180 days until June 3, 2003 (phase XIII).
Dec. 30, 2002	U.N. Security Council Resolution 1454	Approved changes to the list of goods subject to review and the sanctions committee.
Mar. 12, 2003	U.N. Security Council Sanctions Committee	Chairman reported on a number of alleged sanctions violations noted by letters from several countries and the media from February to November 2002. Alleged incidents involved Syria, India, Liberia, Jordan, Belarus, Switzerland, Lebanon, Ukraine, and the United Arab Emirates.
Mar. 19, 2003	Operation Iraqi Freedom	Operation Iraqi Freedom is launched. Coalition operation led by the United States initiated hostilities in Iraq.
Mar. 28, 2003	U.N. Security Council Resolution 1472	Adjusted the Oil for Food program and gave the Secretary General authority for 45 days to facilitate the delivery and receipt of goods contracted by the Government of Iraq for the humanitarian needs of its people.
Apr. 16, 2003	U.S. legislation	Public Law 108-11 §1503 authorized the President to suspend the application of any provision of the Iraq Sanctions Act of 1990.
Apr. 24, 2003	U.N. Security Council Resolution 1476	Extended provision of resolution 1472 until June 3, 2003.
May 1, 2003	Operation Iraqi Freedom	End of major combat operations and beginning of post-war rebuilding efforts.
May 22, 2003	U.N. Security Council Resolution 1483	Lifted civilian sanctions on Iraq and provided for the end of the Oil for Food program within 6 months, transferring responsibility for the administration of any remaining program activities to the Coalition Provisional Authority (CPA).
Nov. 21, 2003	U.N. Secretary General	Transferred administration of the Oil for Food program to the CPA.
Mar. 19, 2004	U.N. Secretary General	Responded to allegations of fraud by U.N. officials that were involved in the administration of the Oil for Food program.
Mar. 25, 2004	U.N. Secretary General	Proposed that a special investigation be conducted by an independent panel.

Attachment 2

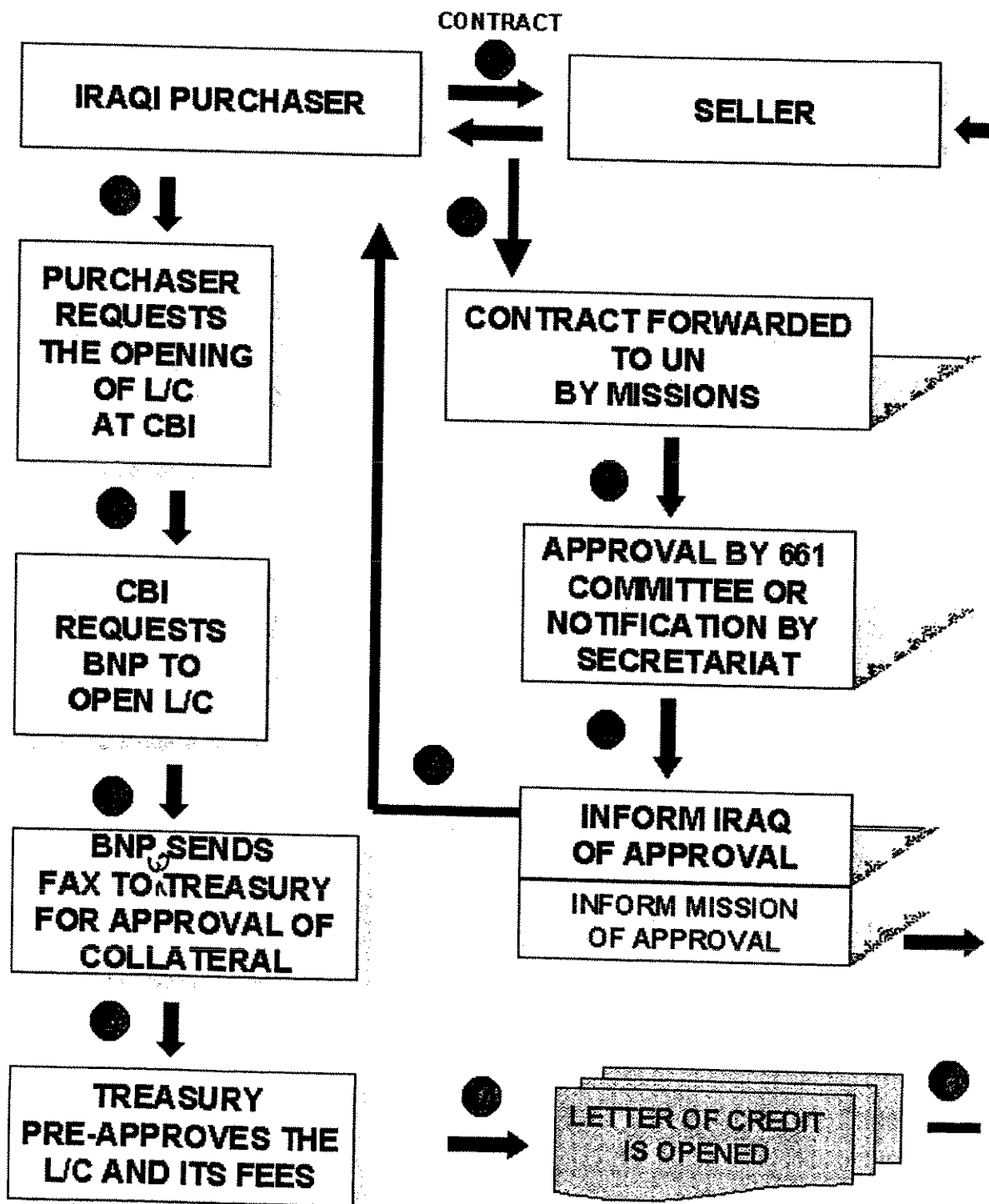
Oil for Food: Oil Sale Proceeds from Letters of Credit



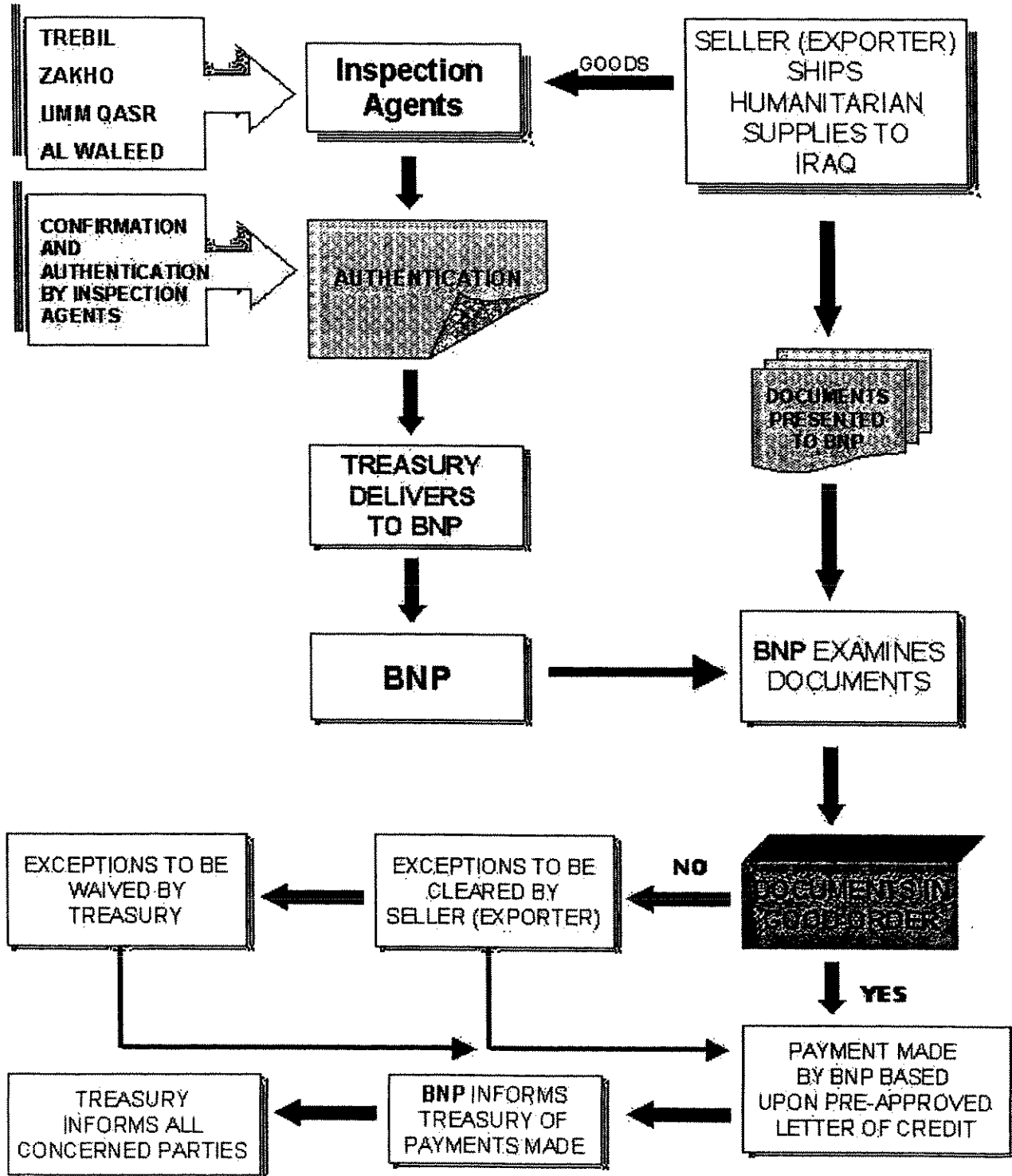
Oil for Food: Oil Letters of Credit



CONTRACT APPROVAL AND LETTER OF CREDIT ISSUANCE



TREASURY LETTER OF CREDIT PAYMENTS



Back

Attachment 3

February 29, 2004

Hussein's Regime Skimmed Billions From Aid Program

By SUSAN SACHS

BAGHDAD, Iraq — In its final years in power, Saddam Hussein's government systematically extracted billions of dollars in kickbacks from companies doing business with Iraq, funneling most of the illicit funds through a network of foreign bank accounts in violation of United Nations sanctions.

Millions of Iraqis were struggling to survive on rations of food and medicine. Yet the government's hidden slush funds were being fed by suppliers and oil traders from around the world who sometimes lugged suitcases full of cash to ministry offices, said Iraqi officials who supervised the skimming operation.

The officials' accounts were enhanced by a trove of internal Iraqi government documents and financial records provided to The New York Times by members of the Iraqi Governing Council. Among the papers was secret correspondence from Mr. Hussein's top lieutenants setting up a formal mechanism to siphon cash from Iraq's business deals, an arrangement that went unnoticed by United Nations monitors.

Under a United Nations program begun in 1997, Iraq was permitted to sell its oil only to buy food and other relief goods. The kickback order went out from Mr. Hussein's inner circle three years later, when limits on the amount of oil sales were lifted and Iraq's oil revenues reached \$10 billion a year.

In an Aug. 3, 2000, letter marked "urgent and confidential," the Iraqi vice president, Taha Yassin Ramadan, informed government ministers that a high-command committee wanted "extra revenues" from the oil-for-food program. To that end, he wrote, all suppliers must be told to inflate their contracts "by the biggest percentage possible" and secretly transfer those amounts to Iraq's bank accounts in Jordan and the United Arab Emirates.

"Please acknowledge and certify that this is executed in an accurate and clear way, and under supervision of the specified minister," Mr. Ramadan wrote.

Iraq's sanctions-busting has long been an open secret. Two years ago, the General Accounting Office estimated that oil smuggling had generated nearly \$900 million a year for Iraq. Oil companies had complained that Iraq was squeezing them for illegal surcharges, and Mr. Hussein's lavish spending on palaces and monuments provided more evidence of his access to unrestricted cash.

But the dimensions of the corruption have only lately become clear, from the newly available documents and from disclosures by government officials who say they were too fearful to speak out before. They show the magnitude and organization of the payoff system, the complicity of the companies involved and the way Mr. Hussein bestowed contracts and gifts on those who praised him.

Yet his policy of awarding contracts to gain political support often meant that Iraq received shoddy, even useless, goods in return.

Perhaps the best measure of the corruption comes from a review of the \$8.7 billion in outstanding oil-for-food contracts by the provisional Iraqi government with United Nations help. It found that 70 percent of the suppliers had inflated their prices and agreed to pay a 10 percent kickback, in cash or by transfer to accounts in

Jordanian, Lebanese and Syrian banks.

At that rate, Iraq would have collected as much as \$2.3 billion of the \$32.6 billion worth of contracts it signed since mid-2000, when the kickback system began. And some companies were willing to pay even more than the standard 10 percent, according to Trade and Oil Ministry employees.

Iraq's suppliers included Russian factories, Arab trade brokers, European manufacturers and state-owned companies from China and the Middle East. Iraq generally refused to buy directly from American companies, which in any case needed special licenses to trade legally with Iraq.

In one instance, the Coalition Provisional Authority, the American-led administrators in Iraq, found that Syria was prepared to kick back nearly 15 percent on its \$57.5 million contract to sell wheat to Iraq. Syria has agreed to increase the amount of wheat to compensate for the inflated price, said an occupation official involved in the talks.

