

STATEMENT BY  
**STEVEN GROVES**  
COUNSEL  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
HEARING ON  
***OIL FOR INFLUENCE: HOW SADDAM USED OIL TO REWARD  
POLITICIANS UNDER THE UNITED NATIONS OIL-FOR-FOOD PROGRAM***  
May 17, 2005

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Good morning, Senator Chairman, Ranking Member Levin, and Members of the Subcommittee:

Thank you for the opportunity to testify today regarding the Subcommittee's latest findings relating to our ongoing investigation into the United Nations "Oil-for-Food Program."

My testimony today presents evidence gathered by the Subcommittee establishing that the former regime of Saddam Hussein attempted to exert influence at the highest levels of the Russian Government by awarding lucrative allocations of oil to politically influential officials. In particular, the Hussein regime assigned the rights to massive quantities of oil to the "Russian Presidential Council" which was then headed by a powerful Kremlin insider named Alexander Voloshin.

In April, we traveled to Iraq and interviewed senior officials of the former Hussein regime. The officials told us that oil allocations were awarded to foreign politicians and political parties in order to engender international support for the regime. Documents reviewed by the Subcommittee from the Iraqi Ministry of Oil confirmed that massive allocations of oil were awarded to Security Council members that were sympathetic towards Iraq in its efforts to lift sanctions -- namely, Russia, France, and China. Saddam personally approved the list of allocation recipients along with a committee of his closest advisors, including Deputy Prime Minister Tariq Aziz and Vice President Taha Yasin Ramadan, both of whom were interviewed by the Subcommittee.

The Hussein regime gave allocations to Russian individuals, political parties, government ministries, and major oil companies due to their good relationship with Iraq and due to their support for the lifting of sanctions. A total of 30 percent of all the oil allocated during the entire course of the Program went to Russia. The state-owned oil company "Zarubezhneft" was allocated almost 180 million barrels of oil. The Russian Ministry of Foreign Affairs, the equivalent of our State Department, was allocated 155 million barrels. Individual politicians (such as Mr. Zhirinovskiy) and political parties were also given allocations, including 73 million barrels to the Unified Russia Party -- known then as the Unity Party -- a pro-Kremlin organization associated with Russian president Vladimir Putin. Tariq Aziz stated that the Unity Party received such a large number of allocations because Russia was taking positions at the Security Council

that were favorable to Iraq. Vice President Ramadan stated that the Unity Party was given massive allocations because it was the governing party and the party of the president.

The Russian Presidential Council received 9 oil allocations totaling 90 million barrels. The Presidential Council consisted of advisors appointed by the president, and was responsible for devising presidential policy, drafting presidential decrees, and coordinating policy among government agencies. The head of the Presidential Council was Alexander Stalevich Voloshin, who was widely known to be the “power behind the throne” at the Kremlin. Mr. Voloshin assisted in President Putin’s rise to power, managed his first election campaign, and helped to create the Unity Party. He was once referred to as “de facto, after President Vladimir Putin, Russia’s most powerful man.” Former regime officials interviewed by the Subcommittee confirmed that the allocations given to Mr. Voloshin were a show of support to him, and were granted to him because of his relationships with “very important characters.” Vice President Ramadan told the Subcommittee that he knew that Mr. Voloshin was the head of Russia’s presidential administration and stated that the oil allocations awarded to him had been approved by Saddam Hussein.

Many of the allocations to the Presidential Council, like the allocations to Mr. Zhirinovsky, were ultimately purchased and shipped by Houston-based Bayoil. The Presidential Council and Bayoil used a variety of middleman oil trading companies to execute the actual contracts with Iraq. The transactions involving the allocations granted to the Presidential Council followed the same general pattern: At the beginning of each relevant phase, the Hussein regime granted an oil allocation to the Presidential Council. Please turn your attention to **Exhibit 19** which is an example of a Ministry of Oil allocation list. The chart indicates that the Russian Presidential Council was allocated 14 million barrels of oil in Phase 8, and that a “Mr. Issakov” was named as the designated contact person. “Mr. Issakov” is Sergey Issakov, who is associated with Mr. Voloshin, as noted in our report. As you can see by the hand-written note at the corner of the document, the allocations have been approved at the highest level by “the President Leader.”

