

Statement For the Record
Of
CHARLES DUELFER

Special Advisor to the DCI
For Iraq WMD

To

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Thank you for the opportunity to be here and share some elements of my recent report on Iraq WMD.

The report and the supporting analysis aimed at providing a synthetic view of the former Regime's decisions and strategies as related to WMD. It was one of my objectives to describe the context within which Saddam made his decisions about WMD.

WMD did not happen in a vacuum. To understand what happened to Iraqi WMD and perhaps to learn lessons that might inform future policies, I felt it was important to examine the surrounding factors that impinged on Saddam's decisions. At different times, Saddam opted to have and then not have WMD. It was my hope to try to illuminate the conditions that led to these different courses.

I also tried to analyze the Regime's relationship with WMD over time. We have been wrestling with the prospect of the Iraqi nation with Saddam and WMD for almost three decades. It would have been grossly deficient simply to tally up the remnants of the WMD program. My goal was to understand the dynamics behind the decisions Saddam made.

To this end, we delved into the nature of Saddam's objectives and his perspectives on the world. A significant part of the report addresses the manner of Saddam's rule and his vision for himself and Iraq. Unlike previous reports on the Regime, we had access to primary sources – Saddam's top advisors as well as Saddam himself.

Understanding and analyzing WMD in Iraq is, in one way, simplified because the regime was basically one person – Saddam Hussein. This certainly bounded the analysis.

A second way of bounding the problem was to consider the limited amount of resources available to the regime. Sanctions and the oil embargo put strict limits on Iraq's disposable income. It struck me that if we could account for the resources available to the Regime, and examine how the regime allocated them, we could learn a great deal about its objectives and actions related to WMD.

This line of investigation quickly highlighted not just the tangible resources available to Iraq, but also the influence that the Regime accrued through the potential to allocate future resources. Examination of the resource decisions and the actions the

Regime took to disperse its favors proved an excellent way of highlighting the objectives and intentions of Saddam.

We identified several key inflection points in this history. One was in the summer following the 1991 war. The UN Security Council had taken the decision to link the lifting of sanctions and oil embargo imposed in August 1990 when Iraq invaded Kuwait, to Iraq's ridding itself of WMD.

A new inspection organization was created for this purpose. Initially, *all* thought it would be short-lived—Saddam amongst them. However, during the summer, early inspections proved more mettlesome than Saddam anticipated and while he made early decisions to offer partial compliance, it became obvious this would not suffice.

Saddam then established, as his top priority, to get out from the web of international sanctions. Other matters would be pursued on a non-interference basis with this prime objective. His policies, his actions, his tactics and strategies from that point – all had the objective of getting rid of sanctions.

The evolution of his approach toward the UN Security Council reflected his usual dual approach of reward and threat. In the same way he ruled at home, he dealt with the international community and the UN Security Council in particular.

Saddam offered partial compliance combined with defiance. He always wanted to bargain. He exerted pressure on the Security Council and tried to divide it. He would acquiesce to their demands only when unavoidable and usually partially. He preferred confrontation.

His lieutenants criticized this approach as having prolonged the sanctions.

Saddam's goal of getting out of sanctions was prime and shaped all his relations with the Security Council and its members.

The Security Council recognized from the start that sanctions were a penalty imposed on all Iraqis, not just the leadership. From 1991 on, the Security Council had made available the option for Iraq to sell oil under conditions that the revenues would only go for humanitarian purposes. The Council was very sensitive to accusations that *their* actions, imposing the sanctions, were the cause of the suffering of the Iraqi people. A pair of resolutions, UNSCR 706 and 712 first provided this option of humanitarian relief to the Regime.

Saddam understood this pressure and the leverage it conveyed to him. He understood that if he exercised the option of exporting oil under the condition that only humanitarian aid could be delivered, then it would relieve the pressure on the Council to lift sanctions in their entirety. He steadfastly refused to accept this option and at every opportunity chose to link the Security Council and the problems with the inspectors, with the deaths of thousands of Iraqi children. In essence, he held his population hostage.

Saddam sustained this position for five years during which time conditions in Iraq decayed. Infrastructure collapsed. Health care diminished. Aid agencies such as UNICEF reported the statistics of decay.

The middle class was wiped out. The value of one Iraqi dinar was over three dollars before the 1991 war. By 1996, the value was on the order of 1500 dinars to the dollar. In effect the entire savings of the middle class vanished. Jobs vanished. Iraqis tried to leave to find work elsewhere.

In mid-1995, Saddam's son-in-law, Hussein Kamal, defected to Jordan. Hussein Kamal was the key regime figure who had been in charge of the development for Saddam of all the WMD programs. When he left, the regime was forced to acknowledge it has not been fully forthcoming with the UN inspectors and WMD documents, materials, and programs had been concealed.

The sympathy and support that had been building in the Security Council for the Iraqi position dissipated. Even Iraq's friends in the Security Council backed off. Suddenly, Baghdad realized sanctions would not soon be lifted. At the same time, their effect continued to grind down Iraq's people.

In 1995, a new resolution, UNSCR 986, was passed to offer relief to the Iraqi civilian population. This resolution, which became known as the Oil-for-Food (OFF) program, was not accepted until December 1996 and only after several months of negotiations between the office of the Secretary General and Baghdad. Saddam only accepted this program when the damage of the sanctions on the civilian infrastructure itself became regime-threatening.

The initiation of this program turned out to have many benefits for the Regime.

The program did achieve the objective of reducing the suffering of the Iraq population. However, it also had unanticipated collateral benefits for the regime.

First, there began a large flow of businessmen to Baghdad in search of contracts. While the UN held the checkbook, in effect, Baghdad still made the decisions on who would get the money. This provided a lever that empowered Saddam to reward or punish those seeking OFF contracts.

