

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

I. INTRODUCTION AND SUMMARY

On December 10, 1996, after six years of facing export prohibitions as a result of sanctions, Iraq was authorized to sell its crude oil under the Oil-for-Food Programme. Iraq sold approximately \$64.2 billion of Iraqi crude oil during the Programme. Summary listings of oil buyers are provided on the Committee's website, www.iic-offp.org, in Table 1 (entitled "Oil Allocations and Sales Summary by Contracting Company") and Table 2 (entitled "Oil Sales Summary by Contracting Company and Contract").¹

Under Resolution 986 and the Iraq-UN MOU, Iraq could choose to whom it sold oil. It exercised its discretion to award oil contracts to its significant advantage. Two overriding factors determined Iraq's choice of oil recipients. The first factor was influencing foreign policy and international public opinion in favor of ending sanctions against Iraq. Later in the Programme, Iraq sought to generate illicit income outside of the United Nation's oversight. One source of illicit income was from so-called "surcharges" paid on crude oil contracts under the Programme. The Iraqi regime demanded that payments be made to Iraqi-controlled bank accounts and Iraqi embassies abroad. Iraq earned \$228.8 million of income from these surcharges. Table 3 (entitled "Surcharge Payments Associated with a Contracting Company") provides a listing by company of the vast majority of contracts that had been assessed surcharges.²

In allocating its crude oil, Iraq instituted a preference policy in favor of companies and individuals from countries that, as Tariq Aziz described, were perceived as "friendly" to Iraq, particularly those that were members of the Security Council. Russian companies purchased almost one-third of the oil sold under the Programme. The Russian Ministry of Fuel and Energy and the Iraqi Ministry of Oil coordinated the allocation of oil to Russian companies. French companies were the second largest purchasers of oil under the Programme overall. The Iraqi oil trade with French companies dropped significantly after Iraq imposed surcharges.³

¹ Throughout this Report, Table 1 is referenced as "Committee oil summary table," and Table 2 is referenced as "Committee oil company table."

² Throughout this Report, Table 3 is referenced as "Committee oil surcharge table."

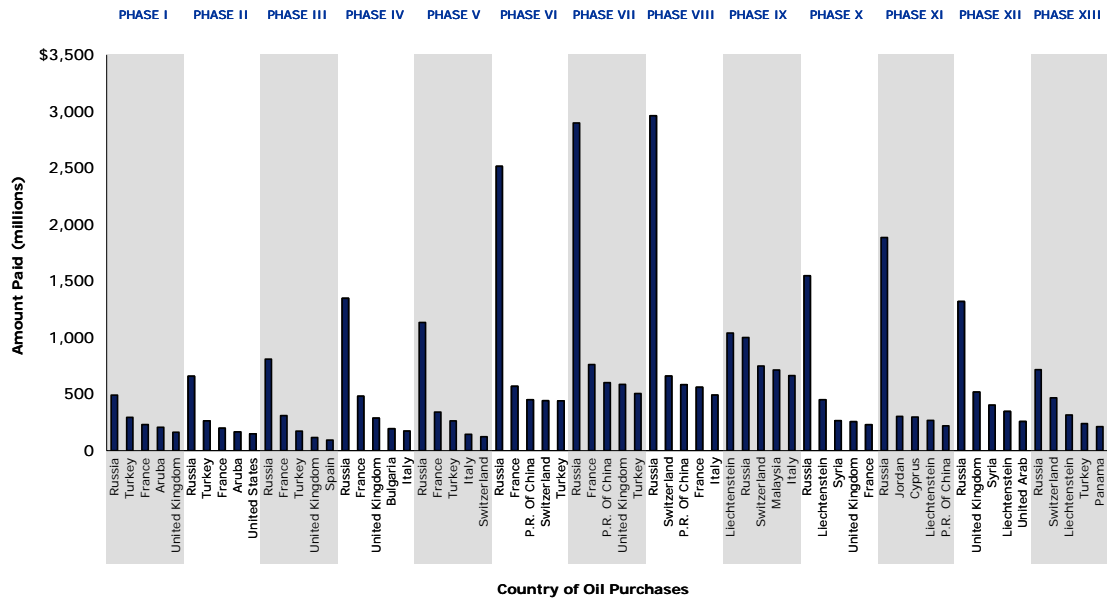
³ "Programme Management Report," vol. II, p. 29.

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Chart A – Top Five Country Oil Purchasers by Programme Phase⁴



If Iraq was dissatisfied with the political positions of a country, it stopped selling oil to that country’s companies. Initially, Iraqi Vice President Taha Yassin Ramadan and Minister of Oil Amer Rashid convinced Saddam Hussein to allocate oil to companies based in the United States in an effort to persuade the United States government to soften its attitude toward Iraq. According to Mr. Ramadan, Iraq shifted the oil to Russian companies when there was no perceived change in United States policies.⁵ Iraq’s policies did not prevent companies from disfavored countries from obtaining Iraqi crude oil. A substantial volume of oil under contract with Russian companies was purchased and financed by companies based in the United States and elsewhere. Many of the letters of credit executed under the Programme were financed by non-contracting companies. Table 4 (entitled “Known Underlying Oil Financiers”) provides a listing of the underlying financiers of oil contracts that the Committee was able to identify. The

⁴ TaR (Dec. 1996 to Mar. 2003). TaR is an analytical database maintained by the Committee that contains information gathered in the course of its investigation, including data from the United Nations Treasury database of payments, the Office of the Iraq Programme (“OIP”) database of contracts, correspondence and data from Iraqi files, data from third-party sources such as Dun & Bradstreet and Platts, correspondence and records from certain companies involved in the Programme, and records from selected banks. Under the Programme, it sometimes occurred that companies did not lift the oil in the phase that the contract had been executed. The data in this chart reflects the cost of contracts executed in each phase—regardless of the phase in which the oil effectively was lifted. This explains the difference in rank of certain countries indicated in previous Committee reports, where the analysis has been made based on the quantity of oil lifted by phase.

⁵ Taha Yassin Ramadan interview (Aug. 18, 2005); Committee oil beneficiary and company tables.

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names of these companies typically did not appear on SOMO contracts or United Nations records.⁶

Iraq awarded “special” allocations not only to companies, but also to individuals and their representatives. These individuals were influential in their respective countries, espoused pro-Iraq views, or organized anti-sanctions activities. They included present and former government officials, politicians and persons closely associated with these figures, businessmen, and activists involved in anti-sanctions activities. Iraq also allocated oil to political parties and organizations. Instances of oil allocations to these individuals and parties are discussed in this Chapter. Table 5 (entitled “Summary of Oil Sales by Non-Contractual Beneficiary”) provides a list of oil allocations to “non-contractual beneficiaries” (i.e., individuals and entities other than the named contracting party).⁷

Iraqi officials awarded these “special” allocations without regard to the beneficiary’s familiarity with the oil trading market. Some beneficiaries sought the assistance of intermediaries to arrange for oil sales. Others used front companies to enter into United Nations contracts and then sold the oil to established oil companies or traders who bought the oil for a premium over the United Nations official selling price for the oil. The premium covered the commissions owed to intermediaries and beneficiaries.

These layers of individuals and companies between the allocating and lifting of the crude oil resulted in transactions in which the United Nations could not determine from the face of the contract who was benefiting from or purchasing the oil. This lack of transparency took on added significance when Iraq instituted a policy to collect an illicit surcharge on every barrel of oil sold under the Programme.

Beginning in the fall of 2000, in the middle of Phase VIII, Iraq ordered its Ministry of Oil to collect surcharges. The surcharge phases ultimately extended until the fall of 2002, in the middle of Phase XII. Iraq initially set surcharges at \$0.10 per barrel. At the end of 2000, Iraq tried to impose a surcharge of \$0.50 per barrel, but soon reduced it to \$0.25 to \$0.30, and ultimately lowered it to \$0.15 before the scheme ended. The Iraqi State Oil Marketing Organization (“SOMO”) ran a highly organized system to collect oil surcharges and maintained an extensive database to keep track of the payments. Every contracting customer, if not each beneficiary, was advised of the requirement. Surcharges were levied on each barrel lifted, that is, loaded by a tanker at the port. Surcharge payments were generally due within thirty days of the oil lift.

Unless a higher official had given a company dispensation, SOMO prohibited a company from loading additional oil when surcharges were overdue. Surcharges owed on a contract were not always paid in full in one payment. Partial surcharge payments often were made in an effort to ensure that SOMO did not stop or delay future oil lifts. For this reason, payments to Iraqi-

⁶ Throughout this Report, Table 4 is referenced as “Committee oil financier table.”

⁷ Throughout this Report, Table 5 is referenced as “Committee oil beneficiary table.”

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controlled accounts may not correspond to surcharges assessed on an entire contract or may be applied to surcharges owed on a number of lifts under more than one contract.

Iraq's unrealistic expectation that the market would bear a \$0.50 surcharge in Phase IX caused an oil exporting crisis in Iraq. At that time, the oil overseers also warned traders and companies that it was illegal to pay surcharges or otherwise make payments to Iraq outside the United Nations escrow account. Customers dropped out of the market. The Minister of Oil made personal efforts to persuade oil traders and companies to help Iraq by promising them substantial oil contracts.

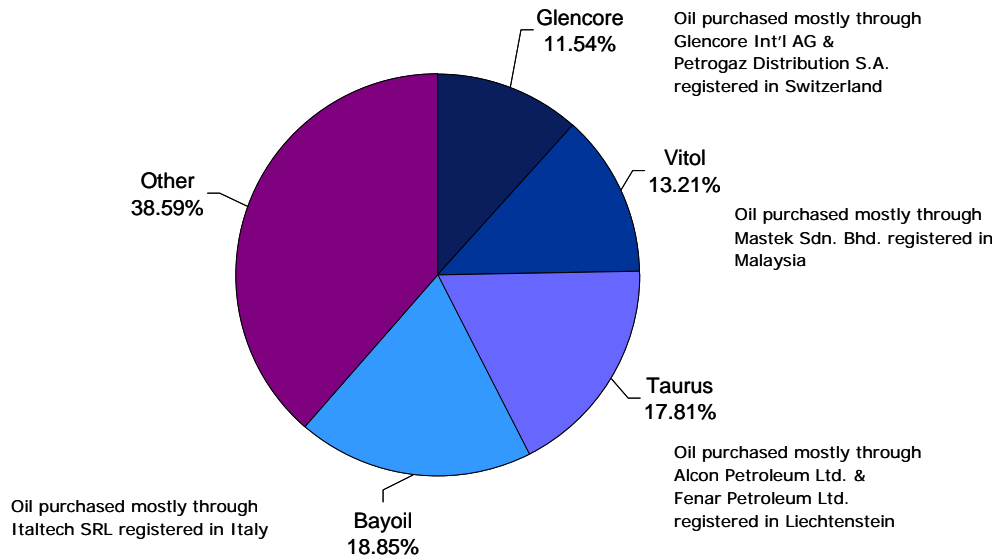
Ultimately, four traders and companies financed and lifted over 60 percent of the Iraqi crude oil during the exporting crisis in Phase IX. The top financiers of Iraqi crude oil in that phase were Bayoil Supply & Trading Limited ("Bayoil"), the Taurus Group ("Taurus"), Glencore International AG ("Glencore"), and the Vitol Group ("Vitol"). None of these traders had been given the significant direct access to oil contracts that they sought under the Programme. In Phase IX, these companies purchased substantial amounts of crude oil through intermediary entities: Bayoil mainly through Italtech SAR, an Italian-based company; Taurus mainly through Fenar Petroleum Ltd. and Alcon Petroleum Ltd, Liechtenstein-based companies; Glencore through its own Swiss-based company, and Petrogaz Distribution S.A.; and Vitol mainly through Mastek Sdn Bhd, a Malaysian-based company, among others.

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Chart B – Top Financiers of Oil Purchases in Phase IX⁸



Iraq's decision to value illicit income over political influence in Phase IX altered the typical distribution of Iraqi oil to companies which had been principally based on nationality in prior phases. The four traders and the companies they used to purchase oil were not from the countries most favored by Iraq. As illustrated above in Chart A, Liechtenstein, Italy, Malaysia, and Switzerland replaced countries like France and China.

Surcharges were assessed and paid on contracts financed by Bayoil, Taurus, Glencore, and Vitol in the surcharge phases. All four traders had some of the surcharges paid to Iraqi-controlled bank accounts through other entities and agents. Taurus and Vitol also paid certain surcharges directly to Iraqi-controlled bank accounts. All of these oil traders and companies deny knowingly making surcharge payments to the Government of Iraq.

Certain practices developed to cope with the surcharges. Companies used a disclaimer in their contracts providing that the party to the contract was not involved in paying surcharges. The inclusion of the disclaimer did not appear to prevent the payment of surcharges. In one instance, an agent for Bayoil admitted to including the disclaimer in fabricated, after-the-fact agreements created to disguise the payment of surcharges. Companies sometimes attempted to disguise

⁸ Committee oil financier table. Some companies lifted the oil contracted under previous phases in Phase IX. This Chart reflects only contracts executed in Phase IX, as opposed to the quantity of oil lifted in Phase IX, as mentioned in other parts of the Report.

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surcharge payments by labeling them as “loading fees” or “port fees.” In one instance, a bank official advised Taurus to switch the term “commissions” on certain money transfers to “loading fees.” Payments labeled as “loading fees” and discussed in this section were applied uniformly to the payment of surcharges on oil contracts.

Oil companies paid high premiums to intermediaries and beneficiaries on Iraqi oil purchases to cover surcharges. When interviewed, companies claimed that market forces, not any deliberate attempt to pay surcharges through another party, caused the increase in premiums. Yet, most of the participants in Iraqi oil sales have admitted that everyone was aware that Iraq demanded surcharges on oil exports. Some participants have admitted to agreeing with oil companies and traders that the premium covered their commission, as well as the surcharges owed on the contract. As described in this Chapter, the premium split was particularly apparent when Glencore paid the commission directly to the contracting company and the surcharge to another entity.

By the fall of 2002, the Government of Iraq decided to discontinue its surcharge policy because of the decrease in demand due to the continued imposition of “retroactive pricing” by members of the 661 Committee. By then, of course, the Government of Iraq effectively had succeeded in using the sale of oil under the Programme as a tool of foreign policy and a sizeable source of illicit revenue.

Part II of this Chapter reviews the administration of Iraqi oil exports under the Programme. Parts III and IV describe the preferential treatment of companies and individuals based in Russia and France, respectively. Part V examines other political beneficiaries of oil allocations. Part VI examines the major oil traders and companies that emerged as significant purchasers of crude oil when surcharges initially were imposed by the Iraqi regime.

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II. IMPLEMENTATION OF THE OIL-FOR-FOOD PROGRAMME

Previous Committee reports have discussed the background to the introduction of surcharges and the effect of the surcharges on the Iraqi oil market, together with the efficacy of measures taken by the United Nations to combat them.⁹

A. THE INITIAL PHASES

Although the sale of crude oil was to be monitored and approved by the 661 Committee, the Iraqi Ministry of Oil and its marketing arm, SOMO, were given the discretion to choose its customers and the amount of oil to be sold to each one. As an initial matter, SOMO contracted with oil companies without regard to the nationality of the owner or the location of their corporate base. According to an Iraqi official, when the Programme began, the Ministry of Oil was concerned about attracting customers given the risk associated with purchasing oil from a deteriorated Iraqi oil industry and under an untested United Nations program. During the first phase, Amer Rashid, then serving as Iraqi Minister of Oil, conveyed to SOMO employees that he was anxious to sell oil to any company prepared to arrange for a vessel to load it. An American, Oscar Wyatt, was the first person who agreed to purchase oil. Mr. Wyatt arranged for a vessel to load the oil through his United States-based company, Coastal Petroleum Company. Other established oil companies followed suit, including: A.S. Tupras (Turkey), Alfa Eco (Russia), BP (United Kingdom), Chevron Products Company (United States), Lukoil Petroleum Ltd. (Russia), Machinoimport (Russia), Repsol Petroleo S.A. (Spain), Shell (United Kingdom/Netherlands), SOCAP International (France), Total International Limited (France), and Zarubezhneft (Russia).¹⁰

B. THE POLITICIZATION OF OIL ALLOCATIONS

As early as Phase II of the Programme, the Government of Iraq began directing oil allocations to particular countries and individuals. Iraqi officials took the position that it was within their discretion to sell oil to countries “friendly to Iraq” and individuals perceived as being able to

⁹ “Programme Management Report,” vol. II, pp. 32-34, 121-150.

¹⁰ *Ibid.*, vol. I, pp. 18, 27-28 (discussing oil sales under the Programme and the respective role of SOMO, the 661 Committee, and the oil overseers); SOMO allocation table for Phase II (translated from Arabic); Iraqi officials interviews. The SOMO Crude Oil Division was responsible for selling oil and executing contracts with purchasers. During the Programme, the division was divided into the Crude Oil Departments I, II, and III to deal with companies from different regions. SOMO sales contract no. M/01/01 (Dec. 8, 1996) (contracting with Coastal Petroleum); Committee oil company table. Each phase lasted approximately six months, and each year—starting in 1997—held two phases of the Programme. Thus Phase I started at approximately the end of 1996 and continued until mid-1997, and Phase II started in mid-1997 and continued until approximately the end of 1997. “Programme Management Report,” vol. I, pp. 18, 27-28.

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influence public opinion in favor of Iraq. The Government of Iraq also believed it had the discretion to cease oil sales to companies based in countries perceived as less friendly to Iraq.¹¹

Subsequent oil allocations fell into two categories, which appear in SOMO allocation tables beginning in Phase II. “Regular” oil allocations were given to established oil companies, many of which regularly had purchased Iraqi oil prior to the imposition of sanctions and had proved to be reliable purchasers. “Special” allocations were given to individuals, organizations, and political parties considered to be “friends” of Iraq or perceived as holding political views supportive of Iraq. Sometimes, to cover all bases, oil allocations were granted to members of the opposition parties as well as the ruling political party.¹²

As its interest in directing oil allocations grew, the Government of Iraq developed an established procedure for distributing oil exports during each phase of the Programme. Beginning in Phase IV, the allocation of oil became highly politicized. A “Command Council,” headed by Vice President Taha Yassin Ramadan, and including Deputy Prime Minister Tariq Aziz, the Minister of Oil, and Minister of Finance Hikmat Al-Azzawi, was created to determine the distribution of oil contracts to companies and individuals of interest. Mr. Ramadan was in charge of allocations to individuals and companies in Arab and Islamic countries as well as in Russia and China; whereas Mr. Aziz handled the French and Italian allocations. Mr. Al-Azzawi was responsible for Belarus and Ukraine. As of Phase IV, Iraqi leaders decided to deny American, British, and Japanese companies direct oil allocations because of their opposition to the lifting of the sanctions against Iraq. On the other hand, Iraqi leaders gave preferential treatment to French, Russian and Chinese companies, because these countries were permanent members of the Security Council and strong advocates of lifting the sanctions.¹³

At the beginning of each phase, SOMO officials revised the list of beneficiaries and oil allocations from the preceding phase based on instructions from Iraqi regime leaders. The proposed allocation list was submitted to the Minister of Oil, who, in turn, submitted it to the

¹¹ SOMO oil allocation table for Phase II (June 19, 1997) (translated from Arabic); Iraq officials interviews; Tariq Aziz interview (Mar. 1, 2005).

¹² Committee oil beneficiary table. The SOMO oil allocation table for Phase II comprised three categories: “friendly countries,” “special requests,” and “others.” Only five entities were included under special requests “Dutch Trafigura (France),” “Samir Vincent,” “Addax (French Deputy/Switzerland),” “Italian Costieri,” and “Turkish Delta Petroleum (or Erdem)”. Tariq Aziz interview (Mar. 1, 2005); Iraq official interview; SOMO allocation table for Phase II (June 19, 1997) (translated from Arabic).

¹³ SOMO oil allocation table for Phase IV (June 11, 1998) (translated from Arabic); Iraq officials interviews; Amer Rashid interview (Oct. 9, 2004); Tariq Aziz interview (Mar. 1, 2005); Taha Yassin Ramadan interview (August 17, 2005) (recalling that, as a result of the United States’ failure to change its attitude toward Iraq early in the Programme, allocations to American companies were reduced quickly and then phased out, and allocations to Russian companies correspondingly increased).

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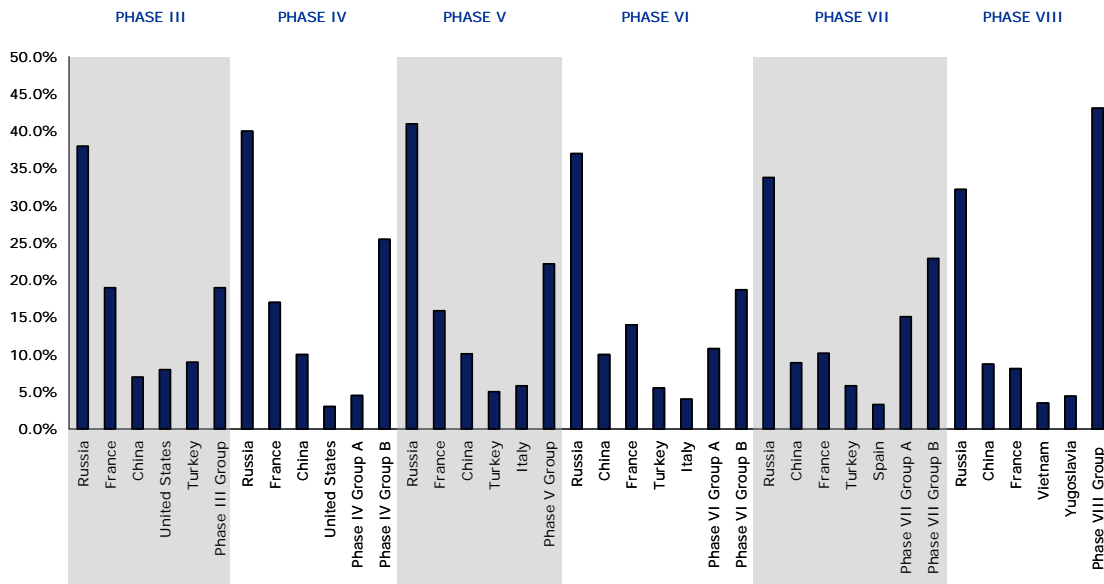
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Command Council, which made adjustments based on political criteria. Final oil allocation lists were approved by Saddam Hussein.¹⁴

According to a former Iraqi official involved in the allocation process, a beneficiary was not required to provide a specific favor to Iraq in exchange for oil. Often, it was sufficient that the beneficiary express or support Iraq or political positions favorable to Iraq. According to Iraqi officials, beneficiaries normally took the initial step of requesting oil from an Iraqi leader. Occasionally, a senior Iraqi official granted an allocation to an individual who had not requested one. When a quantity of oil was allocated to an individual, the beneficiary was notified by the office of the Minister of Oil, Tariq Aziz, or Taha Yassin Ramadan. Sometimes, the beneficiaries contacted SOMO directly to follow up on their allocation. A beneficiary or a named representative was introduced to the Crude Oil Department and then nominated a company to contract with SOMO. The nomination could be made orally or in writing.¹⁵

Chart C – Oil Allocations by Nationality of Beneficiaries for Phases III to VIII¹⁶



¹⁴ Iraq official interview; Amer Rashid interview (Oct. 9, 2004); Tariq Aziz interview (Mar. 1, 2005).

¹⁵ Tariq Aziz interview (Mar. 1, 2005); Amer Rashid interview (Oct. 29, 2004); Iraq officials interviews; Saddam Z. Hassan interview (Mar. 9, 2005); Iraq official interview.

¹⁶ SOMO allocation tables for Phase III through Phase VIII (each translated from Arabic) (listing contractual and non-contractual beneficiaries of oil allocations by country); Committee oil beneficiary table.

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C. IMPOSITION OF SURCHARGES

In the early autumn of 2000, the Government of Iraq ordered that surcharges be imposed on every barrel of oil sold under the Programme. The scheme lasted for over two years from the middle of Phase VIII in late 2000 through the middle of Phase XII in late 2002. A committee formed by Saddam Hussein and composed of Taha Yassin Ramadan, Tariq Aziz, Amer Rashid, Hikmat Al-Azzawi (Minister of Finance), Mohammed Mehdi Saleh (Minister of Trade), and Abd Al-Tawab Abdullah Al-Mullah Al-Hwaish (Minister of Military Industrialization) set the surcharge amount for each phase. The Ministry of Oil, along with SOMO, was directed to implement it. The first step taken by SOMO employees was to inform each beneficiary that a surcharge was imposed on each barrel of oil sold under the Programme and was to be collected directly by the Government of Iraq.¹⁷

The amount of surcharge varied throughout the Programme. When surcharges were first imposed in the middle of Phase VIII, SOMO was directed to collect \$0.10 per barrel. Because the surcharges were being forced on oil purchasers in the middle of a phase, after many of them already had entered into oil contracts, the Ministry of Oil was not as stringent about collecting the surcharges as it would become, beginning in Phase IX in early 2001. In many cases, SOMO required a company or beneficiary to pay an outstanding surcharge imposed during Phase VIII to continue receiving Iraqi crude oil. For contracts in Phase IX, the surcharge initially was increased to \$0.50 per barrel, but then immediately dropped when no customers would pay it. The surcharge was lowered to \$0.30 per barrel for oil bound for North America and \$0.25 for all other destinations. During the course of Phase XI in early 2002, the surcharge decreased to \$0.15 per barrel. Beginning in the autumn of 2001, some 661 Committee members adopted a “retroactive pricing” policy that ultimately contributed to the Government of Iraq’s decision to cancel the imposition of surcharges in the autumn of 2002.¹⁸

D. THE PHASE IX CRISIS

The imposition of mandatory surcharges in Phase IX created a crisis in the Iraqi oil industry. In December 2000, the United Nations warned traders and companies by letter that surcharge payments were illegal. After collecting surcharges in Phase VIII, however, the Government of Iraq was confident that a surcharge scheme was feasible and unrealistically increased the surcharge to \$0.50. Customers refused to pay the higher surcharge, and, even after it was decreased, customers remained unwilling to purchase Iraqi crude oil. Unlike other phases of the Programme, as a result of this drop in demand, the Ministry of Oil and SOMO were unable to

¹⁷ Ministry of Oil record, Shamkhi H. Faraj report to the Minister of Oil (hereinafter “SOMO Summary Report”), pp. 4-5 (Feb. 19, 2004) (summary by SOMO officials of Iraq’s oil allocation and sales practices during the Programme) (translated from Arabic); Iraq officials interviews; Amer Rashid interview (Oct. 9, 2004); Saddam Z. Hassan interview (Mar. 9, 2005).

¹⁸ Amer Rashid interview (Oct. 9, 2004); Iraq officials interviews; “Programme Management Report,” vol. II, pp. 150-54.

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propose an oil allocation list prior to the phase's beginning. Some officials within the ministry and SOMO worried that the Oil Minister's life would be in danger if SOMO could not impose the payment of surcharges. The Ministry of Oil and SOMO scrambled to find customers willing to pay the surcharges—either directly or through other companies.¹⁹

E. THE COLLECTION OF SURCHARGES

The primary responsibility for tracking the surcharges imposed and collected fell on the SOMO Accounting Department. Its employees created invoices for all oil shipments with a corresponding debit note recording an internally assigned serial number, the amount of oil lifted, and the surcharge owed on each shipment. They also maintained an electronic database that kept track of surcharge payments collected. The database reflected the amount of the surcharge paid, how it was paid, the name of the contracting company, and the name of the individual or entity making the payment. Often partial payments, which did not necessarily correspond to any one surcharge assessment, were made on a surcharge balance to keep it current. The Committee has obtained a copy of this database.²⁰

Most surcharges were paid through deposits in designated SOMO bank accounts in Jordan and Lebanon or through cash payments made at Iraqi embassies abroad. With a few exceptions, the two banks used by SOMO to collect the surcharge amounts were Fransabank in Lebanon and Jordan National Bank (Ahli Bank) in Jordan. Upon the instructions of the Economic Affairs Committee, SOMO opened its accounts at Fransabank and at Jordan National Bank under the names of two SOMO employees, the Executive Director of SOMO and the Director of the Financial Department. According to a Jordan National Bank official, when individuals and companies came to the bank to make their payments, they provided the bank agent with a copy of the oil contract signed by SOMO and approved by the United Nations. For the bank, this was an indication that the payments were occurring in conformity with the United Nations regulations.²¹

¹⁹ Oil overseers fax to “Buyers of Iraqi Crude Oil” (Dec. 15, 2000) (informing oil purchasers that “1) The sanctions committee has not approved a surcharge of any kind on Iraqi oil; 2) Payments for purchasing Iraqi crude oil cannot be made to a non-UN account; 3) Therefore, buyers of Iraqi oil shall not pay any kind of surcharge to Iraq”); Iraq officials interviews.

²⁰ Iraq official interview; SOMO commercial invoices (1997-2003); Iraq official interview; Ministry of Oil record, SOMO ledger of surcharge payments (translated from Arabic); Committee oil company table.

²¹ Iraq officials interviews; Ministry of Oil record, SOMO ledger of surcharge payments (translated from Arabic); Committee oil company table; Jordan National Bank record, SOMO bank accounts, account statements and advices (Sept. 9, 2001 to Mar. 10, 2003) (hereinafter “Jordan National Bank statements and advices for SOMO accounts”); Fransabank record, SOMO bank accounts, account statements and advices (Sept. 2, 2000 to Aug. 2, 2002) (hereinafter “Fransabank statements and advices for SOMO accounts”); Saddam Z. Hassan interview (Sept. 29, 2005). The Economic Affairs Committee, headed by the Minister of Finance and comprising all Ministers, was created to design the implementation of the surcharge and kickback schemes. *Ibid*; Jordan National Bank official interview (Sept. 29, 2005).

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Normally, when an individual or company deposited a surcharge payment in one of the SOMO accounts, a bank advice was generated that recorded the name of the depositor and amount of the deposit. These bank advices, as well as monthly bank statements, were sent regularly to the SOMO Accounting Department, and the relevant payment information was recorded in its electronic database. The Committee has reviewed bank records supporting the payment information recorded in the SOMO database.²²

Once the surcharge amounts were deposited or transferred to these accounts (also referred to as bridge accounts), the funds were then transferred to accounts of the Central Bank of Iraq (“CBI”), held at the same bank. From there, CBI employees withdrew the funds in cash and transported it to the CBI in Baghdad.²³

²² Iraq official interview; Jordan National Bank statements and advices for SOMO accounts; Fransabank statements and advices for SOMO accounts; Ministry of Oil record, SOMO ledger of surcharge payments (translated from Arabic); Committee oil company table; Iraq officials interviews. There were four accounts at the Jordan National Bank with sub-accounts for different currencies. These accounts were used to deposit surcharge and “border trade” revenues. Jordan National Bank record, SOMO accounts (Sept. 2000 to Oct. 2003). Two accounts were opened at Fransabank (one dollar and one euro account) under coded numbers. Fransabank statements and advices for SOMO accounts; Fransabank officials interview (Sept. 30, 2005). SOMO also maintained bank accounts at Sardar Bank (Lebanon), which contained revenues from the Turkish protocol. Iraq officials interview; Ministry of Oil record, SOMO ledger of surcharge payments (translated from Arabic); Committee oil company table.

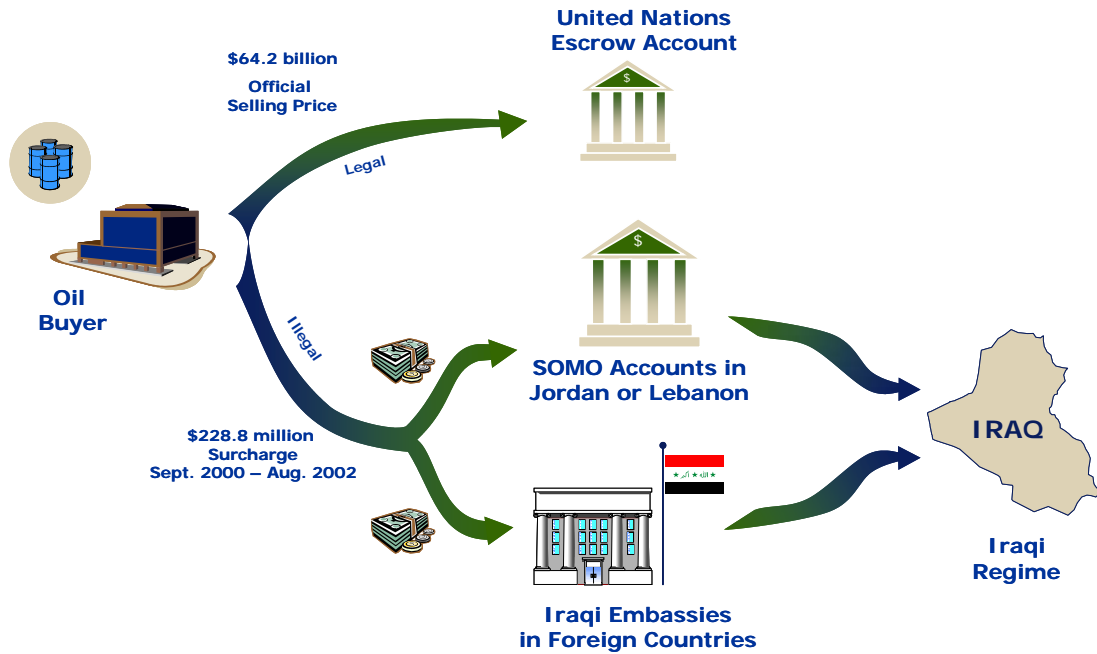
²³ Jordan National Bank official interview (Apr. 26, 2005); Iraq official interview; Fransabank record, SOMO account opening documentation (Aug. 2000); Jordan National Bank record, SOMO account opening documentation (Apr. 1997 to Mar. 2002).

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Chart D – Oil Surcharges—Flow of Funds²⁴



²⁴ “Programme Management Report,” vol. II, p.34. The Chart indicates \$228.8 million in total surcharges collected by the Government of Iraq as opposed to the \$228.2 million indicated in the Committee surcharge table, which does not take into consideration \$588,800 paid by companies that did not lift the oil for which they contracted. Ibid, pp. 87-88; Committee surcharge table.

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III. RUSSIA

Russian companies contracted for approximately \$19.3 billion worth of oil from Iraq under the Programme, which amounted to about 30 percent of all oil sales—by far the largest portion among all participating countries. With the imposition of sanctions against Iraq, Russia lost an important trading partner in the Middle East. Throughout the period of the Programme, Russia and Iraq often exchanged official delegations, and their encounters were reported widely in the media. According to Russian officials, however, Russia and Iraq did not enter into any formal agreements on trade or cooperation during the sanctions period. Nevertheless, according to Iraqi officials, Russia was given priority as a trading partner during the Programme, largely for political reasons.²⁵

The Russian government took an active role in coordinating activities of Russian companies involved in the Programme. Government decrees regulated the exportation of goods and supplies by Russian companies under the Programme, as well as the role of governmental agencies. According to Russian officials, the Ministry of Foreign Affairs, one of several federal agencies involved in the Programme, not only facilitated and regulated the activities of participants, but also promoted the interests of Russian companies to the Government of Iraq. Throughout the Programme, the Russian diplomats stationed in Baghdad frequently discussed Iraqi-Russian economic cooperation with their Iraqi counterparts, including Mr. Aziz.²⁶

²⁵ “Programme Management Report,” vol. II, p. 29; Committee oil company table (contracts with Russian companies); Russia officials #6-7 interview (Nov. 16, 2004); Russia officials #3, 6-7 interview (Mar. 1, 2005) (stating further that Iraq appreciated Russia’s support in the Security Council); Igor Ivanov letter to Kofi Annan (Aug. 12, 2000) (estimating the annual trade turnover between Iraq and Russia in the late 1980s at \$2 billion, describing Russia’s economic losses resulting from sanctions as exceeding \$22.7 billion, and stating that Iraq was also unable to repay its external debt of over \$7.8 billion to Russia); Iraq officials interviews (referring to a letter stating that SOMO “should take into consideration any additional requests from the Russian side”); Russia Mission letter to the Committee (Aug. 19, 2005) (stating that the last trade agreement with Iraq was that signed by the USSR in 1986); “Russian and Iraqi officials discuss sanctions, economic cooperation,” *BBC Monitoring Service: Former USSR*, Nov. 14, 1996; “Russian MPs receive red-carpet welcome in Iraq,” *Reuters News*, Dec. 26, 1997; “Iraq praises Russia for backing embargo removal,” *Xinhua News Agency*, June 16, 1999; “Russian delegation off to Baghdad with humanitarian cargo,” *Daily News Bulletin*, Sept. 23, 2000; “Iraq welcomes Russian delegation’s visit,” *Daily Petroleum Report*, Jan. 29, 2001; “Vice-president receives Russian Speaker, appreciates Duma’s stand,” *BBC Monitoring Service: Middle East*, Mar. 20, 2001; “Iraqi VP’s visit to Moscow focuses on relations with U.N., Russia,” *Xinhua News Agency*, Apr. 22, 2001; Dmitry Vinitsky, “Russian delegation goes to Iraq for jubilee celebrations,” *ITAR Tass*, Apr. 1, 2002; “Iraq, Russia discuss economic and trade relations,” *Iraqi News Digest*, June 25, 2002.

²⁶ Russia officials #3, 6-7 interview (Mar. 1, 2005); Russia officials #6-7 interview (Nov. 16, 2004); Russia officials #1-2, 4 interview (Oct. 13, 2004); Iraq officials interviews (stating that the Russian ambassador to Iraq had “almost weekly” meetings with Tariq Aziz); see, e.g., Russia government decree, no. 941, “On controlling exportation from the Russian Federation to Iraq of goods and technologies of dual use and other goods falling under the scope of the international mechanism of ongoing monitoring and verification” (Dec. 29, 2001) (translated from Russian); Russia Central Bank directive, no. 612-U, “On execution of foreign

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The major Russian companies that contracted with SOMO to purchase Iraqi oil included Zarubezhneft (over 168.4 million barrels), Alfa Eco (over 106.1 million barrels), Machinoimport (over 86.9 million barrels), and the Council for Trade and Economic Cooperation with Middle East and North Africa Countries (“ACTEC”) (about 71.9 million barrels). According to Iraqi Ministry of Oil records, while most of the oil provided to Russia was allocated to major oil companies, some of it was allocated in the names of political figures and parties in Russia, including the Communist Party of the Russian Federation and the Russian Liberal Democratic Party.²⁷

A. DISTRIBUTION OF OIL ALLOCATIONS

Among the Russian governmental agencies, the Ministry of Fuel and Energy (currently known as the Ministry of Industry and Energy and hereinafter referred to as “Ministry of Energy”) played the primary role in coordinating the participation of Russian companies in oil purchases under the Programme. As early as 1999, the Ministry of Energy’s role in coordinating purchases of Iraqi oil by the Russian companies was reported in the media. Generally, at the beginning of each phase, the Ministry of Energy would put together a proposed distribution list of Iraqi oil purchases by Russian companies and furnish it to the Iraqi Ministry of Oil. Occasionally, SOMO prepared a preliminary allocation table based on a table from the previous phase and sent it to Russia for adjustments. The edited list would be returned to the Iraqi Ministry of Oil and SOMO.²⁸

currency operations by resident legal persons participating in the UN Oil-for-Food Programme” (July 21, 1999) (translated from Russian); Russia President decree, no. 972, “On measures for implementation by the Russian Federation of Security Council resolutions on the establishment of an international mechanism of ongoing monitoring and verification of supplies to Iraq” (Sept. 2, 1997) (translated from Russian).

²⁷ Committee oil company table, contract nos. M/01/15, M/01/46, M/02/05, M/02/34, M/03/14, M/03/50, M/04/01, M/05/12, M/06/18, M/07/07, M/07/81, M/07/93, M/08/02, M/08/82, M/08/86, M/09/19, M/09/82, M/10/01, M/11/115 (contracting with Zarubezhneft); M/05/63, M/06/55, M/07/48, M/08/05, M/10/83, M/11/39, M/11/45 (contracting with ACTEC); M/01/23, M/02/25, M/03/23, M/04/19, M/05/11, M/06/21, M/07/20, M/08/37, M/09/119, M/09/22, M/10/11, M/10/19, M/11/17, M/11/79, M/12/01, M/13/23, M/13/45 (contracting with Machinoimport).

²⁸ Iraq official interview (stating that Russian officials met with their Iraqi counterparts to discuss Iraqi oil allocations provided to the Russian companies); Company representatives interview; Confidential witness interview; Ministry of Oil record, Russia Ministry of Energy oil allocations table (May 25, 1999) (translated from Russian) (signed by V. Kalyuzhny, Minister of Fuel and Energy of the Russian Federation); “In Moscow, Iraqi oil is already split up,” *Nezavisimaya Gazeta*, Dec. 16, 1999 (translated from Russian) (stating that the Russian Ministry of Fuel and Energy has announced planned allocations for Russian companies participating in the Programme); “Russia and Iraq continue negotiations on joint projects during the visit of the Iraqi Vice-Premier,” *Interfax Neftegazovoe Obozrenie*, Dec. 8, 1999 (translated from Russian); “Russia submits list of firms to lift Iraqi oil,” *Reuters News*, Jan. 29, 2001 (quoting the Russian Minister of Energy Alexandre Gavrin stating that “[o]ur recommendations are based on the history of the companies’ involvement in Iraq and their level of responsibility in implementing previous contracts”).

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An Iraqi Ministry of Oil record from Phase VI shows a proposed distribution list of allocations for Russian companies, issued by the Russian Ministry of Energy. The list, dated May 25, 1999, bears the seal of the Russian Ministry of Energy and is signed by Victor Kalyuzhny, Minister of Fuel and Energy of the Russian Federation.²⁹

[Handwritten Translation from Arabic: 1 paragraph]
To the respectable Minister of Oil:

Please review the new suggested Russian table for quantity distribution delivered to us today, containing the same companies mentioned in the letter by the former Russian Minister of *illegible or crossed out* Energy, dated 23/4/1999, but with different numbers and with the addition of Sibneft Company and the removal of Transneft Company.

With regards,
Signed 28/5
Saddam Zihn Hassan

APPROVED
Minister of Fuel and Energy
of the Russian Federation
[SEAL: Ministry of Fuel and Energy] [Signature]
V. I. Kalyuzhny
25 May 1999

DISTRIBUTION OF VOLUMES OF IRAQI OIL ALLOCATED TO THE RUSSIAN COMPANIES FOR PURCHASES DURING THE SIXTH PHASE OF THE OIL-FOR-FOOD PROGRAMME

№	NAME OF COMPANY	ALLOCATION QUOTA PROVIDED BY THE COMMISSION OF THE MINISTRY OF FUEL AND ENERGY OF THE RF (BARRELS)	COMPANY'S QUOTA IN % OF TOTAL	PORT OF LOADING
1.	ZARUBEZHNEFT	30'000'000	21,4	Ceyhan Mina al Bakr
2.	LUKOIL	28'000'000	20,0	Mina al Bakr Ceyhan
3.	MACHINOIMPORT	10'500'000	7,5	Mina al Bakr Ceyhan
4.	ROSNEFT	10'500'000	7,5	Mina al Bakr Ceyhan
5.	ZANGAZ	10'500'000	7,5	Mina al Bakr Ceyhan
6.	TATNEFT	9'500'000	6,8	Mina al Bakr Ceyhan
7.	YUKOS	8'200'000	5,86	Mina al Bakr
8.	SLAVNEFT	8'200'000	5,86	Mina al Bakr
9.	GAZPROM	8'200'000	5,86	Mina al Bakr
10.	SIBNEFT	8'200'000	5,86	Mina al Bakr
11.	TNK, ALFA-ECO	8'200'000	5,86	Mina al Bakr
	TOTAL	140'000'000	100	

Figure: Russia Ministry of Energy oil allocations table (May 25, 1999) (translated from Arabic).

In another Iraqi Ministry of Oil record, dated March 13, 1999, Faiz Shahin, Iraqi Deputy Minister of Oil, confirmed the oil allocation arrangement between Iraq and Russia. In a letter responding to Tatneft’s request for an additional oil allocation, Mr. Shahin explained that the distribution of oil allocations was regulated “in accordance with a special arrangement and understanding between the Iraqi Ministry of Oil and the Russian Ministry of Fuel and Energy.” Tatneft’s request was rejected by the Iraqi Ministry of Oil on the basis that “[t]he Russian Ministry did not allocate any quantity of crude to Tatneft for the fifth stage.”³⁰

²⁹ Ministry of Oil record, Russia Ministry of Energy oil allocations table (May 25, 1999) (translated from Russian). The Russian officials have not disputed the authenticity of the document. Russia Ministry of Foreign Affairs letter to the Committee (May 13, 2005); Russia Ministry of Foreign Affairs letter to the Committee (Apr. 18, 2005); Russia officials #1, 5 interview (May 24, 2005).

³⁰ Faiz Shahin letter to Tatneft (Mar. 13, 1999) (translated from Arabic). Tatneft was among many Russian companies that approached the Government of Iraq directly with requests for additional or increased oil allocations. The direct contacts of Russian companies with the Government of Iraq seemed to intensify in the later stages of the Programme, when the Russian government’s substantial control over participation of Russian companies in the Programme began to decrease. Confidential source interview; Iraq official interview.

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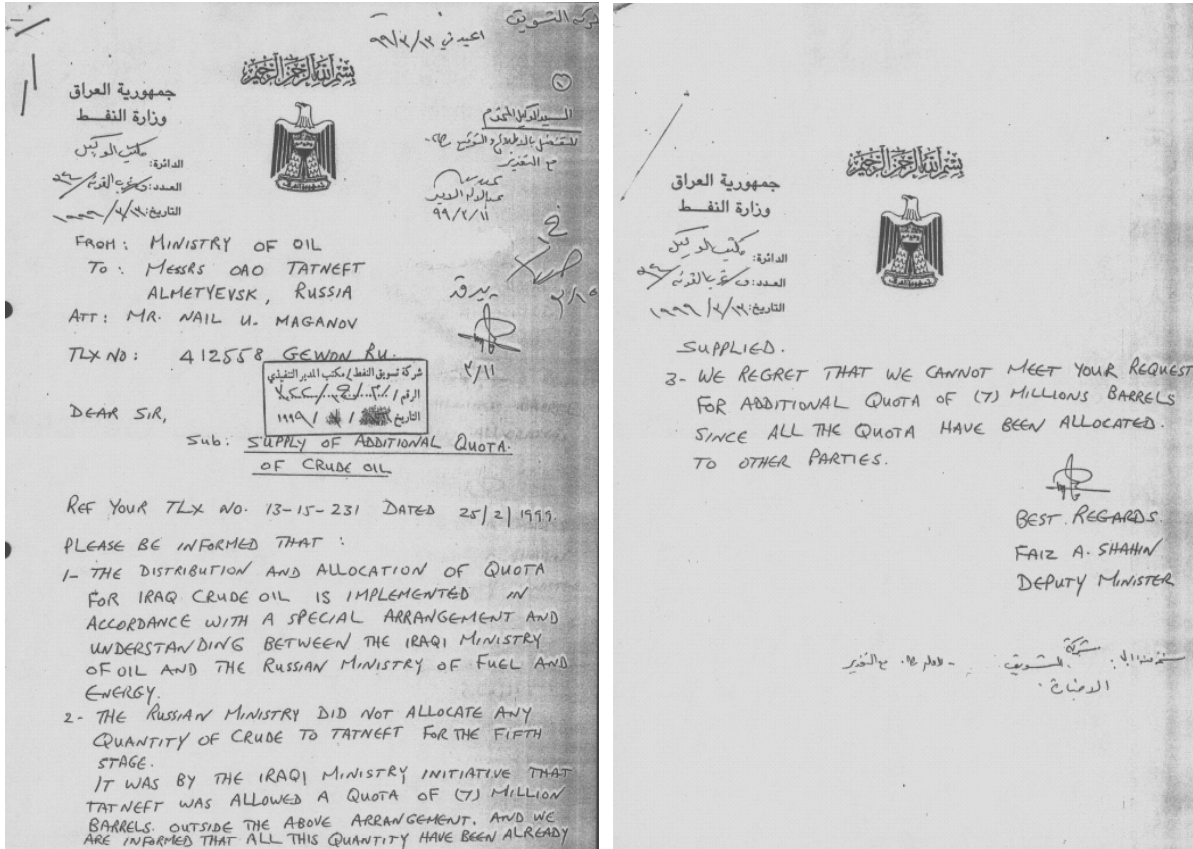


Figure: Faiz Shahin letter to Tatneft (Mar. 13, 1999).

Russian officials interviewed by the Committee confirmed that the Ministry of Energy was involved in nominating Russian oil companies for oil contracts under the Programme, but denied its involvement in distributing oil allocations among the companies. When provided with a copy of the allocation table for Phase VI, Russian officials stated that “it is a strictly internal interagency procedure which has nothing to do with the regime of sanctions.” Despite repeated requests by the Committee, the Government of Russia did not provide access to any former or current employees of the Ministry of Energy, stating that no relevant employees or records could be identified due to the reorganization of the Ministry.³¹

³¹ Russia officials #3, 6-7 interviews (Feb. 28 and Mar. 1, 2005) (stating that they were not aware of distribution of Iraqi oil allocations by the Russian government); Russia officials #1-2, 4 interview (Oct. 13, 2004); Russia Ministry of Foreign Affairs letters to the Committee (Feb. 1 and Apr. 18, 2005); Russia Ministry of Foreign Affairs letter to the Committee (May 13, 2005) (stating that “Victor Kalyuzhny, former Minister of Fuel and Energy . . . had . . . [quit] the subject matter of the UN humanitarian program [a] long time ago” and that the Ministry of Foreign Affairs considers his meeting with the Committee

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The Ministry of Energy was assisted in its role in the Programme by Zarubezhneft, the largest purchaser of Iraqi oil under the Programme. Zarubezhneft’s role in the Programme reportedly decreased after 2001 due to changes introduced by the Government of Iraq. The Committee obtained a number of documents regarding Zarubezhneft’s role in implementing the Programme, including a letter from Gazprom, one of the Russian companies participating in the Programme, to Mr. Rashid. The letter refers to the role of Zarubezhneft as “a Russian Federation Ministry of Energy coordinator of Russian companies’ activity in Iraq.”³²

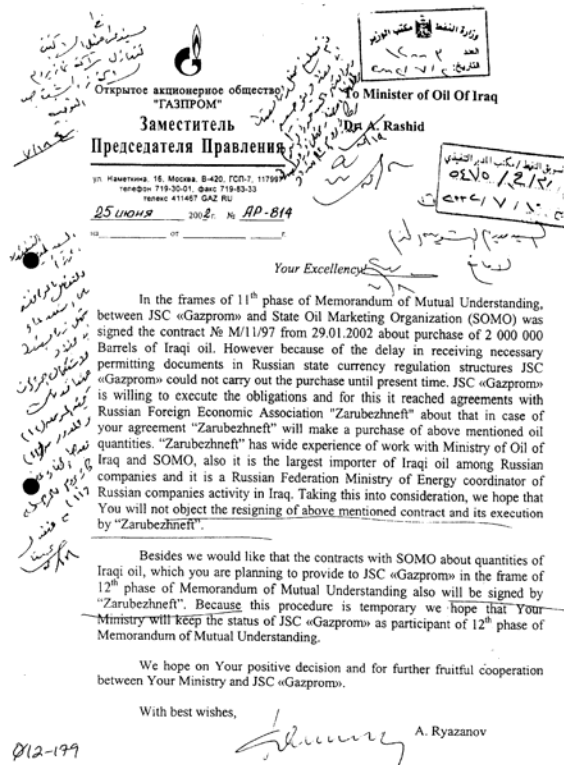


Figure: A. Ryazanov letter to Amer Rashid (June 25, 2002).

During interviews with the Committee, however, the Russian officials and former United Nations oil overseer Alexandre Kramar, speaking in his current capacity as a counsel to the

“unnecessary”); Committee letters to Russia Ministry of Foreign Affairs (Oct. 20 and Dec. 1, 2004; Feb. 15, Apr. 6, and Apr. 29, 2005).

³² Confidential source interview; Confidential source report; “In Moscow, Iraqi oil is already split up,” *Nezavisimaya Gazeta*, Dec. 16, 1999 (translated from Russian) (stating that Zarubezhneft traditionally “introduce[d] to Baghdad” potential participants of business projects); Ministry of Oil record, A. Ryazanov letter to Amer Rashid (June 25, 2002). Mr. Ryazanov is identified in the letter as Deputy Chairman of the Board of Directors of Gazprom. Ibid.

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Zarubezhneft's General Director, denied that Zarubezhneft had any role in distributing allocations to other Russian companies.³³

B. POLITICAL ALLOCATIONS

The Government of Iraq distributed oil allocations in the names of various individuals and entities in Russia, including a number of Russian political parties. The Committee has obtained documents relating to Iraqi oil allocations to a number of political parties, including the Communist Party of the Russian Federation, the Liberal Democratic Party of Russia, and the Party of Peace and Unity.

1. Communist Party of the Russian Federation

According to Iraqi Ministry of Oil records, the Communist Party of the Russian Federation ("KPRF") was granted a total of 125.1 million barrels in oil allocations. At least some of this oil was allocated to KPRF through an entity called the "Foundation for Friendship with Peoples of Arab States." Of the allocations made to KPRF, a total of about 106.9 million barrels was lifted and purchased by various companies, including ACTEC, Onaco, Rossbulneft, and RAO MES.³⁴

KPRF was founded in 1993 and is a successor to the Communist Party of the Soviet Union. Since its creation, KPRF has been headed by Gennady Zyuganov, who began his career with the Communist Party of the Soviet Union in the early 1970s. Mr. Zyuganov came in second during the Russian presidential elections of 1996 and 2000. He currently heads the KPRF faction in the State Duma, the lower chamber of the Russian parliament. During the sanctions period, Mr. Zyuganov and KPRF consistently opposed the sanctions regime and military actions against Iraq. In the spring of 2000, the Russian Federation transmitted to the 661 Committee a letter from KPRF's faction in the State Duma, calling for "lift[ing] [of] the inhuman embargo against Iraq." Representatives of KPRF frequently traveled to Baghdad to discuss issues of Russian-Iraqi cooperation. Reportedly, in February 2003, Mr. Zyuganov met with Saddam Hussein and upon

³³ Alexandre Kramar interview (Mar. 5, 2005) (stating that he did not have any knowledge of either the Ministry of Energy or the Ministry of Foreign Affairs being directly involved in coordinating the distribution of oil contracts); Russia officials #3, 6-7 interview (Mar. 1, 2005) (denying that Russia or any Russian company organized participation of other companies in the Programme).

³⁴ Iraq officials interviews; Committee oil beneficiary and company tables, contract nos. M/02/26, M/03/28, M/03/38 (contracting with Onaco); M/04/45 (contracting with Rossbulneft); M/05/56 (contracting with RAO MES); M/05/63, M/06/55, M/07/48, M/08/05, M/10/83, M/11/39 (contracting with ACTEC); M/12/27 (unexecuted) (contracting with ACTEC); Bayoil record, Bayoil letter to Gennady Zyuganov (Oct. 14, 1999) (translated from Russian) (requesting "one more" meeting in the last half of October 1999 to "discuss our joint work"); Ministry of Oil record, Gennady Zyuganov letter to Tariq Aziz (Feb. 12, 1999) (translated from Russian); Ministry of Oil record, B. Bibilov letter to SOMO (July 14, 1998) (translated from Russian) (confirming that KPRF's oil allocation for Phase IV was transferred to Rossbulneft). According to the letter from Mr. Bibilov to SOMO, the former was a general director of the Foundation for Friendship with Peoples of Arab States. Ibid.

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his return to Moscow called upon Russia to use its veto power in the Security Council to avoid the war.³⁵

According to one of the documents obtained from the Iraqi Ministry of Oil, Mr. Zyuganov was involved in monitoring the amount of oil allocated through the Foundation for Friendship with Peoples of Arab States. On February 12, 1999, Mr. Zyuganov wrote to Mr. Aziz seeking reconsideration of a 50 percent decrease in the volume of oil allocated to the Foundation for Friendship with Peoples of Arab States. In the letter, Mr. Zyuganov questioned why the decrease had not been “discussed during meetings with you and during my numerous contacts with the Ambassador of Iraq to Russia, Mr. Hassan Fahmi Jum’a.”³⁶

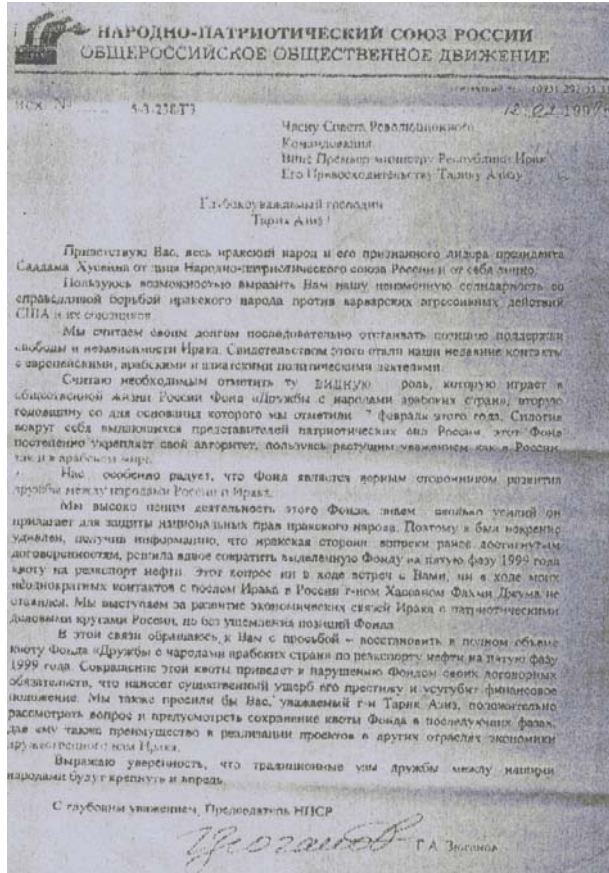
³⁵ Communist Party of the Russian Federation, “In brief,” <http://www.kprf.ru/party/info>; Communist Party of the Russian Federation, “Party’s history,” <http://www.kprf.ru/history/party/>; Communist Party of the Russian Federation, “Official web-site of Gennady Andreevich Zyuganov,” <http://www.kprf.ru/personal/zyuganov>; State Duma, Federal Assembly of the Russian Federation, “Members of State Duma, Gennady Andreevich Zyuganov,” <http://www.duma.gov.ru>; “Presidential elections in Russia in 1991 and 1996,” *ITAR Tass*, Mar. 23, 2000 (translated from Russian); “‘Rossiyskaya gazeta’ and ‘Parlamentskaya gazeta’ publish official results of Russian presidential elections,” *ITAR Tass*, Apr. 6, 2000 (translated from Russian); State Duma, Federal Assembly of the Russian Federation, “Associations of parliamentarians,” <http://www.duma.gov.ru> (showing that, as of October 25, 2005, KPRF had 47 members in the State Duma, or about 10.4 percent of the total number of parliamentarians); Iraq official interview; KPRF letter to the President of the Security Council (undated) (attached to Russia Mission letter to 661 Committee Chairman (Apr. 6, 2000)); “Communist leader Zyuganov interviewed on party matters, Iraq and foreign policy,” *BBC Monitoring Service: Former USSR*, Feb. 10, 1998; Mikhail Vinogradov, “Three parliamentarians and one Saddam,” *Izvestia*, Feb. 22, 2003, p. 3 (translated from Russian); “Iraq is against the war, but not at any price – Hussein,” *Interfax*, Feb. 19, 2003 (translated from Russian); Nelli Sharushkina, “Star Turn – Russia Blazes a Trail to the Middle East,” *NEFTE Compass*, Nov. 9, 2000; “In Baghdad, G. Zyuganov and S. Hussein discussed the situation with Iraq,” *RosBiznesKonsulting*, Feb. 19, 2003 (translated from Russian); “Zyuganov thinks that Russia should use its veto power in the United Nations not to allow war in Iraq,” *Interfax*, Feb. 28, 2003 (translated from Russian).

³⁶ Gennady Zyuganov letter to Tariq Aziz (Feb. 12, 1999).

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**PATRIOTIC PEOPLES UNION OF RUSSIA
ALL-RUSSIAN SOCIAL MOVEMENT**

Outgoing 5-3-238/GZ 12 February 1999

Member of the Revolutionary
Council
Vice-Premier, Minister of the Republic of
Iraq
His Excellency Tariq Aziz

Dear Mr. Tariq Aziz!

On behalf of the Patriotic People's Union of Russia and myself personally, I greet you, the Iraqi people, and its recognized leader President Saddam Hussein.

I would like to use this opportunity to express our invariable solidarity with the just struggle of the Iraqi people against the barbarian aggressive actions of the USA and its allies.

We consider it our duty to consistently support the freedom and independence of Iraq. Our recent contacts with European, Arab, and Asian political figures are a testimony to this.

I find it necessary to point out the important role played in the public life of Russia by the Foundation for Friendship with Peoples of Arab States, whose second anniversary was celebrated on February 7 of this year. Uniting outstanding representatives of patriotic forces of Russia, this Foundation gradually strengthens its authority and enjoys growing respect in Russia, as well as in the Arab world.

We are particularly pleased that the Foundation is a true supporter of development of friendship between peoples of Russia and Iraq.

We highly value the activities of the Foundation, and know how much effort it puts into protecting national interests of the Iraqi people. This is why I was genuinely surprised when I received information that the Iraqi side, despite earlier agreements, decided to reduce in half the oil re-export quota for the 5th phase in 1999. This question was not raised during meetings with you or during my numerous contacts with the Ambassador of Iraq to Russia, Mr. Hassan Fahmi Jum'a. We support development of economic ties of Iraq with patriotic business circles of Russia, but without infringing upon the interests of the Foundation.

With this in mind, I ask you to fully restore the oil re-export quota for the Foundation for the 5th phase in 1999. The decrease in the quota will lead to a breach of the Foundation's contractual obligations, which will seriously damage its prestige and financial situation. We also ask you, Mr. Tariq Aziz, to consider preserving Foundation's quotas in the following phases and providing preferential treatment in other sectors of economy of friendly Iraq.

I am confident that traditional ties of friendship between our peoples will continue to strengthen.

Yours faithfully, Chairman of PPUR.

Signed G. A. Zyuganov

Figure: Gennady Zyuganov letter to Tariq Aziz (Feb. 12, 1999) (translated from Russian).

The Committee has contacted Mr. Zyuganov and the office of KPRF in the State Duma seeking comments regarding documents obtained by the Committee from the Government of Iraq. Mr. Zyuganov has not responded to repeated communications from the Committee.³⁷

2. Vladimir Zhirinovskiy and the Liberal Democratic Party of Russia

According to Iraqi officials and Iraqi Ministry of Oil records, 73 million barrels were allocated in the name of Vladimir Zhirinovskiy, the head of the Liberal Democratic Party of the Russian Federation (“LDPR”) between Phase II and Phase XI. Of this allocated oil, over 62 million barrels was lifted through a number of oil companies, including Sidanco, Nafta Moskva, Tyumen Oil Company (“TNK”), Machinoimport, and Lukoil Asia Pacific PTE Ltd (“Lukoil Asia

³⁷ Committee letters to Gennady Zyuganov (June 21, July 21, Aug. 14, and Oct. 13, 2005).

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Pacific”). According to Iraqi officials, Mr. Zhirinovskiy received oil allocations because it was believed that he would advocate for political positions favorable to Iraq.³⁸

In the 1980s, Mr. Zhirinovskiy co-founded the Liberal Democratic Party of the Soviet Union and in 1991, founded his own party, LDPR. Currently, Mr. Zhirinovskiy holds the position of the Deputy Chairman of the State Duma. Throughout the sanctions period, Mr. Zhirinovskiy opposed the sanctions regime and military actions against Iraq. Mr. Zhirinovskiy was a frequent visitor to Baghdad and to the Iraqi Embassy in Moscow. During his visits, Mr. Zhirinovskiy often advocated for the interests of Russian companies in Iraq. Mr. Zhirinovskiy, however, has publicly denied receiving any financial rewards for his lobbying efforts.³⁹

Mr. Zhirinovskiy’s name appears in several Iraqi Ministry of Oil records relating to oil allocations. These records, dating from 1997, include Mr. Zhirinovskiy’s letters to Mr. Aziz and discuss oil allocations and executing companies, including Lukoil Asia Pacific, Nafta-Moskva, and Sidanco. In one letter to the Iraqi ambassador to Russia dated September 22, 1997, Mr. Zhirinovskiy identified a director of Sidanco as the person authorized “to conduct negotiations and conclude contracts on oil quota allocated to the Liberal Democratic Party of Russia.” Sidanco subsequently executed four contracts for oil allocated to Mr. Zhirinovskiy.⁴⁰

³⁸ Iraq officials interviews; Iraq official interview (recounting that the official heard Mr. Zhirinovskiy state that the more he received, the better help he would provide); Committee oil beneficiary and company tables, contract nos. M/02/27, M/02/32, M/03/25, M/04/44 (executed by Sidanco); M/05/50, M/06/25 (executed by Nafta Moskva); M/07/90, M/08/40 (executed by TNK); M/09/119, M/10/19, M/11/79 (executed by Machinoimport); M/10/67 (executed by Lukoil Asia Pacific).

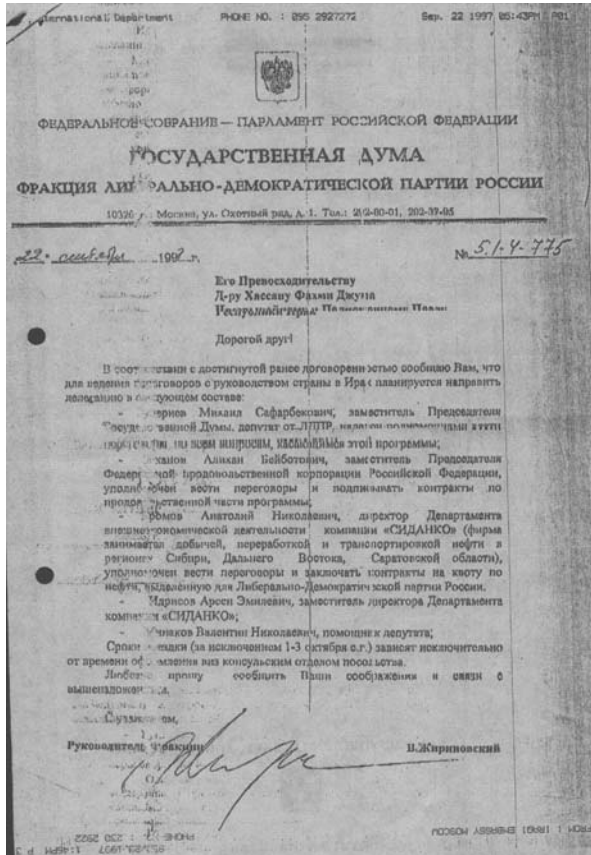
³⁹ Lee Hockstader, “How Russia’s Zhirinovskiy Rose; Nationalist Leader’s Career Left Long Trail of Controversies,” *Washington Post*, Mar. 6, 1994, p. 1; LDPR, “Biographical data, Vladimir Volfovich Zhirinovskiy,” http://www.ldpr.ru/stateduma/deputies/deputies_40.html (translated from Russian); State Duma, Federal Assembly of the Russian Federation, “Members of State Duma, Vladimir Volfovich Zhirinovskiy,” <http://www.duma.gov.ru> (translated from Russian); State Duma, Federal Assembly of the Russian Federation, “Associations of parliamentarians,” <http://www.duma.gov.ru> (translated from Russian) (stating that, as of October 25, 2005, LDPR had 34 members in the State Duma, or approximately 7.6 percent of the total number of parliamentarians); Vladimir Zhirinovskiy letter to Hassan Fahmi Jum’a (July 30, 1997) (translated from Arabic) (stating that “[w]e stood vigorously against the application of economic sanctions imposed by the UN”); Vladimir Zhirinovskiy letter to Kofi Annan (Mar. 20, 2000) (translated from Russian) (containing Mr. Zhirinovskiy’s appeal to the Secretary-General to “use [his] . . . influence to end the regime of economic sanctions against the Republic of Iraq”); Iraq officials interviews; Confidential source interview; Vadim Lagutin and Marina Pshenichnikova, “Zhirinovskiy calls for lifting sanctions on Iraq,” *ITAR Tass: Comtex*, Apr. 30, 2001; “Russian politician urges defiance of U.N. sanctions on Iraq,” *Dow Jones Energy Service*, Dec. 8, 1997; Vesti TV Russia news program, Interview of Vladimir Zhirinovskiy (May 17, 2005) (translated from Russian). During one of his public interviews, Mr. Zhirinovskiy stated: “[L]et all businessmen whom I helped in Iraq help us [LDPR] financially. They turned out to be greedy.” NTV Voskresnii Vecheer, Interview of Vladimir Zhirinovskiy (May 22, 2005) (translated from Russian) (containing Mr. Zhirinovskiy’s assertion that he traveled to Baghdad twice a year).

⁴⁰ Ministry of Oil record, Vladimir Zhirinovskiy letter to Tariq Aziz (Mar. 12, 2002) (discussing execution of oil contracts); Ministry of Oil record, Vladimir Zhirinovskiy letter to Tariq Aziz (July 26, 2001) (stating

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FEDERAL ASSEMBLY – PARLIAMENT OF THE RUSSIAN FEDERATION

STATE DUMA
 FACTION OF THE LIBERAL DEMOCRATIC PARTY OF RUSSIA
 103265, Moscow, Okhotniy ryad, bldg. 1. Tel.: 292-80-01, 292-37-95

22 September 1997

No. 5.1-4-775

His Excellency
 Dr. Hassan Fahmi Jum'a
 Republic of Iraq, Ambassador Plenipotentiary

Dear friend!

In accordance with our earlier agreement, I inform you of plans to send the following delegation to Iraq to negotiate with the leadership of the country:

- [Guts]eriev Mikhail Safarbekovich, deputy Chairman of State Duma, parliament member (LDPR), authorized to conduct negotiations on all questions relating to this program;
- [Os]kanov Alihan Beibotovich, deputy Chairman of the Federal Food Corporation of the Russian Federation, authorized to conduct negotiations and sign contracts pertaining to the food component of the program;
- [G]romov Anatoly Nikolayevich, director of Department of External Economic Activities of SIDANCO (this company specializes in extraction, refining, and transportation of oil in the regions of Siberia, Far East, and Saratov), authorized to conduct negotiations and execute contracts on oil quota allocated to the Liberal Democratic Party of Russia;
- Idrisov Arsen Emilevich, deputy director of Department of SIDANCO;
- Minakov Valentin Nikolayevich, parliamentary assistant.

Dates of the trip (excluding October 1-3 of this year) depend exclusively on timing of visa processing by the consular section of the embassy.

I kindly request you to share your thoughts on the above.

Truly yours,

Head of Faction

Signed

V. Zhirinovskiy

Figure: Vladimir Zhirinovskiy letter to Hassan Fahmi Jum'a (Sept. 22, 1997) (translated from Russian).

At least 28 oil liftings under eight contracts for oil allocated in Mr. Zhirinovskiy's name were financed by Bayoil, an oil trader discussed below in Section VI.B. Bank records show that, between May and September 1999, a total of \$1,681,885 in five installments was transferred by Bayoil to the account of Plasco Shipping Co. Ltd. ("Plasco") at Crédit Agricole Indosuez. Plasco is a Liberian-based company associated with Lyudmil Dionissiev, an employee of Bayoil during the Programme. During the same period of time, Plasco transferred five installments totaling \$1,681,875 to an account in the Bank of Cyprus with the reference "in favor of Igor Lebedev."

that he "ha[s] cooperation with the company 'LUKOIL ASIA-PACIFIC PTE LTD'"); Ministry of Oil record, Vladimir Zhirinovskiy letter to Saddam Hassan (May 27, 1999) (discussing execution of LDPR's allocations through Nafta-Moskva); Ministry of Oil record, Vladimir Zhirinovskiy letter to Hassan Fahmi Jum'a (Sept. 22, 1997) (translated from Russian) (referring to cooperation between LDPR and Sidanco); Ministry of Oil record, Vladimir Zhirinovskiy letter to Hassan Fahmi Jum'a (July 30, 1997) (translated from Arabic) (requesting the Government of Iraq to consider companies acting on Mr. Zhirinovskiy's behalf); Committee oil beneficiary table, contract nos. M/02/27, M/02/32, M/03/25, M/04/44 (contracting with Sidanco).

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Mr. Zhirinovsky's son, Igor Lebedev, is one of the leaders of LDPR. These payments by Plasco in favor of Mr. Lebedev were made within one to four days after the transfer of funds to Plasco by Bayoil.⁴¹ Around the time of these transfers, several liftings financed by Bayoil were made under contracts M/05/50 and M/06/25, which were allocated to Mr. Zhirinovsky.⁴²

⁴¹ Committee oil financier and beneficiary tables, contract nos. M/04/44 (one letter of credit financed by Bayoil), M/05/50 (five letters of credit financed by Bayoil), M/06/25 (six letters of credit financed by Bayoil), M/07/90 (five letters of credit financed by Bayoil), M/08/40 (five letters of credit financed by Bayoil), M/10/67 (two letters of credit financed by Bayoil); Vladimir Zhirinovsky letter to Bayoil (Jan. 13, 1999) (translated from Russian) (inviting Mr. Dionissiev to Moscow in the second half of January 1999); Bayoil letter to Nafta-Moskva (Feb. 24, 1999) (instructing execution of Mr. Zhirinovsky's allocations by Nafta-Moskva and advising the company to inform SOMO that it is "providing service to Mr. Zhirinovsky"); Igor Okunev, "Golden Youth of Kremlin," *Rossiyskaya gazeta*, July 18, 2003 (translated from Russian) (discussing Mr. Lebedev); Nabi Abdullaev, "Hussein traded a school for oil," *Moscow Times*, May 20, 2005 (referencing Mr. Lebedev); Crédit Agricole Indosuez record, Bayoil account, debit advice (May 26, 1999) (recording a payment of \$350,000 to Plasco); Crédit Agricole Indosuez record, Plasco account, debit advice (May 26, 1999) (recording a payment of \$340,000); Crédit Agricole Indosuez record, Plasco account, payment order (May 26, 1999); Crédit Agricole Indosuez record, Bayoil account, debit advice (June 14, 1999) (recording a payment of \$56,885); Crédit Agricole Indosuez record, Bayoil account, payment order (June 11, 1999) (requesting a payment of \$56,885 to Plasco); Crédit Agricole Indosuez record, Plasco account, debit advice (June 16, 1999) (recording a payment of \$66,875); Crédit Agricole Indosuez record, Plasco account, payment order (June 16, 1999); Crédit Agricole Indosuez record, Bayoil account, debit advice (June 21, 1999) (recording a payment of \$680,000); Crédit Agricole Indosuez record, Bayoil account, payment order (June 18, 1999) (requesting a payment of \$680,000 to Plasco); Crédit Agricole Indosuez record, Plasco account, debit advice (June 22, 1999) (recording a payment of \$680,000); Crédit Agricole Indosuez record, Plasco account, payment order (June 22, 1999); Crédit Agricole Indosuez record, Bayoil account, payment order (July 22, 1999) (requesting a payment of \$530,000 to Plasco); Crédit Agricole Indosuez record, Plasco account, debit advice (July 26, 1999) (recording a payment of \$510,000); Crédit Agricole Indosuez record, Plasco account, payment order (July 26, 1999) (referring to the payment as "consultancy fees"); Crédit Agricole Indosuez record, Bayoil account, bank statement (Sept. 30, 1999) (showing a payment of \$65,000 to Plasco); Crédit Agricole Indosuez record, Plasco account, debit advice (Sept. 14, 1999) (recording a payment of \$85,000); Crédit Agricole Indosuez record, Plasco account, payment order (Sept. 14, 1999) (referring to the payment as "consultancy fees"); Crédit Agricole Indosuez record, Plasco account, account documents (1991-1993) (containing a power of attorney dated January 27, 1993 and issued in the name of Mr. Dionissiev).

⁴² Committee oil company and beneficiary tables, contract nos. M/05/50, M/06/25 (contracting with Nafta-Moskva); SOMO bills of lading, bbl/2573 (Mar. 29, 1999) (for 1,949,679 barrels and relating to contract M/05/50), bbl/2580 (Apr. 9, 1999) (for 1,482,633 barrels and relating to contract M/05/50), bbl/2582 (Apr. 11, 1999) (for 1,996,834 barrels and relating to contract M/05/50), bbl/2588 (Apr. 18, 1999) (for 506,115 barrels and relating to contract M/05/50), bbl/2601 (May 6, 1999) (for 989,975 barrels and relating to contract M/05/50), bbl/2644 (July 13, 1999) (for 1,969,924 barrels and relating to contract M/06/25); bbl/2651 (July 23, 1999) (for 1,889,602 barrels and relating to contract M/06/25), ck/4564 (Aug. 23, 1999) (for 596,139 barrels and relating to contract M/06/25), ck/4587 (Sept. 17, 1999) (for 894,936 barrels and relating to contract M/06/25), bbl/2701 (Sept. 24, 1999) (for 250,000 barrels and relating to contract M/06/25), ck/4617 (Oct. 20, 1999) (for 1,819,259 barrels and relating to contract M/06/25).

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Iraqi Ministry of Oil records show that surcharges totaling over \$5.1 million were imposed on five contracts allocated to Mr. Zhirinovskiy. On two of these contracts, M/10/19 and M/10/67, surcharges were partially or fully satisfied through cash payments at the Iraqi Embassy in Moscow. According to an Iraqi official, Mr. Zhirinovskiy had outstanding surcharge payments on his oil contracts, which was the reason why he stopped receiving allocations in late phases of the Programme. In early 2002, Mr. Zhirinovskiy offered to pay outstanding surcharges by transferring the title to a building located in Moscow to the Government of Iraq. In a letter to Mr. Aziz dated March 12, 2002, Mr. Zhirinovskiy discussed arrangements to cover “the duty” with a “delivery of building on the free basis in the center of Moscow.” In his letter, Mr. Zhirinovskiy pointed out that “the building registration documents are on the final stage of registration and [the building] will be ready . . . [in] April of 2002.”⁴³

⁴³ Committee oil company and surcharge tables, contract nos. M/08/40 (contracting with TNK), M/09/119 (contracting with Machinoimport), M/10/19 (same), M/10/67 (contracting with Lukoil Asia Pacific), M/11/79 (contracting with Machinoimport); Iraq officials interviews (stating that surcharge payments on oil allocated to Mr. Zhirinovskiy were brought to the Iraqi Embassy by his representative); Iraq official interview (stating that Mr. Zhirinovskiy stopped receiving allocations in Phase XII because he owed surcharge payments on oil contracts allocated to him); Vladimir Zhirinovskiy letter to Tariq Aziz (Mar. 12, 2002). Iraqi Ministry of Oil records show that surcharges totaling about \$1.1 million were not paid on contract M/09/119, allocated to Mr. Zhirinovskiy. Committee oil company table, contract no. M/09/119.

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PHONE NO. : 00000000 MFR. 12 2002 02:59PM F : 0:00 PHONE NO. : 00000000 MFR. 12 2002 03:00PM

ФЕДЕРАЛЬНОЕ СОБРАНИЕ РОССИЙСКОЙ ФЕДЕРАЦИИ
ЗАМЕСТИТЕЛЬ ПРЕДСЕДАТЕЛЯ
ГОСУДАРСТВЕННОЙ ДУМЫ
103265, Москва, ул. Охотный ряд, д. 1

12 марта 2002 г.

№ 15-4-720

TO HIS EXCELLENCY
DEPUTY PRIME MINISTER
MR. TARIQ AZIZ

Your Excellency

Dear Friend,

I would like to trouble you once again about the situation with the vessel "Astro Beta" with B/L January 6th, 2001 (this vessel waited for loading since 27th of November 2000 till 6th of January 2001).

I was sure that all pending matters with the above referenced vessel had been discussed and solved, and thus came to me as a great surprise that the "third party", assisting us on the case is still liable for the execution of this contract. Therefore, I feel obliged to make the following statement:

1. As discussed before I have taken the full responsibility to satisfy your requirements and I would like to underline once again that the only one responsible in this particular case is I. The process of settling the matters has taken longer time than expected due to a complicated documentation process, for which you are fully aware and duly informed. I would like to assure you once again that we are doing the utmost to prevent any further delays.
2. Having said this I would like to thank this "third party", who have made oral and written Guarantees in favor of the Supplier in a moment when I was unable to do the same and therefore contributed greatly for the prompt release of the vessel. I would like to request that you also release this "third party" from any further obligations, if you have not done it already.
3. There were also certain obligations undertaken by the Supplier to cover all the accumulated costs during the extensive waiting time, and for the

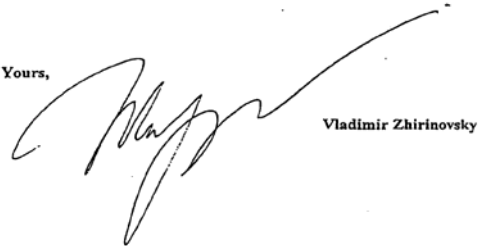
purpose a well-documented claim has been presented. However, thus far we did not want for any action from the side of the Supplier to process the claim.

4. During our numerous meetings we discussed question about delivery of building on the free basis in the center of Moscow for Arabic school and you would cover the duty. Today the building registration documents are on the final stage of registration and it will be ready on the April of 2002.

I hope very much that during the visit of this "third party" next week you will find such a constructive way and will satisfy the interest of all the parties involved.

If, however, my additional assistance is required please don't hesitate to contact me.

Sincerely Yours,



Vladimir Zhirinovskiy

Figure: Vladimir Zhirinovskiy letter to Tariq Aziz (Mar. 12, 2002).

According to a former official at the Iraqi Embassy in Moscow who was involved personally in the negotiations of the matter, Mr. Aziz gave permission to proceed with the arrangement suggested by Mr. Zhirinovskiy. The agreement was executed and the transfer of title registered with the authorities in Moscow. The Committee has obtained a copy of the Certificate of State Registration of Title for the transaction initiated by Mr. Zhirinovskiy. This document confirms that the title to the building was transferred from "Igor Vladimirovich Lebedev" to the Republic of Iraq, based on a sales contract dated February 15, 2002. The building reportedly is being used by the Iraqi Embassy as a school. After the beginning of military operations in Iraq, Mr. Zhirinovskiy reportedly has tried unsuccessfully to reclaim ownership of the building.⁴⁴

Russian officials have denied any knowledge of oil allocations provided to Mr. Zhirinovskiy and LDPR. Mr. Zhirinovskiy also has publicly denied profiting from Iraqi oil contracts under the Programme. Mr. Zhirinovskiy reportedly has claimed that he "did not sign a single contract" and

⁴⁴ Iraq officials interviews; Russia State Real Estate Register, "Certificate of State Registration of Title" (July 18, 2002) (translated from Russian); see also Nabi Abdullaev, "Hussein traded a school for oil," *Moscow Times*, May 20, 2005 (containing Mr. Zhirinovskiy's denial of the transaction).

