

STATEMENT BY
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BEFORE THE
SENATE HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS COMMITTEE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

ON THE
UNITED NATIONS OIL-FOR-FOOD PROGRAM

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Mr. Chairman, distinguished members of the Committee,

I welcome this opportunity to appear before you today to discuss the UN Security Council's management of the multilateral sanctions regime on Iraq, including oversight of the Oil-for-Food Program, and the ways in which the United States, with strong support from the United Kingdom, attempted to compel Member State adherence to the restrictive measures on the former Saddam regime.

Mr. Chairman,

In previous testimony before this and other Congressional committees investigating Oil-for-Food matters, my colleagues and I have tried to delineate the various ways in which Saddam Hussein attempted to undermine and subvert the comprehensive sanctions imposed by the UN Security Council on Iraq under Resolution 661 (1990) following Saddam's invasion of Kuwait in August 1990. Given the focus of today's hearing, it is important to note that Saddam's efforts to evade the sanctions were facilitated through the cooperation and complicit involvement of various parties outside Iraq.

In my April 12 testimony before the International Relations Subcommittee of the House Government Reform Committee, chaired by Congressman Christopher Shays, I referred to what I described as a pull-down menu of manipulative mechanisms that Saddam employed to circumvent the sanctions. I said that these included surcharges, the topping off of oil loadings, influence pedaling, product substitution, product diversion, phony service contracts, phantom spare parts, shell corporations, illusory performance bonds, hidden bank accounts, and plain old-fashioned bribery and kickbacks involving millions of dollars.

While the United States, with strong support from the United Kingdom, attempted to counter Saddam's efforts at non-compliance, we often were met with resistance by those States, including members of the UN Security Council, and, hence, participants on the Iraq Sanctions "661" Committee, who may have been benefiting economically and financially from their ongoing relationships with the Saddam regime, particularly under the UN Oil-for-Food (OFF) Program.

Saddam cleverly exploited these avenues for non-compliance by granting oil and humanitarian supply contracts to those willing to bend the rules in Iraq's favor. So when, for example, the United States and the United Kingdom attempted to institute an oil pricing policy in the 661 Committee, which became known as "retroactive pricing," that was aimed at reducing or eliminating unauthorized excess charges being imposed by the Iraqi Government on oil export contracts, certain 661 Committee members strongly resisted our efforts. In that instance, we were able to use the consensus rule of the 661 Committee to our advantage to withhold our consent to oil prices proposed at the beginning of each month by Iraq's State Oil Marketing Organization (SOMO), until we were able at the end of the month to determine whether the proposed prices reflected "fair market value" in comparison with other comparable crude oils. By all accounts, our strategy succeeded in greatly reducing oil surcharges from fifty cents per barrel to about five cents per barrel, thereby reducing the involvement of oil middlemen who, according to the UN Oil Overseers, contributed nothing to Iraq's oil export efforts under the Oil-for-Food Program.

Mr. Chairman,

661 Committee members with strong economic interests in Iraq used numerous tactics both procedural and substantive to delay or oppose our attempts, in coordination with the British, to achieve compliance with the sanctions.

Mr. Chairman,

The combined efforts by Saddam to avoid compliance with the sanctions, coupled with the willing acquiescence of certain governments to permit unauthorized deviation from the measures, made it increasingly difficult for the United States and the United Kingdom to maintain the effectiveness of the restrictions, despite our best efforts. Much of what the U.S. could and could not achieve with regard to monitoring the Oil-for-Food Program and implementing the sanctions was directly related to the political situation surrounding the contentious issue of Iraq in the Security Council and in the 661 Committee. Our efforts to keep the comprehensive sanctions regime in place for as long as we did, from August 1990 until May 2003, despite its inevitable weakening, far exceeded the expectations of policymakers at the time the restrictions were first imposed.

Mr. Chairman, in the time remaining for my prepared testimony, I would like to cite two examples of the types of problems we and the British faced in our dealings in the 661 Committee. One situation we attempted to

correct, only to be met with stiff resistance from other Committee members, involved the unauthorized flow of oil through the Iraq-Syria pipeline, a violation we repeatedly criticized both in our public statements and in our discussions with other Security Council and 661 Committee members. During an October 2002 meeting of the 661 Committee, we requested an explanation as to the apparent discrepancies between the amount of oil Syria produced domestically, the amount it consumed domestically, and the total annual volume of oil that Syria exported. The Syrian representative, a member at the time of the 661 Committee, with support from other delegations, questioned the reliability of the figures we quoted, which we had drawn from publicly available oil industry publications. Another delegation, seeking to deflect the focus on Syria, suggested the Committee's work would be more effective if alleged sanctions violations were not considered singularly and in isolation, but rather were viewed in the relative context of other reports of non-compliance.

A second example to which I would draw your attention involved the use of ferries traveling from the United Arab Emirates to and from Iraq, ostensibly authorized only to transport passengers and their immediate possessions, not commercial goods. In a series of 661 Committee meetings, we and the British repeatedly objected to giving permission to the governments of Bahrain, Oman and Qatar to initiate their own ferry service to Iraq unless and until the illegal practices of the ferries operating from the UAE first were stopped. We specifically took such action because several successive briefings to Committee members by the Commander of the Multinational Maritime Interception Force (MIF), operating in the Persian Gulf, confirmed with photographic evidence that commercial goods and supplies were being loaded onto ferries in the UAE in direct violation of previously agreed Committee rules governing ferry service. Other 661 Committee members severely criticized us and the British for linking our decision to block Committee approval of ferry service from other Gulf states to the ongoing problems associated with ferry service from the UAE to Iraq. However, we maintained our opposition to new ferry service and requested that steps be taken to compel the government of the UAE to exercise greater control over ferries departing from its ports to Iraq.

Finally, Mr. Chairman, concerning the oil voucher program established by Saddam allegedly to reward those individuals, groups, and entities who had helped the Iraqi regime, I would like to offer two observations:

a) knowing now of the existence of such a program, in retrospect, possibly helps to explain why certain members of the Security Council and the 661 Committee fought so strenuously with us and the British to abandon our retroactive oil pricing policy, to release our holds on what amounted by the Spring of 2002 to 5.4 billion dollars in humanitarian goods contracts, and generally to ease the restrictive measures against Iraq; and,

b) had we and the British known at the time of Saddam's efforts to influence individuals, groups, and other governments by means of an institutionalized, secret oil allocation program, we likely would have considered other strategies to address sanctions non-compliance and the apparent influence-peddling in which Saddam was extensively engaged.

Mr. Chairman,

I have intentionally limited the length of my formal statement in order to permit additional time for questions from you and the other Committee members. I know you are aware that there are some limitations as to what I can say in an open briefing. I will attempt to answer all your questions within the confines of U.S. law limiting public dissemination of classified material. Should you and other Committee members seek additional information pertaining to classified material that might require a closed hearing, I stand ready to provide you with whatever details you may desire.

Mr. Chairman, thank you for the opportunity of appearing before the Committee today. I am happy to answer questions when you so indicate.

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