Once the oil is allocated, the contact person would choose a Russian company to act as the nominal purchaser of the oil -- a “middleman” -- in exchange for a small commission. A representative of the middleman -- often Mr. Issakov himself -- then traveled to Baghdad and signed a contract with SOMO that could be forwarded to the U.N. for approval. Once the contract was signed, SOMO would forward the contract to the Minister of Oil for approval. Please turn your attention to **Exhibit 27** which is an example of one such approval for an allocation to Mr. Voloshin in Phase 12. As you can see, the terms of the official contract with the Russian middleman company -- Impexoil -- were approved by the Minister of Oil, and you can see that the Ministry kept track of exactly who the allocation holder was -- Mr. Voloshin, the “head of the Russian Presidential Council.” Other internal Ministry of Oil documents also kept track of who was the ultimate beneficiary of the oil allocation. For example, **Exhibit 29** is a letter from the crude oil marketing department to the financial department outlining the terms of a contract signed during Phase 13 with Impexoil. The letter makes it clear who is benefiting from the allocation when it states: “Party Benefiting from Allocation: Head of the Russian Presidential Council.”

Once the allocation and the contracts had been approved, the middleman company entered into a separate contract with an oil company -- in many instances Bayoil -- to actually ship the oil.

After the oil was lifted, Bayoil wired payments -- usually hundreds of thousands of dollars -- into certain bank accounts in Cyprus or Switzerland, countries not exactly known for transparency in banking practices. The evidence indicates that the money wired to those accounts by Bayoil was ultimately split between the allocation holder and the middleman.

The Russian middlemen used to facilitated these allocations were paid a commission usually amounting to 2 cents per barrel. For example, you can see here in [Exhibit 20](#) that in June of 2000 Bayoil agreed to pay one of these middlemen -- called "Rosnefteimpex" -- 2 cents a barrel for a contract in Phase 8. As you can see, the Russian Presidential Council is not named in the document, but instead a company called "Haverhill Trading" suddenly appears in the picture. This is because even the middlemen in these transactions have middlemen. As detailed in our report, Cyprus-based Haverhill served as a pass-through for the money that Bayoil paid to the middlemen, to the Russian Presidential Council, and in some instances to the Hussein regime in the form of "surcharges."

We conclude that the allocation holders and the middlemen profited from these transactions, and Saddam profited as well. Millions of dollars wired by Bayoil into Cypriot bank accounts during Phase 9 and 10 were routed back to the Hussein regime. The letter displayed in [Exhibit 23](#) to the Executive Director of SOMO relates to a Phase 9 allocation to the Russian Presidential Council and indicates that the middleman on the transaction -- Rosnefteimpex -- had paid the surcharges due to the regime. As you can see, the document notes that Rosnefteimpex delivered the surcharge payments directly to the Iraqi embassy in Moscow, which was a common practice for the Russian companies who paid surcharges.

For all of the transactions where Bayoil was involved, Bayoil wired over \$9.2 million into different bank accounts in Cyprus, Greece, and Switzerland between July of 2000 and January of 2003. As indicated in [Exhibit 31](#), we estimate that approximately \$609,000 went to the middleman companies -- such as Rosnefteimpex and Impexoil. The contracts connected to the Presidential Council in Phases 9 and 10 resulted in surcharge payments to the Hussein regime, payments that we estimate to be in excess of \$5.6 million. Once the payments to the middlemen and the surcharges to the Hussein regime are deducted from the total payments made by Bayoil, there is a remainder of almost \$3 million. That is the amount we conclude went to the allocation holders, specifically Mr. Voloshin and Mr. Issakov under the auspices of the Russian Presidential Council.

Thank you again for allowing me to summarize our findings, and I look forward to any questions you may have on this matter.