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“did not receive a single cent from Iraq.” Mr. Zhirinovskiy has not responded to repeated communications from the Committee.⁴⁵

3. Party of Peace and Unity

Iraqi Ministry of Oil records show that a total of 55.5 million barrels was allocated in the name of the Party of Peace and Unity (“PPU”) between Phases IV and XIII. According to Ministry of Oil records, about 46.4 million barrels allocated to PPU were lifted by a number of companies, including Rossbulneft, Lukoil Petroleum (a subsidiary of Lukoil), Zerich GmbH, and Emercom. PPU, founded in late 1996, is currently one of the 37 parties officially registered by the Russian Ministry of Justice. Since its inception, PPU has not had any seats in the State Duma. Iraqi Ministry of Oil records show that Sazhi Umalatova, Chairperson of PPU, actively solicited and obtained Iraqi oil allocations. In a letter dated March 25, 2000, Ms. Umalatova requested SOMO to execute a contract for oil allocated to PPU through Zerich GmbH rather than Lukoil, because of “unreasonable delay in selling this quantity by the company Lukoil as well as due to the change in circumstances.”⁴⁶

⁴⁵ Russia officials #3, 6-7 interview (Mar. 1, 2005); CBC-TV, “Bribes from Baghdad” (Mar. 28, 2005) (stating that he “did not get a single barrel [of Iraqi oil]” and did not gain any profit); NTV Voskresnii Vecheer, Interview of Vladimir Zhirinovskiy (May 22, 2005) (translated from Russian) (containing Mr. Zhirinovskiy’s statement that “in Iraq no one ever gave me a single cent”); Vesti TV Russia news program, Interview of Vladimir Zhirinovskiy (May 17, 2005) (translated from Russian); Steve Gutterman, “Zhirinovskiy denies wrongdoing under Iraq oil-for-food program; Moscow criticized U.S. report,” *Associated Press*, May 16, 2005 (quoting Mr. Zhirinovskiy as stating that he “got no (money) from either side”); Committee letters to Vladimir Zhirinovskiy (June 20, July 20, Aug. 14, and Oct. 13, 2005).

⁴⁶ Committee oil beneficiary and company tables, contract nos. M/04/25 (contracting with Rossbulneft); M/05/65 (unexecuted) (contracting with Rossbulneft); M/05/23, M/06/71 (contracting with Lukoil Petroleum); M/07/71, M/08/102, M/09/86, M/10/75 (contracting with Zerich GmbH); M/11/123 (unexecuted) (contracting with Zerich GmbH); M/12/53 (contracting with Emercom); M/13/87 (unexecuted contract with Impexoil); Sazhi Umalatova interview (Aug. 23, 2005); Central Election Committee of the Russian Federation, “Information on registered political parties as of September 12, 2005,” <http://www.cikrf.ru> (translated from Russian); PPU, “Charter of the Russian Political Party of Peace and Unity,” <http://www.patriotparty.ru/ustav.htm> (translated from Russian); “Congress of Party of Peace and Unity to convene today,” *RIA Oreanda*, Dec. 18, 2004; Ministry of Oil record, Sazhi Umalatova letter to SOMO (Mar. 25, 2000).

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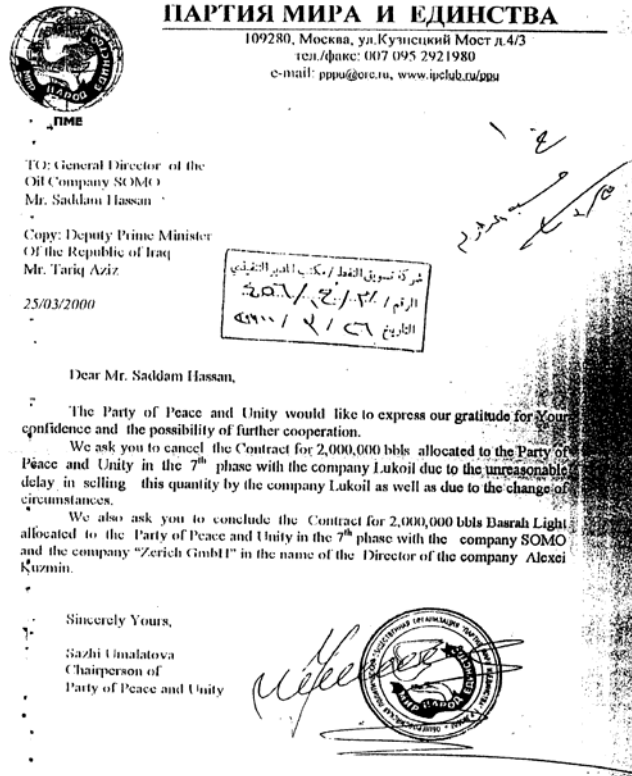


Figure: Sazhi Umalatova letter to SOMO (Mar. 25, 2000).

When interviewed by the Committee, Ms. Umalatova confirmed that she wrote letters to SOMO soliciting oil allocations, but stated that her requests were met with an “absolute lack of understanding” and did not result in a single oil allocation. However, when shown the March 25, 2000 letter, Ms. Umalatova confirmed the authenticity of her signature and the seal. When informed that the oil allocated to PPU in fact was lifted under several United Nations contracts, Ms. Umalatova, again in contradiction to the March 25, 2000 letter, claimed that she never dealt with any of the companies that lifted the oil.⁴⁷

4. Alexander Voloshin

Iraqi Ministry of Oil records show that approximately 4.3 million barrels of oil were allocated in the name of Alexander Voloshin in Phases XII and XIII, and a total of over 3.9 million barrels was lifted. This oil was purchased by Impexoil, a Russian-based company. At that time, Mr. Voloshin served as Chief of Staff in the Administration of the Russian President. The Committee obtained from Iraq a copy of a letter on purported letterhead of the Russian Presidential

⁴⁷ Sazhi Umalatova interview (Aug. 23, 2005).

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Administration, dated December 19, 2002, and accompanied by an Arabic translation, soliciting oil for Impexoil and signed under the name of Mr. Voloshin. The letter, addressed to Taha Yassin Ramadan, complained that the amount of oil allocated to Impexoil for Phase XIII was increased by “only 350,000 bbls.” The letter further requested an additional oil allocation to “our permanent business partner in Iraq ‘Impex-Oil LLC.’” Iraqi Ministry of Oil records show that Impexoil’s second contract (M/13/33) was executed in three liftings, including a lifting of 350,000 barrels on January 10, 2003.⁴⁸

When interviewed, Mr. Voloshin denied requesting or receiving any oil allocations from Iraq, as well as knowing anyone from Impexoil. Mr. Voloshin stated that the signatures in his name that appear on the letter dated December 19, 2002, as well as the accompanying translation, were “obviously . . . forged.” On October 21, 2005, the Russian Permanent Mission informed the Committee that the letter was not authentic. Citing the document number identification appearing on the letter, the Russian government stated that the “outgoing number A4-16912 [appearing on the letter in question] . . . has not been given to any document of the [Presidential] Administration.” The Committee has obtained samples of Mr. Voloshin’s signatures from Mr. Voloshin, from the Russian government, and from a public source; the known signatures of Mr. Voloshin are not substantially similar to the signature that appears on the letter of December 19, 2002. The Committee was unable to find information establishing any ties between Mr. Voloshin and Impexoil.⁴⁹

The Committee contacted Impexoil seeking comments on documents obtained from the Government of Iraq. The company responded through the Russian Ministry of Foreign Affairs, stating that it received no assistance from any entity or individual in arranging for its contracts

⁴⁸ Committee oil financier and beneficiary tables, contract nos. M/12/109, M/13/33 (contracting with Impexoil); SOMO letters to Amer Rashid (Sept. 26, 2002) (stating that Impexoil’s contract M/12/109 was allocated to Mr. Voloshin, “Head of Russian Presidential Council”), (Dec. 24, 2002) (stating that Impexoil’s contract M/13/33 was allocated to the “Head of Presidential Council”); SOMO letter to Impexoil (Jan. 2, 2003); Alexander Voloshin interview (Aug. 23, 2005); Presidential Executive Office, “Biography, Alexander Stalievich Voloshin,” <http://www.kremlin.ru/text/docs/2003/10/54746.shtml> (translated from Russian); Iraq Ministry of Oil record, letter to Taha Yassin Ramadan (Dec. 19, 2002); Committee oil company table, contract nos. M/13/33 (contracting with Impexoil), M/13/87 (unexecuted contract with Impexoil), M/13/91 (same); SOMO bills of lading (relating to contract M/13/33), bbl/3453 (Mar. 8, 2003), bbl/3450 (Mar. 2, 2003), bbl/3419 (Jan. 10, 2003).

⁴⁹ Alexander Voloshin interview (Aug. 23, 2005); Alexander Voloshin e-mail to the Committee (Sept. 20, 2005); UES, “Annual report of RAO ‘UES of Russia’ for year 2002,” p. 5, <http://old.rao-ees.ru/en/business/report2002/2002.pdf> (containing Mr. Voloshin’s signature); Russia Ministry of Foreign Affairs letter to the Committee (Oct. 21, 2005) (stating that “[i]n the year 2002 numeration of the documents at the [Presidential] Administration stopped at a smaller number”); Committee meeting with Russia Mission (Oct. 20, 2005) (providing the Committee with copies of officially certified documents with samples of Mr. Voloshin’s signature); Alexander Voloshin e-mail to the Committee (Oct. 4, 2005) (containing scanned images of documents); Confidential source report; Confidential source interview.

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under the Programme. Impexoil further stated that it strictly complied with the sanctions regime and thus did not see a need to meet with the Committee.⁵⁰

C. SURCHARGE PAYMENTS ON RUSSIAN CONTRACTS

Surcharges on oil contracts sometimes were paid in cash at Iraqi embassies abroad, including in Russia, Greece, Egypt, Switzerland, Italy, Malaysia, Turkey, Austria, Vietnam, Yemen, and Syria. By far the largest portion of total surcharge payments went through the Iraqi Embassy in Moscow. Between March 2001 and December 2002, over \$52 million in surcharges was paid through the Iraqi Embassy in Moscow. According to Iraqi Ministry of Oil records, 23 companies paid surcharges imposed on oil contracts through the Iraqi Embassy in Moscow. All but three of these companies were registered in Russia.⁵¹

1. The Collection of Surcharge Payments at Embassies

According to Iraqi officials, in the spring of 2001, the Iraqi Ministry of Foreign Affairs transmitted to the Iraqi Embassy in Moscow a written order to establish a three-member committee to collect cash surcharge payments from oil companies. The composition of the payment committee changed throughout its existence and at various times included the Embassy's commercial counselor, accountant, and other staff. The committee members were appointed orally, and no written record exists of their nomination.⁵²

⁵⁰ Committee letter to Russia Mission (Sept. 21, 2005) (requesting assistance in facilitating a meeting with Impexoil); Impexoil letter to Russia Ministry of Foreign Affairs (undated) (provided to the Committee on August 25, 2005); Committee letter to Impexoil (Aug. 17, 2005).

⁵¹ "Programme Management Report," vol. I, p. 87, Table 1; SOMO record, Iraq Embassy in Moscow payment receipts (Mar. 2001 to Dec. 2002) (translated from Arabic). The following companies paid all or part of their surcharges through the Iraqi Embassy in Moscow: ACTEC (\$5,794,000), Alfa Eco (\$2,039,161), Emercom (\$8,930,520), Federalny Torgovy Dom (\$349,500), Irakbul (paid \$50,000 and was reimbursed for the same amount), Khrizolit (€45,000), Lukoil (\$1,122,671), Machinoimport (\$1,455,362), Rosneftegazexport (\$1,625,287), Oil Company Siberia Limited (\$45,000), Kalmneftegaz (\$800,300), Neftegazexport (\$224,377), Onaco (\$198,000), Rosnefteimpex (\$9,014,463), Russian Engineering Company (at least \$2,502,000), Slavneft (\$3,259,000), Soyuzneftegaz (\$3,458,550), Tyumen Oil Company (\$501,417), Ukhta-Neft (\$485,400), Ural Invest Oil Corporation (\$891,800), Zangas (\$1,147,452), Zarubezhneft (\$7,904,016), and Zerich GmbH (\$954,000). All of these companies were registered in Russia, with the exception of Federalny Torgovy Dom (Ukraine), Irakbul (Bulgaria), and Zerich GmbH (Switzerland). Committee oil company table (companies listed above). Due to the non-execution of Irakbul's oil contract, the surcharge payment of \$50,000 paid by Irakbul on March 23, 2001 was returned to the company by the Iraqi Embassy in Moscow on November 6, 2002. On October 29, 2002, the Iraqi Embassy in Moscow also reimbursed the surcharge payment of \$59,995 to Lokia S.A.R.L. for the same reason, even though this company is not recorded as having paid the surcharge payment to the Iraqi Embassy in Moscow. Abbas Qunfuz letter to Ministry of Oil (Nov. 6, 2002) (translated from Arabic); Abbas Qunfuz letter to Ministry of Oil (Oct. 29, 2002) (translated from Arabic).

⁵² Iraq officials interviews.

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The frequency of cash payments to the Iraqi Embassy in Moscow varied from once a month to several payments a week. The cash payments usually were brought by a lower-level representative of the company. Members of the payment committee usually would count the cash in the presence of the company representative. Three copies of receipts would be made and signed by all members of the committee present at the meeting. The receipts would contain a serial number, the amount of the payment, the name of the company depositing the money, and the names of Iraqi officials receiving the money. Sometimes receipts contained names of individuals bringing cash to the Embassy, but their signatures were not required.⁵³ The Committee has obtained names of some of the individuals that brought cash on behalf of certain companies, including ACTEC, Emercom, Rosneftegazexport, Russian Engineering Company, Machinoimport, Slavneft, and Zarubezhneft. After the money was received, the Iraqi ambassador would sign and stamp each receipt. One copy of the receipt was then given to the company representative, one was placed with the cash in the safe to be included in shipment to Baghdad, and the third copy was placed in the Embassy's books.⁵⁴

The authenticity of Embassy receipts obtained by the Committee from SOMO was confirmed by former and current officials of the Iraqi Embassy in Moscow. All former members of the Embassy's payment committee contacted by the Committee also confirmed the authenticity of their signatures on the surcharge payment receipts. Below is a copy of one of the Embassy receipts issued for Zangas, one of the largest oil contractors under the Programme, with a fax ribbon mark identifying the name of the company:⁵⁵

⁵³ Iraq officials interviews. Some of the former Iraqi Embassy officials informed the Committee that the Embassy also occasionally received kickback payments on humanitarian contracts. Iraq officials interviews. However, the Committee has not been able to obtain documented proof of such payments.

⁵⁴ Iraq officials interviews; Confidential source report; Confidential source interview; SOMO record, Iraq Embassy in Moscow payment receipts, nos. 2 (Mar. 23, 2001), 3 (Apr. 5, 2001), 4 (Apr. 6, 2001), 6 (Apr. 27, 2001), 7 (Apr. 28, 2001), 10 (May 25, 2001), 12 (May 30, 2001), 13 (June 1, 2001), 19 (July 13, 2001), 20 (July 18, 2001), 40 (Oct. 4, 2001), 58 (Dec. 7, 2001), 66 (Dec. 25, 2001), 75 (Nov. 24, 2002), 77 (Feb. 1, 2002), 97 (Mar. 29, 2002), 108 (Apr. 26, 2002) (each translated from Arabic).

⁵⁵ Iraq officials interviews; Iraq Embassy in Moscow payment receipt, no. 76 (Jan. 28, 2002) (translated from Arabic and Russian).

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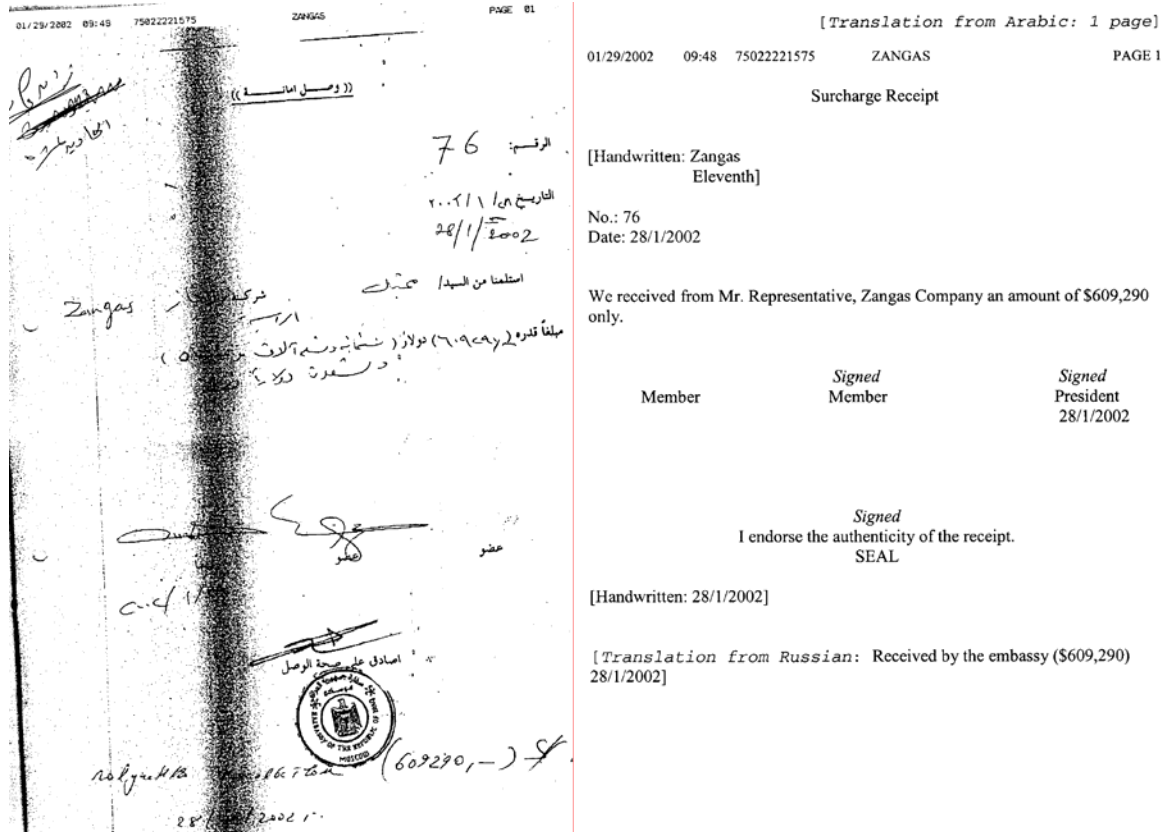


Figure: Iraq Embassy in Moscow payment receipt, no. 76 (Jan. 28, 2002) (for Zangas’s contract M/11/19) (translated from Arabic and Russian).

Copies of the receipts sometimes were sent to the company or SOMO. According to the date on the fax ribbon, the Embassy receipt for the Zangas payment was faxed on January 29, 2002, a day after the receipt was issued by the Embassy. Two more Zangas-related receipts obtained by the Committee from SOMO contain identical fax ribbons bearing the same fax number. The fax ribbon and number are also identical to the ribbon and number appearing on official communications from Zangas to the United Nations oil overseers, as well as Zangas’s copies of contracts with SOMO on file with the United Nations.⁵⁶

⁵⁶ Iraq Embassy in Moscow payment receipts, nos. 99 (Apr. 4, 2002) (for payment on Zangas’s contract), 14 (June 14, 2001) (same); SOMO sales contracts, M/09/77 (Mar. 11, 2001), M/11/102 (Mar. 13, 2002) (each translated from Arabic); M. Vassiliev letter to Oil overseers (Jan. 30, 2001) (identifying Mr. Vassiliev as an Advisor to the President of Zangas); M. Vassiliev letter to Oil overseers (Dec. 28, 1998). The Committee has approached Zangas seeking comments on data regarding Zangas’s surcharge payments, particularly as they relate to Embassy payment receipts. According to a Zangas representative, the company underwent a change of management in March 2003, as well as a substantial decrease in staff. As

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2. The Transportation of the Embassy Payments to Iraq

Cash payments were stored by the commercial counselor in the safe in his office at the Embassy. The cash, along with copies of relevant receipts, was transported periodically in red canvas diplomatic bags from Moscow to Baghdad by the diplomatic staff of the Iraqi Embassy. The time and amount of transported cash was decided by the ambassador. Diplomatic bags, which could hold up to \$1.5 million in \$100 bills, were used to transport the money when a sufficient amount accumulated at the Embassy. All diplomatic bags were numbered and sealed with wax. Nevertheless, Embassy staff transporting the cash were often aware of the contents of the bag, since the Embassy was rather small and the employees exchanged information. Because the cash was transported in diplomatic pouches and Embassy staff exercised diplomatic immunity, the pouches were not searched at the Moscow airport by Russian customs authorities.⁵⁷

The cash was transported on airplanes chartered by A.V.M. Air (“AVM”), a company that had regular flights between Moscow and Baghdad. Adel Al-Dzhilau, the President of AVM, confirmed that Iraqi officials and diplomats flew to and from Baghdad on AVM’s flights. Mr. Al-Dzhilau, as well as Vladimir Malyugin, an AVM pilot who flew regularly to and from Baghdad, denied any knowledge of cash being transported by Iraqi diplomats. Mr. Al-Dzhilau and Mr. Malyugin also denied seeing any diplomatic bags on the flights.⁵⁸

According to Iraqi officials and Ministry of Oil records, Mr. Al-Dzhilau solicited and received oil allocations during the Programme. Five million barrels of oil were allocated in Mr. Al-Dzhilau’s name. Of this allocation, two million barrels were lifted through Pitkin Limited, a Cyprus-based company. The Committee has obtained a copy of a letter from Mr. Al-Dzhilau to the Iraqi Minister of Oil, in which Mr. Al-Dzhilau requested an oil allocation, expressing “sincere thankfulness for Your [Amer Rashid’s] kind attention and cooperation in the issue connected with crude oil allocation to our Company by the Iraqi Government.” When interviewed by the Committee, Mr. Al-Dzhilau denied soliciting or receiving oil allocations from the Government of Iraq. When presented with a copy of his letter to the Iraqi Minister of Oil, Mr. Al-Dzhilau denied the authenticity of his signature.⁵⁹

a result, no relevant records regarding Zangas’s participation in the Programme could be located. According to a Zangas representative, the company’s activities in the Programme were kept strictly under the control of former top management of the company. Zangas representative interview (Aug. 24, 2005).

⁵⁷ Iraq officials interviews. One of the officials of the Government of Iraq informed the Committee that he once personally transported \$2 million in cash to Baghdad, pursuant to instructions of Ambassador Abbas Qunfuz. Iraq official interview.

⁵⁸ Iraq officials interviews; Adel Al-Dzhilau and Vladimir Malyugin interviews (Nov. 22, 2004 and Mar. 5, 2005).

⁵⁹ Iraq officials interviews; Committee oil beneficiary table, contract no. M/11/121; Adel Al-Dzhilau and Vladimir Malyugin interviews (Nov. 22, 2004 and Mar. 5, 2005); Ministry of Oil record, Amer Rashid letter to Taha Yassin Ramadan (Apr. 12, 2002) (translated from Arabic) (discussing Mr. Al-Dzhilau’s oil allocation); Ministry of Oil record, Adel Al-Dzhilau letter to Amer Rashid (Apr. 29, 2002) (translated from

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3. The Deposit of Embassy Cash in Rafidain Bank

Upon arrival in Baghdad, the Iraqi diplomat transporting cash was met by a representative of the Ministry of Foreign Affairs. The cash was handed over at the Ministry of Foreign Affairs and two copies of a receipt were prepared. One of the copies stayed with the Ministry of Foreign Affairs and another was provided to the Iraqi Embassy in Russia. The diplomatic bags with the cash were brought subsequently to Rafidain Bank in Baghdad. The cash was deposited in SOMO's USD account at the Rafidain Bank's main branch in Baghdad in presence of witnesses who verified that the amount of cash that left the Embassy corresponded to the amount that reached Baghdad. The money was transferred periodically from SOMO's account at the Rafidain Bank to the Ministry of Finance's account at the Central Bank of Iraq.⁶⁰ The Committee was unable to obtain copies of receipts issued by the Iraqi Ministry of Foreign Affairs or copies of bank records reflecting deposits into SOMO's account in Rafidain Bank.

4. Russian Companies Involved in Making Surcharge Payments

The Committee approached a number of Russian companies, including Alfa Eco, Emercom, Lukoil, Machinoimport, Rosneft, Rosnefteimpex, Russian Engineering Company, Soyuzneftegaz, TNK-BP, and Zarubezhneft, furnishing them with copies of Embassy payment receipts and requesting comments. The companies that responded to the Committee denied making the surcharge payments and questioned the accuracy of the Committee's data. These companies, however, have not provided any information refuting the records submitted to them by the Committee. Additionally, all Russian companies contacted by the Committee, with the exception of Zarubezhneft, Lukoil, and TNK-BP, either have not responded or have refused to meet with Committee representatives.⁶¹

Arabic) (further stating that oil allocations "will provide solid support for our [AVM's] efforts directed towards further lifting of international sanctions against Iraq and strengthening good friendly relations between Russia and the Republic of Iraq"); Ministry of Oil record, SOMO letter to Amer Rashid (May 9, 2002) (translated from Arabic) (approving contract M/11/121). Surcharges were also paid on contract M/11/121 in the amount of \$60,000, with an outstanding balance of \$243,755. Committee oil surcharge table, contract no. M/11/121 (contracting with Pitkin Ltd.).

⁶⁰ Iraq officials interviews.

⁶¹ Committee letter to Russia Ministry of Foreign Affairs (Feb. 18, 2005); Russia officials #3, 6-7 interview (Mar. 1, 2005); TNK-BP representatives interview (Mar. 3, 2005); Lukoil representatives interview (Feb. 14, 2005); Committee letters to Russian Engineering Company (Feb. 5 and July 29, 2005); Committee letter to Alfa Eco (Nov. 17, 2004); Alfa Eco letter to Russia Ministry of Foreign Affairs (Jan. 12, 2005) (translated from Russian) (provided to the Committee by the Russian Ministry of Foreign Affairs); Alfa Eco letter to the Committee (Oct. 19, 2005); Emercom letter to Russia Ministry of Foreign Affairs (Apr. 4, 2005) (provided to the Committee by the Russian Ministry of Foreign Affairs); Machinoimport letter to Russia Ministry of Foreign Affairs (Mar. 4, 2005) (same); Russian Engineering Company letter to Russia Ministry of Foreign Affairs (Feb. 2, 2005) (same); Russian Engineering Company letter to the Committee (Oct. 7, 2005) (same); Soyuzneftegaz letter to Russia Ministry of Foreign Affairs (Feb. 25, 2005) (same); Zarubezhneft letter to Russia Ministry of Foreign Affairs (Feb. 11, 2005) (same); Zarubezhneft letter to the

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a. Zarubezhneft

Zarubezhneft, a state-owned Russian oil company established in 1967, was the single most active oil contractor in the Programme. Between Phases I and XI, Zarubezhneft executed over 18 oil contracts, purchasing about 168.4 million barrels of oil, which amounted to approximately 4.6 percent of total sales of Iraqi oil under the Programme. According to SOMO records, a total of \$8,701,631 was paid in surcharges on five contracts executed by Zarubezhneft. Most of the surcharges—approximately \$7,904,016—were paid through cash deliveries to the Iraqi Embassy in Moscow.⁶²

The Committee has furnished Zarubezhneft with data on surcharges paid on its oil contracts. In response, Zarubezhneft stated that this data had “no relation to the activities of the Company during the Programme” and that its activities throughout the Programme were carried out in “strict compliance with recommendations of the Ministry of Foreign Affairs of Russia and with complete adherence to the requirements of the international sanctions regime.”⁶³

b. ACTEC

The eighth largest oil purchaser in the Programme was ACTEC, a Russian-based company created around 1995. The exact scope of ACTEC’s business activity in Russia is unclear, but it appears to have been established specifically for Programme-related business projects. According to Iraqi Ministry of Oil records, from Phases V until XI, ACTEC executed contracts to purchase about 71.9 million barrels of oil, which amounted to approximately 2.3 percent of total sales of Iraqi oil under the Programme. ACTEC purchased the oil under allocations granted in the names of the Communist Party of the Russian Federation and the Communist Party of Slovakia. All but one of ACTEC’s oil contracts were signed by Vladimir Zair-Bek, the President of the company.⁶⁴

Committee (Oct. 18, 2005); Alexandre Kramar interview (Mar. 5, 2005) (commenting in his capacity as a representative of Zarubezhneft).

⁶² Zarubezhneft, “History,” http://www.nestro.ru/www/nestroweb.nsf/index/enpr_history_eng; Committee oil company table, contract nos. M/01/15, M/02/05, M/02/34, M/03/14, M/03/50, M/04/01, M/05/12, M/06/18, M/07/07, M/07/81, M/07/93, M/08/02, M/08/82, M/08/86, M/09/19, M/09/82, M/10/01, M/11/115; Committee oil surcharge table, contract nos. M/08/02, M/08/82, M/09/82, M/10/01, M/11/115; SOMO record, Iraq Embassy in Moscow payment receipts, nos. 6 (Apr. 27, 2001), 9 (May 18, 2001), 11 (May 29, 2001), 18 (June 28, 2001), 24 (Aug. 16, 2001), 35 (Sept. 17, 2001), 39 (Oct. 2, 2001), 86 (Feb. 26, 2002), 100 (Apr. 4, 2002), 107 (Apr. 24, 2002) (each translated from Arabic).

⁶³ Committee letter to Russia Ministry of Foreign Affairs (Feb. 18, 2005); Zarubezhneft letter to Russia Ministry of Foreign Affairs (Feb. 11, 2005) (translated from Russian) (provided to the Committee by the Russian Ministry of Foreign Affairs); Alexandre Kramar interview (Mar. 5, 2005).

⁶⁴ Committee oil company table, contract nos. M/05/63 (Feb. 11, 1999) (signed by Mr. Zair-Bek), M/06/55 (June 6, 1999) (signed by Mr. Zair-Bek), M/07/48 (Dec. 18, 1999) (signed by Mr. Zair-Bek), M/08/05 (June 21, 2000) (signed by ACTEC’s regional representative in Iraq), M/10/83 (Oct. 14, 2001) (signed by Mr. Zair-Bek), M/11/39 (Dec. 22, 2001) (signed by Mr. Zair-Bek), M/11/45 (Dec. 23, 2001) (signed by Mr. Zair-Bek); Confidential source reports (stating that ACTEC was established by the leadership of KPRF

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The surcharges paid on contracts executed by ACTEC totaled \$6,194,000. Most of the surcharges imposed on ACTEC's contracts —\$5,794,000—were paid through the Iraqi Embassy in Moscow. The remaining surcharges were paid through bank transfers by Scandinavian T. Limited ("Scandinavian"). Scandinavian was created in 1999 in the Republic of Seychelles by two oil traders, Viacheslav Vodennikov and Roman Kononchuk. As of January 18, 2000, the list of its beneficial owners included Mr. Zair-Bek, Mr. Vodennikov, and Mr. Kononchuk. According to Iraqi Ministry of Oil records, in October and November 2000, Scandinavian made four surcharge payments of \$100,000 in relation to ACTEC's contract M/08/05. At least one of the payment orders, dated November 6, 2000, was signed by Mr. Zair-Bek. The money was transferred from United European Bank ("UEB") to a SOMO account in Fransabank. According to Ministry of Oil records, this payment covered part of the surcharge on contract M/08/05. The Committee was unable to locate Mr. Zair-Bek to discuss ACTEC's participation in the Programme and surcharge payments on its oil contracts.⁶⁵

c. Alfa Eco

About 2.8 percent of the Iraqi oil exported under the Programme was sold through Alfa Eco. Alfa Eco was the fourth largest purchaser of Iraqi oil under the Programme, executing 15 oil contracts for more than 106 million barrels of oil. Established in 1989, Alfa Eco was one of the original companies in the Alfa Group Consortium, which consists of dozens of companies registered in various countries, including a number of telecommunication companies, TNK-BP, and Alfa Bank. A total of \$2,351,880 in surcharges was paid on four of Alfa Eco's 15 oil contracts, the only such contracts executed by Alfa Eco in the surcharge phases. Most of the payments—\$2,039,161—were made in cash through the Iraqi Embassy in Moscow, and the

specifically for the Programme); Alexandre Kramar interview (Mar. 5, 2005). One Russian official, when asked about ACTEC, stated that two sets of companies operated in the Programme: established large companies and companies created specifically to pursue opportunities under the Programme. Russia officials #3, 6-7 interview (Mar. 1, 2005).

⁶⁵ Committee oil surcharge table, contract nos. M/08/05, M/10/83, M/11/39; Fransabank record, SOMO account, credit advice (Oct. 23, 2000); Fransabank record, SOMO account, credit advice (Oct. 26, 2000); Fransabank record, SOMO account, credit advice (Nov. 7, 2000); SOMO record, Iraq Embassy in Moscow payment receipts, nos. 62 (Dec. 20, 2001), 66 (Dec. 25, 2001) (stating that the money was brought by Mr. Zair-Bek), 71 (Jan. 18, 2002), 72 (Jan. 21, 2002), 77 (Feb. 1, 2002) (stating that the money was brought by Mr. Zair-Bek), 88 (Mar. 5, 2002), 112 (May 24, 2002), 119 (June 24, 2002), 120 (June 26, 2002) (each translated from Arabic); UEB record, Scandinavian account, incorporation documents (1999-2002) (stating that Mr. Vodennikov and Mr. Kononchuk were introduced to UEB by Taurus Petroleum and specifically by Martin Schenker, Financial Director of Taurus Petroleum); UEB record, Scandinavian account, verification of beneficial owner's identity (Jan. 18, 2000); Confidential source reports (stating that, between 1999 and 2002, Mr. Vodennikov also appeared in ACTEC's records as one of its employees); UEB record, Scandinavian account, payment order (Nov. 6, 2000); Bank of Jordan record, SOMO account, SWIFT message (Nov. 6, 2000); Committee oil surcharge table, contract no. M/08/05; ACTEC site visit report (Feb. 28, 2005) (discussing a visit to ACTEC's office by Committee investigators).

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remaining amount of \$312,719 was transferred using two companies, Star Port LLC (“Star Port”) and Watford Limited (“Watford”).⁶⁶

One of those two companies—Watford—has employees in common with other companies in the Alfa Group. According to bank and company registration records obtained by the Committee, a number of Watford’s managers—including Dmitry Plouzhnikov, James Grassick, Susan Cubbon, Simon Elmont, and Gillian Caine—also appear in registration documents of numerous other companies controlled by Alfa Group. Among them are Crown Commodities Limited and Crown Trade and Finance, trading arms of Alfa Group, which, along with Crown Resources AG, participated in trading operations related to Iraqi oil purchased by Alfa Eco and Tyumen Oil Company.⁶⁷

The Committee has contacted Alfa Eco on several occasions requesting a meeting to discuss the surcharge payments made on Alfa Eco’s and TNK’s contracts. Initially, the company stated that it was ready to provide “possible assistance on the matter.” However, in January 2005, Alfa Eco stated that it would communicate with the Committee through the Russian Ministry of Foreign

⁶⁶ Committee oil company table, contract nos. M/01/21, M/01/24, M/02/06, M/03/02, M/03/37, M/03/53, M/04/15, M/05/07, M/06/17, M/07/23, M/08/24, M/09/101, M/10/63, M/11/31, M/12/119; Alfa Eco, “About Alfa Eco,” <http://www.alfaeco.ru/en/about>; Alfa Eco, “Alfa Eco’s history,” <http://www.alfaeco.ru/en/about/history>; Tatiana Egorova, “Fridman is worth \$8 bln,” *Vedomosti*, Oct. 7, 2005 (translated from Russian); Committee oil surcharge table, contract nos. M/08/24, M/09/101, M/10/63, M/11/31; SOMO record, Iraq Embassy in Moscow payment receipts, nos. 48 (Nov. 9, 2001), 60 (Dec. 19, 2001), 85 (Feb. 19, 2002) (each translated from Arabic); Jordan National Bank record, SOMO account, credit advice (May 28, 2001) (containing surcharge payments of \$104,730 and \$70,000 on Alfa Eco’s contract M/08/24 and payment of \$101,000 on TNK’s contract M/08/25); Fransabank record, SOMO account, SWIFT message (Nov. 3, 2000) (containing surcharge payments of \$40,000 and \$98,004 on Alfa Eco’s contract M/08/24 and payment of \$99,774 on TNK’s contract M/08/25). According to the data of the Iraqi Ministry of Oil, a total of \$1,541,881 was paid in surcharges on TNK’s contracts. Committee oil surcharge table, contract nos. M/08/25, M/08/40, M/09/102. The Committee contacted TNK-BP seeking its comments on information on surcharges paid on its contracts. As of October 25, 2005, TNK-BP has neither denied nor confirmed the accuracy of information on its surcharge payments. TNK-BP representatives interview (Mar. 3, 2005).

⁶⁷ Watford incorporation records (1993-2000) (identifying Mr. Plouzhnikov, Mr. Grassick, Ms. Cubbon, Mr. Elmont, and Mr. Caine among Watford’s managers); United Overseas Bank record, Crown Trade and Finance account, account opening documents (1996-2000) (identifying Dmitry Plouzhnikov as one of the managers of the company); Crown Trade Limited incorporation documents (1998-1999) (identifying Mr. Caine, Mr. Elmont, Mr. Grassick, and Ms. Cubbon among the managers of the company); Crown Commodities Limited incorporation documents (1997-2000) (identifying Dmitry Plouzhnikov as one of the managers of the company); David Chalmers letter to Crown Resources AG c/o Alfa Eco (Oct. 12, 2000); Crown Resources AG letter to Saybolt (Oct. 26, 2000); David Chalmers letter to Crown Commodities (June 8, 1999); Crown Commodities letter to David Chalmers (Jan. 17, 1998); Alexandre Kramar interview (Mar. 5, 2005) (discussing Crown’s affiliation with Alfa Eco and involvement in the Programme); Michael Teagarden, “Crude Trader Crown Resources Begins ’03 With New Names, Owners,” *The Oil Daily*, Jan. 3, 2003 (describing affiliation of Crown Resources AG with Alfa Group and discussing the sale of the company in the end of 2002).

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Affairs. The Ministry subsequently provided the Committee with a copy of a letter from Alfa Eco in which the company denied being involved in violating any “regimes and norms established by the international community and national legislation.”⁶⁸

d. Lukoil

Russian-based oil company Lukoil, together with two of its foreign subsidiaries—Lukoil Asia Pacific PTE Ltd. (Singapore) (“Lukoil Asia Pacific”) and Lukoil Petroleum (British Virgin Islands)—lifted a total of nearly 93.4 million barrels of Iraqi oil under the Programme. A surcharge payment of \$1,122,671 was paid through the Iraqi Embassy in Moscow in connection with one contract executed by Lukoil Asia Pacific. Lukoil representatives denied any knowledge of the surcharge payment, stating to the Committee that company’s internal investigation showed no trace of such a payment. Iraqi oil purchased by Lukoil Asia Pacific under this contract was sold by Lukoil Asia Pacific to Bayoil for a price of \$0.03 per barrel, which resulted in revenue for Lukoil of \$112,255. According to Lukoil representatives, the company did not receive any other payments from Bayoil, and therefore, its proceeds from the transaction would not have covered a cash payment of \$1,122,671 to the Iraqi Embassy in Moscow.⁶⁹

⁶⁸ Committee letters to Alfa Eco (Nov. 17, 2004; Jan. 10 and Oct. 13, 2005); Alfa Eco letters to the Committee (Nov. 16, 2004; Jan. 27 and Oct. 19, 2005); Alfa Eco letter to Russia Ministry of Foreign Affairs (Jan. 12, 2005) (translated from Russian) (provided to the Committee by the Russian Ministry of Foreign Affairs); Alfa Eco letter to the Committee (Nov. 17, 2004) (inquiring whether the Committee was interested in discussing “other companies, Crown Resources AG and TNK-BP, which also being a part of Consortium Alfa Group, have been involved in the Oil-for-Food Programme”).

⁶⁹ Committee oil company table, contract nos. M/01/14, M/02/21, M/03/26, M/04/20, M/05/23, M/06/22, M/06/71, M/07/13 (contracting with Lukoil); M/04/61, M/05/53, M/05/70, M/06/44 M/07/72, M/08/81 (contracting with Lukoil Petroleum); M/10/67 (contracting with Lukoil Asia Pacific); SOMO record, Iraqi Embassy in Moscow payment record (Jan. 22, 2002) (translated from Arabic); Committee oil surcharge table, contract no. M/10/67; Lukoil representatives interview (Feb. 14, 2005); Lukoil record, payment invoice no. SC-004-01S (Nov. 1, 2001) (for \$57,257); Lukoil record, payment invoice no. SC-005-01S (Nov. 6, 2001) (for \$54,998); Bayoil, “Transaction details for Bayoil Supply & Trading, Ltd. January 1995 through December 2003” (recording two November 2001 payments of \$57,257 for the first lifting of 1,908,566 barrels and \$54,998 for the second lifting of 1,833,263 barrels). According to Iraqi Ministry of Oil records, contract M/10/67 was allocated to Mr. Zhirinovskiy. Committee oil financier table, contract no. M/10/67; Vladimir Zhirinovskiy letter to Tariq Aziz (July 26, 2001).

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IV. FRANCE

A. PREFERENTIAL OIL ALLOCATIONS

The Government of Iraq followed an explicit policy of favoring companies and individuals based in France in its distribution of oil allocations. According to Iraqi officials, France was perceived as a “friend” of the Iraqi regime because it supported the lifting of sanctions. French companies, second only to Russian companies, purchased the largest share of Iraqi crude oil under the Programme. French companies contracted for approximately \$4.4 billion of oil from Iraq under the Programme. But France, unlike Russia, was home to a small number of major oil companies. Total International Limited and SOCAP International Limited contracts accounted for approximately 74 percent of the oil purchased by French companies under the Programme. These companies stopped contracting directly with SOMO after Phase VIII, coinciding with the imposition of surcharges in September 2000. Consequently, France then ceased to be a top recipient of Iraqi oil through its companies.⁷⁰

Iraq’s preference for French companies and the limited number of recipients in France for Iraqi crude oil led certain companies to pass themselves off to SOMO as being French-based. For example, Vitol S.A., a Switzerland-based company, purchased Iraqi oil under the name “Vitol France” even though no such company existed. Glencore managed to use its Glencore France S.A. subsidiary to contract with SOMO in just one phase. Marc Rich + Co. Investment AG, a Switzerland-based company, financed and purchased oil through European Oil and Trading Company (“E.O.T.C.”), a company that was established specifically for the purpose of trading oil under the Programme. Addax BV, a Switzerland-based company, had a new affiliated entity, Addax (France) S.A.R.L., incorporated to purchase Iraqi crude oil. These companies and others are discussed in more detail below.

The attempts by companies to disguise themselves as French entities came to the attention of the Iraqi regime. In addressing the problem, Iraqi officials explicitly referred to France’s favored status with Iraq’s leadership. In October 1998, a French official in the Sanctions Department wrote to an Iraqi official in Paris about “his concerns and his government’s concerns. . . regarding the increase in British and American companies as well as others who exploit the decision of the Iraqi leadership in providing priority to conducting business with French companies by signing contracts with Iraq through their offices in France.” The letter referenced a list of these suspected

⁷⁰ Amer Rashid interview (Oct. 9, 2004); Tariq Aziz interviews (Mar. 1 and Aug. 16, 2005); Taha Yassin Ramadan interview (Aug. 17, 2005); “Programme Management Report,” vol. II, pp. 29-30; Committee oil company and beneficiary tables (contracts with French companies). If the purchases of a London-based subsidiary of a Chinese state-owned company are factored into China’s total oil purchases, then Chinese companies would surpass French companies as the second largest purchaser of oil under the Programme, with total sales of \$4.9 billion. “Programme Management Report,” vol. II, pp. 29-30. Amer Rashid served as Iraq’s Minister of Oil during the Programme, Tariq Aziz served as Iraq’s Deputy Prime Minister, and Taha Yassin Ramadan served as Iraq’s Vice President. Amer Rashid interview (Oct. 9, 2004); Tariq Aziz interviews (Mar. 1 and Aug. 16, 2005); Taha Yassin Ramadan interview (Aug. 17, 2005).

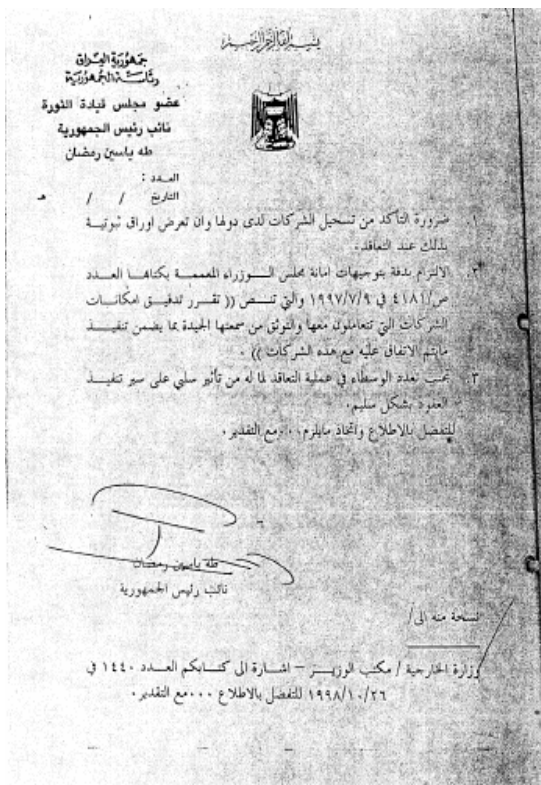
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“hoax companies” which, the letter indicated, was being forwarded to the Iraqi Ministry of Foreign Affairs and others.⁷¹

Iraqi officials took this complaint seriously. After being notified of the complaint in November 1998, Iraqi Vice President Taha Yassin Ramadan wrote a letter to the Iraqi ministries and the Baghdad Trust entitled “Dealing with French Companies.” In this letter, Mr. Ramadan made it clear that Iraq needed to implement policies that would prevent American and British companies from exploiting Iraq’s preferential treatment of French companies:⁷²



For the purpose of the instructions on dealing with French companies and the possibility of American and British companies exploiting the preferential treatment provided to France by setting up offices in France, and the risk of such companies’ success in signing commercial contracts with Iraq under the framework of MOU contracts, we thus emphasize the importance of executing the following:

1. Importance of ensuring that such companies are registered in their home countries and to present documents as proof at the time of the contract.
2. Accurately abiding to the instructions of the Council of Ministers circulated in their letter no. S/4181 dated 9/7/1997 which states that “It has been decided to scrutinize companies capabilities and to be certain of their good reputation which guarantees the execution of the agreements with them.”
3. Avoid numerous intermediaries during contractual agreements as it has a negative effect on the smooth execution of the contract.

Figure: Excerpt of Taha Yassin Ramadan letter to Iraqi Ministries (Nov. 22, 1998) (translated from Arabic).

In addition to giving preference to companies based in France, the Government of Iraq also granted oil allocations to individuals based in France who espoused pro-Iraq views. Iraq’s Deputy Prime Minister, Tariq Aziz, who had been in charge of Iraq’s relations with France for

⁷¹ Mohammed Said Al-Sahaf letter to Taha Yassin Ramadan (Oct. 26, 1998) (translated from Arabic).

⁷² Taha Yassin Ramadan letter to the Ministries of Internal Affairs, Trade, Health, Transportation, Oil, Irrigation, Higher Education and Scientific Research, Industry and Mines, Agriculture, Education, and the Baghdad Trust (“Iraqi Ministries”) (Nov. 22, 1998) (translated from Arabic).

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many years, was primarily responsible for determining which French individuals would be allocated oil and served as their main Iraqi contact. Mr. Aziz has specifically stated that he recommended that some of the French beneficiaries receive allocations because of their activities on behalf of Iraqi issues. Mr. Rashid went further, and stated that at times there was a direct correlation between an increase in oil allocations and the extent of a beneficiary's anti-sanctions activities. As described in this section, many of those individuals selected by the Government of Iraq to receive oil allocations actively expressed views or participated in activities connected with Iraq, including anti-sanctions activities.⁷³

On one occasion, in order to obtain more oil, one beneficiary—a former French diplomat Serge Boidevaix—emphasized to Iraqi officials a position taken by the French government that was supportive of Iraq:

We were happy to see the decision of the Security Council to increase the total amount for exports to \$8.3 billion, and as you may know, on the French side we proposed an increase without limits or restrictions. As I mentioned in my last letter, we would be grateful for an increase to our current allocation of 5 million barrels, and could lift Basrah anytime in October or November if you had additional volumes to allocate.⁷⁴

B. JEAN-BERNARD MÉRIMÉE

While serving as a Special Advisor to the Secretary-General of the United Nations, with the rank of Under-Secretary-General, Jean-Bernard MÉRIMÉE began receiving oil allocations that would ultimately total approximately six million barrels from the Government of Iraq. While still in the position of Special Advisor, Mr. MÉRIMÉE arranged to sell two million barrels of oil that were allocated to him in Phase X. He received \$165,725 in commissions from the oil sale. Surcharges were assessed on the oil contract and paid by the contracting company.⁷⁵

⁷³ Amer Rashid interview (Oct. 9 and Oct. 29, 2004); Tariq Aziz interviews (Mar. 1 and Aug. 16, 2005); Iraq officials interviews (one official stating that Mr. Aziz was not naïve about the political influence of certain individuals, that he welcomed meeting with politicians, including French politicians, and knew what they could do).

⁷⁴ Serge Boidevaix letter to Saddam Z. Hassan (Oct. 5, 1999) (translated from Arabic). In the same letter, Mr. Boidevaix referred to earlier discussions with the Mr. Rashid about having Iraqi oil sector technicians trained in refineries “in France and perhaps Italy” at Vitol’s expense and proposed having the company assist “with the restoration of equipment at Saddam Hussein Children’s Hospital.” Ibid.

⁷⁵ Tariq Aziz interview (Mar. 1, 2005); Iraq official interview; Committee oil beneficiary table, contract nos. M/10/96, M/11/82, M/13/76; SOMO sales contract, no. M/10/96 (Oct. 6, 2001) (contracting with Fenar Petroleum Limited).

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1. Background

From 1991 through 1995, Mr. Mérimée served as France's Permanent Representative to the United Nations. Intermittently during that time, Mr. Mérimée also served as President of the United Nations Security Council. Prior to joining the United Nations, Mr. Mérimée served as the French Ambassador to Australia, India, Morocco, and Italy. Mr. Mérimée was awarded the title Ambassador of France in 1999. Mr. Mérimée's tenure as Permanent Representative coincided with the Security Council's negotiation and adoption of Resolution 986 and the inception of the Programme. After Resolution 986 was adopted by the Security Council, Mr. Mérimée advocated for the lifting of sanctions once Iraq satisfied its obligations concerning its weapons program pursuant to United Nations resolutions.⁷⁶

Mr. Mérimée retired from the French Ministry of Foreign Affairs in 1998. A year later, he was appointed by the Secretary-General as Special Advisor on European Affairs. His tenure in that

⁷⁶ Jean-Bernard Mérimée interview (Oct. 4, 2005); Jean-Bernard Mérimée personnel file, United Nations Office of Human Resources Management (hereinafter "Mérimée personnel file"); *Qui est Qui en France* (36th Ed.) (Jacques Lafitte S.A., 2004) (translated from French); Tariq Aziz interview (Mar. 1, 2005) (confirming that Mr. Mérimée requested and received oil allocations after he had retired from the United Nations); Iraq officials interviews (affirming that oil allocations were granted to individuals with political influence); SOMO letters to Amer Rashid (Oct. 7, 2001) (approving contract M/10/96 for 2 million barrels of oil for "Fenar Petroleum (Jean-Bernard Mérimée)"), (Jan. 19, 2002) (approving contract M/11/82 for 1.5 million barrels of oil for "Aredio Petroleum (Mr. Jean-Bernard Mérimée)"), (Jan. 12, 2003) (approving contract M/13/76 for 1 million barrels of oil for "Aredio Petroleum S.A.R.L." for "recipient of allocation: Mr. Mérimée the French") (each translated from Arabic) (hereinafter "Approval letters for Mérimée contracts"); SOMO oil allocation tables, Phase X (Aug. 4, 2001) (indicating an allocation of 2 million barrels of oil for "Mérimée"), Phase XI (Dec. 1, 2001) (indicating an allocation of 1.5 million barrels of oil for "Mérimée"), Phase XII (May 19, 2002) (indicating an allocation of 1.5 million barrels of oil for "Mérimée"), and Phase XIII (Nov. 17, 2002) (indicating an allocation of 1 million barrels of oil for "Mérimée") (each translated from Arabic) (hereinafter "SOMO oil allocation tables for Mérimée"); Stanley Meisler, "U.N. Allows Iraq Oil Sales Humanitarian Needs Cited," *The Hartford Courant*, Apr. 15, 1995, p. A1 (describing Resolution 986 as "a temporary measure that will vanish when conditions are ripe" to end sanctions); Joan Gralla, "France's UN envoy says Iraq will cooperate on arms," *Reuters News*, June 20, 1995 (stating "We take the view that as soon as we get the green light from Ekeus [UNSCOM] we have to start lifting the embargo"); "U.N. Council Punishes Iraq for Making 'Horrible' Germs," *The Salt Lake Tribune*, July 12, 1995, p. A9 (suggesting that sanctions could be eased if the report from U.N. arms inspectors showed Iraqi progress). From September 1 to September 30, 1991, October 1 to October 31, 1992, March 1 to March 31, 1994, and May 1 to May 31, 1995, Mr. Mérimée served as President of the United Nations Security Council. Mérimée personnel file; Official Record of the General Assembly, Reports of the Security Council, A/50/2 Fiftieth Session (Nov. 14, 1995), A/49/2 Forty-ninth Session (Oct. 18, 1994), A/48/2 Forty-eighth Session (Oct. 19, 1993), A/47/2 Forty-seventh Session (June 2, 1993). No company was designated for Mr. Mérimée's allocation of 1.5 million barrels of oil in Phase XII. Committee oil beneficiary table.

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position was extended until February 14, 2002. He performed additional work for the United Nations in a non-appointed status as late as early 2003.⁷⁷

2. Oil Allocations and Contracts

According to Mr. Aziz, Mr. Mérimée made a request for an oil allocation after he retired as the French Permanent Representative to the United Nations. Mr. Mérimée was included for the first time in a SOMO Allocation Table that was dated August 4, 2001 for Phase X. At that time, he had been retired for two years from his position as France's Permanent Representative to the United Nations. Mr. Mérimée, however, was a Special Advisor to the Secretary General of the United Nations. He served in that position until the beginning of Phase XI. Iraq Ministry of Oil records show that between Phases X and XIII, the Government of Iraq granted a total of six million barrels of oil in Mr. Mérimée's name. In addition to the contract in Phase X discussed below, Ministry of Oil records indicate that one other contract was executed for oil allocated to Mr. Mérimée but it does not appear to have been lifted under that contract.⁷⁸

⁷⁷ Mérimée personnel file (showing that Mr. Mérimée served as a Special Advisor at the level of the Under-Secretary-General from February 15, 1999 to August 14, 2002); Kofi Annan letter to Jean-Bernard Mérimée (Aug. 1, 2001); Iqbal Riza note to Rafiah Salim (Aug. 3, 2001). Although the extension paperwork related to the Special Advisor position was sent to Mr. Mérimée, a signed copy of the last extension could not be located. Rafiah Salim letter to Jean-Bernard Mérimée (Aug. 13, 2001). Mr. Mérimée's post-appointment work was unrelated to the Programme. Kofi Annan meeting notes with Jean-Bernard Mérimée (Feb. 6, 2003) (regarding United Nations relations with the European Union).

⁷⁸ Jean-Bernard Mérimée interview (Oct. 4, 2005); Tariq Aziz interview (Mar. 1, 2005); Mérimée personnel file (showing that Mr. Mérimée was employed as a Special Advisor at the level of the Under-Secretary-General from February 15, 1999 to August 14, 2001); Claudia Rosett, "U.N. Mystery Man: Who is Jean-Bernard Mérimée and What's His Oil-for-Food Tie?" *Fox News*, July 28, 2005 (quoting United Nations spokesman Stephane Dujarric as stating that Mr. Mérimée had not been employed by the United Nations since February 14, 2002, but that his name had remained on the United Nations website's list of "Special and Personal Representatives and Envoys of the Secretary-General" for more than three years after that point due to "oversight"); Committee oil beneficiary tables, contract nos. M/10/96, M/11/82, M/13/76, No contracting company; Approval letters for Mérimée contracts; SOMO oil allocation tables for Mérimée. Ministry of Oil records show that in Phase XI, a 1.5 million barrel oil allocation was contracted to Aredio Petroleum S.A.R.L. (hereinafter "Aredio"), a French-based company. SOMO sales contract, no. M/11/82 (Jan. 16, 2002); Approval letters for Mérimée contracts; SOMO oil allocation tables for Mérimée. In a handwritten letter, dated January 7, 2002, to SOMO, Mr. Mérimée stated: "Please give my allocation of crude oil (phase eleven) to Aredio. Thank you." Jean-Bernard Mérimée letter to SOMO (Jan. 7, 2002) (translated from French). Mr. Mérimée did not dispute the letter's authenticity, but could not recall writing it or dealing with Aredio Petroleum. Jean-Bernard Mérimée interview (Oct. 4, 2005). Even though the United Nations Treasury archive includes documents in connection with the approval of contract M/11/82, the invoice issued by SOMO in connection with these documents refers to contract M/11/101, another contract of Aredio during that phase. This invoice shows that the entire oil allocation of 1.5 million barrels for Phase XI was not lifted; Aredio lifted only 275,000 barrels of oil. SOMO bill of lading, ck/5173 (June 1, 2002) (relating to M/11/82); SOMO commercial invoice, c/50/2002 (June 1, 2002) (indicating that 275,000 barrels of oil were lifted for contract M/11/101).

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Mr. Mérimée admitted that he received one oil allocation from the Government of Iraq, but he denied knowledge of additional allocations. According to Mr. Mérimée, Mr. Aziz offered him an oil allocation during a visit to Baghdad because he had been a “fair negotiator” during the establishment of the Programme. Mr. Mérimée emphasized that Mr. Aziz had made it clear that he was offering an oil allocation as a personal gesture to Mr. Mérimée. According to Mr. Mérimée, he received oil from the Government of Iraq on only one occasion and sold it.⁷⁹

Mr. Mérimée sold two million barrels of oil to Fenar Petroleum Ltd., as discussed in Section VI.C below. The contract was executed on October 6, 2001, while Mr. Mérimée held the position of Special Advisor. He sold the oil through an agent, Elias Firzli. Mr. Firzli often helped beneficiaries based in France to sell their allocations. According to Mr. Mérimée and Mr. Firzli, Mr. Firzli was responsible for arranging the sale of the oil to a contracting company.⁸⁰

Mr. Mérimée admitted that he received a commission for the sale of his rights to the oil. He directed that his commission be paid to a bank account outside France. Bank records show that on January 16, 2002, Fenar Petroleum Ltd. transferred a total of approximately \$165,725 to Mr. Mérimée’s bank account at BMCE Bank Morocco. Mr. Mérimée stated that he was careful not to involve a French entity in the transaction. The payment corresponds to a \$0.08 per barrel commission.⁸¹

Ministry of Oil records show that a surcharge of approximately \$621,471 was levied and paid on contract M/10/96. The surcharge was paid in four deposits to a SOMO account at the Jordan National Bank between September 2001 and April 2002. The bank advice for an advance payment of surcharges for this contract indicates that payment was made “by order of Jean Bernard.” The depositors on the bank advices for the three remaining payments were “Salim Ahmad” and “Maurice Rizly.” These surcharge payments are discussed in more detail in Section VI.C.⁸²

⁷⁹ Jean-Bernard Mérimée interview (Oct. 4, 2005). A contract was signed between Fenar Petroleum and SOMO on October 6, 2001. SOMO sales contract, no. M/10/96 (Oct. 6, 2001).

⁸⁰ SOMO letter to Amer Rashid (Oct. 7, 2001) (approving contract M/10/96 for 2 million barrels of oil for “Fenar Petroleum (Jean-Bernard Mérimée)”); SOMO sales contract, no. M/10/96 (Oct. 6, 2001) (contracting with Fenar Petroleum Limited); Jean-Bernard Mérimée interview (Oct. 4, 2005); Elias Firzli interview (Oct. 14, 2005).

⁸¹ Jean-Bernard Mérimée interview (Oct. 4, 2005) (confirming that the money was received in a non-French bank and stating that he was careful that no French entity was involved in the transactions); BNP Geneva record, Fenar Petroleum Ltd, debit advice (Jan. 16, 2002) (in favor of Mr. Mérimée and indicating that the payment detail on the wire transfer referenced the *Berge Phoenix*). *Berge Phoenix* was the vessel used to load the oil allocated to Mr. Mérimée under contract M/10/96. SOMO bill of lading, ck/5116 (Dec. 13, 2001); SOMO sales contract, no. M/10/96 (Oct. 6, 2001) (contracting with Fenar Petroleum Limited); see also Patrick Hilty interview (Apr. 13, 2005). Patrick Hilty is a Chartered Accountant and a partner of Revitrust. *Ibid.*

⁸² Committee oil surcharge table, contract no. M/10/96; Jordan National Bank record, SOMO accounts, deposit advices (Apr. 7 and Sept. 30, 2001; Feb. 4 and 7, 2002) (each translated from Arabic).

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Mr. Mérimée has acknowledged that he was aware at the time that the Iraqi regime was imposing surcharges on oil sales. He denied that he had any knowledge of or role in surcharge payments on his oil contract.⁸³

C. CHARLES PASQUA/BERNARD GUILLET

Charles Pasqua, the former Minister of Interior in France, had allocations designated in his name for a total of 11 million barrels of oil from the Government of Iraq. According to Iraqi officials and records, the oil allocations were carried out on Mr. Pasqua's behalf by his diplomatic advisor at the time, Bernard Guillet. According to Mr. Guillet, Mr. Aziz conveyed through him an offer of Iraqi crude oil to Mr. Pasqua to thank the latter for his support for Iraq. Mr. Guillet stated that he told Mr. Pasqua about Mr. Aziz's offer. Mr. Pasqua denied that he was informed of the offer.

Most of the oil allocated in Mr. Pasqua's name was sold to Genmar Resources GMBH ("Genmar"), a Switzerland-based company. Both Mr. Pasqua and Mr. Guillet have denied involvement in oil sales under the Programme or receiving any proceeds from them. However, Mr. Guillet arranged for the sale of the oil allocated in Mr. Pasqua's name. Mr. Guillet also received at least \$234,000 in cash payments from the proceeds of those oil sales. His accounting of the distribution of the money is vague. Additionally, Mr. Guillet received allocations in his own name which were then sold—a claim that Mr. Guillet has denied.

1. Background

In 1986 and again in 1993, Mr. Pasqua served as France's Minister of the Interior. During this time, Mr. Pasqua briefly served as the President of Conseil Général des Hauts de Seine.⁸⁴ Mr. Pasqua acknowledged meeting with Mr. Aziz on at least two occasions—in 1993 and 1995.⁸⁵ For

⁸³ Jean-Bernard Mérimée interview (Oct. 4, 2005).

⁸⁴ "White Paper: Charles Pasqua's Correction to the May 12, 2005 Report of the United States Senate Investigations Subcommittee," vol. I, p. 5 (Sept. 15, 2005) (hereinafter "Pasqua's White Paper, vol. I"). From 1977 to 1999, intermittently and since 2004, Mr. Pasqua has served as Senator of the Hauts-de-Seine, and intermittently from 1973 to 2004 served as the President of the Conseil Général des Hauts de Seine, which is the executive council in charge of the management of this region—one of France's wealthiest and most important industrial areas. Pasqua's White Paper, vol. I, p. 5; Bienvenue au Sénat, "Sénateurs," http://www.senat.fr/senfic/pasqua_charles77053g.html. In the late 1980s, Mr. Pasqua was the co-founder of Association France-Afrique-Orient and served as the Vice President until the mid-1990s. Charles Pasqua interview (Oct. 3, 2005); Bernard Guillet interviews (Oct. 3 and 5, 2005). In 1999, he was a co-founder of a new political party in France, *Rassemblement pour la France* (Rally for France) (hereinafter "RPF"). Pasqua's White Paper, vol. I, p. 6.

⁸⁵ Charles Pasqua interview (Oct. 3, 2005); Bernard Guillet interviews (Oct. 3 and 5, 2005); see also "France Seeks Way to Repay Iraqi U.N. Progress," *Reuters News*, Mar. 17, 1994, p.1 (describing that during a visit to Paris for health reasons in October 1993, Mr. Aziz's only formal appointment was a private meeting with Mr. Pasqua); "France's Juppe to Meet Tareq Aziz," *Reuters News*, Sept. 14, 1994, p. 1 (confirming that in October 1993, Mr. Aziz visited Paris for health reasons and met privately with Mr. Pasqua); Kenneth R. Timmerman, "Saddam Heads for Final Victory in the Gulf War," *The Sunday Times*,

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their initial meeting, Mr. Pasqua facilitated Mr. Aziz's visit to France at a time when the country had no diplomatic relations with Iraq. He had his second meeting with Mr. Aziz when they attended dinner together in Paris in 1995. Mr. Pasqua has denied that he ever developed a close relationship with Mr. Aziz. He also has denied speaking to Mr. Aziz about an oil allocation.⁸⁶

Mr. Guillet served as a diplomatic advisor to Mr. Pasqua at the Ministry of Interior from 1993 to 1995 and at the Conseil Général des Hauts-de-Seine from 1995 to 2001. In this position, Mr. Guillet accompanied Mr. Pasqua in his meetings with foreign officials and undertook several missions on behalf of the Conseil Général des Hauts-de-Seine. Mr. Guillet traveled to Baghdad on at least nine occasions in his capacity as a diplomatic advisor to Mr. Pasqua. According to Mr. Guillet, he did develop a close personal relationship with Mr. Aziz.⁸⁷

Oct. 2, 1994, p. 1 (describing Mr. Pasqua as Mr. Aziz's most influential ally in the French administration). Several media reports also portrayed Mr. Pasqua as a supporter of Mr. Aziz in France. Lally Weymouth, "The Saddam Lobby," *The Washington Post*, May 8, 1994, p. C7 (stating that, according to United States intelligence sources, Mr. Pasqua was "coaching the Iraqis behind the scenes" about ending sanctions); "Iraq pleads for 'solid relations' with France," *Agence France Presse*, Oct. 27, 1994 (reporting that Mr. Guillet, Mr. Pasqua's foreign affairs advisor, commented that a link had been reestablished between France and Iraq, Iraq had opened an interest section in Paris in October 1993, and Iraq would be "reduced to despair" if sanctions continued).

⁸⁶ Charles Pasqua interview (Oct. 3, 2005); Serge Boidevaix interview (Oct. 4, 2005); United States House of Representatives' Committee on Energy and Commerce staff members, Andrew Snowdon, Chris Knauer, and Thomas Feddo, meeting with Charles Pasqua, p. 3 (June 3, 2005); see also Charles Pasqua letter to Joe Barton (June 2, 2005) (clarifying that Mr. Pasqua met with Mr. Aziz on two occasions in Paris, in October 1993 and again "probably in 1995"). Mr. Guillet deemed this meeting to be important in France-Iraq relations and stated in an interview in 2001 that Mr. Pasqua convinced the authorities at the time that Mr. Aziz's visit was a good opportunity to renew relations with Iraq. Bernard Guillet interviews (Oct. 3 and 5, 2005); Patrick Jarreau and Fabrice Lhomme, "Le diplomate de Charles Pasqua sort de l'ombre et éclaire l'affaire Falcone," *Le Monde*, Apr. 29, 2001. Furthermore, the media reports at the time raised many questions surrounding this visit once it became public. "Irak Tarek Aziz à Paris pour 'raisons médicales,'" *Le Monde*, Oct. 19, 1993; Mouna Naim, "Officiellement en France pour raisons médicales Le séjour de Tarek Aziz à Paris soulève de nombreuses questions" *Le Monde*, Oct. 21, 1993; "Irak: Tarek Aziz a quitté la France" *Le Monde*, Oct. 26, 1993; see also French Ministry of Foreign Affairs record, "Point de presse-declaration du porte-parole" (Oct. 17, 1993) (Oct. 18, 1993) (Oct. 25, 1993) (responses of the spokesman to questions related to details of Mr. Aziz's visit) (each translated from French).

⁸⁷ Charles Pasqua interview (Oct. 3, 2005); Bernard Guillet interviews (Oct. 3 and 5, 2005) (he eventually called Mr. Aziz by his first name, "Tariq"); Alain Catta letter to Charles Pasqua (May 4, 2001) (translated from French) (referring to the fact that Mr. Guillet was "made available" to Mr. Pasqua, pursuant to an exchange of letters between the Conseil Général des Hauts-de-Seine and the French Ministry of Foreign Affairs); Charles Pasqua letter to the Minister of Foreign Affairs (May 30, 2001) (translated from French) (stating that Mr. Guillet could not be seconded to Conseil Général des Hauts-de-Seine because of a court order barring him from contacting Mr. Pasqua); Conseil Général des Hauts-de-Seine record, mission orders (Jan. 22, 2001) (for Mr. Guillet's mission to Beirut, Amman, Baghdad, February 4 to 18, 2001), (undated) (for Mr. Guillet's mission to Beirut, Amman, Baghdad, July 8 to 16, 1996), (undated) (for Mr. Guillet's mission to Beirut, Damascus, Baghdad, May 4 to 11, 1998), (Jan. 26, 1999) (for Mr. Guillet's mission to Damascus, Baghdad, Beirut, January 29 to February 7, 1999), (Apr. 27, 1999) (for Mr. Guillet's mission to

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2. Oil Allocations and Contracts

According to Iraqi officials, including Mr. Aziz, and Ministry of Oil records, 11 million barrels were allocated to Mr. Pasqua between Phases VI through VIII. The allocations for Mr. Pasqua were designated under “France” in SOMO allocation tables. According to an Iraqi official, Mr. Guillet represented Mr. Pasqua at SOMO regarding the oil allocations.⁸⁸

In June 1999, Mr. Guillet visited Baghdad. In a letter to the Ministry of Oil during this visit, Mr. Aziz’s chief of staff explained Mr. Guillet’s role in Mr. Pasqua’s allocations.⁸⁹

Please note that Mr. (Bernard Guillet) is the diplomatic and political advisor to Mr. (Charles Pasqua), the French politician and the former Minister of the Interior . . . and he represents [Mr. Pasqua] in collecting the quota of oil that is allocated to Mr. (Pasqua).⁹⁰

Beirut, Damascus, Baghdad, April 29 to May 8, 1999), (June 11, 1999) (for Mr. Guillet’s mission to Beirut, Amman, Baghdad, June 14 to 19, 1999), (Feb. 21, 2000) (for Mr. Guillet’s mission to Beirut, Damascus, Baghdad, February 28 to March 3, 2000), (Dec. 11, 2000) (for Mr. Guillet’s mission to Beirut, Amman, Baghdad, November 5 to 15, 2000), (Jan. 22, 2001) (for Mr. Guillet’s mission to Beirut, Amman, Baghdad, February 4 to 18, 2001) (each translated from French). Mr. Pasqua defined Mr. Guillet’s position as “a member of his cabinet” and advisor to the Conseil in general, however, Mr. Guillet insisted that his position was advisor to Mr. Pasqua, the President of the Conseil specifically, and that as a top diplomat he would not have accepted any other arrangement. Charles Pasqua interview (Oct. 3, 2005); Bernard Guillet interviews (Oct. 3 and 5, 2005). Alain Catta served as the General Director of Administration at the French Ministry of Foreign Affairs.

⁸⁸ Tariq Aziz interview (Mar. 1, 2005); Iraq officials interviews (stating that Mr. Guillet came to SOMO in person and represented Mr. Pasqua); Tariq Aziz interview (Mar. 1, 2005) (stating that he thought that Mr. Pasqua’s interactions with Iraq were conducted through Mr. Guillet); Committee oil beneficiary table, contract nos. M/06/74, M/07/92, M/08/113; SOMO letters to Amer Rashid (June 21, 1999) (approving contract M/06/74 for 3 million barrels of oil for “Genmar Resources GMBH (Charles Pasqua)”), (undated) (increasing the allocation for “Pasqua” by 1 million barrels of oil based on an instruction from Vice President Taha Yassin Ramadan on October 14, 1999), (Jan. 24, 2000) (approving contract M/07/92 for 3 million barrels of oil for “Genmar (Charles Pasqua)”), (Sept. 21, 2000) (approving contract M/08/113 for 4 million barrels of oil for Genmar Resources GMBH (Charles Pasqua)”) (each translated from Arabic) (hereinafter “Approval letters for Pasqua contracts”); SOMO oil allocation tables for Phase VI (May 27, 1999) (indicating an allocation of 3 million barrels of oil for “Charles Pasqua”), Phase VII (Dec. 17, 1999) (indicating an allocation of 4 million barrels of oil for “Charles Pasqua”), Phase VIII (June 14, 2000) (indicating an allocation of 4 million barrels of oil for “Charles Pasqua”) (each translated from Arabic) (hereinafter “SOMO oil allocation tables for Pasqua”).

⁸⁹ Mr. Guillet was in Iraq from June 15 to June 18, 1999. Conseil Général des Hauts-de-Seine record, mission orders (June 11, 1999) (for Mr. Guillet’s mission to Beirut, Amman, Baghdad, June 14 to 19, 1999).

⁹⁰ Sami Sa’doun letter to Saddam Z. Hassan (June 19, 1999) (exact year not noted on document, however, the date of the document matches with Mr. Guillet’s trip to Baghdad in June 1999, and the document was part of the SOMO file related to Phase VI of the Programme).

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Mr. Guillet acknowledged that in his meeting with Mr. Aziz, they discussed an oil allocation for Mr. Pasqua. According to Mr. Guillet, Mr. Aziz offering an oil allocation to Mr. Pasqua because “the leadership would like to thank Mr. Pasqua for what he did for Iraq.” Mr. Aziz advised Mr. Guillet to meet with SOMO officials about the oil. Mr. Guillet stated that he was very skeptical that such an arrangement would be feasible for a politician of Mr. Pasqua’s stature.⁹¹

Mr. Guillet stated that he went to SOMO only out of courtesy to Mr. Aziz. According to Mr. Guillet, SOMO officials explained to him that he had to nominate a company to lift the oil for Mr. Pasqua. Mr. Guillet stated that at that point, he politely refused Iraq’s gesture of appreciation. He told SOMO officials that the proposal could lead to political scandal.⁹²

Upon his return to France, Mr. Guillet stated that he provided Mr. Pasqua with an oral briefing on his trip to Iraq, which was his usual practice after a trip to Iraq. During the briefing to Mr. Pasqua, Mr. Guillet told him about Mr. Aziz’s proposal for an oil allocation. According to Mr. Guillet, Mr. Pasqua jokingly said: “*Je serai le roi du pétrole!*” (“I will be the king of petrol!”) and then immediately added, “I hope you did not accept this offer.”⁹³

Mr. Pasqua has denied that Mr. Guillet gave him regular updates after coming back from his trips to Iraq. He stated that he was not interested in Mr. Guillet’s activities in Iraq. Mr. Pasqua also denied ever being informed about an offer of oil from Mr. Aziz or the Iraqi regime.⁹⁴

⁹¹ Bernard Guillet interview (Oct. 3, 2005).

⁹² Bernard Guillet interviews (Oct. 3 and 5, 2005). This account of events at SOMO is at least partially confirmed by a draft letter to the Minister of Oil prepared for signature of the director of SOMO. According to this draft

This morning the French personality (Bernard Guillet) on behalf of (Charles Pasqua) paid us a visit, and requested delivering the oil contract to the Swiss company (Genmar) for signing as it is considered the company of choice from their end. When we clarified the importance of selecting a French company since the assigned quantity is for a French personality, Mr. (Bernard Guillet) responded by saying that this was not possible for political reasons and that he had explained the situation to Mr. Tariq Aziz.

...

We requested from Mr. (Bernard Guillet) a letter according to which Mr. (Charles Pasqua) authorized (Genmar) Company to lift the crude oil, he refused, explaining that they are unable to do that because they are afraid of political scandals.

Saddam Z. Hassan draft letter to Amer Rashid, signed by a SOMO official (June 17, 1999) (translated from Arabic). Prior to Phase IX, when surcharges were imposed, oil allocated in the names of French beneficiaries was purchased by oil companies based in France. As discussed above, it was the Government of Iraq’s policy to favor French companies for those allocations. The oil allocations in Mr. Pasqua’s name, however, were purchased by a non-French company. Iraq official interviews.

⁹³ Bernard Guillet interview (Oct. 3 and 5, 2005).

⁹⁴ Charles Pasqua interview (Oct. 3, 2005). Mr. Pasqua has maintained this position with United States congressional investigations. In a letter to Congressman Joe Barton, Chairman of the United States House

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Both Mr. Pasqua and Mr. Guillet have denied being involved in the sale of the oil allocated in Mr. Pasqua's name or in receiving proceeds from the oil sales. However, the evidence gathered by the Committee indicates that Mr. Guillet involved in obtaining the allocations of oil. The evidence also indicates that he also received revenue from the sale of the oil and that the revenue he received was in cash.⁹⁵

The oil allocated in Mr. Pasqua's name in Phases VI through VIII was purchased by Genmar. An Iraqi official stated that during one of his trips to Baghdad, Mr. Guillet remarked that he was arranging for the sale of Mr. Pasqua's oil allocation because it was "dangerous" for Mr. Pasqua to appear at SOMO on his own behalf. Immediately after one of Mr. Guillet's trips to Baghdad, SOMO Executive Director Saddam Z. Hassan sent a letter to Oil Minister Amer Rashid, stating that "the Swiss company Genmar is confirmed as the company nominated by Mr. Charles Pasqua to lift his allotted quantity for the sixth phase." In Approvals of Contract for Phases VI through VIII, the name "Charles Pasqua" is next to the contracting company Genmar.⁹⁶

According to Elias Firzli, a friend of Mr. Guillet's and a consultant to Total International Limited ("Total") at the time, when Mr. Guillet received an Iraqi oil allocation, he requested Mr. Firzli's assistance to sell it. Mr. Firzli stated that he arranged for the sale of Mr. Guillet's oil to Genmar because he had already sold his own oil allocation to that company. Mr. Firzli described himself as an intermediary between Mr. Guillet and Genmar. According to Mr. Firzli, he made an oral commitment to pay a commission of \$0.02 to \$0.03 per barrel to Mr. Guillet.⁹⁷

of Representatives' Committee on Energy and Commerce, Mr. Pasqua wrote, "I should like to state unequivocally that I was never the beneficiary of an allocation from Iraq; I never traded Iraq oil, directly or indirectly; I authorized no one to do so on my behalf. I have never accepted, received or enjoyed any profit or remuneration from Iraqi crude oil trades." Charles Pasqua letter to Joe Barton (May 20, 2005). In an interview with the United States House of Representative's Committee on Energy and Commerce, Mr. Pasqua reiterated that "I have never derived any benefit from nor was I ever involved in any way whatsoever in trading oil, either with Iraq or any other country." United States House of Representatives' Committee on Energy and Commerce staff members, Andrew Snowden, Chris Knauer, and Thomas Feddo, meeting with Charles Pasqua, p. 2 (June 3, 2005).

⁹⁵ Bernard Guillet interviews (Oct. 3 and 5, 2005); Charles Pasqua interview (Oct. 3, 2005).

⁹⁶ Approval letters for Pasqua contracts; SOMO sales contracts, nos. M/06/74 (June 19, 1999), M/07/92 (Jan. 22, 2000), M/08/113 (Sept. 21, 2000) (contracting with Genmar Resources GMBH) (hereinafter "Pasqua sales contracts"); Bernard Guillet interviews (Oct. 3 and 5, 2005); Iraq official interviews; Saddam Z. Hassan letter to Amer Rashid (June 20, 1999) (translated from Arabic). Mr. Guillet was in Iraq from June 15 to June 18, 1999. Conseil Général des Hauts-de-Seine record, mission orders (June 11, 1999) (for Mr. Guillet's mission to Beirut, Amman and Baghdad, June 14 to 19, 1999) (translated from French).

⁹⁷ Elias Firzli interview (Oct. 14, 2005); Bernard Guillet interviews (Oct. 3 and 5, 2005) (confirming Mr. Guillet's friendship with Mr. Firzli and referring to other efforts he made with Mr. Firzli to assist BNP with a problem at the Central Bank of Iraq); Tariq Aziz interview (Mar. 1, 2005); United States House of Representatives' Committee on Energy and Commerce staff members, Andrew Snowden, Chris Knauer, and Thomas Feddo, meeting with Charles Pasqua, p. 8 (June 3, 2005) (Mr. Pasqua states that he is aware that Mr. Firzli is "a contact of Guillet"); Iraq official interviews (recalling that Mr. Firzli used Genmar to

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After each oil lifting under the Genmar contracts, Mr. Guillet received cash payments from Mr. Firzli's bank account in Geneva, Switzerland. Bank records show that from October 1999 to October 2000, there were seven cash payments totaling \$234,000 made to Mr. Guillet from Mr. Firzli's bank account. Mr. Firzli has stated that these cash payments were the commissions to Mr. Guillet on the oil sales.⁹⁸

Mr. Guillet admitted that he received the cash payments from Mr. Firzli's account. He stated that he traveled to Geneva from Paris on eight occasions to withdraw cash from Mr. Firzli's bank account at Mr. Firzli's request. According to Mr. Guillet, he was willing to do this on Mr. Firzli's behalf because Mr. Guillet had consulted beforehand with Mr. Aziz on Mr. Firzli's credibility.⁹⁹

Mr. Guillet's description of the distribution of the money was not specific. Mr. Guillet denied that the cash payments from Mr. Firzli's account were intended for his personal benefit, however, he mentioned sometimes using part of the cash for the reimbursement of one of the donors to his organization, France Afrique Orient. He stated that on a number of occasions after withdrawing the payments from Mr. Firzli's account, he gave €7,500 in cash to Mr. Firzli. According to Mr. Guillet, at Mr. Firzli's instruction and with the blessing of Mr. Aziz, he gave some of the cash to two Iraqi nationals in Geneva. Mr. Guillet stated that at least one of the Iraqi nationals was associated with Mr. Aziz.¹⁰⁰

Surcharges were assessed on the Genmar contract in Phase VIII. Ministry of Oil and bank records show that a surcharge of \$367,930 was paid through a deposit by Mr. Firzli on February 27, 2001 in a SOMO bank account at Fransabank. Mr. Firzli admitted that he made the surcharge

purchase some of his allocations and coordinated the purchase of allocations for some other French beneficiaries). Mr. Firzli has confirmed to the committee that the oil contracted for by Genmar was financed and purchased by Total at a premium of \$0.02 per barrel. For Phase VI allocations for Mr. Pasqua this is also confirmed by the request from Total to Agence Internationale Paris to open a letter of credit in the name of Genmar, without mentioning Total's name and an agreement between Genmar and Total. Elias Firzli interview (Oct. 14, 1999); Total telex to Genmar (Nov. 5, 1999) (confirming the purchase of Basrah light oil as agreed on October 26, 1999 at a premium of \$0.02 per barrel); Total telex to BNP Agence Internationale Paris (Oct. 29, 1999) (requesting BNP to open a letter of credit in Genmar's name without mentioning the name of Total); Genmar telexes to BNP Agence Internationale, Paris (Oct. 18, 1999) (Oct. 29, 1999) (Nov. 9, 1999) (authorizing BNP Paris, to accept documents, endorse bills of lading and execute any instruction given by Total for an on behalf of Genmar); Genmar telex to Total (Nov. 23, 1999) (invoice for contracts M/06/66 and M/06/74 calculating a premium of \$0.02 per barrel). Elias Firzli is discussed in Section IV.B above in connection with Mr. MÉRIMÉE.

⁹⁸ Banque Française de L'Orient (Suisse) S.A. record, Elias Firzli account, withdrawal advice (Oct. 14, 1999) (Dec. 29, 1999) (Jan. 13, 2000) (Feb. 22, 2000) (June 8, 2000) (Sept. 5, 2000) (Oct. 26, 2000) (indicating that upon telephonic instructions from Mr. Firzli cash payments of \$50,000, \$33,300, \$25,000, \$25,000, \$40,400, \$30,300, \$30,000 respectively were made to Mr. Guillet) (translated from Arabic); Elias Firzli interview (Oct. 14, 2005).

⁹⁹ Bernard Guillet interviews (Oct. 3 and 5, 2005); Bernard Guillet letter to the Committee (Oct. 21, 2005).

¹⁰⁰ Ibid.