Iraq also created a variety of other, less lucrative, methods of extorting money from its oil customers. It raised more than \$228 million from illegal surcharges it imposed on companies that shipped Iraqi crude oil by sea after September 2000, according to an accounting prepared by the Iraqi Oil Ministry late last year. An additional \$540 million was collected in under-the-table surcharges on oil shipped across Iraq's land borders, the documents show.

"A lot of it came in cash," recalled Shamkhi H. Faraj, who managed the Oil Ministry's finance department under the old government and is now general manager of the ministry's oil-marketing arm. "I used to see people carrying it in briefcases and bringing it to the ministry."

United Nations overseers say they were unaware of the systematic skimming of oil-for-food revenues. They were focused on running aid programs and assuring food deliveries, they add.

The director of the Office of Iraq Programs, Benon V. Sevan, declined to be interviewed about the oil-for-food program. In written responses to questions sent by e-mail, his office said he learned of the 10 percent kickback scheme from the occupation authority only after the end of major combat operations.

In the few instances when Mr. Sevan's office suspected an irregularity, the statement said, it notified the sanctions committee, "which then requested member states concerned to investigate."

As the details of the corruption have recently emerged, law enforcement authorities in several countries said they had opened criminal and civil investigations into whether companies violated laws against transferring money to Iraq. Treasury Department investigators have also been helping the Iraqi authorities recover an estimated \$2 billion believed to be left in foreign accounts. So far, more than \$750 million has been found in foreign accounts and transferred back to Iraq, said Juan C. Zarate, a deputy assistant treasury secretary.

To some officials of Iraq's provisional government, what is perhaps most insulting is how little their country got for its oil money. Taking stock of what was bought before the American-led invasion toppled Mr. Hussein last spring, they have found piles of nonessential drugs, mismatched equipment and defective hospital machines.

"You had cartels that were willing to pay kickbacks but would also bid up the price of goods," said Ali Allawi, a former World Bank official who is now interim Iraqi trade minister. "You had rings involved in supplying shoddy goods. You had a system of payoffs to the bourgeoisie and royalty of nearby countries.

"Everybody was feeding off the carcass of what was Iraq."

Trade Embargo Imposed

The United Nations Security Council first imposed a trade embargo on Iraq on Aug. 9, 1990, one week after Mr. Hussein's invasion of Kuwait. It was kept in place after the Persian Gulf war in 1991, with the provision that sanctions would be lifted once Iraq destroyed its unconventional weapons and ended its weapons program.

But as living conditions deteriorated, the Council made several offers to let Iraq export limited quantities of oil to buy food and medicine. The two sides agreed on a mechanism only in 1996.

Late in 1999, after further tinkering, Iraq was permitted to sell as much oil as it wanted, with the proceeds going into an escrow account at Banque Nationale de Paris, supervised by the United Nations. The new rules also allowed Iraq to sign its own contracts for billions of dollars in imported goods.

As ministry officials and government documents portrayed it, the oil-for-food program quickly evolved into an open bazaar of payoffs, favoritism and kickbacks.

The kickback scheme worked, they said, because the payoffs could be included in otherwise legitimate supply contracts negotiated directly by the former government and then transferred to Iraq once the United Nations released funds to pay the suppliers.

"We'd accept the low bid and say to the supplier, 'Give us another 10 percent,' " said Faleh Khawaji, an Oil Ministry official who used to supervise the contracting for spare parts and maintenance equipment. "So that was added to the contract. If the bid was for \$1 million, for example, we would tell the supplier to make it \$1.1 million."

The contract would then be sent to the United Nations sanctions committee, which was supposed to review contracts with an eye only to preventing Iraq from acquiring items that might have military uses.

Mr. Khawaji said he always assumed that United Nations officials simply chalked up the higher costs after 2000 to inflation. "If it was possible, Saddam would have made it 50 percent," he added. "But 10 percent could be hidden."

Some companies balked, he said, but most accepted the suggestion that they find a willing trading company to act as their intermediary. The trading companies, most of them Russian or Arab and some no more than shells, would then sell the product to Iraq and make the required kickback, Mr. Khawaji said.

"The Western company would say, 'I can't do it, I've got a board, how do I get around the auditors?' " he said. "And someone would tell them there are companies in Jordan willing to do this for you. You sign with this trader and authorize them to sign a contract on your behalf."

The kickbacks were paid into Iraq's accounts, and designated ministry employees withdrew the cash and brought it to Baghdad on a regular basis, according to Mr. Khawaji and Iraqi financial records.

American and European investigators said they were trying to determine whether the banks knew they were being used for illegal financial dealings with Iraq.

Mr. Zarate, the Treasury official, said it was possible that banks did not see the whole picture because Mr. Hussein's government sometimes used agents and front companies to help move money. "But the reality was that banks were used," he said.

The chairman of Jordan National Bank in Amman, for one, said his bank was unaware that Iraq was collecting

Kickbacks, although Iraqi records show that tens of millions of dollars flowed into accounts at the bank in the name of government agencies and high-ranking Iraqi officials.

"If there is something like this, this 10 percent, to be honest, it wouldn't appear in the bank transactions," said the bank's chairman, Rajai Muasher. "It would be between the Iraqi government and the supplier."

The old government, however, required companies to provide separate bank letters of credit for the kickbacks, "to guarantee that they will pay them later to Iraq," as the country's irrigation minister noted in a Sept. 9, 2000, letter to Mr. Ramadan.

Businessmen who paid the kickbacks said they had no choice but to follow instructions.

"If you wanted to do business in Iraq, these were the conditions you had to abide by, not only my company but thousands of companies from all over the world that dealt in the oil-for-food program," said Emad Geldah, a member of the Egyptian Parliament who had three trading companies that sold commodities to Iraq.

"Once they told us it is for transportation inside Iraq because everything is very expensive," he said. "Or they would tell us it is for the maintenance of the trucks or they would call it after-sales service. We didn't know what they did with it."

Margin for Corruption

Under normal circumstances, Iraq would have been expected to seek the highest price for its oil, its only legal source of cash. Instead, said officials who worked with the oil-for-food program, Mr. Hussein's government fought to keep the price as low as possible to leave a margin for oil traders to pay illegal surcharges.

"We were instructed by the government to get the lowest price," said Ali Mubdir, director of crude oil sales in the State Oil Marketing Organization, or SOMO.

Under the oil-for-food program rules, the United Nations' oil overseers had to certify that Iraq was selling its crude oil at fair value. Until the overseers changed the pricing formula in late 2001, Iraq's oil sold at a discount compared with similar oil from other producers.

The margin allowed Iraq to impose an illegal surcharge on each barrel of oil it sold, with purchasers required to pay in cash or by transferring money into foreign bank accounts, Oil Ministry officials said.

At the same time, the Oil Ministry officials said, purchasers of Iraqi oil were required to pay a surcharge, either in cash or by transferring money into Iraqi accounts in foreign banks.

"It started in September 2000 and stopped in October 2002," said Mr. Faraj, the SOMO general manager. "It was 10 cents a barrel for three months. Then some people suggested 50 cents, then it was 30, then 25, then 15 cents."

According to SOMO balance sheets, one in four oil purchasers, mostly Russian companies, paid cash. The ministry's records showed that the Iraqi Embassy in Moscow, as well as embassies in Turkey, Switzerland and Vietnam, received \$61 million in cash from the companies that bought oil.

Among the companies listed by SOMO as having paid the surcharges are some of the world's biggest oil trading companies and refineries. Although the balance sheet lists payments down to the penny, companies contacted about the surcharges denied they were the ones that paid.

Iraqi records, for example, show that Glencore, a Swiss-based trading company that was one of the most active purchasers of Iraqi crude, paid \$3,222,780.70 in surcharges. But the company said in a written statement that "it has at no time made any inappropriate payments to the Iraqi government" and "had no dealings with the Iraqi government outside the U.N. approved oil-for-food program."

Determining who paid the surcharge in each oil transaction will take time, according to American and Iraqi investigators.

Iraqi oil shipments passed through more than one set of hands before reaching the major Western oil companies and refineries that were the ultimate customers. Those that directly bought the oil and resold it were a scattered collection of politically connected businessmen rewarded with contracts by the government, small oil dealers and companies with no experience in the business, among them a Thai rice company and a Belarussian drug company.

When oil companies complained to the United Nations about the per-barrel surcharges, Iraq levied higher charges on ships loading at its port.

"Before the war, when a lot of companies refused to pay them under the table, they started pushing up the port charges because that was also money that came to them directly," said Ahmed Ashfaq, managing director of B.C. International, an Indian oil trading company that bought Iraqi oil during the oil-for-food program.

The port charges, up to \$60,000 for large tankers, were collected by two Jordan-based shipping companies and transferred to Iraqi bank accounts in Jordan, according to SOMO officials.

The companies, Al Huda International Trading Company and Alia for Transportation and General Trade Company, are owned by the Khawam family, leaders of one of Iraq's biggest tribes.

"We had a contract with Iraq to provide services at the port," said Hatem al-Khawam, chairman of the board of the family business in Amman. Collecting and passing on the charges, he added, was simply business. "It wasn't my job to say if it was right or wrong."

Vouchers for Favors

In the high-flying days after Iraq was allowed to sell its oil after 10 years of United Nations sanctions, the lobby of the Rashid Hotel in Baghdad was the place to be to get a piece of the action.

That was where the oil traders would gather whenever a journalist, actor or political figure would arrive in Iraq and openly praise Mr. Hussein. Experience taught them that the visitor usually returned to the hotel with a gift voucher, courtesy of the Iraqi president or one of his aides, representing the right to buy one million barrels or more of Iraqi crude.

The vouchers had considerable value. With the major oil companies monopolizing most Persian Gulf oil, there was fierce competition among smaller traders for the chance to buy Iraqi oil. And as long as Iraq kept its oil prices low enough, traders could make a tidy profit, even after buying the voucher and paying the surcharge.

"We used to joke that if you get one million barrels, you could make \$200,000," Mr. Faraj, of SOMO, added, referring to a period when the vouchers sold for about 20 cents per barrel. "And yet the ones who got it were those people who used to come here and praise Saddam for his stand against imperialism."

Tarek Abdullah, an Iraqi-born trader living in Jordan, formed a company, DAT Oil, in Cyprus to take advantage of the Iraqi government's low oil prices.

"We all bought from those people who got the allocations," he said. "Sometimes they'd register the quantity under my name, but often the Iraqis wouldn't give us an allocation directly."

Late last year, SOMO prepared a list showing 267 companies and individuals that it said received allocations during the oil-for-food program. "The list is factual," Mr. Faraj said. "There's nothing made up regarding the person and the quantities."

Laith Shbeilat and Toujan Faisal, two Jordanian politicians who supported the former Iraqi government, said they received oil allocations but gave them to friends who wanted to get into the business.

So did Bernard Guillet, a French diplomat and an adviser to the former French interior minister, Charles Pasqua. He said he asked Tariq Aziz, one of Mr. Hussein's top aides, for gift vouchers and then gave them to people from Mr. Pasqua's European parliamentary district who were looking to deal in Iraqi oil.

"Some people were trying to do some business," Mr. Guillet said. "My role was only to say to Tariq Aziz or others, 'Look, there are some companies that are willing to work and they're having difficulties.' That's it."

Last month, a Baghdad newspaper published the list of companies that got allocations, prompting a chorus of denials. The Russian Foreign Ministry, for example, blames politics for releasing the list, which contained 46 Russian companies and individuals, including the former Russian ambassador to Iraq, Vladimir Titorenko, and Nikolai Ryzhkov, a Parliament member.

In a statement, the ministry denied any wrongdoing by Russians. "It is hard not to notice," the statement also said, that publication of the list "coincided with the strengthening of efforts to return Russian companies to the Iraqi market in order to cooperate in the reconstruction of war-destroyed Iraq."

Others on the list said the Iraqis tried to ply them with vouchers, but they refused.

The Rev. Jean-Marie Benjamin, a Catholic priest who campaigned for years to lift the sanctions on Iraq, said his Iraqi contacts once told him they could offer him "help" in the form of valuable oil vouchers.

He said he refused outright. In a telephone interview from his office in Assisi, Italy, Father Benjamin also said he went so far as to write to Mr. Aziz in early 2002 to repeat his refusal, and underlined it again when he met Mr. Aziz that year in Baghdad.

As he recalled the conversation, Father Benjamin said, "Aziz told me, 'But we won't give you anything. Only the traders will take something.' And I said, 'I don't know how it works, but I can't, morally.'"

Contracts Canceled

When Dr. Khidr Abbas became Iraq's interim minister of health six months ago, he discovered some of the effects of Mr. Hussein's political manipulation of the oil-for-food program.

After a review of the ministry's spending, he said, he canceled \$250 million worth of contracts with companies he believes were fronts for the former government or got contracts only because they were from countries friendly to Mr. Hussein.

They were paid millions of dollars, said Dr. Abbas, for drugs they did not deliver, medical equipment that did not work and maintenance agreements that were never honored. Iraq, he added, was left with defective ultrasound machines from Algeria, overpriced dental chairs from China and a warehouse filled with hundreds of wheelchairs that the old government did not bother to distribute.