The flow of commerce expanded quickly to include the refurbishment of the decayed oil infrastructure. Baghdad shrewdly played various parties off against one another to win their favor. They made it clear that sanctions would not last forever, and when they were lifted, Baghdad would remember who their friends were. This attitude permeated all transactions and the attitude grew that sanctions were eroding and "everyone else" was making money. This effect was intangible, but powerful nonetheless.

The report describes the nature of income that Iraq was able to generate during this period. We broke them into largely four types:

- Protocols with neighboring countries
- Smuggling of oil products
- Kickbacks associated with OFF contracts
- Surcharges on oil exported through the OFF program

The report describes in illustrative cases how transactions occurred, estimated their magnitude, and, more to the point of the report, where the funds were directed. It is shown, for example, that the budget of the Military Industrial Commission (MIC) surged from \$7.8 million in 1998 to \$350 million in 2001. In 2003 Iraq had budgeted \$500 million for MIC. Saddam's priorities were clear.

The process of allocating oil liftings was also instructive in terms of the strategy and tactics of Saddam regarding escaping sanctions.

We began obtaining data last winter from the Oil Ministry and the State Oil Marketing Organization. The objective was to review the resources that were available to Iraq and determine if they led to any WMD activities. Combined with our investigations of the procurement mechanisms for sanctioned goods, we developed a fairly robust picture of the systems the Regime used. It is not an all-inclusive picture. We made no attempt to unearth all activities, but rather the illustrative examples that were supported by the testimony of Iraqis we debriefed.

It is important to emphasize that our work took as a point of departure, the Iraqi perspective. We sought to understand what Iraq was doing. We were not investigating the countries who supplied sanctioned items to Iraq, nor were we investigating the judgments or culpability of any party.

I will note a couple of major points from this examination.

We found that there was a momentum shift in late 1998 when Iraq terminated cooperation with UN inspectors. Iraq has been pursuing two tracks to getting out of sanctions. They participated in the inspection and monitoring process at the same time they worked to erode support for that process and also the sanctions.

The decision by Baghdad to terminate cooperation and focus strictly on a policy of erosion of sanctions began in August 1998. The full cessation of cooperation with inspections provoked a limited four-day bombing campaign by the United States and United Kingdom in December 1998.

Other Council members including Russia and France were furious at what they declared to be unauthorized military action. This left the Security Council deeply divided. At the same time, the OFF program was continuing and commerce growing in

Iraq. The inspectors were gone. As Tariq Aziz commented, Baghdad could have sanctions with inspectors or sanctions without inspectors. They chose the latter.

Throughout 1999, the Security Council debated how to address Iraq. The sanctions remained, but were fraying and Iraq applied whatever tools it could to generate support for its position. Ultimately, the Council agreed upon a new Resolution 1284 in December 1999. This replaced the former inspection organ, UNSCOM, with a new one, UNMOVIC, and changed certain other provisions related to the prospects for lifting of sanctions based upon progressive steps of compliance by Iraq. Nevertheless, Iraq chose to ignore the resolution and did not permit inspections.

By 2000, funds from the four general revenue streams I noted earlier made life much better for the Regime. I would observe that the Jordanian protocol created in the early nineties now began to be replicated in this period. It was a model Iraq and its neighbors used to open and increase commerce.

The infusion of funding allowed Iraq to begin efforts to refurbish conventional military capabilities among other things such as palace construction. In 2000 we found Saddam made a decision to invigorate his long-range ballistic missile programs – this was directly keyed to the availability of resources and material and expertise in spite of sanctions.

The view for Baghdad was good in 2000-2001. Businessmen filled Baghdad's hotels. Flights were restarting to Saddam International Airport. The Baghdad International Fairs were bursting with foreign companies and representatives soliciting business with the Regime. Saddam was looking like a winner in many places.

Attention at OPEC meetings was riveted on the prospects for increased Iraqi oil production. Baghdad derived substantial international leverage from the speculation about its future decisions and their potential effect on markets. Oil analysts and traders were solicitous if not groveling with the Iraqi delegations.

It was also apparent to Baghdad that the American effort to revise sanctions with so-called "Smart Sanctions" was an indication of weakness. Baghdad was hearing from other Council members that these steps were all favorable to Iraq.

It is also important to appreciate that Baghdad was never an easy friend to its supporters. The Regime kept making more demands of its "friends" and often ignored their advice on how to relate to the Security Council.

True to form, Saddam made one last strategic blunder. He failed to grasp the effect of the attacks of September 11, 2001. He did not understand how this radically changed the international environment. Only following the January 2002 State of the Union Message, did Saddam *begin* to realize he could no longer stonewall on weapons inspections. He realized too late that his "friends" on the Security Council were limited in what they could or would do.

Yet he still insisted upon attempts to bargain. He would not simply accept inspections but rather opened a long process of negotiations with the UN. Ultimately, this worsened the conditions under which Saddam finally accepted inspectors.

During 2002 while Saddam tried to negotiate conditions for accepting inspections, the US pressed for a new resolution with tougher measures than the Council agreed previously in December 1999 in Resolution 1284. This was a reverse from the trend in the Security Council of loosening constraints on Iraq. The tougher US line found more traction in the Council following September 11. Saddam did not understand the changed environment.

In conclusion, the portion of this report devoted OFF and the Regime's finances is aimed at supporting assessments about WMD programs. It is also a vital indicator of the direction and intentions of the former regime. We were not conducting an investigation of OFF, the United Nations, or other nation's actions. Our goal was to delve into the interior of a very opaque and dangerous regime. Much of what we found was ugly. The Regime depended, not on bringing out the best in people, rather on promoting the worst. It poisoned everything it touched.

Thank you.