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payment. He stated that he was “under pressure” to pay the surcharge during one of his visits to SOMO. According to Mr. Firzli, he did not discuss the surcharges with Mr. Guillet.¹⁰¹

In April 2001, following an investigation by a French magistrate into allegations of irregularities in financing of the Mr. Pasqua’s political party (RPF), Mr. Guillet was barred by court order from contacting Mr. Pasqua or the Conseil Général des Hauts-de-Seine and stopped working for the Mr. Pasqua. According to Mr. Guillet, he continued to travel to Iraq at his own expense and regularly met Mr. Aziz. Around the same time, in August 2001, Mr. Guillet’s name appears in SOMO records for the first time as a holder of allocations. According to Ministry of Oil records, Mr. Guillet received a total of six million barrels of oil from Phases X to XIII. The oil was sold to Aredio Petroleum S.A.R.L. (“Aredio”), a French-based company, in Phases X and XI.¹⁰²

¹⁰¹ SOMO sales contract, no. M/08/113 (Sept. 21, 2000) (contracting with Genmar Resources GMBH). Committee oil surcharge table, contract no. M/08/113; Fransabank record, SOMO account, credit advice (Feb. 27, 2001) (translated from French and Arabic); Fransabank record, Elias Firzli account report (Feb. 27, 2001) (translated from French and Arabic); Elias Firzli interview (Oct. 14, 2005).

¹⁰² Charles Pasqua letter to the Minister of Foreign Affairs (May 30, 2001); Fabrice Lhomme, “Les proches de M. Pasqua contestent les accusations de financement occulte,” *Le Monde*, April 25, 2001; Bernard Guillet interviews (Oct. 3 and 5, 2005); Committee oil beneficiary table, contract nos. M/10/82, M/11/66, No contracting company; SOMO letters to Amer Rashid (Sept. 11, 2001) (approving contract M/10/82 for 2 million barrels of oil for Aredio “(Mr. Bernard Guillet)”), (Jan. 14, 2002) (approving contract M/11/66 for 1.5 million barrels of oil for Aredio “(Mr. Bernard Guillet)”) (each translated from Arabic) (hereinafter “Approval letters for Guillet contracts”); SOMO oil allocation tables for Phase X (Aug. 4, 2001) (indicating an allocation of 2 million barrels of oil for “Bernard Guillet”), Phase XI (Dec. 1, 2001) (indicating an allocation of 1.5 million barrels of oil for “Bernard Guillet”), Phase XII (May 19, 2002) (indicating an allocation of 1.5 million barrels of oil for “Bernard Guillet”), Phase XIII (Nov. 17, 2002) (indicating an allocation of 1 million barrels of oil for “Bernard Guillet”) (each translated from Arabic) (hereinafter “SOMO oil allocation tables for Guillet”). In addition to the allocations tables for Phases X to XIII, Mr. Guillet’s name appears on the approval letters for contracts M/10/82 and M/11/66 executed with Aredio, of which only the first contract was implemented for two million barrels of oil. Approval letters for Guillet contracts; Committee oil beneficiary table, contract nos. M/10/82, M/11/66, No contracting company; SOMO sales contract, no. M/10/82 (Sept. 11, 2001) (contracting with Aredio Petroleum); Bernard Guillet letter to SOMO (Sept. 7, 2001) (assigning two million barrels of oil to Aredio); Bernard Guillet letter to SOMO (Dec. 31, 2001) (assigning Mr. Guillet’s allocation in Phase XI to Aredio; the fax ribbon on the first letter indicates that the letter is sent from Alcon Petroleum Limited. This fax ribbon matches with fax ribbon of other faxes sent by Alcon which were available in the United Nations Treasury. See e.g., Alcon fax to the oil overseers (Oct. 15, 2001)). Alcon Petroleum Limited (“Alcon”) is a sister company of Aredio which, as discussed below, similar to Aredio, acted as a front for Taurus. Mr. Guillet’s last mission to Iraq in his capacity as the diplomatic advisor to Mr. Pasqua occurred from February 7 to 15, 2005. Even though at this time Mr. Guillet no longer worked for Mr. Pasqua, according to one Iraqi official Mr. Guillet complained that Mr. Pasqua was embarrassed that allocations in Phases VI, VII, and VIII were in his name; as a result of these complaints, Mr. Pasqua’s allocations were recorded in Mr. Guillet’s name for Phases X, XI, XII, and XIII. Furthermore, Mr. Aziz claimed that he was under the impression that Mr. Pasqua had not received oil allocations under his own name and did not deal with the Iraqis directly. Rather, Mr. Aziz thought that Mr. Pasqua’s interactions were through Mr. Guillet. Conseil Général des Hauts-de-Seine

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Mr. Guillet has denied paying surcharges and has denied any knowledge of oil allocations offered to him personally. He further stated that he is not familiar with Aredio. There are two letters from Mr. Guillet to the Ministry of Oil nominating Aredio as the contracting company on his allocations. These letters, signed by Mr. Guillet, are issued within a few days prior to signing of Aredio contracts in phases X and XI.¹⁰³

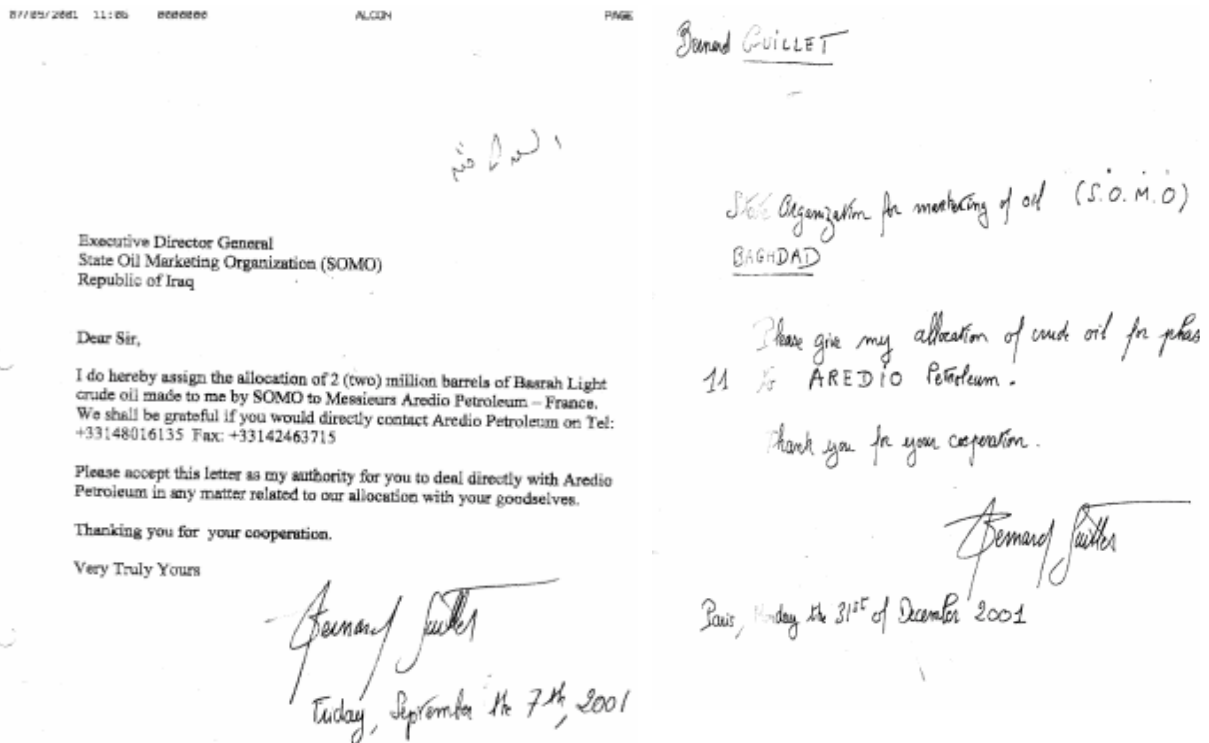


Figure: Bernard Guillet nomination letters for Phases X and XI

Mr. Guillet has questioned the authenticity of the letters and has claimed that these letters are forged. According to Mr. Firzli, he assisted Mr. Guillet in selling these allocations through Aredio. A combined surcharge of \$1,111,874 was levied and paid for the two Aredio contracts.

record, mission order (Jan. 22, 2001) (for Mr. Guillet's mission to Beirut, Amman and Baghdad, February 4 to 18, 2001) (translated from French); Iraq official interviews; Tariq Aziz interview (Mar. 1, 2005).

¹⁰³ Bernard Guillet interviews (Oct. 3 and 5, 2005); Bernard Guillet letter to the Committee (Oct. 21, 2005); Bernard Guillet letter to SOMO (Sept. 7, 2001) (translated from Arabic) (assigning two million barrels of oil to Aredio); Bernard Guillet letter to SOMO (Dec. 31, 2001) (translated from Arabic) (assigning Mr. Guillet's allocation in Phase XI to Aredio).

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The surcharge payments associated with these contracts are discussed in further detail in Section VI.C. below.¹⁰⁴

D. CLAUDE KASPEREIT, E.O.T.C., AND MARC RICH + Co.

Claude Kaspereit, a businessman and son of the French Parliamentarian Gabriel Kaspereit, was allocated a total of over 9.5 million barrels of oil from the Government of Iraq. Mr. Kaspereit used a France-based shell company, European Oil and Trading Company (“E.O.T.C.”), to enter into SOMO contracts to purchase oil under the Programme. Marc Rich + Co. Investment A.G. (“Marc Rich + Co.”) financed four million barrels of oil under E.O.T.C.’s contract in Phase IX. Marc Rich + Co. directed BNP Paris not to disclose its identity to BNP New York in connection with its financing of the United Nations contract.¹⁰⁵

Surcharges were imposed on the oil lifted by Marc Rich + Co. Mr. Kaspereit was aware that E.O.T.C. paid the surcharges levied on its contracts. His associate made the actual payments. According to an individual familiar with the companies, E.O.T.C. and Marc Rich + Co. agreed that the premium paid to E.O.T.C. would cover a commission and surcharge. The premium paid by Marc Rich + Co. of \$0.30 to \$0.40 per barrel was sufficiently high to cover both.

1. Background

In 1998, after unsuccessful attempts to participate in the Programme by trading pharmaceuticals and cosmetic goods, Mr. Kaspereit established E.O.T.C. to trade Iraqi crude oil. In June 2000, Mr. Kaspereit arranged to charter a flight to Iraq, without United Nations authorization and in violation of the embargo, to generate publicity against the sanctions. This attracted the attention of the Iraqi leadership. Mr. Kaspereit invited several French activists known for their opposition to sanctions to join him on his flight to Baghdad, which took place in November 2000. His delegation was well-received by the leadership in Baghdad. Mr. Kaspereit later sent letters to a number of senior Iraqi officials, including Mr. Aziz, the Oil Minister, and SOMO Executive Director, thanking them for their warm reception. He requested that Mr. Aziz and Mr. Rashid convey to Saddam Hussein the group’s solidarity with the Iraqi people and their support for Saddam Hussein’s political action.¹⁰⁶

¹⁰⁴ Confidential source; Elias Firzli interview (Oct. 14, 2005); Committee oil surcharge table, contract nos. M/10/82 and M/10/84.

¹⁰⁵ Confidential source; *Qui est Qui en France* (36th Ed.) (Jacques Lafitte S.A., 2004) (translated from French), p. 1106.

¹⁰⁶ Confidential source; “French plane lands in Baghdad in defiance of UN air embargo,” *Agence France Presse*, Nov. 7, 2000; “Second embargo-breaking flight leaves Paris for Baghdad,” *Agence France Presse*, Nov. 7, 2000 (indicating that Mr. Kaspereit’s guests included, among others, Jany Le Pen, the President of the association *SOS Enfants d’Irak* and wife of National Front President Jean-Marie Le Pen); “Le site officiel de l’association S.O.S. Enfants d’Irak,” <http://www.sosenfantsdirak.org>; *Qui est Qui en France* (36th Ed.) (Jacques Lafitte S.A., 2004) (translated from French), p. 1253; “Le Pen’s Wife Supports Sanctions-

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2. Oil Allocations and Contracts

Following Mr. Kaspereit's publicized flight to Baghdad, the Government of Iraq began granting him oil allocations. From Phases IX through XIII, Mr. Kaspereit received allocations totaling 9.5 million barrels. Mr. Kaspereit used E.O.T.C., a shell company with no means to finance the crude oil purchases, to enter into SOMO contracts. Mr. Kaspereit used E.O.T.C. to sell 8.5 million barrels of oil allocated to him. Marc Rich + Co. financed E.O.T.C.'s oil transactions in Phase IX.¹⁰⁷

Busting Flights to Iraq," *Agence France Presse*, Sept. 8, 2000; Elizabeth Bryant, "Unofficially, Anti-War Emotion Runs High Throughout France," *Houston Chronicle*, Oct. 10, 2002; "French plane lands in Baghdad in defiance of UN air embargo," *Agence France Presse*, Nov. 7, 2000; "Second embargo-breaking flight leaves Paris for Baghdad," *Agence France Presse*, Nov. 7, 2000; Claude Kaspereit letters to Abdul Razaq Al-Hashimi (Nov. 14, 2000), Saddam Z. Hassan (Nov. 14, 2000), Amer Rashid (Nov. 14, 2000), Tariq Aziz (Nov. 14, 2000) (each translated from French) (signed by Mr. Kaspereit as the President of *Association pour l'Entraide Pour les Enfants d'Irak* (the Society for Cooperation to Benefit Iraqi Children) and "Organisateur du vol Paris—Baghdad—Paris" (Organizer of the Paris-Baghdad-Paris flight)); France official #5 interview (Mar. 22, 2005).

¹⁰⁷ Confidential source; "French plane lands in Baghdad in defiance of UN air embargo," *Agence France Presse*, Nov. 7, 2000; "Second embargo-breaking flight leaves Paris for Baghdad," *Agence France Presse*, Nov. 7, 2000; SOMO letters to Amer Rashid (Feb. 1, 2001) (approving contract M/09/39 for 2 million barrels of oil for "E.O.T.C."), (Feb. 11, 2001) (stating that it has been agreed that "E.O.T.C." would receive an increase of 2 million barrels of oil under contract M/09/39), (Apr. 7, 2001) (approving an increase of 2 million barrels of oil for contract M/09/39 for "European Oil Trading Co."), (July 17, 2001) (approving contract M/10/02 for 2 million barrels of oil for "E.O.T.C."), (Dec. 20, 2001) (approving contract M/11/26 for 1.5 million barrels of oil for "E.O.T.C. (Mr. Claude Kaspereit)"), (June 24, 2002) (approving contract M/12/62 for 1 million barrels of oil for "E.O.T.C. (Mr. Claude Kaspereit/President of the Association for the Children of Iraq)"), (each translated from Arabic) (hereinafter "Approval letters for Kaspereit contracts"); SOMO oil allocation tables for Phase X (Aug. 4, 2001) (indicating an allocation of 2 million barrels of oil for E.O.T.C.), Phase XI (Dec. 1, 2001) (indicating an allocation of 1.5 million barrels of oil for E.O.T.C.), Phase XII (May 19, 2002) (indicating an allocation of 1 million barrels of oil for "E.O.T.C./Mr. Claude Kaspereit" "Chair of the Society for Support of Iraqi Children"), Phase XIII (Nov. 17, 2002) (indicating an allocation of 1 million barrels of oil for "E.O.T.C./Mr. Claude Kaspereit" for "the new phase") (each translated from Arabic) (hereinafter "SOMO oil allocation tables for Kaspereit"); SOMO sales contract, no. M/10/02 (July 11, 2001); SOMO bill of lading, ck/5064 (Sept. 20, 2001) (relating to M/10/02) (showing a net lift of 2,005,575 barrels of oil); Vitol record, Table Vitol Iraqi Crude Purchases during Phases 8 to 12 Details (Aug. 11, 2005) (demonstrating that Vitol S.A. purchased oil from a Marc Rich entity); Committee oil financier table, contract no. M/10/02.

SOMO letters to Amer Rashid (Dec. 20, 2001) (approving contract M/11/26 for 1.5 million barrels of oil for "E.O.T.C. (Mr. Claude Kaspereit)"), (June 24, 2002) (approving contract M/12/62 for 1 million barrels of oil for "E.O.T.C. (Mr. Claude Kaspereit/President of the Association for the Children of Iraq)"), (each translated from Arabic); SOMO oil allocation tables for Phase XI (Dec. 1, 2001) (indicating an allocation of 1.5 million barrels of oil for E.O.T.C.), Phase XII (May 19, 2002) (indicating an allocation of 1 million barrels of oil for "E.O.T.C./Mr. Claude Kaspereit" "Chair of the Society for Support of Iraqi Children") (each translated from Arabic); SOMO sales contract, no. M/11/26 (Dec. 19, 2001); SOMO bill of lading, ck/5166 (May 18, 2002) (translated from Arabic) (relating to M/11/26); SOMO bill of lading, ck/5180

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After receiving the first allocation, Mr. Kaspereit and Jaber Khalef Awad, an Iraqi businessman associated with E.O.T.C., negotiated an agreement to sell oil rights to Marc Rich + Co. Marc Rich + Co. agreed to arrange for the financing and lifting of the oil. Marc Rich Investment Ltd., a United Kingdom-based entity affiliated with Marc Rich + Co., managed the operations and administration of the transactions. Most of the transactional details were handled through facsimile or telex correspondence between Mr. Kaspereit or his assistant and employees at the Marc Rich entities.¹⁰⁸

Mr. Kaspereit's initial allocation of two million barrels in Phase IX was later increased by another two million barrels. Marc Rich + Co. arranged to transport the oil in four lifts under two contracts with E.O.T.C. The two contracts provided that Marc Rich + Co. would finance E.O.T.C.'s letters of credit in favor of the United Nations. The letters of credit were financed through a Marc Rich + Co. account at BNP Paris. Marc Rich + Co. explicitly directed BNP to keep the company's identity hidden.¹⁰⁹

(June 21, 2002) (relating to M/11/26); Committee oil surcharge table, contract no. M/11/26; SOMO letter to Amer Rashid (June 24, 2002) (translated from Arabic) (approving contract M/12/62 for 1 million barrels of oil for "E.O.T.C. (Mr. Claude Kaspereit/President of the Association for the Children of Iraq)"); SOMO sales contract, no. M/12/62 (June 23, 2002); SOMO bill of lading, ck/5215 (Sept. 19, 2002) (relating to M/12/62); Committee oil surcharge table, contract no. M/12/62. SOMO oil allocation tables for Kaspereit.

¹⁰⁸ Confidential source; Marc Rich + Co. Investment AG fax to E.O.T.C. (Jan. 26, 2001) (marked to the attention of "Mr. Claude Kaspereit – General Manager") (confirming transaction dated January 25, 2001 for a purchase of 2 million barrels of oil from E.O.T.C. with lifts scheduled for February 2001); Marc Rich + Co. Investment AG telex to E.O.T.C. (undated) (marked to the attention of "Mr. Claude Kaspereit – General Manager") (refers to "new transaction with your company" for the purchase of 2 million barrels of oil from E.O.T.C. with lifts scheduled for April and May 2001); SOMO sales contracts, nos. M/09/39 (Jan. 30, 2001), M/10/02 (July 11, 2001), M/11/26 (Dec. 19, 2001), and M/12/62 (June 23, 2002) (signed by Claude Kaspereit, General Manager, E.O.T.C.); see, e.g., BNP record, E.O.T.C. Letter of Authorization for Issuing a Letter of Credit in the Name of E.O.T.C. But Under the Full Responsibility of Marc Rich + Co. Investment AG Zug (May 5, 2001) ("irrevocably" directing BNP to follow instruction from Marc Rich + Co.); Marc Rich + Co. Undertaking Letter from to BNP (undated) (assuming all obligations of E.O.T.C. "as if we originally were the applicant thereof"); Confidential witness interview; Vitol Record, Banque Cantonale Vaudoise, Marc Rich Group Credit Application (undated); A former employee at a Marc Rich entity described Marc Rich + Co. as the link "in the middle of the chain" between the "supplier" and the "customer" in a crude oil trade transaction. Confidential witness interview.

¹⁰⁹ SOMO letters to Amer Rashid (Feb. 1, 2001) (approving contract M/09/39 for 2 million barrels of oil for "E.O.T.C."), (Feb. 11, 2001) (stating that it has been agreed that "E.O.T.C." would receive an increase of 2 million barrels of oil under contract M/09/39), (Apr. 7, 2001) (approving an increase of 2 million barrels of oil for contract M/09/39 for "European Oil Trading Co.") (each translated from Arabic); SOMO bills of lading, ck/4954 (Feb. 23, 2001) (relating to M/09/39), ck/4975 (Mar. 27, 2001) (relating to M/09/39), ck/4999 (May 2, 2001) (relating to M/09/39), ck/5014 (May 23, 2001) (relating to M/09/39); Marc Rich + Co. Investment AG fax to E.O.T.C. (Jan. 26, 2001) (marked to the attention of "Mr. Claude Kaspereit – General Manager") (confirming transaction dated January 25, 2001 for a purchase of 2 million barrels of oil from E.O.T.C. with lifts scheduled for February 2001); SOMO sales contract, no. M/09/39, Arts. 3, 10 (Jan. 30, 2001); Oil overseers fax to E.O.T.C. (Apr. 4, 2001) (approving an amendment providing E.O.T.C. with

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an increase of 2 million barrels of oil under contract M/09/39); E.O.T.C. (Isabel Lignereux) fax to Marc Rich + Co. (Ann Bickerstaffe) (Apr. 19, 2001) (attaching Oil Overseers approval of the amendment to contract M/09/39); Marc Rich + Co. Investment AG fax to E.O.T.C. (Jan. 26, 2001) (marked to the attention of “Mr. Claude Kaspereit – General Manager”) (confirming transaction dated January 25, 2001 for a purchase of 2 million barrels of oil from E.O.T.C. with lifts scheduled for February 2001) (“Payment to be effected from the letter of credit opened by the buyer on behalf of ‘E.O.T.C.’ in favour [*sic*] of the United Nations in BNP, New York. ‘E.O.T.C.’ will provide buyer, in a format acceptable to buyer and buyer’s bankers, with their authorization to open the letter of credit on behalf of ‘E.O.T.C.’”); Marc Rich + Co. Investment AG telex to E.O.T.C. (undated) (marked to the attention of “Mr. Claude Kaspereit – General Manager”) (refers to “new transaction with your company” for the purchase of 2 million barrels of oil from E.O.T.C. with lifts scheduled for April and May 2001) (using the same language); Scott Shepherd e-mail to BNP Paris (Patrice Alberti) (Mar. 20, 2001) (forwarding a letter of credit and instructions to “Please issue the following letter of credit under the full and entire responsibility of Marc Rich Investment AG, whose name must not be mentioned” by order of E.O.T.C. in favor of the United Nations); Marc Rich + Co. Investment AG (Tony Monckton) e-mail to BNP Paris (Patrice Alberti) (Mar. 20, 2001) (forwarding the letter of credit application by order of E.O.T.C. in favor of the United Nations under “full and entire responsibility of Marc Rich + Co. Investment AG” and specifying that “name of Marc Rich is not to appear on any transmission to BNP New . . . [Yor]k); Scott Shepherd e-mail to BNP (Mar. 23, 2001) (regarding an amendment to “our L/C...issued by your Paris office by order of: E.O.T.C. in favour [*sic*] of: The United Nations for a maximum amount of Euro 17,686,000.00); Marc Rich + Co. Investment AG (Scott Shepherd) telex to BNP Paris (Patrice Alberti) (Apr. 4, 20, 2001) (requesting that BNP Paris issue a “letter of credit under . . . and entire responsibility of Marc Rich + Co. investment ag. . . the name of marc rich is not to appear on any transmission to bnp new york.”); Marc Rich + Co. Investment AG e-mail to BNP Paris (Apr. 20, 2001) (forwarding the letter of credit application by order of E.O.T.C. in favor of the United Nations under “full and entire responsibility of Marc Rich + Co. Investment AG” and also specifying that the name of “Marc Rich + Co. Investment AG” “must not . . . [be me]ntioned”) (this document was only partially legible). In each instance, Marc Rich + Co. requested the issuance of the letter of credit and regularly directed that its name not be mentioned in transmissions to BNP New York. BNP invoiced and debited all costs and fees for these oil purchases to Marc Rich + Co. BNP Paris record, Marc Rich + Co. Investment AG, debit advice (Apr. 25, 2001) (informing Marc Rich + Co. Investment AG that its account was debited €21,889,389.78, including €17,677.37 for “BNP Paribas NY fees”); BNP Paris (Yannick Poirrier) telex to Marc Rich + Co. Investment AG (Scott Shepherd) (Apr. 25, 2001) (referencing €21,871,712.41 as the total drawing amount for the United Nations as the beneficiary covering 1,001,819 barrels of Kirkuk crude oil); BNP Paris telex to Marc Rich + Co. Investment AG (Scott Shepherd) (June 5, 2001) (advising that €27,814,065.84 would be debited from Marc Rich + Co. Investment AG for the benefit of the United Nations); Marc Rich Investment Ltd. telex to BNP Paris (May 18, 2001) (requesting an amendment to the letter of credit to adjust the price per barrel for and on behalf of Marc Rich and Co, Investment AG in reference to an order of E.O.T.C. in favor of the United Nations in the amount of €27,077,026.57); SOMO commercial invoice, C/74/2001 (May 23, 2001) (stating that the total value for the lift is €30,208,047.07); BNP Paris telex to Marc Rich + Co. Investment AG (June 19, 2001) (providing a documentary credit message noting that the Marc Rich + Co. Investment AG account would be debited for a payment of €30,232,513.51 to the United Nations with €30,208,047.47 for “documents value” and €24,466.44 for BNP New York’s fees); BNP Paris record, Marc Rich + Co. Investment AG, debit advice (June 21, 2001) (informing Marc Rich + Co. Investment AG that its account was debited €30,232,513.51).

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PLEASE ISSUE THE FOLLOWING LETTER OF CREDIT UNDER THE FULL AND ENTIRE RESPONSIBILITY OF MARC RICH AND CO INVESTMENT AG, WHOSE NAME MUST NOT BE MENTIONED.

Figure: Marc Rich entity (Tony Monckton) e-mail to BNP Paris (Patrice Alberti) (Mar. 16, 2001).

FOR OUR TELECON PLEASE ISSUE THE FOLLOWING LETTER OF CREDIT UNDER THE FULL AND ENTIRE RESPONSIBILITY OF MARC RICH AND CO INVESTMENT AG. THE NAME OF MARC RICH IS NOT TO APPEAR ON ANY TRANSMISSION TO BNP NEW YORK.

Figure: Marc Rich entity (Scott Shepherd) e-mail to BNP Paris (Patrice Alberti) (Apr. 20, 2001).

Prior to each of the four oil lifts in Phase IX, Mr. Kaspereit authorized Marc Rich + Co.'s account managers at BNP Paris to issue letters of credit to the United Nations in the name of E.O.T.C. but under the full responsibility of Marc Rich + Co. Investment Ag, Zug:¹¹⁰

E.O.T.C. hereby authorizes BNP Paribas, Paris to issue a letter of credit indicating, E.O.T.C. as the applicant and United Nations as the beneficiary, *under the sole authority, direction and financial obligations of Marc Rich + Co. Investment AG, Zug.*¹¹¹

3. Surcharge Payments

A total of \$1.83 million in surcharges were levied on three of E.O.T.C.'s four contracts under the Programme. E.O.T.C. paid a total of \$1.4 million in surcharges on contracts M/09/39 and M/10/02 in Phase IX and Phase X, respectively.¹¹²

On January 30, 2001, Mr. Kaspereit provided a written commitment that E.O.T.C. would pay the surcharges on contract M/09/39 to SOMO.¹¹³

¹¹⁰ Claude Kaspereit letter to BNP Paris (Feb. 8, 2001); Claude Kaspereit letter to BNP (Mar. 20, 2001); Claude Kaspereit letter to BNP Paris (Apr. 23, 2001); Claude Kaspereit letter to BNP Paris (May 10, 2001).

¹¹¹ Claude Kaspereit letter to BNP Paris (Feb. 8, 2001); Claude Kaspereit letter to BNP (Mar. 20, 2001) (emphasis added); Claude Kaspereit letter to BNP Paris (Apr. 23, 2001); Claude Kaspereit letter to BNP Paris (May 10, 2001).

¹¹² Committee oil surcharge table, contract nos. M/09/39, M/10/02, M/11/26, M/12/62 (referencing that the total amount of surcharges levied on E.O.T.C. contracts was \$1,830,491). Although E.O.T.C. executed contracts under Phases XI and XII, the company did not pay the surcharges assessed and SOMO records show these payments as due. Committee oil surcharge table, contract nos. M/09/39, M/10/02, M/11/26 and M/12/62.

¹¹³ Claude Kaspereit letter to Saddam Z. Hassan (Jan. 30, 2001).

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DATE : 30/1/2001

TO : MR. SADDAM Z. HASSAN
EXECUTIVE DIRECTOR GENERAL
STATE OIL MARKETING (SOMO)

SUB: UNDERTAKING

E.O.T.C. (EUROPEAN OIL TRADING COMPANY) UNDERTAKES TO PAY TO SOMO'S DESIGNATED BANK ACCOUNT AN AMOUNT OF US DLR 0.30/BBL (FOR U.S. DESTINATION) AND OR US DLR 0.25/BBL (FOR EUROPE DESTINATION) FOR THE QUANTITY OF KIRKUK CRUDE OIL TO BE LIFTED UNDER CONTRACT M/09/39 DATED 30/1/2001 WITHIN 30 DAYS OF BILL OF LADING DATE .

E.O.T.C. (EUROPEAN OIL TRADING COMPANY) SHALL ARRANGE A BANK GUARANTEE TO COVER THE ABOVE AMOUNT WITHIN 10 DAYS FROM SIGNATURE OF THE SAID CONTRACT ABOVE .

Signé le 30th January 2001

CLAUDE KASPEREIT
GENERAL MANAGER

E.O.T.C.
231-rue DE L'HONORE
- 75001 PARIS
RCS PAR 33 418 013 374

Figure: Claude Kaspereit letter to Saddam Z. Hassan (Jan. 30, 2001).

E.O.T.C. paid the full amount of surcharges owed on contract M/09/39 in five installments. The payments were deposited in a SOMO account at Jordan National Bank. Each of E.O.T.C.'s surcharge payments were made contemporaneous with each of the oil lifts under M/09/39.¹¹⁴

Mr. Kaspereit was aware that E.O.T.C. arranged for the payment of surcharges on these oil contracts. He knew that the surcharges were illicit. He had indicated to other individuals that he knew the overwhelming majority of the companies were paying surcharges at the time, and that a refusal to pay the surcharges would have resulted in Iraq's refusal to grant him oil allocations.¹¹⁵

¹¹⁴ Jordan National Bank record, SOMO account, credit advices (Mar. 21, Apr. 29, May 2, June 7, and Nov. 11, 2001) (showing three payments by E.O.T.C. to SOMO's account by cash deposits and two of the payments by wire transfer) (translated from Arabic); Committee oil surcharge table, contract nos. M/09/39, M/10/02; SOMO bills of lading, ck/4954 (Feb. 23, 2001) (relating to M/09/39), ck/4975 (Mar. 27, 2001) (relating to M/09/39), ck/4999 (May 2, 2001) (relating to M/09/39), ck/5014 (May 23, 2001) (relating to M/09/39). The final surcharge payment under M/09/39 was made at the same time that the surcharges were paid under M/10/02.

¹¹⁵ Confidential source.

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Mr. Kaspereit was also aware that the premium paid by Marc Rich + Co. covered a commission to E.O.T.C. and the surcharge levied on the contract. According to an individual familiar with the relationship between E.O.T.C. and Marc Rich + Co., Mr. Kaspereit's associate at E.O.T.C., Mr. Khalef Awad, informed his contacts at Marc Rich + Co. about the imposition of surcharges. E.O.T.C. and Marc Rich + Co. representatives discussed the surcharges. They agreed that the premium paid by Marc Rich + Co. would incorporate the additional cost of the surcharges.¹¹⁶

In Phase IX, Marc Rich + Co. agreed to pay a \$0.30 to \$0.40 per barrel premium on the oil purchased from E.O.T.C. Marc Rich + Co. wire transferred the payment to E.O.T.C.'s account at Kredietbank. To avoid paying the surcharges directly, Mr. Kaspereit transferred a portion of the premium to an account operated by Khalef Awad. Using funds from Marc Rich + Co., Mr. Awad paid the surcharges on behalf of E.O.T.C. by wiring money to a SOMO account at Jordan National Bank.¹¹⁷

In Phase X, Ministry of Oil records show that a total of \$501,393.75 was levied on E.O.T.C.'s contract. E.O.T.C. paid close to the full amount of the surcharges on that contract. According to bank records, E.O.T.C. made a single cash deposit of \$497,370 to a SOMO account to cover the surcharges on M/10/02. E.O.T.C. did not pay surcharges on other oil contracts in later phases.¹¹⁸

Marc Rich + Co. has denied any involvement in the payment of surcharges.¹¹⁹

E. SERGE BOIDEVAIX

Serge Boidevaix, a French consultant and former diplomat, was hired to obtain Iraqi crude oil contracts for Vitol S.A. ("Vitol"), a Swiss company based in Geneva. He received allocations of over 32 million barrels of oil from the Government of Iraq over ten phases. Almost 30 million

¹¹⁶ Confidential source. According to one senior French official, it was well known that surcharges ranged from somewhere between \$0.10 and \$0.25 per barrel depending on where the oil was to be sold. France official #6 interview (Mar. 22, 2005); see also Iraq official interview (stating that the surcharges ranged from \$0.30 to \$0.25 per barrel depending on the destination of oil).

¹¹⁷ Marc Rich + Co. Investment AG fax to E.O.T.C. (Jan. 26, 2001) (confirming transaction dated January 25, 2001 for a purchase of 2 million barrels of oil from E.O.T.C. with lifts scheduled for February 2001) (indicating that Marc Rich + Co. would pay E.O.T.C. a commission of \$0.30 per barrel of oil); Marc Rich + Co. Investment AG telex to E.O.T.C. (undated) (refers to "new transaction with your company" for the purchase of 2 million barrels of oil from E.O.T.C. with lifts scheduled for April and May 2001) (indicating that Marc Rich + Co. would pay E.O.T.C. a commission of \$0.40 on the first lift of 1 million barrels of oil and a \$0.35 commission on the second lift of 1 million barrels of oil); Committee oil company table, contract no. M/09/39; Confidential source; Jordan National Bank record, SOMO account, credit advices (Mar. 21, Apr. 29, May 2, June 6, and Nov. 11, 2001) (translated from Arabic).

¹¹⁸ Committee oil surcharge table, contract nos. M/10/02, M/11/26 and M/12/62; Jordan National Bank record, SOMO account, credit advice (Nov. 1, 2001) (translated from Arabic).

¹¹⁹ Marc Rich Group letter to the Committee (Oct. 24, 2005).

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barrels of oil designated to Mr. Boidevaix were purchased by Vitol. Mr. Boidevaix has denied that the allocations were made to him personally. According to Mr. Aziz, Mr. Boidevaix was given the oil because of his support for Iraq. In dealings with SOMO, however, Mr. Boidevaix represented himself as a Vitol officer. Mr. Boidevaix admitted that he became aware of the Iraqi regime's imposition of surcharges in Phase IX. He stated that he warned Vitol not to pay surcharges and that Vitol stopped getting oil contracts. In Phase X, Vitol lifted oil designated to Mr. Boidevaix. In Phase XI, Mr. Boidevaix nominated another company that worked with Vitol, Devon Petroleum, Ltd. ("Devon Petroleum"), a Cyprus-based company, to lift oil allocated to him but the contract was not signed.

1. Background

Mr. Boidevaix, a career diplomat in France, served as Director of the Department for North Africa and the Middle East in the French Ministry of Foreign Affairs from 1980 to 1983. During this period, Mr. Boidevaix visited Iraq where he met Saddam Hussein, Mr. Aziz and Mr. Rashid. In December 1993, after retiring from the Ministry of Foreign Affairs, Mr. Boidevaix was sent by the French Minister of Foreign Affairs on a mission to Iraq to secure the release of a French national who was arrested in Iraq. On this occasion, Mr. Boidevaix met with Mr. Aziz and Mohammed Said Al-Sahaf, then the Iraqi Minister for Foreign Affairs.¹²⁰

After his retirement from the French government, Mr. Boidevaix established a consulting firm, S.B. Consultants in Paris. Beginning in 1996, Mr. Boidevaix started traveling to Iraq on a regular basis in an attempt to secure contracts for the various companies he represented. In 1999, Mr. Boidevaix served as president of the Franco-Iraqi Economic Cooperation Association, and in 2002, he became the President of the French-Arab Chamber of Commerce.¹²¹

¹²⁰ Serge Boidevaix interview (Oct. 4, 2005); French Ministry of Foreign Affairs record, Press briefing (Dec. 13, 1993) (translated from French) (referring to Mr. Boidevaix's mission and his meeting with Mr. Aziz and Mr. Sahhaf). Mr. Boidevaix served as a Counselor for International Affairs and Cooperation to the then-Prime Minister Chirac in the mid-1970s. After serving as the French ambassador to Poland and Germany, from 1992 to 1993, he served as the Secretary-General of the Ministry of Foreign Affairs. From 1993 to 1997, he served as a member of the *Conseil d'État* (Council of State) with the title, *Conseiller d'État en Service Extraordinaire* (Councilor of State) (translated from French). Serge Boidevaix interview (Oct. 4, 2005). At the time of Mr. Boidevaix's mission to Iraq, the spokesman of the French Ministry of Foreign Affairs commented that France had no diplomatic relations with Iraq and this visit did not change France's position towards Iraq. French Ministry of Foreign Affairs record, Press briefing (Dec. 13, 1993) (translated from French).

¹²¹ Serge Boidevaix interview (Oct. 4, 2005); *Chambre de Commerce Franco-Arabe*, "Who we are," <http://www.ccfranco-arabe.com/english/bureau.php>; *Qui est Qui en France* (36th Ed.) (Jacques Lafitte S.A., 2004) (translated from French), p. 302; The International Who's Who, "Boidevaix, Serge Marie-Germain," <http://www.worldwhoswho.com/views/entry.html?id=boi1018&ssid=1069318307&n=1>.

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2. Oil Allocations

In April 1998, Robin D'Alessandro, Vitol's main trader for Iraqi crude oil, approached SOMO Executive Director Saddam Z. Hassan during an OPEC meeting in Vienna in an attempt to secure Iraqi oil contracts for Vitol. Ms. D'Alessandro was advised that SOMO was under pressure to trade with French, Russian, and Chinese entities. After conducting some research and learning about Mr. Boidevaix's connections in Iraq, Ms. D'Alessandro approached Mr. Boidevaix and offered him a consultancy agreement to assist Vitol in gaining a foothold in the Iraqi oil market.¹²²

According to Mr. Boidevaix, when he met with Iraqi officials in the spring of 1998 to request oil for Vitol, they did not seem interested and were sensitive about the nationality of Vitol's officers (British and American) and refinery location (Canada). After his trip, however, in a letter to the Ministry of Oil, Mr. Boidevaix wrote that "we met at SOMO the following day to discuss our future contract," and promised to send a request for a specific amount of oil for the next phase. Mr. Rashid forwarded the letter to SOMO with a handwritten note stating: "Urgent- Executive Director of SOMO: I ask that you help as much as possible, [Mr. Boidevaix] is a friend of Iraq and is recommended by the Deputy Prime Minister."¹²³

In June 1998, Mr. Boidevaix again traveled to Baghdad, this time, with Ms. D'Alessandro from Vitol. Ms. D'Alessandro and Mr. Boidevaix met briefly with Mr. Aziz, and she handed Mr. Aziz a company brochure. At the end of the meeting, she left and Mr. Boidevaix had a private conversation with Mr. Aziz. Shortly thereafter, Mr. Boidevaix signed Vitol-France's first contract with SOMO. According to Mr. Aziz, Mr. Boidevaix "was given allocations because he was a friend who supported Iraqi issues." Mr. Boidevaix has acknowledged that, among other actions, he wrote an article arguing that, with the exception of military sanctions, the embargo on Iraq should be lifted. Mr. Boidevaix also attended anti-sanctions conferences and appeared as a speaker in some of these conferences.¹²⁴

¹²² Robin D'Alessandro interview (Oct. 10, 2005); Saddam Z. Hassan interview (Mar. 9, 2005) (confirming that SOMO would not have sold oil to Vitol as a Swiss company, and Vitol opened a French division with Mr. Boidevaix as its head).

¹²³ Serge Boidevaix interview (Oct. 4, 2005); Serge Boidevaix letter to Amer Rashid (May 17, 1998) (acknowledging meeting Mr. Rashid and Mr. Aziz, and discussing the possibility of an urgent oil lift for a refinery in Sudan; with a handwritten note from Mr. Rashid dated May 20, 1998 (translated from Arabic)); Robin D'Alessandro interview (Oct. 10, 2005) (recalling that Mr. Boidevaix traveled to Baghdad).

¹²⁴ Robin D'Alessandro interview (Oct. 10, 2005); Serge Boidevaix interview (Oct. 4, 2005) (stating that in their attempts to gain oil allocations "we just had a hint of success after the second visit"); Tariq Aziz interview (Aug. 16, 2005) (stating that he knows Mr. Boidevaix and considers him to be a friend); Iraqi Ministry for Foreign Affairs letter to the Iraqi Embassy in Amman (June 4, 1998) (translated from Arabic) (requesting a visa be issued to Ms. D'Alessandro "to whom a visa was issued previously [and] will be accompanying a French delegation presided by Mr. Serge Boidevaix"); SOMO sales contract, no. M/04/08 (June 4, 1998); *Ensemble Contre l'Embargo* (Together Against the Embargo) programs of conferences, "Irak, 9 ans d'embargo" (Nov. 17, 1999), "Irak, 10 ans après" (Nov. 25, 2001),

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During the next ten phases of the Programme, Mr. Boidevaix was granted allocations totaling approximately 35.1 million barrels.¹²⁵ Under his agreement with Vitol, Mr. Boidevaix assisted the company in obtaining crude oil contracts. Mr. Boidevaix was given the title of “President of Vitol-France,” an entity that did not exist. He signed SOMO contracts as the President of Vitol France, “for and on behalf of Vitol, Geneva, Switzerland.” Mr. Boidevaix played no role in the

<http://france.irak.free.fr/pages/action1.htm#top> (indicating that Mr. Boidevaix was a speaker at both conferences). During the sanctions on Iraq, Mr. Boidevaix was also a member of the Support Committee of the *Association Etudiants Contre l’Embargo* (Association of Students Against the Embargo) (translated from French). *L’Association Ensemble Contre l’Embargo*, “*Qui Sommes-Nous*,” <http://france.irak.free.fr/pages/association.htm>. Ms. D’Alessandro did not know the subject of the private conversation between Mr. Aziz and Mr. Boidevaix. Robin D’Alessandro interview (Oct. 10, 2005). Other Iraqi officials have also confirmed that Mr. Boidevaix was a friend of Mr. Aziz who received political allocations. Saddam Z. Hassan interview (Mar. 9, 2005) (stating that Mr. Boidevaix had a friendship with Mr. Aziz and that Mr. Boidevaix visited SOMO as the head of Vitol France); Iraq official interviews (stating that Mr. Boidevaix nominated Vitol to lift his oil allocations and that he represented Vitol in France, but it was understood that the allocations to Mr. Boidevaix were political). When interviewed by a journalist in early 2005, Mr. Boidevaix stated that he “always worked on behalf of Vitol,” and that “the company had allocations, not me personally.” Alan Freeman, “Hussein’s oil flowed to Canada; Controversial Iraqi crude was refined at Come By Chance, Alan Freeman discovers,” *The Globe and Mail*, Feb. 4, 2005, p. A1.

¹²⁵ Committee oil beneficiary table, contract nos. M/04/08, M/05/36, M/06/40, M/07/30, M/08/34, M/09/97, M/10/78, M/13/74. Mr. Boidevaix received oil allocations from Phases IV through XIII (no contract was executed for his allocations in Phases XI or XII) and his oil allocations were classified under the Government of Iraq’s category of special requests for France. SOMO letters to Amer Rashid (June 6, 1998) (approving contract M/04/08 for 2 million barrels of oil for Vitol “(Mr. Boidevaix the former French official)”), (June 8, 1998) (approving contract M/04/16 for 400,000 barrels of oil for Vitol “(Mr. Boidevaix the former French official)”), (June 20, 1998) (approving an increase in Vitol’s Phase IV allocation to 4.6 million barrels), (Dec. 28, 1998) (approving contract M/05/36 for 3.5 million barrels of oil for Vitol “Mr. Boidevaix—the former French official”), (June 3, 1999) (approving contract M/06/40 for 5 million barrels of oil for Vitol “Mr. Boidevaix—the former French official”), (Dec. 29, 1999) (approving contract M/07/30 for 1.5 million barrels of oil for Vitol “(Mr. Boidevaix)”), (Apr. 5, 2001) (approving contract M/09/97 for 2 million barrels of oil for Vitol (stating “with reference to your Excellency’s approval (during your meeting with Mr. Boidevaix in Vienna on the side of the recent Ministerial meeting of OPEC)”), (Sept. 9, 2001) (approving contract M/10/78 for 1 million barrels of oil for Vitol “(Boidevaix, French)”), (Jan. 11, 2003) (approving contract M/13/74 for 5 million barrels of oil for Vitol “Name of Owner of Allocation: Mr. Boidevaix”) (translated from Arabic) (hereinafter “Approval letters for Boidevaix contracts”); SOMO oil allocation tables for Phase IV (Nov. 6, 1998) (indicating an allocation of 5 million barrels of oil for “Vitol (Boidevaix)”), Phase V (Nov. 28, 1998) (indicating an allocation of 5 million barrels of oil for “Vitol (Boidevaix)”), Phase VI (undated) (indicating an allocation of 5 million barrels of oil for “Boidevaix”), Phase VII (Dec. 17, 1999) (indicating an allocation of 1.5 million barrels of oil for “Boidevaix”), Phase VIII (June 14, 2000) (indicating an allocation of 1.5 million barrels of oil for “Boidevaix”), Phase X (Aug. 4, 2001) (indicating an allocation of 2 million barrels of oil for “Boidevaix”), Phase XI (Dec. 1, 2001) (indicating an allocation of 1.5 million barrels of oil for “Boidevaix/Vitol”), Phase XII (May 19, 2002) (indicating an allocation of 1.5 million barrels of oil for “Boidevaix/Vitol”), Phase XIII (Nov. 17, 2002) (indicating an allocation of 1 million barrels of oil for “Boidevaix/Vitol”) (translated from Arabic) (hereinafter “SOMO oil allocation tables for Boidevaix”).

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oil transactions other than securing the allocations and signing the contracts. Regular communication with SOMO was directly conducted by Vitol. Correspondence sent by Mr. Boidevaix was prepared by Vitol. Though Mr. Boidevaix has insisted that only 22 million barrels of oil were lifted under his allocations, Ministry of Oil records show that 29.5 million barrels of oil were lifted.¹²⁶

Vitol paid Mr. Boidevaix a fee of \$30,000 per phase, in addition to \$0.01 per barrel, which was later raised to \$0.03 per barrel for all barrels after Vitol had lifted three million barrels of oil. Mr. Boidevaix received a total of \$367,808.77 in commissions from Vitol for the period between Phases VIII and XII.¹²⁷

Mr. Boidevaix admitted that he was aware that the Iraqi regime had imposed surcharges on oil contracts. According to Mr. Boidevaix, at an OPEC meeting in Vienna in 2001, during Phase IX, SOMO officials informed him of the requirement to pay surcharges and warned him that without paying the surcharges Vitol would not be able to sign further contracts. Mr. Boidevaix stated that he informed Vitol of this conversation and advised the company not to pay the illegal surcharges.

¹²⁶ Vitol record, Vitol consultancy agreement with S.B. Consultants (Apr. 27, 1998); Serge Boidevaix interview (Oct. 4, 2005) (stating that his communication with SOMO was through Ms. D'Alessandro, in London, and Roland Favre, in Geneva, and that he rarely called SOMO, and only when directed to do so by Vitol); Serge Boidevaix business card (the address and telephone number on this Vitol business card for "Serge Boidevaix, President—France," had the address and telephone number for Mr. Boidevaix's residence from where he operated his consulting business); Robin D'Alessandro interview (Oct. 10, 2005) (confirming that Vitol-France did not exist, and the name was created to give a "French angle" to Vitol S.A., and that the business cards were provided by Vitol S.A.); SOMO sales contracts, nos. M/04/08 (June 4, 1998), M/05/36 (Dec. 22, 1998), M/06/40 (June 1, 1999), M/07/30 (Dec. 15, 1999), M/08/34 (June 26, 2000), M/09/97 (Apr. 3, 2001), M/10/78 (Sept. 4, 2001), M/13/74 (Jan. 9, 2003) (contracting with Vitol) (signed "For Buyer Serge Boidevaix, President/Vitol-France on behalf of Vitol S.A. Geneva-Switzerland" or "Serge Boidevaix, President/Vitol-France for and on behalf of Vitol S.A. Geneva-Switzerland") (hereinafter "Boidevaix sales contracts"); Jean-René Farthouat and Nathalie Roret letter to the Committee (Oct. 17, 2005); Committee oil beneficiary table, contract nos. M/04/08, M/05/36, M/06/40, M/07/30, M/08/34, M/09/97, M/10/78, M/13/74. Jean-René Farthouat and Nathalie Roret are counsel for Mr. Boidevaix.

¹²⁷ Robin D'Alessandro interview (Oct. 10, 2005) (stating that Mr. Boidevaix was paid \$60,000 annually); Vitol record, Vitol consultancy agreement with S.B. Consultants, art. 5 (Apr. 27, 1998); Attachment to Vitol letter to State Secretariat for Economic Affairs (Switzerland) (Aug. 11, 2005) (list of payments from Vitol to Mr. Boidevaix between Phases VIII and XII). This calculation does not include the commission paid for the Phase XIII contract for 8.9 million barrels. Mr. Boidevaix confirmed the list of payments provided by Vitol and acknowledged that Vitol honored this agreement. Serge Boidevaix interview (Oct. 4, 2005). Mr. Boidevaix only referred to the original agreement between him and Vitol, without referring to the late increase in his commission to \$0.03 per barrel. Ms. D'Alessandro, however, indicated that the agreement was later amended without being documented, and remained in place until 2004. The payments between Phases VIII and XII confirm the increase in the commission. *Ibid.*; Robin D'Alessandro interview (Oct. 10, 2005).

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According to Mr. Boidevaix, for that reason no allocation was given to Vitol in Phases XI and XII.¹²⁸

A surcharge was paid on the Vitol and Mr. Boidevaix contract in Phase IX. Mr. Boidevaix admitted that he heard details about the payment. Two undated handwritten documents were recovered from Mr. Boidevaix that relate to the surcharge payment on the contract in Phase IX. The following handwritten notes are on one piece of paper: “250217.25 Peakwilli Hong Kong.” Another paper has the following handwritten notes: “250217.25 Peackwilli Hong Kong 31 May Eliki.” The notes appear to reference the *Eliki* vessel that lifted oil under a Vitol and Mr. Boidevaix contract on May 31, 2001. The reference to \$250,217.25 appears to be the amount of the first surcharge payment made to SOMO on the Phase IX contract. Additionally, the surcharge was paid through an entity named Peakville Limited. Vitol is discussed in Section VI.E below.¹²⁹

Figure: Serge Boidevaix handwritten notes (undated).

¹²⁸ Serge Boidevaix interview (Oct. 4, 2005); Robin D’Alessandro interview (Oct. 10, 2005).

¹²⁹ Committee oil surcharge table, contract nos. M/09/97, M/10/78; Fransabank record, SOMO account, credit advices (June 25 and Aug. 31, 2001); Boidevaix record, handwritten notes (undated) (showing notes related to “Peakwilli Hong Kong”); Committee oil surcharge table, contract no. M/10/07; SOMO bill of lading, bbl/3123 (May 31, 2001) (relating to M/10/07); Serge Boidevaix interview (Oct. 4, 2005); Confidential document; Committee oil company table, contract no. M/09/97 (showing that surcharges in the amount of \$545,801 were paid); Fransabank record, SOMO account, credit advices (June 23, 2001) (showing transfer of \$250,217.00 from Peakville Limited’s account at HSBC Hong Kong), (Aug. 31, 2001) (showing transfer of \$108,000.00 from Peakville Limited’s account at HSBC Hong Kong), (Aug. 31, 2001) (showing transfer of \$187,583.70 from Peakville Limited’s account at HSBC Hong Kong) (each translated from French and Arabic); Wire transfers through HSBC Hong Kong correspondent account at HSBC New York (Aug. 27, 2002), (July 23, 2003), (Aug. 25, 2003); Credit Lyonnais (Suisse) S.A. record, Vitol S.A. account opening documentation (Sept. 28, 2000) (showing Mr. Favre as having individual signing authority over the account and Vitol S.A.’s address as “Rue des Bains 33, P.O. Box 162, 1211, Geneva”); Jordan National Bank record, SOMO account, credit advice (Jan. 16, 2003) (translated from Arabic).

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When asked about the second note, Mr. Boidevaix stated that one day he received a call from a female employee of Vitol, not Ms. D'Alessandro, who instructed him to write this information down. After getting off the telephone call with her, he tried to call Ms. D'Alessandro, but was initially unable to reach her. According to Mr. Boidevaix, when he reached her a few days later, he told her that Vitol should not pay surcharges, and she confirmed that Vitol would not. He said that about two weeks later, she called him and informed him that SOMO would no longer sell oil to Vitol.¹³⁰

Ministry of Oil records show that surcharges were also paid on a Vitol and Mr. Boidevaix contract in Phase IX, after this conversation between Mr. Boidevaix and Vitol. In Phases IX and X, \$786,789 in surcharges was paid on their contracts. Additionally, Ministry of Oil records contain a letter from Mr. Boidevaix nominating Devon Petroleum to lift his allocation in Phase XI. However, the oil was never lifted. As explained in Section VI.E., Vitol financed other oil transactions through Devon Petroleum in surcharge phases.¹³¹

¹³⁰ Serge Boidevaix interview (Oct. 4, 2005); Robin D'Alessandro interview (Oct. 10, 2005); Confidential source; Jean-René Farthouat and Nathalie Roret letter to the Committee (Oct. 17, 2005).

¹³¹ Committee oil surcharge table, contract nos. M/09/97, M/10/78; Fransabank record, SOMO account, credit advices (June 25 and Aug. 31, 2001) (translated from French and Arabic); Jordan National Bank record, SOMO account, credit advice (Jan. 16, 2003) (translated from Arabic); SOMO record, Serge Boidevaix letter to SOMO (Mar. 6, 2002) (nominating Devon Petroleum to lift any allocation to Mr. Boidevaix in Phase XI; the letter is marked as being received by SOMO on March 6, 2002); Committee oil financier table, contract nos. M/10/34, M/10/62, M/10/85, M/11/46, M/11/100.

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TO: MR AMER RASHID
MINISTER OF OIL
BAGHDAD, IRAQ

FAX: 00 9641 886 9900

CC: MR ALI HASSAN
ACTING EXECUTIVE DIRECTOR GENERAL
SOMO

FAX: 00 9641 774 2797

NUMBER OF PAGES: 1

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الرقم / ١٤٧٤ / ٢٤ / ٢١
التاريخ / ٢٠٠٢ / ٣ / ٦

DEAR YOUR EXCELLENCE,

I WOULD BE MOST GRATEFUL IF YOU WOULD CONSIDER ALLOWING ME TO PUT ANY ALLOCATION GIVEN ME FOR PHASE II, UNDER THE COMPANY NAME OF DEVON PETROLEUM LIMITED.

I UNDERSTAND THAT YOU HAVE PUT OTHER ALLOCATIONS UNDER THIS COMPANY, AND HOPE THAT THAT WOULD NOT CAUSE ANY DIFFICULTY.

I WILL BE IN VIENNA MARCH 14-15, ON THE OCCASION OF THE OPEC MEETING, AND WOULD VERY MUCH LIKE TO MEET WITH YOU DURING THAT TIME TO GIVE YOU MY OPINION OF THE CURRENT SITUATION. I WILL CONTACT MR ALI HASSAN TO SEE IF THIS CAN BE ARRANGED.

WITH BEST PERSONAL REGARDS,

Serge Boidevaix
SERGE BOIDEVAIX

Figure: Serge Boidevaix letter to SOMO nominating Devon (Mar. 6, 2002).

F. GILLES MUNIER

Gilles Munier, Secretary-General of the French-Iraqi Friendship Association (“AFI”) and a longtime advocate for Iraq, has acknowledged that he received allocations—a total of 11.8 million barrels of oil—from the Government of Iraq. Aredio signed the contracts for Mr. Munier’s allocations. In return, Aredio funded AFI’s anti-sanctions activities. Surcharges were levied and paid on the Aredio contracts for oil designated to Mr. Munier in Phases X and XI. Although Mr. Munier knew that surcharges were imposed on contracts generally, he stated that even if surcharges were paid on his allocations, “that wasn’t my problem.”¹³²

¹³² Committee oil surcharge table, contract nos. M/10/86, M/11/80; Gilles Munier interview (Sept. 23, 2005) (translated from French).

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1. Background

Mr. Munier has been Secretary-General of AFI since 1986. The group opposed military action against Iraq prior to the Gulf War and later advocated for the lifting of sanctions against Iraq.¹³³ As early as June 1996, one month after the Memorandum of Understanding for the Oil-for-Food Programme was concluded, Mr. Munier led a delegation of representatives from French businesses to Iraq where they met with various senior Iraqi officials, including Mr. Aziz. Mr. Munier's work against the sanctions regime continued throughout the Programme.¹³⁴

2. Oil Allocations

Between Phases V and XIII, Mr. Munier received eight allocations totaling 11.8 million barrels oil.¹³⁵ According to Iraqi officials, Mr. Munier received oil allocations because of his pro-Iraq

¹³³ Gilles Munier interview (Sept. 23, 2005); "French Peace Activists to Keep Tabs on Iraq Arms Inspections," *Agence France Presse*, Jan. 11, 2003; Michel Zlotowski, "French Defense Minister Accused of Link with Iraq," *The Jerusalem Post*, Aug. 26, 1990, p. 2; see also AFI, "Historique," http://amiraq.free.fr/historique/story_01.html; AFI, "La Bataille pour la levée de l'embargo," <http://amiraq.free.fr/historique/bataille.html>; Rone Tempest, "Europeans Have Much to Lose in the Gulf Puzzle," *Los Angeles Times*, Sept. 4, 1990, p. 1. In 1990, he led a private French delegation that was credited with securing the release of nine French hostages. Abdul Jalil Mustafa, "Nine Frenchmen Held Hostage in Iraq Arrive in Amman," *Associated Press*, Oct. 3, 1990; William Drozdiak, "Iraq Orders 9 French Hostages Released," *San Francisco Chronicle*, Oct. 2, 1990, p. A15. Mr. Munier stayed in Baghdad for two weeks, working to convince the Iraqi government of the strength of pro-Arab support in France. Robert Cottrell, "French President Arrives in UAE Hoping to Secure Hostage Release," *The Independent*, Oct. 4, 1990. Mr. Munier reportedly described Saddam Hussein's release of the prisoners as a "message of peace from Iraq," and urged France to relax its policy towards Iraq. "Nine Frenchmen Freed by Saddam Arrive in Jordan," *Reuters News*, Oct. 3, 1990; Abdul Jalil Mustafa, "Nine Frenchmen Held Hostage in Iraq Arrive in Amman," *Associated Press*, Oct. 3, 1990. In the mid-1990s, Mr. Munier began coordinating an anti-sanctions conference in Baghdad. Mr. Munier continued to lead these conferences in Iraq every six months throughout the Programme. Gilles Munier interview (Sept. 23, 2005).

¹³⁴ "French Businessmen Discuss Exports to Iraq," *Agence France Presse*, June 8, 1996; "Iraqi oil minister holds talks in France," *Agence France Presse*, June 9, 1996 (after their meetings, in an interview with *Agence France Presse*, Mr. Rashid stated, "Friendly countries which supported us, like France and Russia, will certainly take priority when it comes to signing contracts"); Gilles Munier interview (Sept. 23, 2005) (describing his work in Iraq since the mid-1970s and stating that very few people besides himself are coming to the defense of Iraq these days and that many of those people on the allocation lists have "turned their backs on Baghdad") (translated from French). Mr. Munier stated that he was not involved with companies engaged in importing humanitarian goods to Iraq during the Programme. After the Programme terminated, he advised an ambulance company on conducting business in Iraq and, in return, the company agreed to provide financial assistance to AFI, in particular, for the publication of an illustrated book of Iraqi history. Gilles Munier interview (Sept. 23, 2005).

¹³⁵ Tariq Aziz interview (Mar. 1, 2005); Iraq official interview; SOMO letters to Amer Rashid (Mar. 2, 1999) (approving contract M/05/66 for 1.8 million barrels of oil for Aredio "(Iraqi-French Friendship Society)"), (June 12, 1999) (approving contract M/06/69 for 1.8 million barrels of oil for Aredio "(Iraqi-French Friendship Society)"), (Dec. 21, 1999) (approving contract M/07/40 for 1.2 million barrels of oil for

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activities and his association with AFI, which effectively served as a lobby group for the Government of Iraq. Alluding to his anti-sanctions efforts, Mr. Munier stated: “In some cases, I wonder for some of the allocation holders where the return was for the Iraqis—in my case, I would understand.” He arranged the sale of approximately 10.5 million barrels to Aredio, a company affiliated with the Taurus Group, and discussed below in Section VI.C.¹³⁶

Mr. Munier’s share of the oil proceeds were used to support AFI’s anti-sanctions efforts. Throughout the 1990s, the Iraqi Interest Section in Paris had been the major source of funds for AFI’s pro-Iraq/anti-sanctions activities. By 1995, however, the Iraqi Interest Section was running out of money. In 1998, Jean-Loup Michel, the Managing Director of Aredio, approached Mr. Munier to assist his company in importing oil from Iraq. Mr. Munier agreed to “present” Mr. Michel’s company to Mr. Aziz and request allocations. In return, Mr. Michel would provide

Aredio “(Iraqi-French Friendship Society)”, (Sept. 11, 2001) (approving contract M/10/86 for 2 million barrels of oil for Aredio “(Mr. Munier/Iraqi-French Friendship Society)”, (Jan. 19, 2002) (approving contract M/11/80 for 1.5 million barrels of oil for Aredio “(Mr. Munier/Iraqi-French Friendship Society)”, (Oct. 20, 2002) (approving contract M/12/122 for 1.5 million barrels of oil for Aredio “(for the benefit of Mr. Munier/Iraqi-French Friendship Society)”, (Dec. 24, 2002) (approving contract M/13/42 for 0.5 million barrels of oil for Aredio, noting that the total allocation for the phase is 1.5 million barrels of which 1 million barrels is from the Phase XII contract, and naming the recipient of the contract as “Mr. Munier (Iraqi-French Friendship Society)”) (each translated from Arabic) (hereinafter “Approval letters for Munier contracts”); SOMO oil allocation tables for Phase VI (undated) (indicating allocations of 1.8 million barrels of oil for “Friendship Society” in Phase V and Phase VI), Phase VII (Dec. 17, 1999) (indicating an allocation of 1.2 million barrels of oil to “Friendship Society”), Phase VIII (June 14, 2000) (indicating an allocation of 1.5 million barrels of oil to “Friendship Society”), Phase X (Aug. 4, 2001) (indicating an allocation of 2 million barrels of oil to “Iraqi-French Friendship Society/Mr. Munier”), Phase XI (Dec. 1, 2001) (indicating an allocation of 1.5 million barrels of oil to “Iraqi-French Friendship Society/Mr. Munier), Phase XII (May 19, 2002) (indicating an allocation of 1.5 million barrels to “Iraqi-French Friendship Society/Mr. Munier”), Phase XIII (Nov. 17, 2002) (indicating an allocation of 1.5 million barrels of oil to “Iraqi-French Friendship Society/Mr. Munier”) (each translated from Arabic) (hereinafter “SOMO oil allocation tables for Munier”).

There is a discrepancy between United Nations Treasury data and SOMO records regarding the total number of barrels lifted under Mr. Munier’s contracts. This may be because Aredio also lifted oil for other beneficiaries and United Nations Treasury data for Aredio combines information for different Aredio contracts.

¹³⁶ Gilles Munier interview (Sept. 23, 2005) (describing AFI as a lobby group that would consult with Iraqis and provide them with advice); Tariq Aziz interview (Mar. 1, 2005) (confirming that Mr. Munier received oil allocations because he was the head of AFI (described above) and stating that the profits from these allocations were intended to support the activities of this association); Iraq official interview (confirming that Mr. Munier received oil allocations and headed a French-Iraqi group); Committee oil beneficiary table, contract nos. M/05/66, M/06/69, M/07/40, M/08/56, M/10/86, M/11/80, M/12/122, M/13/42; Approval letters for Munier contracts. SOMO records indicate that all eight allocations lifted by Aredio are noted as being for AFI; several of these records note that the allocation is for “Mr. Munier/Iraqi-French Friendship Society.”

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financial support to AFI and remunerate Mr. Munier for his campaign to have sanctions against Iraq lifted.¹³⁷

To obtain allocations and Aredio's contracts, Mr. Munier first met with Mr. Aziz late in 1998 and then, through Mr. Aziz's office, he met with SOMO officials. Mr. Munier also submitted a letter recommending that SOMO contract with Aredio for his allocations. Starting in Phase V, and at the outset of every phase thereafter, Mr. Munier faxed SOMO a nomination letter recommending that Aredio "lift and market the barrels of my usual allocation." When shown a copy of this letter from January 2002, Mr. Munier stated that this was a typical example of what he would submit to SOMO in each phase of the Programme.¹³⁸

Mr. Munier claimed that he has neither drawn a salary for his work at AFI nor has he received a commission from Aredio. He has, however, acknowledged that Aredio and Taurus remunerated him for his efforts as an intermediary by covering his expenses for his work at AFI. According to Mr. Munier, his arrangement with Aredio was such that Mr. Munier would submit AFI's "global invoices" to Mr. Michel every two to six months and Aredio would reimburse AFI by check. Mr. Munier also submitted AFI invoices to and was reimbursed by Taurus. To coordinate these payments, Mr. Munier stated that he met with Martin Schenker "of Aredio" and Ben Pollner, the Director of Taurus. Mr. Munier explained that had he not been compensated, he would "not have been happy."¹³⁹

¹³⁷ Gilles Munier interview (Sept. 23, 2005). According to Mr. Munier, "smaller companies needed my contacts—that's why I worked with Michel." Gilles Munier interview (Sept. 23, 2005). Mr. Munier's allocations were classified under "Special Requests for France" in SOMO's allocations records. SOMO oil allocation tables for Munier.

¹³⁸ Gilles Munier interview (Sept. 23, 2005) (recalling that this meeting occurred in either November or December 1998); Iraq official interviews (describing that during his regular trips to Iraq, Mr. Munier would personally visit SOMO and would meet with Mr. Aziz, among others); SOMO sales contract, no. M/05/66 (Mar. 2, 1999); Gilles Munier letter to Saddam Z. Hassan (Jan. 10, 2002).

¹³⁹ Gilles Munier interview (Sept. 23, 2005); Brit Hume, et al., "Special Report with Brit Hume," *Fox News Network*, Feb. 16, 2004 (reporting that Mr. Munier has stated that during the Programme, he had "served as an intermediary and in exchange for that, got some benefits"); Philip Delves Broughton and Jack Fairweather, "Saddam's Web of Bribery 'went round the world,'" *The Daily Telegraph*, Jan. 28, 2004, p. 13 (admitting that he and AFI had received commissions for introducing businesses to contacts in Iraq, and stated that all of these interactions were legal and within the rules of the Programme); see also Lara Marlowe, "Gaullist MP and Ex-minister Linked to Saddam Oil Scandal," *Irish Times*, Jan. 29, 2004; Rory McCarthy and Owen Bowcott, "Iraqi Council List of Alleged Bribes," *The Guardian*, Jan. 30, 2004; Gilles Munier interview (Sept. 23, 2005) (stating that he met with Mr. Schenker "of Aredio" once or twice and with Mr. Pollner two or three times); see also Martin Schenker fax to Gilles Munier (Apr. 9, 2003) (promising to send "the results" and "the details" to Mr. Munier the following day). AFI's activities and expenses included funding anti-sanctions advertisements in newspapers, publishing an Iraq history and guidebook, and, although the plan was never realized, chartering a Boeing flight to Baghdad. Gilles Munier interview (Sept. 23, 2005) (clarifying that occasionally Aredio would make payments for AFI directly to a service provider and estimating that he sent six invoices to Aredio). Martin Schenker was the signatory on seven of Aredio's 14 oil sales contracts with SOMO. SOMO oil allocation tables for Munier.

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However, Mr. Munier's relationship with Taurus was more formal than he has previously described. Mr. Munier signed a consultancy agreement with Taurus and received "advisor's fees" to "seek [and] supply contracts in the region, with particular emphasis on Iraqi Crude under the Oil-for-Food program." Mr. Munier was to receive \$0.07 per net barrel from Taurus, and Taurus paid him over \$240,000.¹⁴⁰

3. Surcharge Payments

A total of \$647,600 in surcharges was levied and paid on two of Aredio's contracts for oil allocated to Mr. Munier in Phases X and XI. Mr. Munier stated that by 2001, he had heard about the imposition of surcharges—"everyone was talking about surcharges"—and that Iraqi officials had threatened to stop contracting with companies which refused to pay them. According to Mr. Munier, Mr. Michel informed him that Aredio had refused to pay them. Mr. Munier stated that he was never asked to pay surcharges, and he never provided a guarantee that he would pay surcharges. Mr. Munier, however, continued to receive allocations under the Programme and Aredio continued to contract with SOMO on Mr. Munier's behalf, during the surcharge phases and until the Programme ended.¹⁴¹

Mr. Schenker also assisted Mr. Munier with organizing a flight to Baghdad. AB Air Broker Center e-mail to Martin Schenker (Sept. 18, 2000) (forwarding communication indicating that Islandsflug would be willing to operate a flight from Paris to Baghdad; a handwritten note indicates that this document should be forwarded to "J-L Michel" and copied to "Mr. G. Munier"); Islandsflug e-mail to Martin Schenker (Nov. 2, 2000) (stating that Islandsflug had sent a letter to the United Nations Security Council requesting permission to fly to Baghdad and stating that Islandsflug was not willing to operate a flight to Baghdad without this permission). On February 19, 2001, Mr. Munier sent Ben Pollner of Taurus a bill for \$2,700 of expenses from his trip to Baghdad from January 30, 1999 to February 10, 1999. Gilles Munier invoice to Ben Pollner (Feb. 15, 1999) (entitled "*Forfait – Participation aux Frais, Voyage et séjour à Baghdad de Gilles Munier*," and listing a variety of expenses including a night at a hotel in Paris, a plane ticket from Paris to Amman, the purchase of medicines and presents, and expenses in Baghdad). Given how lucrative the oil trade was under the Programme, Mr. Munier also expressed regret that AFI and Aredio did not begin their involvement in the Programme until Phase V and that AFI had not created its own company "because we could have gotten money directly." Gilles Munier interview (Sept. 23, 2005).

¹⁴⁰ Confidential document.

¹⁴¹ Gilles Munier interview (Sept. 23, 2005); Committee oil surcharge table, contract nos. M/10/86, M/11/80, M/12/22, M/13/42; Committee oil company table, contract nos. M/10/86, M/11/80, M/12/22, M/13/42.

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V. OTHER POLITICAL BENEFICIARIES

A. GEORGE GALLOWAY

The Government of Iraq did not give preference to companies based in the United Kingdom in determining oil allocations under the Programme. Nonetheless, a total of over 18 million barrels of oil were allocated either directly in the name of George Galloway, a member of the British Parliament, or in the name of one of his associates, Fawaz Abdullah Zureikat (“Fawaz Zureikat”), to support Mr. Galloway’s campaign against the sanctions. Mr. Zureikat was a prominent Jordanian businessman. Mr. Zureikat received commissions for handling the sale of approximately 11 million barrels that were allocated in Mr. Galloway’s name.

Both Mr. Galloway and Mr. Zureikat have denied that Mr. Galloway was involved in obtaining the oil allocations or receiving any proceeds from the oil sales. Each of them has acknowledged, however, that Mr. Zureikat made large donations to the Mariam Appeal, a United Kingdom-based campaign for the lifting of sanctions against Iraq. Mr. Galloway was the founder of this organization. Mr. Galloway has denied that he was aware of the source of Mr. Zureikat’s donations. According to Iraqi officials, another oil beneficiary, Burhan Al-Chalabi, also received an allocation intended to benefit the Mariam Appeal. A portion of the profits from this allocation was deposited into an account of Mr. Galloway’s wife, Amineh Naji Daoud Abu Zayyad, who was also involved with the Mariam Appeal.

1. Background

Although a critic of Saddam Hussein’s regime, Mr. Galloway became an outspoken opponent of sanctions against Iraq in the British Parliament around the late 1990s. In 1998, Mr. Galloway became the first chairman of the Mariam Appeal, an organization established to provide medical aid to Iraq and arrange for the medical treatment of one particular Iraqi child outside of Iraq. In addition to raising funds for these medical costs, the Mariam Appeal also had the broader purpose of campaigning “against sanctions in Iraq.” From 1999 through 2002, the Mariam Appeal funded Mr. Galloway’s tour of over ten countries on a double-decker bus to campaign for the ending of sanctions, as well as separate trips to a number of countries, including Jordan, the United Arab Emirates, Lebanon, Iraq, Hungary, Belgium, the United States, and Romania.¹⁴²

¹⁴² United Kingdom Parliament record, Hansard, Column 1022 (Jan. 13, 1993), Column 573 (Jan. 21, 1993), Column 726 (Dec. 13, 1993), Column 728 (Feb. 2, 1998), Columns 938-939 and 941 (Feb. 17, 1998), Columns 618-619 (Nov. 16, 1998), Columns 147, 149, 150-151, and 157 (Nov. 25, 1998), Column 1108 (Dec. 17, 1998); Charity Commission for England and Wales, “The Mariam Appeal (2004),” sec. 2 (June 28, 2004); George Galloway interview (May 16, 2005); Davenport Lyons letter to the Charity Commission for England and Wales (Apr. 13, 2004); Iraq official interview; United Kingdom Parliamentary Register of Members’ Interests (1998-1999, 2000-2001 and 2001-2002). The costs of some of these trips were also met by the Great Britain-Iraq Society. United Kingdom Parliament record, Register of Members’ Interests (2000-2001, 2001-2002, and 2002-2003). In parliamentary speeches, Mr. Galloway

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According to Mr. Galloway, the Mariam Appeal records were sent to Amman and Baghdad in 2001 and could not be located. Bank and other records show that following its establishment in 1998, the Mariam Appeal received three large donations totaling over £1 million, including £500,000 from the United Arab Emirates, over £100,000 from Saudi Arabia, and at least £434,000 from Mr. Zureikat. The Mariam Appeal also received a donation of £6,750 from Neste Oil, which later became Fortum Oil and Gas Oy (“Fortum”). Neste Oil’s donation was made following the purchase of oil in a transaction facilitated by Mr. Al-Chalabi, an Iraqi businessman based in the United Kingdom and an early supporter of the Mariam Appeal. The only other donations received by the Mariam Appeal were small amounts from various individuals.¹⁴³

2. Oil Allocations and Contracts

Ministry of Oil records show that from Phases VIII through XIII, a total of 18 million barrels of oil were allocated to Mr. Galloway, either directly or indirectly through Mr. Zureikat, and nearly two-thirds of the oil was lifted. According to Iraqi officials, oil allocations were granted to fund Mr. Galloway’s anti-sanctions activities. Iraqi officials identified Mr. Zureikat as acting on Mr. Galloway’s behalf to conduct the oil transactions in Baghdad.¹⁴⁴

argued that sanctions against Iraq were responsible for chronic malnutrition, disease, and lack of adequate healthcare, as well as the deaths of 6,000 children monthly. United Kingdom Parliament record, Hansard, Columns 874 and 875 (Mar. 27, 1998), Columns 250 and 253 (June 29, 1999), Column 708 (Nov. 3, 1998). In other parliamentary speeches, Mr. Galloway argued that the lifting of sanctions would lead to business opportunities in Iraq; he claimed that the United Nations Special Commission (“UNSCOM”) was an American tool working with Israeli intelligence; he called Richard Butler, the head of UNSCOM, a “congenital liar and a provocateur”; he referred to problems with missing Iraqi paperwork for UNSCOM inspectors as a “ridiculous squall”; he described Iraqi opposition parties as terrorists and British support for them illegal; and he attacked the legitimacy and purpose of the no-fly zones, designed to protect the southern Shi’ite and northern Kurdish areas from Iraqi government attacks. United Kingdom Parliament record, Hansard, Column 725 (Dec. 13, 1993), Column 940 (Feb. 17, 1998), Column 707 (Nov. 3, 1998), Columns 152 to 157 (Nov. 25, 1998), pt. 9 (Dec. 17, 1998), Column 82WH (Mar. 6, 2002), Column 253 (June 29, 1999), Column 280WH (Jan. 10, 2001), Column 540 (July 9, 2001). Davenport Lyons are Mr. Galloway’s legal representatives. Davenport Lyons letter to the Charity Commission for England and Wales (Apr. 13, 2004).

¹⁴³ National Bank of Abu Dhabi record, Mariam Appeal account, credit advices (Apr. 13, 1999, Apr. 19, and Nov. 30, 2000) and bank statement (May 4, 1999); Lloyds TSB record, Mariam Appeal account, bank statements (undated) (transaction dates Aug. 4, 2000; Mar. 13 and July 11, 2001), bank statements (Nov. 1 and 29, 2001; June 13, July 25, Aug. 8, Sept. 5, and Dec. 12, 2002); George Galloway interview (May 16, 2005); Neste Oil letter to the Committee (June 30, 2005); Rod Gavshon interview (May 23, 2005); David Leigh and David Pallister, “Iraq Oil cash funded MP’s campaigns,” *The Guardian*, Feb. 17, 2004; Dominic Kennedy, “Globetrotter’s 14 trips paid for by appeal,” *The Times*, Apr. 23, 2003; Charity Commission of England and Wales record, “Income Abu Dhabi account” (undated); Charity Commission for England and Wales, “The Mariam Appeal (2004),” sec. 12 (June 28, 2004).

¹⁴⁴ Committee oil beneficiary table, contract nos. M/08/35, M/09/23; M/10/38, M/11/04, M/12/14, M/13/48; Iraq official interviews; Ghalib Al-Douri interview (Nov. 5, 2004); Saddam Z. Hassan interviews (Mar. 9 and July 28, 2005); Tariq Aziz interview (Mar. 1, 2005). When interviewed a second time, Mr.

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Of those allocations, 11 million barrels of oil were allocated directly to “Mr. Galloway” and classified as “United Kingdom” allocations and seven million barrels of oil were allocated to “Fawaz Zureikat,” also classified as “United Kingdom” allocations or noted specifically as allocations for the Mariam Appeal. Separately, Mr. Zureikat was allocated a total of five million barrels of oil, classified as “Jordan” allocations. In some phases, oil was allocated to both “Mr. Galloway/Fawaz Zureikat” under the “United Kingdom” classification and “Fawaz Zureikat” under the “Jordan” classification. Iraqi officials have confirmed that Mr. Zureikat’s allocations classified as “United Kingdom” were intended to benefit Mr. Galloway’s anti-sanctions campaign, and those classified as “Jordan” were for the benefit Mr. Zureikat personally. By Phase XI, the SOMO Requests for Approval of Contract also began referencing Mr. Galloway as the named beneficiary of the oil.¹⁴⁵

Aziz changed his previous assertion that Mr. Galloway had received oil allocations. Committee investigators were under the clear impression at this interview that Mr. Aziz believed that the purpose of the interview was to gather evidence to be used against him in subsequent legal proceedings. The Committee does not find the new denial credible under the circumstances. Tariq Aziz interview (Aug. 16, 2005). The only other allocations designated under United Kingdom “special requests” were for the Mujahadeen Khalq. Committee oil beneficiary table, contract nos. M/08/95, M/09/76, M/10/16; M/11/44, M/12/76. There is a small discrepancy between the SOMO records and United Nations records relating to contract M/08/35. United Nations records reflect an additional 100,000 barrels being lifted. Committee oil beneficiary and company tables, contract no. M/08/35.

¹⁴⁵ Iraq official interview; Amer Rashid interview (Feb. 20, 2005); Saddam Z. Hassan interview (July 28, 2005); Committee oil beneficiary table, contract nos. M/08/35, M/09/23; M/10/38, M/11/04, M/12/14, M/13/48; SOMO oil allocation tables for Phase X (Aug. 4, 2001) (indicating an allocation of three million barrels of oil for “Mr. Galloway/Fawaz Zureikat”), Phase XII (May 19, 2002) (indicating an allocation of three million barrels of oil for “Mr. Galloway/Fawaz Zureikat”), Phase XIII (Nov. 17, 2002) (indicating an allocation of three million barrels of oil for “Mr. Galloway/Fawaz Zureikat”) (each translated from Arabic); SOMO letters to Amer Rashid (Dec. 19, 2001) (approving contract M/11/04 for three million barrels of oil for “Mr. Galloway”), (June 23, 2002) (approving contract M/12/14 for three million barrels of oil for “Mr. George Galloway”), (Jan. 23, 2003) (approving contract M/13/48 for two million barrels of oil for “Mr. Galloway”) (each translated from Arabic).

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Table 1 – Allocations in the Names of George Galloway and Fawaz Zureikat

Phase	Beneficiary Name on SOMO Allocation Table	Beneficiary Name on SOMO Request For Approval of Contract	Country Designation	Barrels of Oil Allocated
VIII	Fawaz Zureikat	Fawaz Zureikat	United Kingdom	4 million
IX	Fawaz Zureikat	Fawaz Zureikat – Mariam Campaign	–	3 million
	Fawaz Zureikat	Fawaz Zureikat	–	2 million
X	Mr. Galloway/ Fawaz Zureikat	Fawaz Zureikat	United Kingdom	3 million
XI	Mr. Galloway/ Fawaz Zureikat	Mr. Galloway	United Kingdom	3 million
	Fawaz Zureikat	Fawaz Zureikat	Jordan	1 million
XII	Mr. Galloway/ Fawaz Zureikat	Mr. Galloway	United Kingdom	3 million
	Fawaz Zureikat	Fawaz Zureikat	Jordan	1 million
XIII	Mr. Galloway/ Fawaz Zureikat	Mr. Galloway	United Kingdom	2 million
	Fawaz Zureikat	Fawaz Zureikat	Jordan	1 million

Mr. Galloway denied requesting allocations of oil or receiving financial support from the Government of Iraq. Mr. Zureikat acknowledged that he received oil from the Government of Iraq for himself, but denied that he acted as a representative for Mr. Galloway in connection with any Iraqi oil transactions under the Programme. When asked about the Ministry of Oil records that reference his name and allocations with Mr. Galloway under the “United Kingdom” classification, Mr. Zureikat suggested that his name might have been linked with Mr. Galloway’s on SOMO documents because he often had been referred to in Iraq as a supporter and friend of Mr. Galloway.¹⁴⁶

Iraqi officials, however, stated that Mr. Zureikat negotiated both his own oil contracts at SOMO as well as those for the benefit of Mr. Galloway’s campaign. According to Iraqi officials, during some of his visits to SOMO to deal with oil contracts, Mr. Zureikat discussed the activities of the Mariam Appeal and repeated on more than one occasion that the oil allocated to Mr. Galloway

¹⁴⁶ George Galloway interview (May 16, 2005); Dominic Kennedy, Philip Webster, and Melissa Kite, “Galloway faces new allegation over misuse of charity funds,” *The Times*, Apr. 23, 2003; Full Statement of George Galloway MP, *The Guardian*, Apr. 22, 2003; Fawaz Zureikat interview (July 28, 2005).