"There is an octopus of companies run by Arabs connected with the old regime or personalities like Uday," he said, referring to one of Mr. Hussein's sons who was killed by American troops last July. "Some paid up to 30 percent kickbacks."

Other Iraqi officials said the ministries were forced to order goods from companies and countries according to political expediency instead of quality.

"There would be an order that out of \$2 billion for the Trade Ministry and Health Ministry, \$1 million would have been given to Russian companies and \$500 million to Egyptians," said Nidhal R. Mardood, a 30-year veteran employee of the Iraqi Ministry of Trade, where he is now the director-general for finance.

"It depended on what was going on in New York at the U.N. and which country was on the Security Council," he added. "They apportioned the amounts according to politics."

One result, for Iraqis, was a mishmash of equipment: fire trucks from Russia, earth-moving machines from Jordan, station wagons from India, trucks from Belarus and garbage trucks from China.

"We got the best of the worst," Mr. Mardood said.

Yasmine Gailani, a medical technician who worked at a lab specializing in blood disorders, said the political manipulation resulted in deliveries of drugs that varied in quality and dosage every six months.

At one point, she said, the lab was instructed to only buy its equipment from Russian companies, adding, "So we would have to find what we called a Russian 'cover' in order to buy from the manufacturer we wanted."

Her husband, Kemal Gailani, is minister of finance in the interim Iraqi government. Last fall, he said, he confronted a United Nations official over the quality of goods that Iraqis received in their monthly rations during the sanctions.

"We were looking at the contracts already approved and the U.N. lady said, 'Do you mind if we continue with these?' " he recalled. "She was talking as if it was a gift or a favor, with our money of course. I said, 'Is it the same contracts to Egypt and China? Is it the same cooking oil we used to use in our drive shafts, the same matches that burned our houses down, the same soap that didn't clean?' She was shocked."

Dr. Abbas, a surgeon who left his practice in London to return home to Iraq, said he was preparing lawsuits against some of the drug and medical supply companies he said were allowed to cheat Iraqis. He would also like to stop dealing with any company that paid kickbacks, but he said he realized that might not be practical.

But he would like to give them a message.

"I would say to them, it was very cruel to aid a dictator and his regime when all of you knew what the money was and where it was going," he said. "Instead of letting his resources dry up, you let the dictatorship last longer."

Abeer Allam in Cairo, Erin Arvedlund in Moscow and Jason Horowitz in Rome contributed reporting for this article.

Attachment 4

March 7, 2001, Wednesday

FOREIGN DESK

Iraq Is Running Payoff Racket, U.N. Aides Say

By BARBARA CROSSETTE (NYT) 1293 words

UNITED NATIONS, March 6 -- Iraqi officials have begun to demand in recent months kickbacks and illegal commissions on contracts for food, medicine and other essential civilian goods bought from foreign companies under a supervised "oil for food" program, diplomats and United Nations officials said today.

Awash in cash from high oil prices over the last year, Iraq has become an attractive market for numerous foreign companies, some of which are apparently willing to pay for the privilege of securing business there, officials and diplomats here said.

In trying to make illegal profits from a United Nations-supervised oil-sales program, officials said, Mr. Hussein is essentially diverting money intended to help a population that is suffering from sanctions into a slush fund for himself, his associates and, perhaps, his weapons projects.

The scheme, which may be enriching Mr. Hussein's inner circle through millions of dollars deposited in banks outside Iraq, and therefore beyond United Nations control, parallels the more established policy of adding illegal surcharges to each barrel of oil sold.

In a report today on the oil-sales program, Secretary General Kofi Annan again warned Iraq and buyers of crude oil that surcharges were not permitted and that no payments of any kind should be made to non-United Nations accounts. Mr. Annan's report did not touch on the broader problem of illegal payments, which has recently come to the attention of diplomats who have tried to raise the issue of kickbacks in the Security Council sanctions committee that monitors Iraq.

In an interview tonight, Iraq's ambassador to the United Nations, Mohammed al-Douri, dismissed the accusations that his country is imposing extra charges on companies selling goods under the oil-sales program as "like other allegations made against Iraq."

"The official position," he said, "is that there is no truth to these reports."

Diplomats and officials here say the new Iraqi ploys to earn money outside United Nations control work in various ways. In some cases, they said, Iraq adds supplemental charges to contracts with foreign suppliers, often in side letters that are not part of a transaction's formal records.

Iraq buys staple commodities and consumer goods from countries in the region, as well as from Russia, China, Vietnam, Thailand, Malaysia, India and Pakistan, among others. Manufactured goods are largely bought in Europe, including items from France and Switzerland, although Egypt also sells machinery and other equipment.

Diplomats from several countries said their governments were looking into reports from their citizens about Iraqi demands. But, as one diplomat remarked, the reports have predictably come from companies that rejected Iraq's demands, meaning that there was no contract to leave a paper trail. And any illegal transactions are presumably not part of the formal record.

Even if there were hard evidence, there is the question of how the United Nations could act on it, officials said. Security Council sanctions against nations that break embargoes are the ultimate weapon. But they have not proved very effective in less difficult cases like the diamond trade in Africa. In any case, diplomats said, several Security Council members have business links with Iraq and are unlikely to punish companies from their countries.

Officials of the oil program, who work for the United Nations and not their respective countries, said they had to depend on governments to watch companies registered in their nations. Diplomats said the United Nations should be doing more to flag abnormally high prices on contracts.

The issue is further complicated by rules that the Council set in 1999 that allow contracts for thousands of civilian items to be processed without the approval of the sanctions committee, though the panel still has to be notified of all sales.

Where committee reviews are required, Mr. Annan said in his report, there are too many contracts frozen by Council members -- usually the United States, although it was not mentioned by name. Among the blocked purchases, the report said, are 30 locomotives and railway telecommunications and signaling equipment.

Mr. Annan indicated that Iraq had poured cold water over a Syrian plan to reopen an oil pipeline under the guidelines of the oil-sales program. President Bashar al-Assad of Syria told Secretary of State Colin L. Powell last month that he would not try to import oil from Iraq outside the supervised program, a step that diplomats considered significant in seeking to reassure the United States as it reviewed the Iraq sanctions.

CAPTIONS: Photo: Iraqis, at a distribution center in Baghdad, obtaining supplies under the United Nations "oil for food" program. The government says sanctions imposed by the U.N. are the chief cause of Iraqis' hardships. (James Hill for The New York Times)(pg. A10)

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Attachment 5

Databases selected: Multiple databases...

THE WALL STREET JOURNAL EUROPE.**The Real World: Fishy Accounting Over Iraq**Claudia Rosett. *Wall Street Journal*. (Europe). Brussels: Feb 25, 2004. pg. A.9

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Basic integrity in bookkeeping seems little enough to ask of the U.N., where officials defending Oil-for-Food have been insisting that if [Saddam Hussein] was corrupt, it wasn't their fault. They just did the job of meticulously recording the deals now beset by graft allegations; approving the contracts and making sure the necessary funds went in and out of the U.N.-held escrow accounts. I'm sure there was some sort of logic to it. Though I have begun to wonder if maybe the same way the U.N. has its own arrangements for postal services and tax-exempt salaries, U.N. accounting has its own special system of arithmetic.

Except that the U.N. Compensations Commission states on its Web site that oil sales under Oil-for-Food totaled not Mr. [Kofi Annan]'s \$65 billion, but "more than US \$70 billion" -- a \$5 billion discrepancy in U.N.-supplied figures. A phone call to the UNCC, based in Geneva, Switzerland, doesn't clear up much. A spokesman there says the oil total comes from the U.N. in New York, and adds, helpfully, "Maybe it was an approximate figure, just rounded up."

One turns for explanation to the U.N. headquarters in New York, where a spokesperson confirms that although the U.N. program ended last November, former Executive Director of Oil-for-Food Benon Sevan, is still on contract, still drawing a salary, but Mr. Sevan's secretary explains he is "not giving interviews anymore." The spokesperson, also still on salary, answers all requests for clarification with "I don't know," and "You have the Web site."

Full Text (1278 words)

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When David Kay recovers from his weapons hunt, there's another Iraq-related quest I'd like to send him on. It's time a top intelligence team went scavenging for the real numbers on the United Nations' Oil-for-Food program -- that gigantic setup through which the U.N. from 1996-2003 supervised more than \$100 billion worth of Saddam Hussein's selling of oil and buying of goods.

And, no, I am not talking about anything as exotic as the list of alleged bribe-takers from Saddam Hussein, published Jan. 25 by the Iraqi newspaper Al-Mada, and now under investigation. I speak simply about the U.N.-supplied numbers on Oil-for-Food's operations. Periodically, over the past 18 months, I have tried to get these figures to add up. I am starting to believe the words of an unusually forthright U.N. spokesperson, who at one point told me, "They won't."

Basic integrity in bookkeeping seems little enough to ask of the U.N., where officials defending Oil-for-Food have been insisting that if Saddam was corrupt, it wasn't their fault. They just did the job of meticulously recording the deals now beset by graft allegations; approving the contracts and making sure the necessary funds went in and out of the U.N.-held escrow accounts. I'm sure there was some sort of logic to it. Though I have begun to wonder if maybe the same way the U.N. has its own arrangements for postal services and tax-exempt salaries, U.N. accounting has its own special system of arithmetic.

It all added up fairly neatly, of course, in the summary offered by U.N. Secretary-General Kofi Annan, when the U.N. turned over the remnants of Oil-for-Food to the U.S.-backed Coalition Provisional Authority in Iraq, on November 21, 2003. Oil-for-Food, said Mr. Annan, had presided over \$65 billion worth of Saddam's oil sales and, in buying relief supplies, had used "some 46 billion of Iraqi export earnings on behalf of the Iraqi people." (Keep your eye on those numbers).

In doing so, the U.N. Secretariat had collected a 2.2% commission on the oil, which, even after a portion was refunded for relief operations, netted out to more than \$1 billion for U.N. administrative overhead. The U.N. also collected a 0.8% commission to pay for weapons inspections in Iraq, including whatever the inspectors were inspecting when Saddam from 1998-2002 shut them out, which comes to another \$520 million or so.

The keen observer will see that this adds up to pay-outs of just under \$48 billion from Saddam's Oil-for-Food proceeds, which is about \$17 billion less than what he took in. The difference is explained -- near enough -- by the \$17.5 billion paid out of the same Oil-for-Food stream of Saddam's oil revenues but dispensed -- under another part of the U.N. Iraq program, by the U.N. Compensations Commission -- to victims of Saddam's 1990 invasion of Kuwait. That gives us a grand total of \$65 billion earned, and about \$65 billion allocated for payments, all very tidy.

Except that the U.N. Compensations Commission states on its Web site that oil sales under Oil-for-Food totaled not Mr. Annan's \$65 billion, but "more than US \$70 billion" -- a \$5 billion discrepancy in U.N.-supplied figures. A phone call to the UNCC, based in Geneva, Switzerland, doesn't clear up much. A spokesman there says the oil total comes from the U.N. in New York, and adds, helpfully, "Maybe it was an approximate figure, just rounded up."

OK, but in some quarters, if not at the U.N., \$5 billion here or there is big money. Halliburton has been pilloried, and rightly so, over questions involving less than 1% of such amounts.

One turns for explanation to the U.N. headquarters in New York, where a spokesperson confirms that although the U.N. program ended last November, former Executive Director of Oil-for-Food Benon Sevan, is still on contract, still drawing a salary, but Mr. Sevan's secretary explains he is "not giving interviews anymore." The spokesperson, also still on salary, answers all requests for clarification with "I don't know," and "You have the Web site."

All right. The Web site brings us a U.N. update issued Nov. 21, 2003 (when the U.N. turned over the program to the CPA) which tells us that \$31 billion worth of supplies and equipment had been delivered to Iraq, with another \$8.2 billion in the pipeline. That comes to \$39.2 billion.

Again, even if you add in, say, \$2 billion for U.N. commissions, that's still about \$5 billion short of the \$46 billion Mr. Annan says was used for supplies. This might make sense if the program at the end had been swimming in loose cash, except that Mr. Sevan was lamenting toward the end that there was not enough money to fund all the supply contracts he'd already approved.

And, returning to the U.N. Web site, nothing there discloses the amount of interest paid during the course of the program on the Oil-for-Food escrow accounts. That should have been substantial, because these U.N.-managed Iraq accounts in the final phases of the program held balances of about \$12 billion. Or so we've been told.

I first got that number by phoning the U.N. back in Sept. 2002. That was well before Mr. Sevan stopped giving interviews, and I spoke with Mr. Sevan himself. He told me the Oil-for-Food accounts contained at that point balances of about \$20 billion. The next day, someone in his office revised that down to about \$15 billion. Later that afternoon, someone in the U.N. Controller's office revised that down to \$9 billion. When I protested that these discrepancies were getting large, we ended up haggling over the phone for a while, and finally settled on an official total of about \$12 billion in the Oil-for-Food accounts.