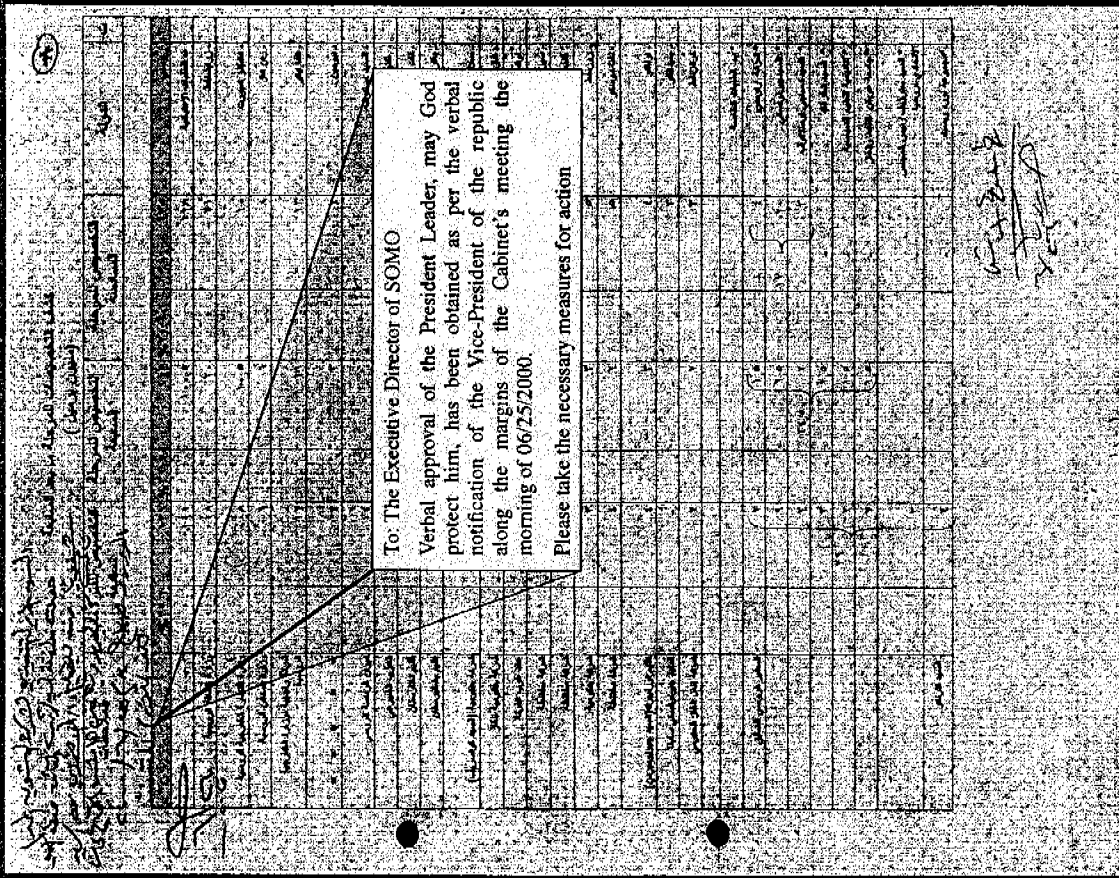


# Oil Allocations to Russian Recipients for Phase 8

Statement of Allocations for the Phase Subsequent to Phase (7)  
(Million Barrels)

06/14/2000

No.	Country	Allocations in Phase (6)	Allocations in Phase (7)	Allocations for the Phase Subsequent to Phase (7)	Remarks	
1.	Russia	135	115	137	32.4%	
	A- Regular Recipients	118	100.5	111	32.2%	
	Zarubezhneft	21	20	18		Russian Ministry of Energy
	Machinoimport	10	10.5	8		Russian Ministry of Foreign Trade
	Zan Gas	8	6	6		Russian Ministry of Machinery
	Alfa Eco	13	11	12		Front company for the Russian Ministry of Foreign Affairs
	Tyumen	4	3	4		Front company for the Russian Ministry of Foreign Affairs
	Mr. Issakov	-	-	14		The Russian Presidential Council
	Actec	16	14.5	16		Communist Party
	Tatneft	9	8	6		Tatarstan Region
	Bazneft	-	4	3		Bashkiristan Region
	Slavneft	2	-	5		Government company (Mr. Gotzariev)
	Gasprom	6	5	5		Government gas company
	Lukoil	7	4.5	-		Western Al-Qiramah contract
	Sirgoheftgas	-	3	1		Joint company
	Oil and Gas for Eastern Siberia	-	1	-		Joint company
	Rosneft	5	3	3		Government company
	Nafta Moscow	5	2	4		Joint company
	Oraco	4	3	4		Urenberg region (Mr. Zhinomirtin)
	Sidanco	3	-	-		Mr. Zhirinovsky before
	Transneft	3	2	2		Government oil transport company
	B-Special Requests	-	-	-		
	Raones	4	1.5	2		Former Russian ambassador
	Mr. Zhirinovsky	10	17	9		
	Mrs. Saif Omalotov	3	2	3	14.5	
	Mr. Shafrauk	-	1.5	3	26	
	Political Science Academy	-	1.5	2		
	Gobken University for Oil & Gas	-	1.5	2		
	Mr. Stroyev, head of Unity Russian Council	-	-	3		
	Nord West Group	-	-	2		Mr. Terrenco