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was being used to support the activities of the Mariam Appeal or that the allocations were for “George.”¹⁴⁷

Augusto Giangrandi, a trader for Bayoil and Italtel, discussed below in Section VI.B, stated that he had conversations with Mr. Galloway in Baghdad about oil sales under the Programme. While Mr. Galloway did not state explicitly to Mr. Giangrandi that he had received any oil allocations, over the course of informal meetings Mr. Galloway asked him to explain how the oil allocation process worked financially and how commissions were negotiated. Mr. Giangrandi encouraged Mr. Galloway to seek an oil allocation and gave Mr. Galloway his business card. Mr. Giangrandi had hired an Iraqi agent to provide information on potential allocation holders through his contacts at SOMO. Mr. Giangrandi inquired about Mr. Galloway through this agent and heard that oil had been given to “Abu Mariam” (as Mr. Galloway was known) and that Fawaz Zureikat was acting as his representative. Mr. Giangrandi subsequently attempted to negotiate the purchase of oil with Mr. Zureikat. The deal fell through when Mr. Zureikat reported that “his friend” had received a better offer from another company. Mr. Galloway has described this as a “cock and bull story.”¹⁴⁸

When asked about Mr. Giangrandi, Mr. Zureikat initially denied knowing him. Only when Mr. Zureikat was told that Mr. Giangrandi claimed to have met with him, did he acknowledge the meeting. Nevertheless, Mr. Zureikat stated that the meeting had lasted about five minutes, and he denied doing business with Mr. Giangrandi.¹⁴⁹

3. Surcharge Payments

Between Phases VIII and XII, Aredio and ASI Middle East Advanced Semiconductor Inc. (“Middle East Advanced Semiconductor”), Mr. Zureikat’s company which specialized in supplying electronic parts and had extensive commercial interests in Iraq, purchased approximately 11 million barrels of oil related to the allocations for Mr. Galloway and Mr. Zureikat (designated as “United Kingdom” allocations). Some of the oil contracts were financed by Taurus, which also purchased and financed some of the oil (designated as “Jordan”) allocations granted to Mr. Zureikat. Surcharges totaling \$2,103,034 were levied on four contracts corresponding to allocations for the benefit of Mr. Galloway and his campaign.¹⁵⁰

¹⁴⁷ Tariq Aziz interview (Mar. 1, 2005); Iraq official interviews; Saddam Z. Hassan interview (July 28, 2005).

¹⁴⁸ Augusto Giangrandi interviews (Apr. 25 and 27-28, and July 24-25, 2005); Confidential witness interview; George Galloway e-mail to the Committee (Oct. 17, 2005).

¹⁴⁹ Fawaz Zureikat interview (July 28, 2005).

¹⁵⁰ Committee oil beneficiary and financier tables, contract nos. M/08/35, M/09/23; M/09/118, M/10/38, M/11/04, M/11/10, M/12/14. In Phases VIII and IX, Aredio executed the contracts with SOMO to purchase over four million barrels of Mr. Galloway’s allocations. In Phases X through XII, Middle East Advanced Semiconductor executed the contracts with SOMO to purchase over 7.6 million barrels of Mr. Galloway’s allocations. Aredio is affiliated with Taurus, as discussed in Section VI.C below. Mr. Zureikat

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In Phase VIII, Ministry of Oil records show that approximately \$264,000 in surcharges was levied on Aredio's contract. As with other surcharges imposed in Phase VIII, the surcharges were not immediately paid, and, a year later, the Iraqi regime demanded payment before additional oil could be lifted. Indeed, in Phase X, a new contract with Middle East Advanced Semiconductor was approved subject to payment of the \$264,000 surcharges outstanding from Phase VIII. In December 2001, Taurus wire transferred \$264,000 to Mr. Zureikat's account at Jordan National Bank. Bank records show that three days later a transfer of \$264,000 was made from Mr. Zureikat's account into the SOMO account at Jordan National Bank for the payment of surcharges on the Aredio contract. Surcharges on the Phase IX contract lifted by Aredio were paid through wire transfers from a bank account associated with Taurus. The involvement of Taurus in the payment of the surcharge on this contract is discussed in Section VI.C.¹⁵¹

Some of the surcharges assessed on other contracts were paid in the name of Mr. Zureikat's company. In Phase X, Ministry of Oil records show that approximately \$825,822 was paid on a Middle East Advanced Semiconductor contract relating to a United Kingdom allocation. The surcharge was paid through deposits into two SOMO accounts at Jordan National Bank under the name of Middle East Advanced Semiconductor. Additionally, surcharges totaling \$502,476 were due on contracts relating to separate allocations for Mr. Zureikat (designated as "Jordan"

was President of Middle East Advanced Semiconductor. Fawaz Zureikat fax to oil overseers (Dec. 20, 2001) (citing himself as President of Middle East Advanced Semiconductor); George Galloway interview (May 16, 2005). United Nations records reflect that one million barrels of oil were lifted in relation to contract M/13/48. SOMO records relating this contract to Mr. Galloway's allocation show no oil lifted under this contract. The Committee believes that the oil shown as lifted under this contract by the United Nations records in fact may have been for the benefit of another beneficiary for whom Middle East Advanced Semiconductor acted as contract holder, Toujan Al-Faisal. SOMO records show a one million barrel lift by Middle East Advanced Semiconductor for Ms. Al-Faisal's benefit under contract M/13/50. United Nations records do not indicate that Middle East Advanced Semiconductor lifted this oil. Committee oil beneficiary table, contract no. M/13/50; Committee oil company table, contract no. M/13/48.

¹⁵¹ Committee oil company table, contract nos. M/08/35, M/09/23; M/10/38, M/11/04; SOMO letters to Amer Rashid (Dec. 19, 2001) (approving contract M/11/04 for three million barrels of oil for "Mr. Galloway"); Jordan National Bank record, Ziad and Fawaz Zureikat/Middle East Advanced Semiconductor account, bank statement (Jan. 1 to Dec. 31, 2001); Jordan National Bank record, SOMO account, bank statement (Jan. 1 to Dec. 31, 2001) (translated from Arabic). The request for approval of contract M/09/118 in the name of Mr. Zureikat also contains a reference to Mr. Zureikat promising to pay the sum of \$264,505 owed on "the contract of the Aredio company" (M/08/35) and thus being granted a delay in paying the surcharge due on his contract M/09/118. SOMO letter to Amer Rashid (May 8, 2001) (translated from Arabic) (approving contract M/09/118 for two million barrels of oil for "Mr. Fawaz Zureikat"); Confidential document; Jordan National Bank record, Ziad and Fawaz Zureikat/Middle East Advanced Semiconductor account, bank statement (Jan. 1 to Dec. 31, 2001) (translated from Arabic); Jordan National Bank record, SOMO account, bank statement (Jan. 1 to Dec. 31, 2001) (translated from Arabic); Committee oil company table, contract nos. M/08/35, M/09/23. The \$304,321 surcharge on M/09/23 was deposited in two stages on March 18 and 19, 2001 into the SOMO account. The deposits were made in the name of Salim Ahmad. Jordan National Bank record, SOMO account, bank statement (Jan. 1 to Dec. 31, 2001) (translated from Arabic). Section VI.C of this Chapter further discusses Taurus and Salim Ahmad.

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allocations) of which \$497,353 was paid, again under the name of Middle East Advanced Semiconductor.¹⁵²

4. Donations to the Mariam Appeal

From April 2001 to August 2003, Mr. Zureikat received a total of almost \$1.9 million from Taurus accounts. Payments from Taurus were split roughly between deposits into an account at the Arab Bank in his name and an account at Jordan National Bank in the name of Ziad and Fawaz Zureikat/Middle East Advanced Semiconductors.¹⁵³

Mr. Zureikat initially denied having heard of either Aredio or Taurus. In a subsequent interview, however, Mr. Zureikat acknowledged that Taurus had purchased some of the oil allocations in his name, but he refused to disclose the financial arrangements.¹⁵⁴

A letter addressed to SOMO Executive Director Saddam Z. Hassan, dated January 13, 2001 and signed by Mr. Zureikat, authorized Aredio to execute a contract with SOMO pursuant to his allocation. He further indicated that his allocation was linked with the Mariam Appeal.¹⁵⁵

¹⁵² Committee oil company table, contract nos. M/10/38, M/11/04, M/09/118, M/11/10; Jordan National Bank record, SOMO account, bank statement (Jan. 1 to Dec. 31, 2001) and credit advices (Nov. 12 and Dec. 4, 2001) (translated from Arabic).

¹⁵³ Jordan National Bank record, Ziad and Fawaz Zureikat/Middle East Advanced Semiconductors account, bank statements (Jan. 1 to Dec. 31, 2001; Feb. 17 to Dec. 31, 2002; Jan. 31 to Dec. 31, 2003) (translated from Arabic); Arab Bank record, Fawaz Zureikat account, credit advices (Oct. 18 and Nov. 20, 2001 (translated from Arabic); Jan. 18 and May 28, 2002); Banque Bruxelles Lambert record, Taurus account, debit advice (Apr. 18, 2001). Regarding the November 20, 2001 payment identified in the table above, a letter of credit was funded by Taurus in favor of the United Nations in the amount of €28,837,703.59. This was to fund a lift on October 16, 2001 of 1,917,528 barrels, part of contract M/10/38. On November 13, 2000, this exact amount was debited from Taurus's Credit Suisse First Boston account in Geneva. On November 19, 2001, Taurus wire transferred \$698,640.14 from Credit Suisse First Boston Geneva to an undisclosed account at Arab Bank Amman. On November 20, 2001, \$698,640.14 was deposited in Mr. Zureikat's account at Arab Bank. The reference on the Arab Bank credit advice is for "Eastern Power." The SOMO bill of lading indicates that the name of the ship which lifted the oil on October 16, 2001 was the "Eastern Power" and lists "Credit Suisse, Geneva" as the consignee. BNP New York letter to the United Nations (Nov. 14, 2001) (informing the United Nations that its account would be credited in the amount of €28,837,703.59); Credit Suisse First Boston Geneva record, Taurus account, debit advice (Nov. 13, 2001); Arab Bank record, Fawaz Zureikat account, credit advice (Nov. 20, 2001) (translated from Arabic); SOMO bill of lading bbl/3197 (Oct. 16, 2001) (relating to contract M/10/38). BNP operated during the Programme through various affiliates, including BNP New York, the branch responsible for maintaining the escrow account. These other branches and affiliates will hereinafter be referenced by the designation "BNP", followed by the location of the branch or affiliate (e.g. BNP Geneva, BNP Hong Kong, BNP New York).

¹⁵⁴ Fawaz Zureikat interviews (July 28 and Oct. 10, 2005).

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To the State Oil Marketing Company

Dear Mr. Saddam Al-Zibn

I give permission to the Aredio Company to contract for the quantity specified for me (Mariam Campaign) that is three million barrels until the end of February 2001. I also give permission to Mr. Martin Shenker to sign the contract.

Please accept my respects.

[Signature]

Fawaz Abdullah

13/1/2001

Figure: Fawaz Abdullah Zureikat letter to Saddam Z. Hassan (Jan. 13, 2001) (translated from Arabic).

Of the money deposited in the Arab Bank account, approximately \$55,000 was transferred in two deposits into the Mariam Appeal bank account at Lloyds Trustee Savings Bank (“Lloyds TSB”) in London. A review of Mr. Zureikat’s Arab Bank records shows that there were a total of \$973,300 in eight cash withdrawals from the Arab Bank account between October 2001 and January 2002; and a further \$101,000 was withdrawn in cash between June and July 2003. In addition, bank records show that from August 2000 through December 2002, Mr. Zureikat wire transferred funds from other accounts totaling approximately £400,000 into the Mariam Appeal bank account at Lloyds TSB in London.¹⁵⁶

¹⁵⁵ Fawaz Zureikat letter to Saddam Z. Hassan (Jan. 13, 2001) (translated from Arabic). Deposits to the Mariam Appeal’s account were made variously in the name of “Fawaz Zureikat” or “Fawaz Abdallah” [sic]. Lloyds TSB record, bank statements (undated) (transaction dates Aug. 4, 2000; Mar. 13 and July 11, 2001) and bank statements (June 13, July 25, Aug. 8, Sept. 5, and Dec. 12, 2002).

¹⁵⁶ Arab Bank record, Fawaz Zureikat account, credit advices (Oct. 18 and Nov. 20, 2001) and debit advices (Oct. 28-29, Nov. 11, 21, and 26, and Dec. 4 and 27, 2001; Jan. 7, 2002; June 30 and July 10, 2003) (translated from Arabic); Lloyds TSB record, Mariam Appeal account, bank statements (undated) (transaction dates Aug. 4, 2000; Mar. 13 and July 11, 2001), bank statements (Nov. 1 and 29, 2001; June 13, July 25, Aug. 8, Sept. 5, and Dec. 12, 2002); Arab Bank record, Fawaz Zureikat account, SWIFT messages (Nov. 24 and 26, 2001) (translated from Arabic); Fawaz Zureikat interview (July 28, 2005). On November 24, 2001, Mr. Zureikat transferred \$30,000 to the Mariam Appeal from the same Arab Bank

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Mr. Zureikat claimed he made donations to many other anti-sanctions campaigns—including a donation to one campaign of approximately £200,000. When asked to which other campaign he contributed funds, Mr. Zureikat replied: “That is none of your business.”¹⁵⁷

Mr. Galloway has acknowledged that Mr. Zureikat donated money to the Mariam Appeal, although he has offered varying estimates of the total amount of Mr. Zureikat’s donations. In April 2003, however, Mr. Galloway stated categorically that the Mariam Appeal had “received no money from Iraq.” More recently, when interviewed by Committee investigators, Mr. Galloway stated that he never asked Mr. Zureikat about the source of the money the latter donated to the Mariam Appeal.¹⁵⁸

5. Payments to Amineh Naji Daoud Abu Zayyad (Mr. Galloway’s Wife)

Burhan Al-Chalabi, an Iraqi businessman based in the United Kingdom, received an oil allocation in Phase VII. This oil allocation was granted to Mr. Al-Chalabi and designated as a United Kingdom allocation. Mr. Al-Chalabi nominated Fortum to purchase his allocations. Mr. Al-Chalabi told an Iraqi official that his allocation was to support “Galloway’s campaign.”¹⁵⁹

In April 2000, a donation of £6,750 was made by Fortum (in the name of Neste) to the Mariam Appeal. This was in response to a direct request from the Mariam Appeal for funding for medical

account into which the \$698,640.14 from Taurus had been paid; on November 26, a further \$25,000 was transferred. Arab Bank record, Fawaz Zureikat account, SWIFT messages (Nov. 24 and Nov. 26, 2001) (translated from Arabic).

¹⁵⁷ Fawaz Zureikat interview (July 12, 2005).

¹⁵⁸ George Galloway interview (May 16, 2005) (estimating that Mr. Zureikat provided £375,000 to the Mariam Appeal and saying he never asked Mr. Zureikat about the source of the funds); George Galloway letter to the United Kingdom Attorney-General (Apr. 24, 2003). In an interview for the British Broadcasting Corporation (hereinafter “BBC”), referring to Mr. Zureikat’s donations, Mr. Galloway stated: “I would have said it was of the order of about £200,000 over four years, a ballpark figure.” *BBC Newsnight*, George Galloway interview (Apr. 23, 2003); George Galloway e-mail to the Committee (Oct. 17, 2005).

¹⁵⁹ Committee oil beneficiary table, contract no. M/07/83; Iraq official interviews; SOMO oil allocation tables for Phase VII (Dec. 17, 1999) (indicating an allocation of four million barrels to “Burhan al-Chalabi”). In 1999, Neste Oil merged into Fortum. Neste Oil previously had attempted unsuccessfully to obtain oil allocations. SOMO fax to Neste Oil (Dec. 21, 1996); SOMO record, fax to Neste (Aug. 23, 1997); Neste Oil record, Neste Oil letter to SOMO (Mar. 17, 1998); Neste Oil record, Neste Oil letter to Zuhair Ibrahim, Iraqi Interests Section, London (Sept. 18, 1998); Neste Oil record, Neste Oil letter to the Minister of Oil (Sept. 18, 1998); Neste Oil record, Neste Oil letter to Mudhafar A. Amin, Iraqi Interests Section, London (Aug. 12, 1999); Neste Oil record, Neste Oil letter to Minister of Oil (Aug. 12, 1999). An Iraqi official familiar with allocations granted by Mr. Aziz has stated he was unaware of allocations being requested or granted for the benefit of Mr. Galloway’s campaign prior to Phase VIII. Iraq official interview.

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supplies. Fortum states there was no connection between its contract under the Programme and its donation to the Mariam Appeal.¹⁶⁰

Between January and June 2000, Mr. Al-Chalabi (through his company, Delta Services) received commission payments from Fortum totaling \$472,228 in relation to contract M/07/83. Soon after each deposit, a series of payments totaling over \$120,000 were transferred from the Delta Services bank account to the bank account of Amineh Naji Daoud Abu Zayyad, Mr. Galloway's wife. Ms. Abu Zayyad was the medical and scientific officer for the Mariam Appeal and one of the authorized signatories on one of the Appeal's bank accounts.¹⁶¹

In June 2000, a further portion of Mr. Al-Chalabi's commission in the amount of \$70,000 was transferred to Mr. Zureikat. Mr. Zureikat does not recall receiving \$70,000 and denied having any business links to Mr. Al-Chalabi. Mr. Al-Chalabi did not respond to Committee requests for an interview. In addition, \$15,000 was transferred from the Delta Services account to a bank account in Jordan in the name of Mudhafar Al-Amin. A transfer of \$135,481 was also made to an account held in the name of "Mudhafar A. Amin" listed in the account documents as "ambassador of Iraq." Mudhafar A. Amin was the name of the Iraqi chargé d'affaires in London at the time.¹⁶²

Mr. Galloway's response to the Committee's findings, in which he reiterates his previous denials, is annexed to the report. He states, "I had nothing to do with any oil deals done by Mr. Fawaz

¹⁶⁰ Neste Oil letter to the Committee (June 30, 2005); Rod Gavshon interview (Aug. 1, 2005); National Bank of Abu Dhabi record, Mariam Appeal account, credit advice (Apr. 19, 2000) and bank statement (Apr. 29, 2003); Mariam Appeal record, Stuart Halford letter to National Bank of Abu Dhabi (Apr. 12, 2000).

¹⁶¹ Lloyds TSB record, Delta Services account, credit advices (Jan. 21, Mar. 20, May 15, and June 29, 2000), bank statements (Jan. 31, Mar. 31, May 31, and June 30, 2000), debit advices (Jan. 24, Mar. 22, and May 16, 2000); National Bank of Abu Dhabi record, Mariam Appeal account, Mandate for Incorporated Associations (Aug. 18, 1999); Charity Commission for England and Wales record, Davenport Lyons letter to the Charity Commission for England and Wales (Apr. 13, 2004). Mr. Al-Chalabi was the beneficial owner of the Delta Services account. Lloyds TSB record, Delta Services account, bank account opening document (Apr. 15, 1998). \$82,738 was to be paid to "the AHLI Foundation." Bank records show this portion of the money actually was withdrawn in cash. Lloyds TSB record, Rawlinson & Hunter letter to Lloyds Bank Geneva (June 15, 2000) (requesting wire transfers from the Delta Services account); Lloyds TSB record, Delta Services account, bank statement (May 31, 2000).

¹⁶² Lloyds TSB record, Delta Services account, credit advice (June 29, 2000), debit advices (Jan. 24, Mar. 22, May 16, and June 30, 2000), and bank statement (June 30, 2000); Fawaz Zureikat interview (Oct. 10, 2005); Neste Oil record, Neste Oil letter to Dr. Mudhafar A. Amin (Aug. 12, 1999); Banque Nagelmackers record, Mudhafar A. Amin account, bank opening documents (Aug. 27, 1998) and SWIFT messages (Jan. 24, Mar. 23, and May 16, 2000). \$34,692 was to be paid to "the AHLI Foundation," but actually was withdrawn in cash. Lloyds TSB record, Rawlinson & Hunter letter to Lloyds Bank, Geneva (June 15, 2000) (requesting wire transfers from the Delta Services account); Lloyds TSB record, Delta Services account, bank statement (June 30, 2000).

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Zureikat or anyone else.” He also stated that his wife denied that she had ever “received \$120,000 from Dr. Burhan Chelabi [*sic*] or anyone else.”¹⁶³

B. ROBERTO FORMIGONI/MARCO MAZARINO DE PETRO

Iraqi officials and Ministry of Oil records show that the Government of Iraq granted a total of over 27 million barrels of oil over 11 phases in the name of Roberto Formigoni, the President of the Lombardy Region in Italy. Over 24.1 million barrels of this oil were lifted. These oil allocations, however, were handled not by Mr. Formigoni, but by Marco Mazarino de Petro, a friend of Mr. Formigoni’s for 30 years, who, at the time, was serving as a paid consultant in the office of the President of the Lombardy Region. Through an arrangement with a local company, Costieri Genovesi Petroliferi (“CO.GE.P.”), Mr. de Petro received almost \$800,000 in revenues from the sale of this oil, through a series of accounts held in the name of “Candonly Limited,” the name given to three shell companies he controlled.¹⁶⁴

Mr. de Petro stated that he contacted the office of Mr. Aziz to pursue oil purchases under the Programme. Mr. de Petro recalled that Mr. Formigoni mentioned CO.GE.P. to Iraqi officials during the officials’ visit to Italy in 1998, but asserted that he did not give any money from this activity to Mr. Formigoni. The Committee’s review of available information does not reveal that Mr. Formigoni received proceeds from the sale of this oil. Despite several attempts, however, the Committee was unable to obtain the cooperation of Mr. Formigoni or CO.GE.P. Mr. Formigoni has denied receiving oil allocations.

1. Background

Mr. Formigoni has served as the President of the Lombardy Region since 1995 and previously served as Undersecretary to the Italian Ministry of Environment. He became friendly with Mr. Aziz in 1990, when he traveled to Baghdad in an effort to obtain the release of Italian hostages. He maintained a relationship with Mr. Aziz and Iraqi officials throughout his Presidency—traveling to Baghdad and meeting with visiting Iraqi officials several times during the Programme, and attending the Baghdad Conference with Mr. Aziz in 1999. Mr. Formigoni was a supporter of Iraq long before the beginning of the Programme, and he openly was against the embargo.¹⁶⁵

¹⁶³ George Galloway e-mail to the Committee (Oct. 17, 2005). Mr. Galloway was interviewed by the Committee in May 2005. He refused a second interview stating he “had nothing more to say” to the Committee. Although Mr. Galloway stated he would consider answering written questions, it is not the Committee’s practice to conduct interviews in this manner. George Galloway e-mail to the Committee (Aug. 23, 2005).

¹⁶⁴ For the purposes of this Report, “Candonly Limited” refers to three Candonly entities: (1) Candonly Dublin; (2) Candonly Ltd. London; and (3) Candonly BV Amsterdam.

¹⁶⁵ Roberto Formigoni, “Biografia,” <http://www.formigoni.it/biografia.htm>; The International Who’s Who, “Roberto Formigoni,” <http://www.worldwhoswho.com/views/entry.html?id=for-0424&ssid+938641625>

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During much of the Programme, Mr. de Petro, a former parliamentarian and mayor, worked simultaneously as a consultant to the office of the President of the Lombardy Region and as a consultant to Italian companies seeking to do business in Iraq. Mr. de Petro stated that he had been working in the office of the President of the Lombardy Region since August 1998. In addition to their working relationship, Mr. Formigoni and Mr. de Petro are close friends; they have vacationed together for many years and have shared ownership of a boat since at least 2002.¹⁶⁶

Mr. Formigoni assisted Mr. de Petro in obtaining business opportunities for his clients under the Programme. After the signing of the Iraq-UN MOU, but before the Programme started, Mr. Formigoni wrote a letter to Mr. Aziz specifically recommending Mr. de Petro as a representative of Italian companies that wanted to resume business in Iraq:

[Mr. de Petro] represents many important Italian Companies that work in many sectors, food and drug included, and that want to recommence the trading collaboration with your nation immediately.

It would be very important for we all if you could introduce Mr. De Petro in the Government offices that supervise food and drug supply, but other sectors too, like infrastructures and technologies.¹⁶⁷

&n=1; Tariq Aziz interview (Mar. 1, 2005); Confidential witness interview; Marco Mazarino de Petro interviews (Sept. 28 and Oct. 12, 2005) (recalling attending a meeting with Mr. Formigoni and Mr. Rashid at an airport in 1998); “Italy, Iraq Closer to Dialogue,” *Il Sole 24 Ore*, Nov. 19, 2000 (translated from Italian) (noting that Mr. Formigoni had traveled to Iraq for the sixth time in ten years); Warren Strobel, “Iraq Agrees to Hold Talks with U.S.; Bush Rules Out Concessions,” *Washington Times*, Dec. 6, 1990; “Iraq’s Aziz to Meet Milan Region President 13 Feb,” *BBC Monitoring International Reports*, Feb. 9, 2003 (quoting Mr. Formigoni stating, “I have known Aziz for 12 years”); “Italian Paper Sees Iraqi Deputy Prime Minister’s Visit to Rome as ‘Hit,’” *La Stampa*, Feb. 14, 2003, p. 3 (quoting Mr. Formigoni as saying “I am very happy to meet my old friend [Tariq Aziz]” during Mr. Aziz’s trip to Rome); Roberto Formigoni letter to Tariq Aziz (Oct. 24, 1996) (“I would like to reaffirm by this letter my solidarity towards the Irakian [*sic*] people, in consideration of the recent events too that have caused new pains to your nation. I have showed my solidarity formally either to my Government or to the public opinion by declarations and interviews.”).

¹⁶⁶ Marco Mazarino de Petro interview (Sept. 28, 2005) (stating that, from 1976 to 1979, he was a member of the Italian Parliament; from 1983 to 1989, he was the mayor of Chiavari, a city near Genoa); Marco Mazarino de Petro record, Director General Nicolamaria Sanese, Personnel list for the office of the President, Regione Lombardia (undated) (translated from Italian) (citing a 1998 budget), and Elenco Componenti Segregetaria del Presidente (undated) (translated from Italian) (listing Mr. de Petro as having been employed in early 1997); Italy Ministry of Infrastructure and Transportation record, Boat registration certificate, no. DIP/280/91 (July 4, 2002) (indicating purchase of a boat on this date to four people, including Roberto Formigoni and Oriana Ruozi, Mr. de Petro’s spouse); Renzo Parodi, “Chiavari, l’ex sindaco ciellino che fece affair con Tarek Aziz,” *Il Secolo XIX*, (Feb. 10, 2005) (translated from Italian) (referring to Oriana Ruozi as Mr. de Petro’s spouse).

¹⁶⁷ Roberto Formigoni letter to Tariq Aziz (Oct. 24, 1996) (written on his personal stationery, stating that “Mr. de Petro represents many important Italian companies that work in many sectors”). On at least one

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Mr. de Petro recalled that he delivered this letter to the office of Mr. Aziz.¹⁶⁸

By his own account, from 1997 through 2003, Mr. de Petro traveled to Iraq approximately once each phase to meet with SOMO officials regarding SOMO's relationship with CO.GE.P., and an additional two to three times with Italian entrepreneurs on official missions for the Region of Lombardy. He explained that he also did work in his capacity as a consultant for the office of the President of the Lombardy Region when he would travel to Baghdad for other clients.¹⁶⁹

2. Oil Allocations and Contracts

According to Iraqi officials and Ministry of Oil records, over 27 million barrels of oil were allocated in the name of Mr. Formigoni in Phases II through XIII during the Programme. Mr. Aziz confirmed that Mr. Formigoni received oil allocations, noting that Lombardy had a number of oil refineries. In SOMO allocation tables, Mr. Formigoni's name appears under "special requests" for Italy. According to one Iraqi official, the allocations made in Mr. Formigoni's name were negotiated and handled by Mr. de Petro and individuals associated with CO.GE.P. Mr. Formigoni, on the other hand, has denied receiving oil allocations.¹⁷⁰

other occasion Mr. Formigoni provided a reference to Mr. de Petro and a company Mr. de Petro represented. Roberto Formigoni letter to Tariq Aziz (Sept. 30, 1998) (written on his personal stationery, noting that Mr. de Petro represents the Italian company Aliena).

¹⁶⁸ Roberto Formigoni letter to Tariq Aziz (Oct. 24, 1996) (stating to Tariq Aziz "you already know [Mr. de Petro] and he is the bearer of this letter"); Marco Mazarino de Petro interview (Sept. 28, 2005).

¹⁶⁹ Marco Mazarino de Petro interview (Sept. 28, 2005); Candonly Limited and CO.GE.P. contract (Mar. 3, 1998). From his first trip in 1995 until the first oil contract was signed, Mr. de Petro traveled at least seven times to Baghdad. He traveled to Iraq in June 1995 (by invitation of the Iraqi Ministry of Transport); May 1996 (by invitation of the Iraqi Ministry of Transport); December 1996, March 1997, May 1997, and January 1998 (by invitation of the Iraqi Ministry of Oil); and May 1998 (by invitation of the Iraqi Ministry of Oil). In addition, Mr. de Petro traveled to Jordan on five occasions during this period. Marco Mazarino de Petro record, Marco Mazarino de Petro passport.

¹⁷⁰ Committee oil beneficiary table, Roberto Formigoni. SOMO letters to Amer Rashid (Jan. 19, 1998) (approving contract M/03/32 for 1.8 million barrels of oil for CO.GE.P.), (June 13, 1998) (approving contract M/04/32 for 4 million barrels of oil for CO.GE.P.), (Dec. 19, 1998) (approving contract M/05/34 for 3 million barrels of oil for CO.GE.P.), (June 1, 1999) (approving contract M/06/32 for 4 million barrels of oil for CO.GE.P.), (Dec. 20, 1999) (approving contract M/07/34 for 2 million barrels of oil for CO.GE.P.), (Oct. 23, 2001) (approving contract M/10/98 for 2 million barrels of oil for CO.GE.P.), (May 23, 2002) (approving contract M/11/126 for 1.5 million barrels of oil for CO.GE.P. "(for the benefit of Mr. Formigoni)"), (June 1, 2002) (approving contract M/12/04 for 1.5 million barrels of oil for CO.GE.P. "(for the benefit of Mr. Formigoni)"), (Dec. 10, 2002) (approving contract M/13/12 for 1.5 million barrels of oil for CO.GE.P. "Name of holder of allocation: Formigoni") (each translated from Arabic) (hereinafter "Approval letters for CO.GE.P. contracts"); Financial Division of SOMO letter to Crude Oil Two Department (Feb. 28, 2001) (translated from Arabic) (detailing contract M/09/65 for 1 million barrels of oil for CO.GE.P.); SOMO oil allocation tables for the first 90 days of Phase II (June 19, 1997) (indicating an allocation of 10,000 barrels per day (equivalent to 1.8 million barrels for a phase) for "Costieri" from Italy),

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Ministry of Oil officials and records confirm that Mr. de Petro and CO.GE.P. officials served as the representatives for Mr. Formigoni's allocations and that over 24 million barrels of oil were lifted under CO.GE.P.'s contracts. A SOMO official stated that one day Mr. Rashid came back from a trip to Italy and announced the name of "Formigoni" as a new recipient of allocations. During a trip to Italy in April 1997, Mr. Rashid personally requested to meet with Mr. Formigoni, saying: "I ask permission to meet a friend of my Minister [Aziz] to give him regards." At the meeting, Mr. Formigoni told Mr. Rashid that he was dedicated in his efforts to lobby the Italian government to raise support to lift the embargo and asked Mr. Rashid to give his regards to Mr. Aziz.¹⁷¹

Following that meeting in May 1997, Mr. de Petro and a CO.GE.P. representative traveled to Baghdad to meet with SOMO officials. The next month, "the Italian company Costieri, mentioned in the special requests" was included in the oil allocations for Phase II for 10,000 barrels per day (the equivalent of 1.8 million barrels per phase). Phase II passed without CO.GE.P. lifting any oil, and, on December 22, 1997, Mr. de Petro wrote a letter to CO.GE.P. suggesting that it "renew" its efforts to obtain business with SOMO. In January 1998, Mr. Formigoni's name was placed on the SOMO allocation list for Phase III, and, on January 18, 1998, Mr. de Petro signed a contract between CO.GE.P. and SOMO for the 1.8 million barrels in that allocation. In March, Mr. de Petro executed an agreement with CO.GE.P., whereby he would

Phase III (Jan. 10, 1998) (indicating an allocation of 10,000 barrels per day (equivalent to 1.8 million barrels for a phase) for "CO.GE.P."), Phase IV (June 11, 1998) (indicating an allocation of 4 million barrels for "CO.GE.P. (Robert [sic] Formigoni)"), Phase V (Nov. 28, 1998) (indicating an allocation of 4 million barrels of oil for "CO.GE.P. (Formigoni)"), Phase VI (May 27, 1999) (indicating an allocation of 4 million barrels of oil for "Mr. Robert [sic] Formigoni"), Phase VII (Dec. 17, 1999) (indicating an allocation of 2 million barrels of oil for "Mr. Robert [sic] Formigoni"), Phase VIII (June 14, 2000) (indicating an allocation of 2 million barrels of oil for "Mr. Robert [sic] Formigoni"), Phase X (Aug. 4, 2001) (indicating an allocation of 2 million barrels of oil for "Formigoni"), Phase XI (Dec. 1, 2001) (indicating an allocation of 1.5 million barrels of oil for "Formigoni/CO.GE.P."), Phase XII (May 19, 2002) (indicating allocations of 1.5 million barrels of oil for "Formigoni/CO.GE.P."), Phase XIII (Nov. 17, 2002) (indicating allocations of 1.5 million barrels of oil for "Formigoni/CO.GE.P.") (each translated from Arabic) (hereinafter "SOMO oil allocation tables for Formigoni"); Iraq officials interviews (one official stating that a woman named "Maria" came to SOMO on Mr. Formigoni's behalf and designated CO.GE.P. as the company to lift this oil) (another official indicating that the allocations to CO.GE.P. were made only because Formigoni was a prominent figure who spoke out in support of Iraq); Tariq Aziz interview (Mar. 1, 2005) (stating that Mr. Formigoni had received oil allocations and that Lombardy had a number of oil refineries); Robert Formigoni letter to the Committee (Oct. 21, 2005).

¹⁷¹ Committee oil beneficiary table, Roberto Formigoni. SOMO oil allocation tables for Formigoni (translated from Arabic); Approval letters for CO.GE.P. contracts; SOMO sales contracts, nos. M/03/32 (Jan. 18, 1998), M/04/32 (June 13, 1998), M/05/34 (Dec. 17, 1998), M/06/32 (May 31, 1999), M/07/34 (Dec. 15, 1999), M/08/51 (June 26, 2000), M/09/65 (Feb. 21, 2001), M/10/98 (Oct. 18, 2001), M/11/126 (May 22, 2002), M/12/04 (May 30, 2002), M/13/12 (Dec. 8, 2002) (contracting with CO.GE.P.) (hereinafter "CO.GE.P. sales contracts"); Iraq official interview; Confidential witness interview.

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receive 45 percent of the net profits from these transactions, which later was amended to \$0.032 per barrel for the remainder of the Programme.¹⁷²

Mr. de Petro stated that he was first approached by CO.GE.P. around 1997 for assistance in conducting business under the Programme. But Mr. de Petro's early letters to CO.GE.P. indicate that it was he who sought CO.GE.P.'s assistance; indeed, Mr. de Petro apparently had solicited other individuals in the oil industry before approaching CO.GE.P.¹⁷³

When interviewed, Mr. de Petro explained that, although he had contacts with various Iraqi ministries from his previous work, he did not have any contacts at SOMO, so he called the secretary to Mr. Aziz, who agreed to help him. As a result, Mr. de Petro was able to arrange a meeting with SOMO and to obtain a contract for CO.GE.P. Mr. de Petro asked Mr. Aziz's secretary to put in a good word for him, but Mr. de Petro insisted that he never mentioned Mr. Formigoni's name either at Mr. Aziz's office or at SOMO, "even though they knew that I know Formigoni." However, other participants who attended the meetings at SOMO with Mr. de Petro and CO.GE.P. officials recall that Mr. Formigoni's name was mentioned as a beneficiary on more than one occasion.¹⁷⁴

Mr. de Petro was asked if Mr. Formigoni knew of Mr. de Petro's relationship and work with CO.GE.P. Mr. de Petro initially stated that Lombardy Region officials were not aware of his

¹⁷² Marco Mazarino de Petro record, Marco Mazarino de Petro passport (showing that Mr. de Petro traveled to Iraq from May 23 to 27, 1997); Candonly Limited letter to CO.GE.P. (May 5, 1997) (translated from Italian) (noting Mr. de Petro's availability to travel to Baghdad on May 22, 1997); Candonly Limited letter to CO.GE.P. (Dec. 22, 1997) (translated from Italian) (referring to a May 25, 1997 meeting with SOMO in which SOMO provided "a verbal response," and suggesting that CO.GE.P. "renew" its approach); Marco Mazarino de Petro interview (Sept. 28, 2005) (confirming that he wrote both letters and noting that he controlled all of the Candonly entities paid by CO.GE.P. (Candonly Dublin, Candonly Ltd. London, and Candonly BV Amsterdam)); Ministry of Oil record, Taha Yassin Ramadan letter to Amer Rashid (June 19, 2005) (translated from Arabic); SOMO oil allocation table for the first 90 days of Phase II (June 19, 1997) (translated from Arabic); Committee oil surcharge, company, and beneficiary tables, contract no. No contracting company (no contract was executed in this phase), M/03/32 (showing no lifts for Phase II); SOMO oil allocation list for Phase III (Jan. 12, 1998); CO.GE.P. record, Candonly Limited and CO.GE.P. "Associazione in Partecipazione" contract (Mar. 3, 1998); signed by Mr. de Petro and Natalio Catanese); Saverio Catanese letter to CO.GE.P. (Feb. 23, 1999) (defining the relationship between CO.GE.P., Candonly, and Mr. de Petro); Saverio Catanese letter to CO.GE.P. (Feb. 24, 1999) (modifying the agreement with Candonly to \$0.032 per barrel and stating that communication with Mr. de Petro will be handled by Saverio Catanese).

¹⁷³ Candonly Limited letter to CO.GE.P. (May 5, 1997) (translated from Italian); Candonly Limited letter to CO.GE.P. (Dec. 22, 1997) (translated from Italian) (suggesting that CO.GE.P. "renew" its approach); Marco de Petro interviews (Sept. 28 and Oct. 12, 2005); Confidential witness interview (one individual familiar with the oil market had been informed by at least one oil trader that Mr. de Petro had approached that trader before he had approached CO.GE.P.).

¹⁷⁴ Marco Mazarino de Petro interview (Sept. 28, 2005); Iraq official statement; Confidential witness interview.

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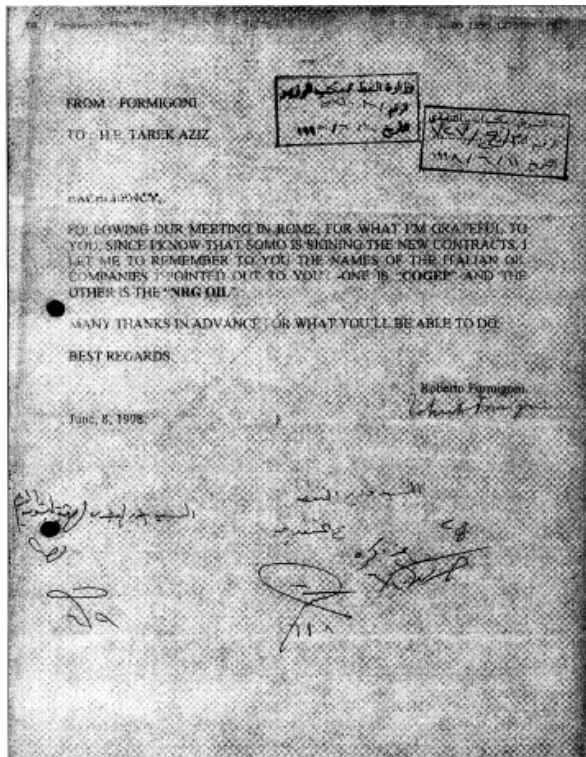
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work, but he acknowledged that “in general, I must have told the President about my relation to CO.GE.P., it certainly wasn’t frequent and wasn’t a briefing.”¹⁷⁵

Mr. de Petro recalled that, on at least one occasion, Mr. Formigoni had communicated to Mr. Aziz to “keep CO.GE.P. in mind” and probably had done so in writing. He identified a June 8, 1998 letter written to Mr. Aziz in the name of Mr. Formigoni, which asked Mr. Aziz to remember the names CO.GE.P. and NRG Oil:

[Reproduction of document in English with translation of Arabic notes]



Da: Panasonic FAX/TAM N. Tel. GIU. 08 1998 12:57PM P01

[Translation from Arabic-stamp:
Ministry of Oil/Office of the Minister
Number/5708
Date: 10/6/1998]

[Translation from Arabic-stamp:
SOMO/Office of the Executive Director
Number: rm/kh2/727
Date: 11/6/1998]

FROM: FORMIGONI

To: H.E. TAREK AZIZ

EXCELLENCY

FOLLOWING OUR MEETING IN ROME, FOR WHAT I'M GRATEFUL TO YOU, SINCE I KNOW THAT SOMO IS SIGNING THE NEW CONTRACTS, I LET ME TO REMEMBER TO YOU THE NAMES OF THE ITALIAN OIL COMPANIES I POINTED OUT TO YOU: ONE IS "COGEP" AND THE OTHER IS THE "NRG OIL".

MANY THANKS IN ADVANCE FOR WHAT YOU'LL BE ABLE TO DO.

BEST REGARDS.

Roberto Formigoni
Signed

June, 8, 1998.

[Translation from Arabic-handwriting
To Minister of Oil
With Regards,
08/06 signed]

[Translation from Arabic-handwriting
To Mr. Executive Director of SOMO
09/06 signed]

[Translation from Arabic-handwriting
Kh2 memorandum
10/06 signed]

Figure: Letter to Tariq Aziz (June 8, 1998).

Mr. de Petro acknowledged that this letter was sent from his fax machine at his apartment. He initially stated that at the beginning of the phase (the letter is dated at about the beginning of Phase IV) he had asked Mr. Formigoni to remind SOMO about CO.GE.P. But in the same

¹⁷⁵ Marco Mazarino de Petro interview (Sept. 28, 2005).

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interview, he then stated that the signature was not Mr. Formigoni's, noting "you know people do sign on behalf of other people." Moments later, Mr. de Petro again said, "It could be that I asked Mr. Formigoni to send a fax to remind Mr. Aziz." In his second interview, Mr. de Petro stated that he could be the author of the letter, and, after initial hesitation, stated that he may have signed the letter. He then refused to answer further questions about the signature on the letter.¹⁷⁶

Mr. de Petro told the Committee that he was not involved at all in the operations of CO.GE.P. and only initiated the first contact with SOMO. After that, Mr. de Petro would travel to Iraq and visit SOMO "more or less" every phase to remind them of the CO.GE.P. allocations. After each lifting of oil, CO.GE.P. would notify Mr. de Petro, who then would make an invoice based on his or CO.GE.P.'s calculation in the name of Candonly Limited and submit the invoice to CO.GE.P. Mr. de Petro confirmed that he was the only person working for Candonly Limited, that there were no other employees, and that the fiduciary companies that ran the accounts of the companies received their instructions only from Mr. de Petro.¹⁷⁷

In his role as a consultant, Mr. de Petro received commissions on every lift of oil conducted by CO.GE.P. Over the course of his arrangement with GO.GE.P., Mr. de Petro earned a total of almost \$800,000 in addition to travel expenses. Although Mr. de Petro could not remember the details of payments he received from CO.GE.P., he generally confirmed the accuracy of the CO.GE.P. documents presented to him by the Committee.¹⁷⁸

¹⁷⁶ Roberto Formigoni letter to Tariq Aziz (June 8, 1998); Marco Mazarino de Petro interviews (Sept. 28 and Oct. 12, 2005). An Iraqi official also recalled a short visit by Mr. Formigoni to Iraq during which he met Mr. Aziz and told Mr. Aziz that Italian companies would appreciate business from Iraq. The same official remembered that Mr. Formigoni "actively promoted" a particular civil aviation company on a tender, but that a contract was never approved. Iraq official interview; Roberto Formigoni letters to Tariq Aziz (Oct. 24, 1996) (re-introducing Mr. de Petro as representing companies in different sectors and requesting assistance to Mr. de Petro), (Sept. 30, 1998) (intervening on behalf of Aliena in relation to a bidding process).

¹⁷⁷ Marco Mazarino de Petro interviews (Sept. 28 and Oct. 12, 2005).

¹⁷⁸ CO.GE.P. record, Candonly Limited invoice (June 2, 1998) (requesting payment of \$27,345); UEB record, CO.GE.P. account, debit advice (June 16, 1998) (indicating payment of \$27,345 to Candonly Limited); CO.GE.P. record, Candonly Limited invoices (May 14, 1998) (requesting payment of \$12,110), (Dec. 14, 1998) (requesting payment of \$70,000); UEB record, CO.GE.P. account, debit advice (Jan. 17, 2001) (indicating payment of \$70,000 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Sept. 7, 1998) (requesting payment of \$53,752); Credito Bergamasco record, CO.GE.P. account, debit advice (Sept. 11, 1998) (indicating payment of \$53,752 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (June 21, 1999) (requesting payment of \$127,618); UEB record, CO.GE.P. account, debit advice (June 24, 1999) (indicating payment of \$127,618 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Sept. 6, 1999) (requesting payment of \$63,595); UEB record, CO.GE.P. account, debit advice (Sept. 22, 1999) (indicating payment of \$63,595 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Oct. 25, 1999) (requesting payment of \$32,000); UEB record, CO.GE.P. account, debit advice (Oct. 28, 1999) (indicating payment of \$32,000 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Nov. 23, 1999) (requesting payment of \$31,744); UEB record, CO.GE.P. account, debit advice (Nov. 26, 1999) (indicating payment of \$31,744 to Candonly Limited); CO.GE.P. record, Candonly

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Mr. de Petro was questioned about whether he provided any of the proceeds he received to any government official or to Mr. Formigoni. Mr. de Petro stated that he made no payment from the proceeds of the oil sales to Mr. Formigoni or anyone in the office of the President.¹⁷⁹

3. Surcharge Payments

According to Ministry of Oil records and bank and financial documents, between December 14, 2000 and May 16, 2002, a total of over \$942,000 in surcharges levied on CO.GE.P. was paid directly by CO.GE.P. and its officers, including Paolo Lucarno and Andrea Catanese, to SOMO bank accounts.¹⁸⁰

CO.GE.P. officers learned of the surcharge requirement through Mr. Lucarno, who was informed by SOMO officials and who then told other CO.GE.P. officials. After some discussion, and with the understanding that CO.GE.P. would not be able to continue contracting with SOMO unless it paid the surcharges, CO.GE.P. officials agreed to do so and initiated payments. As was often

Limited invoice (Jan. 12, 2000) (requesting payment of \$60,450); UEB record, CO.GE.P. account, debit advice (Jan. 17, 2000) (indicating payment of \$60,450 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Mar. 14, 2000) (requesting payment of \$3,352); UEB record, CO.GE.P. account, debit advice (Mar. 17, 2000) (indicating payment of \$3,352 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Dec. 4, 2000) (requesting payment of \$60,000), (Dec. 4, 2000) (requesting payment of \$10,000); UEB record, CO.GE.P. account, debit advice (Jan. 17, 2001) (indicating payment of \$70,000 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Sept. 12, 2000) (requesting payment of \$50,663); UEB record, CO.GE.P. account, debit advice (Oct. 23, 2000) (indicating payment of \$59,546 to Candonly Limited for Sept. 12, 2000 invoice and travel expenses); CO.GE.P. record, Candonly Limited invoice (Mar. 14, 2000) (requesting payment of \$3,552); UEB record, CO.GE.P. account, debit advice (Mar. 17, 2000) (indicating payment of \$3,552 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Feb. 14, 2002) (requesting payment of \$161,204.52); UEB record, CO.GE.P. account, debit advice (Apr. 18, 2002) (indicating payment of \$161,204.52 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Dec. 23, 2002) (requesting payment of \$15,000); UEB record, CO.GE.P. account, debit advice (Jan. 8, 2003) (indicating payment of \$15,000 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Mar. 27, 2003) (requesting payment of \$17,500); Marco Mazarino de Petro interview (Oct. 12, 2005).

¹⁷⁹ Marco Mazarino de Petro interview (Sept. 28, 2005).

¹⁸⁰ Committee oil surcharge table, contract no. M/08/51; UBS Lugano record, Starna account, payment order (Dec. 11, 2000) (order signed by Igor Patscheider for the transfer of \$60,000 to a SOMO account at Fransabank) and debit advices (Dec. 12, 2000) (two payments of \$30,000 each to be transferred to Fransabank); Fransabank record, SOMO account, SWIFT message (Dec. 14, 2000) (translated from French and Arabic) (showing payment of \$30,000 from UBS Lugano to a SOMO account at Fransabank); Jordan National Bank record, SOMO account, credit advices (May 31, 2001) (showing payment of \$250,580 with reference “Catanesse” from UBS Lugano), (Apr. 4, 2002) (showing payment of \$159,985 with “by order of Andrea Catanese”), (Apr. 8, 2002) (showing payment of \$319,287.45 with reference to “Andrea Catanese & Paolo Lucarno”), (May 16, 2002) (showing payment of \$152,985 “by order of Andrea Catanese”) (each translated from Arabic).

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required by SOMO of contract holders, CO.GE.P. officers committed to making some of these surcharge payments by signing an undertaking:¹⁸¹


DATE: 15 10/1 2002

TO THE EXECUTIVE DIRECTOR GENERAL
STATE OIL MARKETING (SOMO)
BAGHDAD - IRAQ

SUBJ: UNDERTAKING

COGEP UNDERTAKES TO PAY TO SOMO'S DESIGNATED BANK
AN AMOUNT OF U.S. DLR. 0.30/BBL (FOR U.S. DESTINATION)
AND OR U.S. DLR. 0.25/BBL (FOR EUROPE AND THE FAR EAST
DESTINATION) FOR THE QUANTITY OF 2,000,000 BBLs CRUDE
OIL TO BE LIFTED UNDER CONTRACT
M/11/126 DATED 22 15/2002 WITHIN 30 DAYS OF BILL OF
LADING DATE .

PAOLO LUCARNO
MARKETING MANAGER



ANDREA CATANESE
MANAGING DIRECTOR



Figure: Paolo Lucarno and Andrea Catanese letter to Executive Director General of SOMO (Apr. 15, 2002).

The first payment occurred on December 13, 2000, in two transfers of \$30,000 each, from an account in the name of “Starna” at UBS Lugano to a SOMO bank account at Fransabank. The Starna account was opened by Andrea Catanese, managing director of CO.GE.P. The second surcharge payment of \$250,580 also originated from a UBS Lugano account and was transferred to a SOMO account at Jordan National Bank Amman. The remittance information on the SWIFT and a note on the credit advice reads “RIF: CATANESE.”¹⁸²

¹⁸¹ Confidential witness interview; Paolo Lucarno and Andrea Catanese letter to SOMO (Apr. 15, 2002).

¹⁸² Fransabank record, SOMO account, SWIFT message (Dec. 14, 2000) (translated from French and Arabic) (showing payment of \$30,000 from UBS Lugano); UBS Lugano record, Starna account, payment order (Dec. 11, 2000) (order signed by Igor Patscheider for \$60,000 to be transferred to a SOMO account at Fransabank) and debit advices (Dec. 12, 2000) (two payments of \$30,000 each to be transferred to a SOMO account at Fransabank); Committee oil surcharge table, contract no. M/08/51; UBS Lugano record, Starna account, account opening statement (Feb. 2, 1998) (indicating that account was opened by Andrea Catanese and that Igor Patscheider had power of attorney over the account); Jordan National Bank record, SOMO account, credit advice (May 31, 2001) and SWIFT message (May 29, 2001) (each translated from Arabic).

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The remaining surcharge payments were paid from an account at Jordan National Bank controlled by CO.GE.P. officials Andrea Catanese and Paolo Lucarno. A total of \$632,257 was transferred through this account to a SOMO account in the same bank.¹⁸³

Mr. de Petro stated that he had heard about the issue of surcharges, but neither Mr. Aziz, his representatives, nor SOMO ever informed him about the requirement to pay surcharges. He also claimed that CO.GE.P. never raised the issue with him, and he did not know what CO.GE.P. had done in this regard. Bank records, however, show that the first surcharge payment originated from a Candonly account controlled by Mr. de Petro. On December 11, 2000, \$60,000 was transferred from the Candonly account at BSI AG bank to the Starna account. Two days later, the first surcharge payments (\$30,000 each) were made from the Starna account to a SOMO account at Fransabank.¹⁸⁴

When questioned about this transaction, Mr. de Petro explained that, on one occasion around 1999 or 2000, CO.GE.P. needed money in Switzerland for its activities in Albania and in the rice trade. CO.GE.P. asked Mr. de Petro to make the payment through Candonly's account in Switzerland to an account indicated by CO.GE.P. and to issue an invoice to CO.GE.P. Mr. de Petro stated, however, that he did not know the company Starna, and he denied any knowledge that this money was used for payment of surcharges to SOMO.¹⁸⁵

¹⁸³ Jordan National Bank record, Andrea Catanese and Paolo Lucarno account, account opening documents (Mar. 3, 2002) and account activity statements for Mar. 31 to Dec. 31, 2002 (Sept. 11, 2003) (each translated from Arabic); see also Andrea Catanese e-mail to Jordan National Bank (Apr. 4, 2002) (translated from Arabic) (instructing the bank to transfer the sum of the money available in the account to a SOMO account (the balance in the account at the time was \$319,287.45)). These CO.GE.P. officials had agreed to pay to SOMO an amount of \$0.25 or \$0.30 per barrel (depending on the destination of the oil purchased under contract M/11/126) within 30 days of bill of lading dates. Andrea Catanese and Paolo Lucarno letter to SOMO (Apr. 15, 2002); Jordan National Bank record, SOMO account, credit advices (Apr. 4, 2002) (showing payment of \$159,985 "by order of Andrea Catanese"), (Apr. 8, 2002) (showing payment of \$319,287.45 with reference to "Andrea Catanese & Paolo Lucarno"), (May 16, 2002) (showing payment of \$152,985 "by order of Andrea Catanese") (each translated from Arabic).

¹⁸⁴ Marco Mazarino de Petro interview (Sept. 28, 2005); BSI AG record, Candonly account, payment order (Dec. 6, 2000) (order by Candonly Limited to BSI AG for payment of \$60,000 to the account of Starna at UBS Lugano); UBS Lugano record, Starna account, credit advice (Dec. 11, 2000) (receipt of \$60,000 by order of Candonly Limited), payment order (Dec. 11, 2000) (order signed by Igor Patscheider for \$60,000 to be transferred to a Fransabank account), and debit advices (Dec. 12, 2000) (two payments of \$30,000 each to be transferred to Fransabank); Fransabank record, SOMO account, SWIFT message (Dec. 14, 2000) (translated from French and Arabic) (showing receipt of \$30,000 from UBS Lugano); Committee oil surcharge table, contract no. M/08/51.

¹⁸⁵ Marco Mazarino de Petro interview (Oct. 12, 2005) (stating also that, on another occasion, CO.GE.P. asked him to transfer an amount of \$100,000). When first asked about Starna and any payments from him or Candonly to CO.GE.P. or people or companies associated with CO.GE.P., Mr. de Petro responded that he did not know Starna and that no payments were made from Candonly or him to CO.GE.P. However, during his second meeting with the Committee, Mr. de Petro acknowledged that he made a payment, and assumed that CO.GE.P. had asked him for this favor because CO.GE.P. could not move the money around

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C. FATHER JEAN-MARIE BENJAMIN AND ALAIN BIONDA

Alain Bionda, a Swiss attorney, businessman, and oil trader based in Geneva, used his friendship with activist Father Jean-Marie Benjamin to obtain from the Government of Iraq over two million barrels of oil under the Programme. Father Benjamin and Mr. Bionda both denied that Father Benjamin had any interest in the Iraqi oil or proceeds from its sale. After Mr. Bionda sold the rights to the oil, he gave \$140,000 of the oil proceeds to Father Benjamin as a donation. Father Benjamin has stated that he accepted the money as a donation without knowing the source of the funds.

1. Background

From 1991 to 1994, Father Benjamin, an ordained priest, worked as an assistant to the Vatican State Secretary, Cardinal Agostino Casaroli. In 1997, Father Benjamin began campaigning on issues relating to Iraq, including advocating for the lifting of sanctions. In his initial visit to Iraq in 1998, Father Benjamin became friendly with Mr. Aziz, the sole Christian member of Saddam Hussein's cabinet, while producing the documentary "Iraq: The Birth of Time." In 1999, Father Benjamin founded the Benjamin Committee for Iraq. In April 2000, Father Benjamin was a passenger on an unauthorized flight from Rome to Baghdad that purposefully defied the embargo. In 2001, Mr. Aziz reportedly expressed his appreciation for Father Benjamin's "prodigious efforts to establish the principles of justice and right." In February 2003, Father Benjamin helped organize a trip to Italy for Mr. Aziz.¹⁸⁶

Mr. Bionda owns and operates Zyrya Management Services. In 2000, he was representing certain companies in prospective business ventures in Iraq and attempting to break into the Iraqi crude oil market. Mr. Bionda's efforts to obtain an oil allocation by directly approaching SOMO and Mr. Aziz failed. Mr. Bionda then decided to follow advice he had received from an Iraqi national to find someone with links to either the regime or to a country favored by Iraq. That individual

without an invoice. Mr. de Petro could not explain, however, why the invoice was not issued directly by CO.GE.P.'s business partners in Albania. Marco Mazarino de Petro interviews (Sept. 28 and Oct. 12, 2005).

¹⁸⁶ Ezzedine Said, "Father Benjamin, a priest on a mission to save Iraq," *Agence France-Presse*, Sept. 18, 2002; Fondazione Beato Angelico, "Foundation," <http://www.beatoangelico.org/organigrammaGB.htm>; Benjamin for Iraq, "Biography of Jean-Marie Benjamin," http://www.benjaminforiraq.org/Benjamin_biografia_GB.html; "The Priest and the Prisoner," *SBS Current Affairs Transcripts*, Apr. 20, 2005; "French priest says he has Pope's blessing for going to Iraq," *Agence France Presse*, Dec. 2, 2000; "Deputy Premier receives chairman of Benjamin Committee," *BBC Monitoring Middle East – Political*, Apr. 30, 2001; David Rennie, "Tough questions for 270 named in Iraqi documents," *The Daily Telegraph*, Apr. 23, 2004, p. 17; Phil Stewart, "Catholic priest says has legal aid for Tareq Aziz," *Reuters News*, Dec. 12, 2004; "Italian papers sees Iraqi deputy prime minister's visit to Rome as 'hit,'" *BBC Monitoring Europe*, Feb. 16, 2003; "Papal envoy meets northern Iraqi Christians ahead of audience with Saddam," *Agence France-Presse*, Feb. 13, 2003; Richard Owen, "Vatican rolls out red carpet for Christian Aziz – Iraq Crisis," *The Times*, Feb. 13, 2003, p. 17.

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introduced Mr. Bionda to Father Benjamin, and the two developed a friendship. In 2001, Father Benjamin asked Mr. Bionda to deliver a letter from Pope John Paul II to Mr. Aziz.¹⁸⁷

Mr. Bionda admitted that during one of their trips into Iraq in 2001, he persuaded Father Benjamin to “accompany him in soliciting Aziz for an oil allocation.” Father Benjamin also acknowledged that Mr. Bionda had made this request and that he had joined Mr. Bionda in a meeting with Mr. Aziz. However, Father Benjamin stated that he merely told Mr. Aziz that Mr. Bionda was a “good man.” An Iraqi official involved in allocations at the time confirmed that Father Benjamin did not request an oil allocation. Ministry of Oil records show that, following this meeting with Mr. Aziz, an allocation of two million barrels was granted in Father Benjamin’s name and sold by Mr. Bionda. Father Benjamin and Mr. Bionda denied that Mr. Bionda promised money to Father Benjamin in exchange for this allocation of oil. Mr. Bionda stated that Father Benjamin did not want anything to do with the oil.¹⁸⁸

2. The Oil Contract and Surcharge Payment

Mr. Bionda stated that Father Benjamin called him one morning in September 2001 to inform him that the oil allocation had been approved for Zyrya Management Services. To finance, lift, and trade the oil, Mr. Bionda negotiated an arrangement with Ben Pollner and Amr Bibi of the Taurus Group in London. They agreed on a premium of \$0.40 per barrel. Mr. Bionda signed the contract using his own company, Zyrya Management Services. Taurus financed the letter of credit issued in the name of Zyrya Management Services, arranged for the lifting of the oil, and instructed Mr. Bionda to inform SOMO of the name of the vessel that had been chartered. Bank records show that, between December 2001 and March 2002, Taurus made three wire transfers totaling approximately \$811,886 to Mr. Bionda. Taurus is discussed below in Section VI.C.¹⁸⁹

Ministry of Oil records reflect that a surcharge totaling \$616,375 was imposed on the oil lifted through Taurus. This surcharge was paid in two separate transactions. Bank records indicate that the first payment of approximately \$60,000 was transferred from a bank account associated with Taurus to a SOMO bank account. Ministry of Oil records show the wire transfer was applied to the surcharges owed on contract M/10/80. Bank records show that, on January 21, 2002, the \$556,414.80 in remaining surcharges was transferred out of Mr. Bionda’s bank account at the Jordan National Bank. On that same day, records show a \$556,414.80 deposit into a SOMO account at Jordan National Bank, which referenced Alain Bionda as the source of the deposit. Ministry of Oil records show that the money was used to satisfy the surcharge balance on contract

¹⁸⁷ Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005); Jean-Marie Benjamin interview (Jan. 21, 2005).

¹⁸⁸ Tariq Aziz interview (Aug. 16, 2005); Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005); Jean-Marie Benjamin interview (Jan. 21, 2005); SOMO oil allocation table for Phase X (Aug. 4, 2001) (translated from Arabic); see also Alain Bionda written statement (Dec. 15, 2004); Committee oil beneficiary and company table, contract no. M/10/80.

¹⁸⁹ *Ibid.*; Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005); Confidential document.

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M/10/80. When initially interviewed, Mr. Bionda denied having an account in Jordan. In a later interview, however, he admitted having this bank account at Jordan National Bank.¹⁹⁰

When interviewed, Mr. Bionda denied paying or agreeing to pay surcharges. He acknowledged that he was well aware that surcharges were being demanded by the Iraqi regime. Mr. Bionda stated that he hired an Iraqi agent to coordinate his Iraqi oil transactions and had the agent sign a contractual provision disclaiming any involvement in the payment of surcharges. Mr. Bionda did not produce a copy of this agreement. Mr. Bionda remarked: “If the agent did something illegal that was his problem.” He acknowledged, however, that he was aware that companies were hiring agents for the purpose of paying surcharges and requiring them to sign similar disclaimers.¹⁹¹

3. Donation to Father Benjamin

After receiving money from the sale of the oil, Mr. Bionda stated that he felt a moral obligation to donate some of it to Father Benjamin. On December 27, 2001, Mr. Bionda transferred \$140,000 from the oil proceeds to Father Benjamin’s account at UBS Geneva. The same day that the money was deposited, Father Benjamin transferred \$90,000 to his personal account at the Vatican Bank, Istituto per le Opere di Religione, and another \$20,150 and CHF5,000 was withdrawn in cash. In June 2002, Father Benjamin withdrew \$18,025 in banknotes from this account. The remaining money could not be traced.¹⁹²

Mr. Bionda denied that Father Benjamin requested this payment or that they had agreed to share the oil proceeds. Father Benjamin also denied having any agreement with Mr. Bionda about the sale of the oil or any knowledge of the source of this donation. Father Benjamin admitted that he received money from Mr. Bionda, but claimed that the donation was made by an individual, and “not made by an oil company of another trader” to the Beato Angelico Foundation, and that the donation was not made to him.¹⁹³

Father Benjamin provided the Committee with access to his bank records from the Istituto Opere di Religione. The records show that of the \$90,000 deposited in that account, only €28,000 (approximately \$24,734) was transferred directly to the Fondazione Beato Angelico. Over €3,000 was withdrawn in banknotes. Father Benjamin stated that he needed banknotes for his activities in Iraq because the economy was cash driven. Although Father Benjamin stated that he

¹⁹⁰ Jordan National Bank record, Alain Bionda account, bank statement (Jan. 21, 2002); Jordan National Bank record, SOMO account, credit advice (Jan. 22, 2002) and bank statement (Jan. 2002); Committee oil company table, contract no. M/10/80; Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005).

¹⁹¹ Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005).

¹⁹² Ibid.; UBS Geneva record, Jean-Marie Benjamin account, credit advice (Dec. 27, 2001). The credit advice had the reference of “In favour of Rev. Jean-Marie Benjamin.” Ibid.

¹⁹³ Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005); Jean-Marie Benjamin letter to the Committee (June 7, 2005) (translated from French).

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was preparing an accounting of his Iraq-related expenses, the Committee has not received this accounting. Father Benjamin stated that some of the money was used to finance Mr. Aziz's visit to the Vatican in conjunction with an audience with Pope John Paul II in 2003.¹⁹⁴

In January 2002, when he was offered an additional oil allocation to support his "activities and projects in favor of the Iraqi population," Father Benjamin told officials at SOMO and Mr. Aziz, both in person and by letter, that he could not accept any oil allocations. Ministry of Oil records confirm that, although oil allocations totaling 5.5 million barrels were granted to Father Benjamin in Phases XI through XIII, none of the oil was lifted.¹⁹⁵

4. Additional Oil Contracts for Mr. Bionda

Mr. Bionda continued to trade in Iraqi oil through the end of the Programme. In Phases XI and XIII, Mr. Bionda purchased a total of two million barrels that had been allocated in the name of Abdul Qader Bin-Moussa of the National Society for Algerian Zawya. In Phase XI, Mr. Bionda sold the oil to TOTSA Total Oil Trading SA ("Total"). Total financed the oil purchase, arranged for lifting the oil, and paid Mr. Bionda a commission. Ministry of Oil records show that approximately \$250,000 in surcharges was imposed and paid on the contract. The surcharges were paid through two deposits in a SOMO bank account, and each payment referenced "Alain Bionda."¹⁹⁶

Mr. Bionda said that this allocation was obtained by his agent, Mohammad Abdul Kareem Ali. Mr. Bionda did not know who the allocation holder was nor did he pay a premium directly to the allocation holder. Mr. Ali denied paying the surcharge and stated that Mr. Bionda paid it himself. In the interview, Mr. Bionda indicated that he had knowledge of the surcharges on these contracts. He volunteered that a surcharge had not been required on the last allocation he had purchased in 2003, and, for that reason, he had paid his agent a lower commission.¹⁹⁷

¹⁹⁴ Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005); Jean-Marie Benjamin letters to the Committee (Jan. 28, June 7, and Oct. 12, 2005); Jean-Marie Benjamin e-mails to the Committee (Oct. 13 and Oct. 21, 2005).

¹⁹⁵ Jean-Marie Benjamin letter to Tariq Aziz (Jan. 25, 2002); Alain Bionda interviews (Dec. 13-14, 2004); Jean-Marie Benjamin letter to the Committee (Jan. 28, 2005); SOMO oil allocation tables for Phase XI (Dec. 1, 2001), Phase XII (May 19, 2002), and Phase XIII (Nov. 17, 2002) (translated from Arabic).

¹⁹⁶ Committee oil beneficiary table, contract nos. M/11/113, M/13/83; Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005); Committee oil company table, contract no. M/11/13; Jordan National Bank record, SOMO account, credit advices (Mar. 28 and July 8, 2002).

¹⁹⁷ Committee oil beneficiary table, contract nos. M/11/113, M/13/83; Mohammed Abdul Karim Ali interview (June 23, 2005); Alain Bionda interviews (Dec. 13-14, 2004); Iraq official interview.

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D. SANDI MAJALI

One example in the Programme of exploitation of the symbiotic relationship between a country's closely aligned political and business figures and the Government of Iraq, is that of Montega Trading (Pty) Limited ("Montega Trading") and Imvume Management (Pty) Ltd. ("Imvume"). As described below, the principals of these two companies used their relationships with South African political leaders to obtain oil allocations under the Programme.

Throughout the Programme, South Africa and Iraq were actively developing business and political ties. In late November 1999, South Africa's Deputy Foreign Minister Aziz Pahad led a delegation of 30 South African companies with interests in oil, electricity, and other sectors to Iraq. One purpose of the visit was "to expose South African businesses with already established interests in the so-called 'oil-for-food' programme with Iraq to the processes involved in winning such UN-approved contracts."¹⁹⁸

Deputy Prime Minister Tariq Aziz and other Iraqi officials were also interested in gaining the political support of South Africa and its leaders. At the time, South Africa chaired several influential political alliances. South African President Thabo Mbeki was Chair of the Non-Aligned Movement ("NAM") and had been the President of South Africa's ruling party, the African National Congress ("ANC"), since 1997. He was also Chairman of the African Union. Within weeks after Mr. Pahad returned from his trip, Iraq established its Embassy in Pretoria, and, by 2001, Iraq had accredited a full Ambassador to South Africa using Iraqi funds that had been frozen until then.¹⁹⁹

South African officials also pushed to improve trade relations. In October 2002, the South African Department of Foreign Affairs ("DFA") sent a delegation of senior officials to Iraq. Both sides reportedly expressed satisfaction with the state of relations between their respective countries, which had been boosted by Mr. Aziz's then recent visit to South Africa. Later that

¹⁹⁸ South African Government Information, "The Official Visit To South Africa By The Deputy Prime Minister Of Iraq," <http://www.info.gov.za/speeches/2002/02070309461011.htm>; Iraq official interview; South Africa #1 interview (July 5, 2005); South African Government Information, "Statement On Visit By Deputy Foreign Minister Aziz Pahad To The Middle East," <http://www.info.gov.za/speeches/1999/991122116p1005.htm>.

¹⁹⁹ South African Government Information, "The Official Visit To South Africa By The Deputy Prime Minister Of Iraq," <http://www.info.gov.za/speeches/2002/02070309461011.htm>; Iraq official interview; South Africa #1 official interview (July 5, 2005); South African Government Information, "Statement On Visit By Deputy Foreign Minister Aziz Pahad To The Middle East," <http://www.info.gov.za/speeches/1999/991122116p1005.htm>; Iraq official interview; African National Congress, "Address by the Chairperson of the Non-Aligned Movement, President Thabo Mbeki of South Africa, to the NAM Ministerial Meeting, September 23, 1999," <http://www.anc.org.za/ancdocs/history/mbeki/1999/tm0923.html>; Republic of South Africa Department of Foreign Affairs, "Iraq (Republic of)," <http://www.dfa.gov.za/foreign/bilateral/iraq.html>; South African Government Information, "Statement By Deputy Minister Of Foreign Affairs, Mr. Aziz Pahad, On The South African Humanitarian Flight To Iraq On 22 To 25 February 2001," <http://www.info.gov.za/speeches/2001/0102121145a1001.htm>.

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month, the DFA issued a statement that Mr. Pahad would visit Iraq to represent South Africa at the annual Baghdad International Trade Fair in November. During his visit, Mr. Pahad reportedly met with Saddam Hussein and conveyed a message to him from President Mbeki. He also met with Mr. Ramadan and Mr. Aziz, and the Foreign Minister, the Minister of Trade, and the Minister of Electricity. According to the public statement of Mr. Pahad, Saddam Hussein told South African officials that he would instruct his ministers to “observe special care” with respect to economic, technical, and scientific relations with South Africa.²⁰⁰

Mr. Aziz perceived that South Africa could be supportive of Iraq. During his July 2002 official visit of Mr. Aziz to South Africa, Mr. Aziz attended a farewell dinner hosted by the ANC with members of South Africa-Iraq Friendship Association (“SAIFA”) and the business community at the Cabanga Conference Center, which was funded by Invume, which—as described below—had been purchasing oil from Iraq under the Programme. In October 2002, during a United Nations weapons inspection crisis, NAM supported the Security Council’s efforts to explore a peaceful resolution to the situation. NAM issued a statement calling for inspectors to return to Iraq. That month, South Africa dispatched Mr. Pahad for discussions with China, Russia, and France concerning Iraq, and similar discussions with those countries occurred one month later. In January 2003, Mr. Pahad traveled to Italy, Belgium, United Arab Emirates, Bahrain, Iran, Yemen, and Saudi Arabia to discuss Iraq and to present the views of South Africa and NAM. As chair of NAM, South Africa successfully called for three emergency Security Council meetings to broaden the debate on Iraq and included non-Security Council members so that Council members could hear the views of the wider United Nations membership before adopting a resolution. During February 2003, South Africa dispatched its own team of weapons inspectors to Iraq to supplement the efforts of UNMOVIC inspectors. This action was designed to demonstrate that weapons inspections were still possible and that Iraq was prepared to cooperate with them, thereby negating a key justification for war. When war broke out in Iraq in March 2003, Kgalema Motlanthe, Secretary-General of the ANC, assured Iraq of the ANC’s support for all “efforts to end the unilateral aggression of the United States and other countries.”²⁰¹

²⁰⁰ South African Government Information, “Statement On The Visit To Iraq By A Delegation Of Senior Officials From The Department Of Foreign Affairs, 17 October 2002,” <http://www.info.gov.za/speeches/2002/02101809461002.htm>.

²⁰¹ South African Government Information, “The Official Visit To South Africa By The Deputy Prime Minister Of Iraq,” <http://www.info.gov.za/speeches/2002/02070309461011.htm>; Standard Bank record, Invume Management account, check paid to “Cabanga” in the amount of R40,311.80 (Aug. 6, 2002) (equating to \$3,858); SOMO sales contract, no. M/12/78 (July 27, 2002) (contracting with Invume Management); Committee oil surcharge table, contract no. M/12/78; Non-Aligned movement (“NAM”), “Letter Concerning Iraq to the President of the UN Security Council by South Africa’s Permanent Representative to the UN, Ambassador DS Kumalo, on Behalf of the NAM,” <http://www.nam.gov.za/media/020810ir.htm>; South African Government Information, “The Deputy Minister Of Foreign Affairs Meets With The Ambassadors Of China, The Russian Federation, And The Charge D’Affaires Of France, Pretoria, 4 October 2002,” <http://www.info.gov.za/speeches/2002/02100414461002.htm>; South African Government Information, “Deputy Minister Aziz Pahad To Visit Italy, Belgium, The United Arab Emirates, Bahrain, The Islamic Republic Of Iran, Yemen And Saudi Arabia,” <http://www.info.gov.za/speeches/2003/03012010461001.htm>; South African Government Information, “Media Alert,”

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One of the areas in which the political and commercial interests of South Africa and Iraq coincided was in the Oil-for-Food Programme. During the Programme, two South African companies that profited from Iraq's efforts to deliver business opportunities to South Africa in return for political support were Montega Trading and Invume. South African businessmen formed the companies to take advantage of the oil contracts available under the Programme, and they were able to obtain a total of eight million barrels of oil in allocations.

1. Montega Trading (Pty) Limited

An Iraqi-American, Shakir Al-Khafaji, helped facilitate the granting of oil allocations to Sandi Majali, a self-proclaimed advisor to the ANC and President Mbeki, through his joint venture with Mr. Majali and Rodney Hemphill, a South African businessman, called Montega Trading Limited. Mr. Al-Khafaji had access to Mr. Aziz; indeed, Mr. Aziz specifically asked Mr. Al-Khafaji to help strengthen the ties between Iraq and South Africa. In December 2000, Mr. Al-Khafaji travelled to Baghdad with Mr. Majali and Mr. Hemphill to meet with Iraqi officials. During their meetings in Iraq, Mr. Majali described himself as an advisor to both the ANC and President Mbeki. After several days of meetings, Mr. Majali was allocated two million barrels of oil. The SOMO contract of approval explicitly referenced "Sandi Majali—Advisor to the President of South Africa."²⁰²

<http://www.info.gov.za/speeches/2003/03020309461003.htm>; Provisional record of Security Council meeting, S/PV.4625 (Oct. 16, 2002); Provisional record of Security Council meeting, S/PV.4709 (Feb. 13, 2003); Provisional record of Security Council meeting, S/PV.4717 (Mar. 11, 2003); African National Congress, "ANC On Latest Developments In The War Against Iraq," <http://www.anc.org.za/ancdocs/pr/2003/pr0326d.html> (Mar. 26, 2003).

²⁰² Rodney Hemphill interview (July 4, 2005); Sandi Majali interview (June 30, 2005); Iraq official interview; SOMO sales contract, no. M/09/06 (Dec. 21, 2000) (contracting with Montega Trading) (hereinafter "Majali sales contract"); Deloitte & Touche Corporate Finance Ltd. due diligence review (Jan. 2002) (based on their interview of Mr. Majali et al. on Jan. 23, 2001); SOMO letter to Amer Rashid (Dec. 25, 2000) (approving contract M/09/06 for 2 million barrels of oil for "Mr. Sandi Majali – Advisor to the President of South Africa") (translated from Arabic) (hereinafter "Approval letter for Majali contract").

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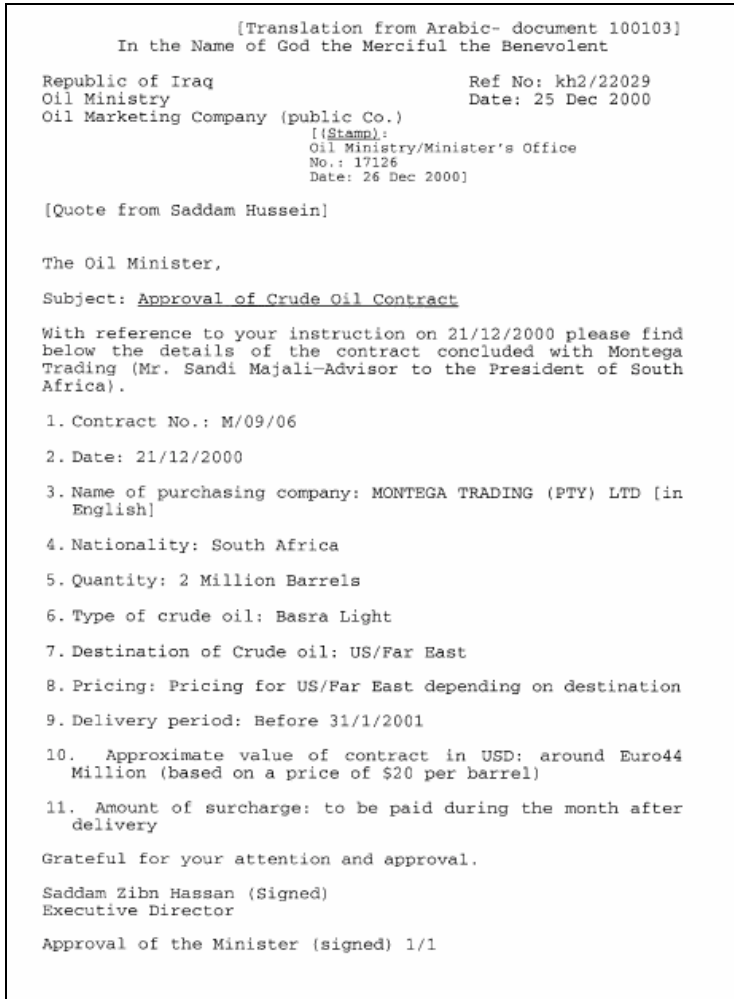
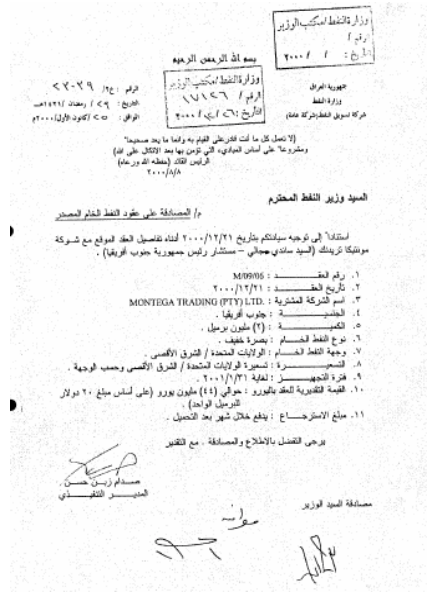


Figure: SOMO approval letter for contract no. M/09/06 (Dec. 21, 2000) (translated from Arabic).

Mr. Majali used Montega Trading as the contracting company to purchase the oil. Montega Trading arranged to sell the oil through Sopak SA (“Sopak”), a wholly-owned subsidiary of Glencore. Glencore financed the contract with a \$46,585,093 letter of credit through BNP, and it arranged for lifting and selling the oil. Although Glencore was backing Montega Trading’s SOMO contract, the company insisted that its name be concealed from disclosure to any third parties.²⁰³

²⁰³ South Africa Mission note verbale to 661 Committee, S/AC.25/2000/OIL/HUM 986/COMM.383 (Dec. 21, 2000); Deloitte & Touche Corporate Finance Ltd. due diligence review (Jan. 2002) (based on their interview of Mr. Majali et al. on Jan. 23, 2001); George Poole letter to Paul Major and Kirk Lazarus (Mar. 5, 2001); Paul Major fax to Rodney Hemphill (Mar. 7, 2001); Clyde & Co. letter to Bell Dewar & Hill

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AS DISCUSSED WITH LUCY COLLINSON PLEASE ISSUE THE FOLLOWING LETTER OF CREDIT IN FAVOUR OF UNITED NATIONS ON BEHALF OF MONTEGA TRADING (PTY) LTD. GLENCORE INTERNATIONAL AG, BAAR HEREBY GUARANTEES ALL THE OBLIGATIONS OF MONTEGA TRADING (PTY) LTD L/C ISSUED UNDER THE FULL RISK AND RESPONSIBILITY OF GLENCORE INTERNATIONAL AG IN RESPECT OF THIS L/C. HOWEVER PLEASE NOTE GLENCORE INTERNATIONAL AG'S NAME MUST NOT APPEAR ON ANY CORRESPONDENCE YOU SEND TO THIRD PARTIES. PLEASE FORWARD THE L/C TO BNP PARIBAS, NEW YORK, TELEX NO. 6737018. PLEASE ALSO SEND A COPY TO MONTEGA TRADING (PTY) LTD ON THE FAX NO. QUOTED ABOVE.

Figure: Glencore draft letter of credit request to BNP (Jan. 19, 2001).

Glencore did not have the oil delivered to the United States, as agreed in the contract, but instead had it shipped to Singapore. Over 1.85 million barrels were lifted on Montega's contract at a total value of \$45,502,470, using a United Nations pricing formula that took into account that the final destination would be the United States. As a result of Glencore's change in shipping destination, Montega Trading, as the contracting company, owed millions of dollars to SOMO for the price differential.²⁰⁴

According to Mr. Hemphill, Montega Trading was not involved in the decision to ship the oil to Singapore, and he requested and received a letter from Sopak confirming that the intended destination had been the United States. Despite being Glencore's wholly-owned subsidiary, Sopak denied involvement in Glencore's decision to change the destination of the oil under the Montega Trading contract. Ultimately, Sopak and Montega Trading reached a settlement on their dispute over liability for the increased costs of lifting the oil. While the dispute between the parties was settled, the outstanding surcharges on the Montega Trading oil purchases were not. According to Ministry of Oil records, a surcharge of approximately \$464,632 (\$0.25 per barrel) was imposed on the oil that Glencore had lifted. As part of their agency agreement, Sopak agreed to pay a fee to Montega Trading of \$0.30 per barrel, which would have covered the surcharge as

(Mar. 7, 2001); Glencore letter to Strategic Fuel Fund Association (Jan. 28, 2002); Committee oil financier table, contract no. M/09/06; Oil overseers approval of contract no. M/09/06, S/AC.25/2001/OIL/1330/OC.05 (Jan. 2, 2001); Rodney Hemphill interview (July 4, 2005); Paul Major fax to Rodney Hemphill (Jan. 19, 2001) (addressed to "Rog Hempman" and regarding Montega Trading contract M/09/06); Oil Inspections Limited fax to "Glencore UK Ltd Attn: Paul Major" (Feb. 7, 2001) (advising Mr. Major of the status of the *Ocean Jewel* at Mina al-Bakr); Sandi Majali interview (June 30, 2005); Sopak record, Montega Trading and Sopak sales agreement (Jan. 16, 2001), purchase agreement (Jan. 16, 2001), and agency agreement (Jan. 29, 2001); Glencore draft letter of credit request to BNP (Jan. 19, 2001). Paul Major is copied on other correspondence relating to the Montega. Lucy Collinson e-mail to BNP (Jan. 19, 2001) (regarding Glencore's letter of credit backing Montega Trading and their guarantee of all obligations on behalf of Montega Trading and copying Paul Major).