I'm still not sure what to believe, however, given that U.N. Treasurer Suzanne Bishopric assured me at the same time, in Sept. 2002, and again in early 2003, that the accounts had been diversified among "five or six" banks, and yet to date we have still heard mention of only one -- a French bank, BNP Paribas. So, in some fit of arithmetic absent-mindedness, did Ms. Bishopric lose track of the number of banks, confusing one with five or six?

So, it's a little hard to know whether oil sales were actually \$65 or \$70 billion; whether there were five or six banks or just one; whether at least that one bank, BNP, ever paid significant interest on balances toward the end of the program totaled \$20 or \$15 or \$9 or \$12 billion; and whether humanitarian import contracts were funded to the tune of \$39.2 billion or \$46 billion. Mr. Annan assures us the program has been audited many times, even if it was done in confidence, in-house, backed up by member nations that may have had their own interests to consider, such as one of Saddam's favorite trading partner: France.

If you want to get fancy, you can factor in the allegations that Saddam underbilled for oil and overpaid for goods via the U.N. contracts, in order to piggy-back bribes and kickbacks atop the Oil-for-Food program. If true, then the two things we can bank on are that Saddam took in more than the U.N. reported, and the goods the Iraqi people received were worth less.

Which brings us back to Mr. Kay, who in reference to Oil-for-Food noted recently that "a lot of people took part in what was clearly a scam." I start to wonder whether Mr. Kay, given full powers to investigate, might return from Iraq to report that whatever the U.N. may be reporting, we still don't have a clue about the real numbers.

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Attachment 6

U.N. Contractor Linked to Annan's Son

Previously undisclosed documents show that the son of United Nations Secretary-General Kofi Annan stayed on the payroll of a Swiss company for a year after it received a contract in December 1998 for work as part of the U.N.'s oil-for-food program.

The U.N. and the closely held Geneva company, **Cotecna Inspection Services SA**, have said Kojo Annan's work for the com-

*By Steve Stecklow in London
and Jess Brauin at the United Nations*

pany as a consultant in Africa ended the same month the company was awarded the \$4.8 million contract. Both have said he had nothing to do with the contract or the company's operations involving Iraq, where the oil-for-food program operated.

But just 11 days after the company signed the yearlong border-inspection contract with the U.N., its managing director agreed to keep Kojo Annan on its payroll for 12 months, paying him \$2,500 a month and granting him use of a company credit card, provided he didn't disclose any confidential information about his prior work at Cotecna, according to

a person familiar with the matter.

U.S. congressional investigators probing the oil-for-food program say they have found no evidence that Kojo Annan's relationship with Cotecna influenced the awarding of the contract. A Cotecna spokesman said of the nondisclosure agreement: "At no time did this have or could this have had an impact in any way on the professional work which Cotecna was under contract to fulfill with the U.N. oil-for-food program." Kojo Annan confirmed the agreement, but had no comment on it.

The younger Mr. Annan's connection to Cotecna already has drawn attention from multiple continuing investigations of the U.N.-administered oil-for-food program, which operated from 1996 until late last year. Under that program, Iraq was permitted to sell oil and use most of the revenue to purchase humanitarian goods.

The regime managed to manipulate the program. Investigators from several congressional committees—as well as an independent panel appointed by Secretary-General Annan and headed by Paul Volcker, former chairman of the U.S. Federal Reserve—are probing how it received billions of dollars in cash kickbacks from oil

sales and aid contracts. They also are looking into whether U.N. employees—including the program's head, Benon Sevan—personally benefited from the program. Mr. Sevan has denied any wrongdoing.

The new information likely will bolster the U.N.'s critics, who have used the Kojo Annan-Cotecna connection as a flashpoint for attacking the organization's credibility. It also casts doubt on the thoroughness of an internal U.N. review in 1999 that aimed to examine potential conflicts of interest in Kojo Annan's work for Cotecna and the awarding of the U.N. contract. The review, which lasted less than one day and resulted in a two-page memorandum, cleared Cotecna of any impropriety. But it failed to mention the younger Mr. Annan's nondisclosure agreement, and stated he had resigned before Cotecna had bid on the contract—which Kojo Annan said is inaccurate.

"I would think as a general rule someone associated with the secretary-general's immediate family wouldn't be working for a profit-making company that has a contractual relationship with the U.N.," said Edward Luck, director of Columbia University's Center on International Organizations. *Please Turn to Page A11, Column 2*

"The new benchmark in the premium sedan arena."

Motor Trend

Annan's Son Is Tied to Contractor

Continued From Page A3

nization, who was a consultant to the U.N. in the 1990s on reform efforts.

The U.N.'s chief spokesman, Fred Eckhard, said the U.N.'s internal review provided assurance "that Kojo's relations with Cotecna had no impact on the awarding of the contract to Cotecna." He added, "We expect Paul Volcker to look into this matter as well so that it can be resolved once and for all."

Cotecna, which specializes in inspecting goods at borders and ports, said it is cooperating with the various probes and has done nothing wrong. The company and Kojo Annan say there was no conflict of interest.

The company became involved in the oil-for-food program early on and continued to work for the U.N. program until it ended late last year. According to Cotecna, in 1992 it won a U.N. contract to verify aid shipments into Iraq. That contract never took effect because Saddam Hussein at that time refused to sell any oil.

In 1996, Mr. Hussein agreed to sell oil under the auspices of the U.N. and the organization sought new bids for border inspections of humanitarian goods. Cotecna bid, but lost out to **Lloyds Register Group**, a British company.

In December 1997, Kojo Annan left his job with Cotecna two years after he was hired as a trainee. In early 1998, he signed a 10-month consultancy contract through the end of the year to develop new business for Cotecna in Africa. The contract paid a monthly retainer of \$2,500 for seven days of work, with extra days paid at \$500, according to a person familiar with the matter.

In October 1998, the U.N. notified 13 companies it was rebidding the oil-for-food inspection contract. According to the

U.N. review, the rebidding occurred in response to "concern" expressed by the organization's external auditors.

By Nov. 5, six companies, including Cotecna and Lloyds Register, submitted bids, and Cotecna was the lowest bidder by far, offering to do the job for \$4.8 million. Cotecna signed a contract with the U.N. on Dec. 31.

Kojo Annan's consulting contract ended in December 1998 as well and wasn't renewed. The nondisclosure agreement, which paid him for another year, was confirmed in a letter from Robert Massey, Cotecna's managing director, to Kojo Annan dated Jan. 11, 1999, according to a person familiar with the matter.

On Jan. 24, 1999, the Sunday Telegraph in London reported that a company employing the son of Kofi Annan had won a U.N. contract. The article prompted Mr. Annan's chief of staff, Iqbal Riza, to ask the U.N.'s then-director of management, Undersecretary-General Joseph Connor, to review the matter.

Mr. Connor, who has since retired, said he can't comment on his inquiry because of health problems.

Mr. Connor concluded that the Cotecna awarding of the contract complied with U.N. "policies and practices," and said Kojo Annan had resigned from the company on Oct. 9, 1998, the day the U.N. notified companies it was seeking bids for the contract.

But the younger Mr. Annan, answering questions through his London attorney, said Mr. Connor's account of his departure from Cotecna "is not accurate." He "did not formally resign, but a consultancy contract from March to December 1998 was allowed to lapse and was not renewed," he said. He also said he never spoke to Mr. Connor about the matter.

The Wall Street Journal
September 24, 2004, Page A11

Cogent, Inc., a leading provider of Automated Identification Systems, or AFIS, has researched and developed innovative fingerprint biometric for over 14 years. With this same commitment we welcome Cogent, Inc. (NASDAQ: COGT) to

Attachment 7

1ST STORY of Level 1 printed in FULL format.

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The New York Post

September 27, 2004 Monday

SECTION: All Editions; Pg. 4

LENGTH: 494 words

HEADLINE: OIL-FOOD FIRM'S FIASCO ; SAYS IT WAS POWERLESS TO STOP IRAQ
SMUGGLING

BYLINE: NILES LATHAM Post Correspondent

BODY:

WASHINGTON - A company hired by the United Nations to police humanitarian shipments to Iraq under the oil -for- food program has admitted that thousands of tons of questionable material was likely smuggled to Saddam Hussein's regime under its watch, The Post has learned.

In a series of recent formal meetings with congressional investigators, executives from the Swiss-based Cotenca Inspection S.A., a company that functions like a private customs service, claimed the lack of shipment-inspection authority given by the United Nations to its agents hampered its ability to keep Saddam from busting sanctions.

The company, which is under subpoena from a handful of congressional committees, has admitted its agents really did little more than inspect paperwork of the hundreds of thousands of shipments of goods that went into Iraq and only got to look at the actual shipments if the importers agreed to co-operate.

A great many truck drivers simply "bullied their way" into Iraq without having their shipments looked at by Cotenca at all, congressional investigators said.

Cotenca said that while it was able to inspect most of the shipments of food that went into Iraq, it was able to inspect only 10 percent of the more sensitive shipments of other goods sent to Saddam's regime, congressional investigators said.

The company also said that its agents were only stationed at four border crossings in a country the size of California and its agents only had one - frequently broken - forklift at Iraq's major seaport of Um Qasar.

"It's not really fair to call them an inspection company. They were basically functioning as a document authentication company and the implications of this

The New York Post September 27, 2004 Monday

are staggering," said a congressional investigator.

Cotenca's admission comes after months of back-and-forth tensions with investigating committees over a confidentiality agreement the company was forced to sign with the United Nations in order to get the inspection contract.

At the early stages of the scandal when congressional committees started looking for answers, U.N. officials wrote sternly worded letters to Cotenca and other companies doing business with the program, reminding them of their obligations to stay quiet. But in August, at least three congressional committees issued subpoenas to Cotenca and top executives are expected to be in Washington on Oct. 5 to testify about their role in the program before the House Government Reform Subcommittee on National Security.

How Saddam ripped off world

Saddam Hussein's alleged role in the oil -for-food program:

* Saddam is accused of ripping off \$10.1 billion through illegal oil smuggling and kickbacks from humanitarian suppliers.

* Saddam, given wide control over program, uses trades to reward friendly international businesses and politicians with sweetheart oil deals.

* He also uses expansion of program in late 1990s to import luxury goods, such as scotch whisky and Mercedes-Benz automobiles.

GRAPHIC: SADDAM HUSSEIN. (INA/AFP/Getty Images)

LOAD-DATE: September 27, 2004

Attachment 8

THE WALL STREET JOURNAL**The Oil-for-Food Scandal**

By Therese Raphael

3,291 words

11 March 2004

The Wall Street Journal

A16

English

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Fact

"If there is evidence, we would investigate it very seriously," Kofi Annan insisted last month when presented with allegations that U.N. officials knew about and may have benefited from Saddam Hussein's corruption of the U.N.'s Oil-for-Food Program. Fortunately, Saddam appears to have been a stickler for record-keeping.

A letter has come to the Journal supporting allegations that among those favored by Saddam with gifts of oil was Benon Sevan, director of the U.N.'s Oil-for-Food Program. As detailed on this page on Feb. 9, Mr. Sevan's name appears on a list of individuals, companies and organizations that allegedly received oil allocations or vouchers from Saddam that could then be sold via middlemen for a significant markup. The list, compiled in Arabic from documents uncovered in Iraq's oil ministry, included many of Saddam's nearest and dearest from some 50 countries, including the PLO, pro-Saddam British MP George Galloway, and French politician Charles Pasqua. (Messrs. Galloway and Pasqua have denied receiving anything from Saddam.) According to the list, first published by the Iraqi daily Al Mada in January, Mr. Sevan was another beneficiary, via a company in Panama known as Africa Middle East Petroleum Co. Ltd. (AMEP), about which we have learned quite a bit.

Mr. Sevan, through a U.N. spokesperson, has also denied the allegation. But the letter, which two separate sources familiar with its origins say was recovered from Iraqi Oil Ministry files, raises new questions about Mr. Sevan's relationship with Iraqi authorities.

The letter is dated Aug. 10, 1998, and addressed to Iraq's oil minister. It states: "Mr. Muwafaq Ayoub of the Iraqi mission in New York informed us by telephone that the above-mentioned company has been recommended by his excellency Mr. Sevan, director of the Iraqi program at the U.N., during his recent trip to Baghdad." The matter is then recommended "for your consideration and proportioning" and the letter is signed Saddam Zain Hassan, executive manager of the State Oil Marketing Organization (SOMO), the Iraqi state-owned company responsible for negotiating oil sales with foreign buyers. A handwritten note below the signature confirms the request was granted "by his excellency the Vice President of the Republic [presumably Taha Yassin Ramadan, now in U.S. custody] in a meeting of the Command Council on the morning of Aug. 15, 1998." Scrawled below that to one side is another note stating that 1.8 million barrels were allocated to the company two days later, on Aug. 17.

A second document shown to the Journal is a chart in Arabic with the heading "Quantity of Oil Allocated and Given to Mr. Benon Sevan." The Oil-for-Food Program was divided into 13 phases in all, representing roughly six-month periods from December 1996 through June 2003. Under phase four (during which the letter was written), the chart shows 1.8 million barrels as having been allocated to Mr. Sevan and 1,826 million barrels "executed." In some phases the chart indicates that an oil allocation was approved but no contract was executed for some reason, so that the total allocation awarded to Mr. Sevan in phases four through 13 is 14.2 million barrels, of which 7.291 million were actually disbursed, according to the document.