To: The Executive Director of SOMO  
Verbal approval of the President Leader, may God protect him, has been obtained as per the verbal notification of the Vice-President of the republic along the margins of the Cabinet's meeting the morning of 06/25/2000.  
Please take the necessary measures for action

*[Handwritten signature]*  
*[Handwritten initials]*

# Letter from Haverhill Trading Ltd. to Bayoil dated June 10, 2000

07-18-2000 08:09AM FROM

TO

7132248101

P.01

## **HAVERHILL TRADING LTD**

Nicosia, Cyprus

DATE: June 10, 2000 TIME: 17:30  
TO: Bayoil Supply & Trading Limited PHONE:  
FAX: +1 713 781 8387  
FROM: Marios Kontemeniotis PHONE: +357 2 750 390 03 641 411  
FAX: +357 2 750 382

CC:

Number of pages including cover sheet: 1

Dear Sir,

According to the Agreement signed between "BayOil Supply & Trading Limited" and "Haverhill Trading Limited" on June 10, 2000 please be kindly asked to sign the Contract with "Kosnotempex NK Rasneft" for buying 6 bbls of Sasruh light crude oil and pay fees as following:

- USD0,02 to "Kosnotempex NK Rasneft" as per Contract.
- USD0,12 to "Haverhill Trading Limited" after the nomination of the vessel.
- USD0,10 to "Haverhill Trading Limited" 30 (thirty) days after the B/L.

Shipment in July - 2 bbls. In August - 4 bbls. In September - 2 bbls.

Thanking You,  Marios Kontemeniotis

TOTAL P.01

SNT 015625

SNT 015625

Permanent Subcommittee on Investigations

**EXHIBIT #20**





# Memorandum from SOMO to the Minister of Oil dated September 26, 2002

In the Name of God, Most Gracious, Most Merciful

Republic of Iraq  
Ministry of Oil  
Oil Marketing Company (State Company)

No.: KH1/11268  
Date: 19 Rajab, 1423 H  
Equivalent to 09/26/2002

Stamp  
Ministry of Oil/Office of the Minister  
No.: 17001  
Date: 09/28/2002


To: H.E. the Oil Minister  
RE: Approval on Exported Crude Oil Contracts

In compliance with the approval of the vice-president of the republic, Mr. Taha Yassin Ramadan dated 08/24/2002 regarding the allocation of (3) million barrels in phase (12) to Mr. Voloshin, head of the Russian Presidential Council, please find below the details of the contract signed with Impexoil Russian Company:

- 1- Number of Contract: M/12/109 Date: 09/24/2002
- 2- Name of Company Buyer: Impexoil LLC.
- 3- Nationality: Russian
- 4- Quantity & Quality: (3) million barrels divided as follows:
  - (2) million Barrels of Al-Basrah light crude oil FOB Al-Bahr terminal
  - (1) million Barrels of Kirkuk crude oil FOB Ceyhan terminal
- 5- Destination of Crude Oil: Europe and / or America
- 6- Pricing Formula: As agreed on between Oil Marketing Company and the United Nations from time to time
- 7- Validity of Contract: until 11/25/2002
- 8- Estimated Value of Contract in Euro: about (60) million Euros based on an estimated rate of \$20/barrel

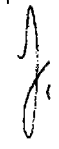
For your review and approval, please.