²⁰⁴ Committee oil company table, contract no. M/09/06; Sopak record, Montega Trading and Sopak sales agreement (Jan. 16, 2001) and settlement agreement (Apr. 26, 2001); SOMO fax to Montega Trading (Mar. 2, 2001); SOMO fax to Montega Trading (Feb. 26, 2001); Rodney Hemphill interview (July 4, 2005); Sandi Majali interview (June 30, 2005).

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well as a commission of \$0.05 per barrel. Neither Montega Trading nor its directors ever paid SOMO the required surcharge on the contract executed with Sopak.²⁰⁵

2. Invume Management (Pty) Limited

After the shipping incident, Mr. Majali continued to receive oil allocations through a new company, Invume. Because Montega Trading had failed to pay the outstanding surcharges, SOMO refused to sell oil to Mr. Majali in Phase X. When Mr. Majali complained to Iraqi officials, SOMO was ordered to allocate oil to Mr. Majali in Phase XI. Invume managed to obtain two Iraqi oil contracts in Phases XI and XII.²⁰⁶

Prior to the renewal of his oil allocations, Mr. Majali had been very involved in strengthening ties between South Africa and Iraq. In September 2001, as Chairperson of both the SAIFA and the South African Business Council for Economic Transformation (“SABCETT”), Mr. Majali led a South African delegation to Baghdad, which included officials from the South African Strategic Fuel Fund Association and South African Department of Minerals and Energy. The delegation was involved in discussions on strengthening ties between the ANC and the Iraq Friendship Association and Arab Ba’ath Socialist Party (“Ba’ath Party”), as well as building better oil trade relationships between the two countries. Mr. Majali undertook the trip as a recognized representative of the ANC. In a letter to the Iraq Friendship Association, Mr. Motlanthe stated that Mr. Majali’s position as Chairperson of SAIFA had the ANC’s “full approval and blessing.” He also confirmed the ANC’s approval of Mr. Majali “as a designated person to lead the implementation processes arising out of our economic development programmes.”²⁰⁷

²⁰⁵ SOMO fax to Montega Trading (Mar. 2, 2001); SOMO fax to Montega Trading (Feb. 26, 2001); Rodney Hemphill interview (July 4, 2005) (confirming the original price of €22.125/barrel, which is the original price based upon a United States destination); Paul Major fax to Rod Hemphill (Feb. 27, 2001) (stating that “[a]s shippers we confirm that the final destination of this cargo is the US Gulf coast”); Montega Trading fax to Sopak (Feb. 28, 2001); George Poole letter to Paul Major and Kirk Lazarus (Mar. 5, 2001); Paul Major fax to Rodney Hemphill (Mar 7, 2001); Clyde & Co. letter to Bell Dewar & Hill (Mar. 7, 2001); Glencore letter to Strategic Fuel Fund Association (Jan. 28, 2002); Sopak record, Montega Trading and Sopak agency agreement (Jan. 29, 2001) and settlement agreement (Apr. 26, 2001); George Poole letter to Rodney Hemphill (Apr. 17, 2001); Majali sales contract; Approval letter for Majali contract; Sandi Majali interview (June 30, 2005); Iraq official interview.

²⁰⁶ Committee oil beneficiary table, contract nos. M/11/72, M/12/78; Iraq official interview; Committee oil company table, contract no. M/09/06.

²⁰⁷ Sandi Majali letter to Iraq Friendship Society (Sept. 10, 2001) (writing on behalf of SAIFA); Sandi Majali letter to Khalid Tabra (Sept. 20, 2001) (writing on behalf of SABCETT); Sandi Majali letter to Saddam Z. Hassan (Sept. 20, 2001) (writing on behalf of Invume); Sandile Nogxina, “Official (Technical) Visit to Iraq By Minerals and Energy Delegates From 10 to 14 September 2001,” *Annexure A* (Sept. 7, 2001); Kgalema Motlanthe letter to Khalid Tabra (Sept. 10, 2001). Mr. Nogxina was the Director-General of the South African Department of Minerals and Energy. Sandile Nogxina, “Official (Technical) Visit to Iraq By Minerals and Energy Delegates From 10 to 14 September 2001,” (Sept. 7, 2001).

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After these meetings, Mr. Majali wrote two letters to the Iraqi authorities in which he referred to a request for oil allocations that had been made to support South Africa's political activities in connection with Iraq. In a letter to the President of the Iraqi Friendship Association, dated September 20, 2001, in his capacity as "Chairman" of SABCETT, Mr. Majali expressed the view that a "joint effort between the ANC and the Arab Ba'ath Party will add a lot of value towards achieving the common political objectives" and "will result in an effective strategy geared towards campaigning for the lifting of sanctions." He went on to advise the President that, as had been discussed in their meeting in Baghdad, a letter had been sent to SOMO requesting an allocation of 12 million barrels of oil and requested that the transaction be facilitated:

with particular attention to the competitive advantage pricing of this transaction for the benefit of both parties in order to build financial resources to support political programmes. I am convinced that you do appreciate that such financial resources are crucial for the long term sustainability of the political programmes that [the ANC and Ba'ath] parties will be implementing and to run seminars, workshops in order to develop effective political development strategies.²⁰⁸

A second letter dated September 20, 2001, with Imvume letterhead, was sent to Saddam Z. Hassan, thanking Iraq's newly appointed Deputy Minister of Oil for his hospitality towards the South African delegation. In the letter Mr. Majali requested allocations of 12 million barrels to be lifted in December 2001 and February 2002, noting that the order for oil "is required by the South African government for its strategic reserves and . . . it will be undertaken by Imvume on behalf of the South African Department of Minerals and Energy." Mr. Majali also expressed an interest in attending the conference in Baghdad in support of lifting the Iraq sanctions held in November 2001 and that the "ANC will be sending a high level delegation." These increased allocations do not appear to have been granted.²⁰⁹

A couple of months later, Imvume obtained a contract to supply two million barrels of oil to the South African Strategic Fuel Fund Association. This association is responsible for the procurement and management of the strategic crude oil and petroleum products of South Africa. Because of concerns raised during the comprehensive due diligence of Imvume in the bidding process, Glencore sent a letter to the South African Strategic Fuel Fund Association ("SFF") representing that it backed Imvume "as its strategic partner." As part of the contract conditions, Glencore was liable for performance of the contract, and Imvume needed approval to lift oil from SOMO by March 2002.²¹⁰

²⁰⁸ Sandi Majali letter to Khalid Tabra (Sept. 20, 2001) (writing on behalf of SABCETT).

²⁰⁹ Sandi Majali letter to Saddam Z. Hassan (Sept. 20, 2001) (writing on behalf of Imvume); Committee oil beneficiary table, contract no. M/11/72.

²¹⁰ R. Mokate letter to M. Mandela (Jan. 18, 2002); ANZ letter to SFF (Jan. 25, 2002) (attaching draft performance bond); Dr. Mokate letter to Imvume (Jan. 28, 2001); ANZ Bank Performance Bond, no. GTEE 02/05 (Feb. 7, 2002); SFF record, SFF and Imvume (operating as Imvume Resources) supply

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When Mr. Majali requested oil in Baghdad, there was \$464,000 due in outstanding surcharges that had not been paid on the Montega Trading oil contract in Phase IX. In letters to the Ministry of Oil, Mr. Majali promised to settle this debt in two installments with the proceeds from the sale of the crude oil that he hoped to get from Iraq. In early March 2002, SOMO confirmed that Imvume had been allocated two million barrels of oil. The Iraqi Ambassador to South Africa's March 7, 2002 cover letter to Mr. Aziz states that it included a letter to Mr. Aziz from Mr. Motlanthe. The Committee was unable to obtain a copy of the letter to Mr. Aziz, but the cover letter also contains the following handwritten note to the Director of SOMO: "obtained the permission of the Vice President of the Republic and Deputy Prime Minister Mr. Aziz for allocation of 2 million barrels" and "the amount requested by Mr. Sani Majali [sic]."²¹¹

Because of the problems with outstanding surcharge debts, SOMO required Mr. Majali to provide a written undertaking of his surcharge obligation:

agreement (Mar. 6, 2002); Glencore letter to SFF (Jan. 23, 2002); Dr. Mokate letter to Imvume (Jan. 23, 2002); Goodfellow letter to Dr. Mokate (Mar. 8, 2002).

²¹¹ Sandi Majali letter to Ali Hassan Rajab (Feb. 26, 2002); Sandi Majali letter to Amer Rashid (undated) (bearing stamp, "Ministry of Oil, Minister's Office June 19, 2002") (translated from Arabic); South Africa Ambassador letter to Tariq Aziz (Mar. 7, 2002) (translated from Arabic) (referencing an attached letter from Kgalema Motlanthe, which the Committee was unable to obtain); SOMO sales contract, no. M/11/72 (Mar. 27, 2002) (contracting with Imvume Management). The letter from Ambassador Al-Omar to Mr. Aziz accompanied a sealed envelope to be delivered to Mr. Aziz. Iraq official interview.

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INVUME MANAGEMENT (PTY) LTD
12 Charles Crescent Eastgate Extension Sandton
South Africa 2041
Tel: + 2711 444 3615 Fax: + 27 11 444 3509 Mobile 27 82 3364823
E- Mail: invume@makwedini.com

State Oil Marketing Organization
Somo
ACTING EXECUTIV DIRECTOR GENERAL

MR ALI R HASSAN

SUBJECT: UNDERTAKING.

I SANDI MAJALI REPRESENTATIVE OF INVUME MANAGEMENT (PTY) LTD UNDERTAKE TO PERFORM ALL MY OBLIGATION ACCORDINGLY TO SOMO'S REQUIREMENTS REGARDING THE RETURN MONEY (I.E US\$ 0.30/BBL FOR US DESTINATION OR (US\$ 0.25/BBL) FOR FAR EAST DESTINATION FOR THE QUANTITY OF 2.0 MILLION BARRELS OF BIKRAHGH CRUDE OIL GRADE TO BE LIFTED WITHIN 30 DAYS OF BILL OF LADING.


THANKS YOURS FAITHFULLY
SANDI MAJALI


Figure: Sandi Majali letter to SOMO (undated).

In the letter, Mr. Majali explicitly represented that he would “undertake to perform my obligation accordingly [*sic*] to SOMO’s requirements regarding the return money (i.e., US \$0.30/BBL) for US destination or (\$0.25/BBL) for Far East destination for the quantity of 2.0 million barrels.” Although the letter is undated, the surcharge rates are those imposed during the majority of the surcharge phases.²¹²

Ultimately, Invume did not sell the oil under its SOMO contract (M/11/72) to fulfill its obligation to supply oil to SFF. Invume had Glencore purchase four million barrels from two Russian companies for shipping to South Africa.²¹³

²¹² Sandi Majali letter to SOMO (undated) (agreeing to pay surcharges).

²¹³ Sandi Majali interview (June 30, 2005). Only two shipments of Iraqi oil were shipped to South Africa during this phase. SOMO sales contract, no. M/11/103 (Feb. 5, 2002) (contracting with Joint Stock Company (“JSC”) Slavneft); Roman A. Ivanov letter to oil overseers (Mar. 14, 2002); Oil overseers letter to JSC Slavneft, S/AC.25/2002/OIL/1382/OC.93/add.1 (Mar. 18, 2002); SOMO sales contract, no. M/11/79 (Jan. 16, 2002) (contracting with Machinoimport).

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Mr. Majali still had to deal with the unresolved contract (M/11/72). On May 10, 2002, Mr. Majali had a meeting in Baghdad with Mr. Aziz and Mr. Rashid to address the contract. The meeting was memorialized by Mr. Majali in a letter sent the following month to Mr. Rashid. In the letter, Mr. Majali stated that Mr. Motlanthe was at the meeting at which Mr. Majali addressed the oil contract with Mr. Aziz. In the letter, Mr. Majali also requested an extension to perform contract M/11/72 and to pay the outstanding surcharges. In the same letter, in handwritten notes in Arabic dated June 20, 2002, the Minister of Oil directed SOMO to grant Imvume six million barrels over the next two phases, two in Phase XI, and four in Phase XII. When shown the June 19, 2002 letter, Mr. Majali stated that the letter “worried him” since the content appeared to be correct and the signature was “very much like” his, but that Mr. Motlanthe was not present at the May 10, 2002 meeting. Mr. Majali stated that Mr. Motlanthe was in Baghdad at that time.²¹⁴

Later that month, after this meeting with Mr. Aziz and Mr. Rashid, a surcharge payment was made on Imvume contract M/11/72. Ministry of Oil records show that, on May 20, 2002, an “advance” surcharge payment of \$60,000 was deposited at the Central Bank of Iraq. The payment was made on behalf of Imvume Management in connection with contract M/11/72.²¹⁵

²¹⁴ Sandi Majali letter to Amer Rashid (undated) (stamped as received by “Ministry of Oil, Minister’s Office, June 19, 2002, and including handwritten notes in Arabic and written on behalf of Imvume) (translated from Arabic); Sandi Majali interview (June 30, 2005).

²¹⁵ SOMO record, Surcharge payment receipt, contract no. M/11/72 (May 20, 2002). This payment is not shown on the Committee oil surcharge or company tables as it was an advance payment for a contract that never was executed.

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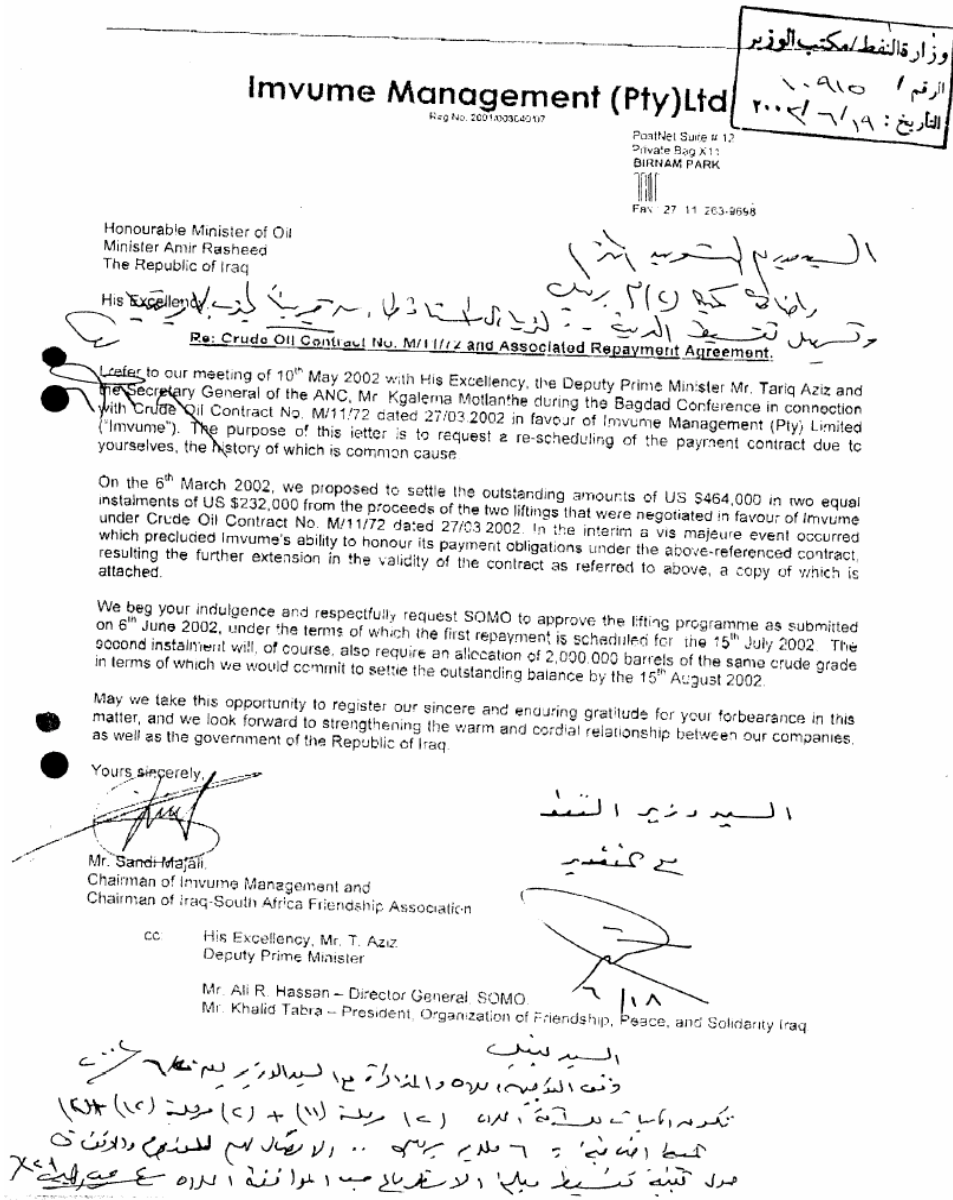


Figure: Sandi Majali letter to Amer Rashid (undated) (translated from Arabic) (promising to pay surcharges owed for Montega Trading contract and bearing stamp that indicates it was received by Ministry of Oil on June 19, 2002).

Mr. Majali denied paying surcharges on any oil contracts during the Programme. He stated that he made his refusal to pay surcharges clear to Mr. Aziz. Mr. Majali, however, has admitted that

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he told Mr. Aziz that he was unable to pay surcharges unless he was allocated additional oil at a sufficiently discounted price.²¹⁶

²¹⁶ Sandi Majali interview (June 30, 2005).

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VI. OIL TRADERS AND THE PHASE IX CRISIS

A. INTRODUCTION

Four traders and companies financed and lifted over 60 percent of the Iraqi crude oil during the exporting crisis in Phase IX. The top financiers of Iraqi crude oil in that phase were Bayoil, Taurus, Glencore, and Vitol.²¹⁷

B. BAYOIL

Bayoil and Bayoil (USA) Inc. (hereinafter “Bayoil”), oil trading companies based in the Bahamas and the United States, respectively, received only two direct allocations of oil in the initial phases of the Programme. After the Government of Iraq imposed a general ban on selling crude oil to companies from the United States, Bayoil did not obtain another Programme contract to purchase Iraqi crude oil. Nonetheless, Bayoil was responsible for lifting over 403 million barrels of Iraqi oil sold under the Programme. In the initial eight phases, Bayoil purchased most of its oil from Russian companies. Later, David B. Chalmers, Jr., President of Bayoil, and a former business associate, Augusto Giangrandi, used a front company, Italtch SRL (“Italtch”), to solicit oil allocations in Iraq.²¹⁸

When the Ministry of Oil initially faced strong resistance to the imposition of surcharges immediately preceding Phase IX, it turned to oil traders to keep exports flowing. The Government of Iraq allocated nearly 30 million barrels of oil within the first three months of that phase to Italtch. Through Italtch, Bayoil managed to finance 8.1 percent of the Iraqi oil sold in Phase IX. Although attempts were made to avoid the payment of surcharges imposed in that phase, Bayoil and Italtch eventually paid over \$6 million in surcharges to the Iraqi regime through the Al Wasel & Babel General Trading LLC (“Al Wasel & Babel”). Bayoil also used the Al-Hoda International Trading Co. (“Al-Hoda”) as a conduit for paying some of the surcharges owed on other Iraqi oil contracts during the surcharge phases.²¹⁹ Bayoil employees denied Committee requests for formal interviews.

²¹⁷ Committee oil financier table. Some companies lifted the oil contracted under previous phases in phase IX. This chart reflects only contracts executed in Phase IX, as opposed to the quantity of oil lifted in Phase IX, as mentioned in other parts of the report.

²¹⁸ Committee oil company and financier tables, contract nos. M/01/07, M/02/04; Committee oil financier table. Bayoil Supply & Trading Limited is based in Nassau, Bahamas. Bayoil record, power of attorney agreement (Sept. 7, 1999).

²¹⁹ Committee oil company and surcharge tables, contract no. M/09/07; TaR (Dec. 1996 to Mar. 2003).

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1. Bayoil's Purchases from Russian Companies

Prior to Phase IX, Bayoil purchased approximately 215 million barrels of Iraqi crude oil from companies that had received allocations under the Programme. Bayoil purchased over half of its Iraqi oil from Russian companies holding SOMO contracts, including Alfa Eco (JSC), Tatneft (OAO), Lukoil, Tyumen Oil Company, Nafta Moskva (JSC), ACTEC, and Zarubezhneft. Bayoil continued to purchase oil from Russian companies after the imposition of surcharges. Between Phases IX and XIII, Bayoil purchased approximately 64 million barrels from them.²²⁰

Agency agreements with two Russian companies, Nafta Moskva and Machinoimport, indicate that Bayoil paid commissions as low as \$0.03 to \$0.05 per barrel to companies hired to obtain Iraqi crude oil contracts. Under one agreement, Machinoimport sold approximately two million barrels of oil to Bayoil under contract M/12/01. Bayoil corporate records show that, after each lifting, Machinoimport was paid \$55,000 and \$45,000, which correspond to commissions of \$0.05 per barrel.²²¹

2. Bayoil's Use of Italttech to Solicit Iraqi Oil Contracts

In 1998, Mr. Chalmers appointed a former business associate, Mr. Giangrandi, as a director of Bayoil to solicit Iraqi oil contracts for Bayoil. Mr. Chalmers met Mr. Giangrandi while Mr. Giangrandi was involved in selling weapons to Iraq in the late 1980s. According to Mr. Giangrandi, he assisted in the building of an armaments factory in Iraq to produce cluster bombs during the Iraq-Iran war. Through his work, Mr. Giangrandi also became familiar with Mr. Rashid, who was then an Iraqi Army General involved in developing Iraqi military equipment. Because Iraq was experiencing a foreign currency shortfall at the time, Mr. Giangrandi arranged to get paid for the factory construction with Iraqi crude oil. Mr. Giangrandi turned to Mr. Chalmers, then head of the crude oil department of Carey Oil, to assist him in trading the oil. Mr. Giangrandi and Mr. Chalmers eventually established Bayoil as a joint-venture to trade the oil. After Bayoil expanded to other markets, Mr. Giangrandi sold his half of the company to Mr. Chalmers. Several years later, Mr. Chalmers and Mr. Giangrandi were involved in forming Italttech to fund a business venture that ultimately was abandoned. Italttech was largely a dormant company until it was used as a front company for Bayoil in connection with the Programme.²²²

²²⁰ Committee oil financier table.

²²¹ Ibid.; Bayoil record, Bayoil and Nafta Moskva agency agreement (Feb. 19, 1999); David Chalmers letter to BNP Suisse (June 3, 1999) (instructing BNP to pay commission fees of \$29,699 on 989,975 barrels); Bayoil record, Bayoil and Machinoimport agency agreement (Oct. 3, 2002); Bayoil record, Transaction detail by account (Jan. 1995 to Dec. 2003) (listing payments to Machinoimport on October 23 and November 26, 2002).

²²² Augusto Giangrandi letter to Taha Yassin Ramadan (May 1, 1999) (as Chairman of Bayoil S.A. Luxembourg); Augusto Giangrandi letter to Ministry of Oil (Sept. 9, 1999) (as Chairman of Bayoil Supply & Trading Co.); Bayoil record, Power of attorney agreement (Sept. 7, 1999); Augusto Giangrandi

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Mr. Giangrandi stated that he and Mr. Chalmers agreed to use Italtch as an agent for Bayoil in the Iraqi crude oil market. They entered into a written agreement in June 2000, and again in May 2002, when it was amended. The agreement provided that Italtch would request oil from the Government of Iraq and solicit Iraqi oil from other companies and beneficiaries. For his services, Mr. Giangrandi was to be paid a commission of \$0.015 and later \$0.02 per barrel. No financial or logistical arrangements were undertaken by Italtch on the oil transactions. Bayoil was responsible financing letters of credit, and lifting and trading the oil.²²³

Mr. Giangrandi stated that all oil transactions conducted by Italtch in Iraq were done on behalf of Bayoil. In Iraq, Mr. Giangrandi identified himself as a representative for Bayoil. His efforts to obtain SOMO contracts prior to Phase IX failed. According to Mr. Giangrandi, in October 1999, Mr. Aziz denied his request (made at Bayoil's instruction) to grant direct oil allocations to Italtch. Mr. Aziz explained to Mr. Giangrandi that Italtch and Bayoil furthered Iraq's political objectives by acting as conduits for other beneficiaries to cash in their oil allocations. Mr.

interviews (Mar. 11-12, and Apr. 25 and 27-28, 2005). Italtch's original purpose was to research and develop new mini-submarine propulsion systems. *Ibid.*

²²³ Augusto Giangrandi interviews (Apr. 25 and 27-28, and July 24-25, 2005); Hobi Sabih fax to Lucio Moriconi, (Oct. 27, 1999) (containing a draft letter to be forwarded to SOMO by Mr. Moriconi, Managing Director of Italtch, describing Italtch and Bayoil as "sister companies with common directors"); Italtch record, Bayoil and Italtch teaming agreement (June 4, 2000) (superseded by Revision 1 agreement (Dec. 15, 2000)); Italtch record, Bayoil and Italtch revenue sharing agreement (Dec. 27, 2000); Italtch record, Bayoil and Italtch revised teaming agreement (Feb. 20, 2001) (increasing Italtch's commission to \$0.02); Bayoil record, Power of attorney agreement (Sept. 7, 1999) (granting Augusto Giangrandi the power to execute contracts with SOMO in Bayoil's name); Bayoil record, Transaction detail by account (Jan. 1995 to Dec. 2003) (denoting payments to the United Nations escrow account, finance charges for letters of credit, payments to contract holders, sales to end-users, insurance and freight costs for lifts, and payments from refineries in relation to contracts M/08/120, M/09/07 (Italtch), M/09/15 (Al-Hoda), and M/10/14 (PTSC)); Augusto Giangrandi letter to David Chalmers (Oct. 10, 2000) (confirming an agreement to deposit \$1 million in operating capital to an Italtch account at UEB Geneva for the sole purpose of financing Italtch's purchases of Iraqi oil); Jean Johnston letter to Augusto Giangrandi (Sept. 10, 2001) (requesting the return of the \$1 million deposit with interest); Augusto Giangrandi letter to David Chalmers (July 12, 2000) (requesting the deposit of funds for a bank guarantee); Italtch letter to UEB Geneva (Dec. 20, 1999) (authorizing the bank to issue a letter of credit in favor of the United Nations "under the sole authority, direction and financial obligation of Bayoil Supply & Trading Co."); Bayoil fax to Cosmos (May 25, 2000) (instructing Cosmos, a company affiliated with Italtch, to retype the shipping nomination on Italtch letterhead and forward to the Director-General of Iraqi Ports); Italtch letter to BNP (Jan. 27, 2001) (authorizing Bayoil to open letters of credit under the name of Italtch). Italtch invoiced Bayoil for the fees to register as an oil buyer with the United Nations and for its office expenses, as well as gifts for regime officials, such as a jet ski for Uday Hussein (Saddam Hussein's son). Italtch record, Invoice (Dec. 20, 1999) (for \$19,698); Augusto Giangrandi fax to Jean Johnston (Sept. 29, 2000) (requesting reimbursement of expenses).

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Giangrandi also stated that Mr. Rashid apparently enjoyed the irony of a United States company indirectly assisting in the financing of Iraq's lobbying effort against the sanctions.²²⁴

Mr. Giangrandi also had limited success in his initial efforts to obtain oil on Bayoil's behalf from other beneficiaries. Italtch obtained one oil contract in Phase VII for oil allocated under the name of Fouad Sirhan, an Iraqi based in Brazil. The oil was purchased by Bayoil. For Phase VIII, Italtch obtained oil contracts for over 11 million barrels on Bayoil's behalf.²²⁵

Surcharges initially were imposed in Phase VIII. Mr. Giangrandi insisted that he never was contacted directly by SOMO when the surcharges were announced. He admits, however, that the imposition of surcharges by the Iraqi regime was discussed openly in the oil trading community beginning in the fall of 2000. Mr. Giangrandi also confirmed that he discussed the demand for surcharges with Mr. Chalmers, as well as the notice by the United Nations Oil Overseers in December 2000 warning companies not to pay the illegal surcharges. Mr. Giangrandi stated that, in their discussions, Mr. Chalmers stressed the illegality of the surcharge payments proposed by the Iraqi regime.²²⁶

²²⁴ Augusto Giangrandi interviews (Apr. 25 and 27-28, and July 24-25, 2005); Iraq official interview; Jean Johnston e-mail to Lucio Moriconi (Oct. 8, 1999) (providing wording for an Italtch letter to the Minister of Oil); Committee oil company table, contract no. M/09/07 (noted as the first direct allocation to Italtch without an additional beneficiary). When interviewed in the presence of investigators from the Iraq Special Tribunal, the former Minister of Oil denied that the Ministry of Oil understood Italtch was acting as an agent for Bayoil. Amer Rashid interview (Aug. 22, 2005). The Committee does not find the denial credible under the circumstances. Letters from Mr. Giangrandi to Iraqi officials, at that time, explicitly identified himself as acting on behalf of Bayoil. Augusto Giangrandi letter to Ministry of Oil (Sept. 9, 1999) (describing himself to SOMO as Chairman of Bayoil Supply & Trading Ltd.); Augusto Giangrandi letter to Taha Yassin Ramadan (May 1, 1999) (detailing, as Chairman of BOTCO S.A., Mr. Giangrandi's relationship to Bayoil); Augusto Giangrandi letter to Taha Yassin Ramadan (May 1, 1999) (lamenting the "huge commissions" payable by Bayoil to intermediaries and requesting direct allocations).

²²⁵ Augusto Giangrandi interviews (Apr. 25 and 27-28, and July 24-25, 2005); SOMO sales contract, no. M/07/51 (Dec. 18, 1999) (for 1.5 million barrels of Basra Light oil); Committee oil beneficiary, company, and financier tables, contract nos. M/07/51, M/08/116, M/08/116, M/08/120 (combined), M/08/120; Fouad Sirhan letter to SOMO (Nov. 22, 1999); Fouad Sirhan letter to Augusto Giangrandi (Nov. 22, 1999); Fouad Sirhan and Augusto Giangrandi letter to Ministry of Oil (Dec. 21, 1999). The beneficiaries for the allocations in Phase VIII were NIS Yugopetrol and Shakir Al-Khafaji. Italtch record, Zivojin Veljkovic and Augusto Giangrandi meeting minutes (Sept. 25, 2000); Augusto Giangrandi interviews (July 24-25, 2005); Committee oil beneficiary table, contract nos. M/08/116, M/08/116, M/08/120 (combined), M/08/120.

²²⁶ Augusto Giangrandi interviews (Apr. 25 and 27-28, and July 24-25, 2005); SOMO sales contract, no. M/07/51 (Dec. 18, 1999) (for 1.5 million barrels of Basra Light oil); Committee oil beneficiary, company, and financier tables, contract nos. M/07/51, M/08/116, M/08/116, M/08/120 (combined), M/08/120; Fouad Sirhan letter to SOMO (Nov. 22, 1999); Fouad Sirhan letter to Augusto Giangrandi (Nov. 22, 1999); Fouad Sirhan and Augusto Giangrandi letter to Ministry of Oil (Dec. 21, 1999); Italtch record, oil overseers fax to "Buyers of Iraqi Crude Oil" (Dec. 15, 2000).

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3. Direct Oil Allocations for Italttech in Phase IX

When the Ministry of Oil had problems selling Iraqi oil in Phase IX, Mr. Giangrandi took the opportunity to renew his request for direct oil allocations for Italttech and Bayoil. According to Mr. Giangrandi, he met with Mr. Rashid and others in Baghdad to discuss the crisis that was stalling Iraqi oil exports. There are conflicting accounts of the meeting. According to Mr. Giangrandi, Mr. Rashid reportedly begged Mr. Giangrandi and Mr. Chalmers to begin lifting as much Iraqi oil as they wanted in order “to open the gate” so that other oil traders would follow suit. Mr. Giangrandi claimed that, at the meeting, Mr. Rashid did not mention surcharges. Mr. Giangrandi stated that he raised the issue that paying the surcharges would be a problem for Mr. Chalmers. According to Mr. Giangrandi, Mr. Rashid responded that they would work out that problem later. Mr. Giangrandi stated that, after this meeting, he discussed the proposal with Mr. Chalmers, and Mr. Chalmers agreed to lift the Iraqi oil that was offered through Italttech.²²⁷

According to Iraqi officials, they were obligated to enforce the surcharge scheme beginning in Phase IX of the Programme. The Ministry of Oil was experiencing a crisis because there was a dearth of oil traders willing to pay the surcharges at that time. They claim that Italttech was granted large oil allocations because Mr. Giangrandi was one of the few oil traders willing to pay the surcharges being demanded at the beginning of Phase IX.²²⁸

For the first three months of Phase IX, Bayoil lifted a total of approximately 29 million barrels of oil that had been allocated directly to Italttech. Ministry of Oil records show that a total of over \$11 million in surcharges was owed by Italttech in March 2001 on the Phase IX contract, as well as a contract from the prior phase. Neither Bayoil nor Italttech had made any efforts to pay the surcharges imposed on these contracts up to that point.²²⁹

²²⁷ Augusto Giangrandi interviews (Apr. 25 and 27-28, and July 24-25, 2005); see also Augusto Giangrandi letter to Amer Rashid (July 21, 2002) (concerning outstanding surcharge payments owed to SOMO by Italttech/Bayoil). In this letter to Mr. Rashid, Mr. Giangrandi accepted the role that he and Bayoil had played “when [he and Mr. Chalmers] re-opened the lifting during the difficult period of December 2000 and did everything possible to help S.O.M.O. to ‘open the gate.’” Ibid.

²²⁸ Iraq officials interviews.

²²⁹ Committee oil company and financier tables, contract nos. M/08/116, M/08/116, M/08/120 (combined), M/08/120, M/09/07; Augusto Giangrandi interviews (Apr. 25 and 27-28, and July 24-25, 2005) (insisting that he believed Italttech and Bayoil could avoid surcharges and claiming that he did not promise to pay surcharges before getting the allocations in Phase IX or discuss the surcharge issue with the Iraqis prior to March 2001). In addition to the 29 million barrels allocated directly to Italttech in Phase IX, Italttech contracted for approximately five million barrels allocated to Shakir Al-Khafaji in Phase VIII, but not lifted, and combined this purchase with approximately three million barrels allocated to NIS Yugopetrol, also not lifted in Phase VIII. Committee oil company table, contract nos. M/08/116, M/08/116, M/08/120 (combined), M/08/120; Bayoil record, Shakir Al-Khafaji and Bayoil cooperation agreement (Oct. 20, 2000); SOMO letter to Amer Rashid (Oct. 10, 2000) (indicating an allocation of five million barrels for Mix Oil (Shakir Al-Khafaji)); Italttech record, Zivojin Veljkovic and Augusto Giangrandi meeting minutes (Sept. 25, 2000).

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In March 2001, Mr. Giangrandi was summoned to a meeting at the Ministry of Oil. According to Mr. Giangrandi, prior to the meeting, he met with Mr. Chalmers to prepare a list of discussion points in response to what they expected to be a demand by Iraq that surcharges be paid on the Italtch contracts. At the meeting, Mr. Rashid, while making clear his appreciation for the oil purchases made by Italtch and Bayoil during a difficult period for Iraq, warned Mr. Giangrandi that their outstanding surcharges had to be paid. Mr. Giangrandi offered a series of excuses for his inability to pay surcharges, including insufficient profits, fluctuating oil prices, significant demurrage, and a lack of safe channels to pay the surcharges. Mr. Rashid warned Mr. Giangrandi that Saddam Hussein himself had directed that Italtch pay the surcharges. Mr. Rashid commiserated with Mr. Giangrandi about the imposition of surcharges on oil exports, but implied that he himself would suffer consequences if they were not paid.²³⁰

Afterwards, Mr. Rashid warned Mr. Giangrandi not to leave Baghdad before arranging for the payment of the surcharges. Mr. Rashid suggested that Mr. Giangrandi use his time in Iraq to contact Al Wasel & Babel for assistance in disguising the surcharges owed. Al Wasel & Babel was owned by Ibrahim Lootah and the Government of Iraq. The following day, in a meeting with Iraqi officials, Mr. Giangrandi provided Al Wasel & Babel with a series of checks totaling \$8,026,089, from a bank account with insufficient funds. According to Mr. Giangrandi, the checks were considered a guarantee to cover the surcharges.²³¹

4. Surcharge Payments by Italtch and Bayoil

According to Mr. Giangrandi, he had no intention of paying the surcharges until he discussed the matter with Mr. Chalmers. Upon his return, Mr. Giangrandi consulted with lawyers about the legality of the surcharges. Despite being advised of their illegality, Mr. Giangrandi admitted that he discussed the surcharges with Mr. Chalmers, and they concluded that they had no choice but to pay them. He explained that they both wished to continue their commercial activities in Iraq, and he also had safety concerns. According to Mr. Giangrandi, they decided that Bayoil would fund the surcharge payments and Italtch would arrange to have them paid.²³²

²³⁰ Augusto Giangrandi interviews (Mar. 11-12, Apr. 25 and 27-28, and July 24-25, 2005); Iraq official interview; David Chalmers letter to Augusto Giangrandi (Mar. 11, 2001).

²³¹ Confidential witnesses interviews; Augusto Giangrandi interviews (Mar. 11-12, and Apr. 25 and 27-28, 2005); Iraq official interview; SOMO record, Surcharge payment schedule by lift, contract no. M/09/07 (Mar. 12, 2001) (including a list of 17 individual check serial numbers, along with a receipt from SOMO). Mr. Rashid told Mr. Giangrandi that he could not leave Baghdad, but that he could contact Mr. Chalmers from his hotel or from the Minister's office. Mr. Rashid took and withheld Mr. Giangrandi's passport. Mr. Rashid told Mr. Giangrandi quite plainly that he was not going to leave Baghdad without definite arrangements for the payment of the surcharges being agreed between them. Confidential witness interview; Augusto Giangrandi interviews (Apr. 25 and 27-28, 2005).

²³² Augusto Giangrandi interviews (Apr. 25 and 27-28, 2005) (stating that he also feared incurring criminal charges for not honoring the checks, loss of business reputation in the Arab international market, and a threat to his and his family's safety); Hunton & Williams letter to Augusto Giangrandi (Mar. 21, 2001) (containing legal advice).

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Over a three week period, Bayoil provided the funds to Italttech to cover well over half of the surcharges owed. Bank records show that in April 2001, Italttech received in its bank account a series of transfers totaling €6,726,232 from a Bayoil account at BNP. Mr. Giangrandi then transferred a total of €6,872,470 to an Al Wasel & Babel account at the Abu Dhabi Commercial Bank. Ministry of Oil records show that Al Wasel & Babel then made four deposits totaling €6,872,470 into SOMO accounts on behalf of Italttech. These payments were used to satisfy outstanding surcharges on the Italttech oil contracts. A bank record shows that, on May 6, 2001, Al Wasel & Babel received one additional payment in its bank account, a €1,364,678 wire transfer from Mr. Giangrandi's company, United Management. According to Mr. Giangrandi, payments made by Italttech and United Management to Al Wasel & Babel were surcharge payments on behalf of Bayoil.²³³

²³³ BNP record, Italttech account, credit advices (Apr. 5-6, 19, and 23, 2001) and debit advices (Apr. 19, 23, and 30, 2001); Abu Dhabi Commercial Bank record, Al Wasel & Babel account, bank statement (May 31, 2001); Ibrahim Lootah interview (Mar. 3, 2005); Abdullah Lootah interview (Dec. 12, 2004); Committee oil surcharge table, contract no. M/09/07. United Management is based in Santiago, Chile. Augusto Giangrandi interviews (Apr. 25 and 27-28, 2005). Approximate totals are as per the exchange rate used by SOMO.

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Table 2 – Surcharges Financed by Bayoil Through Al Wasel & Babel

Date	Bayoil Payment to Italttech	Italttech Payments to Al Wasel & Babel	Al Wasel & Babel Payments to SOMO
Apr. 5, 2001	€342,162	–	–
Apr. 5, 2001	€761,311	–	–
Apr. 5, 2001	€1,024,721	–	–
Apr. 6, 2001	€3,608,016	–	–
Apr. 19, 2001	€432,872	€1,531,943	–
Apr. 23, 2001	€557,147	€2,258,341	–
Apr. 30, 2001	–	€1,717,518	–
May 6, 2001	–	€1,364,678	–
Sept. 30, 2001	–	–	€1,364,678.00
Sept. 30, 2001	–	–	€1,717,514.91
Sept. 30, 2001	–	–	€2,258,337.92
Sept. 30, 2001	–	–	€1,531,939.91
Approximate Totals	\$6,022,208	\$6,153,151	\$6,153,143.59

According to Mr. Giangrandi, to disguise the purpose for the money transfers, Italttech and Al Wasel & Babel created bogus backdated invoices and contracts for 17 nonexistent oil deals. Each fake contract included a standard provision taken from Bayoil and Italttech contracts guaranteeing that no surcharge payment had been made to SOMO outside the United Nations escrow account in obtaining the crude oil being sold.²³⁴

Italttech still had an outstanding surcharge balance of over \$2 million. Mr. Giangrandi stated that Italttech withheld a portion of the surcharge to ensure that the Iraqis cooperated and pressed the United Nations to compensate Bayoil for demurrage. Mr. Giangrandi also was disputing other outstanding surcharges on an oil contract that Mr. Giangrandi had obtained in Phase VIII from Shakir Al-Khafaji, who is discussed above in Section V.D. According to Mr. Giangrandi, Mr. Al-Khafaji initially had told him that Mr. Al-Khafaji would be exempt from surcharges because of his political connections. When Mr. Al-Khafaji discovered otherwise, Mr. Giangrandi had been forced to increase the premium to \$0.40 so that Mr. Al-Khafaji could cover the surcharge.

²³⁴ Augusto Giangrandi interviews (Apr. 25 and 27-28, 2005); Bayoil record, “CONTRACT CLAUSES TO BE INCLUDED IN F.O.B. PURCHASES OF IRAQI CRUDE OIL FROM UN APPROVED ‘OIL FOR FOOD PROGRAM’” (Mar. 1, 2001); Bayoil record, Bayoil and Italttech contract (Dec. 27, 2000) (relating to M/09/07); Bayoil record, Bayoil and Al-Hoda draft contract (May 29, 2001) (relating to M/09/15).

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According to Mr. Giangrandi, Mr. Al-Khafaji did not pay the surcharge, and the Ministry of Oil unfairly held Italtel responsible for it.²³⁵

5. Surcharge Payments through Al-Hoda

Beginning in Phase IX, Italtel and Bayoil also used Al-Hoda as a conduit for paying surcharges. According to the founder of the company, Riyadh Al-Khawam, Al-Hoda was created in May 2000 for the purpose of executing oil and humanitarian contracts under the Programme. Mr. Al-Khawam stated that his family and the Government of Iraq, through the Ministries of Finance and Oil, shared ownership of the company. During the Programme, Al-Hoda received and sold its own oil allocations, as well as traded oil allocations granted in the names of other beneficiaries.²³⁶

Beginning in Phase IX, Bayoil purchased four million barrels of oil that had been allocated to Al-Hoda. The oil was lifted, financed, and sold by Bayoil under contract M/09/15. As detailed below, Bayoil also financed other Iraqi oil contracts through Al-Hoda. Mr. Al-Khawam stated that Bayoil agreed to pay Al-Hoda a commission of \$0.05 or \$0.06 per barrel as well as additional funds to cover the surcharges owed on contracts. He admitted that Al-Hoda made the actual surcharge payments. According to Mr. Al-Khawam, he discussed payment of the surcharges with a Bayoil employee. Bank records show that, between July 2001 and February 2002, an Al-Hoda bank account received at least \$4.7 million in wire transfers from Bayoil. Within days of each payment, funds totaling \$3.4 million were transferred from the Al-Hoda account to SOMO bank accounts to pay for the surcharges owed on the oil contracts with Bayoil.²³⁷

²³⁵ Augusto Giangrandi interviews (July 24-25, 2005); Italtel record, Augusto Giangrandi letter to Amer Rashid (July 21, 2002); SOMO letter to Amer Rashid (Oct. 10, 2000) (approving contract M/08/117 for five million barrels of oil for “Mix Oil Limited (Shakir Al-Khafaji)”) (translated from Arabic); SOMO sales contracts, nos. M/08/116 (Oct. 3, 2000), M/08/120 (Oct. 30, 2000); Italtel record, Shakir Al-Khafaji handwritten note to Augusto Giangrandi (Feb. 22, 2001). Contract M/08/117 was never executed. Committee oil company table.

²³⁶ Committee oil beneficiary table, contract nos. M/10/106, M/10/22, M/10/68, M/11/40, M/11/93; Committee oil company table, contract nos. M/09/15, M/11/20, M/12/36; Riyadh Al-Khawam interviews (Mar. 29 and May 12, 2005).

²³⁷ Committee oil financier table, contract nos. M/09/15, M/10/106, M/10/22, M/11/20, M/11/93 (combined); Al-Hoda letter to Crédit Agricole Indosuez Suisse S.A., Geneva (Jan. 21, 2002) (naming Bayoil as the backer for a letter of credit); Riyadh Al-Khawam interview (May 5, 2005); Arab Bank record, Al-Hoda account, credit advices (July 23, Aug. 16, Oct. 29, and Dec. 9, 2001, and Jan. 30 and Feb. 12, 2002); Bayoil record, Transaction detail by account (Jan. 1995 to Dec. 2003) (listing payment to Al-Hoda of \$760,801 on February 11, 2002); Jordan National Bank record, SOMO account, credit advices (July 24, Aug. 19, Sept. 5, Nov. 1 and 28, and Dec. 30, 2001, and Jan. 21, Feb. 26, and Mar. 7, 2002). Al-Hoda was also responsible for paying the commissions to the beneficiaries on allocations: \$85,000 to a Syrian government official; \$180,000 to Faras Mustapha Talas, the son of the Syrian Minister of Defense; and \$100,000 to the Society for Austro-Arab Relations. Riyadh Al-Khawam interview (May 5, 2005); Arab Bank record, Al-Hoda account, personal check (Feb. 26, 2002) and bank statement (Dec. 31, 2001)

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Table 3 – Bayoil Payments to Al-Hoda

Contract	Date	Bayoil Payment to Al-Hoda	Date	Al-Hoda Surcharge Payment
M/09/15	July 20, 2001	\$836,860	July 24, 2001	\$627,646
M/09/15	Aug. 15, 2001	\$939,483	Sept. 5, 2001	\$612,706
M/10/106	Dec. 6, 2001	\$887,233	Nov 1, 2001, Dec. 30, 2001	\$619,000
M/10/22 and M/10/68 (combined)	Oct. 26, 2001	\$869,727	Nov. 28, 2001	\$606,787
M/11/40	Jan. 28, 2002	\$419,754	Aug. 19, 2001, Feb. 26, 2002	\$314,816
M/11/20 and M/11/93 (combined)	Feb. 11, 2002	\$760,801	Jan. 21, 2002, Mar. 7, 2002	\$570,601
Totals		\$4,713,858		\$3,351,556

The surcharge dispute on Mr. Al-Khafaji’s contract between Italtch and SOMO remained unresolved. According to Mr. Giangrandi, he was asked to solve the problem after Mr. Chalmers heard that the dispute could interfere with Bayoil’s contracts through Russian companies. In July 2002, in a letter to the Oil Minister, Mr. Giangrandi proposed having Italtch and Bayoil present the Government of Iraq with a bill for demurrage claims and then kick back a percentage of the settlement from the United Nations escrow account to SOMO. In this letter, Mr. Giangrandi also requested another direct oil allocation for Italtch, but the company received no further direct allocations.²³⁸

6. Bayoil and PTSC

In Phases IX and X, Bayoil financed and lifted Iraqi oil under two contracts signed by Petroleum Technical Services Co. (“PTSC”). Surcharges were levied on both of these contracts. According to Mr. Giangrandi, Mr. Chalmers asked him to forward money to the Al Wasel & Babel account in Dubai, noting that Bayoil and Italtch had used this company to pay surcharges in April 2001. Bank records show that, on August 10, 2001, Bayoil wire transferred \$812,386.20 to an Italtch account. Another transfer was made to the Italtch account from an undisclosed payor at United European Bank in the amount of \$475,385.40. Two weeks later, on August 24, 2001, Italtch

(including a handwritten annotation from an Al-Hoda employee noting the payment was for “Firas Tlas”); Arab Bank record, Al-Hoda account, personal check (Oct. 29, 2001) (in favor of Fritz Edlinger).

²³⁸ Augusto Giangrandi letter to Amer Rashid (July 21, 2002); Augusto Giangrandi interviews (July 24-25, 2005).

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wire transferred \$1,092,345 to the account of Al Wasel & Babel at the Commercial Bank. Al Wasel & Babel wrote to SOMO acknowledging receipt of the surcharge. Ministry of Oil records show that, on August 27, 2001, this exact amount was deposited into the SOMO account in two payments (\$624,906 and \$467,439).²³⁹

C. TAURUS

The Taurus Group (“Taurus”), an oil trading consortium based in Europe and the Caribbean, financed the purchase of at least 256 million barrels of oil sold under the Programme.²⁴⁰ Taurus never received a single oil allocation in its own name. Nor did Taurus enter into a single United Nations contract to purchase Iraqi oil. But like Bayoil, Taurus entities financed letters of credit and arranged for the loading and resale of oil under the contracts of other companies. Taurus purchased much of its Iraqi oil from Russian contracting companies. Taurus also used Aredio Petroleum S.A.R.L. (“Aredio”), a French-based company, to purchase oil allocated in the names of individual beneficiaries. Eventually, Taurus began using two front companies created in Liechtenstein—Fenar Petroleum Ltd. (“Fenar”) and Alcon Petroleum Ltd. (“Alcon”)—to trade Iraqi crude oil.

During the Phase IX exporting crisis, Taurus managed to purchase 14 percent of the Iraqi crude oil sold in that phase through Alcon and Fenar.²⁴¹ Taurus continued using these companies to purchase significant amounts of oil in other surcharge phases as well. Most of the surcharges assessed on the Alcon and Fenar contracts were paid by wire transfers from two bank accounts in the names of Petrocorp AVV (“Petrocorp”) and Jabal Petroleum SAL (“Jabal”). Most of the funds covering the transfers were deposited in these two bank accounts by Taurus, Alcon, and Fenar. Additionally, when surcharges were first introduced, Taurus covered surcharges imposed

²³⁹ SOMO sales contract, nos. M/09/126 (May 14, 2001), M/10/14 (July 12, 2001); Committee oil company and financier tables, contract nos. M/09/126, M/10/14; Augusto Giangrandi interviews (Apr. 25 and 27-28, 2005); Merrill Lynch (Suisse) S.A. record, Italtech account (under the name of ‘Mantova’), credit advice (Aug. 10, 2001), bank statement (Sept. 28, 2001), and debit advice (Aug. 24, 2001); Augusto Giangrandi letter to Merrill Lynch (Suisse) S.A. (Aug. 21, 2001) (requesting transfer of \$1,092,345 to Al Wasel & Babel); Abdullah Lootah letter to Augusto Giangrandi (Aug. 27, 2001) (confirming receipt of \$1,092,345); Al Wasel & Babel letter to SOMO (Aug. 27, 2001).

²⁴⁰ Committee oil financier table, contract nos. M/04/01, M/04/19, M/04/21, M/04/37, M/05/11, M/05/12, M/05/25, M/05/45, M/05/66, M/06/15, M/06/18, M/06/21, M/06/56, M/06/69, M/06/73, M/07/07, M/07/14, M/07/20, M/07/24, M/07/40, M/07/81, M/07/95, M/08/02, M/08/35, M/08/37, M/08/38, M/08/47, M/08/55, M/08/56, M/08/65, M/08/67, M/08/82, M/08/86, M/08/102, M/09/01, M/09/04, M/09/17, M/09/23, M/09/25, M/09/35, M/09/38, M/09/47, M/09/64, M/09/115, M/09/118, M/10/03, M/10/07, M/10/09, M/10/17, M/10/33, M/10/38, M/10/59, M/10/71, M/10/80, M/10/82, M/10/84, M/10/86, M/10/87, M/10/94, M/10/96, M/11/10, M/11/21, M/11/43, M/11/61, M/11/65, M/11/67, M/11/80, M/11/115, M/11/118, M/12/05, M/12/14, M/12/29, M/12/35, M/12/39, M/12/51, M/12/63, M/12/120, M/12/122, M/13/07, M/13/17, M/13/19, M/13/48, M/13/75.

²⁴¹ Committee oil financier table, contract nos. M/09/01, M/09/04, M/09/35.

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on three oil contracts held by three Russian companies, Zangas, Zarubezhneft, and Machinoimport, by directly wiring money to SOMO bank accounts.

1. Ben Pollner and Martin Schenker

During the Programme, Taurus financed oil purchases through the Swiss bank accounts of two Taurus entities: Taurus Petroleum Nassau (“Taurus Nassau”) and Taurus Petroleum Nevis (“Taurus Nevis”). Both companies were founded by Ben Pollner, a United States national and director of Taurus. At the time Taurus was participating in the Programme, Mr. Pollner was the beneficial owner of Taurus Nassau and shared ownership of Taurus Nevis with his children through a Delaware-based holding company. He held power of attorney over both companies and was one of only two signatories to company accounts in Swiss banks.²⁴² Prior to founding Taurus in 1993, Mr. Pollner worked at Bayoil where he developed a close relationship with Mr. Chalmers, which he maintained after leaving. In the early years of the Programme, Mr. Chalmers

²⁴² BNP record, Credit proposal for Taurus Petroleum (Oct. 15, 2001) (noting the ownership structure of the Taurus Group); UEB Geneva record, Taurus Nevis account, Taurus Petroleum (USA) LLC fax to UEB (Dec. 12, 2000) (noting the shareholders of Taurus Petroleum); ING Bank Geneva record, Taurus Nevis account, “Background of the Company” (June 23, 2004) (noting Ben Pollner as the “founder and the main driving force of the Taurus Group” and noting Ben Pollner’s transfer of ownership of Taurus Petroleum (USA) LLC to his children, Amy Pollner and Edward Pollner); UEB Geneva record, Taurus Nevis account, Taurus Petroleum resolutions (Dec. 16, 2002) (noting that Taurus Petroleum “owns all of the issued and outstanding stock” in Taurus Nevis); Martin Schenker letter to Switzerland Observer Mission (May 6, 1998) (noting Ben Pollner as “responsible for all commercial activities of the Taurus Group”); UEB Geneva record, Taurus Nassau account, incorporation documents (Aug. 6, 1998); Banque Bruxelles Lambert Geneva record, Taurus Nevis account, incorporation documents (June 13, 1996); UEB Geneva record, Taurus Nassau account, account documents (Oct. 1998); Banque Bruxelles Lambert Geneva record, Taurus Nassau account, account documents (June 2001); Banque Paribas (Suisse) record, Taurus Nassau account, account documents (Jan. to July, 1999); Credit Suisse Geneva record, Taurus Nassau account, account documents (Sept. to June, 2000); UEB Geneva record, Taurus Nevis account, account documents (Mar to Oct. 2001); Banque Bruxelles Lambert Geneva record, Taurus Nevis account, account documents (June 2001); Credit Suisse Geneva record, Taurus Nevis account, account documents (June to July, 2001); BNP Geneva record, Taurus Nassau account, account documents (Jan. to July 1999); Credit Suisse Geneva record, Taurus Nassau account, power of attorney (Aug. 14, 1998) (appointing Ben Pollner and Martin Schenker “to purchase, transfer, sell, lease pledge, mortgage, encumber or dispose of in any way or manner . . . the property of the company”); UEB Geneva record, Taurus Nevis account, power of attorney (June 13, 1996) (appointing Ben Pollner to “execute, sign, enter into, acknowledge, perfect and do all such deeds, agreements, instruments, acts and things as shall be requisite for or in relation to all or any of the purposes the company deems necessary or required including but not limited to open, operate, manage and close bank accounts”). In January 2003, Taurus Nevis changed domicile to Switzerland. UEB Geneva record, Taurus Nevis account, Taurus Petroleum (USA) LLC resolutions (Dec. 16, 2002) (resolving that the corporate domicile of Taurus Nevis would be transferred to Switzerland); UEB Geneva record, Taurus Nevis account, endorsement certificate (Jan. 3, 2003) (certifying that, on January 3, 2003, the domicile of Taurus Nevis was transferred to a foreign jurisdiction).

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and Mr. Pollner frequently discussed the distribution of Iraqi oil with each other and with other traders in the oil industry.²⁴³

Mr. Pollner's closest associate in Programme-related activities was Mr. Schenker, who joined the Taurus Group in 1994. Mr. Schenker has been described as the Director of Finance and Administration of Taurus and "a close personal friend" of Mr. Pollner. He was, along with Mr. Pollner, the other individual signatory to Taurus Nassau's and Taurus Nevis's accounts in Swiss banks, and he had power of attorney over Taurus Nassau.²⁴⁴ In February 1999, Mr. Schenker, along with a French national, Jean-Loup Michel, formed Aredio to acquire oil sold through the Programme.²⁴⁵

2. Taurus Surcharge Payments on Three Russian Contracts

Between Phases IV and XIII, Taurus purchased over 106 million barrels of oil under contracts with Russian companies. It financed at least 92 letters of credit for seven companies, namely Machinoimport, Neftegazexport, Rosneftgazexport, Rosnefteimpex, Sidanco, Zangas, Zarnestservice, and Zarubezhneft. When the Government of Iraq initially demanded surcharges in the autumn of 2000, Taurus was involved in oil transactions with Zangas, Zarubezhneft, and Machinoimport. In the middle of Phase VIII, surcharges were imposed on the oil lifted by Taurus under these contracts.²⁴⁶

²⁴³ Stasby/Wilson, *Petroleum Suppliers: Americas* (Apr. 1992, 28 ed.), p. B41 (noting Ben Pollner as Senior Vice-President of Bayoil (U.S.A.) Inc.); Augusto Giangrandi interviews (Apr. 25-28, 2005); Michel Tellings interview (Oct. 14, 2004); ING Bank Geneva record, Taurus Nevis account, "Background of the Company" (June 23, 2004).

²⁴⁴ Credit Suisse Geneva record, Phillippe Renevey memorandum to Bernhard Lippuner (May 5, 2004) (noting Martin Schenker as "CFO" of Taurus); Martin Schenker letter to Switzerland Observer Mission (May 6, 1998) (noting Martin Schenker as "Director of Finances and Administration, Taurus S.A."); Credit Suisse Geneva record, Taurus Nassau account, power of attorney (Aug. 14, 1998); BNP record, Aredio account, account administration documents (May 1999 to Jan. 2002). Mr. Renevey and Mr. Lippuner are both officers of Credit Suisse Geneva. Credit Suisse Geneva record, Phillippe Renevey memorandum to Bernhard Lippuner (May 5, 2004).

²⁴⁵ BNP Geneva record, Aredio account, articles of incorporation (Feb. 19, 1999) (reflecting that Mr. Michel controlled just over 50 percent of Aredio's shares, with the remainder controlled by Mr. Schenker). Opening documents for Aredio's account at BNP Geneva noted that Mr. Michel, like Mr. Schenker, was a close friend of Mr. Pollner. In a letter appended to opening documentation for Aredio's account at UEB Geneva, two bank officers noted that Mr. Schenker had, "for personal reasons," not wanted his name to appear on a form identifying the beneficial owner of Aredio. BNP Geneva record, Aredio account, account opening documents, "Annexe au formulaire 'A'" (May 7, 1999) (translated from French).

²⁴⁶ Committee oil financier table, contract nos. M/04/19, M/05/11, M/06/21, M/07/20, M/08/37, M/12/51, M/13/17, M/10/07, M/11/21, M/12/05, M/09/25, M/04/37, M/06/56, M/04/21, M/05/25, M/06/15, M/07/14, M/08/38, M/12/29, M/04/01, M/05/12, M/06/18, M/07/07, M/07/81, M/08/02, M/08/82, M/08/86, M/11/115; Committee oil company table, contract nos. M/08/37, M/12/51, M/10/07, M/11/21, M/12/05, M/08/38, M/12/29, M/08/02, M/08/86, M/11/115.

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In Phase VIII, Zangas entered into a contract to purchase six million barrels of oil. Taurus Nassau financed at least two of the five liftings of Zangas's oil contract. Ministry of Oil records show that surcharges in the amounts of \$230,220 and \$37,500 were levied on these two Taurus-financed liftings.²⁴⁷

Taurus Nassau paid the first surcharge on contract M/08/38 directly to a SOMO account. On September 18, 2000, four days after a Taurus-financed lifting occurred, Mr. Schenker sent a fax directing UEB Geneva to transfer \$230,221 from a Taurus Nassau account to a SOMO account at Fransabank. Mr. Schenker requested that UEB Geneva not mention Taurus in connection with the transfer of funds. The instructions on the fax requested to “[k]indly effect this payment without any mention to Taurus Petroleum Ltd. - and effect it by one of our customers only.” Ministry of Oil and bank records reflect that the wire transfer from Taurus was used to satisfy the first surcharge obligation on the Zangas contract.²⁴⁸ The surcharge on the second lifting by Taurus was paid through Zangas.²⁴⁹

²⁴⁷ SOMO sales contract, no. M/08/38 (June 23, 2000) (contracting with Zangas); Committee oil financier table, contract no. M/08/38 (showing that Taurus financed liftings of 2,302,209 barrels and 375,000 barrels); Committee oil surcharge table, contract no. M/08/38 (showing surcharge payments of \$230,220.90 on September 2, 2000 and \$73,210 on June 14, 2001); Records of SOMO surcharge invoices (Sept. 14 and Nov. 16, 2000) (showing \$230,220 levied on 2,302,209 barrels and \$37,500 on 375,000 barrels under contract M/08/38, both rates of \$0.10 per barrel) (translated from Arabic).

²⁴⁸ SOMO bill of lading, bbl/2953 (Sept. 14, 2000) (reflecting the lifting of 2,302,209 barrels in relation to contract M/08/38); UEB Geneva record, Taurus Nassau account, payment order (Sept. 18, 2000); UEB Geneva record, Taurus Nassau account, bank statement (Sept. 30, 2000); Committee oil surcharge table, contract no. M/08/38 (noting a surcharge of \$230,221 paid into SOMO's Fransabank account from United European Bank); Records of SOMO surcharge invoices (Sept. 14, 2000) (translated from Arabic) (showing \$230,220 levied on 2,302,209 barrels under M/08/38).

²⁴⁹ SOMO record, Iraq Embassy in Moscow payment receipt, no. 14 (June 14, 2001) (translated from Arabic) (reflecting Zangas's payment of \$73,210 to the Embassy of Iraq in Moscow in connection with contract M/08/38); Committee oil surcharge table, contract no. M/08/38 (noting a surcharge of \$73,210 paid to the Embassy of Iraq in Moscow by Zangas); BNP Geneva record, Taurus Nassau account, bank statement (June 30, 2000) (reflecting a payment of \$73,519 to “JSC ‘ZANGAS’”). From these records, it appears that Taurus also may have provided funds for a third surcharge payment of \$35,706 for 357,063 barrels lifted under contract M/08/38. Records of SOMO surcharge invoices (Sept. 22, 2000) (showing \$35,706 levied on 357,063 barrels under M/08/38).

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TAURUS PETROLEUM LTD - BAHAMAS

A CLASSER TR FACSIMILE TRANSMISSION
CORRESPONDENCE OFFICE:
c/o Taurus Petroleum S.A.
29, Rue de la Rôtisserie, 1204 GENEVA
TEL 4122/310 35 51 FAX 311 30 16 TELEX 412052 TAUR CH

DATE: September 18, 2000
TO: UNITED EUROPEAN BANK - GENEVA C. FROIS
ATTN: Michael Koch / Mathieu Durleman
FAX: 732 3002

FROM: Martin Schenker
TOTAL PAGES (INCL THIS COVER SHEET): 2
IF YOU DO NOT RECEIVE ALL PAGES PROPERLY PLEASE PHONE ON ABOVE TEL No

PAYMENT ORDER

Kindly arrange for the following transfer by debit of Taurus Petroleum Ltd, Bahamas acc 77970-9k (US\$)

1. AMOUNT: US\$ 230'220,90

2. BANK: ST (FRANSABANK SAL, HAMRA BRANCH,) idem
BEIRUT, LEBANON

3. ACCOUNT: Y.O. 2154

4. BENEFICIARY: FRANSABANK SAL

5. REFERENCE:

6. VALUE DATE: September 18th, 2000

~~DO NOT EFFECT THIS PAYMENT WITHOUT ANY MENTION TO TAURUS PETROLEUM LTD AS AGENT FOR TAURUS PETROLEUM LTD. THIS IS THE POLICY OF OUR CUSTOMERS ONLY.~~

MANY THANKS AND BEST REGARDS
TAURUS PETROLEUM S.A.
AS AGENT FOR
TAURUS PETROLEUM LTD

OKD

Figure: Martin Schenker letter to UEB Geneva (Sept. 18, 2000).

In Phase VIII, Zarubezhneft entered into a contract to purchase approximately 15 million barrels of oil. Taurus Nassau financed at least five of the eleven letters of credit issued in connection with this contract. Two of the five Taurus-financed lifts had surcharges imposed on them in amounts of \$96,302 and \$105,000, respectively. Again, Taurus Nassau directly paid these surcharges into an account controlled by SOMO. In late October 2000, nine days before these two Taurus-financed liftings occurred, Taurus Nassau transferred \$200,000 from its UEB Geneva bank account into a SOMO account at Fransabank. On this occasion, Taurus Nassau was identified in the wire transfer document. The wire transfer details also included information that the transfer related to “loading fees” purportedly incurred by the *New Vitality*, the vessel used for the two liftings on which total surcharges of \$201,302 had been imposed. Ministry of Oil records

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reflect that this wire transfer from Taurus was used to satisfy Zarubezhneft's surcharge obligations under contract M/08/02.²⁵⁰

Finally, in Phase VIII, Machinoimport entered into a contract to purchase approximately seven million barrels of oil. Taurus Nassau financed at least four of the six letters of credit issued in connection with this contract. Surcharges were levied on two of these four Taurus-financed liftings in amounts of \$130,000 and \$161,985, respectively. As it had with the Zangas and Zarubezhneft contracts, Taurus Nassau paid the surcharges on these liftings directly to SOMO. On October 16, 2000, one day before one of the two liftings occurred, Taurus issued a wire transfer in the amount of \$130,000 to a SOMO account at Fransabank. Ministry of Oil records show that the wire transfer was applied as a surcharge payment on contract M/08/37. On October 25, 2000, Taurus transferred \$160,000 to a SOMO account to cover the surcharge imposed on the second lifting. As with the Zangas surcharge payment, the wire transfers to the SOMO account did not identify Taurus's name and included information that the transfers were for "loading fees."²⁵¹

3. Taurus and the Creation of Alcon and Fenar

In 1999 and again in 2000, Mr. Schenker hired ReviTrust, a Liechtenstein financial services firm, to form two companies: Fenar and Alcon. Fenar was incorporated on June 15, 1999. Mr. Schenker directed ReviTrust to name Musbah Ladki as the beneficial owner of Fenar.²⁵² The

²⁵⁰ SOMO sales contract, no. M/08/02 (June 21, 2000) (contracting with Zarubezhneft); Committee oil surcharge table, contract no. M/08/02 (noting surcharges of \$200,000 paid to Fransabank by "Taurus Petroleum"); Records of SOMO surcharge invoices (Nov. 4 and 16, 2000) (translated from Arabic) (showing \$96,302 levied on 963,022 barrels and \$105,000 levied on 1,050,000 barrels under M/08/02); Committee oil financier table, contract no. M/08/02 (showing Taurus financing liftings of 963,022 barrels and 1,050,000 barrels); UEB Geneva record, Taurus Nassau account, bank statement (Oct. 31, 2000) (reflecting a debit of \$200,019); Fransabank record, SOMO account, SWIFT message (Oct. 26, 2000) (reflecting a payment of \$200,000); SOMO bills of lading, ck/4919 (Part 1) and ck/4919 (Part 2) (Nov. 4, 2000) (identifying the *New Vitality* as having lifted 1,050,000 and 963,022 barrels).

²⁵¹ SOMO sales contract, no. M/08/37 (June 23, 2000) (contracting with Machinoimport); Committee oil financier table, contract no. M/08/37 (showing that Taurus financed liftings of 900,000 barrels, 1,092,607 barrels, 1,619,856 barrels and 1,300,000 barrels); Records of SOMO surcharge invoices (Sept. 4 and Oct. 17, 2000) (showing \$161,985 levied on 1,619,856 barrels and \$130,000 levied on 1,300,000 barrels under M/08/37); UEB Geneva record, Taurus Nassau account, bank statement (Oct. 31, 2000) (reflecting debits of \$130,019 and \$160,024.76); Fransabank record, SOMO account, SWIFT message (Oct. 16, 2000) (reflecting a payment of \$130,000); Fransabank record, SOMO account, SWIFT message (Oct. 25, 2000) (reflecting a payment of \$160,000); SOMO bills of lading, bbl/2943 (Sept. 4, 2000) (identifying the *Violet* as having lifted 1,619,856 barrels), bbl/2982 (Oct. 17, 2000) (identifying the *Berge Ingerid* as having lifted 1,300,000 barrels); Committee oil surcharge table, contract no. M/08/37 (noting surcharges of \$160,000 and \$130,000 paid to Fransabank by United European Bank).

²⁵² Patrick Hilty interview (Apr. 13, 2005); BNP Geneva record, Fenar Petroleum account, articles of incorporation (June 15, 1999). Mr. Hilty is President of ReviTrust and personally oversaw the creation of both Fenar and Alcon. In the course of his interview, Mr. Hilty described the actions of the beneficial owners of Fenar and Alcon, but did not provide the identities of these persons. Patrick Hilty interview

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following year, Niels Troost, a senior employee of Taurus Petroleum Services Limited (“Taurus London”) had power of attorney and signed SOMO contracts on behalf of Fenar for a six-month period.²⁵³ Mr. Schenker then requested that ReviTrust create another company. Alcon was incorporated on November 9, 2000. Mr. Schenker instructed ReviTrust to name Amr Abdul Sattar Bibi as Alcon’s director and beneficial owner. Prior to his involvement with Alcon, Mr. Bibi had been a trader with Taurus. In connection with both incorporations, Mr. Schenker introduced Mr. Ladki and Mr. Bibi to the president of ReviTrust as “business partners” of Taurus who were able to obtain Iraqi crude oil but needed financing for the transactions.²⁵⁴

After being installed as the legal owner of Alcon, Mr. Bibi traveled on numerous occasions to Baghdad to negotiate oil contracts with SOMO on behalf of the company. Iraq officials involved in the oil contracts stated that they understood Taurus was using Fenar and Alcon as front companies to purchase Iraqi crude oil. According to Iraqi officials, on several occasions, Mr. Pollner, as well as Andrew Walker, Taurus’s General Manager of crude and products trade, accompanied Mr. Bibi to SOMO to discuss allocations and the payment of surcharges.²⁵⁵

(Apr. 13, 2005). The Committee was able to identify independently the beneficial owners of the two companies through official correspondence from the government of Liechtenstein and through documentation contained in bank records. Liechtenstein Financial Intelligence Unit letter to the Committee (Dec. 2, 2004); BNP Geneva record, Fenar account, account administration documents (July 2001); BNP Geneva record, Alcon account, account administration documents (July 2001).

²⁵³ Martin Schenker letter to Switzerland Observer Mission (May 6, 1998) (noting Niels Troost as “active in the international crude trade as well as managing [Taurus’s] internal Russian business”); Banque Bruxelles Lambert Geneva record, Taurus Nevis account, power of attorney (Aug. 14, 2000) (empowering Mr. Troost to “sign and conclude contracts on behalf of the company [Fenar], especially to sign and to conclude contracts for Iraqi crude”). Two days after this power of attorney was authorized by Mr. Hilty, Mr. Troost signed Fenar’s first contract. SOMO sales contract, no. M/08/67 (Aug. 16, 2000) (contracting with Fenar). On December 12, 2002, Mr. Troost received \$100,025 out of Taurus Nevis’s Banque Bruxelles Lambert account. Banque Bruxelles Lambert Geneva record, Taurus Nevis account, bank statement (Dec. 31, 2002).

²⁵⁴ Patrick Hilty interview (Apr. 13, 2005); BNP Geneva record, Alcon account, articles of incorporation (July 2, 2001); BNP Geneva record, Alcon account, account opening documents (July 2001) (reflecting Mr. Bibi’s prior association with Taurus). In November 2001, Mr. Bibi left Alcon in order to assume responsibilities as a full-time employee of Western Petroleum. In January 2002, he was succeeded as beneficial owner by Ali Ozer Balicki, a Turkish national who lived in Iraq for 18 years and had received a diploma from the University of Baghdad. Opening documentation for Alcon’s BNP Geneva account also noted Mr. Balicki as having been introduced to the bank by Martin Schenker. Patrick Hilty interview (Apr. 13, 2005); BNP Geneva record, Alcon account, account opening documents (Jan. 25, 2002) (supplemental form) (reflecting that Mr. Balicki assumed beneficial ownership of Fenar on January 25, 2002). Mr. Bibi was also affiliated with the Turkish firm Delta Petroleum Products Trading Company (“Delta”), and signed for Delta on the company’s contracts with SOMO. SOMO sales contracts, nos. M/01/29 (Feb. 17, 1997), M/02/07 (Aug. 9, 1997), M/03/24 (Jan. 12, 1998), M/07/38 (Dec. 14, 1999), M/08/47 (June 25, 2000) (all contracting with Delta Petroleum).

²⁵⁵ Iraq officials interviews; Martin Schenker fax to Switzerland Observer Mission (May 6, 1998) (noting Mr. Walker as the General Manager of Taurus’s crude and products trade).

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Beginning in Phase VIII, Fenar began receiving oil allocations in its own name and Alcon received allocations in the name of Amr Bibi. Alcon and Fenar also contracted to purchase oil allocated in the names of various individuals based in Europe and the Middle East, as well as from an Indian company, Reliance Petroleum.²⁵⁶

During this initial period, the front companies did not have their own bank accounts. As will be discussed below, Taurus not only financed letters of credit for the oil contracts, but also funded the payment of surcharges through its own corporate bank accounts. In July 2001, after both companies had been formed and surcharges had been imposed by the Government of Iraq, Mr. Schenker directed ReviTrust to open bank accounts for Alcon and Fenar at BNP Geneva.²⁵⁷ In the opening account records, BNP documented the relationship between Taurus and Fenar as it had been explained to the bank:

This spring our client Taurus Petroleum Ltd introduced us to Mr. Ladki, with whom [Taurus] has entered into business relations under the Oil for Food Programme in Iraq. Taurus Petroleum ceded the company Fenar Petroleum to Mr. Ladki.²⁵⁸

The opening records also showed that according to Taurus, although it claimed to have “ceded” its ownership of Fenar to Mr. Ladki, it had retained Fenar’s rights to oil contracts under the Programme:

Mr. Ladki was introduced to us by our client Taurus Petroleum Ltd. Indeed, since the month of March, Fenar Petroleum has ceded to Taurus its contracts for the sale of Iraqi crude.²⁵⁹

Other connections also linked Alcon and Fenar with Taurus. One of the United Nations contracts with Fenar noted a “corresponding address” for the company at 5 Prince’s Gate in London—the same address used by the offices of Taurus London, another Taurus entity of which Mr. Pollner

²⁵⁶ Committee oil company table, contact nos. M/08/67, M/09/01, M/09/04, M/09/35), M/10/03, M/10/09, M/10/17, M/10/59, M/10/96, M/11/25, M/11/43, M/11/65, M/11/67, M/12/35, M/12/39, M/13/07, M/13/19.

²⁵⁷ Patrick Hilty interview (Apr. 13, 2005); BNP Geneva record, Fenar account, account opening documents (July 2, 2001); BNP Geneva record, Alcon account, account opening documents (July 2, 2001) (indicating that Mr. Bibi was introduced to the bank by Martin Schenker).

²⁵⁸ BNP Geneva record, Fenar account, account opening documents (July 2, 2001) (translated from French).

²⁵⁹ Ibid.

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was the director.²⁶⁰ In addition, in December 2001, websites were created for both Fenar and Alcon. These websites were both registered under the name of a Pollner family member.²⁶¹

4. Taurus Financed Oil Contracts Involving Alcon and Fenar

Between Phases VIII and XIII, Fenar entered into contracts directly with SOMO to purchase approximately 54 million barrels of oil. During the same period, Alcon purchased about 64 million barrels of oil. Taurus Nassau and Taurus Nevis collectively financed at least 73 of the 94 liftings made in connection with all of the Alcon and Fenar contracts. The Committee has not found any records indicating that either Alcon or Fenar financed any of their own letters of credit for oil liftings. Nor do Alcon and Fenar appear to have any financial resources independent of Taurus that would have made them eligible for bank financing on the oil contracts.²⁶²

As a general practice, Taurus Nassau and Taurus Nevis drew upon their accounts at various Swiss banks, including Credit Suisse, Banque Bruxelles Lambert SA, and BNP/UEB, to finance the oil contracts. For each letter of credit, the banks obtained a power of attorney authorizing Taurus Nassau or Taurus Nevis to act on behalf of Alcon or Fenar with regard to that particular transaction. The banks were instructed by Taurus employees to open letters of credit.²⁶³

²⁶⁰ SOMO sales contract, no. M/08/67 (Aug. 16, 2000) (contracting with Fenar); United Kingdom Mission letter to 661 Committee Chairman (May 12, 1995) (noting 5 Prince's Gate, London, as the address of Taurus London); United Kingdom Companies House record, Taurus London annual return (Sept. 29, 2003) (noting Mr. Pollner as Director of Taurus London).

²⁶¹ Register.com, "WHOIS lookup," http://premiere.register.com/whois_lookup.cgi (showing registration information on <http://www.fenarpetroleum.com> and <http://www.alconpetroleum.com>).

²⁶² Committee oil company and financier tables, contract nos. M/08/67, M/09/04, M/10/09, M/10/96, M/11/65, M/11/67, M/12/39, M/13/07, M/09/01, M/09/35, M/10/03, M/10/17, M/10/59, M/11/25, M/11/43, M/12/35, M/13/19; BNP Geneva record, Fenar account, bank statements (July 12, 2001 to May 31, 2004) and credit advices (Sept. 17, 2001 to Oct. 27, 2003) (reflecting that all funds received into Fenar's account were from Taurus Nevis); BNP Geneva, Alcon account, bank statements (July 14, 2001 to Dec. 31, 2003) and credit advices (Aug. 28, 2001 to Oct. 27, 2003) (reflecting that all but \$644,769 of the funds received into Alcon's account were from Taurus Nevis).

²⁶³ Patrick Hilty interview (Apr. 13, 2005) (stating that Taurus provided financing for all of Fenar's and Alcon's letters of credit and that letters conferring power of attorney on a Taurus entity were sent to BNP Geneva in connection with each letter of credit issued in the name of Alcon and Fenar); BNP Geneva record, Alcon account, bank statements (Aug. 2001 to Dec. 31, 2003) (reflecting that Alcon did not finance any letters of credit); BNP Geneva record, Fenar account, bank statements (Sept. 2001 to May 2004) (reflecting that Fenar did not finance any letters of credit); Committee oil financier table; Banque Bruxelles Lambert Geneva record, Niels Troost letter to Banque Bruxelles Lambert Geneva (Nov. 14, 2000) (referring to Mr. Troost as an office of Fenar and authorizing Banque Bruxelles to issue a letter of credit "us[ing] our [Fenar's] name in the issuance of this documentary credit as instructed by and under the full responsibility of Taurus Petroleum Ltd.").

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5. The Surcharge Phases

When the Iraqi Ministry of Oil was in need of oil purchasers in the face of mandatory surcharges imposed in the end of 2000, Taurus used Alcon and Fenar to purchase over 47 million barrels of oil in Phase IX. Consequently, Liechtenstein companies—which had not participated in the Programme prior to Fenar’s first contract—became the largest purchasers of Iraqi oil during Phase IX, exceeding even Russian and French firms. In the subsequent surcharge phases, Alcon and Fenar purchased an additional 55.1 million barrels of oil. Ministry of Oil and bank records show that the surcharges assessed and paid on the Alcon and Fenar contracts totaled over \$26 million.²⁶⁴

6. Taurus Funded the Surcharges on the Alcon and Fenar Contracts

Most of the surcharges imposed on Alcon and Fenar contracts were paid through wire transfers from two accounts in the names of Petrocorp and Jabal at First National Bank in Lebanon (“First National Bank”). On opening bank records, Mr. Ladki, the same individual named by Taurus as the beneficial owner of Fenar, was named as the founder and owner of Petrocorp and Jabal and the sole signatory to both companies’ bank accounts. The Petrocorp bank account was opened in August 2000, and the Jabal bank account in March 2001. From the time that the accounts were opened until they became inactive in December 2002, they were funded primarily by Taurus or entities controlled by Taurus. Taurus Nassau, Fenar, and Alcon transferred at least \$27.6 million of the total of about \$32.6 million deposited in the Jabal and Petrocorp bank accounts.²⁶⁵

As described below, the Alcon and Fenar surcharges were generally paid in three different ways: (1) out of the Jabal and Petrocorp accounts with funding from Taurus Nassau; (2) out of the Jabal and Petrocorp accounts with funding from Alcon and Fenar; and (3) out of a personal account belonging to Mr. Ladki, with funding from Jabal and Petrocorp.

Prior to the opening of the Alcon and Fenar accounts, Taurus entities transferred money directly to the Petrocorp and Jabal accounts for subsequent transfers to a SOMO account. Between January and July 2001, Taurus Nassau directly transferred over \$9.2 million to Petrocorp’s

²⁶⁴ “Programme Management Report,” vol. II, p. 32; Committee oil company, financier, and surcharge tables, contract nos. M/08/67, M/09/04, M/10/09, M/10/96, M/11/65, M/11/67, M/12/39, M/13/07; M/09/01, M/09/35, M/10/03, M/10/17, M/10/59, M/11/25, M/11/43, M/12/35, M/13/19.

²⁶⁵ First National Bank record, Jabal account, account opening documents (Mar. 30, 2001); First National Bank record, Petrocorp account, account opening documents (Aug. 10, 2000); Banque Bruxelles Lambert Geneva record, Taurus Nassau account, debit advices (Feb. 7 to June 28, 2001); Credit Suisse record, Taurus Nassau account, debit advices (Jan. 23 to July 2, 2001); UEB Geneva record, Taurus Nassau account, bank statements (Jan. 31, Apr. 30, May 31, and June 30, 2001); BNP Geneva record, Fenar account, debit advices (Sept. 25, 2001 to Nov. 29, 2002); BNP Geneva record, Alcon account, debit advices (Aug. 31, 2001 to Nov. 16, 2002); Lebanon Financial Intelligence Unit record, Lebanon Department of Examiners and Investigators report (June 28, 2005) (translated from Arabic) (reflecting the total funds received by the Jabal and Petrocorp accounts).