Mr. Sevan could not be reached for comment on the letter, but did issue a denial in response to our Feb. 9 article. "There is absolutely no substance to the allegations . . . that I had received oil or oil monies from the former Iraqi regime," he said through a spokesman. "Those making the allegations should come forward and provide the necessary documentary evidence." The denial notwithstanding, the documents raise enough questions to warrant an investigation by the U.N., as well as by outside investigators, including the U.S. Congress. (A U.N. spokesman said yesterday that Mr. Sevan is on extended vacation until late April, after which he retires at the month's end.)

Africa Middle East Petroleum Co. Ltd, which is cited in the letter, is registered in Panama and was also approved by the U.N. to buy Iraqi oil under Oil-for-Food. While Panama registration documents list only Panamanian nominees as directors, the Journal has established that AMEP is owned and managed by Fakhry Abdelnour, a Geneva-based oil trader with superb connections in Egypt. The company was registered in the U.K. in the '80s and dissolved in 1992. Mr. Abdelnour's name does not appear on British registration documents, but his brother's and mother's, Munir Abdelnour and Ehtedal Amin Ghali, do.

In a phone conversation, Munir Abdelnour, leader of the Wafd opposition party in Egypt's parliament and a prominent businessman, said he has nothing to do with the company, despite his name appearing as a director of the now-defunct U.K.-registered company. "Africa Middle East Petroleum is a company owned and managed by my brother. He might have used my name, but I have absolutely no clue."

Fakhry Abdelnour (whose wife is Panamanian and related to Panama's president) has close ties to Egypt's oil minister. He comes from a prominent Coptic family that is related to that of Boutros Boutros-Ghali, Mr. Annan's immediate predecessor, and Mr. Sevan's former boss when the latter was U.N. envoy in Afghanistan.

Mr. Abdelnour played a key role in the early '90s in helping South Africa circumvent U.N. sanctions to buy Egyptian crude, through AMEP and a subsidiary, now dissolved, called Interstate Petroleum Company. In 1999, South Africa conducted an investigation into allegations of impropriety surrounding margins paid by South Africa's state-run purchaser, the Strategic Fuel Fund Association (whose job was to find suppliers willing to sell crude oil to South Africa) to Mr. Abdelnour's company for his services in sanctions-busting. The 255-page report submitted to parliament in December 1999 by an independent official appointed to investigate the complaint details Mr. Abdelnour's high-level connections in Egypt and the meetings arranged by him between SFF officials and Egyptian oil ministers and officials from the Egyptian General Petroleum Corporation (EGPC), responsible for negotiating sales of Egyptian oil. "Mr Fakhry Abdelnour and his companies' involvement directly or indirectly in the South African oil procurement scenario is a fact that need not be debated. . . . I have already accepted earlier on that AMEP, Interstate and Mr. Abdelnour refer to one and the same person," states the report.

Mr. Abdelnour confirmed he owns the Panama-registered AMEP. "We have been very active in the Middle East for 25 years. We were almost the extended arm of the Egyptian General Petroleum Corporation; we were controlling most of the exports in Egypt," he says. He confirmed that AMEP purchased oil from Iraq through Oil-for-Food, beginning around 1998, and said he made semi-annual trips to Baghdad to meet SOMO officials to keep contracts coming. Asked about his relations with Mr. Sevan, he says he met him only once, at an OPEC conference in Vienna, where a relative of Mr. Abdelnour who was also a friend of Mr. Sevan introduced them. They had dinner together at the InterContinental. "It was interesting to know Benon Sevan as he ran the Oil-for-Food Program," says Mr. Abdelnour. But he insists there was no further contact and says he has no idea why a letter showing Mr. Sevan recommended his company to SOMO would be in the files.

Mr. Abdelnour confirms the many reports now in the public domain that SOMO demanded that surcharges on Iraqi oil be paid into Iraqi accounts. "I paid once," he acknowledges. "I was given an account in Jordan and the name of the lady who was in charge of this account." He says the surcharge amounted to 25 cents a barrel. Was it possible that all this happened unbeknownst to the U.N.? "Impossible," he says. "Everybody knew it. The U.N. knew about it. They [SOMO] contacted you over the phone. . . . The call was over a satellite phone, which was tapped, and the head of SOMO talked to me very openly, not through a disguised language."

AMEP still exists on registry documents in Monaco, but Mr. Abdelnour confirmed that the office there on Boulevard Princesse Charlotte closed two years ago. Intriguingly, the same building in Monaco houses another oil company, Toro Energy SAM, whose owner and a key business partner both figure prominently on the Al Mada list: oil industry specialist Cabecadas Rui de Sousa and Frenchman Patrick Maugein. (Mr. Abdelnour says he does not know either man).

Mr. Maugein, a billionaire with close ties to Jacques Chirac, is a longtime associate of the trader and former fugitive Marc Rich, who fled to Europe in 1983 to avoid answering charges of racketeering, illegal trading and dodging a tax-bill of \$48 million. (Mr. Rich was pardoned by Bill Clinton in his final hours in the White House). Mr. Maugein was also a close contact of Tariq Aziz, with whom he met regularly. He is the non-executive chairman of Soco International Pic., a publicly listed London-based petroleum exploration/production company, which goes into markets the majors tend to skip -- Mongolia, Vietnam, North Korea, Libya and Yemen.

Messrs. Maugein and Rui de Sousa acquired their interest in Soco through an entity called Torobex, whose shares were held by Tobex Holdings Ltd. According to Al Mada, Mr. Maugein allegedly received 25 million barrels of Iraqi crude allocations. Mr. de Sousa is also on the allocation list, down for 11 million barrels.

In a statement provided to the Journal, Mr. Maugein says "there is no truth whatever" to any allegation of impropriety and that his dealings in Iraq "were conducted in a perfectly legal manner and in strict accordance" with U.N. rules. His dealings in Iraq, he suggests, were through his 10% stake in Italiana Energia e Servizi, a Mantua-based oil refinery, which is majority-owned by Mario Contini and purchased crude from Iraq under Oil-for-Food.

(MORE)

On the Al Mada list, Mr. Maugein's name appears next to the name of Dutch-based oil trading company Trafigura (Beheer BV), which has the bulk of its operations in London. In his statement, Mr. Maugein says that "Trafigura's activities in Iraq are completely independent of that of Mr. Maugein and there is no connection at all between Mr. Maugein and the incident in 2001 involving Trafigura." The incident is the Essex oil smuggling scandal, on which the Journal carried an investigative story in May 2002. In a smuggling practice known as top-loading, 1.8 million barrels approved for sale under a U.N. contract was topped off with an additional 272,000 barrels in the summer of 2001, according to the captain of the Essex oil-tanker, who blew the whistle on the smuggling by advising U.S. and U.N. authorities. It was the second time in less than four months that the Essex had been chartered to carry top-loaded crude.

Trafigura purchased the oil from oil equipment supplier Ibex Energy France, which in turn bought it from SOMO in Iraq. Ibex said the scheme had been cooked up by Trafigura; Trafigura claimed Ibex fooled it into believing that it had U.N. permission to purchase all of the oil. A French government investigation into Ibex's involvement in the Essex incident appears to have been dropped in late 2002. Ibex was struck from the U.N.'s list of approved companies to deal in Iraq after the Essex incident and the Security Council's 661 Sanctions Committee, responsible for overseeing Oil-for-Food, asked eight governments (including the U.S., France, the U.K. and the Netherlands) to investigate, but had not heard back by the time Oil-for-Food was shut down last November.

Ibex's rise from modest beginnings as a regional company with non-oil commercial dealings to a major petroleum broker is something of a mystery. Its office is at 77 boulevard Champs Elysee in Paris. The building's concierge told us that Ibex and Toro occupy the same penthouse office. A receptionist readily fielded inquiries about both companies, though referred questions on Toro to Mr. de Sousa in Monaco.

"I don't share an office with Ibex. I have nothing to do with them and neither does Mr. Maugein," said Mr. de Sousa in a phone interview.

"We know Ibex as we know Shell [Oil]. So they gave you my number. Don't you have the number of the Daily Mail?"

Jose Antonio Jimenez, a former friend and business partner who has known Mr. Maugein since 1972, sees it differently. "Ibex is a microscopic company used as a screen by Mr. Maugein. He uses Ibex and Toro Energy as screen companies to manage his oil traffic," says Mr. Jimenez. Mr. Jimenez was a minority partner in Compagnie Francaise Internationale de Distribution, which was controlled by Mr. Maugein, but the two had a falling out in the mid '90s over money. "Maugein specialized in outlaw countries -- Libya, Algeria, Iraq -- using his political contacts," says Mr. Jimenez. "Chirac used to call Patrick Maugein 'my cousin' and recommended him to Saddam Hussein . . . Maugein used to go every year to Baghdad to see Tariq Aziz, but after a while he would just send his brother Philippe [now a consultant for Trafigura] and de Sousa." Mr. Jimenez believes that Ibex's contracts in Iraq came via Mr. Maugein.

Mr. de Sousa says he and Mr. Maugein know Jean-Paul Cayre, the former Rich trader who is Ibex's managing director, but that they have nothing to do with his business in Iraq or elsewhere. Asked if he has any relationship with AMEP, which once shared a building in Monaco, Mr. de Sousa said "I probably did some business with them buying Egyptian crude at the end of the '80s and early '90s. I don't know [Fakhry Abdelnour], but I talked with him on the phone."

Mr. de Sousa believes the Al Mada list "has something to do with the competition between different groups sharing power in Iraq. People are now adjusting accounts between former people linked to the oil business, people who went there. I went [to Iraq] to discuss potential investments. Who didn't go?" The complaints about Saddam's corruption of Oil-for-Food "is a big hypocrisy," he says. If corruption occurred, "in my opinion it was because whoever was sitting at the U.N. Security Council was not doing their job . . . In my view, the whole thing was accepted, admitted by major countries."

As further details of Oil-for-Food unfold, it becomes clearer than ever that the inspectors employed by the U.N. were, at best, lax in monitoring Saddam's get-rich-quick scheme. This is another area begging for investigation.

Inspections under Oil-for-Food, as former U.N. program-officer Michael Soussan indicated on this page on Monday, amounted to little more than rubber-stamping whatever contract Saddam's regime initialed. On the export side, top-loading of the Essex and other vessels happened on the watch of inspectors from Dutch-based company Saybolt International BV, though no one has alleged publicly that Saybolt's inspectors knew what was going on. Saybolt's name appears on the Al Mada list too. Saybolt has denied it received anything from Saddam.

The import side too was rife with corruption, including kickbacks demanded by Iraq on imported goods, and shameful lack of quality controls on much of the food and medicine entering Iraq. The job of inspecting those goods fell mostly to a Geneva-based company called Cotecna Inspection, SA. In February 1999, the U.N. terminated a five-year contract with Lloyd's Register, which had set up an innovative system in Jordan for inspecting shipments of goods going into Iraq to ensure against sanctions-busting. The contract was put to tender and Cotecna won with the lowest bid. It has had the contract ever since and it was renewed by the Coalition Provisional Authority in November.

And yet the choice of Cotecna should have raised a few eyebrows. The firm's founder and president is the octogenarian Elie Georges Massey, a Coptic emigre who transformed his company from salt-extraction in Iran in the early '70s into one of a handful of players in the rough-and-tumble business of pre-shipment inspection (or PSI). PSI work mostly involves winning contracts in the developing world, where customs authorities are too corrupt or inept to be trusted, to monitor the flow of exports and imports.

Cotecna, known in the industry for the Massey family's superb contacts in the countries in which it does business, has won PSI deals in Iran, Nigeria, Colombia, Ghana, Kenya, Peru and other places. One prominent former employee of Cotecna is Kojo Annan, Kofi Annan's son by his first marriage. The young Mr. Annan was employed by Cotecna in the mid-1990s. He reportedly continued a consultancy relationship with Cotecna through his Nigerian-based company.

Phillip Henebry, Cotecna's CFO, confirmed that Kojo Annan had been employed there, but would not confirm any dates. Asked how Cotecna was able to underbid competitors on the Iraq contract by as much as half, he replied that "We felt that the margins with competitors were very, very high. Originally the contract was for short periods and we worked on the assumption it would be renewed."

At the time of the U.N. inspection tender, Cotecna's reputation wasn't exactly stellar. Its CEO, Robert Massey, was indicted by a Swiss magistrate in a bribery and money laundering scandal involving Pakistan's former prime minister, Benazir Bhutto, that rocked the PSI industry. Also indicted were a former employee of Swiss giant and the global PSI leader, Societe Generale de Surveillance (SGS) -- which at the time owned a majority stake in Cotecna -- and a Geneva-based Bhutto lawyer. Cotecna claimed it was a victim of Pakistani politics. SGS, which was suffering its own management and financial troubles, subsequently sold Cotecna back to the Massey family and itself came under new management which diversified the company away from its reliance on PSI contracts. Cotecna, meanwhile, dusted itself off and went on to win a lucrative U.N. deal. According to Yves Genier, a Swiss journalist from the newspaper l'Agefi who has been looking into Cotecna's role here, the prosecutor's case was dropped for lack of compelling public interest.

