THE MYSTERIOUS MISPLACED BILLIONS Si Frumkin

Some called it “the biggest scandal in human history”. Others reduced the scale some what to “most extensive fraud in the history of the U.N.” Whatever the scale, there is no doubt that it was a gigantic scam, a crime where tens of billions of dollars were involved and hundreds of participants were willing and eager accomplices. It not for the fall of Saddam it might still be going on with more billions being earned for his palaces and weapons, for subsidies to terror groups and rewards to the families of suicide bombers, and, more prosaically, to line the pockets of the greedy but influential international crooks.

The outrage was the “Oil for Food” (OFF) program. It ended 4 years ago and memories have grown dim. Here is a very much simplified and abbreviated story of what happened and what *hasn’t* happened since then.

In 1990, after Iraq invaded Kuwait, U.N. reacted by imposing sanctions that prohibited exports of Iraqi oil. In 1996, after the conclusion of the first Gulf War and several years of usual U.N. procrastination, the U.N. with American cooperation, in response to reports of civilian suffering, implemented a program to allow Iraq to sell oil on the world market in exchange for food, medicine and other humanitarian needs.

In November 2003, after Saddam’s defeat, the program was terminated and handed over to the Iraqi national coalition.

The OFF program ran for seven years. During that time Saddam’s regime collected more than $21 billion in illicit profits from illegal oil sales under the program that was supposedly closely supervised, controlled and administered by the U.N. According to reports by the U.S. Senate, CIA and other reputable sources, about 2/3 of this amount - $13.6 billion – came from “smuggling”, direct sales to countries like Syria, Turkey, Jordan and others. This was obviously illegal but tolerated and ignored by the U.N. administrators.

The rest of Saddam’s illicit income – estimated at between $6 and $13 billion – came from a somewhat more complicated scheme. Saddam was granted the right to select the buyer of Iraq’s oil and negotiate the selling price. He then selected the buyers from an array of influential politicians, businessmen, corporations and regime bank accounts. They were offered to buy oil at a substantial discount and re-sell it at a higher price to legitimate final users and brokers, keep part of the profit and kickback the rest to Saddam.

Put it another way, if oil was at $50 a barrel at the time, Saddam would offer to sell a million barrels at $40 to an influential Frenchman, Russian or U.N. bureaucrat. The oil would then be resold at $50 per barrel to an oil company and the $10 million difference would be split between Saddam and the original buyer.

The scope of the scheme was gigantic. In January 2004, an Iraqi newspaper published a list of 270 people from 40 countries who participated in it. The list was based on over 15,000 documents that came from an Iraqi oil corporation with close link to Saddam's government. The majority of the names were from France, Russia and China – the three countries that were most sympathetic to Iraq in the U.N. and kept obstructing any steps at lessening the sanctions or tightening arms control inspections. The list of Russian individuals and corporations covered 15 single spaced pages and included many Kremlin officials. The French names included several former Cabinet ministers, highly placed foreign ministry officials and other influential political figures that included some of the directors of the Banque Nationale de Paris-Paribas, an independent private bank - the only bank that was administering the $64 billion FOF program. U.S., Britain and U.S. participation was insignificant – they were listed among 20 minor "others".

The U.N. administrator of the OFF program, Benon Sevan was one of the more visible culprits. Eventually, Sevan was suspended by U.N.'s Secretary General Kofi Annan, however, without loss of diplomatic immunity or retirement benefits. Since then, Sevan fled the U.S. to his native Cyprus which does not have an extradition treaty with the U.S.

Kofi Annan had an additional problem as well. His son, Kojo Annan, was employed by Cotecna, a Swiss company that won a $4.8 million contract to monitor the FOF shipments to Iraq. Kofi Annan, who was never directly accused of participating in the scam, reacted with surprise at this revelation and expressed his disappointment. He was also very surprised when his son bought a Mercedes through U.N. auspices to avoid sales tax and import duties.

There were investigations, reports, commissions of inquiry. U.N. refused – and is still refusing – to open its records on the matter. The net result now, 4 years after FOF ended, is depressing.

In the U.S., three oilmen were tried and convicted. One of them, O.S. Wyatt was sentenced to one year in prison. On December 14, a tiny item on page 20 of the N.Y. Times reported that "Ludmil Dionissiev, an oil trader, was sentenced in New York to two years of probation and a $5,000 fine for his role in a conspiracy to defraud the U.N. oi-for-food program". Another, David B. Chalmers pled guilty and was supposed to be sentenced in November, 2007; strangely enough I was unable to find any record of a sentence. Still, the U.S. is an exception in at least having prosecuted and punished someone. After a thorough Internet search I was unable to find a single conviction or trial of anyone anywhere else on the globe.

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