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account and over \$4 million to Jabal's account through a series of wire transfers. Taurus Nassau was identified on the debit advices showing the withdrawals from its account, but it was not identified as the source of the funds on most of the actual wire transfer documents showing the money being deposited in the Jabal and Petrocorp accounts.²⁶⁶ Each wire transfer included a reference to a vessel chartered for the loading and transit of oil purchased under the Programme. Most of the vessels referenced in the wire transfers had shipped oil nominally purchased by either Alcon or Fenar, and the other vessels had shipped oil under contracts with Aredio, Zangas, and Zerich GmbH, a Swiss company that had oil contracts financed by Taurus Nassau. Most of the wire transfer payments equaled an amount of \$0.25—a SOMO surcharge rate—per barrel lifted by the vessels.²⁶⁷

²⁶⁶ Banque Bruxelles Lambert Geneva record, Taurus Nassau account, debit advices (Feb. 7 to June 28, 2001); Credit Suisse record, Taurus Nassau account, debit advices (Jan. 23 to July 2, 2001); UEB Geneva record, Taurus Nassau account, bank statements (Jan. 31, Apr. 30, May 31, and June 30, 2001); First National Bank record, Petrocorp account, credit advices (Jan. 24, 2001 to June 30, 2001); First National Bank record, Jabal account, credit advices (Apr. 21 to July 4, 2001).

²⁶⁷ Banque Bruxelles Lambert Geneva record, Taurus Nassau account, debit advices (Feb. 7 to June 28, 2001) (referencing the *Berge Odel*, *New Vitality*, *Nord Millenium*, *Berge Tokyo*, *Berge Ingerid*, *Crude Med*, *Dorset*, *Murex*, *Crude Sky*, *Front Commander*, and *Opalia*); Credit Suisse record, Taurus Nassau account, debit advices (Jan. 23, 2001 to July 2, 2001) (referencing the *Diamond Iris*, *Eliki*, *Eaton*, *Berge Tokyo*, *Berge Phoenix*, *Crude Sky*, *Berge Helene*, *Jin Hua*, *Front Archer*, *Minerva Nounou*, and *Oriental Ruby*); UEB Geneva record, Taurus Nassau account, bank statements (Jan. 31, Apr. 30, May 31, and June 30, 2001); First National Bank record, Petrocorp account, credit advices (Jan. 24 to June 1, 2001) (referencing the *Crude Traveller*, *Panormos*, *Neon*, *Equatorial Lion*, *Crude Ena*, *Stena Companion*, *Nord Bay*, *Sailor*, *Crude Star*, and *Nord Millenium*); First National Bank record, Jabal account, credit advices (May 11 and June 25, 2001) (referencing the *Soro*, *Swan Sea*, *Nissos Christiana*, *Olympic Loyalty*, and *Rome*); SOMO commercial invoices, b/35/2001 (Mar. 9, 2001), b/34/2001 (Mar. 8, 2001), c/20/2001 (Mar. 12, 2001), c/10/2001 (Feb. 15, 2001), b/10/2001 (Jan. 26, 2001), b/3/2001 (Jan. 13, 2001), b/98/2001 (May 29, 2001), b/101/2001 (June 1, 2001), b/72/2001 (May 23, 2001), b/72/2001 (Apr. 23, 2001) c/52/2001 (Apr. 24, 2001), b/70/2001 (Apr. 21, 2001), b/55/2001 (Apr. 5, 2001), c/45/2001 (Apr. 9, 2001), c/40/2001 (Apr. 4, 2001), c/36/2001 (Mar. 30, 2001), b/97/2001 (May 25, 2001), b/87/2001 (May 13, 2001), c/62/2001 (May 6, 2001), c/66/2001 (May 11, 2001), c/67/2001 (May 12, 2001), b/49/2001 (Mar. 29, 2001), b/51/2001 (Mar. 31, 2001), c/41/2001 (Apr. 4, 2001), c/32/2001 (Mar. 26, 2001), c/13/2001 (Feb. 23, 2001), c/9/2001 (Feb. 15, 2001), b/18/2001 (Feb. 3, 2001), b/94/2001 (May 24, 2001), b/58/2001 (Apr. 9, 2001), b/54/2001 (Apr. 4, 2001), b/31/2001 (Mar. 5, 2001), b/19/2001 (Feb. 12, 2001), b/305/2000 (Oct. 8, 2000), b/282/2000 (Sept. 22, 2000), b/373/2000 (Dec. 16, 2000), b/372/2000 (Dec. 15, 2000), b/78/2001 (Apr. 30, 2001) (reflecting that the vessels *Berge Odel*, *New Vitality*, *Nord Millenium*, *Berge Tokyo*, *Berge Ingerid*, *Crude Med*, *Dorset*, *Murex*, *Crude Sky*, *Front Commander*, *Opalia*, *Diamond Iris*, *Eliki*, *Eaton*, *Berge Phoenix*, *Berge Helene*, *Jin Hua*, *Front Archer*, *Minerva Nounou*, *Oriental Ruby*, *Crude Traveller*, *Panormos*, *Neon*, *Equatorial Lion*, *Crude Ena*, *Stena Companion*, *Nord Bay*, *Sailor*, *Crude Star*, *Soro*, *Swan Sea*, *Nissos Christiana*, *Olympic Loyalty*, and *Rome* were used to lift oil purchased under SOMO sales contracts M/08/35 (contracting with Aredio) (July 10, 2000), M/08/38 (June 23, 2000) (contracting with Zangas); M/08/102 (July 23, 2000) (contracting with Zerich GmbH); M/09/01 (Dec. 14, 2000), M/09/35 (Jan. 29, 2001) (contracting with Alcon); M/09/04 (Dec. 21, 2000) (contracting with Fenar)); Committee oil financier table, contract nos. M/08/35, M/08/38, M/08/102, M/09/01, M/09/04, M/09/35.

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During that same period of time, a company named Alliance Petroleum sent six wire transfers totaling \$2.6 million from its Standard Chartered Bank (Hong Kong) account into the bank accounts of Petrocorp and Jabal. Two of the wire transfers contained payment details with the notation “c/o Taurus Petroleum.”²⁶⁸ The deposits from Alliance and Taurus, discussed above, constituted most of the money deposited in the Jabal and Petrocorp accounts through July 2001, at which time Alcon and Fenar began transferring funds into the accounts. Among the bank records reviewed, the Committee found one invoice describing the purported nature of the payments to Petrocorp. The invoice, which was addressed to Mr. Schenker, requested that Taurus Nassau remunerate Petrocorp for “loading fees” on the *Front Commander*, a vessel used to load oil under Fenar contract M/09/04. The invoice specified that Taurus should pay Petrocorp via its First National Bank account.²⁶⁹

The funds, however, were used for a different purpose. Most of the money deposited in the Jabal and Petrocorp bank accounts by Taurus Nassau and Alliance was used to pay surcharges imposed on contracts of Alcon and Fenar. Between January 1 and July 31, 2001, a total of at least \$7 million and €338,000 was transferred from the Petrocorp and Jabal accounts to a SOMO account at Jordan National Bank in Amman. The requests for each of these wire transfers directed First National Bank to replace Petrocorp’s and Jabal’s names on the transfers with names of various individuals, including “Amr Bibi,” “Salim Ahmad,” “Souhail Ousta,” “Murice Rizli,” “Elias Rizly,” and “Mohammed Ali.” Furthermore, as described below, funds from the Petrocorp and Jabal accounts were transferred to SOMO also through a personal account belonging to Mr. Ladki.²⁷⁰

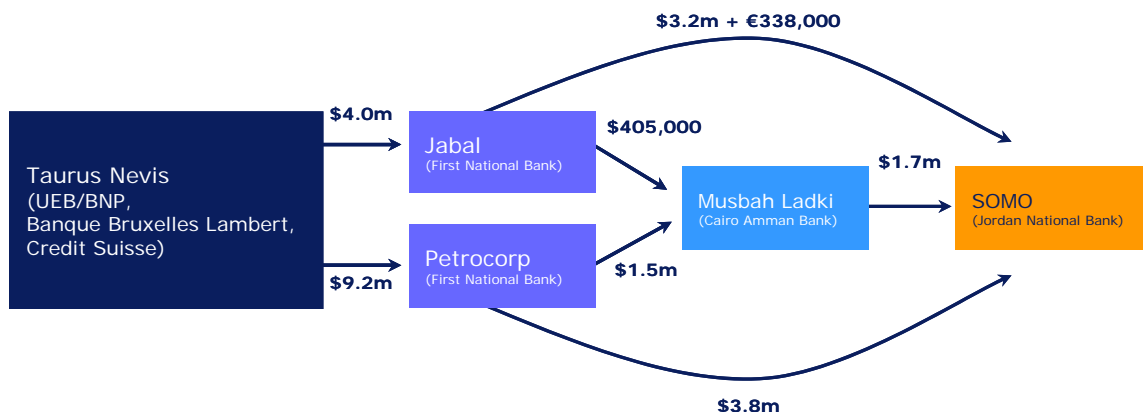
²⁶⁸ First National Bank record, Petrocorp account, credit advice (Dec. 19, 2001); First National Bank record, Jabal account, credit advices (July 31 2001 to Feb. 11 2002) and statements (Jan. 1 to Dec. 31, 2001). The Committee was unable to obtain additional information regarding Alliance.

²⁶⁹ First National Bank record, Petrocorp account, invoice (June 10, 2001) (issued to Martin Schenker); Lebanon Financial Intelligence Unit record, Lebanon Department of Examiners and Investigators report (June 28, 2005) (translated from Arabic).

²⁷⁰ First National Bank record, Petrocorp account, debit advices and wire requests (Feb. 7 to July 16, 2001); First National Bank record, Jabal account, debit advices and wire requests (Apr. 24 to July 23, 2001); First National Bank record, Petrocorp account, wire request (Feb. 7, 2001) (requesting the use of the name “Souhail Ousta” on the wire transfer); First National Bank record, Jabal account, wire request (May 22, 2001) (requesting the use of the name “Salim Ahmad” on the wire transfer); First National Bank record, Petrocorp account, debit advices (Feb. 23 to June 26, 2001) and statements (Jan. 1 to Dec. 31, 2001); First National Bank record, Jabal account, debit advices (May 16 and 23, 2001); Cairo Amman Bank Beirut record, Musbah Ladki account, bank statements (Feb. 24, 2001 to Nov. 29, 2002); Jordan National Bank record, SOMO account, bank statements (Mar. 31 to June 30, 2001) (reflecting the receipt of funds in amounts and on dates consistent with the transfers out of Mr. Ladki’s account).

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Chart E – Flow of Funds from Taurus to SOMO (January 1 to July 31, 2001)



After Mr. Schenker had directed opening of bank accounts for Alcon and Fenar, Taurus Nassau stopped transferring money directly to the Petrocorp and Jabal banks accounts in July 2001.²⁷¹

Instead, Taurus Nevis began regularly transferring funds to the Fenar and Alcon bank accounts. In turn, Fenar began regularly transferring funds to Petrocorp's bank account, and Alcon transferred funds to Jabal's account. During the entire existence of their bank accounts at BNP, neither Fenar nor Alcon received any funds from any party other than Taurus Nevis—with the exception of one payment of \$664,769 to Alcon from a company with the same address as Taurus London.²⁷²

The money transferred from Taurus Nevis to Petrocorp and Jabal through the Alcon and Fenar bank accounts funded the payment of surcharges on oil contracts between Phases X and XII. Bank records show that, between August 2001 and December 2002, Taurus Nevis transferred \$6.3 million to Fenar's bank account, and Fenar transferred a total of \$6 million in funds to Petrocorp's account. Bank records also reflect that during the same period of time, Taurus Nevis similarly transferred a total of \$8 million to Alcon, and Alcon transferred a total of \$8.5 million in funds to Jabal's account. Unlike Taurus Nassau, Alcon and Fenar did not conceal their identities

²⁷¹ Lebanon Financial Intelligence Unit record, Lebanon Department of Examiners and Investigators report (June 28, 2005) (translated from Arabic) (noting an absence of any payments from Taurus Nassau or anonymous sources after July 2001).

²⁷² ReviTrust record, Fenar internal accounting spreadsheet (undated); ReviTrust record, Alcon internal accounting spreadsheet (undated); Patrick Hilty interview (Apr. 13, 2005); BNP Geneva record, Fenar account, credit advices (Sept. 17, 2001 to Nov. 25, 2002); BNP Geneva record, Alcon account, credit advices (Aug. 28, 2001 to Nov. 25, 2002); BNP Geneva record, Fenar account, debit advices (Sept. 25, 2001 to Nov. 29, 2002); BNP Geneva record, Alcon account, debit advices (Aug. 31, 2001 to Nov. 16, 2002). The one transfer from Sonatrach Petroleum to Alcon was noted as being care of "5 Princes Gate, London," the same address as Taurus London. BNP Geneva record, Alcon account, credit advice (Dec. 24, 2001).

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when transferring funds to Jabal and Petrocorp. Meanwhile, between August 2001 and December 2002, Petrocorp and Jabal transferred at least \$4.2 million and €5.2 million to SOMO, again under names such as “Salim Ahmad” and “Murice Rizli.”²⁷³

All of the wire transfers from Taurus Nevis to the Alcon and Fenar accounts, and from Alcon and Fenar to the Jabal and Petrocorp accounts, contained references to ships used to lift oil purchased under SOMO contracts and to payments for “loading fees.” Mr. Schenker directed ReviTrust to transfer funds from the Alcon and Fenar bank accounts to pay for invoices that were forwarded to ReviTrust from Taurus. According to one ReviTrust official, an account officer at BNP Geneva requested a copy of these invoices. One of the initial invoices sent included a reference to “commissions,” which elicited a request by a BNP officer that the word “commission” be changed to “loading fees” in future invoices.²⁷⁴

²⁷³ ReviTrust record, Fenar internal accounting spreadsheet (undated); ReviTrust record, Alcon internal accounting spreadsheet (undated); Patrick Hilty interview (Apr. 13, 2005); BNP Geneva record, Fenar account, credit advices (Sept. 17, 2001 to Nov. 25, 2002); BNP Geneva record, Alcon account, credit advices (Aug. 28, 2001 to Nov. 25, 2002); BNP Geneva record, Fenar account, debit advices (Sept. 25, 2001 to Nov. 29, 2002); BNP Geneva record, Alcon account, debit advices (Aug. 31, 2001 to Nov. 16, 2002); First National Bank record, Petrocorp account, debit advices (Oct. 10, 2001 to Dec. 9, 2002) (reflecting the transfer of €1.5 million and \$2 million to SOMO); First National Bank record, Jabal account, debit advices (Aug. 11, 2001 to Nov. 2, 2002) (reflecting the transfer of €3.7 million and \$2.2 million to SOMO).

²⁷⁴ BNP Geneva record, Fenar account, credit advices (Sept. 17, 2001 to Nov. 25, 2002) (referencing the *Crude Tria, Kraka, Bosco Tapias, Crude Horn, Napa, Berge Phoenix, Olympia Spirit, Iria Tapias, Atalandi, Olympic Breeze, Crude Star, Gelibolu, Krishild, Stena Concept, Nuria Tapias, Crude Med, Stena Constellation, and Ness*); BNP Geneva record, Fenar account, debit advices (Sept. 25, 2001 to Nov. 29, 2002) (referencing the same vessels); ReviTrust record, Fenar invoices to Taurus Nevis (Sept. 11, 2001 to Nov. 18, 2002) (referencing the same vessels); ReviTrust record, Petrocorp invoices to Fenar (Aug. 30, 2001 to Oct. 12, 2002) (referencing the same vessels); BNP Geneva record, Alcon account, credit advices (Aug. 28, 2001 to Nov. 25, 2002) (referencing the *Sharvan, Dorset, Front Champion, Crude Horn, Napa, Crude Star, Crude Med, Venetia, Eaton, Berge, Ingerid, Pride Independence, Ancona, Orient Tiger, Karvounis, Unicorn, Seasong, Tamara, Berge Boss and Stena Constellation*); BNP Geneva record, Alcon account, debit advices (Aug. 31, 2001 to Nov. 16, 2002); ReviTrust record (Alcon invoices to Taurus Nevis) (Aug. 17, 2001 to Nov. 18, 2002); Jabal invoices to Alcon (Aug. 16, 2001 to Oct. 15, 2002); Patrick Hilty interview (Apr. 13, 2005); SOMO commercial invoices, b/112/2001 (July 20, 2001), b/154/2001 (Sept. 13, 2001), c/123/2001 (Sept. 7, 2001), b/128/2001 (Aug. 8, 2001), b/111/2001 (July 19, 2001) b/216/2001 (Nov. 25, 2001), b/225/2001 (Dec. 12, 2001), b/194/2001 (Oct. 28, 2001), b/196/2001 (Oct. 30, 2001), b/159/2001 (Oct. 26, 2001), c/136/2001 (Sept. 24, 2001), b/92/2002 (May 22, 2002), b/19/2002 (Jan. 28, 2002), b/240/2001 (Dec. 31, 2001), c/6/2002 (Jan. 12, 2002), b/8/2002 (Jan. 16, 2002), b/7/2002 (Jan. 15, 2002), b/140/2002 (Aug. 12, 2002), b/129/2002 (Sept. 30, 2002), b/123/2002 (Sept. 24, 2002), b/114/2002 (Sept. 3, 2002), b/154/2002 (Sept. 24, 2002), b/162/2001 (Sept. 25, 2001), b/153/2001 (Sept. 13, 2001), c/114/2001 (Aug. 22, 2001), c/115/2001 (Aug. 23, 2001), c/91/2001 (July 18, 2001), b/132/2001 (Aug. 14, 2001), c/187/2001 (Dec. 13, 2001), c/51/2002 (June 1, 2002), c/48/2002 (May 30, 2002), b/75/2002 (Mar. 27, 2002), c/33/2002 (Mar. 8, 2002), b/20/2002 (Jan. 29, 2002), c/25/2002 (Feb. 27, 2002), b/155/2002 (Sept. 24, 2002), b/153/2002 (Sept. 22, 2002), b/136/2002 (Aug. 9, 2002), c/78/2002 (Aug. 1, 2002), c/72/2002 (July 21, 2002), b/116/2002 (July 13, 2002), c/69/2002 (July 12, 2002) (reflecting that the

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The invoices reviewed by the Committee reflect this use of the term “loading fees.” For example, on April 17, 2002, a Fenar invoice requested that Taurus Nevis pay the equivalent of \$0.39 per barrel of the total crude loaded on a vessel under contract M/11/65. One month later, Petrocorp submitted an invoice to Fenar for the equivalent of \$0.37 per barrel on the oil lifted by the same vessel. SOMO records reflect that the surcharge imposed on contract M/11/65, accounting for different destination rates, equated to an average surcharge of \$0.26 per barrel.²⁷⁵

vessels *Crude Tria*, *Kraka*, *Bosco Tapias*, *Crude Horn*, *Napa*, *Berge Phoenix*, *Olympia Spirit*, *Iria Tapias*, *Atalandi*, *Olympic Breeze*, *Crude Star*, *Gelibolu*, *Kristhild*, *Stena Concept*, *Nuria Tapias*, *Crude Med*, *Stena Constellation*, *Ness*, *Sharvan*, *Dorset*, *Front Champion*, *Venetia*, *Eaton*, *Berge Ingerid*, *Pride Independence*, *Ancona*, *Orient Tiger*, *Karvounis*, *Unicorn*, *Seasong*, *Tamara*, *Berge Boss*, and *Dundee* transported oil purchased under SOMO sales contracts, nos. M/10/03 (undated), M/10/17 (July 12, 2001), M/10/59 (Aug. 21, 2001), M/11/25 (Dec. 19, 2001), M/11/43 (Dec. 23, 2001) M/12/35 (June 13, 2002), (contracting with Alcon); M/10/09 (July 10, 2001), M/10/96 (Oct. 6, 2001), M/11/65 (Jan. 8, 2002), M/11/67 (Jan. 8, 2002), M/12/39 (June 13, 2002) (contracting with Fenar)). Fees for the *Dundee* were included in the wire transfer from Sonatrach Petroleum Limited to Alcon. BNP Geneva record, Alcon account, credit advice (Dec. 24, 2001).

²⁷⁵ ReviTrust record, Fenar invoice to Taurus Nevis (Apr. 17, 2002), Petrocorp invoice to Fenar (May 25, 2002); SOMO sales contract, no. M/11/65 (Jan. 8, 2002) (contracting with Fenar) (recording that the *Olympic Breeze* transported oil purchased by Fenar).

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<p>FENAR PETROLEUM LIMITED Site: Schaan / HR Vaduz - H. 1040/72</p> <hr/> <p>Postfach 663 FL-9494 Schaan Telefon 00423 / 237 42 54 Telefax 00423 / 237 42 93</p>	<p>05-JUN-02 12:32 RN 00000 P. 0</p> <p style="text-align: center;">PETROCORP A.V.V.</p> <p>L.G. SMITHE BLVD. 48 ORANJESTAD, ARUBA S.V. 24127</p> <p>25/5/2002 Ref: 43-06 To: FENAR Petroleum - Schaan Attn: Mr. Patrick Hilty Fax: 433 237 4292</p>	<p>Taurus Petroleum Limited P.O. Box 556 Main street Charlestown Nevis</p>					
<p>Invoice No. 05/02</p>							
<p>Date : April 17th 2002 Vessel : m/t "Olympic Breeze" B/L Date : March 27th, 2002 Quantity : 1'894'229 Net U.S. Barrels Product : Basrah Load Port : Mina-al-Bahr</p>	<p>Loading fees for 1,894,119 barrels on M/S "Olympic Breeze" dated 27/3/2002, at 37 cent/barrel Amount due on 30/5/02: USD/700,824. - (Seven hundred thousand eight hundred twenty four US Dollars only)</p> <p>- Name : Favor / PETROCORP - Amount: USD/700,824. - (Seven hundred thousand eight hundred twenty four US Dollars only)</p>	<p>A/C No. 0001-106536-002 Bank Name: FIRST NATIONAL BANK MAIN BRANCH Hamra Beirut - Lebanon Swift: FINKLBBE</p>					
<p>Sale Price : OSP (U.S. DESTINATION) +\$0.39 per Net U.S. Barrel</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">1'894'229</td> <td style="width: 15%;">bbls x</td> <td style="width: 15%;">\$0.39</td> <td style="width: 15%;">US\$</td> <td style="width: 40%; text-align: right;">\$738'749.31</td> </tr> </table> <p>For remittance US\$ 738'749.31</p>	1'894'229	bbls x	\$0.39	US\$	\$738'749.31	<p>Best Regards,</p> <p style="text-align: center;">BEZAHLT 01.05.2002</p> <p style="text-align: center;"><i>Fenar Petroleum Limited</i></p>	<p>Handwritten notes: p/s pay 501. = \$ 350.412 T-wilzuhl 7.6.02</p> <p style="text-align: center;">BEZAHLT 11.07.02</p>
1'894'229	bbls x	\$0.39	US\$	\$738'749.31			

Figure: Fenar invoice to Taurus (Apr. 17, 2002); Petrocorp invoice to Fenar (May 25, 2002).

Finally, during 2001 and 2002, \$8.8 million was transferred from the Petrocorp and Jabal accounts to Mr. Ladki's personal account at the Cairo Amman Bank in Beirut. From his personal account, Mr. Ladki transferred at least \$6.6 million to a SOMO account. As was the case with the Petrocorp and Jabal accounts, the transfers to SOMO out of Mr. Ladki's account were made under the names of various individuals such as "Mohammad Jamal," "Murice Rizli" and "Elias Ferzli." SOMO records reflect that over \$25 million was received from Mr. Ladki's various accounts to satisfy surcharges on Fenar, Alcon, and Aredio contracts.²⁷⁶

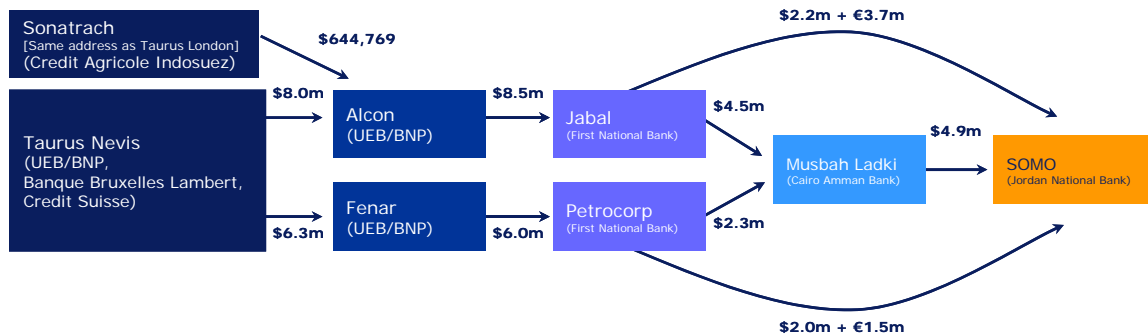
²⁷⁶ First National Bank record, Petrocorp account, debit advices (Feb. 23, 2001 to Mar. 18, 2002) and statement (Jan. 1 to Dec. 31, 2001); First National Bank record, Jabal account, debit advices (May 16, 2001 to Mar. 5, 2002); Cairo Amman Bank Beirut record, Musbah Ladki account, bank statements (Feb. 28, 2001 to Nov. 29, 2002); Jordan National Bank record, SOMO account, bank statements (Mar. 31, 2001 to Mar. 31, 2002) (reflecting the receipt of funds under the names "Mohammad Jamal," "Elias Ferzli," and "Murice Rizli," in amounts and on dates consistent with the transfers out of Mr. Ladki's account); Committee oil surcharge table, contract nos. M/08/67, M/09/04, M/10/09, M/10/96, M/11/65, M/11/67, M/12/39, M/09/01, M/09/35, M/10/03, M/10/17, M/10/59, M/11/25, M/11/43, M/12/35, M/09/23, M/10/71, M/10/82, M/10/84, M/10/86, M/11/64, M/11/66, M/11/80, M/11/82.

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Chart F – Flow of Funds from Taurus to SOMO (August 1, 2001 to December 31, 2002)



When the Government of Iraq stopped imposing surcharges in Phase XII, Taurus Nevis continued to finance and purchase oil contracts executed by Alcon and Fenar. However, Alcon and Fenar stopped receiving invoices from Taurus to transfer money to Jabal and Petrocorp, and they actually stopped transferring money to the accounts. In addition, Taurus Nevis's payments to Alcon and Fenar for oil purchased during Phase XIII decreased to as little as \$0.03 per barrel. None of these funds were transferred to the bank accounts for Jabal, Petrocorp, or Mr. Ladki.²⁷⁷

7. Aredio and the Payment of Surcharges

During Phases V through XIII, Taurus also used Aredio as a front company to purchase Iraqi crude oil that had been allocated primarily in the names of political beneficiaries. For example, Taurus financed Aredio contracts for oil allocated in the names of Mr. Galloway and Mr. Zureikat, discussed above in Section V.A. In connection with Aredio contract M/08/35, Taurus funded ASI Middle East's payment of an outstanding surcharge. On December 17, 2001, Taurus issued a \$264,505 payment to Mr. Zureikat and ASI Middle East. According to Ministry of Oil records, two weeks later, ASI Middle East deposited \$264,000 into a SOMO account that was

²⁷⁷ Committee oil financier table, contract nos. M/13/07, M/13/19; BNP Geneva record, Fenar account, bank statements (Nov. 30, 2002 to May 31, 2004) (recording the last transfer to Petrocorp as occurring on November 29, 2002); BNP Geneva record, Alcon account, bank statements (Nov. 30, 2002 to Dec. 31, 2003) (recording the last transfer to Jabal as occurring on November 26, 2002); ReviTrust record, Taurus Services SA letter to Alcon (Feb. 28, 2003) (indicating that Taurus would pay \$0.03 per barrel of oil to Alcon in connection with SOMO sales contract M/13/10); BNP Geneva record, Alcon account, credit advice (Oct. 27, 2003) (reflecting that Taurus Nevis paid Alcon between \$0.03 and \$0.04 per barrel in connection with contracts M/13/10 and M/13/19); ReviTrust record, Taurus Services SA letter to Fenar (Jan. 22, 2003) (indicating that Taurus would pay \$0.03 per barrel to Fenar in connection with SOMO sales contract M/13/07); BNP Geneva record, Fenar account, credit advice (Oct. 27, 2003) (reflecting that Taurus Nevis paid Fenar between \$0.01 and \$0.03 per barrel in connection with contract M/12/39 and M/13/17); BNP Geneva record, Alcon account, debit advice (Dec. 16, 2003); BNP Geneva record, Fenar account, debit advice (May 4, 2004).

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used to satisfy the surcharges on Aredio contract M/08/35.²⁷⁸ Taurus also covered the funds for the payment of surcharges on Aredio contract M/09/23, which was allocated to Mr. Zureikat. Funds from the Petrocorp bank account were used to make two deposits of \$149,860 and \$154,460 in a SOMO account, and these payments satisfied surcharge obligations on Aredio contract M/09/23.²⁷⁹

In the case of Mr. Munier, discussed in Section IV.F of this Chapter, Taurus financed a series of oil contracts through Aredio beginning in Phase V. When interviewed, Mr. Munier stated that he had agreed with Mr. Michel, President of Aredio, to assist in presenting the company to Iraqi officials in connection with the Programme in exchange for financial support of the *Amitiés Franco-Irakiennes* (the French-Iraqi Friendship Association). Bank records show that Mr. Munier was described to BNP as receiving “adviser’s fees” of \$0.07 per barrel. Through this relationship, Aredio entered into contracts to purchase almost 12 million barrels of oil allocated to Mr. Munier. Surcharges were paid on two of those contracts, namely M/10/86, in the amount of \$604,306, and M/11/80, in the amount of \$43,313. Mr. Munier stated that he was not involved in the payment of surcharges. When told that Aredio paid surcharges, Mr. Munier stated, “that’s possible.” Ministry of Oil and bank records show that the surcharges imposed on M/11/80 were paid out of Petrocorp’s First National Bank account under the name “Petro Ahmad Salim.” These records additionally show that at least \$388,860 of the surcharges levied on contract M/10/86 were paid out of Mr. Ladki’s account at Cairo Amman Bank under the name “Murice Rizli.” The remaining surcharges levied on contract M/10/86 were paid under the names “Muris Rizly” and “Mohammad Jamal.”²⁸⁰

²⁷⁸ Committee oil financier table, M/05/66, M/06/69, M/07/40, M/08/35, M/08/56, M/08/65, M/09/23, M/10/71, M/10/82, M/10/84, M/10/86, M/11/64, M/11/66, M/11/80, M/11/82, M/12/120, M/12/122, M/13/75; Committee oil surcharge, company, and beneficiary tables, contract no. M/08/35; Confidential document.

²⁷⁹ SOMO letter to Amer Rashid (Jan. 14, 2001) (approving contract no. M/09/23 for three million barrels of oil for Aredio Petroleum); Committee oil beneficiary, company, and surcharge tables, contract no. M/09/23; First National Bank, Petrocorp account, bank statement (Jan 1, 2001 to Dec. 31, 2001) (reflecting outgoing payments to Jordan National Bank on March 13 and 14, 2001); Committee oil surcharge table, contract nos. M/09/04, M/10/09, M/10/96, M/11/65, M/11/67, M/12/39, M/09/01, M/09/35, M/10/03, M/10/17, M/10/59, M/11/25, M/11/43, M/12/35.

²⁸⁰ Confidential document; Gilles Munier interview (Sept. 23, 2005); Committee oil surcharge table, contract nos. M/10/86, M/11/80; Jordan National Bank record, SOMO account, credit advice (Dec. 12, 2002) (translated from Arabic) (reflecting a payment of \$200,995 from “Petro Ahmad Salim,” of which \$43,313.10 corresponded to contract M/11/80 for Aredio); First National Bank record, Petrocorp account, debit advice and wire request (Dec. 9, 2002) (reflecting a payment of \$201,000 to SOMO under the name “Petro Ahmad Salim” with a handwritten notation indicating that \$43,313.10 corresponds to Aredio contract M/11/80); Records of SOMO surcharge invoices (July 30, 2002) (showing \$43,313 levied on 288,754 barrels under contract M/11/80); Jordan National Bank record, SOMO account, credit advice (Feb. 20, 2002) (translated from Arabic) (including payments by “Murice Rizly” of \$183,930 and \$204,930 for contract M/10/86); Cairo Amman Bank (Beirut) records, Musbah Ladki account, debit advices and wire requests (Feb. 14 and 15, 2002) (reflecting the transfer of \$205,000 and \$184,000 to a SOMO account under the name of “Murice Rizly”).

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Taurus denied paying and financing surcharges and declined requests to cooperate with the Committee's investigation. Mr. Pollner, Mr. Schenker, Mr. Troost, and Mr. Bibi all have refused requests for meetings with the Committee. Mr. Ladki could not be reached for comment.²⁸¹

Alcon and Fenar each acknowledged that they had transferred significant sums to Jabal and Petrocorp, respectively, in connection with oil deals. However, both companies deny any knowledge or involvement in the payment of surcharges in connection with the oil they purchased under the Programme. Alcon and Fenar further state that if any illegal payments were made by Jabal and Petrocorp then "this is their fault" and each of those companies "has to be blamed for that."²⁸²

D. GLENCORE

Glencore and its subsidiaries ("Glencore"), a privately-held commodity-trading company based in Switzerland, was another major participant in the Programme that did not normally appear on contracts to purchase oil from Iraq under the Programme. Glencore was known as Marc Rich and Co. AG until 1994, when the company changed its name after Marc Rich divested his interests in the company.²⁸³ From the Programme's onset, Glencore mostly financed transactions and lifted Iraqi oil under SOMO contracts signed by other companies. In Phase IV, Glencore managed to obtain an oil contract directly from SOMO by using a subsidiary, Glencore France S.A.

²⁸¹ Committee letter to Taurus (Sept. 25, 2005); Taurus letters to the Committee (Aug. 2 and Sept. 30, 2005); Amr Bibi e-mail to the Committee (Apr. 6, 2005); Committee letter to Musbah Ladki (Oct. 15, 2005) (c/o Fenar).

²⁸² Alcon and Fenar submitted separate letters to the Committee by the same legal representative. Alcon letter to the Committee (Oct. 18, 2005); Fenar letter to the Committee (Oct. 18, 2005); Committee letter to Taurus (Sept. 25, 2005); Taurus letters to the Committee (Aug. 2 and Sept. 30, 2005); Amr Bibi e-mail to the Committee (Apr. 6, 2005).

²⁸³ Glencore is a privately-held company wholly owned by its management and employees. Glencore International AG, "Company Overview," http://www.glencore.com/pages/company_overview.htm; Registry of Commerce of the Canton of Zug record, Confirmation of Glencore International AG (Mar. 3, 1995); Registry of Commerce of the Canton of Zug record, Confirmation of Marc Rich + Co. AG (July 7, 1987). Glencore indicates that Marc Rich has retained no connection to the company. Banque Cantonale Vaudoise record, Identification sheet for Marc Rich + Co Investment AG (indicating that Marc Rich fully divested his interests in Glencore and began relying on another company, Marc Rich Investment AG, to trade in physical commodities); Peter Koenig, "Secretive Swiss trader links City to Iraq oil scam: Special Report," *The Sunday Times*, Sept. 25, 2005, p. 1; Marcia Vickers, "The Rich Boys; An ultra-secretive network rules independent oil trading. Its mentor: Marc Rich," *Business Week*, July 18, 2005, p. 70; Peter Klinger, "Former link with notorious oil trader still casts its shadow," *The Times*, Sept. 24, 2005, p. 66; Deborah Orr, "Twenty-five of the largest private companies headquartered outside the U.S.," *Forbes*, Nov. 29, 2004, p. 230. Glencore has made certain records available for review (but not copying) by the Committee. For citation purposes, notes taken during the review of Glencore records will be referenced in this Section as "Committee note-to-file (Aug. 30-31, 2005)."

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Otherwise, like Bayoil and Taurus, Glencore's opportunity to purchase Iraqi oil directly occurred during the Iraqi oil exporting crisis in Phase IX.²⁸⁴

During Phase IX, Glencore purchased a total of approximately 40 million barrels which amounted to over 11.5 percent of the Iraqi oil assigned to Phase IX contracts. For the first and only time during the Programme, Glencore also succeeded in obtaining a SOMO contract under its own name to purchase some of the oil that it lifted in that phase. The oil had been allocated in the name of Talal Hussein Abu-Reyaleh, a Jordanian businessman who was a Glencore agent. In subsequent surcharge phases, Glencore purchased another 82 million barrels of Iraqi oil assigned to contracts during those phases.²⁸⁵ Millions of dollars in surcharges were assessed on the oil lifted by Glencore during the surcharge phases. Glencore's agents, Mr. Abu-Reyaleh and Murtaza Lakhani, paid many of the surcharges assessed on oil financed and lifted by Glencore. Mr. Lakhani disclosed that he paid surcharges on behalf of Glencore. Mr. Abu-Reyaleh has refused to address the issue of surcharges with the Committee.²⁸⁶

Glencore has denied any knowledge or involvement in the payment of surcharges to the Government of Iraq and it has stated that it acted in full compliance with United Nations regulations.²⁸⁷

²⁸⁴ Luis Alvarez interview (Sept. 13, 2005) (indicating that Glencore purchased Iraqi oil from other companies that received oil allocations); Committee oil financier table; SOMO sales contracts, nos. M/04/43 (July 1, 1998), M/09/44 (Feb. 1, 2001).

²⁸⁵ Committee oil financier table, contract nos. M/09/02, M/09/06, M/09/29, M/09/34, M/09/37, M/09/44, M/09/60, M/09/76, M/09/77, M/09/91, M/09/100, M/09/105, M/09/122; SOMO sales contract, no. M/09/44 (Feb. 1, 2001) (contracting with Glencore International AG); Committee oil company table, contract no. M/09/44; SOMO letter to Amer Rashid (Feb. 27, 2001) (translated from Arabic) (identifying "Talal Abu-Reyaleh" as the individual associated with contract M/09/44); Saddam Z. Hassan fax to oil overseers (Mar. 9, 2001) (increasing oil allocated under contract M/09/44 to 12.6 million barrels); Committee oil financier table (showing that Glencore financed and lifted 32 million barrels in Phase X, 31 million barrels in Phase XI, and 18 million barrels in Phase XII from other companies).

²⁸⁶ Committee oil company and financier tables, contract nos. M/08/91, M/09/44, M/09/60, M/10/26, M/11/22, M/11/81, M/11/112 (showing that surcharges were levied on contracts financed by Glencore); Luis Alvarez interview (Sept. 13, 2005) (indicating that Mr. Lakhani and Mr. Abu-Reyaleh were agents of Glencore); Committee note-to-file (Aug. 30-31, 2005) (detailing the review of Glencore International AG and Murtaza Lakhani agency agreement (Jan. 23, 2001)); Committee note-to-file (Aug. 30-31, 2005) (detailing the review of Glencore International AG and Al-Khaled Engineering agreement (Dec. 7, 1999)); Murtaza Lakhani interviews (Oct. 18, 22, and 29, 2004); Talal Hussein Abu-Reyaleh interview (May 9, 2005). Mr. Abu-Reyaleh paid approximately \$7,335,868 in surcharges for oil financed and lifted by Glencore. Committee oil surcharge and financier tables, contract nos. M/08/91, M/09/44, M/09/60, M/10/26. Mr. Lakhani paid approximately \$1,048,830 in surcharges for oil financed and lifted by Glencore. Committee oil surcharge and financier tables, contract nos. M/09/37, M/11/22, M/11/81, M/11/112.

²⁸⁷ Glencore counsel letter to the Committee (Oct. 21, 2005).

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1. Before the Surcharge Phases

In the earlier phases, Glencore solicited Iraqi crude oil from companies holding SOMO contracts. Luis Alvarez, the main Glencore trader for Iraqi crude oil, stated that, early in the Programme, Glencore purchased between four and six million barrels of oil per phase. One company from which Glencore purchased oil during these early phases was Delta Petroleum Products Trading Company (“Delta Petroleum”). Mr. Bibi, discussed in Section VI.C above in connection with Taurus, was the Delta Petroleum representative who dealt with Glencore. According to Mr. Alvarez, Mr. Bibi mentioned to Glencore that French companies were highly regarded by the Government of Iraq in awarding oil contracts. Mr. Bibi offered to have Delta Petroleum help a French subsidiary of Glencore obtain a contract. Pursuant to an agency agreement, Delta Petroleum procured a SOMO contract for Glencore France S.A. (“Glencore France”) in Phase IV. Glencore paid Delta Petroleum a premium of \$0.09 per barrel for its assistance. According to Mr. Alvarez, the Iraqis soon realized that Glencore was not a French company and declined to enter into subsequent contracts.²⁸⁸

In 1999, Glencore developed a business relationship with Mr. Abu-Reyaleh to purchase Iraqi crude oil. According to Mr. Alvarez, Mr. Abu-Reyaleh approached Glencore to see if the company was interested in purchasing Iraqi crude oil. According to Ministry of Oil records, the oil offered to Glencore, and later purchased, had been allocated in the name of Leith Shbeilat, the leader of a Jordanian Islamic group who was connected to Mr. Abu-Reyaleh. Under an agreement with Glencore, Al-Khaled Engineering Est., a Jordanian company represented by Mr. Abu-Reyaleh, would act as an advisor to Glencore for the purpose of obtaining oil contracts to be signed by either Petrogaz Distribution S.A. (“Petrogaz”) or Glencore France. A related agreement provided that Petrogaz would act as an agent for Glencore on the contracts for a \$0.02 per barrel commission.²⁸⁹ Under this arrangement, Petrogaz signed contracts for approximately ten million barrels of oil that were financed and lifted by Glencore in Phases VI through VIII.²⁹⁰

²⁸⁸ Luis Alvarez interview (Sept. 13, 2005); SOMO sales contracts, nos. M/01/29 (Feb. 17, 1997) (contracting with Delta Petroleum), M/04/43 (July 1, 1998) (contracting with Glencore France for two million barrels of crude oil); SOMO oil allocation table for Phase V (Nov. 28, 1998) (noting that “Glencore (a French entity)” had been allocated two million barrels in Phase IV but no barrels in Phase V).

²⁸⁹ Luis Alvarez interview (Sept. 13, 2005); SOMO oil allocation table for Phase VI (May 27, 1999) (indicating an allocation of three million barrels of oil for Mr. Shbeilat, instead of Mr. Abu-Reyaleh); SOMO letters to Amer Rashid (June 12, 1999) (approving contract M/06/62 and referring to “Mr. Leith Shbeilat” as the allocation holder), (Dec. 29, 1999) (approving contract M/07/69 with Petrogaz and referring to “Mr. Leith Shbeilat” as the allocation holder), (July 8, 2000) (approving contract M/08/91 with Petrogaz and referring to “Mr. Leith Shbeilat” as the allocation holder) (each translated from Arabic); Iraq official interview (stating that Mr. Abu-Reyaleh was connected to Mr. Shbeilat); Committee note-to-file (Aug. 30-31, 2005) (detailing the review of Glencore International AG and Al-Khaled Engineering agreement (Dec. 7, 1999), which stipulated that the premium paid to Al-Khaled Engineering would be \$0.20 per barrel of oil lifted if the contract was signed with Petrogaz and \$0.22 per barrel of oil lifted if the contract was signed with Glencore France); Petrogaz record, Glencore International AG and Petrogaz agreement (July 16, 1999); “Aziz meets Main Jordanian Opposition Figure,” *Agence France Presse*, Jan. 5,

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2. Glencore's Contract with SOMO in Phase IX

Like Bayoil and Taurus, Glencore benefited from the scarcity of willing buyers for Iraqi crude oil in Phase IX after surcharges had been imposed by the Government of Iraq. In total, Glencore purchased over 40 million barrels during Phase IX. Half of the oil purchased by Glencore had been allocated in the name of its agent, Mr. Abu-Reyaleh. Glencore succeeded in obtaining a SOMO contract under its own name to purchase approximately 12 million barrels of the oil allocated to its agent. It purchased approximately another 8.6 million barrels allocated to Mr. Abu-Reyaleh under contracts signed by Petrogaz.²⁹¹

The main Glencore trader of Iraqi oil, Mr. Alvarez, acknowledged that he was notified of the possibility of surcharges in December 2000, immediately before Phase IX began. According to Mr. Alvarez, Ali Hassan Rajab, a senior SOMO official, advised him in a telephone conversation that Iraq was “considering” a request for additional payments to be made to SOMO’s own bank accounts. Mr. Alvarez stated that he made it very clear to SOMO that Glencore would not make any such payments. But a month after this conversation, Glencore entered into a SOMO contract

1999 (mentioning that Mr. Shbeilat was a former president of Jordan’s engineers union and a pro-Iraqi Islamist leader); Khaled Dawoud, “A choice and a prayer,” *Al-Ahram Weekly*, Feb. 25 to Mar. 3, 1999; Murtaza Lakhani interviews (Oct. 18, 22, and 29, and Dec. 6-13, 2004) (discussing the relationship between Mr. Abu-Reyaleh and Mr. Shbeilat and indicating that Mr. Shbeilat’s favorable speeches regarding Saddam Hussein were the main reason for his receipt of oil allocations).

²⁹⁰ SOMO sales contracts, nos. M/06/62 (June 8, 1999) (contracting with Petrogaz for three million barrels), M/07/69 (Dec. 21, 1999) (contracting with Petrogaz for two million barrels), M/08/91 (July 6, 2000) (contracting with Petrogaz for three million barrels); SOMO letter to Amer Rashid (Dec. 20, 2000) (translated from Arabic) (increasing the quantity of oil sold to Petrogaz under contract M/08/91 by an additional two million barrels); Petrogaz record, Glencore International AG and Petrogaz agreement (July 16, 1999) (regarding Petrogaz acting as agent for Glencore on contract M/06/62); Petrogaz record, Glencore International AG and Petrogaz agreement, addendum no. 1 (July 7, 2000) (extending Glencore’s agreement regarding Petrogaz acting as agent for Glencore on contract M/08/91); Luis Alvarez interview (Sept. 13, 2005).

²⁹¹ Committee oil financier table, contract nos. M/09/02, M/09/06, M/09/29, M/09/34, M/09/37, M/09/44, M/09/60, M/09/76, M/09/77, M/09/91, M/09/100, M/09/105, M/09/122; SOMO sales contract, no. M/09/44 (Feb. 1, 2001) (contracting with Glencore International AG); Committee oil company table, contract no. M/09/44; SOMO letter to Amer Rashid (Feb. 27, 2001) (translated from Arabic) (identifying “Talal Abu-Reyaleh” as the individual associated with contract M/09/44); Saddam Z. Hassan fax to oil overseers (Mar. 9, 2001) (increasing oil allocated under contract M/09/44 to 12.6 million barrels); Committee oil financier and company table, contract no. M/09/60; SOMO letters to Amer Rashid (Feb. 21, 2001) (approving contract M/09/60 for two million barrels of oil for “Petrogaz Geneva (Talal Abu-Reyaleh)”), (May 13, 2001) (indicating that the contract with Petrogaz (Talal Abu-Reyaleh) was increased to nine million barrels) (each translated from Arabic); Petrogaz record, Glencore International AG and Petrogaz agreement (July 16, 1999); Petrogaz record, Glencore International AG and Petrogaz agreement, addendum (Feb. 19, 2001) (extending Petrogaz’s agency agreement with Glencore to cover contract M/09/60).

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for the purchase of a significant amount of oil. Two weeks later, Petrogaz, acting as an agent for Glencore, also signed a SOMO contract. Surcharges were levied on both contracts.²⁹²

3. Glencore and Surcharge Payments in Phase IX

Mr. Abu-Reyaleh paid the surcharges levied on the Glencore and Petrogaz contracts in Phase IX, as well as outstanding surcharges on an earlier contract financed by Glencore in Phase VIII. Ministry of Oil records show that a total of approximately \$6.6 million was levied and paid on all three contracts.²⁹³ As detailed below, Mr. Abu-Reyaleh received sufficient funds from Glencore to cover the surcharge payments.

Glencore made its records relating to the three contracts, among others, available for review (but not copying) by the Committee. The Glencore records showed that the company kept track of payments made to Mr. Abu-Reyaleh in connection with contracts M/08/91, M/09/44, and M/09/60. The Committee also obtained some of the bank records used to transfer funds, which confirm many of Glencore's payments to Mr. Abu-Reyaleh. These records show that between August 2000 and September 2001, approximately \$9.1 million was wire transferred from Glencore's account at Credit Suisse (Geneva) and UBS (Zurich) to Mr. Abu-Reyaleh at four accounts at the Arab Bank Geneva, Arab Bank Dubai, Deutsche Bank A.G. (Munich), and Commercial Bank International (Dubai) ("Commercial Bank"). These funds were sufficient to cover the approximately \$6.6 million owed on surcharges.²⁹⁴

The records for two of Mr. Abu-Reyaleh's accounts show that during the same time period that Glencore transferred money to his accounts, he in turn transferred money to SOMO accounts for

²⁹² Luis Alvarez interview (Sept. 13, 2005); SOMO sales contract, no. M/09/44 (Feb. 1, 2001); Saddam Z. Hassan fax to oil overseers (Mar. 9, 2001) (amending contract M/09/44 by increasing amount of oil under contract to 12.6 million barrels); Petrogaz record, Glencore International AG and Petrogaz agreement, addendum (Feb. 19, 2001) (extending Petrogaz's agency agreement with Glencore to cover SOMO sales contract M/09/60); SOMO sales contract, no. M/09/60 (Feb. 17, 2001) (contracting with Petrogaz for two million barrels of oil); oil overseers fax to Petrogaz (May 14, 2001) (approving increase in oil contracted under M/09/60 to nine million barrels of oil); Committee oil company table, contract nos. M/09/44, M/09/60. An Iraqi official has shown Committee investigators a document showing that Glencore was originally placed on a list of companies "considering" paying the surcharges and later moved to the list of companies that "agreed" to pay the surcharge. Iraq official interview.

²⁹³ Committee oil company table, contract nos. M/08/91 (showing \$853,474 in surcharges assessed and \$286,573 paid), M/09/44 (showing \$3,222,781 in surcharges assessed and \$3,222,781 paid), M/09/60 (showing \$2,549,154 in surcharges assessed and \$3,115,692 paid).

²⁹⁴ Committee note-to-file (Aug. 30-31, 2005). Glencore records reflect that Glencore transferred \$5,099,885 to Mr. Abu-Reyaleh's account at Arab Bank Geneva, \$881,634 to Mr. Abu-Reyaleh's account at Deutsche Bank Munich, \$770,553 to Mr. Abu-Reyaleh's account at Arab Bank Dubai, and \$2,148,913 to Mr. Abu-Reyaleh's account at Commercial Bank International Dubai. The recipient account for a Glencore transfer to Mr. Abu-Reyaleh in the amount of \$200,000 was not identified. Committee note-to-file (Aug. 30-31, 2005).

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the surcharge payments on the three Glencore and Petrogaz contracts. For example, between January and April 2001, Glencore transferred a total of approximately \$4.8 million to Mr. Abu-Reyaleh's account at the Arab Bank Geneva. During that time period, approximately \$4.0 million was then wire transferred from Mr. Abu-Reyaleh's account to SOMO accounts.²⁹⁵

Between May and September 2001, Glencore transferred a total of approximately \$2.1 million to Mr. Abu-Reyaleh's account at the Commercial Bank. During that time period, approximately \$1.9 million was then transferred from Mr. Abu-Reyaleh's account at Commercial Bank to a SOMO bank account for the payment of surcharges on the contracts.²⁹⁶

With respect to these three contracts, Glencore's payments to Mr. Abu-Reyaleh do not appear to correspond with the agreed-upon commission of \$0.20 to \$0.22. The agreement provided that Mr. Abu-Reyaleh's company, Al-Khaled Engineering, would receive \$0.20 per barrel of oil lifted under Petrogaz contracts and \$0.22 per barrel under Glencore France contracts. An analysis of the Glencore records show that the \$0.22 per barrel commission was paid only on the initial lifts in the Phase IX contracts. During this time, Mr. Abu-Reyaleh made periodic surcharge payments

²⁹⁵ Credit Suisse record, Glencore International AG and M&M Finance Company Ltd. account, debit advices (Jan. 3, 2001) (transferring \$200,000 to Mr. Abu-Reyaleh's account at Arab Bank Geneva), (Jan. 29, 2001) (transferring \$385,302.60 to Mr. Abu-Reyaleh's account at Arab Bank Geneva), (Feb. 5, 2001) (transferring \$386,383.40 to Mr. Abu-Reyaleh's account at Arab Bank Geneva), (Mar. 29, 2001) (transferring \$600,534 to Mr. Abu-Reyaleh's account at Arab Bank Geneva), (Mar. 29, 2001) (transferring \$2,088,396.20 to Mr. Abu-Reyaleh's account at Arab Bank Geneva), (Apr. 6, 2001) (transferring \$1,023,000 to Mr. Abu-Reyaleh's account at Arab Bank Geneva), (Apr. 12, 2001) (transferring \$100,000 to Mr. Abu-Reyaleh's account at Arab Bank Geneva); Arab Bank Geneva record, Talal Hussein Abu-Reyaleh account, debit advices (Feb. 7, 2001) (transferring \$566,704 to SOMO account at Fransabank), (Mar. 30, 2001) (transferring \$1,746,322 to SOMO account at Fransabank), (Apr. 10, 2001) (transferring \$474,870 to SOMO account at Fransabank), (Apr. 10, 2001) (transferring \$785,076 to SOMO account at Fransabank), (Apr. 19, 2001) (transferring \$399,353 to SOMO account at Fransabank) (hereinafter "Abu-Reyaleh surcharge payments from Arab Bank"); Committee oil surcharge table, contract nos. M/08/91, M/09/44, M/09/60 (tying the payments made by Mr. Abu-Reyaleh to surcharge payments on specific contracts).

²⁹⁶ Committee note-to-file (Aug. 30-31, 2005) (detailing the review of Glencore records that reflect the following transfers from Glencore's account at UBS Bank Zurich to Mr. Abu-Reyaleh's account at Commercial Bank Dubai: (May 18, 2001) (reflecting transfer of \$486,532 and referencing "Spezial"), (May 23, 2001) (reflecting transfer of \$242,915 and referencing "Spezial"), (June 27, 2001) (reflecting transfer of \$348,079.36 and referencing "Spezial"), (June 27, 2001) (reflecting transfer of \$356,079.64 and referencing "Spezial"), (Aug. 13, 2001) (reflecting transfer of \$213,481.00 and referencing "Spezial"), (Aug. 27, 2001) (reflecting transfer of \$118,496.00 and referencing "Spezial"), (Aug. 29, 2001) (reflecting transfer of \$232,856.00 and referencing "Spezial"), (Sept. 4, 2001) (reflecting transfer of \$225,678.00 and referencing "Spezial"), (Sept. 13, 2001) (reflecting transfer of \$150,474.00 and referencing "Spezial"); SOMO account, credit advices (May 30, 2001) (reflecting a credit of \$158,865 from Mr. Abu-Reyaleh's account at Commercial Bank), (July 10, 2001) (reflecting a credit of \$608,746 from Mr. Abu-Reyaleh's account at Commercial Bank), (July 27, 2001) (reflecting a credit of \$593,406 from Mr. Abu-Reyaleh's account at Commercial Bank), (Sept. 25, 2001) (reflecting a credit of \$561,834 from Mr. Abu-Reyaleh's account at Commercial Bank) (hereinafter "Abu-Reyaleh surcharge payments from Commercial Bank").

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on Phase IX contracts, even though the surcharge rate exceeded his commission rate from Glencore.²⁹⁷

By April 2001, the surcharges assessed on liftings under all three contracts were either overdue or coming due. Glencore records show that, on April 6, 2001, the company paid approximately \$1 million to Mr. Abu-Reyaleh as a commission in “advance” of lifting the oil. The money was applied on April 13, 2001 to pay outstanding surcharges on all three contracts. After April 2001, Glencore paid Mr. Abu-Reyaleh amounts that generally did not correspond to the agreed upon commission or were often labeled “Spezial.”²⁹⁸

Mr. Abu-Reyaleh has refused to answer the Committee’s questions regarding the surcharge payments. Glencore and Mr. Alvarez denied that Glencore was involved in the payment of surcharges or that Glencore “knowingly funded payments of surcharges to the Government of Iraq.” Mr. Alvarez stated that he specifically told Mr. Abu-Reyaleh not to pay surcharges. In a letter to the Committee, Glencore’s counsel emphasized that Glencore consistently made it clear to “all concerned - employees, agents, counter parties - that it expected full compliance with UN regulations.”²⁹⁹

When asked about the increased commissions paid to Mr. Abu-Reyaleh, Mr. Alvarez stated that Glencore had agreed in May 2001 to increase Mr. Abu-Reyaleh’s commission to between \$0.32 and \$0.34 per barrel. Mr. Alvarez stated that Mr. Abu-Reyaleh had insisted that market premiums to intermediaries had increased and should be matched by Glencore. Glencore did not

²⁹⁷ Committee note-to-file (Aug. 30-31, 2005) (detailing the review of Glencore International AG and Al-Khaled Engineering agreement (Dec. 7, 1999), which stipulated that the premium paid to Al-Khaled Engineering would be \$0.20 per barrel of oil lifted if the contract was signed with Petrogaz and \$0.22 per barrel of oil lifted if the contract was signed with Glencore France); Committee note-to-file (Aug. 30-31, 2005) (detailing the review of summary of payments related to contracts M/09/44 and M/09/60, which showed that payments made by Glencore to Mr. Abu-Reyaleh on March 29, 2001 amounted to \$0.22 per barrel); Committee surcharge table, contract nos. M/08/91, M/09/44, M/09/60.

²⁹⁸ Committee note-to-file (Aug. 30-31, 2005) (detailing the summary of terms for contract no. M/09/44, which evidenced an advance payment of \$1,023,000 to Mr. Abu-Reyaleh’s account at Arab Bank Geneva, on April 6, 2001, calculated on the basis of \$0.22 per barrel for 4.65 million barrels of oil to be lifted in April 2001 (projected to be lifted in two lifts of two million barrels and one lift of 0.65 million barrels)); Credit Suisse record, Glencore International AG and M&M Finance Company Ltd. account, debit advice (Apr. 6, 2001) (transferring \$1,023,000 to Mr. Abu-Reyaleh’s account at Arab Bank Geneva); Arab Bank Geneva record, Talal Hussein Abu-Reyaleh account, debit advices (Apr. 10, 2001) (transferring \$474,870 to SOMO account at Fransabank), (Apr. 10, 2001) (transferring \$785,076 to SOMO account at Fransabank); see also Luis Alvarez interview (Sept. 13, 2005) (indicating that payment of premiums generally occurred after the issuance of the bill of lading but that there may be special occasions in which a contracting party would ask to be paid the premium earlier than that).

²⁹⁹ Talal Hussein Abu-Reyaleh interview (May 9, 2005); Committee e-mail to Talal Abu-Reyaleh (June 18, 2005) (sending a list of questions to Mr. Abu-Reyaleh), Committee e-mail to Talal Abu-Reyaleh (July 8, 2005) (following up on the request sent in the e-mail dated June 18, 2005); Luis Alvarez interview (Sept. 13, 2005); Glencore counsel letter to the Committee (Oct. 21, 2005).

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produce any written document memorializing the increase in the premium. None of the Glencore records on payments to Mr. Abu-Reyaleh show that this increased commission rate was being used to calculate the disbursements to Mr. Abu-Reyaleh. Additionally, an analysis of the payments shows that Glencore would have had to apply the increase in commission retroactively for Mr. Abu-Reyaleh ultimately to have received amounts that translate to approximately \$0.31 per barrel on contract M/08/91, \$0.34 per barrel on contract M/09/60, and \$0.39 per barrel on contract M/09/44.³⁰⁰

4. Glencore and Split Premium Payments

In Phase IX, Glencore also purchased oil through other companies, including Zangas Petroleum (“Zangas”), a Russian-based company, and Marbel Resources Limited (“Marbel Resources”), a United Kingdom company. With these two companies, Glencore split the premium, paying the sales commission to the contracting company separately from the surcharge payment.

Glencore financed and lifted approximately 3.9 million barrels of oil under a contract signed by Zangas. The surcharges levied on the contract amounted to \$1,166,654, which corresponds to a \$0.30 per barrel surcharge. Glencore made two sets of split premium payments on the Zangas contract. Glencore records show that it wire transferred two payments to Zangas’s bank account in amounts that corresponded to \$0.07 per barrel on the liftings financed by Glencore. Shortly after each payment to Zangas, Glencore wire transferred a payment to a Swiss bank account of an entity named Verplank Holding Ltd. in an amount that corresponds to \$0.30 per barrel.³⁰¹

³⁰⁰ Luis Alvarez interview (Sept. 13, 2005). A review of Glencore documents has not revealed any subsequent agreement or amendment to the original agreement between Glencore and Al-Khaled Engineering. In addition, when asked whether there was any agreement to document the increased premium, Mr. Alvarez recalled that Al-Khaled Engineering may not have signed an agreement. Luis Alvarez interview (Sept. 13, 2005). Glencore records show that \$1,487,954.80 was paid to Mr. Abu-Reyaleh under contract M/08/91 and that 4,756,718 barrels were lifted under the contract. This payment amounts to \$0.31 per barrel. Committee note-to-file (Aug. 30-31, 2005) (detailing the review of terms for contract no. M/08/91); Committee oil company table, contract no. M/08/91. Glencore records show that \$4,711,396.20 was paid to Mr. Abu-Reyaleh under contract M/09/44 and that 12,106,613 barrels were lifted under the contract. This amounts to payment of \$0.39 per barrel. Committee note-to-file (Aug. 30-31, 2005) (detailing the review of terms for contract no. M/09/44); Committee oil company table, contract no. M/09/44. Glencore records show that \$2,901,634.00 was paid to Mr. Abu-Reyaleh under contract M/09/60 and that 8,609,000 barrels were lifted under the contract. This amounts to payment of \$0.34 per barrel. Committee note-to-file (Aug. 30-31, 2005) (detailing the review of terms for contract no. M/09/60); Committee oil company table, contract no. M/09/60.

³⁰¹ Committee oil company and financier tables, contract no. M/09/77; Committee note-to-file (Aug. 30-31, 2005) (detailing the review of terms for contract no. M/09/77). Glencore records show the following payments to Zangas’s account: \$132,110.86 on August 8, 2001 (corresponding to \$0.07 per barrel financed by letter of credit no. N729460) and \$140,108.29 on September 11, 2001 (corresponding to \$0.07 per barrel financed by letter of credit no. N730093). Glencore records show the following payments to Verplank Holding’s account at Credit Suisse Geneva: \$556,179 on August 15, 2001 (corresponding to \$0.30 per barrel financed by letter of credit no. N729460), and \$600,464.10 on September 5, 2001 (corresponding to \$0.30 per barrel financed by letter of credit no. N730093). Committee oil company and financier tables,

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Ministry of Oil records show that within a week of receiving the money from Glencore, Verplank Holding Ltd. transferred the same amounts to a SOMO account at the Jordan National Bank. The funds deposited by Verplank Holding Ltd. were used to satisfy the surcharge on Glencore's liftings under the Zangas contract.³⁰²

Glencore also split its premium to Marbel Resources. Glencore purchased approximately two million barrels of oil under a contract signed by Marbel Resources. A total of \$593,510 in surcharges was levied on the oil financed and lifted by Glencore, corresponding to a \$0.30-per-barrel surcharge. Glencore records show that the company paid a \$0.36-per-barrel premium and split its payments to Marbel Resources between: (1) a wire transfer to Century Marketing Associates' bank account on May 25, 2001 in an amount that corresponds to \$0.06 per barrel; and (2) a transfer to Aamir Mansour's bank account on May 31, 2001, in an amount that corresponds to \$0.30 per barrel. Ministry of Oil records show that within a short period of time after the transfer to Mr. Mansour's account, cash deposits were made at the SOMO bank account in Jordan in satisfaction of the surcharge imposed on Glencore's lifting under the Marbel Resources contract.³⁰³

5. Glencore and Surcharge Payments on Incomed Trading's Contracts

In May 2001, after allegations surfaced that Glencore had diverted a cargo of oil from one destination to another without notice, the 661 Committee referred the company to Swiss authorities to investigate irregularities in Glencore's purchases of Iraqi oil. The 661 Committee also notified Glencore that future applications for oil purchases would be scrutinized if any irregularities with the transactions were noted. SOMO was not pleased with Glencore as a result of the diversion claim and did not contract with Glencore for the remainder of the Programme.³⁰⁴

contract no. M/09/77; Committee note-to-file (Aug. 30-31, 2005) (detailing the review of terms for contract no. M/09/77).

³⁰² Committee oil surcharge table, contract no. M/09/77. Verplank Holding transferred from its account at Credit Suisse Geneva to SOMO's account at Jordan National Bank Amman \$556,179.40 on August 10, 2001 and \$600,464 on September 12, 2001. Jordan National Bank record, SOMO account, credit advices (Aug. 15 and Sept. 12, 2001).

³⁰³ Committee oil company and financier tables, contract no. M/09/76 (showing that Glencore financed and lifted 1,978,367 barrels of oil); SOMO bill of lading, bbl/3110 (May 12, 2001) (relating to SOMO sales contract M/09/76 and showing that lift occurred on May 12, 2001); Records of SOMO surcharge invoices, contract no. M/09/76 (indicating that \$593,510 had been levied); Committee note-to-file (Aug. 30-31, 2005) (detailing the review of terms for contract no. M/09/76); Jordan National Bank record, SOMO account, credit advices (June 20, 2001) (showing a cash deposit of \$583,000 on behalf of Marbel Resources), (Aug. 20, 2001) (handwriting on advice notes that \$10,510.90 out of the cash deposit of \$253,473.00 relates to Marbel Resources's Phase IX contract).

³⁰⁴ Morten Buur-Jensen note-to-file (Apr. 4, 2001) (summarizing interaction of Mr. Buur-Jensen with Glencore staff regarding the matter); Glencore UK Ltd. fax to oil overseers (Apr. 23, 2001) (explaining Glencore's position and providing a copy of the holding and title certificate); 661 Committee Chairman letter to Switzerland Permanent Observer (May 8, 2001) (explaining the irregularity, attaching a summary

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Although it did not receive any further allocations directly, Glencore remained a major oil trader in Iraqi crude oil as it financed and lifted over 82 million barrels of oil during Phases X through XII. During this period, Glencore entered into an agreement with Incomed Trading Corporation (“Incomed Trading”) to purchase oil. Incomed Trading, a Panama-registered company, was closely held by members of Mr. Alvarez’s family, the main Glencore trader for Iraqi crude oil. Glencore purchased 11 million barrels of oil through Incomed Trading in Phases X through XIII. Glencore’s agents, Mr. Abu-Reyaleh and Mr. Lakhani, paid the surcharges imposed on Incomed Trading contracts in Phases X and XI.³⁰⁵

On Incomed Trading’s contract in Phase X, both Glencore agents were involved in paying the levied surcharge of \$800,821. An advance surcharge payment was made on the contract and the balance was paid through Glencore agents. Glencore records show that it paid Incomed Trading approximately €1,421,168 on the contract, which amounted to a premium of \$0.40 to \$0.45 per barrel. Incomed Trading, however, returned most of the money to Glencore’s agent, Mr. Lakhani, and kept an amount that would have corresponded to a lower agent commission of \$0.08 per barrel. Business records show that Incomed Trading directed the payment of €1,167,479 to Mr. Lakhani’s bank account in Cyprus. Shortly thereafter, Mr. Lakhani transferred €1,015,000 from his account in Cyprus to Mr. Abu-Reyaleh’s bank account in Dubai. In turn, Mr. Abu-Reyaleh transferred the funds into a bank account in Beirut that he appeared to have opened to transact short-term transfers. A total of \$710,822 was wire transferred from Mr. Abu-Reyaleh’s

of the situation, and asking the Swiss authorities to investigate Glencore’s activities highlighted in the oil overseers’ report); 661 Committee Chairman letter to oil overseers (May 10, 2001) (asking oil overseers to bring to the attention of Glencore International AG that “[t]he Oil Overseers will examine thoroughly the performance by Glencore International AG under future applications for the purchase of Iraqi oil”); Amer Rashid interview (Oct. 9, 2004) (stating that SOMO was incensed by Glencore’s diversion of oil); Iraq official interview (stating that there was a problem with Glencore because it was caught diverting oil to a different market than the one designated). Mr. Buur-Jensen served as an oil overseer under the Programme. Morten Buur-Jensen interview (Sept. 9, 2004).

³⁰⁵ Committee oil financier table; Committee note-to-file (Aug. 30-31, 2005) (detailing the review of Incomed Trading and Glencore International AG operating agreements (Oct. 25 and Nov. 22, 2002)). Mr. Alvarez’s father was the main shareholder in Incomed Trading and his mother was the chair. Panama Permanent Representative to 661 Committee Chairman (Mar. 27, 2000) (nominating Incomed Trading Corporation to participate in the Programme); Luis Alvarez interview (Sept. 13, 2005) (indicating that his father owned shares in Incomed Trading and that his mother was the Chairman); Murtaza Lakhani interview (Aug. 7, 2005) (indicating that Mr. Lakhani’s understanding was that the owner of Incomed Trading was the father of Luis Alvarez); Committee oil financier table, contract nos. M/10/26, M/11/22, M/11/112, M/12/60, M/12/124, M/13/63; Committee oil surcharge table, contract nos. M/10/26, M/11/22, M/11/112. Incomed Trading was incorporated in 1983 in Panama and is operated from an office in Spain. At the time of incorporation, it was owned by British Petroleum (“BP”). However, its shares were purchased in 1993 by certain former BP managers, including Mr. Alvarez’s father. Incomed Trading Corporation general information document (undated); Luis Alvarez interview (Sept. 13, 2005).

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bank account in Beirut to a SOMO account to satisfy the outstanding surcharge balance.³⁰⁶ The table below provides an overview of the flow of funds.

³⁰⁶ SOMO letter to Amer Rashid (July 23, 2001) (translated from Arabic) (approving contract M/10/26 for three million barrels of oil for Incomed Trading and referring to “Mr. Leith Shbeilat” as the allocation holder); Committee oil company table, contract no. M/10/26 (indicating that SOMO levied \$800,821 in surcharges on the contract); Committee note-to-file (Aug. 30-31, 2005) (detailing the review of payments relating to contract no. M/10/26); Incomed Trading fax to C. Palama (Dec. 11, 2001) (enclosing draft invoices, referring to payments to Mr. Lakhani’s account, which Incomed Trading wanted Ms. Palama to print on Al-Khaled letterhead); Incomed Trading fax to C. Palama (Dec. 11, 2001) (listing all the payment instructions that Incomed Trading had given the Bank of Cyprus); Murtaza Lakhani letter to Talal Hussein Abu-Reyaleh (Dec. 28, 2001) (attaching copy of transfer advices); Fransabank record, Talal Hussein Abu-Reyaleh account, credit advices (Mar. 5, 2002) (showing transfer of \$420,000.), (Mar. 8, 2002) (showing transfer of \$199,995), (Mar. 8, 2002) (showing transfer of \$99,995); Fransabank record, SOMO account, credit advices (Mar. 8, 2002) (showing transfer of \$220,907 from Mr. Abu-Reyaleh), (Mar. 9, 2002) (showing transfer of \$218,392 from Mr. Abu-Reyaleh), (Mar. 9, 2002) (showing transfer of \$271,523 from Mr. Abu-Reyaleh). Only seven transactions were registered on the account of Mr. Abu-Reyaleh—six of which took place within four days. Fransabank record, Talal Hussein Abu-Reyaleh account, statement (Jan. 1, 2002 to May 17, 2005).

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Table 4 – Glencore’s Transfer of Funds and Mr. Abu-Reyaleh’s Surcharge Payments on M/10/26

	Glencore Payments to Incomed Trading	Incomed Trading Payments to Lakhani	Lakhani Payments to Abu-Reyaleh	Abu-Reyaleh Surcharge Payments
July 19, 2001	–	–	–	\$90,000.00
Nov. 29, 2001	€450,106.96	–	–	–
Nov. 30, 2001	€451,467.90	–	–	–
Dec. 8, 2001	–	€185,000.00	–	–
Dec. 10, 2001	–	€180,833.00	–	–
Dec. 12, 2001	€519,593.72	–	–	–
Dec. 12, 2001	–	€183,000.00	–	–
Dec. 14, 2001	–	€183,598.00	–	–
Dec. 17, 2001	–	€140,000.00	–	–
Dec. 19, 2001	–	€145,000.00	–	–
Dec. 21, 2001	–	€150,048.00	–	–
Dec. 31, 2001	–	–	€300,000.00	–
Jan. 2, 2002	–	–	€500,000.00	–
Jan. 3, 2002	–	–	€100,000.00	–
Jan. 3, 2002	–	–	€115,000.00	–
Mar. 8, 2002	–	–	–	\$220,907.00
Mar. 9, 2002	–	–	–	\$218,392.00
Mar. 9, 2002	–	–	–	\$271,523.00
Total	€1,421,168.58	€1,167,479.00	€1,015,000.00	\$800,822.00

Mr. Lakani handled the payment of surcharges on Incomed Trading contracts in Phase XI. According to Mr. Lakhani, he was Glencore’s “man in Baghdad.” As part of a written agency agreement, Glencore agreed to pay Mr. Lakhani a monthly fee of \$5,000 for acting as a consultant for Glencore’s “proprietary activities in Iraq for the acquisition of Iraqi Crude Oil.” Mr. Lakhani paid approximately \$1 million in surcharges on Incomed Trading’s two contracts in Phase XI (M/11/22 and M/11/112).³⁰⁷

³⁰⁷ Committee oil surcharge table, contracts no. M/11/22, M/11/112; Murtaza Lakhani interview (Aug. 7, 2005); Iraq official interview (stating that Mr. Lakhani represented Glencore at SOMO); Committee note-

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Ministry of Oil records show that surcharges on these two contracts were paid in part by cash payments of \$710,000 made by Mr. Lakhani at the Permanent Mission of Iraq to the United Nations in Geneva from May 2002 to January 2003. According to Mr. Lakhani, he made the payments at the Permanent Mission of Iraq to the United Nations in Geneva with cash that he received from Glencore in Switzerland. He stated that he periodically received the cash from Glencore for payment of the surcharges through various individuals he could not identify. Copies of petty cash receipts obtained from Mr. Lakhani—some of which are produced below—show that, from January 24, 2002 through March 3, 2003, a series of cash payments totaling approximately \$1.36 million were made from Glencore’s offices in Switzerland to Mr. Lakhani. In particular, the petty cash receipts obtained from Mr. Lakhani reflect a cash payment from Glencore on May 15, 2002 in the amount of \$415,000. Documents obtained from the Iraqi Mission to the United Nations in Geneva indicate that Mr. Lakhani made a surcharge payment of \$400,000 two days later.³⁰⁸

When asked about cash payments to Mr. Lakhani, Mr. Alvarez stated that he orally recommended, in 2001 or 2002, that Glencore pay Mr. Lakhani a “success fee” in the amount of \$300,000 or \$400,000. Mr. Alvarez stated that his recommendation was approved by his superior at Glencore. Glencore’s petty cash payments to Mr. Lakhani exceeded the amount of the “success fee.” Additionally, Andy Gibson, head of Glencore’s Crude Oil Operations in London, stated that he was unaware of Glencore awarding cash bonuses in the range of \$300,000 to \$400,000.³⁰⁹

to-file (Aug. 30-31, 2005) (detailing the review the Glencore and Murtaza Lakhani agency agreement (Jan. 23, 2001)); Luis Alvarez interview (Sept. 13, 2005). SOMO records reflect that one of the surcharge payments on contract M/11/22 was made by an entity named Imranco. Mr. Lakhani has indicated that Imranco was the trade name used by his company, Continental Oil, in Jordan. Murtaza Lakhani interviews (Dec. 6-13, 2004).

³⁰⁸ Iraq Permanent Mission to the United Nations in Geneva record, Payment receipts (May 17, 2002) (reflecting payment by Mr. Lakhani of \$400,000), (June 12, 2002) (reflecting payment by Mr. Lakhani of \$250,000), (Jan. 10, 2003) (reflecting payment of \$60,000); Murtaza Lakhani interviews (Dec. 6-13, 1994; Aug. 7, 2005); Murtaza Lakhani record, Glencore cash vouchers (Jan. 24, 2002) (for €170,850), (Apr. 24, 2002) (for €230,000), (May 15, 2002) (for \$415,000), (June 10, 2002) (for \$190,000), (July 4, 2002) (for \$80,000), (Oct. 7, 2002) (for CHF205,000), (Nov. 4, 2002) (for €10,000), (Nov. 20, 2002) (for €45,000), (Mar. 3, 2003) (for €35,000).

³⁰⁹ Luis Alvarez interview (Sept. 13, 2005); Andy Gibson interview (Sept. 14, 2005).

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


<p style="text-align: center;">GLENCORE INTERNATIONAL AG COPY</p> <p style="text-align: center;">Petty Cash Voucher M47 : 6379</p> <p style="text-align: center;">CASH 'OUT'</p> <p>Currency: EUR Amount: 170'850.00 Details of Payment: Cash Account to be DEBITED: 10041.1001.151000.002.01 Department / M.I.S. Code: 012 Oil - Baar only Project: Initials / Office: GLE INTER,BAAR Name: Glencore International AG Date / Cashier: 24.1.2002 /BK Signature: </p>	<p style="text-align: center;">GLENCORE INTERNATIONAL AG COPY</p> <p style="text-align: center;">Petty Cash Voucher M47 : 7020</p> <p style="text-align: center;">CASH 'OUT'</p> <p>Currency: EUR Amount: 230'000.00 Details of Payment: Cash Account to be DEBITED: 10041.1001.151000.002.01 Department / M.I.S. Code: 012 Oil - Baar only Project: Initials / Office: GLE INTER,BAAR Name: Glencore International AG Date / Cashier: 24.4.2002 /IAC Signature: </p>
<p style="text-align: center;">GLENCORE INTERNATIONAL AG COPY</p> <p style="text-align: center;">Petty Cash Voucher M47 : 7165</p> <p style="text-align: center;">CASH 'OUT'</p> <p>Currency: USD Amount: 415'000.00 Details of Payment: Cash Account to be DEBITED: 10041.1001.151000.002.01 Department / M.I.S. Code: 012 Oil - Baar only Project: Initials / Office: GLE INTER,BAAR Name: Glencore International AG Date / Cashier: 15.5.2002 /IAC Signature: </p>	<p style="text-align: center;">GLENCORE INTERNATIONAL AG COPY</p> <p style="text-align: center;">Petty Cash Voucher M47 : 7329</p> <p style="text-align: center;">CASH 'OUT'</p> <p>Currency: USD Amount: 190'000.00 Details of Payment: Cash Account to be DEBITED: 10061.1004.205919.001.01 Department / M.I.S. Code: Project: Initials / Office: BK SPECIAL,BAAR Name: BK Special Date / Cashier: 10.6.2002 /IAC Signature: </p>

Figure: Glencore cash vouchers (Jan. 24, Apr. 24, May 15, and June 10, 2002).

E. VITOL

Vitol S.A., a Swiss corporation, is part of the Vitol Group (“Vitol”), a major oil trader with a refinery in Canada that can process Iraqi crude oil. Like other oil companies and traders that were not based in countries favored by the Government of Iraq, Vitol was forced to purchase Iraqi crude oil through other companies during the Programme—until it later hired a French diplomat, Serge Boidevaix, to represent it in Baghdad. Mr. Boidevaix is discussed in Section IV.E of this Chapter. With Mr. Boidevaix’s assistance, Vitol obtained a series of oil contracts directly from SOMO. Surcharges were assessed on Vitol’s contracts in Phases IX and X. Vitol

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paid the surcharges assessed on its Phase IX contract through an entity named Peakville Limited.³¹⁰

Even after hiring Mr. Boidevaix, Vitol continued to acquire Iraqi crude oil through other agents and contracting companies. One of its most lucrative business relationships was with Mastek Sdn Bhd (“Mastek”), a previously dormant Malaysian company that had been revived by three individuals for the purpose of trading Iraqi oil allocations. During the Phase IX exporting crisis, the Ministry of Oil called upon Faek Ahmad Shareef, one of the Mastek partners, to help the country continue exporting crude oil and offered to sell him substantial amounts of oil. In Phase IX, Vitol financed 33 million barrels of oil through Mastek. SOMO assessed over \$10 million in surcharges on Mastek’s Phase IX contract, the single largest assessment on any given contract during the illicit scheme.³¹¹

Mr. Shareef and his partner, Jaya Sudhir, used commissions from Vitol to pay surcharges on the Mastek contracts. Vitol has denied paying any surcharges or knowingly financing them. When Mastek did not have sufficient funds to cover the surcharges assessed, it threatened to bring a lawsuit against Vitol. Vitol settled the dispute for \$2 million, most of which was used by Mastek to pay the outstanding surcharge balance.³¹²

In addition, in Phase XI, Vitol made a direct surcharge payment of approximately \$312,800 to one of SOMO’s accounts in Jordan with respect to oil that Vitol had purchased through Machinoimport, a Russian company.³¹³

³¹⁰ Vitol, “Organization and structure,” <http://www.vitol.com/general/organisation.php>; Robin D’Alessandro interview (Oct. 10, 2005); Committee oil company table, contract nos. M/04/08, M/05/36, M/06/40, M/07/30, M/08/34, M/09/97, M/10/78, M/13/74; Committee oil company table, contract no. M/09/97 (showing that surcharges in the amount of \$545,801 were assessed and paid); Fransabank record, SOMO account, credit advices (June 23, 2001) (showing transfer of \$250,217.00 from Peakville Limited’s account at HSBC Hong Kong), (Aug. 31, 2001) (showing transfers of \$108,000.00 and \$187,583.70 from Peakville Limited’s account at HSBC Hong Kong).

³¹¹ Vitol Asia record, Vitol Asia and Mastek purchase/sale agreement (Dec. 2, 1999) (regarding the purchase of Iraqi crude oil under Phase VII) (hereinafter “Vitol and Mastek Phase VII agreement”); Committee oil financier and company tables, contract no. M/09/18 (showing that Vitol lifted over 33 million barrels of oil through Mastek in Phase IX and that surcharges over \$10 million were assessed); Faek Ahmad Shareef interviews (Aug. 15-18, 2005).

³¹² Faek Ahmad Shareef interviews (Aug. 15-18, 2005); Jaya Sudhir interview (Aug. 19, 2005); Vitol Asia Pte Ltd, Mastek Sdn Bhd, Keppel Oil International Ltd Inc., and Jaya Sudhir settlement agreement (Feb. 26, 2002) (hereinafter “Vitol and Mastek settlement agreement”); Robin D’Alessandro interview (Oct. 10, 2005); Kho Hui Meng interview (Aug. 19, 2005). Mr. Hui Meng is president of Vitol Asia. Ibid.

³¹³ Committee oil financier, company, and surcharge tables, contract no. M/11/17 (contracting with Machinoimport); Jordan National Bank record, SOMO account, credit advice (Jan. 17, 2002) (translated from Arabic) and SWIFT message (Jan. 15, 2002).