There is no doubt that the U.N. relief effort in Iraq has been a global scandal. A monstrous dictator was able to turn the Oil-for-Food Program into a cash cow for himself and his inner circle, leaving Iraqis further deprived as he bought influence abroad and acquired the arms and munitions that coalition forces discovered when they invaded Iraq last spring.

A U.N. culture of unaccountability is certainly also to blame. And Security Council members share responsibility for lax oversight, no doubt

one reason there is so little appetite for an investigation.

But Saddam's ability to reap billions for himself, his cronies and those who proved useful to him abroad depended on individuals who were his counterparties. These deserve a full investigation if the U.N.'s credibility is to be restored and its role in Iraq and elsewhere trusted. Especially now, with the U.N. taking a more active role in Iraq, it's time we knew more about how the Oil-for-Food scandal was allowed to happen.

Ms. Raphael is editorial page editor of The Wall Street Journal Europe.

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Attachment 9

IRAQ AUDIT FRENZY

Investigators crawl over Iraq's oil billions

No fewer than 10 probes are trying to find out if the proceeds from oil sales have been wasted or stolen. Thomas Catan reports

Who has wasted, mismanaged or outright stolen more of Iraq's precious oil money? Is it: a) the United Nations, or b) the United States?

In one form or another, at least 10 separate investigations are seeking to answer that question, and their outcome is being closely watched. For, in the 18-month war of words between the US, UN and the European states that opposed the war, the stewardship of Iraqi oil revenues has emerged as a crucial battleground.

No fewer than nine separate investigations are looking into allegations that the UN mismanaged \$65bn (£33bn, £35bn) in Iraqi oil sales under the "oil-for-food" programme, which it ran between 1996 and 2003.

Now another inquiry, carried out under the auspices of the UN, is looking into whether the US-led occupation authority itself wasted Iraqi oil revenues when it took over their management.

The people conducting the investigations themselves are, for the most part, respected and independent. But the dazzling inquiries have contributed to a raging debate on the role of the UN and the US in the international arena. While the results will not be known for some time, proponents of both camps are already seizing on every allegation and interim finding to justify their own view.

In one corner are those who see the UN as the only legitimate body to deal with complicated international crises, such as that posed by Mr Hussein's recalcitrance in complying with its resolutions and his subsequent removal from power by US forces.

In the other are the UN's vociferous critics – mainly conservative US commentators and politicians – who decide it as a sclerotic and graft-riddled relic whose only purpose is to hinder the US from fulfilling its mission around the globe.

Iraq investigations UN 'Oil For Food' programme

Ordered by: **1** **Iraqi Governing Council**
Conducted by: KPMG, Freshfields, Patton Boggs
Status: Stalled after CPA denied funding. Now seeking funding from new Iraqi government

Ordered by: **2** **Coalition Provisional Authority**
of Supreme Audit
Status: At work in Iraq. Expects to report in 12-18 months

Ordered by: **3** **United Nations**
US fed chief
Status: At work. Expects to deliver interim report this summer, final report in 6-8 months

Ordered by: **4** **US Senate Subcommittee of Government Affairs**
Chaired by: Republican senator Norm Coleman
Status: Has subpoenaed documents from BNP Paribas and requested information from the UN, US State Department and CPA

Ordered by: **5** **US House Government Reform Subcommittee**
Chaired by: Republican congressman Christopher Shays
Status: Held hearing in April and sent

a letter to the UN seeking internal audits and records from BNP Paribas. Has not received documents

6 **US House International Relations Committee**
Chaired by: Republican congressman Henry Hyde
Status: Committee staff members have visited Iraq twice to examine the allegations

7 **US Department of Justice**
Status: US attorney for the Southern District of New York has served subpoenas on Exor-Mobil, Chevron-Texaco for information on Iraqi oil purchases

8 **US Immigration and Customs Enforcement/US Treasury**
Status: Looking at US entities or persons who may have conducted illegal transactions with Iraq. Two US citizens so far charged

9 **US General Accounting Office**
Status: Has estimated that Saddam Hussein skimmed \$10bn from the oil-for-food programme between 1997 and 2002

CPA spending of Iraqi revenues
International Advisory and Monitoring Board
Ordered by: UN Security Council
Conducted by: KPMG, IMF, World Bank, Arab Development Bank
Status: After months of wrangling with CPA, KPMG auditors finally started work in April 2004. An interim report noted flaws in the CPA's accounting methods

might be getting to its target. Ehsan Karim, head of the Supreme Audit Board, was killed by a bomb blast as he was heading for work. Meanwhile, with the CPA disbanded and Mr Bremer back at home, supporters of the original IGC investigation are lobbying the Iraqi government for a new lease of life. Read McCaffrey, a partner at Patton Boggs can Washington law firm, which has also been enlisted to help in that investigation, says they have already made an "overture" to the new prime minister, Iyad Allawi.

If Mr Allawi agrees, this investigation would join an increasingly crowded field. The US Treasury and customs service are conducting their own investigations into whether US citizens partic-

ipated in the alleged sanctions-busting scheme. Separately, the US attorney for the Southern District of New York has served subpoenas on several international energy companies for information on their purchases of Iraqi oil.

Three other investigations are working their way through Congress. Republican Congressman Norm Coleman and Democrat Carl Levin have sought documents from the State Department and the CPA. Two Republican congressmen, Christopher Shays and Henry Hyde, are also running their own, separate investigations in the House of Representatives.

And the UN, after some initial foot-dragging, appointed the former chair-

man of the Federal Reserve, Paul Volcker, to conduct its own investigation into the affair.

The rival investigations have already sparred over access to documents and officials in Iraq. The Chalabi camp warns that incriminating documents have not been properly secured and could go missing.

For his part, Mr Volcker has ordered the UN not to make its staff available to rival inquiries or release any documents, saying there should not be "too many cooks" in the investigative kitchen. "We'd like to think that our investigation is the investigation," Mr Volcker said in June.

"Angered by the UN stance, two US senators introduced a bill in May demanding that



Fit montage
Picture by AP
Text compiled by Alex Havelpi

it co-operate with congressional investigations or have its US funding cut off.

But even as investigators warned of opportunities for fraud, the internal report was the first produced by the International Advisory and Monitoring Board, a body set up by the UN to oversee spending by occupation authorities.

However, it took nearly a year before, as required by UN resolutions, the CPA agreed on an external auditor to review its spending (ironically, it chose KPMG, Bremer spent Iraqi oil funds. But Mr Chalabi could have worried of his own. Some on Capitol Hill are already worrying whether tens of millions of dollars in US funds received by his organisation should not be thoroughly investigated as well.

nesses in the CPA's management of Iraqi oil funds and warned of opportunities for fraud. The internal report was the first produced by the International Advisory and Monitoring Board, a body set up by the UN to oversee spending by occupation authorities.

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On Tuesday, the audit arm of the US Congress, the General Accounting Office, said the delay meant that "trans-actions worth billions of dollars in Iraqi funds have not been independently reviewed or the results reported".

The KPMG auditors also said they had faced resistance to their work from CPA staff.

A CPA official defended the delay in setting up the external auditors, noting that negotiations had involved "five parties spread out over three continents". He also insisted the CPA had taken "extraordinary steps" to ensure that Iraqi funds were properly accounted for.

The White House further stoked the controversy at the weekend when it admitted that, of the \$18.4bn appropriated by the US Congress to rebuild Iraq, just \$366m had been spent by the handover. By contrast, the US committed nearly \$20bn of Iraqi money to projects (\$1.2bn has been spent).

Should any of the investigations find that either the UN or US mispent Iraqi revenues, will the new Iraqi government get a refund?

Unlikely. The UN's watchdog will continue to audit, but otherwise has no teeth. And the US has already begun to play down the investigations into the UN help in Iraq.

But the issue is providing Mr Chalabi with a new weapon in his battle against his erstwhile US patrons. His British adviser recently hired Patton Boggs because of its experience in recovering assets for the government of Qatar. The firm's partner, Mr McCaffrey, said Iraq could potentially recover up to \$15bn in funds alleged to have been lost by the country under the UN sanctions programme.

Mr Chalabi is also turning his guns on the US. Just one day after the handover of sovereignty, he told the Washington Post that the new Iraqi government should demand a full accounting of how Mr Bremer spent Iraqi oil funds. But Mr Chalabi could have worried of his own. Some on Capitol Hill are already worrying whether tens of millions of dollars in US funds received by his organisation should not be thoroughly investigated as well.

Attachment 10



'Rock Solid' Evidence Chalabi Spied for Iran

Friday, May 21, 2004

FOX NEWS

BAGHDAD, Iraq — U.S. officials believe they have "rock solid" evidence that Iraqi Governing Council member **Ahmad Chalabi** ([search](#)), once a darling of the American government, passed secrets to Iran, Fox News has learned.

"There is no need for an investigation because we're quite certain he did it," one senior Bush administration official said.

The official first described the evidence against Chalabi as "pretty solid" and then characterized it as "rock solid."

U.S. officials won't describe the information Chalabi's alleged to have passed to Iran or how he's supposed to have obtained it, but they said he does not have the clearance to possess American classified information.

Defense officials also told Fox News there was speculation that INC members allegedly shared information with **Iran** ([search](#)) and misused funds and property belonging to the Iraqi Governing Council.

Iraqi police on Thursday suddenly surrounded and raided Chalabi's house — and police also searched offices of his organization, the Iraqi National Congress.

But U.S. officials said the action taken against Chalabi and the belief that he passed secrets to Iran were not related.

The raid on Chalabi's home was conducted in connection with criminal charges against the Iraqi National Congress, sources said. The decision was made by authorities in Baghdad investigating allegations of embezzlement and corruption.

White House officials said President Bush did not order the action.

Once favored by the American government as the possible new leader of Iraq, Chalabi has also recently come under suspicion because he has been openly criticizing the United States for its plans to transfer power to the Iraqi people at the end of June.

Coalition officials in Baghdad portrayed the raid as one in which the United States did not have a major role. Coalition spokesman Dan Senor said it was led by Iraqi authorities with support from the U.S.-run Coalition Provisional Authority (CPA).

American officials in Iraq have complained privately that Chalabi has been interfering with a U.S. investigation into allegations that Saddam Hussein's regime skimmed billions of dollars in oil revenues from the controversial United Nations-run **oil-for-food program** ([search](#)).

But Senor said that investigation has "nothing to do with what transpired today" and Chalabi and the INC were not the targets.

An Iraqi judge issued a series of search and arrest warrants relating to fraud, kidnapping and "associated matters," Senor said. Up to 15 people were named in the warrants, but Chalabi himself wasn't believed to have been on the

list.

Evidence and illegal weapons were seized during the raid.

Sources told Fox News that the raid was the result of a corruption investigation initiated by the Iraqi Ministry of the Interior.

The sources said the probe may have something to do with members of the Iraqi National Congress bribing or extorting former members of Saddam's Baath Party, perhaps demanding payments for withhold damaging information.

Senior Department of Defense officials told Fox News that early reports that U.S. troops were involved in the actual raid itself were untrue. Instead, they said, soldiers provided a security perimeter but didn't accompany Iraqi police inside the Chalabi house.

In a news conference Thursday, Chalabi blasted the coalition for raiding his house. Though he said he and his people are grateful to Bush for ousting Saddam, he believes it's time for the Americans to leave and demanded that sovereignty be turned over to the Iraqis immediately. He blamed the coalition for coddling former members of Saddam's Baath Party and treating Iraqis badly.

"Let my people go," he said with characteristic drama. "My relationship with the CPA now is nonexistent."

He described his colleagues on the Iraqi Governing Council as "great patriots" and demanded that complete control be passed to them.

"I am America's best friend in Iraq," Chalabi said. "If the CPA finds it necessary to direct an armed attack against my home you can see the state of relations between the CPA and the Iraqi people ... This is the penultimate act of failure of the CPA in Iraq."

He said that more than five Humvees, filled with what he alleges were FBI and CIA officers and American civilians, came to the house where he and the defense minister live and forced their way in.

There was a fistfight outside, but no weapons fired, according to Chalabi. He said he was sleeping when police stormed into his room carrying guns.

"I was asleep. I opened the door. The police went into my room carrying pistols," Chalabi said. "I told them to get out."

The men made off with computers, documents, files and prayer beads, Chalabi said, and helped themselves to food and "several cases of Pepsi."

Police seized documents related to the oil-for-food program, a report by the Oil Ministry to the Governing Council and letters from the council, he said.

A U.S. official told Fox News that while the FBI and the United States Marshals Service were involved in Thursday's action, the CIA was not.

Chalabi claimed U.S. authorities here were angry with him because "I am now calling for policies to liberate the Iraqi people, to get full sovereignty now and I am pushing the gate in a way they don't like.

"I have opened up the investigation of the oil-for-food program which has cast doubt about the integrity of the U.N. here, which they don't like," he said.

In a statement, Chalabi's INC accused authorities of behaving in "a manner unbecoming in the climate of the new Iraq" and reminiscent of "the former fascist regime."

It called on the U.S.-appointed Iraqi Governing Council, of which Chalabi is a prominent member, to take "a national and responsible stand toward these provocations."