Regards,

  
Ali Rajab Hassan  
Acting General Director

For the Approval of the Minister

I approve



09/28

Permanent Subcommittee on Investigations

EXHIBIT #27


اسم الذ الرضخ الرضخ  
رقم / ح / ٨ / ٢٠٠٢  
البلد / ٩ / ١٢٣٢  
الرقم / ٢٠٠٢ / ٩  
البلد / ٩ / ١٢٣٢  
الرقم / ٢٠٠٢ / ٩  
البلد / ٩ / ١٢٣٢  
الرقم / ٢٠٠٢ / ٩  
البلد / ٩ / ١٢٣٢




بم الصلافة على عدوه النطق الحام المصبر

تعدلاً لرقعة السيد نائب رئيس الجمهورية الاطلاع على ايامين رمضان الطير في ٢٠٠٢/٨/٢٤ وبسبب ان  
تخصيص (٣) مليون برميل السيد الرئيس يونس جوان الرضا في روسيا لوجبة (١٢) في اثناء حسابها لعدد  
الموقع مع شركة ايمبيكس لويل الروسية.

- ١- رقم العقد وتاريخه : M/12/109
- ٢- اسم الشركة المتعاقبة : IMPEXOIL LLC.
- ٣- الجنسية : روسية
- ٤- الكمية والوجبة : (٣) مليون برميل مزجاة كالاوي (٢) مليون برميل عام البصرة والجبيل فوب البحر (١) مليون برميل عام كركوك فوب جيهان
- ٥- وجهة النطق الحام : روسيا والولايات المتحدة
- ٦- طريقة التسليم : حسبما يوافق عليه بين شركة التسليم والكمب الصلافة من جيهان لاكمب
- ٧- صفة البضاعة : نفطية (٢٠٠٢/٩/٢٤)
- ٨- القيمة التقديرية : حوالي (٦٠) مليون يورو على اساس سعر تقديري قارو
- ٩- التوقيع بالاسم : (١٠) دولار للبرميل الواحد .
- ١٠- تاريخ التوقيع : مع التوقيع .

  
علي رجب حسن  
للمدير العام وكالة

صلافة السيد الوزير اعظم

صلافة  


# Internal SOMO Memorandum dated December 25, 2002

In the name of God, Most Gracious, Most Merciful

To: The Financial Department No.: KHI  
 From: Crude Oil Marketing First Department Date: 12/25/2002

RE: Contract No. M/13/33 Signed with Impexoil LLC Company

On 12/12/2002, we signed a contract with the aforesaid company to supply it with quantity of crude oil as per the following terms:

- 1- Number of Contract: M/13/33
- 2- Date: 12/12/2002
- 3- Name of Company: Impexoil LLC.
- 4- Nationality: Russian Nationality of Allocation Holder: Russian
- 5- Party Benefiting from Allocation: Head of the Russian Presidential Council
- 6- Quantity & Quality: (2) million barrels of Basrah light FOB Al-Bakr terminal, including (1.650) million barrels that were lifted as per contract M/12/109
- 7- Destination of Oil: Europe and / or America
- 8- Pricing Formula: depending on destination
- 9- Period of Supply: until 06/02/2003
- 10- Approval of the Overseers: we will inform you of the overseers' approval once we receive it
- 11- Address of the Company:  
 IMPEXOIL LLC.  
 3/1, KHOKHLOVSKY PER., MOSCOW, 101000, RUSSIA  
 PHONE: (7 095) 917-0385, 956-2737  
 FAX: (7 095) 956-2615  
 E-mail: imp-oil@dol.ru
- 12- Other Terms: as per the general terms in force for the company's sales FOB Al-Bakr terminal