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1. Vitol's Direct Contracts with SOMO

In the initial three phases, Vitol purchased Iraqi oil only through other contracting companies. Beginning in Phase IV, Vitol signed the first of eight SOMO contracts that had been obtained with the assistance of Mr. Boidevaix. The contracts resulted in the purchase of almost 30 million barrels of oil and were signed by Mr. Boidevaix as President of “Vitol – France for and on behalf of Vitol S.A. Geneva – Switzerland.” No company called “Vitol France” existed. Vitol used the name simply to give it a “French angle” with SOMO. For his services, Mr. Boidevaix received a fee of \$30,000 per phase and a premium of \$0.01 per barrel, which was later raised to \$0.03 per barrel, for any barrels that Vitol lifted over the first three million barrels.³¹⁴

Surcharges were levied on the oil contracts executed by Vitol and Mr. Boidevaix in Phases IX and X. Vitol was aware that SOMO had imposed surcharges by Phase IX. At an OPEC conference in 2001, a SOMO official advised Mr. Boidevaix that Vitol had to pay surcharges if the company wanted any further oil contracts. Mr. Boidevaix discussed the matter with Robin D'Alessandro, the main Vitol trader for Iraqi crude oil, who in turn raised the issue with the management team in charge of crude oil at Vitol. Both Mr. Boidevaix and Ms. D'Alessandro stated that they agreed that no surcharges would be paid. However, after the OPEC conference, SOMO wrote a letter to the Minister of Oil seeking approval for Vitol's contract in Phase IX, and explicitly referenced that, under the contract, surcharges were due within 30 days of the lift. In the letter, the SOMO official wrote that the Minister of Oil— based on his meeting with Mr. Boidevaix during the OPEC conference—previously had approved giving this contract to Vitol. As demanded by SOMO, a surcharge payment on contract M/09/97 was made 23 days after Vitol lifted the oil.³¹⁵

³¹⁴ Robin D'Alessandro interview (Oct. 10, 2005) (indicating that, from Phases I through III, Vitol purchased from a number of companies including Total and Bayoil); Robin D'Alessandro fax to Oil overseers (Jan. 26, 1998) (indicating that Vitol was working with Sidanco regarding the purchase of 7.2 million barrels of oil); SOMO sales contract, no. M/04/08 (June 4, 1998); Vitol S.A. record, Vitol S.A. and S.B. Consultant consultancy agreement (Apr. 27, 1998); Committee oil company table, contract nos. M/04/08 (6,068,630 barrels lifted), M/05/36 (3,521,487 barrels lifted), M/06/40 (4,967,270 barrels lifted), M/07/30 (1,555,894 barrels lifted), M/08/34 (1,521,065 barrels lifted), M/09/97 (1,986,148 barrels lifted), M/10/78 (966,440 barrels lifted), M/13/74 (8,939,152 barrels lifted). A SOMO official has confirmed that SOMO would not have sold oil to Vitol as a Swiss company. Saddam Z. Hassan interview (Mar. 9, 2005).

³¹⁵ Committee oil company table, contract nos. M/09/97 (showing that surcharges in the amount of \$545,801 were levied and paid), M/10/78 (showing that surcharges in the amount of \$241,610 were levied and paid); Serge Boidevaix interview (Oct. 4, 2005); Robin D'Alessandro interview (Oct. 10, 2005); SOMO letter to Amer Rashid (Apr. 5, 2001)(approving contract M/09/97 for two million barrels of oil for Vitol) (translated from Arabic); SOMO bill of lading, bbl/3123 (May 31, 2001) (relating to contract M/09/97 and indicating that Vitol's first lift under contract M/09/97 occurred on May 31, 2001); Fransabank record, SOMO account, credit advice (June 23, 2001) (showing the transfer of \$250,217.00 from Peakville Limited's account at HSBC Hong Kong on June 23, 2001). SOMO records refer to a minimal shortfall of \$622 in the surcharge paid on contract M/10/78. These surcharge payments amounted to a \$0.27 per barrel surcharge on Vitol's Phase IX contract and a \$0.25 per barrel surcharge on Vitol's Phase X contract. Committee oil company table, contract nos. M/09/97, M/10/78.

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An entity named Peakville Limited was used to pay a total of \$545,801 in surcharges on Vitol contract M/09/97. Ministry of Oil and bank records show that this amount was transferred through three wires from the account of Peakville Limited at HSBC Bank Hong Kong to a SOMO bank account at Fransabank.³¹⁶

Table 5 - Surcharges Paid by Peakville Limited on Vitol's Phase IX Contract

Source of Payment	Contract	Payment Date	Wire Amount	Recipient of Payment
Peakville Limited Account at HSBC Hong Kong	M/09/97	June 23, 2001	\$250,217.25	SOMO Account at Fransabank Lebanon
Peakville Limited Account at HSBC Hong Kong	M/09/97	Aug. 31, 2001	\$108,000.00	SOMO Account at Fransabank Lebanon
Peakville Limited Account at HSBC Hong Kong	M/09/97	Aug. 31, 2001	\$187,583.70	SOMO Account at Fransabank Lebanon
Total			\$545,800.95	

The wire transfer documents do not identify Peakville Limited as being affiliated with Vitol. However, the Committee has obtained records for a number of other wire transfers that are not related to the Programme, but that originate from Peakville Limited. Some of these wire transfer records show the following information for Peakville Limited: "Peakville Limited c/o Mr. R. Favre – Vitol SA, Rue des Bains 33, PO Box 162."³¹⁷

Roland Favre is one of Vitol's financial directors with signatory authority on a number of Vitol commercial bank accounts around the world; indeed, Mr. Favre signed Vitol's consultancy agreement with Mr. Boidevaix. The address referenced in the wires was Vitol's address in Geneva at the time. When asked about these wire transfers, Ms. D'Alessandro stated that she had no knowledge of Peakville Limited or of its association with Vitol.³¹⁸

³¹⁶ Committee oil company table, contract no. M/09/97 (showing that surcharges in the amount of \$545,801 were paid); Fransabank record, SOMO account, credit advices (June 23, 2001) (showing transfer of \$250,217.25 from Peakville Limited's account at HSBC Hong Kong), (Aug. 31, 2001) (showing transfers of \$108,000.00 and \$187,583.70 from Peakville Limited's account at HSBC Hong Kong).

³¹⁷ Peakville Limited wire transfers through HSBC Hong Kong correspondent account at HSBC New York (Aug. 27, 2002; July 23 and Aug. 25, 2003); Crédit Lyonnais (Suisse) S.A. record, Vitol S.A. account, opening documentation (Sept. 28, 2000) (showing Mr. Favre as having individual signing authority over the account and Vitol S.A.'s address as "Rue des Bains 33, P.O. Box 162, 1211, Geneva").

³¹⁸ UEB record, Vitol Bahrain E.C. account, opening documentation (Aug. 17, 2004) (showing Mr. Favre as a director of Vitol with individual signing authority over the account); Crédit Lyonnais (Suisse) S.A. record, Vitol Bahrain E.C. account opening documentation (Jan. 12, 1994) (showing Mr. Favre as having individual signing authority over the account); Crédit Lyonnais (Suisse) S.A. record, Vitol S.A. account,

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Originator {5000} D6007295370001*PEAKVILLE LIMITED*C/O MR R FAVRE - VITOL S A*RUE DES BAINS
33*P O BOX 162*

Figure: Extract from Peakville Limited wire transfer through HSBC Hong Kong correspondent account at HSBC New York (July 23, 2003).

In Phase X, Peakville Limited was used to pay a surcharge on another oil contract financed by Vitol, but unrelated to Mr. Boidevaix. Vitol financed and lifted approximately two million barrels of oil under SOMO contract M/10/07 signed by Rosneftegazexport, a Russian company. A payment of \$556,828.80 was wire transferred from a Peakville Limited bank account to a SOMO account at Jordan National Bank. The transfer was used to make a surcharge payment on contract M/10/07 with Rosneftegazexport.³¹⁹

Two undated handwritten documents from Mr. Boidevaix also connect Peakville Limited to Vitol. One handwritten piece reads “250217.25 Peakwilli Hong Kong” while the other piece, handwritten but crossed out, states “250217.25 Peakwilli Hong Kong 31 May Eliki.” The notes appear to reference the *Eliki* vessel that lifted oil on May 31, 2001 under a contract for Vitol and Mr. Boidevaix. The reference to “250217.25” appears to be a reference to the amount of the first surcharge payment made to SOMO on this contract. Mr. Boidevaix denied paying a surcharge on this contract. He has acknowledged that he was instructed to write down this information by a female employee of Vitol—not Ms. D’Alessandro—during a telephone conversation.³²⁰

Surcharges were also assessed on the Phase X contract executed by Vitol and Mr. Boidevaix for one million barrels of oil. Vitol lifted the oil in December 2001 and a surcharge of \$241,610 was assessed on the lift. The surcharge amount remained outstanding, and Vitol did not enter into any contracts with SOMO in the two subsequent phases. The payment of the outstanding surcharge coincided with Vitol entering once again into a contract directly with SOMO in Phase XIII. Ministry of Oil and bank records show that the surcharge on the Phase X contract was finally paid

opening documentation (Sept. 28, 2000); Vitol S.A. record, Vitol S.A. and S.B. Consultant consultancy agreement (Apr. 27, 1998); Robin D’Alessandro interview (Oct. 10, 2005).

³¹⁹ Committee oil financier and company tables, contract no. M/10/07 (showing that Vitol financed and lifted 2,000,146 barrels of oil under Rosneftegazexport contract M/10/07 in Phase X); Jordan National Bank record, SOMO account, credit advice (Aug. 8, 2001) (translated from Arabic) (indicating that Peakville Limited paid \$556,828.80 into SOMO’s account; handwritten note on the advice indicates that payment relates to contract M/10/07 with Rosneftegazexport).

³²⁰ Serge Boidevaix record, handwritten notes (undated) (showing notes related to “Peakwilli Hong Kong”); Committee oil surcharge table, contract no. M/10/07; SOMO bill of lading, bbl/3123 (May 31, 2001) (relating to M/09/97); Serge Boidevaix interview (Oct. 4, 2005); Confidential document.

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on January 16, 2003 by Awad Ammora & Co., a Syrian company from which Vitol had purchased oil in Phase XIII.³²¹

In response to a notice letter from the Committee, Vitol has stated that “when Vitol refused to cooperate with Iraq over its surcharge policy, no further allocations were made by SOMO to Vitol under Vitol’s direct contract/s with SOMO.” However, the Committee notes that Vitol did lift oil under its direct contracts with SOMO in May, July, and December 2001—after the Government of Iraq had imposed surcharges and after Mr. Boidevaix informed Vitol about the imposition of such surcharges. As discussed above, surcharges were paid on these contracts by Peakville Limited, an entity connected to Vitol.³²²

2. Vitol’s Purchase of Oil through Mastek

A significant source of oil for Vitol during the Programme was Mastek. Vitol financed and lifted a total of 40 million barrels of oil under Mastek contracts. Vitol’s ties to Mastek started in 1999 when one of Mastek’s shareholders, Mr. Sudhir, approached Vitol’s subsidiary in Singapore, Vitol Asia, with an opportunity to acquire Iraqi crude oil. The oil had been allocated by SOMO to another Mastek shareholder, Mr. Shareef.³²³

Mr. Shareef was an Iraqi-born businessman living in Malaysia who started receiving oil allocations in Phase V. Mr. Shareef’s oil allocations were tied to political considerations as Iraqi officials perceived him as someone who could assist in countering the effects of sanctions by improving Iraq’s ties to Malaysia. This perception was due in part to Mr. Shareef’s family ties to Abdullah Ahmad Badawi, Malaysia’s Deputy Prime Minister in 1999 and its current Prime Minister, and Mr. Shareef’s ability to arrange for trade delegations to visit Iraq.³²⁴

³²¹ Committee oil company table, contract no. M/10/78; SOMO bill of lading, bbl/3236 (Dec. 20, 2001) (relating to M/10/78); SOMO sales contract no. M/13/74 (Jan. 9, 2003); Awad Ammora interview (Sept. 30, 2005) (indicating that he sold his oil allocation in Phase XIII to Vitol); SOMO sale contract no. M/13/40 (contracting with Awad Ammora); Jordan National Bank record, SOMO account, credit advice (Jan. 16, 2003) (translated from Arabic) (showing incoming transfer from Awad Ammora in the amount of \$240,988.00; handwritten notation indicates that the payment relates to “Vitol (Mr. Boidevaix) on contract M/10/78”).

³²² Vitol letter to the Committee (Oct. 20, 2005); Robin D’Alessandro interview (Oct. 10, 2005); Serge Boidevaix interview (Oct. 4, 2005); SOMO bills of lading, bbl/3123 (May 31, 2001) (relating to M/09/97); ck/5024(2) (July 14, 2001) (relating to M/09/97), bbl/3140(1) (July 28, 2001) (relating to M/09/97), bbl/3236 (Dec. 20, 2001) (relating to M/10/78).

³²³ Committee oil company table, contract no. M/07/59 (evidencing that Mastek received 2.4 million barrels in Phase VII); Vitol and Mastek Phase VII agreement; Committee oil financier table, contract nos. M/08/60, M/09/18 (evidencing that Vitol purchased 37.9 million barrels of oil from Mastek in Phases VIII and IX); Jaya Sudhir interview (Aug. 19, 2005); Kho Hui Meng interview (Aug. 19, 2005).

³²⁴ SOMO oil allocation table for Phase VI (approved on May 27, 1999) (indicating that an allocation had been given to Mr. Shareef in the previous phase) (translated from Arabic); Tariq Aziz interview (Aug. 16, 2005) (indicating that Mr. Shareef had many ties to Malaysian political parties); Taha Yassin Ramadan

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The oil allocated to Mr. Shareef in Phases V and VI was lifted by Tradeyear Sdn Bhd (“Tradeyear”), a Malaysian company. Mr. Shareef was unhappy with the commissions he was receiving from Tradeyear, and he decided along with his business partner and former sister-in-law, Noorasiah Mahmood, to revive Mastek, a long-dormant Malaysian company, for the purpose of obtaining Iraqi oil contracts. Mr. Shareef and Ms. Mahmood were joined at Mastek by Mr. Sudhir, a Malaysian businessman who had dealt previously with Vitol.³²⁵

Mastek received oil contracts from SOMO in Phases VII through IX, and Vitol financed and lifted the oil received under these contracts. Within Mastek, Mr. Shareef handled the company’s relations with SOMO and Iraq, and he often stayed in Amman or Baghdad. Mr. Sudhir managed Mastek’s business arrangements with Vitol. After receiving 2.5 million barrels in Phase VII and five million barrels in Phase VIII, Mastek’s oil allocation increased dramatically in Phase IX as it received over 39.5 million barrels of oil—the single largest allocation of oil during the Programme. Vitol and bank records indicate that Vitol financed and lifted at least 33 million barrels of oil obtained by Mastek during Phase IX, making Vitol one of the major purchasers of Iraqi crude oil during the Phase IX exporting crisis.³²⁶

interview (Aug. 17, 2005); Amer Rashid interview (Aug. 21, 2005) (indicating that Mr. Shareef was said to have some connection to Mr. Badawi); Iraq officials interviews; Faek Ahmad Shareef interviews (Aug. 15-18, 2005) (indicating that he brought delegations to Iraq from various countries and that Iraqis knew that he was married to the sister-in-law of Mr. Badawi); Jaya Sudhir interview (Aug. 19, 2005) (indicating that Mr. Shareef had leveraged his connection to Mr. Badawi). Mr. Shareef was married to the sister-in-law of Mr. Badawi. Faek Ahmad Shareef record, Faek Ahmad Shareef biographical data (undated). A review of Iraqi documents confirms that Iraqi officials associated Mr. Shareef with Mr. Badawi as references to Mr. Shareef’s oil allocations in SOMO documents appear in some instances as “Mr. Faek Ahmad Shareef / for the benefit of Abdullah.” SOMO oil allocation table for Phase VII (Dec. 17, 1999) (special requests) (translated from Arabic); SOMO letter to Amer Rashid (Dec. 23, 1999) (approving contract M/07/59 for Mastek) (translated from Arabic); SOMO oil allocation table for Phase VIII (June 14, 2000) (translated from Arabic); see also Abdullah Haji Ahmad Badawi letter to Taha Yassin Ramadan (Nov. 13, 2001) (recommending a delegation headed by Mr. Shareef and Noor Asiah Mahmood). The Committee has not found any evidence that Mr. Badawi has received any benefit from the oil allocations traded by Mastek, and Mr. Shareef and the other Mastek shareholders have denied that Mr. Badawi received any benefit from the oil traded. Jaya Sudhir interview (Aug. 19, 2005); Faek Ahmad Shareef interviews (Aug. 15-18, 2005). When asked about the letter sent by Mr. Badawi to Mr. Ramadan recommending the delegation headed by Mr. Shareef, Mr. Shareef indicated that Mr. Badawi had issued the letter as a way to support the Malaysian private sector and had done so for other Malaysian companies as well. Faek Ahmad Shareef interviews (Aug. 15-18, 2005).

³²⁵ Faek Ahmad Shareef interviews (Aug. 15-18, 2005); Jaya Sudhir interview (Aug. 19, 2005); Kho Hui Meng interview (Aug. 19, 2005); Farah Jaafar, “Bright Outlook for Mastek,” *The New Straits Times*, Jan. 24, 2000 (indicating that Mr. Shareef revived Mastek with the hope that it eventually would become an established oil trading company).

³²⁶ Committee oil company table, contract nos. M/07/59, M/08/60, M/09/18; Committee oil financier table, contract nos. M/08/60, M/09/18; Vitol and Mastek Phase VII agreement; Faek Ahmad Shareef interviews (Aug. 15-18, 2005) (indicating that it was “Vitol, all Vitol” when it came to lifting the oil for Mastek); Jaya Sudhir interview (Aug. 19, 2005); SOMO letters to Amer Rashid (Jan. 11, 2001) (approving contract

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Mastek obtained a high volume of oil in Phase IX because it agreed to pay the surcharges imposed by Iraq. According to Mr. Shareef, the Iraqi Minister of Oil, Amer Rashid, called him to a meeting in December 2000, at the beginning of Phase IX. During the meeting, Mr. Rashid told Mr. Shareef about the difficulty Iraq was experiencing with its oil exports, and he asked Mr. Shareef to perform his “national duty for Iraq” and help keep Iraqi crude oil flowing. Mr. Shareef admitted that Mr. Rashid also told him that Mastek would need to make some payments directly to Iraq to obtain the oil. Mr. Shareef recalled that, after his meeting with Mr. Rashid, Ali Hassan Rajab, a senior SOMO official, had a phone conversation with Mastek’s other shareholders, Mr. Sudhir and Ms. Mahmood, in which SOMO raised the issue of surcharges. After these conversations, Mr. Shareef wrote a note on December 24, 2000 to his partners, Mr. Sudhir and Ms. Mahmood (usually referred to as “Nonni”), reiterating that Mastek had to pay the surcharges in order to have the crude oil lifted. He also informed them that he had guaranteed payment of the surcharges on the oil loaded on the vessel *Moscliff*. The vessel was scheduled to load oil under Mastek contract M/08/60. On the same day that Mr. Shareef gave his guarantee, SOMO allowed the vessel *Moscliff* to lift the oil. The Committee has obtained a copy of the note that Mr. Shareef sent to his partners.³²⁷

M/09/18 for six million barrels of oil for Mastek), (Jan. 31, 2001) (increasing contract M/09/18 by seven million barrels of oil), (Mar. 25, 2001) (stating that Mastek’s new amount of oil under contract M/09/18 is 37 million barrels), (May 5, 2001) (increasing contract M/09/18 by 2.5 million barrels) (each translated from Arabic). Vitol also purchased Iraqi oil in Phase IX through other companies. Committee oil financier table, contract nos. M/09/54 (Masefield AG), M/09/66 (Seta Insaat Petrol ve Petrol Unrunleri), M/09/70 (Al-Rasheed International Cooperation), M/09/78 (Oil & Gas Services Group Ltd.), M/09/80 (Kampac Oil Ltd.), M/09/89 (Oil & Gas Services Group Ltd.), M/09/106 (Unifuel LLC), M/09/116 (International Petroleum and Industrial Services), M/09/119 (Machinoimport).

³²⁷ Faek Ahmad Shareef interviews (Aug. 15-18, 2005) (recalling that his meeting with Mr. Rashid occurred during the month of Ramadan in 2000); Jaya Sudhir interview (Aug. 19, 2005) (confirming that Iraqi officials were putting pressure on Mr. Shareef to arrange for the oil lift as soon as possible); SOMO bill of lading, bbl/3029 (Dec. 24, 2000) (relating to the *Moscliff* vessel). In 2000, the month of Ramadan began on November 27. Encyclopedia of the Orient, “Ramadan,” <http://i-cias.com/e.o/ramadan.htm>.

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FROM : SULTAN PALACE HOTEL FAX NO. : 954 1 7195258 Dec. 24 2000 10:35PM P1

(1) private - 3 pages.

Dear Nonni & Mr. Sudhir (4)

I have had a meeting with Top level dignitaries in somo the out come of my meeting was as follows.

- (1) Mastek must pay cent 40 for the crude oil Loaded No way out of it.
- (2) Some officials made it clear by phone to PN Nonni about the near future arrangements. The conversation was recorded.
- (3) I guaranteed somo for the payments and release of the ship M/T Moscliff that is Loaded.
- (4) Mr. Sudhir has instructed me to do that many times.
- (5) please Directors of Mastek understand what is going on.

Thank Love.

Figure: Jaya Sudhir record, Faek Ahmad Shareef fax to Jaya Sudhir and Noor Asia Mahmood (referred to as "Nonni") (Dec. 24, 2000).

SOMO levied a total of approximately \$10,380,361 in surcharges on Mastek's Phase IX contract and, between January 2001 and April 2002, approximately \$9,803,960 was paid into SOMO's account at Jordan National Bank through 31 separate payments.³²⁸ Mr. Shareef stated that, after

³²⁸ Committee oil company and surcharge tables, contract no. M/09/18; Jordan National Bank record, SOMO account, credit advices (Jan. 10, 2001) (cash payment by "Faek Shareef" in the amount of \$340,000), (Jan. 14, 2001) (cash payment by "Shareef" in the amount of \$370,000), (Feb. 6, 2001) (cash payment by "Shareef" in the amount of \$300,000), (Feb. 7, 2001) (cash payment by "Shareef" in the amount of \$390,000), (Feb. 13, 2001) (wire transfer by "Voeharm Holding Ltd" in the amount of \$194,290.42), (Mar. 27, 2001) (cash payment by "Shareef" in the amount of \$500,000), (Mar. 28, 2001) (cash payment by "Shareef" in the amount of \$300,000), (Mar. 29, 2001) (cash payment by "Shareef" in the amount of \$200,000), (Apr. 15, 2001) (cash payment by "Shareef" in the amount of \$450,000), (Apr. 17, 2001) (cash payment by "Shareef" in the amount of \$350,000), (Apr. 23, 2001) (cash payment by "Ahmed Younis" in the amount of \$80,000), (Apr. 23, 2001) (cash payment by "Ahmed Younis" in the amount of \$120,000), (Apr. 23, 2001) (cash payment by "Ahmed Younis" in the amount of \$100,000), (Apr. 30, 2001) (wire transfer by "Keppel Oil" in the amount of €499,960.22), (May 1, 2001) (cash payment by "Abu-Faras" in the amount of \$30,000), (May 2, 2001) (cash payment by "Shareef" in the

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the first lift in December 2000, he was under constant pressure from the Iraqis to pay the surcharges. Between January and April 2001, Mr. Shareef paid approximately \$3.2 million in cash into SOMO's account at Jordan National Bank. Mr. Shareef received the money to pay these surcharges from Mr. Sudhir, who either would deliver the money to Mr. Shareef in cash or wire transfer it to one of Mr. Shareef's accounts in Jordan. According to Mr. Shareef, it was his understanding that Vitol would pay Mastek sufficiently high premiums to cover payment of the surcharges. In a fax sent on February 26, 2001 from Iraq, Mr. Shareef wrote to Ms. Mahmood and Mr. Sudhir that "we must clear SOMO's A/C as soon as possible – get the money from Vitol fast." Mr. Shareef was referring to the practice of paying outstanding surcharges to SOMO within 30 days of a previous lifting so that future oil liftings were not delayed. With respect to the first surcharge payment on the Mastek contract in Phase IX, Mr. Sudhir confirmed that Vitol paid money as a commission to Mastek, and Mastek used the money to pay the surcharge owed on the contract.³²⁹

According to Mr. Shareef, beginning in April 2001, the money to pay the surcharges was not consistently forthcoming from Mr. Sudhir, and he began to worry about his safety because Iraqi officials were harassing him to pay outstanding surcharges. Mr. Shareef wrote a letter dated April 17, 2001 to SOMO, requesting that it prohibit oil lifts scheduled for April and May 2001 under the Mastek contract until "all payments have taken place." Bank records show that, shortly thereafter, surcharge payments resumed through Keppel Oil. Keppel Oil was a "shelf-company" that Mr. Sudhir formed to avoid currency restrictions imposed in Malaysia. The company was used to transfer €2.3 million to a SOMO account for the payment of surcharges between April and July 2001.³³⁰

amount of \$20,000), (May 8, 2001) (cash payment by "Abu-Faras" in the amount of \$40,000), (May 8, 2001) (cash payment by "Abu-Faras" in the amount of \$50,000), (May 8, 2001) (cash payment by "Abu-Faras" in the amount of \$50,000), (May 14, 2001) (wire transfer by "Keppel Oil" in the amount of €199,950.22), (May 14, 2001) (showing cash payment by "Abu-Faras" in the amount of \$20,000), (May 17, 2001) (cash payment by "Abu-Faras" in the amount of \$40,000), (May 17, 2001) (wire transfer by "Keppel Oil" in the amount of €299,960.22), (July 9, 2001) (wire transfer by "Keppel Oil" in the amount of €69,948.50), (July 9, 2001) (wire transfer by "Keppel Oil" in the amount of €99,948.50), (July 16, 2001) (wire transfer by "Keppel Oil" in the amount of €499,946.50), (July 18, 2001) (wire transfer by "Keppel Oil" in the amount of €279,946.50), (Aug. 2, 2001) (wire transfer by "Keppel Oil" in the amount of €199,946.50), (Aug. 6, 2001) (wire transfer by "Keppel Oil" in the amount of €1,999,859), (Aug. 29, 2001) (wire transfer by "Keppel Oil" in the amount of €499,946.50), (Apr. 1, 2002) (wire transfer by "Cosmos Capital Group" in the amount of €1,708,428.25) (each translated from Arabic). "Abu-Faras" is a reference to Mr. Shareef, and Ahmed Younis is an assistant to Mr. Shareef. Faek Ahmad Shareef interviews (Aug. 15-18, 2005). Voeharm Holding Ltd. is a company used by Mr. Sudhir. Jaya Sudhir interview (Aug. 19, 2005).

³²⁹ Faek Ahmad Shareef interviews (Aug. 15-18, 2005); Jaya Sudhir record, Faek Ahmad Shareef fax to Noor Asiah Mahmood and Jaya Sudhir (Feb. 26, 2001); Jaya Sudhir interview (Aug. 19, 2005).

³³⁰ SOMO letter to Amer Rashid (Apr. 24, 2001) (indicating that "Faek Shareef had sent them a letter asking them to stop the remaining lifts scheduled for April and May until all payments have taken place") (translated from Arabic); Jordan National Bank record, SOMO account, credit advices (Apr. 30, 2001) (wire transfer by "Keppel Oil" in the amount of €499,960.22), (May 14, 2001) (wire transfer by "Keppel

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The relationship between Mastek's three shareholders deteriorated in August 2001. According to Mr. Shareef, he felt increasing pressure from SOMO to pay the outstanding surcharges on Vitol's oil lifts under the Mastek contract.³³¹ He urged Mr. Sudhir to make the payments, and Mr. Sudhir eventually agreed to assist in paying the outstanding surcharge balance in August 2001. In an August 3, 2001 e-mail to Mr. Shareef, Mr. Sudhir wrote:

I am prepared to sign and give a letter of apology to whom it may concern as to the delay in the payments which had to be made. I am also willing to say that this matter had nothing to do with you, as the premium was handled by me. . . . I will undertake to clear all outstanding balances owed to the people concern [*sic*] within 10 days from today, which includes the last 2 loadings. I would think it will be in the region of US\$1.5 mil.³³²

Three days after the e-mail, Mr. Sudhir sent a letter to SOMO asserting that he took "full responsibility for the delay in meeting the Company's obligations to SOMO." On the same day as the letter, Keppel Oil transferred €1,999,859 to a SOMO account at Jordan National Bank, followed by another payment of approximately €500,000 on August 29, 2001.³³³

Mr. Sudhir did not explain how he was able to cover the surcharge payments on the Mastek contract with the premium that Vitol purportedly paid Mastek. SOMO assessed an average surcharge of \$0.28 per barrel on Mastek's Phase IX contract. Under their written agreement, Vitol paid a commission of \$0.21 to \$0.25 per barrel to Mastek. Mr. Sudhir stated that the highest premium Mastek received from Vitol in Phase IX was \$0.27 per barrel. According to Mr. Shareef, he and Ms. Mahmood thought that Mr. Sudhir and Vitol were cheating them by concealing the real premium that Vitol was paying Mr. Sudhir and by not paying them the money needed for Mastek to cover its surcharge payments.³³⁴

Oil" in the amount of €199,950.22), (May 17, 2001) (wire transfer by "Keppel Oil" in the amount of €299,960.22), (July 9, 2001) (wire transfer by "Keppel Oil" in the amount of €269,948.50), (July 9, 2001) (wire transfer by "Keppel Oil" in the amount of €299,948.50), (July 16, 2001) (wire transfer by "Keppel Oil" in the amount of €199,946.50), (July 18, 2001) (wire transfer by "Keppel Oil" in the amount of €279,946.50), (Aug. 2, 2001) (wire transfer by "Keppel Oil" in the amount of €199,946.50), (Aug. 6, 2001) (wire transfer by "Keppel Oil" in the amount of €1,999,859), (Aug. 29, 2001) (wire transfer by "Keppel Oil" in the amount of €199,946.50) (each translated from Arabic).

³³¹ Faek Ahmad Shareef interviews (Aug. 15-18, 2005).

³³² Faek Ahmad Shareef record, Jaya Sudhir e-mail to Faek Ahmad Shareef (Aug. 3, 2001).

³³³ Faek Ahmad Shareef record, Jaya Sudhir letter to Saddam Z. Hassan (Aug. 6, 2001); Jordan National Bank record, SOMO account, credit advices (Aug. 6, 2001) (wire transfer by "Keppel Oil" in the amount of €1,999,859), (Aug. 29, 2001) (wire transfer by "Keppel Oil" in the amount of €199,946.50) (each translated from Arabic).

³³⁴ Jaya Sudhir interview (Aug. 19, 2005); Vitol Asia record, Iraqi crude oil purchase/sale agreement between Vitol Asia and Mastek (undated) (regarding purchase of oil under Phase IX) (hereinafter "Phase IX agreement between Vitol and Mastek"); Vitol Asia record, Addendum no. 1 to Phase IX agreement

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In September 2001, Mr. Shareef met with Ian Taylor, the President of Vitol, and Kho Hui Meng, the President of Vitol Asia. According to Mr. Shareef, he told them that Vitol owed money to Mastek for the surcharges that Mastek owed the Iraqi regime. When interviewed by the Committee, Mr. Hui Meng stated that, at a meeting in September 2001, Mr. Shareef demanded additional compensation from Vitol. However, he stated that he did not recall Mr. Shareef telling them that the money was for the payment of surcharges. He stated that Mr. Shareef was complaining about being cheated by Mr. Sudhir.³³⁵

Ms. Mahmood notified Vitol that she planned to bring a lawsuit to recover the money owed to Mastek. Vitol Asia and Mastek eventually reached a written settlement on February 26, 2002, under which Vitol agreed to pay Mastek \$2 million. The settlement agreement provided that the payment would settle all of Mastek's claims against Vitol arising from the SOMO contracts. A month after the settlement, Mr. Shareef transferred approximately \$1.5 million from the account of Cosmos Capital Group Limited, a company that he and Ms. Mahmood had formed, to a SOMO account in Jordan to satisfy the surcharge obligation on the oil lifted by Vitol under the Mastek contract.³³⁶

Vitol Asia denied that the \$2 million was given to Mastek for the purpose of paying the outstanding surcharges. Mr. Hui Meng explained that Vitol's decision to sign the settlement agreement was a business decision driven by their perception that Ms. Mahmood was politically well-connected in Malaysia and their desire to avoid the potential business repercussions of upsetting her. In addition, Mr. Hui Meng indicated that he was not aware that Mastek had paid surcharges, and he added that he had not suspected such payments by Mastek as the premium that Vitol was paying Mastek was lower than the surcharge level that he had heard about in media reports.³³⁷

In two letters sent to the Committee, Mr. Sudhir contends that Mr. Shareef "was primarily and solely instrumental in establishing the entire series of oil transactions and that all . . . amounts to be paid . . . were undertaken by Faek in conjunction with SOMO." While Mr. Shareef played a key role in arranging the transactions and paying the surcharges, the evidence collected by the

between Vitol and Mastek (Jan. 15, 2001); Committee oil company table, contract no. M/09/18 (indicating that SOMO levied \$9,731,652 on 34,307,522 barrels, which corresponds to a \$0.28 surcharge per barrel); Faek Ahmad Shareef interviews (Aug. 15-18, 2005).

³³⁵ Ibid.; Kho Hui Meng interview (Aug. 19, 2005); see also Jaya Sudhir interview (Aug. 19, 2005) (recalling that Mr. Shareef met Ian Taylor at the Asian Oil and Gas Conference held in Singapore in 2001 to ask him about the premiums paid by Vitol to Mastek).

³³⁶ Kho Hui Meng interview (Aug. 19, 2005); Faek Ahmad Shareef interviews (Aug. 15-18, 2005); Jaya Sudhir interview (Aug. 19, 2005); Vitol and Mastek settlement agreement; Faek Ahmad Shareef record, Faek Ahmad Shareef letter to Maybank International (L) Ltd. (Mar. 27, 2002) (asking Maybank to remit the euro equivalent of \$1.5 million from the account of Cosmos Capital Group to SOMO's account at Jordan National Bank); Jordan National Bank record, SOMO account, credit advice (Apr. 1, 2002) (showing wire transfer by Cosmos Capital Group in the amount of €1,708,428.25) (translated from Arabic).

³³⁷ Kho Hui Meng interview (Aug. 19, 2005).

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Committee indicates that Mr. Sudhir also was actively and knowingly involved in paying the surcharges to the Iraqi regime. On August 6, 2001, Mr. Sudhir wrote to SOMO indicating that he was “primarily responsible for the financial administration the Company’s [Mastek] crude oil trading with Iraq” and undertaking to “make good all the Company’s obligations to SOMO.” As discussed previously, Keppel Oil, a company established by Mr. Sudhir, transferred €1,999,859 to a SOMO account on the same day that Mr. Sudhir wrote the letter. When interviewed by the Committee, Mr. Sudhir admitted that he had transferred funds to SOMO.³³⁸

3. Vitol’s Financing of Surcharge Payments by Hamida Na’ana

In at least one instance, Vitol funded the payment of surcharges by an individual beneficiary by paying a sufficiently high commission to cover the surcharge. During Phases X and XI, Vitol purchased oil allocated to Hamida Na’ana. Ms. Na’ana is a Syrian journalist who received oil allocations from Tariq Aziz to compensate her for her efforts in writing a book and articles about Iraq and its leaders.³³⁹ The contracts with SOMO to purchase Ms. Na’ana’s oil allocations in Phases X and XI were not signed by Vitol but by a Panama-registered company, Devon Petroleum. However, Ms. Na’ana dealt directly with Vitol. She communicated regularly with Gilles Chautard, a French-speaking trader at Vitol, and forwarded her invoices and received her payments from Vitol.³⁴⁰

³³⁸ Jaya Sudhir letters to the Committee (Oct. 19 and 24, 2005); Faek Ahmad Shareef record, Jaya Sudhir letter to Saddam Z. Hassan (Aug. 6, 2001); Jordan National Bank record, SOMO account, credit advice (Aug. 6, 2001) (wire transfer by “Keppel Oil” in the amount of €1,999,859); Jaya Sudhir interview (Aug. 19, 2005).

³³⁹ Confidential witness interview; Tariq Aziz interviews (Mar. 1 and Aug. 16, 2005); Taha Yassin Ramadan interview (Aug. 17, 2005) (commenting that Mr. Aziz selected Ms. Na’ana for allocations because “she wrote a lot about Iraq . . . she wrote good articles about Saddam, Uday, Qusay”); Saddam Z. Hassan interview (Mar. 9, 2005); Iraq officials interviews. During the Programme, Ms. Na’ana received oil allocations totaling 11.3 million barrels of oil over seven phases. Committee oil beneficiary table, contract nos. M/06/70, M/07/100, M/08/70, M/09/26, M/10/34, M/11/100, M/13/26. Ms. Na’ana has acknowledged publicly that she received oil allocations. CBC-TV Toronto, “Bribes from Baghdad” (Mar. 28, 2005). In an interview with CBC reporter Terence McKenna, when asked about the \$30,000 profit she made from her oil allocations, Ms. Na’ana stated: “Anyhow, it wasn’t for me, the \$30,000 wasn’t for me. I brought a group of artists and doctors from the Philippines, from the Philippines to Baghdad. Artists, you see. So it was to pay for that. Anyhow, you can see, I don’t have a fortune.” Ibid.

³⁴⁰ Committee oil financier tables, contract nos. M/10/34, M/11/100; SOMO sales contracts, nos. M/10/34 (Aug. 2, 2001), M/11/100 (Feb. 11, 2002); Confidential witness interview; Hamida Na’ana fax to Gilles Chautard (July 9, 2002) (sending invoice to Devon for total amount due of \$375,000 to be transferred to Ms. Na’ana’s account at Arab Bank Geneva); Vitol record, Robin D’Alessandro e-mail to Gilles Chautard, Othmar Willi, and Roland Favre (July 10, 2002) (authorizing payment to Ms. Na’ana for a lift of 1.5 million barrels of oil); Robin D’Alessandro interview (Oct. 10, 2005) (indicating that Vitol introduced Ms. Na’ana to Devon Petroleum); Riad El-Taher interview (Aug. 31, 2005) (describing Devon Petroleum as an agent of Vitol with respect to Iraqi oil purchases). Mr. El-Taher is an Iraqi engineer based in the United Kingdom, who ran Friends Across Frontiers, an organization that campaigned against Iraqi sanctions. Vitol purchased some of his allocations through Devon Petroleum. Riad El-Taher interview (Aug. 31, 2005).

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Surcharges in the amount of \$710,782.25 were levied on the two contracts associated with Ms. Na'ana's allocations in Phases X and XI. Ms. Na'ana paid these surcharges in full in three payments that occurred between August 2001 and October 2002. Ms. Na'ana received the funds to make these surcharge payments from Vitol. SOMO bank records indicate that Ms. Na'ana made an advance surcharge payment of \$60,000 on August 12, 2001 with respect to her Phase X allocation. Ms. Na'ana had received an advance payment in a similar amount from Vitol. In an invoice dated October 10, 2001 sent to Mr. Chautard, Ms. Na'ana requested payment on her commission regarding the first lift executed by Vitol on her Phase X contract, and she acknowledged that Vitol had previously paid her \$60,000. Subsequent to the \$60,000 advance payment, Vitol paid Ms. Na'ana's account at Arab Bank Geneva over \$1 million between October 2001 and July 2002. Ms. Na'ana subsequently transferred \$725,000 from her bank account at Arab Bank Geneva to her account at the Arab Bank Amman. Surcharges in the approximate amount of \$650,000 were paid from Ms. Na'ana's account at Arab Bank Amman in December 2001 and October 2002. Ministry of Oil records confirm that these payments were made in connection with Ms. Na'ana's Phase X and XI allocations.³⁴¹

A source familiar with these transactions stated to the Committee that Ms. Na'ana made the surcharge payments after two or three phone conversations with Mr. Chautard from Vitol London, who advised Ms. Na'ana that these payments had to be made as "taxes" due to the Iraqi regime. In response to a notice letter from the Committee, Vitol stated that "Vitol had no knowledge that Ms. Na'ana paid surcharges to the regime of Saddam Hussein Neither Vitol,

³⁴¹ Jordan National Bank record, SOMO account, credit advices (Aug. 12, 2001) (showing transfer of \$59,985 from Ms. Na'ana's account at Arab Bank Amman; handwritten notation on advice indicates that it is an advance payment relating to contract M/10/34), (Dec. 2, 2001) (showing transfer of \$425,777 from Ms. Na'ana's account at Arab Bank Amman; handwritten notation on advice indicates that payment relates to contract M/10/34), (Oct. 29, 2002) (showing transfer of \$225,000 from Ms. Na'ana's account at Arab Bank Amman; handwritten notation on advice indicates that payment relates to contract M/11/100) (each translated from Arabic); Hamida Na'ana invoice to Gilles Chautard (Vitol London) (Oct. 10, 2001) (sending an invoice to Gilles Chautard for 981,608 barrels of oil shipped on September 7, 2001); Arab Bank Geneva record, Hamida Na'ana account, credit advices (Oct. 31, 2001) (wire transfer of \$283,562.80 by order of Vitol Geneva from Chase Manhattan Bank London), (Nov. 11, 2001) (wire transfer of \$358,506.05 by order of "Mansel Oil Ltd. c/o Vitol from Chase Manhattan Bank London"), (July 11, 2002) (wire transfer of \$375,000 by order of Vitol Bahrain from BNP Geneva); Arab Bank Geneva record, Hamida Na'ana account, account debit advices (Nov. 26, 2001) (wire transfer of \$500,000 to Ms. Na'ana's account at Arab Bank Amman), (Oct. 10, 2002) (wire transfer of \$225,000 to Ms. Na'ana's account at Arab Bank Amman); Jordan National Bank record, SOMO account, credit advices (Aug. 12, 2001) (showing transfer of \$59,985 from Ms. Na'ana's account at Arab Bank Amman; handwritten notation on advice indicates that it is an advance payment relating to contract M/10/34), (Dec. 2, 2001) (showing transfer of \$425,777 from Ms. Na'ana's account at Arab Bank Amman; handwritten notation on advice indicates that payment relates to contract M/10/34), (Oct. 29, 2002) (showing transfer of \$225,000 from Hamida Na'ana's account at Arab Bank Amman; handwritten notation on advice indicates that payment relates to contract M/11/100) (each translated from Arabic).

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nor Giles [*sic*] Chautard at Vitol who communicated with Ms. Na'ana, knowingly 'caused' Ms. Na'ana to pay such surcharges and did not tell her to do so."³⁴²

4. Vitol Bahrain's Direct Surcharge Payment

Vitol made a direct surcharge payment to SOMO's account at Jordan National Bank with respect to oil that Vitol had lifted through Machinoimport, a Russian company. In Phase XI, Vitol financed two lifts of oil totaling over one million barrels that were sold by SOMO to Machinoimport. The oil was lifted by Vitol, respectively, on December 31, 2001 and January 1, 2002. Ministry of Oil records show that surcharges amounting to \$312,801 were levied on these two lifts. Bank records evidence that two weeks after the lifts, Vitol Bahrain E.C., the Vitol entity that financed the purchase of Iraqi crude oil, wire transferred \$312,786.30 from its account at JPMorgan Chase London to a SOMO account at Jordan National Bank Amman. Ministry of Oil records reflect that Vitol's payment was used to satisfy Machinoimport's surcharge obligations under contract M/11/17.³⁴³ A copy of the SWIFT message detailing the transfer from Vitol Bahrain's account at JPMorgan Chase London to SOMO's account at Jordan National Bank is shown below.

³⁴² Confidential witness interview; Vitol letter to the Committee (Oct. 20, 2005).

³⁴³ Committee oil financier, company, and surcharge tables, contract no. M/11/17 (contracting with Machinoimport); SOMO bills of lading, ck/5128 (Part 2) A (Dec. 31, 2001), ck/5128 (Part 2) B (Jan. 1, 2002) (both relating to M/11/17); Records of SOMO surcharge invoices (Dec. 13, 2001), (Jan. 1, 2002) (each translated from Arabic); Jordan National Bank record, SOMO account, credit advice (Jan. 17, 2002) (translated from Arabic) and SWIFT message (Jan. 15, 2002).

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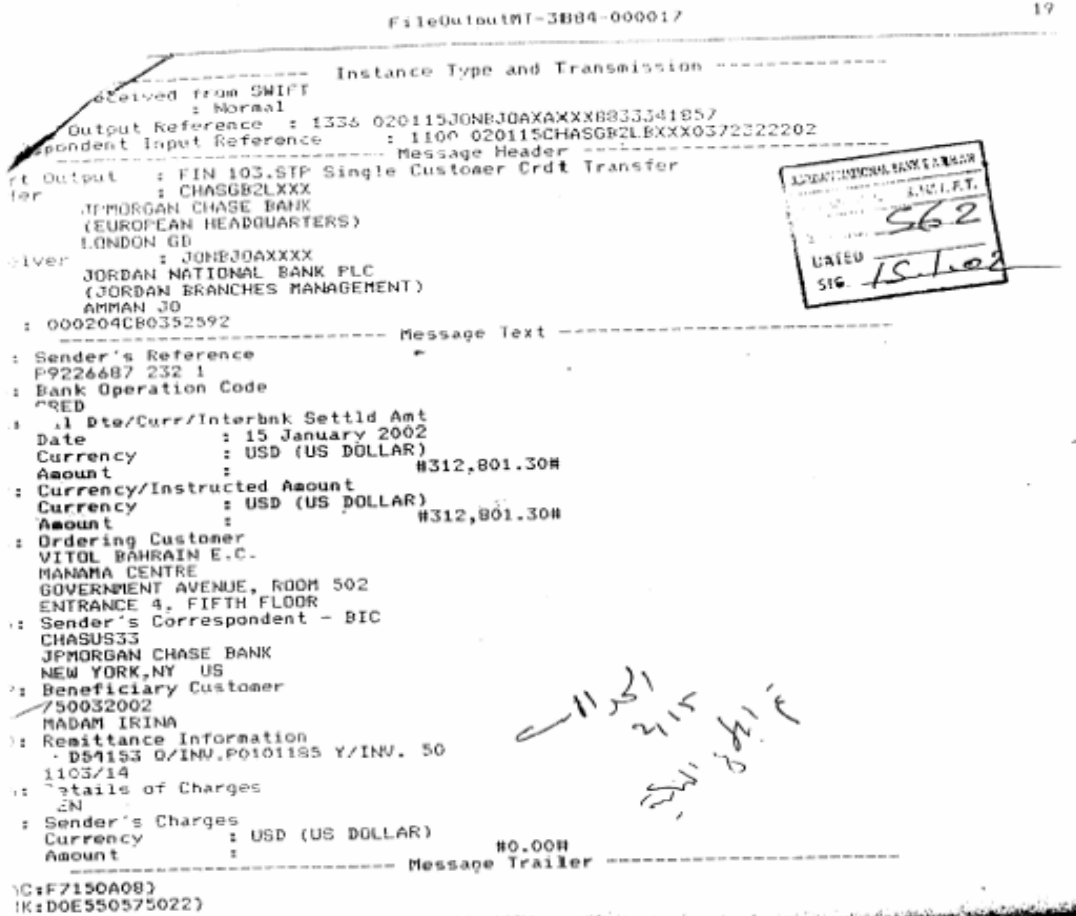


Figure: Jordan National Bank record, SOMO account, SWIFT message (Jan. 15, 2002).

F. COASTAL PETROLEUM COMPANY

American oil trader, Oscar Wyatt, a longtime and loyal oil customer of Iraq, was a rare exception to the Government of Iraq's ban on allocating oil to companies and individuals from the United States after the initial phases. In the first eight phases of the Programme, Mr. Wyatt's company, Coastal Petroleum, purchased Iraqi crude oil allocated under its company name. According to Iraqi officials, after surcharges were imposed, Mr. Wyatt requested that the oil be allocated in his own name not Coastal Petroleum's. Mr. Wyatt then used two other companies, Nafta Petroleum and Mednafta Trading Co., to purchase the 26 million barrels of oil allocated in his name.³⁴⁴

³⁴⁴ Iraq official interview; Committee oil company table, contract nos. M/08/72, M/09/28, M/10/13, M/11/55.

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1. Background

According to Iraqi officials, Mr. Wyatt was the exception to the general ban on selling oil to American companies after Phase III because of his “history with Iraq” and excellent relations with SOMO. Through his Houston-based company, Coastal Petroleum, Mr. Wyatt had been a buyer of Iraqi oil since the industry was nationalized in Iraq. He was the first to bring Iraqi oil to America in approximately 1972. In 1990, Mr. Wyatt used his connections to meet with Saddam Hussein and intervene on behalf of American hostages being held in Iraq. Together with former Texas governor, John B. Connally, Mr. Wyatt was involved in arranging for 21 hostages to be flown out of Baghdad after their release. Mr. Wyatt also maintained a supportive relationship with the Iraqi missions in the United States, donating furniture to the Iraqi Mission in New York and a car to the Iraqi Embassy in Washington. He also had a close relationship with Nizar Hamdoon, Iraq’s former Permanent Representative to the United Nations. When Mr. Hamdoon developed cancer, Mr. Wyatt guaranteed and paid some of his medical bills during hospital treatments in New York.³⁴⁵

2. Oil Allocations, Contracts, and Surcharges

In Phase I, Mr. Wyatt was the first customer to contract for the purchase of Iraqi crude oil under the Programme. During the initial eight phases, Coastal Petroleum signed contracts to purchase almost 50 million barrels of Iraqi crude oil. According to Iraqi officials and Ministry of Oil records, the allocations were granted in the name of his company, Coastal Petroleum, and Mr. Wyatt handled the contractual arrangements in Baghdad. After the mandatory imposition of surcharges in Phase IX, Mr. Wyatt stopped using Coastal Petroleum to purchase oil under the Programme. An Iraqi official stated that, when asked directly at the end of 2000 if he would be willing to pay surcharges, Mr. Wyatt initially responded that he had to think about it. Several Iraqi officials stated that, soon after surcharges were imposed, Mr. Wyatt agreed that he would continue to purchase Iraqi crude oil and pay the surcharges.³⁴⁶

³⁴⁵ Maurice Lorenz interview (Sept. 15, 2004); Amer Rashid interview (Oct. 29, 2004); Iraq officials interviews; The Handbook of Texas Online, “Coastal Corporation,” http://www.tsha.utexas.edu/handbook/online/articles/CC/doc5_print.html (recounting the development of Coastal Corporation); Augusto Giangrandi interview (July 24, 2005); Oscar Wyatt letter to Thomas Fehey (Jan. 31, 2003); Memorial Sloan-Kettering Cancer Center record, credit card payment authorization form (Mar. 6, 2003) (signed by Mr. Wyatt), sales receipt and credit card slip (Mar. 13, 2003) (noting a payment of \$44,705); American Express record, Oscar Wyatt account, credit card statement (Feb. 25 and Mar. 27, 2003); Memorial Sloan-Kettering Cancer Center record, Nizar Hamdoon account, receipts (Apr. 12 and May 5, 2000). Mr. Wyatt was still deemed responsible for Mr. Hamdoon’s bills by the hospital as late as April 2005. Memorial Sloan-Kettering Cancer Center record, Nizar Hamdoon account, invoice (May 4, 2005).

³⁴⁶ Committee oil company table, contract nos. M/01/01, M/02/01, M/03/12, M/04/28, M/05/29, M/06/27, M/07/18, M/08/72; Iraq officials interviews; Amer Rashid interview (Oct. 29, 2004); Michel Tellings interview (Oct. 14, 2004). The last contract executed on behalf of Coastal Petroleum was SOMO sales contract M/08/72 (June 26, 2000). Committee oil company table, contract no. M/08/72.

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According to Ministry of Oil records, when Phase IX began, Mr. Wyatt received an initial allocation of 4.5 million barrels following a meeting with Oil Minister Rashid in January 2001. Subsequently, Mr. Wyatt's allocation was increased to a total of 12 million barrels in that phase alone. During the surcharge phases, over 24 million barrels of oil allocated to Mr. Wyatt were purchased. Bayoil financed two contracts of oil allocated to Mr. Wyatt.³⁴⁷

Beginning in Phase IX, there were two major changes in the manner in which Mr. Wyatt received allocations and purchased Iraqi oil. First, Mr. Wyatt's allocations were no longer granted in the name of Coastal Petroleum, but instead were designated as personal allocations under his own name. Also, the oil was purchased not by Coastal Petroleum, but by two new companies, Nafta Petroleum and Mednafta Trading Co. Both companies were incorporated in Cyprus shortly after the surcharges were imposed. Nafta Petroleum was incorporated in January 2001, and Mednafta Trading Co. in March 2001.³⁴⁸

Neither company contracted to purchase Iraqi oil other than that allocated to Mr. Wyatt during the surcharge phases. Ministry of Oil records show that Mr. Wyatt's name appears next to Nafta Petroleum and Mednafta Trading Co. on SOMO allocation tables. Other ministry records reflect that the oil purchased by Nafta Petroleum and Mednafta Trading Co. was "for the benefit of Mr. Oscar Wyatt" or was "Mr. Oscar Wyatt's share." Ministry of Oil records indicate that, when Mr. Wyatt initially changed companies from Coastal Petroleum to Nafta Petroleum, his oil allocations were designated under "Cyprus," but subsequently were designated under "America."³⁴⁹

³⁴⁷ Committee oil company and beneficiary tables, contract nos. M/09/28, M/10/13, M/11/55; Committee oil financier table, contract nos. M/09/28, M/10/13; SOMO letters to Amer Rashid (Jan. 21, 2001) (approving contract no. M/09/28 for 4.5 million barrels of oil for "Nafta Petroleum" and referring to the approval being granted during "Mr. Oscar Wyatt's visit"), (May 28, 2001) (approving contract M/09/28 for an increased quantity of 12 million barrels of oil for "Nafta Petroleum (Oscar Wyatt)"), (July 14, 2001) (approving contract M/10/15 for 10 million barrels of oil for "Nafta Petroleum (to the benefit of Mr. Oscar Wyatt)"). Approximately 1.98 million barrels from contract M/09/28 (lifted Jan. 27, 2001) and 2.08 million barrels from contract M/10/15 (lifted Oct. 2, 2001) were lifted and financed by Bayoil. Catalina Miguel letter to oil overseers (June 19, 2001); Bayoil letter to Mednafta Trading Co. (Sept. 16, 2001); David Chalmers fax to Oscar Wyatt and Catalina Miguel (Sept. 27, 2001); Bayoil record, transaction detail by account (Jan. 1995 to Dec. 2003).

³⁴⁸ Nafta Petroleum fax to oil overseers (July 29, 2001); Confidential document; Nafta Petroleum record, Board of Directors meeting minutes (Jan. 22, 2001); Mednafta Trading Co. record, Certificate of Incorporation (Mar. 9, 2001).

³⁴⁹ SOMO letters to Amer Rashid (Jan. 21, 2001) (approving contract M/09/28 for 4.5 million barrels of oil for "Nafta Petroleum" and referring to the approval being granted during "Mr. Oscar Wyatt's visit"), (May 28, 2001) (approving contract M/09/28 for an increased quantity of 12 million barrels of oil for "Nafta Petroleum (Oscar Wyatt)"), (July 14, 2001) (approving contract M/10/15 for 10 million barrels of oil for "Nafta Petroleum (to the benefit of Mr. Oscar Wyatt)"), (Feb. 5, 2002) (approving contract M/11/55 for 4 million barrels of oil (later increased to 8.1 million) for "Mednafta (Mr. Oscar Wyatt's share)"); SOMO categorization of companies table (Phase IX) (May 20, 2001) (indicating an allocation of 10.3 million barrels of oil (later increased to 12 million) for "Nafta Petroleum/Oscar Wyatt" under "Cyprus"); SOMO oil allocation tables for Phase X (Aug. 4, 2001) (indicating an allocation of 10 million barrels of oil for "Oscar/America"), Phase XI (Dec. 1, 2001) (indicating an allocation of 8.1 million barrels of oil for

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Nafta Petroleum and, subsequently, Mednafta Trading Co. provided power of attorney to Catalina Miguel. She signed oil contracts as director of the companies. Mohammed Saidji also was given power of attorney for Mednafta Trading Co. He signed one oil contract as the company's director in Phase XII. Bank records show that Ms. Miguel and Mr. Saidji were account signatories, and Ms. Miguel was the beneficial owner of Mednafta Trading Co.'s account at BNP Suisse.³⁵⁰

In Mr. Wyatt's dealings with the United Nations, however, he identified himself as controlling Mednafta Trading Co. In correspondence with the United Nations, Mr. Wyatt identified himself as the director of Mednafta Trading Co. After a meeting with Mr. Wyatt, United Nations oil overseers referred to Mednafta Trading Co. in internal correspondence as being owned by Mr. Wyatt.³⁵¹

Mr. Wyatt also was involved in the finances of Mednafta Trading Co. The initial deposit to open Mednafta's Swiss bank account was made by Mr. Wyatt. Bank records show that Mr. Wyatt was described to the bank as a "consultant" to Mednafta Trading Co., and the first deposit of \$5 million as a "loan" to Mednafta Trading Co. Following this deposit, an additional sum of almost \$10 million was transferred to the Mednafta Trading Co. bank account by either Mr. Wyatt or NuCoastal, one of Mr. Wyatt's companies based in Houston. Between May 2002 and October 2003, over \$11 million was also transferred from the Mednafta Trading Co. account to accounts for Mr. Wyatt and NuCoastal.³⁵²

"Mednafta/Oscar Wyatt"), Phase XII (May 19, 2002) (indicating an allocation of 4 million barrels of oil for "Mednafta/Oscar Wyatt"). Contract M/10/13 was transferred from Nafta Petroleum to Mednafta Trading Co. (through which future oil was lifted) in Phase X. Nafta Petroleum fax to oil overseers (July 29, 2001); SOMO amendment to sales contract, no. M/10/13 (July 25, 2001); SOMO fax to oil overseers (Aug. 4, 2001).

³⁵⁰ SOMO sales contracts, nos. M/09/28 (Jan. 18, 2001), M/10/13 (July 12 and Aug. 4, 2001) (initially signed for Nafta Petroleum by Ms. Miguel and then signed again by Ms. Miguel as a director of Mednafta Trading Co.), M/11/55 (Feb. 4, 2002), M/12/19 (June 6, 2002). Nafta Petroleum record, power of attorney agreement (Jan. 22, 2001); Mednafta Trading Co. record, power of attorney agreements (Mar. 9, 2001); Iraq official interview.

³⁵¹ Oscar Wyatt letter to 661 Committee Chairman (Aug. 6, 2002); Michel Tellings e-mail to J. Christer Elfverson, Alexandre Kramar, and Morten Buur-Jensen (Aug. 19, 2002) (following a meeting with Mr. Wyatt); Michel Tellings interview (Oct. 15, 2004).

³⁵² BNP record, Mednafta Trading Co. account, account opening documents (June 1 and 7 and July 19, 2001); Confidential document; BNP record, Mednafta Trading Co. account, credit advices (June 7, 2001) (\$5,000,000), (May 29, 2002) (\$6,135,614.46), (Aug. 2, 2002) (\$500,000), (Dec. 2, 2002) (\$64,456.58), (Jan. 14, 2003) (\$600,000), (Feb. 21, 2003) (\$144,866.75), (May 14, 2003) (\$57,425.02), (Oct. 24, 2003) (\$1,400,000), (Oct. 27, 2003) (\$1,400,000); Monica Perin, "Nucoastal [*sic*] to revive shuttered electric plant," *Houston Business Journal*, Mar. 4, 2005; "Enron sells North American pipeline business for \$2.2B," *Houston Business Journal*, May 21, 2004, p.4; Mary Alice Robbins, "NuCoastal LLC purchases Enron's Crosscountry Energy," *Texas Lawyer*, June 7, 2004, p.5; Thora Qaddumi, "Mergers and acquisitions market remains active in Houston area," *Houston Business Journal*, July 2, 2004, p.35; David Chalmers letter to Oscar Wyatt (Feb. 7, 2003); Mednafta Trading Co. fax to BNP (May 20, 2002); BNP

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All surcharges on contracts for oil allocated to either Coastal Petroleum or Mr. Wyatt were paid under two names, Mohammed Ali and Nivara/Nivaria. For Coastal Petroleum contract M/08/72, Ministry of Oil and bank records show that surcharges totaling €226,627 (\$201,877) were imposed and paid through two deposits in a SOMO bank account: €222,000 (\$197,824.20) in December 2001 by “Nivara” and €4,627 (\$4,052.80) in March 2002 by “Mohammed Ali.” On Nafta Petroleum and Mednafta Trading Co. contracts M/09/28, M/10/13, and M/11/55, approximately \$7.2 million in surcharges was paid through deposits in SOMO bank accounts also in the names of Nivara/Nivaria and Mohammed Ali. The credit advices do not identify the originating bank accounts of the funds.³⁵³

According to his attorney, Mr. Wyatt’s position is that the initial money he provided to Mednafta Trading Co. was a loan to a long-term friend, Ms. Miguel. Mr. Wyatt maintains that he was merely a purchaser buying petroleum products from Mednafta Trading Co. and had no role in financing its lifts or other expenses during the Programme.³⁵⁴

record, Mednafta Trading Co. account, debit advices (June 18, 2002) (\$2,000,000), (July 31, 2002) (\$278,682.71), (Oct. 10, 2002) (\$149,139.37), (Oct. 17, 2002) (\$83,845.21), (Nov. 11, 2002) (\$1,000,000), (Nov. 26, 2002) (\$1,000,000), (Mar. 28, 2003) (\$4,000,000), (May 13, 2003) (\$401,669.15), (Oct. 24, 2003) (\$1,400,000); Mednafta Trading Co. faxes to BNP (Nov. 11, 2002 and Mar. 27, 2003). Ms. Miguel signed as a director of Nafta Petroleum, despite not being given power of attorney until four days later. SOMO sales contract, no. M/09/28 (Jan. 18, 2001); Nafta Petroleum record, power of attorney agreement (Jan. 22, 2001).

³⁵³ Committee oil surcharge table, contract nos. M/08/72, M/09/28, M/10/13, M/11/55; SOMO sales contract, no. M/08/72 (June 26, 2000); Murtaza Lakhani interview (Dec. 6, 2004); Jordan National Bank record, SOMO account, bank statements (Dec. 31, 2001 and Mar. 31, 2002), (Jan. 1 to Dec. 31, 2001) (US dollar account), (Feb. 13 to Dec. 31, 2001) (euro account), (Mar. 4 to Dec. 31, 2002) (euro account), (Jan. 1 to Dec. 31, 2002) (euro account); Jordan National Bank record, SOMO account, credit advices (May 13 and June 17 and 19, 2001; Mar. 25, 2002). In Phase XII, \$308,167 in surcharges imposed on the Mednafta Trading Co. contract was never paid. Committee oil surcharge table, contract no. M/12/19.

³⁵⁴ Carl Parker interview (Oct. 13, 2005). Mr. Parker is Mr. Wyatt’s attorney. Ibid.

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VII. TRAFIGURA, IBEX AND THE *ESSEX* TOP-OFFS

In September 2001, a sea captain of an oil tanker wrote to a United Nations oil overseer to warn of a smuggling scheme involving his ship. The captain alleged that his tanker—the *Essex*—had been “topped off” on two separate occasions with more oil than authorized under the Programme while loading at Mina al-Bakr in May and August 2001. To support his claim, the captain furnished copies of duplicate bills of lading substantiating the fact that excess oil had been loaded beyond what was authorized under the Programme.³⁵⁵

In both instances, 1.8 million barrels of Basrah light crude oil were officially contracted and approved for loading under the Programme. But each time these UN-approved quantities were loaded, more than 200,000 barrels were added. The addition of oil cargo beyond the UN-approved oil contract was forbidden without the prior notice and approval of the United Nations oil overseers.³⁵⁶

As set forth below, the parties complicit in this top-off scheme were: (1) Ibex Energy/Multi-Prestation S.A.R.L. (“Ibex”)—a French oil services company that contracted for the purchase of oil from Iraq; (2) Trafigura Beheer B.V. and its London branch, Trafigura Limited (collectively “Trafigura”)—a large oil and commodities trader that agreed to purchase the oil to be loaded onto the *Essex*; (3) the Government of Iraq; and (4) Armando Carlos Oliveira—Saybolt’s lead inspector at the Mina al-Bakr offshore oil platform.

The smuggled oil was bought through a complex financial scheme involving Ibex Energy and Trafigura. Both companies used off-shore companies in an effort to disguise the payments between them. The Government of Iraq earned nearly €4 million on the two smuggled loads of oil.³⁵⁷

A. TRAFIGURA AND IBEX ENERGY—THE OIL TOP-OFF SCHEME

Trafigura was among the first contractors under the Programme and directly purchased over 31 million barrels of oil from Iraq. This trade was facilitated in large part by Rui Cabeçadas de Sousa, an independent businessman in the oil industry, who arranged for meetings between the

³⁵⁵ Theofanis Chiladakis letter to Morten Buur-Jensen (Sept. 21, 2001). Annexed to this written statement, Captain Chiladakis provided copies of four bills of lading—two for a lifting on May 16, 2001, and two for a lifting on August 27, 2001; see also Shamkhi H. Faraj report to Minister of Oil, “Allocations and Sales of Crude Oil in the phases of the Memorandum of Understanding 1996-2003,” app. 7 (Feb. 19, 2004) (translated from Arabic) (summary by SOMO officials of Iraq’s oil allocation and sales practices during the Programme and describing the *Essex* “top off” scheme) (hereinafter “SOMO Summary Report”).

³⁵⁶ Theofanis Chiladakis letter to Morten Buur-Jensen (Sept. 21, 2001).

³⁵⁷ Banque Audi record, Windmill Trade Ltd (hereinafter “Windmill”) account, statement (June 30 to Oct. 31, 2001) (June 30 to Oct. 31, 2001); Banque Saradar record, Windmill account, statement (June 30 to Oct. 31, 2001) (June 30 to Oct. 31, 2001); SOMO Summary Report.

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company and SOMO. During much of the 1980s, Mr. de Sousa worked at Vanoil Inc. (“Vanoil”), an oil trading firm that also employed Mr. Cayre. In 1987, Mr. de Sousa and Mr. Cayre both departed Vanoil to found Toro Energy S.A.M. (“Toro”) in Monaco. Mr. Cayre eventually left Toro to form Ibex, but continued to work with Mr. de Sousa through Toro Refining Inc, a related company. Toro participated indirectly in the Programme through a joint venture with Trafigura. Under this arrangement, Trafigura received sixty-five percent of the proceeds from its contracts with SOMO, and Toro Energy received thirty-five percent.³⁵⁸

During the first three phases of the Programme, Trafigura only lifted oil allocated in its own name. Beginning in Phase IV, Trafigura contracted with SOMO for the purchase of oil allocated to Patrick Maugein, another prominent oil trader. In connection with these allocations, Mr. Maugein and Mr. de Sousa met with Iraqi officials, including Tariq Aziz. By Phase VI, 14 million barrels of oil had been allocated to Mr. Maugein, most of which Trafigura lifted and sold. Today, Mr. Maugein and Mr. de Sousa are the Chairman and Director, respectively, of SOCO International plc (“SOCO International”), a United Kingdom energy investment firm. Trafigura denies having any contractual arrangement with Patrick Maugein and states that it does not know what arrangements, if any, Patrick Maugein or Mr. de Sousa had with Ibex Energy.³⁵⁹

In December 1999, Trafigura entered into a contract with SOMO to lift two million barrels of oil. That same month, SOMO sent a fax to Trafigura canceling the contract. This decision had significant economic consequences for Trafigura, which had already chartered a vessel for the contract and preemptively “sold” the oil it intended to purchase to a third party. In total, SOMO’s cancellation cost Trafigura over \$690,000. To make matters worse, Trafigura was now barred from any future contracts under the Programme. Hoping to rectify the situation, Trafigura

³⁵⁸ Graham Sharp telex to SOMO (Apr. 1, 1999); SOMO sales contract, no. M/03/33 (Jan. 18, 1998) (contracting with Trafigura); Rui de Sousa letter to SOMO (Sept. 16, 1997); Rui de Sousa letter to Oil overseers (Apr. 15, 1997) (signed by Mr. de Sousa for and on behalf of Trafigura); Trafigura letter to SOMO (signed by Mr. de Sousa on behalf of Trafigura); Trafigura letter to the Committee (Jan. 31, 2005); Jean-Paul Cayre interview (Dec. 1, 2004); Jean-Paul Cayre curriculum vitae (July 6, 1999); Confidential witness interview; United Kingdom H.M. Customs and Excise interview of Andy Summers (June 10, 2002). Mr. Sharp was a Director of Trafigura during the Programme. SOMO sales contract, no. M/03/33 (Jan. 18, 1998) (contracting with Trafigura). Mr. Summers was employed by Trafigura as a senior crude marketing consultant. United Kingdom H. M. Customs and Excise interview of Michele Sloan (June 11, 2002). Ms. Sloan was employed by Trafigura to oversee the logistics of crude oil operations after they had been successfully traded. Ibid. Mr. Cayre is the General Manager of Ibex Energy, an oil consulting services and equipment company. Jean-Paul Cayre interview (Dec. 1, 2004).

³⁵⁹ Committee oil company table, contract nos. M/01/03, M/02/14, M/03/33, M/04/30, M/05/10, M/06/47; Committee oil beneficiary table, contract nos. M/04/30, M/06/47; Amer Rashid interview (Feb. 20, 2005); Iraq official interview; SOCO International, “Board of Directors,” <http://www.socointernational.co.uk/corp.php>; Trafigura letter to the Committee (Jan. 31, 2005).

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pleaded its case to SOMO, but after Phase VI, Trafigura was involved in the Programme only as a secondary purchaser and trader, not a primary contractor with SOMO.³⁶⁰

One year later, in January 2001, Trafigura wrote a letter to the Iraqi Deputy Minister of Oil requesting a meeting. The request was granted, and Mr. de Sousa and Mr. Cayre went to Baghdad to meet with Iraqi officials. At these meetings, Iraqi officials initially offered to compensate Trafigura by selling oil to the company at a discount. During subsequent discussions, however, the officials proposed a top-off scheme. Under this arrangement, eighty percent of the proceeds generated from the sale of the smuggled oil would go to Iraq and the remaining twenty percent to Ibex.³⁶¹

As a part of this scheme, Ibex entered into two contracts under the Programme to lift Iraq Kirkuk crude oil from Ceyhan and Basrah light oil from Mina al-Bakr in March and July 2001, respectively. Under the first contract, M/09/81, 600,000 barrels of Kirkuk crude oil and 1.8 million barrels of Basrah light crude oil were lifted. The second contract, M/10/08, initially stipulated the sale of 2 million barrels of Basrah light crude oil, but was later reduced to 1.8 million barrels at Ibex's request. While Kirkuk crude exported from Ceyhan was measured by flow meters and monitored by Saybolt, at Mina al-Bakr there was no metering, and Saybolt inspectors were the sole means of validating quantities of loaded oil.³⁶²

³⁶⁰ SOMO sales contract, no. M/05/10 (Dec. 6, 1998) (contracting with Trafigura) (not executed); Editorial, "French Stalling on Iraq," *New York Times*, Dec. 16, 1999; Edith M. Lederer, "France Pushes for Iraq Resolution," *Associated Press*, Dec. 15, 1999; SOMO fax to Oil overseers (Dec. 17, 1999) (copied to Trafigura); Trafigura letter to the Committee (Jan. 31, 2005); Amer Rashid interview (Feb. 20, 2005); Iraq official interview; Confidential witness interview; Michele Sloan telex to SOMO (Dec. 20, 1999); Italia Chartering invoice to Trafigura for \$690,300 charterparty cancellation (Dec. 30, 1999).

³⁶¹ Amer Rashid interviews (Oct. 29, 2004 and Aug. 21, 2005); Iraq official interview; Andy Summers e-mail to Michele Sloan (Jan. 16, 2001); Graham Sharp fax to Jean-Paul Cayre (Jan. 19, 2001) (attaching letter to Faiz A. Al-Shaheen); United Kingdom H.M. Customs and Excise interview of Michele Sloan (June 16, 2002); Confidential witness interview; SOMO Summary Report (containing Amer Rashid letter dated April 12, 2002, to Deputy Prime Minister of Iraq); Jean-Paul Cayre affidavit, *Trafigura v. Ibex Energy*, claim no. 2001 folio 1232, para. 13 (United Kingdom High Court of Justice, Jan. 2002) (hereinafter "Jean-Paul Cayre Affidavit"). In his affidavit, Jean-Paul Cayre implicated Ibex and Trafigura in the top-off scheme. *Ibid.*

³⁶² SOMO sales contracts, nos. M/09/81 (Mar. 4, 2001), M/10/08 (July 11, 2001) (contracting with Ibex); Oil overseers memorandum to United Nations Treasury (Aug. 20, 2001) (referencing an amendment to SOMO sales contract M/10/08); "Report on Technical Reconnaissance Mission to Iraq," (June 17, 1996) (hereinafter "1996 Technical Report"); "Report of the Group of United Nations Experts established pursuant to Paragraph 30 of the Security Council Resolution 1284 (2000)" (Mar. 2000) (hereinafter "2000 Experts Report"). Ibex Energy sold Kirkuk crude oil to an Italian refinery through a business owned by Mr. de Sousa, Mediterranean Oil Supply and Trading Ltda ("MOST") of Monaco. Confidential witness interview.

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B. BRIBERY OF SAYBOLT INSPECTOR

By April 2001, with the approval of Ibex contract M/09/81, SOMO, Ibex and Trafigura were poised to smuggle oil on the vessel chartered for the contract: the *Essex*. In order to implement the scheme, however, the parties needed to ensure that Saybolt would not report any irregularities involving the *Essex* to the United Nations. It was the Government of Iraq that accomplished this objective by bribing Saybolt's team leader in Mina al-Bakr, Mr. Oliveira. Although Mr. Oliveira has consistently denied allegations of bribe-taking and repeatedly stated that he had no involvement in or knowledge of the *Essex* top-offs at the time they occurred, evidence obtained by the Committee suggests this was not the case.³⁶³

Several Iraqi officials stated that the Government of Iraq agreed to make payments to Mr. Oliveira in return for his assistance in concealing the *Essex* top-offs. According to Amer Rashid, the Iraqi Minister of Oil, SOMO staff persuaded Mr. Oliveira to disregard unauthorized oil loadings by offering him cash payments. In addition to these bribes, the Government of Iraq also agreed to pay Mr. Oliveira two percent of the proceeds from the smuggling operation. Mr. Rashid authorized the cash payments to Mr. Oliveira in foreign currency and facilitated his exit from Iraq with the cash.³⁶⁴

³⁶³ Amer Rashid interviews (Oct. 29, 2004 and Aug. 21, 2005); Iraq official interview; Peter Boks interview (Oct. 6, 2004). In October 2001, Benon Sevan asked Saybolt to conduct an investigation into the allegations of the *Essex* top-offs on behalf of the United Nations. Bruce Rashkow note to Benon Sevan (Oct. 31, 2001). Saybolt's conclusions relied in large part upon the statements of their team leader in Mina al-Bakr, Mr. Oliveira. "Report on alleged loadings of Crude Oil from Mina al-Bakr outside the United Nations Oil for Food Program" (Oct. 17, 2001); Armando Carlos Oliveira interview (May 14, 2005). Mr. Oliveira is also referred to in SOMO and Ministry of Oil records as "Armando Carlos." See, e.g., Amer Rashid letter to Central Bank of Iraq (Mar. 5, 2002). Mr. Oliveira's full name is Armando Carlos Costa Oliveira. Armando Carlos Costa Oliveira Portuguese passport (July 4, 2000).

³⁶⁴ Amer Rashid interviews (Oct. 29, 2004 and Aug. 21, 2005); Iraq official interview; SOMO Summary Report. According to Oil Minister Rashid, Saybolt and its managers did not know about Mr. Oliveira's arrangement with the Government of Iraq. Amer Rashid interview (Aug. 21, 2005).

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السيد محافظ البنك المركزي العراقي

To: Governor of the Central Bank of Iraq

م/تسهيل مهمة

Subject: Task Facilitation

بالنظر لقيام السيد (ARMANDO CARLOS) برتغالي الجنسية حامل جواز السفر المرقم F-004464 الصادر في ٢٠٠٠/٧/٤ البرتغال بتقديم خدمات الى هذه الوزارة لقاء مبلغ قدره ١٩,٧٠٠/- دولار (تسعة عشر ألف وسبعمائة دولار) نقداً .

يرجى التفضل بالموافقة على تزويده بكتاب تسهيل مهمة إخراج المبلغ أعلاه بصحبته نقداً من خلال مجمع القاسية الحدودي (طربيل) .

مع التقدير

Regarding Mr. Amando Carlos, of Portuguese origin, passport no. F-504464 issued in Portugal on July 4, 2000, undertaking to offer services to this Ministry in return for \$19,700 in cash.

Please approve providing him with a letter to facilitate issuing the above amount in cash via the Al-Qadisiya border complex (Trebil).

Regards,

Amer Mohammed Rashid
Minister of Oil
March 5, 2002

عاصر محمد رشيد
وزير النفط
٢٠٠٢/٣/٥

Figure: Amer Rashid letter to Central Bank of Iraq (Mar. 5, 2002) (translated from Arabic).

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

جمهورية العراق
وزارة النفط

السيد نائب رئيس الوزراء
رئيس لجنة الشؤون الاقتصادية

١٣ / ٣ / ٢٠٠٢
السيد الرئيس

١- تنفيذاً لأمر الرئيس القائد حفظه الله ورحمة الله تعالى بفتح كمية إضافية من النفط الخام على الناووت صرح منكم أنتقاماً من تقديم إلتزامات المشتري على الناووت النفطية فسيتم إلتزام البكر لدى الشركة المشتريه كما سيأتي ارباباً

تم تحميل كميتين إضافيتين من قبل الشركة الفرنسية ايلكس

تاريخ التحميل	الكمية الإضافية برميل	السعر	المبلغ
٢٠٠٥/٥/١٦	٢٩٨ ٤٤٨	١٨/٧٨٤	٥٠٥٨٨/٨٨
٢٠٠٦/٨/٢٧	٢٨٨ ٦٦٨	١٧/٥٥٠	٤٧٨٦٧٨٠/٨٥
	٥٨٧ ١١٦		١٠٥٤٥٦٨/٧٦

٢- رضى المكافأة الإضافية من سيادكم منذ اعتمادنا سابقاً

٣- ادت من قبل الشركة الفرنسية من تقديم مبلغ القيمة ادمانية

بواقع ١٠٪ للشركة و٨٠٪ للحقير .

٤- اذتناه من المصروفات النفطية على حصة ١٠٪ من مبلغ القيمة ادمانية

CONFIDENTIAL

[Translation from Arabic handwritten letter: 1 page]

In the name of God, the Merciful, the Benevolent

Republic of Iraq
Ministry of Oil

[stamp: SOMO/Office of the Executive Director
No.:RM/H/Kh/1969 Date:14/4/2002]

Private and Confidential

To: Deputy Prime Minister
President of the Economical Affairs Committee

Subject: The additional quantity loaded from Al-Bakr port

- Based on the president's order, may god bless and protect him, an additional quantity of crude oil has been loaded on to the carriers as part of the MOU, and the required coordination was done with the oil inspector and with the buying company at Al-Bakr port as shown below.

Loading date	Additional quantity/Barrel	Price	Amount (USD)
16/5/2001	229,237	18.784	4,305,987.81
27/8/2001	271,669	17.550	4,767,790.95
	500,906		9,073,778.76

- Based on our phone conversation with you, we have approved the following:
 - An agreement with the French Company to divide the additional amount based on 20% for the company and 80% for the country. (Iraq)
 - An agreement with the oil inspector to provide him with 2% of the additional amount for his services.

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٤- في ضوء اعمده تم تسليم ما مجموعه (١٠٥,٨١٩) دولار للفاحص
النفط (ARMANDO CARLOS) عمه الشونتيه اعمده رهن
امر من التسليم المتفق عليه

٥- تم اعتبار المبلغ المتفق عليه اجمالي الكمية الإضافية اعمده
مبالغه سترجه رهنه تم معاملة على هذا الأساس.

يرجى التنضيل بالملدح
مع التقدير

عمر محمد رشيد
مدير النفط
٢٠٠٢/٤/١٢

3. In light of the above an amount of 105,819 dollars was paid to the oil inspector (Armando Carlos) for the two aforementioned shipments. This is less than the amount agreed upon.
4. The amount realized of the total additional quantity above is considered to be a surcharge, and therefore is to be treated on this basis.

Please take note,

Regards,

'Amer Muhammad Rashid
Minister of Oil
12th April 2002

Figure: Amer Rashid letter to Tariq Aziz (Apr. 12, 2002) (translated from Arabic)

Falcon Navigation Corp. (“Falcon Navigation”), an affiliated company of Trafigura, oversaw the two *Essex* loadings, along with Manolis Manoussakis, Trafigura’s “on-site loss control representative.” In May 2001, Mr. Manoussakis flew to Dubai where he boarded the *Essex* prior to proceeding to Mina al-Bakr. Theofanis Chiladakis, the captain of the tanker *Essex*, was instructed by Trafigura to follow Mr. Manoussakis’s instructions for the loading.³⁶⁵

In May 2001, after the first parcel of 1.8 million barrels was loaded at Mina al-Bakr, Mr. Oliveira, Mr. Manoussakis, and the loading master for the Iraqi South Oil Company at the port, oversaw the gauging of the *Essex*. Once the initial measurements were performed, loading resumed for the top-off cargo and a second gauging was done to measure the total quantity after the top-off. These same circumstances occurred during the second *Essex* lifting in August 2001. Mr. Manoussakis accounted for the total quantity of oil aboard the vessel and documented the top-off parcels with a second bill of lading. With both top-offs, Total Quality on Board forms (“TQOB forms”) of the total quantity lifted by the *Essex* were signed by Mr. Manoussakis and Mr. Al-Seraih.³⁶⁶

³⁶⁵ Trafigura, “Companies Worldwide,” <http://www.trafigura.com> (identifying Falcon Navigation as one of Trafigura’s global companies); Trafigura letter to the Committee (Jan. 31, 2005); Manolis Manoussakis interview (May 12, 2005) (stating that Theofanis Chiladakis died in 2002); Beverly Rudy letter to Benon Sevan (Nov. 2, 2001); Michele Sloan memorandum to Falcon Navigation (July 30, 2001); Jean-Paul Cayre handwritten note (May 2001); Jean-Paul Cayre affidavit (paras. 21 and 27) (stating that the May 2001 lifting was the first time in Trafigura’s dealings with Ibex that Trafigura sent a representative to supervise the loading).

³⁶⁶ Manolis Manoussakis interview (May 12, 2005). TQOB forms were completed for each of the two *Essex* loadings. These forms were not normally used, but were requested by Mr. Manoussakis as a record of the total load amounts. *Ibid.* See also Jean-Paul Cayre Affidavit (para. 27) (relating that Trafigura instructed Mr. Manoussakis to supervise the second *Essex* loading). Mina al-Bakr had no metering capability. Thus the actual amount of Basrah light crude lifted by a vessel could only be measured after it was loaded. This practice, called gauging, and the measurement calculations that resulted, were the responsibility of Saybolt. 1996 Technical Report; 2000 Experts Report; Manolis Manoussakis interview (May 12, 2005).

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Mr. Oliveira has denied having any familiarity with the TQOB forms despite Mr. Manoussakis's insistence that Mr. Oliveira filled in all of the hand-written numerals on both TQOB forms, but refused to sign them. At the Committee's request, Mr. Oliveira provided several handwriting examples. Though not conclusive, given the limited number of examples, there is considerable similarity between several of the examples he provided and the numerals found in the TQOB forms.³⁶⁷

Correspondence and banking records further confirm Mr. Oliveira's agreement with the Government of Iraq. Mr. Oliveira received payments in the amount of \$105,819, of which \$86,119 was paid during September 2001 and the remaining \$19,700 during March 2002. According to Saybolt records, Mr. Oliveira left Mina al-Bakr to return to Lisbon, Portugal, less than a day after Mr. Rashid provided him with a letter facilitating his departure from Iraq. When interviewed, Mr. Oliveira confirmed that he left Iraq through the Trebil border to Jordan on his way home to Lisbon. While Mr. Oliveira denies receiving any cash during this trip, bank records show that he made a \$5,000 cash deposit into his personal bank account in Lisbon on March 11, 2002. Mr. Oliveira has stated that he routinely carried such amounts of cash when he traveled back and forth between Portugal and Iraq.³⁶⁸

C. THE FINANCIAL TRAIL OF THE *ESSEX* TOP-OFF SCHEME

1. The May 16, 2001 *Essex* Top-Off Load

As described above, on May 16, 2001, the *Essex* vessel lifted two million barrels of oil— of which only 1.8 million was authorized for sale under the Programme. The oil that was lifted legitimately by the *Essex* was authorized under Ibex contract M/09/81 and purchased through a letter of credit in the name of Ibex that was financed by Trafigura. Trafigura sold the full cargo to United States refiners Marathon Ashland and Koch Petroleum, each receiving approximately one million barrels. In exchange for the oil, Koch Petroleum made two payments to Trafigura totalling \$20.8 million. Both payments were wired to Trafigura's account at BNP Paris. Marathon Ashland, meanwhile, made two payments to Trafigura totalling \$23.2 million: first, \$18 million was wire-transferred to a Trafigura account at BNP Paris for 795,265 barrels; second, \$5.2 million was wire-transferred to a Trafigura account in London at Crédit Agricole Indosuez

³⁶⁷ Armando Carlos Oliveira interview (May 14, 2005); Manolis Manoussakis interview (May 12, 2005). See Annex 1 for Handwriting Examples.