Entifadh Quanbar, an INC spokesman in Washington, D.C., told Fox News that soldiers raided Chalabi's home because he has been outspoken about the oil-for-food investigation and Iraqi sovereignty. Quanbar said the raid was a politically motivated attempt to intimidate Chalabi.

Fox News learned that Chalabi has alleged that he has files pertaining to the oil-for-food program, though it wasn't confirmed whether any of those documents were seized in Thursday's raid.

The CPA has asked Chalabi to turn over all his oil-for-food files to an official auditing body, Fox News learned.

Chalabi claims L. Paul Bremer, the top U.S. civilian administrator in Iraq, has been withholding funds he was supposed to be given to investigate the scandal-scarred program. However, CPA officials say he was never promised such funds and does not have the power to conduct such an investigation, sources told Fox News.

During Thursday's search, police sealed off Chalabi's residence in Baghdad's swanky Mansour district. Reporters were barred from approaching the scene.

Some people could be seen loading boxes into vehicles. A couple of Humvees were in sight, along with about a dozen U.S. soldiers and several armed Westerners wearing flak vests and using SUVs without license tags — vehicles associated here with U.S. security.

Neighbors said some members of Chalabi's entourage were taken away in the raid.

A Chalabi aide, **Haidar Musawi** ([search](#)), accused the Americans of trying to pressure Chalabi.

"The aim is to put political pressure," Musawi told The Associated Press. "Why is this happening at a time when the government is being formed?"

Musawi said the U.S.-Iraqi force surrounded the compound at about 10:30 a.m. while Chalabi was inside. They told Chalabi's aides that they wanted to search the house for INC officials wanted by the authorities.

The aides agreed to let one unarmed Iraqi policeman inside to look around.

Abdul Kareem Abbas, an INC official, said Chalabi's entourage objected to the raid but "we couldn't because they came with U.S. troops."

"They came this morning, entered the office of Dr. Ahmad Chalabi and said that they were looking for people," said Abbas. He said they wanted to make arrests.

For years, Chalabi's INC received hundreds of thousands of dollars every month from the Pentagon, in part for intelligence passed along by exiles about Saddam's purported weapons of mass destruction.

Chalabi, long mistrusted by the CIA and the State Department, came under further criticism after major combat ended and the large stockpiles of weapons he had promised existed were never found.

Last week, the Pentagon abruptly cut off the INC's funding. U.S. Deputy Defense Secretary Paul Wolfowitz confirmed earlier this week, during testimony before Congress, that Washington has ended payments of \$340,000 a month to Chalabi's organization for intelligence gathering.

Chalabi, a secular Shiite Arab and former banker who left Iraq for exile after a left-wing coup in 1958, was convicted of fraud in absentia in Jordan in 1992 for allegedly embezzling over \$1 billion from a bank he ran and sentenced to 22 years in jail. He has repeatedly denied the charges.

The oil-for-food program, which began in December 1996 and ended in November, was designed to help Iraqis cope with U.N. sanctions.

Chalabi has complained recently about U.S. plans to retain control of Iraqi security forces and maintain widespread influence over political institutions after power is transferred from the CPA to an Iraqi interim administration.

Musawi said Chalabi "had been clear on rejecting incomplete sovereignty ... and against having the security portfolio remain in the hands of those who have proved their failure."

However, U.S. and coalition officials have recently accused him of undermining the investigation into the oil-for-food program. The U.S.-backed investigation has collected more than 20,000 files from Saddam's regime and hired American accounting firm Ernst & Young to conduct the review.

Chalabi has launched his own investigation, saying an independent probe would have more credibility. He took an early lead in exposing alleged abuses of the oil-for-food program and has been trying to force the coalition to give him the \$5 million in Iraqi funds set aside for the probe to pay for his effort. The move has been strongly resisted by Bremer.

Chalabi's backers have hired a competing American accounting giant, KPMG, to do its audit, but they want Bremer's administration to pay the bill out of the Iraqi funds, mostly seized Saddam assets and Iraqi oil sales.

The United Nations is conducting its own investigation, led by former Federal Reserve chairman Paul Volcker.

Another source of tension could be Chalabi's calls for closer relations with Iran. Washington and Tehran have been at odds since Islamic revolutionaries ousted Iran's U.S.-backed shah in 1979 and held Americans hostage for more than a year.

Fox News' Kelly Wright, Teri Schultz, Bret Bair, Ian McCaleb, Catherine Donaldson-Evans, Andrew Hard and The Associated Press contributed to this report.

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All market data delayed 20 minutes.



Attachment 11

SUBPOENA

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES OF THE CONGRESS OF THE UNITED STATES OF AMERICA

To Banque Nationale de Paris, S.A.; SERVE: Alan Kriegel, Esq.

You are hereby commanded to be and appear before the Committee on Government Reform

of the House of Representatives of the United States at the place, date and time specified below.

- to testify touching matters of inquiry committed to said committee or subcommittee; and you are not to depart without leave of said committee or subcommittee.

Place of testimony: _____

Date: _____

Time: _____

- to produce the things identified on the attached schedule touching matters of inquiry committed to said committee or subcommittee; and you are not to depart without leave of said committee or subcommittee.

Place of production: 2157 Rayburn House Office Building

Date: August 6, 2004

Time: 5:00 p.m.

To J. Keith Ausbrook

_____ to serve and make return.

Witness my hand and the seal of the House of Representatives of the United States,
at the city of Washington, this 8th day of July, 2004.

Tom Davis

Chairman or Authorized Member

Attest:

eff [Signature]
Clerk

PROOF OF SERVICE

Subpoena for Banque Nationale de Paris, S.A.; SERVE: Alan Kriegel, Esq.

Address Skadden, Arps, Slate, Meagher & Flom LLP, 1440 New York Avenue, N.W.

Washington, D.C. 20005-2111

before the Committee on Government Reform

*U.S. House of Representatives
108th Congress*

Served by (print name) J. Keith Ausbrook

Title Chief Counsel, House Committee on Government Reform

Manner of service By facsimile (202-371-7993), by agreement

Date July 9, 2004

Signature of Server 

Address House Committee on Government Reform, 2157 Rayburn House Office Building,

Washington, D.C. 20515

SCHEDULE

All records referring or relating to the United Nations' Iraq "Oil-for-Food" program, including but not limited to:

All records referring or relating to the **Agreement for Banking Services Pursuant to Security Council Resolution 986 (1995)** dated 12 September 1996 between the United Nations and Banque Nationale de Paris S.A.

All records referring or relating to each amended or successor agreement to the **Agreement for Banking Services Pursuant to Security Council Resolution 986 (1995)** dated 12 September 1996 between the United Nations and Banque Nationale de Paris S.A.

Instructions

1. In complying with this Subpoena, you are required to produce all responsive records in whatever form (written, electronic, or other media) that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You are also required to produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. No records, data, or information called for by this request shall be destroyed, modified, removed, transferred or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this subpoena has been, or is also known by any other name than that herein denoted, the subpoena shall be read also to include them under that alternative identification.
3. Each record produced shall be produced in a form that renders the record capable of being copied.
4. Records produced in response to this subpoena shall be produced together with copies of file labels, dividers or identifying markers with which they were associated when this subpoena was served. Also identify to which paragraph from the subpoena such records are responsive.
5. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same record.
6. If any of the subpoenaed information is available in machine-readable form (such as punch cards, paper or magnetic tapes, drums, disks, or core storage), state the form in which it is available and provide sufficient detail to allow the information to be copied to a readable format. If the information requested is stored in a computer, indicate whether you have an existing program that will print the records in a readable form.
7. If you believe compliance with the subpoena cannot be made in full, compliance shall be made to the extent possible and shall include an explanation of why you believe full compliance is not possible.
8. In the event that a record is withheld on the basis of privilege, provide the following information concerning any such record: (a) the privilege asserted; (b) the type of record; (c) the general subject matter; (d) the date, author and addressee; and (e) the relationship of the author and addressee to each other.
9. If any record responsive to this subpoena was, but no longer is, in your possession, custody, or control, identify the record (stating its date, author, subject and recipients) and explain the circumstances by which the record ceased to be in your possession, custody, or control.

10. If a date or other descriptive detail set forth in this subpoena referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you should produce all records which would be responsive as if the date or other descriptive detail were correct.
11. This request is continuing in nature and applies to any newly-discovered information. Any record, compilation of data, or information not produced because it has not been located or discovered by the return date, shall be produced immediately upon location or discovery subsequent thereto.
12. All records shall be bates-stamped sequentially and produced sequentially.
13. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When records are produced to the Committee or Subcommittee, production sets shall be delivered to the Majority Staff in Room 2157 Rayburn House Office Building and to the Minority Staff in Room B-350A Rayburn House Office Building.

Definitions

1. The term "record" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, interoffice and intra office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term.
2. The term "communication" means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by

record or otherwise, and whether face-to-face, in a meeting, by telephone, mail, telexes, discussions, releases, personal delivery, or otherwise.

3. The terms "and" and "or" shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this subpoena any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
4. The terms "person" or "persons" means natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, and other units thereof.
5. The terms "referring or relating," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.

Attachment 12

SUBPOENA

**BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES OF THE
CONGRESS OF THE UNITED STATES OF AMERICA**

To Cotecna Inspection S.A.; SERVE: Evelyn M. Suarez, Esq.

You are hereby commanded to be and appear before the Committee on Government Reform

of the House of Representatives of the United States at the place, date and time specified below.

- to testify touching matters of inquiry committed to said committee or subcommittee; and you are not to depart without leave of said committee or subcommittee.

Place of testimony: _____

Date: _____

Time: _____

- to produce the things identified on the attached schedule touching matters of inquiry committed to said committee or subcommittee; and you are not to depart without leave of said committee or subcommittee.

Place of production: 2157 Rayburn House Office Building

Date: August 27, 2004

Time: 5:00 p.m.

To Jennifer M. Safavian

_____ to serve and make return.

Witness my hand and the seal of the House of Representatives of the United States,
at the city of Washington, this 3rd day of August, 2004.

Tom Davis

Chairman or Authorized Member

Attest:

Jeff Bander
Clerk

SCHEDULE

All records referring or relating to the United Nations' Iraq "Oil-for-Food" program, including but not limited to:

All contracts, transaction records, reports, and audits, pertaining to the work of Cotecna Inspection S.A., including its business divisions or subsidiaries, with the Oil-for-Food program, from January 1996 through December 2003.

PROOF OF SERVICE

Subpoena for Cotecna Inspection S.A.; SERVE: Evelyn M. Suarez, Esq.

Address Williams Mullen, 1666 K Street, N.W., Suite 1200,

Washington, D.C. 20006

before the Committee on Government Reform

U.S. House of Representatives
108th Congress

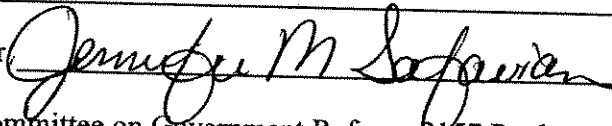
Served by (print name) Jennifer M. Safavian

Title Chief Counsel for Oversight and Investigations, Committee on Government Reform

Manner of service By facsimile (202-293-5939), by agreement

Date August 4, 2004

Signature of Server



Address House Committee on Government Reform, 2157 Rayburn House Office Building,

Washington, D.C. 20515

Instructions

1. In complying with this Subpoena, you are required to produce all responsive records in whatever form (written, electronic, or other media) that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You are also required to produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. No records, data, or information called for by this request shall be destroyed, modified, removed, transferred or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this subpoena has been, or is also known by any other name than that herein denoted, the subpoena shall be read also to include them under that alternative identification.
3. Each record produced shall be produced in a form that renders the record capable of being copied.
4. Records produced in response to this subpoena shall be produced together with copies of file labels, dividers or identifying markers with which they were associated when this subpoena was served. Also identify to which paragraph from the subpoena such records are responsive.
5. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same record.
6. If any of the subpoenaed information is available in machine-readable form (such as punch cards, paper or magnetic tapes, drums, disks, or core storage), state the form in which it is available and provide sufficient detail to allow the information to be copied to a readable format. If the information requested is stored in a computer, indicate whether you have an existing program that will print the records in a readable form.
7. If you believe compliance with the subpoena cannot be made in full, compliance shall be made to the extent possible and shall include an explanation of why you believe full compliance is not possible.
8. In the event that a record is withheld on the basis of privilege, provide the following information concerning any such record: (a) the privilege asserted; (b) the type of record; (c) the general subject matter; (d) the date, author and addressee; and (e) the relationship of the author and addressee to each other.
9. If any record responsive to this subpoena was, but no longer is, in your possession, custody, or control, identify the record (stating its date, author, subject and recipients) and explain the circumstances by which the record ceased to be in your possession, custody, or control.

10. If a date or other descriptive detail set forth in this subpoena referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you should produce all records which would be responsive as if the date or other descriptive detail were correct.
11. This request is continuing in nature and applies to any newly-discovered information. Any record, compilation of data, or information not produced because it has not been located or discovered by the return date, shall be produced immediately upon location or discovery subsequent thereto.
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13. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When records are produced to the Committee or Subcommittee, production sets shall be delivered to the Majority Staff in Room 2157 Rayburn House Office Building and to the Minority Staff in Room B-350A Rayburn House Office Building.