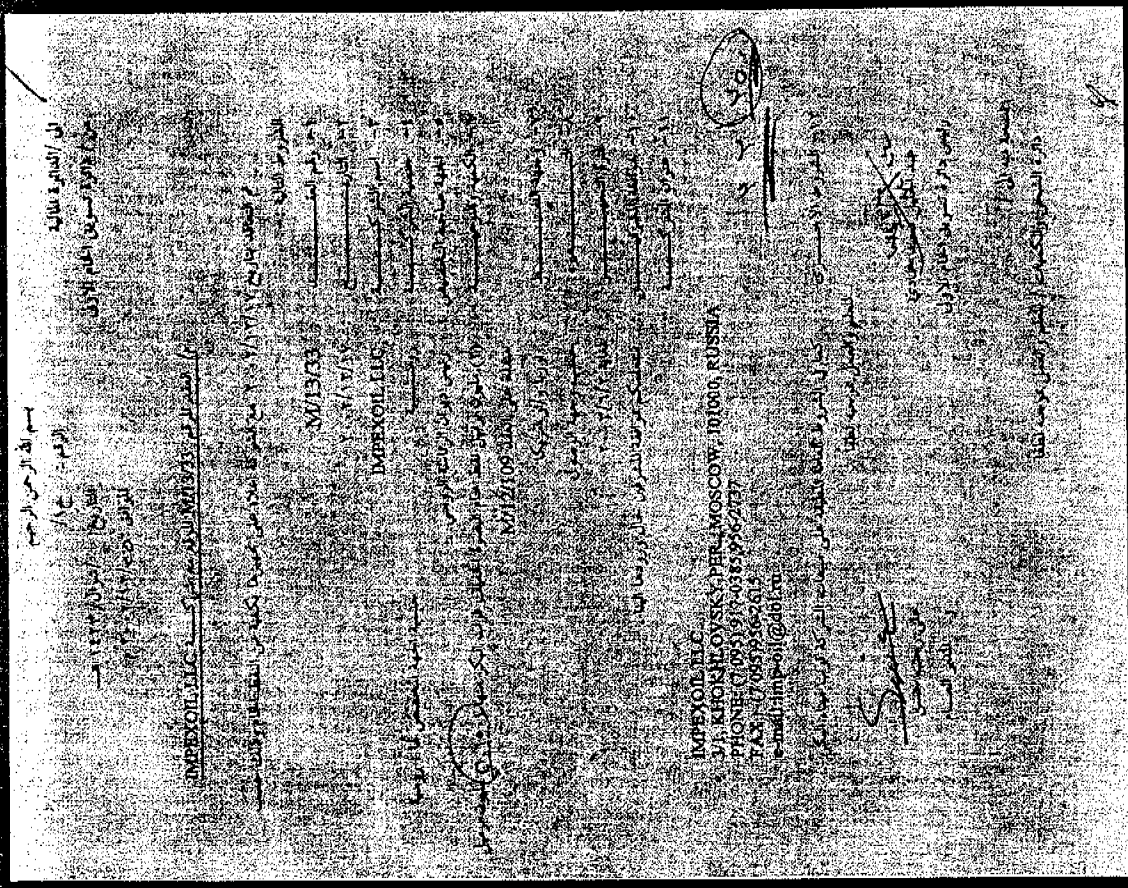
Please be informed and act accordingly.

02/24  
 Abd-al-Jalil Said Hammadi  
 Head of Oil Marketing First Department

Ali Rajab Hassan  
 Deputy General Director

Cc:

Shipping & Quantities Department / please be informed and act accordingly





**Table 13: Estimated Division of Bayoil's Payments  
Between Iraq, the Designated Purchasing Agents,  
and the Russian Presidential Council in connection  
with Contracts M/08/85, M/09/25, M/10/15,  
M/12/109, and M/13/33.**

Contract	Number of Barrels Lifted	Surcharge Payments to Iraq (25-30¢ a barrel)	Bayoil Payments to Purchasing Agent (2¢ a barrel)	Suspected Payments for the Benefit of the Russian Presidential Council
M/08/85	8,009,014	---	\$160,180.28	\$1,761,983.08
M/09/25	6,271,688	\$1,773,457.10	\$125,433.76	\$241,148.76
M/10/15	12,828,688	\$3,848,606.40	\$256,573.76	\$847,840.48
M/12/109	3,037,799	---	\$60,755.98	\$121,511.96
M/13/33	350,000	---	\$7,000.00	\$10,500.00
<b>Totals:</b>	<b>30,497,189</b>	<b>\$5,622,063.50</b>	<b>\$609,943.78</b>	<b>\$2,982,984.28</b>