Definitions

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2. The term "communication" means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by

record or otherwise, and whether face-to-face, in a meeting, by telephone, mail, telexes, discussions, releases, personal delivery, or otherwise.

3. The terms "and" and "or" shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this subpoena any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
4. The terms "person" or "persons" means natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, and other units thereof.
5. The terms "referring or relating," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.

Attachment 13

TOM DAVIS, VIRGINIA,
CHAIRMAN

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ONE HUNDRED EIGHTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

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WASHINGTON, DC 20515-6143

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MINORITY (202) 225-5051
TTY (202) 225-6852

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RANKING MINORITY MEMBER

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MAJOR R. OWENS, NEW YORK
EDOLPHUS TOWNS, NEW YORK
PAUL E. KANJORSKI, PENNSYLVANIA
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DISTRICT OF COLUMBIA
JIM COOPER, TENNESSEE

BERNARD SANDERS, VERMONT,
INDEPENDENT

SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS,
AND INTERNATIONAL RELATIONS

Christopher Shays, Connecticut
Chairman

Room B-372 Rayburn Building
Washington, D.C. 20515
Tel: 202 225-2548
Fax: 202 225-2382

July 9, 2004

Mr. Johannes W. H.C. Heinsbroek
Director
Saybolt International B.V.
Stoomloggerweg 12
3133 KT Vlaardingen
The Netherlands

Dear Mr. Heinsbroek:

The Subcommittee on National Security, Emerging Threats, and International Relations, with oversight responsibilities for the U.S. Departments of Defense, Homeland Security, Veterans Affairs, and State, is conducting an investigation of the United Nations (UN) Oil-for-Food Program in Iraq.

As part of that investigation, the Subcommittee would appreciate the cooperation of Saybolt LP, which played a large role in certifying the shipments of oil leaving Iraq.

Please provide a copy all documents, including contracts, transaction records, reports, and audits, pertaining in any way to the work of Saybolt on behalf of the Oil-for-Food Program from January 1996 through December 2003.

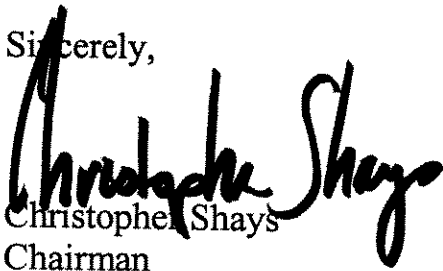
Please provide the information requested on or before the close of business Friday, August 27, 2004, to the Subcommittee office, room B-372 Rayburn House Office Building, Washington, D.C. 20515.

In the event you determine you are unable to provide all of the requested material at that time, please provide a written description of the circumstances preventing complete compliance and the date you anticipate delivery of any remaining material.

If you or your staff have any questions about this request, please contact Lawrence Halloran, Staff Director, or Thomas Costa, Professional Staff, at 202-225-2548 or Tom.Costa@mail.house.gov.

Thank you for your attention to this request and for your assistance in the Subcommittee's oversight work.

Sincerely,


Christopher Shays
Chairman

cc: Hon. Tom Davis
Hon. Henry A. Waxman
Hon. Dennis J. Kucinich
Hon. Michael Turner

TOM DAVIS, VIRGINIA,
CHAIRMAN

DAN BURTON, INDIANA
CHRISTOPHER SHAYS, CONNECTICUT
ILEANA ROS-LEHTINEN, FLORIDA
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BERNARD SANDERS, VERMONT,
INDEPENDENT

SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS, AND INTERNATIONAL RELATIONS

Christopher Shays, Connecticut
Chairman

Room B-372 Rayburn Building
Washington, D.C. 20515
Tel: 202 225-2548
Fax: 202 225-2382

July 29, 2004

Mr. Johanees W. H.C. Heinsbroek
Director, Saybolt International B.V.
C/O Miller & Chevalier
655 15th Street, NW, Suite 900
Washington, DC 20005

Dear Mr. Heinsbroek:

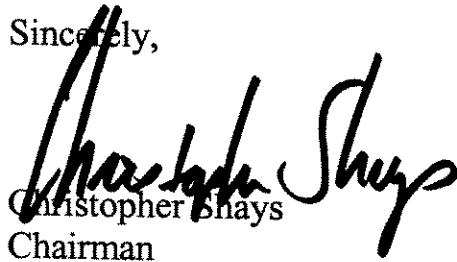
The Subcommittee on National Security, Emerging Threats, and International Relations, with oversight responsibilities for the U.S. Departments of Defense, Homeland Security, Veterans Affairs, and State, is continuing an investigation of the United Nations Oil-for-Food Program in Iraq.

As part of that investigation, the Subcommittee appreciates the stated willingness of Saybolt to cooperate. The Subcommittee also acknowledges Saybolt's commitments to the United Nations. Under the Rules of the U.S. House of Representatives, the Government Reform Committee and its Subcommittees have legal authority to issue subpoenas. Pursuant to our July 9, 2004 request, the Subcommittee is prepared to direct a subpoena to Saybolt if necessary.

Please contact Lawrence Halloran, Staff Director, or Thomas Costa, Professional Staff, at 202-225-2548 or Tom.Costa@mail.house.gov, with any questions concerning the July 9th or this letter.

Thank you for your assistance with the Subcommittee's oversight work.

Sincerely,

A handwritten signature in black ink that reads "Christopher Shays". The signature is written in a cursive style with a large, prominent "S" at the end.

Christopher Shays
Chairman

cc: Hon. Tom Davis
Hon. Henry A. Waxman
Hon. Dennis J. Kucinich
Hon. Michael Turner

Attachment 14

washingtonpost.com

Paris Bank Is Subpoenaed In U.N. Oil-for-Food Probe

By Colum Lynch
 Washington Post Staff Writer
 Thursday, July 15, 2004; Page A13

UNITED NATIONS, July 14 -- A House committee has issued a subpoena for financial records from a French bank that managed billions of dollars in Iraqi oil revenue through a U.N.-administered humanitarian program.

The move represented an escalation in a campaign by congressional Republicans to obtain documents related to an investigation of alleged corruption in the United Nations' largest humanitarian program.

Democrats, meanwhile, are pressing to expand the investigation to cover the U.S.-led coalition's stewardship of Iraq's oil revenue, particularly its decision to award \$1.4 billion in contracts without competitive bidding to Halliburton, a Texas oil services company that was once run by Vice President Cheney.

The U.N. Oil-for-Food program was set up in late 1996 to allow Iraq to sell oil to purchase food, medicine and other humanitarian goods. But it also provided wide latitude for corruption, allowing Saddam Hussein's government to pocket more than \$4.4 billion in illegal payoffs before the United Nations relinquished control of the program to the United States-led coalition in May 2003, according to the U.S. Government Accountability Office.

Rep. Thomas M. Davis III (R-Va.), chairman of the House Committee on Government Reform, ordered Banque Nationale de Paris to turn over "all records relating" to its handling of Iraqi funds. The documents are to be given to Rep. Christopher Shays (R-Conn.), chairman of the subcommittee on National Security, Emerging Threats and International Relations, who is leading a probe into the Oil-for-Food program.

U.N. officials have limited the release of documents to a U.N.-appointed investigator, Paul Volcker, the former chairman of the U.S. Federal Reserve Bank, who is investigating alleged corruption and U.N. mismanagement. In April, the United Nations notified the bank and the two companies that a confidentiality agreement with the United Nations prohibited them from providing sensitive documents to congressional investigators.

Robert S. Bennett, a lawyer at the firm Skadden, Arps, Slate, Meagher & Flom who is acting as BNP Paribas's lead counsel, said the French bank has received the subpoena and is prepared to begin discussions with congressional staff members on the release of their documents. "We are going to fully cooperate and give them whatever they want," Bennett said. "We are not the target of any investigation."

U.S. and U.N. officials have concluded that Iraq profited illegally from the Oil-for-Food program by requiring companies to deposit illegal payoffs into secret government bank accounts in exchange for the opportunity to purchase discounted Iraqi oil or to sell humanitarian goods to the government.

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Rep. Henry A. Waxman (Calif.), ranking Democrat on the Committee on Government Reform, urged Davis in a July 9 letter to "investigate potential mismanagement" of Iraq's oil revenue by the United States. He also pressed Davis to subpoena documents from the Federal Reserve Bank of New York, which was hired by the U.S.-led coalition to handle Iraq's oil revenue.

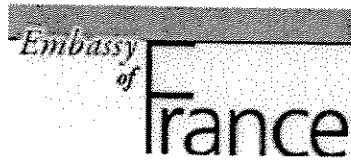
Waxman cited a preliminary audit by the accounting firm KPMG charging that the coalition's management of Iraq's oil revenue was "open to fraudulent acts" and that its accounting practices were "prone to error." The final audit, which was commissioned by the International Advisory and Monitoring Board, is scheduled for release Thursday. The auditing board was established by the U.N. Security Council in May 2003 to monitor Iraq's oil exports under the U.S. occupation of Iraq.

But the preliminary findings noted that KPMG's auditors "encountered resistance" from coalition authorities, particularly their refusal to turn over "special audit reports" related to contracts awarded without competitive bidding to Halliburton and other companies.

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Attachment 15



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NEWS

FRANCE/UNITED STATES/IRAQ

Op ed of French ambassador to the United States, Jean-David Levitte in the Los Angeles Times.

Washington , April 7, 2004

First 'Freedom Fries,' Now Oil-for-Food Lies: Give France a Break

A year ago, when the question of military intervention to disarm Iraq was raised, my country strongly opposed such a step, convinced that Iraq was not an imminent threat to world peace and had no link to Al Qaeda, and that the consequences of a war needed to be seriously weighed.

At that time, France's position, which was shared by many countries and a number of Americans, was widely disparaged. Although there were many signs of friendship extended to me from individual Americans, for which I am very grateful, there were also many false accusations spread in public to discredit France.

Since then, the diplomatic hurricane has abated. Today, we all understand the importance of what unites us, from our common fight against terrorism to our presence side by side in regional conflicts in Afghanistan, Haiti, Kosovo and elsewhere.

Consequently, I have been deeply surprised in the last few days to see a new campaign of unfounded accusations against my country flourish again in the media. These allegations, being spread by a handful of influential, conservative TV and newspaper journalists in the U.S., have arisen in connection with a recent inquiry into the "oil for food" program that was run by the United Nations in Iraq during the final years of Saddam Hussein's government.

These allegations suggest that the government of France condoned kickbacks — bribes, in effect — from French companies to the Iraqi regime in return for further contracts. They say Paris turned a blind eye to these activities. Let me be absolutely clear. These aspersions are completely false and can only have been an effort to discredit France, a longtime friend and ally of the U.S.

As the former French ambassador to the U.N., let me explain how the oil-for-food program worked. Created in 1996, it was intended to provide Iraqis with essential goods to alleviate the humanitarian effect of the international sanctions that remained in place. The program authorized Iraq to export agreed-on quantities of oil, and allowed money from the sales to be used for food and other necessities. The program was managed by the U.N. and monitored by Security Council members.

Between 1996 and the end of the program in 2003, every contract for every humanitarian purchase had to be unanimously approved by the 15 members of the Security Council, including France, Britain and the U.S. The complete contracts were only circulated to the U.S. and Britain, which had expressly asked to see them and would have been in the best position to have known if anything improper was going on. Though a number of contracts were put on hold by the American and British delegations on security-related grounds, no contract was ever held up because malfeasance, such as illegal kickbacks, had been detected.

Was there corruption and bribery inside the program? Frankly, I don't know. Iraq was not a market economy; it was under sanctions at the time. Customs experts had little choice but to assume that the prices set by outside companies were "reasonable and acceptable," a criterion of acceptance used by the U.N. secretariat, and they

had no way of checking whether some contracts were overpriced.

That is why France fully supports the independent inquiry set up by the U.N. The truth must come out. Was France a major beneficiary of oil-for-food contracts, as several conservative columnists have claimed recently? Definitely not. From the beginning of the program to its end, French contracts accounted for 8% of the total. We were Iraq's eighth-largest supplier. In addition, throughout the program a sizable proportion of the contracts dubbed "French" were in fact contracts from foreign companies using their

French branches, subsidiaries and agents. Among them were U.S. firms providing spare parts for the oil industry (including several subsidiaries of Halliburton). They submitted contracts through French subsidiaries for more than \$200 million. It is also suggested that the money from the oil-for-food contracts passed exclusively through a French bank, BNP Paribas. Wrong again: 41% of the money passed through J.P. Morgan Chase Bank, which, like BNP, was contracted by the U.N. with the approval of Security Council members.

This leaves us with one remaining accusation: that the French positions on the oil-for-food program and Iraq in general were driven by the lure of oil. Yet France was never a major destination for Iraqi oil during the program. In 2001, 8% of Iraqi oil was imported by France, compared with 44.5% imported by the U.S., which was the No. 1 importer all along.

At a time when the U.N. is considering a return to Iraq, and we all agree on the need for close international cooperation to help a sovereign, stable Iraq emerge, I don't understand this campaign. Or the hidden agenda behind it.

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