³⁶⁸ SOMO Summary Report (containing Amer Rashid's letter to the Central Bank of Iraq, dated March 5, 2002, and Amer Rashid's letter to Tariq Aziz, dated April 12, 2002); United States Senate Permanent Subcommittee on Investigations hearing on "The United Nations' Management and Oversight of the Oil-for-Food Program," Exhibit 8 (Feb. 15, 2005); Armando Carlos Oliveira interview (May 14, 2005); Feudore Aquino interview (June 7, 2005). Mr. Aquino, a Saybolt inspector, advised that there was no need to have that much cash at Mina al-Bakr, an isolated platform in the ocean, since all provisions had to be purchased at Baghdad or Basrah. Ibid.

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(Suisse) S.A. (“Crédit Agricole Indosuez”) for 229,375 barrels—a volume nearly equal to the top-off cargo.³⁶⁹

Trafigura did not secure a standard letter of credit to finance the top-off parcel of oil. Instead, Trafigura financed a standby letter for the top-off purchase in the name of Roundhead Inc. (“Roundhead”) at Crédit Agricole Indosuez. Roundhead, which was named on the SOMO bills of lading for the top-off cargoes, was an “off the shelf” Bahamian company beneficially owned and operated by Trafigura. On June 14, 2001, Ibex Service & Equipment Ltd. (“Ibex S&E”), a British Virgin Islands company that was beneficially owned and operated by Mr. Cayre, received €5.1 million from Trafigura into its account at Crédit Agricole Indosuez, thereby cancelling Roundhead’s standby letter of credit.³⁷⁰

After receiving these funds, Ibex S&E wired €4.2 million to the bank account of Windmill Trade Ltd. (“Windmill”) at Banque Audi in Beirut, Lebanon. Windmill was another British Virgin Islands “shelf” company that was beneficially owned and operated by Mr. Cayre. The next day, Windmill wired a payment of €4.2 million to a SOMO controlled bank account at Fransabank in Beirut for the smuggled oil.³⁷¹

Mr. Cayre has acknowledged that Ibex S&E channelled money to SOMO, but he denied having any knowledge of Windmill or the payments made through Windmill’s bank accounts. But, as discussed above, banking and financial records identify Mr. Cayre as the beneficial owner of both

³⁶⁹ SOMO sales contract, no. M/09/81 (Mar. 4, 2001) (contracting with Ibex); Committee oil financier table, contract no. M/09/81; Beverly Rudy letter to Benon Sevan (Nov. 2, 2001); Trafigura invoices to Koch Petroleum (July 12, 2001); Craig Thomas e-mail to Crédit Agricole Indosuez (July 11, 2001); Craig Thomas e-mail to BNP (July 11, 2001); Crédit Agricole Indosuez record, payment order (June 14, 2001).

³⁷⁰ Theofanis Chiladakis letter to Morten Buur-Jensen (Sep. 21, 2001) (containing bills of lading in the name of Roundhead, Inc.); Ibex Service & Equipment Ltd. invoice to Roundhead (June 6, 2001); Beverly Rudy letter to Benon Sevan (Nov. 2, 2001); Banque Audi record, Ibex S&E account, account opening records (May 3, 2001) (including the Articles of Association of Ibex S&E and a photocopy of Mr. Cayre’s French passport); Crédit Agricole Indosuez record, Ibex S&E account, statement (June 30 to Oct. 31, 2001) (containing numerous wire transfer requests signed by Jean-Paul Cayre and references to the British Virgin Islands address of Ibex S&E); United Kingdom H.M. Customs and Excise interview of Alan Gordon (June 10, 2002) and Craig Thomas (June 10, 2002).

³⁷¹ Crédit Agricole Indosuez record, Ibex S&E account, payment order (June 8, 2001); Ibex S&E invoice to Roundhead (June 6, 2001); Crédit Agricole Indosuez record, Ibex S&E account, debit advice (June 14, 2001); Banque Audi record, Windmill account, account opening records (April 3, 2001) (including the Articles of Association of Windmill and a photocopy of Mr. Cayre’s French passport); Fransabank record, SOMO account, credit advice (June 19, 2001) (showing deposit from Windmill); Jean-Paul Cayre affidavit (paras. 20 and 22) (acknowledging that upon receiving payment for the top-off cargo, Ibex S&E in turn paid SOMO through a designated account in Lebanon).

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Windmill and Ibex S&E and the sole signatory to Windmill's bank accounts at Banque Audi and also at Banque Saradar, both used for payments to SOMO.³⁷²

2. The August 27, 2001 *Essex* Top-Off Load

On August 27, 2001, the *Essex* lifted 1.8 million barrels under Ibex contract M/10/08, again through a Trafigura-financed letter of credit, which was again topped-off with over 200,000 barrels of smuggled oil. Trafigura sold approximately one million barrels of oil from the resulting cargo each to Koch Petroleum and Petromar, S.A., an affiliate of Petroleos de Venezuela. Captain Chiladakis's revelations prevented the sales from being completed, however. On October 24, 2001, the *Essex* arrived at Curaçao and was prevented from off-loading the cargo for Koch Petroleum by authorities until the legality of the cargo was reconciled.³⁷³

In order to purchase the top-off cargo on this second *Essex* trip, Trafigura again opened a standby letter of credit on behalf of Roundhead. To cancel the letter of credit, Trafigura transferred payment of €6.4 million to Ibex S&E's Crédit Agricole Indosuez bank account on September 25, 2001. Two days later, Ibex S&E wired €5.3 million to Windmill's Banque Saradar account in Beirut. On October 5, 2001, Windmill executed a wire transfer of €5.2 million to a SOMO bank account at Fransabank in Beirut.³⁷⁴

3. Surcharge Payments to SOMO

Surcharge payments were also made to the Government of Iraq in connection with each of the two United Nations-approved oil cargoes lifted by the *Essex*—with financing from Trafigura—under Ibex's contracts M/09/81 and M/10/08. On June 15, 2001, Trafigura wired two payments to Ibex S&E's Banque Audi account in the amounts of €37,336 and €1,242. On June 18, 2001, Ibex S&E wired €718,590 to the Windmill account at Banque Audi. The next day, Windmill wired €37,348 to SOMO's Fransabank account. SOMO records reflect this payment as satisfying the surcharges imposed on the Trafigura-financed lift under M/09/81. On October 2, 2001, Windmill received a wire transfer of €67,978 into its Banque Saradar account from Ibex

³⁷² Jean-Paul Cayre interview (Dec. 1, 2004); Banque Audi account opening records for Windmill account no. 595136 (Apr. 3, 2001); Banque Saradar record, Windmill account, account opening records (Aug. 2, 2001).

³⁷³ SOMO sales contract, no. M/10/08 (July 11, 2001) (contracting with Ibex); Committee oil financier table, contract no. M/10/08; SOMO bill of lading, bbl/3161 (Aug. 27, 2001); Beverly Rudy letter to Benon Sevan (Nov. 2, 2001).

³⁷⁴ Beverly Rudy letter to Benon Sevan (Nov. 2, 2001); Crédit Agricole Indosuez record, Ibex S&E account, payment order no. 16050 (Sept. 25, 2001); Crédit Agricole Indosuez record, Ibex S&E account, payment order from Ibex S&E to Windmill at Banque Audi (Sept. 27, 2001); Banque Audi record, Windmill account, statement (June 30 to Oct. 31, 2001); Jean-Paul Cayre Affidavit, para. 27 (acknowledging that upon receiving payment for the top-off cargo, Ibex S&E in turn paid SOMO for the oil).

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S&E. The next day Windmill wired €579,324 to SOMO's Fransabank account. SOMO records reflect this payment as satisfying surcharges imposed contract M/10/08.³⁷⁵

A surcharge payment was also made for additional oil lifted under contract M/10/08. On August 6, 2001, the *Hellas Warrior* lifted 601,812 barrels of Kirkuk crude oil from Ceyhan, on which SOMO assessed a surcharge of \$0.25 per barrel. On September 9, 2001, Ibex S&E's Banque Saradar account received €169,000 from Ibex S&E's Crédit Agricole Indosuez account in Paris and on the same day wired €168,367 from its Banque Saradar account to SOMO's bank account at Fransabank.³⁷⁶

4. Trafigura's False Invoicing

On June 27, 2001, Trafigura sent an invoice to Ibex Energy for \$379,650 requesting rebilling of demurrage incurred by the vessel *Argo Hebe*.³⁷⁷ This invoice contained a handwritten note in French addressed to an individual named "Rui" and stating "there is no time to waste." Upon receiving the invoice, Mr. Cayre e-mailed Michele Sloan, a Trafigura employee, asking her to change the invoice to the attention of Ibex S&E rather than Ibex Energy. On July 2, 2001, Ibex S&E wired €451,175 (the equivalent of \$379,650) from its Swiss bank account at Crédit Agricole Indosuez to Trafigura's bank account at Banque Paribas in Paris. Neither Ibex nor Ibex S&E had any involvement with Trafigura's chartering of the *Argo Hebe*. Mr. Cayre has stated that the invoice was created as cover for the payment of Trafigura's share of the profit on the first top-off cargo.³⁷⁸

³⁷⁵ Crédit Agricole Indosuez record, Ibex S&E account statement; Banque Saradar record, Windmill account, statement (June 30 to Oct. 31, 2001); Fransabank record, SOMO account, credit advice (Oct. 4, 2001) (showing deposit from Windmill); Banque Audi record, Ibex S&E account, statement (June 30 to Oct. 31, 2001); Banque Audi record, Windmill account, statement (June 30 to Oct. 31, 2001). Committee oil surcharge table, contract nos. M/09/81, M/10/08.

³⁷⁶ SOMO commercial invoice, C/104/2001 (Aug. 6, 2001) (relating to Ibex Energy contract M/10/08); Crédit Agricole Indosuez record, Ibex S&E account, statement (June 30 to Oct. 31, 2001); Banque Saradar record, Windmill account, statement (June 30 to Oct. 31, 2001); Committee oil surcharge table, contract no M/10/08.

³⁷⁷ *Argo Hebe* was the vessel contracted for by Trafigura when Iraq cancelled their contract in December 1999, resulting in a \$690,300 demurrage. SOMO fax to Oil overseers (Dec. 17, 1999) (copied to Trafigura); Michele Sloan telex to SOMO (Dec. 20, 1999); Italia Chartering invoice to Trafigura (Dec. 30, 1999) (\$690,300 for charterparty cancellation).

³⁷⁸ Trafigura invoice to Ibex and Ibex S&E (June 27, 2001); Jean-Paul Cayre e-mail to Michele Sloan (June 27, 2001); Crédit Agricole Indosuez record, Ibex S&E account, statement (June 30 to Oct. 31, 2001)s (May 31 and Aug. 31, 2001); Jean-Paul Cayre affidavit, para. 23 (acknowledging that the invoiced amount actually represented the agreed percentage of profit from the top-off cargo for transfer to Trafigura).

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D. UNITED NATIONS RESPONSE TO THE *ESSEX* TOP-OFF ALLEGATIONS

As discussed above, on October 9, 2001, United Nations oil overseer Morten Buur-Jensen received a written statement with attached documents from Captain Chiladakis. In his statement, Captain Chiladakis alleged that the *Essex* twice loaded crude oil at Mina al-Bakr outside of the Programme—once in May and a second time in August 2001. Captain Chiladakis also annexed numerous documents to his statement, including two sets of bills of lading for the *Essex* loadings. In addition, Captain Chiladakis provided two TQOB forms, which contained handwritten data identifying the sum of both the UN-approved and illegal top-off parcels of oil. Both the May 16, 2001 and the August 27, 2001 TQOB forms were signed by Mr. Manoussakis, and the loading master for the Iraqi South Oil Company at Mina al-Bakr.³⁷⁹

Mr. Buur-Jensen quickly shared this information with the other oil overseers, Benon Sevan and Stephani Scheer of OIP, and Peter Boks at Saybolt. Mr. Boks responded within hours and assured OIP that the matter would be investigated thoroughly. The following day, the oil overseers provided Captain Chiladakis's letter and attachments to Mr. Boks, and Saybolt initiated its own investigation of the matter.³⁸⁰

Although the *Essex* allegations were immediately shared with the oil overseers, OIP, and Saybolt, nearly two weeks passed before the 661 Committee was notified. Mr. Sevan delayed informing the 661 Committee until the Government of Iraq had been given an opportunity to respond to the allegations. On October 19, 2001, Mr. Sevan presented Captain Chiladakis's allegations to the Iraqi Ambassador to the United Nations, Mohammed Al-Douri, and requested an urgent response. In his October 22, 2001 response, Ambassador Al-Douri stated that SOMO had looked into the matter and found no information that corroborated Captain Chiladakis's allegations. The next day, with news of the matter beginning to circulate, the Permanent Mission of the Kingdom of the Netherlands to the United Nations requested OIP to provide information regarding the *Essex*.

³⁷⁹ Theofanis Chiladakis died in 2002, therefore the Committee was not able to interview him. Manolis Manoussakis interview (May 12, 2005); Theofanis Chiladakis letter to Morten Buur-Jensen (Sept. 21, 2001). The *Financial Times* reported that Captain Chiladakis walked into the United States Embassy in Athens on September 21, 2001, completed his letter there and provided it to United States Embassy officials. Carola Hoyos, "Oil smugglers keep cash flowing back to Saddam," *Financial Times*, Jan. 17, 2002, p. 9.

³⁸⁰ Morten Buur-Jensen e-mail to Benon Sevan (Oct. 9, 2001); Peter Boks email to Benon Sevan (Oct. 9, 2001); Oil overseers letter to Peter Boks (Oct. 10, 2001). On October 17, 2001, Saybolt completed its investigative report on the *Essex* top-off loadings. Saybolt's investigative findings on the matter relied in large measure upon the statements and denials of Armando Carlos Costa Oliveira. "Report on alleged loadings of Crude Oil from Mina al-Bakr outside the United Nations Oil for Food Program," (Oct. 17, 2001) (hereinafter "Saybolt Essex Report"); Peter Boks interview (Oct. 6, 2004); Armando Carlos Oliveira interview (May 14, 2005).

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Rather than conducting an independent investigation of the matter, OIP simply adopted Saybolt's investigative findings which found no improper conduct by Mr. Oliveira.³⁸¹

In a letter dated October 24, 2001, Mr. Sevan formally referred Captain Chiladakis's allegations regarding the *Essex* to the 661 Committee Chairman. Distribution to the members of the Security Council occurred that same day. This matter was discussed at the next three 661 Committee meetings. At the November 6, 2001 meeting, Mr. Sevan invited Mr. Boks to present Saybolt's investigative findings to the 661 Committee. He also updated the 661 Committee on Trafigura's efforts to resolve this matter and acquire authorization from the Dutch authorities to sell the now-tainted oil.³⁸²

During a 661 Committee meeting two days later, Mr. Sevan noted that he would be working constantly with Saybolt during the coming weeks and would report back to the Committee. Further discussion focused on Trafigura's payment to the escrow account for the top-offs and referring the matter for investigation to each of the member states affected by the situation: the Netherlands, France, the United States, the United Kingdom, the Bahamas, and Venezuela. Although significant investigations were initiated in the Netherlands, the United Kingdom, the United States, and France by Customs and financial prosecutorial authorities, no charges were ever brought against any of the companies or individuals involved in the *Essex* top-offs. Investigations in the Netherlands and the United States remain active while the United Kingdom and France investigations have since been closed.³⁸³

³⁸¹ Morten Buur-Jensen e-mail to Benon Sevan (Oct. 9, 2001); Benon Sevan letter to 661 Committee Chairman, S/AC.25/2001/COMM.474 (Oct. 24, 2001); Benon Sevan e-mail to Oil overseers (Oct. 24, 2001) (copied to Stephani Scheer); Benon Sevan letter to Mohammed Al-Douri (Oct. 19, 2001); Mohammed Al-Douri letter to Benon Sevan (Oct. 22, 2001); Netherlands Mission letter to OIP (Oct. 23, 2001). By the time the 661 Committee was notified, Saybolt had investigated the matter and already provided its results to OIP. Saybolt and Mr. Oliveira denied any knowledge of the top-offs. Saybolt Essex Report. On October 30, 2001, Mr. Sevan informed Bruce Rashkow, Director of the General Legal Division of the Office of Legal Affairs that he had requested that Saybolt investigate the matter, and to appear before the 661 Committee on November 6, 2001. The following day, Mr. Rashkow warned Mr. Sevan: "[A]s we previously indicated, it is incumbent on the Organization to investigate this matter, including the actions of Saybolt." Benon Sevan e-mail to Bruce Rashkow (Oct. 30, 2001); Bruce Rashkow note to Benon Sevan (Oct. 31, 2001).

³⁸² Benon Sevan letter to Mohammed Al-Douri (Oct. 19, 2001); Mohammed Al-Douri letter to Benon Sevan (Oct. 22, 2001); Benon Sevan letter to 661 Committee Chairman, S/AC.25/2001/COMM.474 (Oct. 24, 2001); Benon Sevan note to Joseph Stephanides (Oct. 24, 2001); Provisional record of 661 Committee meeting, S/AC.25/SR.225 (Nov. 6, 2001); Provisional record of 661 Committee meeting, S/AC.25/SR.226 (Nov. 8, 2001); Provisional record of 661 Committee meeting, S/AC.25/SR.227 (Dec. 3, 2001).

³⁸³ Provisional record of 661 Committee meeting, S/AC.25/SR.226 (Nov. 8, 2001); 661 Committee Chairman letters to the permanent representatives of the Netherlands, France, the United States, the United Kingdom, the Bahamas, and Venezuela (Nov. 20 and 23, 2001) (requesting official investigations into the actions of those companies from their respective states who were involved in the oil lifted by the *Essex*).

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

E. EXPLANATIONS OF SAYBOLT, ARMANDO CARLOS OLIVEIRA, AND TRAFIGURA

On October 15, 2005, Saybolt was notified of the Committee's proposed findings regarding the conduct of Mr. Oliveira, and invited to provide the Committee with any additional information prior to the issuance of its Report. In response, Saybolt pointed out its role in conducting an internal investigation of the incident, which found no evidence that Saybolt employees knew of the *Essex* top-off. According to Saybolt, when new information came to light in February 2005, the company suspended Mr. Oliveira, who then abruptly resigned.³⁸⁴

By letter dated October 14, 2005, Mr. Oliveira was also provided notice of the Committee's proposed findings regarding his conduct. Mr. Oliveira responded by stating that he was not involved in the top loading incidents and did not facilitate the production of any documents outside of the Programme.³⁸⁵

Trafigura has refused to make any of its personnel available for interview with Committee investigators. Trafigura maintains that it is the victim of a top-off scheme between Jean-Paul Cayre and the Government of Iraq—and that the company was not involved with any of Ibex Energy's dealings with the Government of Iraq. Trafigura further claims that it relied upon a Saybolt inspector apparently bribed by Ibex Energy. According to Trafigura, Roundhead is a legitimate business vehicle that was used in order to avoid the problem of "offset" where the buyer and seller use the same bank. The company denies that its invoice of June 27, 2001 to Ibex Energy for \$379,650 for the rebilling of demurrage for the *Argo Hebe* was improper and maintains that this invoice had nothing to do with the first top-off, of which the company had no knowledge.³⁸⁶

³⁸⁴ Committee letter to Saybolt (Oct. 15, 2005); Saybolt letter to the Committee (Oct. 20, 2005).

³⁸⁵ Committee letter to Armando Carlos Oliveira (Oct. 14, 2005); Armando Carlos Oliveira letter to the Committee (Oct. 15, 2005).

³⁸⁶ Committee meeting with Trafigura (Oct. 21, 2005). Despite repeated requests for interviews, it was only on October 22, 2005, following a meeting with the Committee, that the company offered for the first time to make Eric de Turckheim, Trafigura's Finance Director, available for interview. Trafigura e-mail to the Committee (Oct. 22, 2005). Given the unwillingness of the company to make its staff available during the course of the investigation, at this late date the Committee declined. By letters dated October 17, 2005, Trafigura and Jean-Paul Cayre (Ibex Energy) were each similarly provided with notices of the Committee's proposed findings and were invited to provide any additional information. Trafigura provided written responses. Committee letter to Trafigura (Oct. 17, 2005); Committee letter to Jean-Paul Cayre (Oct. 17, 2005); Trafigura letter to the Committee (Oct. 20, 2005); Trafigura e-mail to the Committee (Oct. 22, 2005).

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

Chart G – Handwriting Samples of Mr. Oliveira


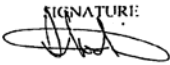
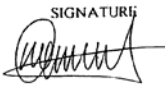
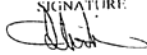
<u>TOTAL QUANTITY ON BOARD</u>		<u>TOTAL QUANTITY ON BOARD</u>	
TOTAL QUANTITY LOADED ON BOARD VESSEL. <i>Essex</i> ON (16/5/2001) AS FOLLOWS:-		TOTAL QUANTITY LOADED ON BOARD VESSEL. <i>"Essex"</i> ON (27/08/2001) AS FOLLOWS:-	
	<u>GROSS</u>	<u>GROSS</u>	<u>NET</u>
CUBIC METERS:	322,602.512 - 322,365.539	327,625.147	327,366.316
U.S. BBLs :	2,029,764 - 2,027,622	2,060,704	2,059,076
LONG TONS :	275,030.728 - 274,792.48	279,452.07	279,197.86
METRIC TONS :	279,444.412 - 279,202.292	283,937.276	283,679.986
SIGNATURE	SIGNATURE	SIGNATURE	SIGNATURE
			

Figure: (LEFT) Total Quantity on Board form documenting 2,027,622 net barrels loaded (May 16, 2001) and (RIGHT) Total Quantity on Board form documenting 2,059,076 net barrels loaded (Aug. 27, 2001).

Numerals from <i>Essex</i> TQOB Form	4	9	3	2	7
Examples of Mr. Oliveira's Handwriting	4	9	3	2	7

Figure: Comparison of Numerals written by Mr. Oliveira (TOP) and Numerals taken from the Aug. 27, 2001 Total Quantity on Board form (BOTTOM).

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

VIII. RESPONSES OF OIL TRADING COMPANIES

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

A. RESPONSE OF ALCON PETROLEUM LTD.

WOLFF GSTOEHL & PARTNER
Advokaturbüro

RECEIVED
OCT 18 2005
BY: *for*

Via DHL
Fax No. 001 212 842 2555 4555
Pages: -2-

Independent Inquiry Committee into
the United Nations Oil-for-Food Program
Mr. Reid Morden
Executive Director
825 Third Avenue
Fifteenth Floor
New York, New York 10022
USA

Advokaturbüro
Wolff Gstoehli & Partner

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Fax +423 238 10 31
info@wgp-law.li

Rechtsanwälte
Dr.iur. Peter Wolff
lic.iur. Martin Gstoehli

Juristischer Mitarbeiter
lic.iur.HSG Markus Hutter

Vaduz, 17. October 2005 PW/ik

Alcon Petroleum Ltd.

Dear Mr. Morden

I have received your letter to my client Alcon Petroleum Ltd. dated 15.10.2005. I am quite surprised about this letter because it is totally wrong that my client, despite to the efforts of the Committee, did not cooperate or meet with Committee investigators.

As you should know we have met with Mr. Mark Pieth, a Committee member, and (), Senior Committee Investigator, on 13.04.2005 in Basel and the Committee at this occasion had the possibility to ask all interesting questions which was done at length.

My client also presented to the Committee members all documents which they wanted to see and lateron additional documents which were asked for have been sent to the Committee.

Therefore, your letter is not understandable at all.

Referring to the proposed content of your report to be issued later this month it is correct that purchase contracts for more than 64 million barrels of oil have been concluded on behalf of Alcon Petroleum Ltd. and that Alcon Petroleum Ltd. in connection with these purchase contracts transferred more than 7 million USD to Jabal Petroleum, Lebanon, based on a commission contract the investigating members of the Independent Inquiry Committee were informed about by my client.

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

- 2 -

What we do not know and what I cannot confirm therefore is how these commission payments were used by Jabal Petroleum.

If Jabal Petroleum, Lebanon, used a significant portion of these commission payments to pay surcharges to the government of Iraq - as you are going to say in your oncoming report - this is their fault and Jabal Petroleum, Lebanon, has to be blamed for that and certainly not Alcon Petroleum Ltd. which did not know and could not know that possibly these funds were used by Jabal Petroleum in that manner.

Finally, I would like to ask you first of all to contact Mr. Mark Pieth and I () who will confirm to you that Alcon Petroleum Ltd. did cooperate and meet with Committee investigators and informed Committee Investigators about everything they wanted to know.

Best regards.

Yours Sincerely

WOLFF GSTOEHL & PARTNER

Dr. iur. Peter Wolff



The names of Committee Investigators have been redacted from all letters included in the Appendices

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

B. RESPONSE OF ALFA-ECO

Mr Reid Morden
Executive Director
Independent Inquiry Committee

October 19, 2005

Dear Mr Morden,

Thank you for your letter dated October 13, 2005. In accordance with our procedures we have forwarded your letter to the Russian MFA Special Work Group specially established for coordination with IIC.

Besides we declare once again that your data is contrary to the facts and that Alfa-Eco has never violated the Programme and UN sanctions imposed upon Iraq. It always acted in accordance with 661 Committee's regulation and International business practice.

That is why we can not accept your statement concerning Alfa-Eco actions during the UN Oil-for-Food Programme that you are going to publish in ICC report.

Sincerely Yours,

Alexey Kousmichoff

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

C. RESPONSE OF FENAR PETROLEUM LTD.

17/10/2005 16:00 +423-2381031 S. 01/02

WOLFF GSTOEHL & PARTNER
Advokaturbüro

Via DHL
Fax No. 001 212 842 2555 4555
Pages: -2-

Independent Inquiry Committee into
the United Nations Oil-for Food Program
Mr. Reid Morden
Executive Director
825 Third Avenue
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info@wgp-law.li
Rechtsanwälte
Dr. iur. Peter Wolff
lic. iur. Martin Gstoehl
Juristischer Mitarbeiter
lic. iur. HSG Markus Hutter

Vaduz, 17. October 2005 PW/ik

Fenar Petroleum Ltd.

Dear Mr. Morden

I have received your letter to my client Fenar Petroleum Ltd. dated 15.10.2005. I am quite surprised about this letter because it is totally wrong that my client, despite to the efforts of the Committee, did not cooperate or meet with Committee investigators.

As you should know we have met with Mr. Mark Pieth, a Committee member, and ... Senior Committee Investigator, on 13.04.2005 in Basel and the Committee at this occasion had the possibility to ask all interesting questions which was done at length.

My client also presented to the Committee members all documents which they wanted to see and later on additional documents which were asked for have been sent to the Committee.

Therefore, your letter is not understandable at all.

Referring to the proposed content of your report to be issued later this month it is correct that purchase contracts for more than 55 million barrels of oil have been concluded on behalf of Fenar Petroleum Ltd. and that Fenar Petroleum Ltd. in connection with these purchase contracts transferred more than 5 million USD to Petrocorp AVV, Lebanon, based on a commission contract the investigating members of the Independent Inquiry Committee were informed about by my client.

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

17/10/2005 16:00 +423-2381031

S. 02/02

- 2 -

What we do not know and what I cannot confirm therefore is how these commission payments were used by Petrocorp AVV.

If Petrocorp AVV, Lebanon, used a significant portion of these commission payments to pay surcharges to the government of Iraq - as you are going to say in your oncoming report - this is their fault and Petrocorp AVV, Lebanon, has to be blamed for that and certainly not Fenar Petroleum Ltd. which did not know and could not know that possibly these funds were used by Petrocorp AVV in that manner.

Finally, I would like to ask you first of all to contact Mr. Mark Pieth and Mr. () who will confirm to you that Fenar Petroleum Ltd. did cooperate and meet with Committee investigators and informed Committee investigators about everything they wanted to know.

Best regards.

Yours Sincerely

WOLFF GSTOEHL & PARTNER


Dr. iur. Peter Wolff

The names of Committee Investigators have been redacted from all letters included in the Appendices

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

D. RESPONSE OF GLENCORE

PESTALOZZI LACHENAL PATRY

RECHTSANWÄLTE ATTORNEYS AT LAW

CH-8001 ZÜRICH (SWITZERLAND) - LÖWENSTRASSE 1
TEL. +41 44 217 91 11 - FAX +41 44 217 92 17 - ZRH@PLPLAW.CH - WWW.PLPLAW.CH

Mr. Reid Morden
Executive Director
Independent Inquiry Committee into The
United Nations Oil-for-Food Programme
825 Third Avenue, 15th Floor
USA-New York, NY 10022

Zurich, 21 October 2005
glei34_dba_lic_211005.doc/sdo

Dear Mr. Morden

As counsel to Glencore International AG ("GIAG"), we are writing in response to the IIC's letter dated 12 October 2005 (the "Letter").

As set forth in greater detail below, our objections to the IIC's proposed summary are both procedural and substantive.

As a procedural matter, it was understood between us that the IIC will provide us with more than just a summary of what it intends to publish in its report. GIAG has actively cooperated with the IIC's investigation. Under the auspices of Swiss authorities, GIAG has made available documents for inspection and personnel for interviews by the IIC in Switzerland. GIAG would expect the IIC to comply with the letter and spirit of the understanding. In particular, we would expect to see the text - rather than a mere summary - of what the IIC intends to publish about GIAG. We also wish to make the point that there is no mention in the summary of GIAG's co-operation; we trust that the IIC will ensure that GIAG's co-operation is properly acknowledged in their report.

Prior to issuing the Letter, the IIC had never expressed an interest in obtaining information from GIAG concerning the humanitarian vendor side of the Oil-for-Food ("OFF") Programme. In several telephone conversations with GIAG's counsel, several e-mail exchanges and several visits by the IIC to our offices in Zurich, the IIC never once mentioned this. It therefore comes to us as a surprise that the IIC refers to a USD 78,000 transportation charge, and asserts that payment of that charge

ZÜRICH
DR. KARL ARNOLD
DR. HANS BOLLMANN
DR. MAX WALTER
DR. PETER PESTALOZZI
DR. URS JORDI
CHRISTOPH R. RAMSTEIN
DR. MARCUS DESAX, M.C.L.
DR. ROBERT FÜRTER
DR. SILVIA ZIMMERMANN, LL.M.
DR. PETER STRAUB, LL.M.
DR. JAKOB HÖHN, LL.M.
DR. JÜRIG BORER
GERHARD NIGGLI, LL.M.
DR. ROBERT G. BRINER
CHRISTIAN ROOS
DR. MAJIA BAUER-BALMELLI**
MICHAEL KRAMER, LL.M.
URS KLOTZ
ANITA SCHLÄPFER, LL.M.
DR. CHRISTOPH G. LANG, LL.M.
DR. MARC VEIT
OLIVER WIEMER, M.SC.
FRANZ SCHUBIGER, LL.M.
JOACHIM R. KLOTER, LL.M.
DR. LORENZA FERRARI HOFER
DR. THOMAS RÖHNER, LL.M.
DR. MARTIN L. MÜLLER, LL.M.
DR. MICHAEL LIPS, LL.M.
SEVERIN ROELLI, LL.M.
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MARTIN S. OESCH, LL.M.
MILENA DI CIOCCIO
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SANNA MAAS
DR. GUIDO LAREDO

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DR. RUDOLF HEIZ
DR. SIBYLLE PESTALOZZI-FRÜH
DR. ANNE-C. IMHOFF-SCHIEBER*
PROF. DR. MARKUS REICH†
PROF. DR. ANDREAS FÜRNER, LL.M.

GENÈVE
JEAN PATRY
JEAN-CHARLES ROQUET
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BERNARD LACHENAL, LL.M.
ALAIN LE FORT, BACONNIER
GUY-PHILIPPE RÜBELI
PHILIPPE COTTIER
CHRISTOPHE EMONET
FRÉDÉRIC COTTIER
GILLES THIEFFRY, LL.M.
EMMANUEL GENSOUAND
SERGE CALAME
DONATELLA AMADUCCI
CHRISTIAN SCHILLY
FRANÇOISE MARKARIAN
DR. CAROLE VAN DE SANDT
NADINE MAIER VINAS
DANIEL UDRY, LL.M.
PASCAL DE LUCIA
AZADEH TALEGHANI*
LIONEL CONSTANTIN
OLIVIER BLANC, LL.M.
ZEINA WAKIM, LL.M.
DR. THIERRY AFSCHRIFT**

BRUXELLES
CHRISTOPHE RAPIN*, DEA
LAURENCE VAN ZUYLEN**

EINGETRAGEN IM ANWALTSREGISTER
*INF. STEUERBEHÖRDE
**NICHT ALS RECHTSANWÄLTE ZUGELASSEN
*AVOCAT AU BARREAU DE BRUXELLES
**AVOCAT AU BARREAU DE GENÈVE

REPORT ON PROGRAMME MANIPULATION**CHAPTER TWO****OIL TRANSACTIONS AND ILLICIT PAYMENTS**

PESTALOZZI LACHENAL PATRY

2 / 3

violated UN sanctions. We strongly disagree with the assertion. Here are the facts. In March 2000, Glencore (Grain) Pakistan (Pvt) Ltd. ("GP") contracted to sell 6,250 mt of rice to the Ministry of Trade/Grain Board of Iraq under a contract approved by the United Nations, the terms of which required the seller to deliver "Net CIF free on trucks to all governorates of Iraq via Umm Qaser". As such GP was contractually obliged by such contract to arrange for and pay for discharge and delivery from the Port of Umm Qaser to the ultimate inland destinations in Iraq. In performance of this contractual requirement GP contracted with a Jordanian shipping company to transport the rice from the port to Iraqi governorates at GP's costs satisfying the delivery term as stipulated by the buyer and approved by the UN as reflected in UN document S/AC.25/2000/986/OC.700413.

We take particularly strong issue with the three paragraphs of the Letter under the heading "Oil Purchaser." This entire section is extremely misleading, and is wholly at odds with the facts presented to the IIC in Zurich. The juxtaposition of the sentences creates the false and misleading impression that GIAG knowingly funded payments of surcharges to the Government of Iraq. There are no facts to support this. To the contrary, GIAG had no knowledge of any such payments, and expressly prohibited its employees, agents, and commercial counter parties from making such payments or from violating UN sanctions in any way. If such payments turn out to have been made, they were in violation of explicit written and oral contractual undertakings and were made in violation of GIAG's policies. It would have constituted a very serious breach of trust by two businessmen on whom GIAG had every reason to rely. There is no mention of this in the IIC's summary.

Mr. Abu-Reyaleh is a respected Jordanian businessman and construction engineer with a variety of business interests in the Middle East including representation of major German industrial companies in the region. As permitted under the OFF Programme from the outset, the Iraqi regime was favouring nationals of certain countries including Jordan with oil allocations, in consideration for the political support provided to Iraq by those countries. GIAG had every reason to believe and did believe that Mr. Abu-Reyaleh was acting in full compliance with UN sanctions, and expressly mandated such compliance in its written agreement with Mr. Abu-Reyaleh, as well as in direct communication with him. Similarly, GIAG expressly mandated such compliance in its written agreement with Mr. Lakhani, as well as in direct communication with him. There is no mention of this in the IIC's summary.

We have not seen any documentation that either Mr. Abu-Reyaleh or Mr. Lakhani actually made any payments to the Government of Iraq. If such documents exist, they are not GIAG documents. The preamble paragraph in the Letter states that the IIC's summary about GIAG is "based upon the Committee's review of witness interviews and a review of relevant documents, including. . . corporate records . . ." No GIAG record, and no interview of any GIAG employee, supports the implication that GIAG made, authorized, or knew about any purported surcharge payments by either Mr. Abu-Reyaleh or Mr. Lakhani. Indeed, there are no facts that support the implication that GIAG or its employees knew about - let alone approved or authorized - surcharge payments. There is no mention of this in the IIC's summary.

GIAG consistently made it clear to all concerned - employees, agents, counter parties - that it expected full compliance with UN regulations. As a result, every GIAG contract that related to the OFF Programme - including the agreements with Mr. Abu-Reyaleh and Mr. Lakhani - expressly required compliance with UN regulations. There is no mention of this in the IIC's summary.

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

PESTALOZZI LACHENAL PATRY

3 / 3

There is another forced and false distortion in the IIC's summary. The amount GIAG paid to Mr. Abu-Reyaleh, has been artificially reduced by the IIC to match the amount supposedly paid by Mr. Abu-Reyaleh to the Government of Iraq. The apparent purpose of this reduction by the IIC is to create the false impression that Mr. Abu-Reyaleh was a mere transmittal agent who passed along to Iraq whatever funds he received from GIAG. What GIAG paid to Mr. Abu-Reyaleh was disclosed in detail by GIAG to the IIC, and was substantially more than the amount reflected in the IIC's summary. It is inappropriate for the IIC to reduce the actual amount in order to make it dovetail with a false suggestion that Mr. Abu-Reyaleh made surcharge payments with the knowledge and approval of GIAG. In a similar vein, the amount in the IIC's summary purportedly paid by GIAG to Mr. Lakhani is not reflected in the facts presented by GIAG.

In addition, what the summary does not reflect - but should - is the economic backdrop against which GIAG and major oil companies, refiners, end users and other trading companies were led to believe that Iraqi oil could be obtained under the auspices of the UN and in full compliance with UN sanctions. Under the OFF Programme, the UN authorized the Iraqi regime to award oil allocations to whomever it chose, in its unfettered discretion. It was known and accepted by the world community that the Iraqi regime was awarding oil allocations to its political friends and allies - to individuals who were favoured by the regime, and to numerous companies based in countries such as Jordan, that were politically sympathetic to the regime.

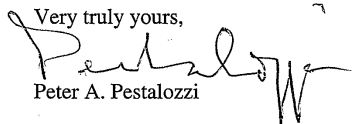
The price for the oil was proposed by the Iraqi regime and at all times approved by the UN. The price so established was generally below market. With UN approval, the Iraqi regime provided oil to its political friends and allies at terms, enabling them, in turn, to resell the oil in the open market at a premium.

The oil market evaluated the differential between the UN-approved price and the market. Buyers openly and lawfully paid prices within this differential to sellers of Iraqi oil. Along with numerous other participants in the oil industry GIAG participated openly and lawfully in this substantial free market for the supply of Iraqi crude. GIAG purchased its oil from companies that had UN-approved contracts with SOMO, and in some instances directly from SOMO with UN approval.

The prevailing understanding in the world community at the time was that recipients of oil allocations were being rewarded by the regime for their loyalty and political support, not because they had paid surcharges to the regime.

In sum, GIAG acted responsibly at all times, and acted in full compliance with UN sanctions. If it turns out that Mr. Abu-Reyaleh or Mr. Lakhani made surcharge payments, they did so without GIAG's knowledge and in direct contravention of their contractual commitments and GIAG's instructions. The IIC's report should so reflect.

Very truly yours,



Peter A. Pestalozzi

cc: Mr. Roland Vock, Swiss State Secretariat for Economic Affairs

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

E. RESPONSE OF ITALTECH

28/09 2005 11:08 FAX 0586421223

DRASS GALEAZZI U.T. SRL

001

From : S. CARLINI
To : Susan Ringler

ITALTECH s.r.l.

Dear Sir,
I am writing in answer to your fax dated September 25, 2005.

During the course of this investigation, your investigators, in particular the investigation team coordinated by the Senior Investigator Chris Eaton, approached a former Director of Italttech, Mr Sergio CAPPELLETTI. Starting from this contact they were able to contact Mr GIANGRANDI, the main shareholder of Italttech, and previously Chairman and Director of the Company.

Mr GIANGRANDI ordered and provided personally the complete collaboration of Italttech with all the concerned authorities.

Italttech provided to the IIC Team the complete copy of the Oil for Food documentation and all relevant and connected information, including banking accounts and transfers.

At the same time Mr. GIANGRANDI, the only Director involved in the Oil for Food program together with Mr MORICONI Lucio, was available during several days for clarification with your investigation Team.

Moreover Italttech and myself were available to whoever having title for clarification, investigation, copy of documentation; specifically Italttech gave full collaboration to the Swiss and Italian authorities in the requested terms.

No other request of information came from any other official entity has been received until now.

In conclusion:

- As per the information currently available in Italttech, not a single request of information has been denied or even delayed, if and when requested by official and authorised entities, herewith including the IIC.
- Relevant to the personal position of myself, Sergio CARLINI, I confirm that I provided the full cooperation whenever required, but I have to highlight that I was never personally involved in the Oil for Food business, which was personally and fully managed by Mr Augusto GIANGRANDI and Lucio MORICONI. My personal role in the company was exclusively limited to the design and manufacturing of a close circuit engine for underwater application.

We hope the above will answer your request and I confirm the availability of Italttech and myself to additional requests of information, if any.

Best regards

For Italttech s.r.l.
Sergio CARLINI


ITALTECH s.r.l.

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

F. RESPONSE OF TAURUS PETROLEUM LTD.

30. SEP. 2005 16:01 N°7988 P. 1/1

PONCET TURRETTINI AMAUDRUZ NEYROUD & ASSOCIÉS
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ANTOINE BOESCH
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JOSEPHINE BOILLAT
AVOCATE

ERMES TONSI
PRINCIPAL CLERC

ISMAIL EBDO
BARRISTER

GENEVA, 30 September 2005 / 19.lt
E-mail address : philippe.neyroud@ptan.ch

By fax N° 001 212 842 2555

Mr Reid MORDEN
Executive Director
INDEPENDENT INQUIRY COMMITTEE
INTO THE UNITED NATIONS
OIL-FOR-FOOD PROGRAMME
825 Third Avenue
Fifteenth Floor
New York, N.Y. 10022
USA

Re : TAURUS PETROLEUM LIMITED


Dear Mr Morden :

We are writing on behalf of Taurus Petroleum Limited («Taurus») in response to your letter dated 25 September 2005.

We note that Taurus has not been provided by the Committee a copy of any documents or information upon which the Committee relies in reaching its conclusions.

Taurus denies the conclusions set forth in your letter, and hereby requests that a copy of this letter be included in any future report in which Taurus is discussed.

Yours sincerely,



Philippe Neyroud

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

G. RESPONSE OF TRAFIGURA



SOLICITORS

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Our Ref : MSA/1243/5

Your Ref :

20 October 2005

By Hand and E-mail

Mr. Reid Morden
Executive Director
Independent Inquiry Committee into The United
Nations Oil-For-Food Programme
825 Third Avenue, 15th Floor
New York, New York 10022

Re: Proposed Narrative Regarding Trafigura

Dear Mr. Morden,

This letter responds to your letter of October 17, 2005 on behalf of the Independent Inquiry Committee into the United Nations Oil-For-Food Programme (the "Committee"), which sets out a proposed narrative intended by the Committee to be included in a report to be issued this month. More particularly, I write on behalf of my client, Trafigura, to provide additional information and clarification for the purpose of having the proposed narrative corrected or deleted from the report.

The proposed narrative set out in the October 17 letter provides an unsubstantiated and misleading description of Trafigura's role in purchases of oil from Ibex Energy. The Committee appears to be relying on the assertions of Mr. Jean Paul Cayre, who is recognized as a liar in the proposed narrative. It will severely damage the reputation of a respected and reputable company, when the known facts do not substantiate Cayre's allegations. Specifically, we would like to address points in the proposed narrative which imply that Trafigura knowingly participated in, or was complicit with, Cayre's misconduct. We trust that the information in this letter, together with the anticipated content of our meeting tomorrow, will lead to further consideration of the evidence and to a correction of the narrative.

J.W. Hicks, M.J. Wisdom, B.M. Isola, M.S. Aspinall, T.D. Baker, A.S. Ridings

Regulated by the Law Society

UN Letter 4

REPORT ON PROGRAMME MANIPULATION

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

watson hicks

Confidential

Trafigura's true role in the two subject transactions can be found in the documentation Trafigura provided to your office and the testimony of Trafigura personnel given in the course of the United Kingdom and Dutch investigations presently in the Committee's possession.

With respect to both voyages of the Essex (Voyage 13 – loading completed May 16, 2001, and Voyage 14 – loading complete August 27, 2001) Trafigura and its subsidiary Roundhead engaged in transactions with Ibex Energy and its subsidiary Ibex Services & Equipment to load cargo under the UN Oil-For-Food Programme ("OFFP"). On each occasion, Ibex was the legitimate holder of a UN-approved oil contract. Trafigura requested, and Ibex provided, relevant documentation to support the validity of the transactions.

1. Trafigura was an ordinary buyer in the chain of commerce, as were its own customers. Ibex, as the allocation holder, was the party responsible for compliance with OFFP procedures.

As a buyer in the chain of commerce, Trafigura did not know that for both transactions Ibex had sold it a top-off parcel that had not been reported by Saybolt and thus had been loaded outside the OFFP. Moreover, Trafigura had no warning that Ibex did not intend to pay the proceeds of the oil into the UN escrow account. In Voyage 13, Trafigura relied upon Ibex's warranty and the UN approval document showing its allocation had been increased that the top-off parcel was approved under the OFFP. In Voyage 14, Trafigura had a copy of Ibex's contract with the UN showing that it had been approved for eight million barrels of oil during that Phase of the OFFP. Indeed, an internal memorandum from the UN shows that the UN, itself, considered the Voyage 14 top-off parcel to be within Ibex's allocation (*c.f.* internal UN memorandum, dated November 5, 2001).

2. The role of Saybolt.

At an operational level, Trafigura, like other traders, relied upon Saybolt as UN appointed inspectors at Mina Al Bakr to ensure liftings were authorized and sent its own loading inspector to report on the volumes lifted. However, it appears that Ibex bribed a Saybolt inspector to file an inaccurate report with the UN.

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

watson hicks

Confidential

3. Purchase price was based on OSP formula and Trafigura had no added financial benefit from the trade.

Trafigura paid the official selling price plus the standard mark-up for the main parcel and for the top-off parcel of both shipments – there was no price difference between the main and top-off prices and, therefore, no added benefit to Trafigura from the top-offs. For the main parcels, the purchase price based on the OSP formula was paid by Trafigura to the UN escrow account on behalf of Ibex Energy. For the top-off parcels, the purchase price was based on the same OSP formula as the main parcels and was paid by Trafigura, on behalf of its subsidiary Roundhead, to the Geneva Credit Agricole Indosuez account of Ibex.

Trafigura had no reason to believe that Ibex would not, in turn, remit the money to the UN escrow account. In addition, all payments to Ibex were routed through a reputable world standard bank, namely Credit Agricole Indosuez (now Calyon), a global bank, with knowledge of OFFP transactions.

4. Premiums were known and commercially accepted.

There is no evidence to suggest that Trafigura paid illegal surcharges through its 'premia payments.' As the Committee is well aware, holders of Iraqi oil contracts under the OFFP (such as Ibex) "...insisted on unusually high premiums without any financial risk, because the contract holders were not obligated to lift their oil if third-party buyers were not willing to offer them high premiums. . . . If contract holders could not maintain premiums at thirty to forty-five cents per barrel, they would not lift their oil, thereby causing a substantial reduction in oil exports and losses to the escrow account." (Report of the Independent Inquiry Committee, Sept. 7, 2005, Vol. II, Ch. 3, pg. 147, briefing paper by the oil overseers reporting on their statement at an informal 661 Committee meeting.)

All purchasers of oil from primary allocation holders paid a "premium" only insofar as they paid a standard markup to the contract holder on the original price. The \$0.30 premium per barrel paid by Trafigura was the standard market rate at that time (*c.f.* Eperon Weekly Crude Oil Report, 24 Aug. 2001). It is therefore wrong to suggest that, by paying "premia" in the ordinary course of doing business under the OFFP, Trafigura was paying a surcharge to the Government of Iraq. By the same logic, all purchasers in the chain of commerce could be accused of paying a

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watson hicks

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surcharge in that they paid a purchase price that reflected the markup that the contract holders charged at the outset. Rightly, it was the primary allocation holder that was to provide a warranty that no illegal surcharges had been paid. As the 661 Committee recognized, there was no benefit in being an allocation holder if the oil could not be sold for a profit.

5. Trafigura was not involved in any dealings that Ibex had with the government of Iraq.

Trafigura was not party to or aware of any financial arrangements or other incentives Ibex may have had in place with the government of Iraq. Trafigura therefore strongly objects to and absolutely refutes the suggestion in the wording of the proposed narrative that it was acting in conjunction with Ibex. For example, there is no basis for the phrases: "in coordination with" or "participated in", to quote the proposed narrative.

In contrast, Ibex clearly benefited both by fraudulently not paying the money into the UN escrow account and by generating favour with SOMO by diverting the UN's funds to it.

6. Roundhead is a legitimate business vehicle.

The proposed narrative also implies that Roundhead was set up as a vehicle to hide payments when it is, in fact, a wholly-owned subsidiary of Trafigura used legitimately in its normal business practice. On the two occasions involving the May and August shipments, it was used to prevent the potential problem of off-set. Off-set can be a particular problem with Swiss banks, where the off-set rule is applied in situations where the buyer and seller both use the same bank. Trafigura has used Roundhead in another commercial context. In 1997, it was used as a counterpart in a contract with Sonacop to lift oil out of Cotonou – Benin. Trafigura has never sought to conceal the use of Roundhead and has never denied knowledge of it.

7. Trafigura did not and does not use "fraudulent invoices."

The Committee also suggests that Trafigura used "false invoicing" to hide payments. This is simply not true: neither Trafigura nor Roundhead have ever issued or paid against false invoices. Ibex issued invoices for its 30 cent mark-up and Trafigura paid them. Trafigura and its Roundhead subsidiary paid \$0.30 per barrel visibly, and this amount was the standard market rate at the time (*c.f.* Eperon Weekly Crude Oil Report, *supra*).

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Having cooperated with the Committee and having provided detailed relevant documentation, Trafigura had anticipated that the Committee would come to a clear understanding of the transactions at issue and thus form a balanced opinion. We are confident that the contents of this letter, and our meeting with the Committee, will go some way to redress all misunderstandings and inaccuracies pertaining to Trafigura's conduct regarding the OFFP.

Yours faithfully,



Mark S. Aspinall

WATERSON HICKS

Enclosures

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

806820S



TO: The Oil Overseers
CC:
and

DATE: 5 November 2001

Mr. Teklay Afeworki, Senior Finance Officer,
Treasury

REFERENCE:

THROUGH:
S/C DE:

FROM: Ms. Vicien-Milburn, Deputy Director
DE: In charge of the General Legal Division, OLA

SUBJECT: Stand-by letter of credit opened by Trafigura
OBJET:

URGENT

1. I refer to a memorandum from Mr. Afeworki of 2 November 2001 to the Oil Overseers. Attached to that memorandum is a copy of a "stand-by letter of credit" opened by Trafigura Beheer B.V. in favour of the UN, for an amount of EUR 6,438,930.99. The letter of credit is styled as a "stand-by" letter of credit, and purports to cover 271,669 barrels of Basrah light crude. It was apparently transmitted by Trafigura's bank to BNP-Paribas which, in turn, forwarded it to Treasury under cover of a BNP-Paribas memorandum of 2 November 2001. Mr. Afeworki's memorandum listed this Office as a "cc" addressee, and contained a request that we provide advice with respect to the letter of credit.

2. In its cover memorandum, BNP-Paribas notes that the letter of credit does not follow the required standard format of letters of credit for the purchase of Iraqi oil under Security Council resolution 986 (1995). BNP-Paribas further states that, as the letter of credit gives no destination, it cannot confirm the dollar value of the letter of credit. Further, BNP-Paribas states that it cannot add its confirmation to the letter of credit.

3. It appears that this letter of credit may relate to the matter of 229,756 barrels of oil loaded onto the vessel "Essex", which Mr. Sevan has brought to the attention of the 661 Committee in his letter of 24 October 2001 to the Chairman of the Committee. From information previously provided to us

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UNITED NATIONS - INTEROFFICE MEMORANDUM

NATIONS UNIES - MEMORANDUM INTERIEUR

PAGE 2

concerning this matter, including a fax dated 21 September 2001 from the master of that vessel to the UN, the loading of this oil might not have been monitored or verified by the UN independent inspection agents, as required by the 661 Committee Procedures, paragraph 15, and the MOU between the UN Secretariat and the Government of Iraq, Annex II, paragraph 4. We also understand that payment for the oil has not been made into the UN Iraq Account.

5. From the information provided to us, we understand that this portion of oil may be covered by an approved contract between Ibex and SOMO, and that Trafigura has agreed to purchase this oil from Ibex. We further understand that, even though this oil was allegedly loaded in violation of the procedures referred to above, Trafigura has provided the "stand-by letter of credit" as a means of guaranteeing payment for the oil in the event that it is not otherwise paid for, e.g., by Ibex. Thus, the "stand-by letter of credit" provides that it is payable against presentation of a letter signed by the UN Treasurer stating that the payment of the oil covered by the letter of credit has not been made within 180 days from the issuance of the letter of credit, and that no third party has by that date either irrevocably committed to pay the amount or provided other security allowing the Treasurer to confirm that such funds will be received.

6. We understand that the Committee is scheduled to meet on Tuesday, 6 November 2001, to discuss this matter. Accordingly, we suggest that the letter of credit and the correspondence from BNP-Paribas be brought to the attention of the Committee for that meeting, and that the Oil Overseers, which are to report any irregularities to the Committee (see 661 Committee Procedures, paragraph 15), be prepared to inform the Committee of the relevant facts relating to this loading and shipment, including, *inter alia*, information as to any other letters of credit issued or payments made for the oil in question.

7. If the Committee determines that the loading of the oil was not in conformity with applicable requirements and procedures under Security Council resolution 986 (1995), the 661 Committee Procedures or the MOU, the export of the oil would be a violation of the sanctions regime against Iraq. Pursuant to Security Council resolution 778 (1992), paragraph 2, the oil should be sold at fair market value and the proceeds paid into the escrow account provided for in Security Council resolution 706 (1991) and 712 (1991). Conceivably, such oil could be sold to Trafigura. However, it would have to be determined whether

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

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NATIONS UNIES - MÉMORANDUM INTÉRIEUR

PAGE 3

the amount of the "stand-by letter of credit" presented by Trafigura represents fair market value for the oil in question. The Oil Overseers should be prepared to advise the 661 Committee in this regard. Moreover, it should be pointed out that, if the "stand-by letter of credit" were accepted as payment for the oil, funds would not be received until at least 180 days after the date of its issuance, which was 1 November 2001.

cc: Mr. Golitsyn

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

H. RESPONSE OF VITOL S.A.

25 Oct 05 15:09

(202) 342-8451

1-212-842-2555 Collier Shannon

Pg 002



Vitol S.A.

Boulevard du Pont-d'Arve 28
P.O. Box 384, 1211 Geneva 4, Switzerland
Tel. +41(0)22 322 11 11, Fax +41(0)22 781 66 11
Telex 423 421

Mr Reid Morden
Executive Director
Independent Inquiry Committee
825 Third Avenue
New York, New York 10022
By Fax : +1-212-842-2555

Geneva 20th October 2005

Dear Mr. Morden,

By letters dated October 14, 2005, Vitol S.A. was sent notification by the Independent Inquiry Committee (IIC) that they would be included in the IIC's narrative in its final report relating to the payment of surcharges during the operation of the United Nations Oil-for-Food Program. This letter is submitted by Vitol SA on behalf of itself and all its employees and directors collectively in response. Vitol S.A. takes full responsibility for the actions of its employees.

Vitol S.A., a Swiss corporation, is part of the Vitol Group (Vitol), which is comprised of Vitol companies worldwide. Vitol is one of the most highly-respected participants in the global crude oil and refined petroleum product markets. Vitol is both a refiner and a trader and its involvement in the Oil-for-Food Program was primarily to obtain feedstock for its refinery in Newfoundland, Canada, that processes 125,000 barrels per day of crude oil.

Throughout the course of the Oil-for-Food Program, Vitol primarily purchased Iraqi crude oil from third party sellers. In addition, Vitol purchased a much smaller volume of Iraqi crude oil directly from Iraq's State Oil Marketing Organization (SOMO).

Vitol, for its own direct purchases from SOMO, obtained contracts that were approved by the UN 661 Committee, and Vitol lifted crude oil under those contracts. When Vitol refused to cooperate with Iraq over its surcharge policy, no further allocations were made by SOMO to Vitol under Vitol's direct contract/s with SOMO as confirmed at page 191 of the Duelfer Report.

REPORT ON PROGRAMME MANIPULATION

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

25 Oct 05 15:10

(202) 342-8451

1-212-842-2555 Collier Shannon

Pg 003



Vitol S.A.

Vitol, in its purchases of Iraqi crude oil from third parties, only entered into such contracts with third parties approved by the 661 Committee. These third parties were themselves direct purchasers from SOMO under contracts approved by the UN 661 Committee.

The price paid for Iraqi crude oil by Vitol to such third party sellers was a fair market value at the time for this crude oil. This fair market value consisted of the Official Selling Price for the crude oil as determined by SOMO and the UN Overseers, plus a market premium. This market premium reflected many market factors for Vitol: Unlike most other middle east crude oil, Iraqi crude oil had no destination restriction and that optionality had value allowing Vitol to assess alternative crude oil availability for its refinery right up to the time of the bill of lading date of the Iraqi crude oil. The quality of Iraqi crude oil was and remains particularly suitable to Vitol's refinery. The OSP was set one month in advance of the month of lifting and thus changing market factors including the changing prices of alternative, competitive crude oils would change the market value for the Iraqi crude.

On payment of the purchase price to the third party seller, Vitol would pay the Official Selling Price to the UN escrow account pursuant to the Oil for Food Program and the market premium to the third party seller's account or accounts as per the sellers' invoice and at seller's request.

Vitol had no knowledge of the use or intended use of such payments. Indeed, Vitol specifically incorporated into the majority of its purchase contracts with such third party sellers a contractual provision requiring the third party seller to guarantee that crude oil purchased by Vitol was obtained in accordance with all necessary approvals and procedures of the UN Security Council Committee and relevant UN Security Resolutions and specifically no surcharges or other payments had been or would be made.

As Vitol informed the IIC, Vitol did have a relationship with Ms Hamida Na'ana who originally worked for a Yemen oil company from whom Vitol purchased Iraqi crude oil. Vitol had no knowledge that Ms. Na'ana paid surcharges to the regime of Saddam Hussein. In fact when the issue was raised with her, she assured us that she had no such obligation. Neither Vitol, nor Giles Chautard at Vitol who communicated with Ms. Na'ana, knowingly "caused" Ms. Na'ana to pay such surcharges and did not tell her to do so.

Throughout the Oil-for-Food Program, Vitol spoke with both the United Nations and two governments who are permanent members of the Security Council in an effort to make the program more effective and transparent. Vitol was supportive of the fair retroactive pricing policy introduced by the UN which reduced the potentially undesirable role of the middleman companies. Vitol continued to work with the UN in a responsible and proactive way throughout the program.

In addition, Vitol has cooperated with both the IIC and various national governments and investigative bodies since investigations have commenced into the Oil-for-Food Program. In particular, when the IIC first approached Vitol a year ago to learn more about the Oil-for-Food Program, Vitol willingly met with the IIC. After the meeting, the IIC said that they knew of no other issues regarding Vitol, and Vitol told the IIC to contact it if the IIC had any further questions. For almost a year, Vitol heard nothing from the IIC until it initiated some general

REPORT ON PROGRAMME MANIPULATION

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

25 Oct 05 15:11

(202) 342-8451

1-212-842-2555 Collier Shannon

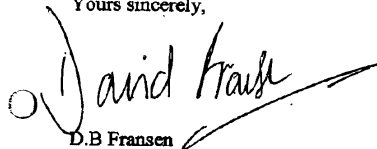
Pg 004



Vitol S.A.

discussion a few weeks ago. Again, Vitol willingly made representatives available for interview and have provided substantial documentation. It is to our disappointment therefore that the IIC intends to make certain findings against Vitol at this stage without affording Vitol enough time to make full representations to the IIC before publication of the final report.

Yours sincerely,


D.B Fransen

REPORT ON PROGRAMME MANIPULATION


CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

I. RESPONSE OF ZARUBEZHNEFT

12/10 05 WED 19:07 FAX 001

Открытое акционерное общество
ЗАРУБЕЖНЕФТЬ

 nestro

Joint Stock Company
ZARUBEZHNEFT

Our Ref. № 19-11-2903 *LR* October 2005

Your Ref. № 13685 dated October 11, 2005

Mr. Reid Mordien
Executive Director
Independent Inquiry Committee into
the United Nations Oil-for-Food Programme

OCT 12 2005


Dear Mr. Mordien,

In your letter you state that "the Committee has information indicating that your company had contracts during the Programme on which unauthorized payments were made. Such information will be reported in the tables accompanying our next report." In this regard please be advised of the following.

JSC "Zarubezhneft" had contracts during the Programme, but has never made any unauthorized payments. We absolutely know that no information exists that may indicate otherwise and we are sure that the Committee does not possess any single document to support alleged facts of unauthorized payments. If the Committee has any kind of documents it considers to be a proof of unauthorized payments made by our Company we would appreciate to receive it from the Committee to help the Committee to avoid the unintended confusion. We are ready to stand by our opinion in any form.

It appears that your conclusions concerning our company are either based on falsified documents or on the false and unfounded extrapolation methods, as it is seen from data sources for your tables. In both cases your conclusions are false – by a genuine mistake or intentionally. In this regard we will consider the inclusion of the suggested tables into your next report as an intention to slander our Company and to harm our business reputation.

Best regards



Evgeny Grevtsov
Head of Legal Department

Российская Федерация, 101990, г. Москва, Армянский пер., д. 9/1/1, строение 1
Building 1, 9/1/1 Armiyskiy pereulok, Moscow, 101990, Russian Federation
Тел./Tel.: (095) 748-65-00 | Факс/Fax: (095) 748-65-05, 956-14-91 | Телекс/Telex: 113303 STEK RU
E-mail: nestro@nestro.ru

REPORT ON PROGRAMME MANIPULATION

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

J. RESPONSE OF ARMANDO OLIVEIRA

Dear Reid Morden

Regarding the letter that I received yesterday, I apologise the call that I didn't make to Ms Susan Ringler but the call is too expensive for me and as I told to your colleges that interviewed me on the May 14, 2005, at the moment I don't have regular job and I have to make some economies to maintain my family.

Concerning the data that the committee intents to include in the report, my opinion regarding this matter are as follow:

I never been involved in any engaging with others, assisting and concealing those acts with the UN's Office of Iraq Programme and 661 committee, because and as you know the only documents produced were UN Letter signed by the master and internal documents to Saybolt, therefore no other documents were prepared outside of the Programme.

All other documents were produced by Iraqis representatives at the Platform.

During the interview on the May 14, 2005 with IIC investigators, with all my cooperation, I told them all I knew about this matter, but now I see that nothing is enough to prove my innocence.

At this moment I don't have any additional and relevant information to provide, and after 5 or 6 interviews regarding this matter I sincerely think that I don't have anything more that could be relevant to the case.

Hopping that inquiry ends

Sincerely,

Armando Oliveira

The Committee has converted Armando's e-mailed response into a Word document.

¹ The names of Committee investigators have been redacted from all letters included in the Appendices.

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

K. RESPONSE OF BERNARD GUILLET

21 10 05 12:14

Bernard GUILLET 35so Fran 33 1 39 52 66 48

p. 1

Paris october the 18 th 2005

21 10 05 12:14

Bernard GUILLET

To RFID MORDEN ,executive director
Of the inquiry committee into the UN oil for food programme
From BERNARD GUILLET

Thank you for your fax (October the 13 th 2005).

Regarding the investigation by « the committee » as well as attempts by investigators to contact me i can only say that i was easy to reach through the french ministry of foreign affairs or even by consulting France s telephone directory-like many journalists from the French and international press MARK CALIFANO and () . Member s of the committee finally managed to meet with me on October the 3rd and the 5th and discuss thoroughly during more than seven hours matters and items related to IRAQ and UN oil for food programme-therefore no doubt can be casted upon my cooperation .

I avail myself of this opportunity as a friend of the IRAQI people who traveled extensively to BAGDAD between 1994 and 2002, but also as a peace loving citizen, to express my sincere admiration and appreciation for what the UN have accomplished under resolution 986 for the good of the Iraqi despite various attempt by member states like the UNITED KINGDOM to slow and reduce (by nearly 10 billions US dollars) the implementation of the programme while the IRAQI leadership in response constantly tried to twist the system in it s own favor.

Because I m proud of the UN I do not understand nor approved the bitter and ugly partisan attacks against a very complex programme which were unleashed early 2004 when everybody knew there was no W.M.D in IRAQ and no linkage between 9/11 terrorist attacks and SADDAM HUSSEIN.
This is why i strongly question the integrity, authority and validity of some documents and interviews obtained by the « committee » especially those discovered or channeled by the AMERICANS occupation forces or secret services, by IRAQI entities and personnel which were put in place after the U.S war on IRAQ. Both French judge P COURROYE and committee members who visited me used these documents and interviews which cannot be trusted while financial record and bank transfer can easily be traced and thus put in true perspective the implementation of the UN programme ,these called « allocation » in the first place.

As far as i m concern the only « document » (from SOMO and ministry of oil in IRAQ which were shown and related to me mentioned a total of 5 millions barrels of oil of which only 1.999 million barrels were lifted by AREDIO under phase 10 (2nd semester 2001).in this particular case ,it is clear to everybody that i did not pay any surcharges to the government of IRAQ and that i did not receive any commission or payment related to my so called oil allocation of 2 millions of barrels and the lifting of the 1.999 million barrels by AREDIO . In fact it was established during a five year separate inquiry by the French judge P COURROYE that i do not hold any foreign bank accounts expect one in HOUSTON which has been reviewed and cleared by the AMERICAN I.R.S for the French treasury and justice department .my FRENCH bank accounts (year 2000,2001 and 2002) as well as my life style have been scrutinized by DNVSF(FRENCH equivalent of the IRS)and cleared for the second semester of 2001 as well as year 2002.

I have no further comment to make concerning the so called allocation of 10,11,12 millions barrel of oil under CHARLES PASQUAS's label. I was his diplomatic adviser from 1993 to April 2001 and i have given my written permission to Mr. CALIFANO and () to have access to my written statement to French judge P.COURROYE on April 28th 2005.

Last but not least ,i have admitted before the French judge and confirmed it to MR CALIFANO and () that on eight different private trips (mainly year 2000)to GENEVA i went upon the request of my friend ELIAS FIRZLI , to his bank(BFO) where i receive upon presentation of my diplomatic passport and identity amount of 25,30,40,or 50 000 US dollars for a grand total of nearly 230 000 US dollar. Most of these amounts (representing 100 to 160 000 US dollars)were immediately handed over to two IRAQIS in Geneva who had been contacted by ELIAS FIRZLI ,each amount (20 to 30000 US dollars each time)was used to take care of the expenses of IRAQI patients treated and hospitalized in Switzerland or Europe. The rest of the money was split between ELIAS FIRZLI and family members visiting Geneva(70 to 80000 US dollars),to religious leaders (Christian and Jewish)who could help IRAQ540 to 50000 US dollars). ELIAS FIRZLI was not only a good friend but a well known Christian (orthodox) Lebanese ,member of the BAAS party as well as a lawyer and businessman. ELIAS FIRZLI s initiatives were blessed by TAREK AZIZ who on two crucial occasions regarding "Christians in IRAQ "said to me that he trusted him and that i could trust him as well. that is exactly what i did when ELIAS FIRZLI asked me if i could help him by receiving the funds on his behalf because of numerous commitments in many countries as well as visa problems linked to his Lebanese nationality.

1 Pg : 19:03 19/10/05

: red gms par xx

The names of Committee Investigators have been redacted from all letters included in the Appendices

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

21 10 05 12:16

Bernard GUILLET Asso Fran 33 1 39 52 66 48

p. 1

19/10/05 19:03 Pg: 2

x émis par :

Between 1994 and 2002 i have managed Thanks to my friendly and family like relationship with TAREK AZIZ on one hand and my official connection in France ,middle east ,north Africa ,Russia and the united stated on the other end ,to do a lot of earnest lobbying and go between in order to keep IRAQ in touch and in compliance with the UN resolutions and ultimately avoid war on IRAQ.
French authorities were regularly briefed about my official meeting ,discussions and whereabouts during my trips to IRAQ this included a lot knowledge, auditing and contacts regarding IRAQI oil exports within oil for food programme outside(border oil)but i was not directly and personally involved in oil trading inside or outside the programme.

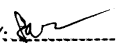
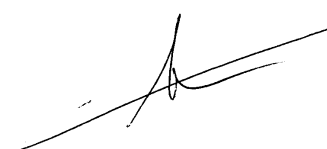
BERNARD GUILLET

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

L. RESPONSE OF CHARLES PASQUA

SÉNAT COMMISSION DES AFFAIRES ÉTRANGÈRES DE LA DÉFENSE ET DES FORCES ARMÉES CHARLES PASQUA <i>Ancien Ministre d'Etat Sénateur des Hauts-de-Seine</i>	<i>Republique Française</i> RECEIVED OCT 24 2005 BY:  Paris, October 21, 2005	M. Reid A MORDEN Executive Director Independent Inquiry Committee U.N.O. 825 Third Avenue, 15th Floor New York NY10022 U.S.A.
<p>Dear Sir,</p> <p>Your letter of October 13 has come to hand, I thank you for it. I have taken careful note of the information set forth therein.</p> <p>My counsel has dispatched the documents requested to Mr CALIFANO ; You should have them by now.</p> <p>I trust that your investigations are now coming to cloture and that they will permit the confirmation of the truth that I had no knowledge of the oil allocations and received no benefit from them.</p> <p>Sincerely</p> <p style="text-align: right;"> Charles PASQUA</p> <p style="text-align: center;"><i>15, rue de Valenciennes - 75291 Paris Cedex 06 Tel. 01 42 34 28 37 - Fax : 01 42 34 42 84</i></p>		

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

SÉNAT

COMMISSION DES AFFAIRES ÉTRANGÈRES
DE LA DÉFENSE ET DES FORCES ARMÉES

CHARLES PASQUA

*Ancien Ministre d'Etat
Sénateur des Hauts-de-Seine*

Republique Française

RECEIVED
OCT 24 2005

BY: *[Signature]* Paris, le 21 octobre 2005

M. Reid A MORDEN
Executive Director
Independent Inquiry Committee
U.N.O.
825 Third Avenue, 15th Floor
New York NY10022
U.S.A.


Cher Monsieur,

Votre lettre en date du 13 octobre dernier m'est bien parvenue et je vous en remercie. J'ai pris bonne note des informations qu'elle contenait.

Mon conseil avait fait parvenir à M. CALIFANO les documents demandés. Vous avez dû les recevoir entre-temps.

Maintenant que vos investigations sont sur le point d'être terminées, je suis convaincu qu'elles permettront de confirmer la vérité, à savoir que je n'avais aucune connaissance du système d'allocations de pétrole et que je n'en ai jamais retiré aucun bénéfice.

Veillez agréer, Cher Monsieur, mes meilleures salutations.



Charles PASQUA

*15, rue de Vaugirard - 75291 Paris Cedex 06
Tél. 01 42 34 28 37 - Fax : 01 42 34 42 84*

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

M. RESPONSE OF GEORGE GALLOWAY

From: GALLOWAY, George []
Sent: Monday, October 17, 2005 1:52 PM
To: Susan M. Ringler
Subject: FW: Reply from George Galloway MP¹

Dear Ms Ringler,

I have received what you say is the summary of the reference to me in your forthcoming report of the inquiry. You have not made available to me any of the basis on which you have drawn these conclusions. Insofar as it deals with me the summary is untrue, unjust, misleading and based on the same falsehood that has been levelled at me by the same sources time after time over the last two and a half years. There is no justification for the central conclusion you have drawn.

Firstly you give the impression that I was unwilling to co-operate with your inquiry. This is false. I met with your two counsel in good faith (though if I had known the IIC investigator's² background as a senior official of the CPA - the illegal occupation authority in Iraq I would never have agreed to meet him) in Washington on the eve of my Senate appearance and when I had many other pressing matters to attend to. In the course of a long interview your counsel gave no indication whatever that they were leaning towards these conclusions nor did they ask me any specific questions which justify their subsequent orientation. I did not undertake to provide any further documentation - I have none other than that in the hands of the Charity Commission - and you have no justification in implying otherwise in your letter to me.

Months later, and after I had discovered the IIC investigator's role in Iraq and his highly dubious modus operandi, he wrote to me asking for another interview. I made the perfectly normal request to be given written notice of the areas he wanted to cover in such an interview. This was at first refused, and then complied with to the extent that a cock and bull story about a Chilean oil trader and a fictitious meeting with me in a Baghdad restaurant was given as the subject matter. I note that this fictional meeting has now disappeared from the charge sheet. Again I offered to answer any questions put to me in writing. None have been so put.

Instead, you say you intend to merely restate the charges of Senator Coleman's Senate Committee - with whom it is now clear you share the same partisan motivation, the same carelessness with natural justice and with the normal rules of evidence.

As these charges are merely repetitious my response cannot avoid being similarly familiar. I had nothing to do with any oil deals done by Mr Fawaz Zureikat or anyone else. He and any other companies involved were trading on their own behalf and not on mine. It follows that I have no responsibility for any of these transactions. That Mr Zureikat was both a benefactor of the Mariam Appeal (and its chairman for most of its

¹ The Committee has converted George Galloway's e-mailed response into a Word document.

² The names of Committee investigators have been redacted from all letters included in the Appendices.

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

life) and a businessman trading in all manner of things in Iraq and elsewhere was well known and deliberately advertised by us for the very avoidance of later smears such as these.

To now imply that I was somehow collectively guilty of paying more than a million dollars to the Saddam Hussein regime is simply preposterous and cannot be justified.

I restate the position I first laid out in The Independent newspaper in London just a few days after the first assault upon me by the Daily Telegraph. We had three benefactors; the late ruler of the United Arab Emirates Sheikh Zayed, the now king of Saudi Arabia Abdullah bin Abdel Aziz, and Mr Zureikat an Arab nationalist businessman with a long record of trading with Iraq (long before he met me) and who represented some of the world's leading companies there. Indeed he is still trading with Iraq with the explicit approval of the US government.

I never asked any of these three how they made the money they donated to our anti-sanctions campaign - or which part of which profits from their many interests they were donating. It was not my business. I was merely grateful that they were donating to a cause I believed in and a campaign which if it had been listened to would not have led Iraq into the maelstrom of mass murder and grand larceny it has become.

Turning lastly to the reference you have made to my soon to be ex-wife Dr Aminah Abu-Zayyad. Dr Abu-Zayyad announced, on the front page of the Sunday Times on May 1st 2005 - five days before the British General Election in which I was a candidate - that she was divorcing me. This is now imminent.

I cannot speak on her behalf - the divorce proceedings are underway and she is now undergoing treatment for cancer - but I have ascertained that you have at no time made any attempt to contact her, to ask her a single question about the allegation you intend to make about her. This too shows striking similarities to the style of Senator Coleman. I should inform you that Dr Abu-Zayyad says she has never received £120,000 from Dr Burhan Chelabi or anyone else.

George Galloway MP

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

N. RESPONSE OF HAMIDA NA'ANA

FRERE CHÔLMELEY

Avocats à la Cour
8 Place d'Iéna
75116 Paris
France

Téléphone +33 (0) 1 55 73 40 00
Télécopie +33 (0) 1 55 73 40 11
Web www.eversheds.com



EVERSHEDS

Paris, 13 October 2005

RECEIVED
OCT 18 2005
BY: *Sar*

Mr. Reid MORDEN
Executive Director
Independent Inquiry Committee
United Nations OFFP
825 Third Avenue
NEW YORK 10022
USA

OFFICIAL

By letter and fax n° 00 212 842 2555 / 4555

Re : your letter dated 12 October 2005 sent by fax by Ms. Susan RINGLER

Dear Mr. Morden,

I acknowledge receipt of your letter dated 12 October 2005, indicating a week's deadline for response by 19 October 2005.

The contents of your letter surprised me. You stated that some investigators from the Independent Inquiry Committee ("the Committee") into the UN Oil-For-Food Programme ("the OFF Programme") attempted to contact my client, Mme. Na'ana, on several occasions, but that my client did not respond to them.

I can confirm to you that my client was contacted by () , who held himself out as part of the Committee. She also received a fax written in English on a letterhead of the Committee signed by Mr. Mark G. Califano which stated:

"Please be advised (...) that failure to cooperate with our investigation will result in a waiver of your entitlement to the Committee's adverse finding process, including any access to the Committee's documents and other information" (fax herein annexed under n° 1).

My client who is not fluent in English, sent me a copy of this letter requiring explanation but I was leaving France for professional obligations abroad and, since this letter did not require an urgent response, we decided to deal with it on my return on 4 October 2005. In view of the terms of this fax, my client who has no objection to cooperating, wanted to exercise her right to an adversarial finding process and to have access to Committee documents and information. We therefore organized, urgently, to meet Mr. Califano and () who were leaving France on 6 October 2005.

At the same time, Mrs Na'ana's lawyers, with conduct of criminal proceedings brought against her in France in front of Mr. Judge Courroye, had to contact the judge in order to confirm that such a meeting could take place, since at this stage Mrs Na'ana was (and is still) under "control measures" imposed by French jurisdiction.

Toque #014
Membre d'une association agréée. Le règlement par chèque est accepté.
FRERE CHOLMELEY, Partnership de droit anglais, est membre du groupement transnational EVERSHEDS.

par_001024109531

Pour une liste complète de nos bureaux merci de visiter www.eversheds.com

The names of Committee Investigators have been redacted from all letters included in the Appendices

REPORT ON PROGRAMME MANIPULATION

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This meeting took place in Paris (Hotel Lotti) on 5 October 2005 and lasted more than 3 hours (from 19:00 to 22:15).

I accompanied Mrs Na'ana who provided explanations and answered the questions of MM. Califano and (). MM. Califano and () seemed very well-versed in the OFF Programme and aware of the situation, so we did not have any reason to believe that they were neither part of the Committee nor the investigators you are speaking about in your letter (see also the e-mail exchange I had with () after this meeting, herein annexed under n° 2).

Consequently I think that there is a serious problem concerning the identity or substitution of investigators in this case. The Committee website does not provide any information in this respect and I am not even in possession of an original letter of the said Committee whereby I received official notification of who was who and to whom my client should provide explanations.

Thus we do not have any means to know who, between you and Mrs. Ringler or Mr. Califano and (), to whom I am copying this letter, are members of this Committee. Assuming that you are all part of this Committee, which seems to be the case, we still do not know who the investigators are that we have to speak with.

On behalf of my client, I will not accept a continuous substitution of investigators necessitating repeated hearings and the conclusion of a new agreement each time on methodology, confidentiality, procedural guarantees etc.

In order to avoid any doubt, my client and I are expecting from Mr. Volcker, Mr. Goldstone or Mr. Pieth whose names appears in the Committee letterhead and the Committee website, official clarification of the situation.

You will therefore understand that I have to give this letter an official status in order to preserve all my client's rights.

This official status allows me to provide a copy of this letter to my client who can use it freely, the letter not being covered by professional privilege.

For these reasons I will also not address matters in your letter which need to be discussed, confirmed or denied by my client. These matters are "Strictly Confidential", as designated in your letter, and cannot be dealt with before receiving official clarification requested above.

As soon as this situation is clarified my client will be very pleased to respond to the appropriate delegates or investigators of the Committee.

Sincerely,

Louis Degos

Cc : Mr. Califano,

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

Fax émis par : 00 33 1 47 78 42 82

ALWIFAQ ALARBI

26/09/05 20:01

Pg: 1
Page 1

M. Degod

INDEPENDENT INQUIRY COMMITTEE
INTO
THE UNITED NATIONS OIL-FOR-FOOD PROGRAMME

825 THIRD AVENUE
FIFTEENTH FLOOR
NEW YORK, NEW YORK 10022

TELEPHONE: 212.842.2500/4500
FACSIMILE: 212.842.2555/4533

www.iic-offp.org

Ann 1

PAUL A. VOLCKER
CHAIRMAN

RICHARD J. GOLDBSTONE
MARK PIETH
MEMBERS

September 23, 2005

Via Facsimile

Mme. Hamida Na'na
81 gal Damiers 92400
Courbevoie
Facsimile: 01 47 78 13 75

Dear Mme Na'na,

On behalf of the Independent Inquiry Committee ("Committee"), I am writing to you concerning the Committee's ongoing inquiry into the United Nations Oil-for-Food Programme ("Programme") in Iraq. As you may know, the Committee was established by the Secretary-General and endorsed by Security Council Resolution 1538 on April 21, 2004, and is mandated to collect and examine information related to allegations of corruption on part of entities that have entered into contracts with Iraq under the Programme. For more information about the Committee please visit our website at www.iic-offp.org.

Pursuant to your conversations with (), Deputy Counsel, on September 14 and 23, 2005, we kindly request a meeting with you to discuss certain areas of our investigation. Specifically, we are interested in discussing your involvement in the Programme. Your assistance with our work would be greatly appreciated. Please be advised, however, that failure to cooperate with our investigation will result in a waiver of your entitlement to the Committee's adverse finding process, including any access to the Committee's documents and other information.

We would like to set up an appointment at your earliest convenience. We will follow up with you in the next few days to arrange a convenient time and place to meet. Should you have any questions or comments about these discussion areas or any other aspects of our ongoing investigation, please do feel free to contact me at 646-637-4435 or () at ().

Very truly yours,

Mark G. Callahan
Mark G. Callahan
Chief Legal Counsel

The names of Committee Investigators have been redacted from all letters included in the Appendices

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

Louis Degos - RE: Me. L Degos

Page 1

From: () < > @iic-offp.org
To: "Louis Degos" <louisdegos@eversheds.com>
Date: 11/10/2005 2:30am
Subject: RE: Me. L Degos

Ann. 2

Dear Mr. Degos,

I would like to thank you and your client, Ms. Na'ana for taking the time to meet Mr. Califano and me in Paris. I acknowledge the receipt of your e-mail on October 6, 2005. I will get back to you shortly in response to your e-mail.

With kind regards,

The names of Committee Investigators have been redacted from all letters included in the Appendices

()
Deputy Counsel
Independent Inquiry Committee into the
United Nations Oil-For-Food Programme

825 Third Avenue, New York, NY 10022, USA
Tel: +1-212-842-
Fax: +1-212-842-2555
www.iic-offp.org

-----Original Message-----

From: Louis Degos [mailto:louisdegos@eversheds.com]
Sent: Thursday, October 06, 2005 11:54 AM
To:
Cc: Louis Degos; Rodman Bundy
Subject: Me. L Degos

*** Before acting on this email or opening any attachment you are advised to read the Eversheds disclaimer at the end of this email ***

Cher Monsieur,

J'espère que vous avez fait bon voyage pour retourner à New York et je me permets de faire suite à notre réunion d'hier à Paris (Hôtel Lotti) avec Madame Hamida Na'ana.

Comme vous avez pu le constater, la complète coopération de Madame Na'ana ne fait aucun doute car elle recherche elle-même à savoir toute la vérité sur ce programme qu'elle n'a connu qu'incidemment (et peut être naïvement) mais qui lui fait malheureusement subir pleinement aujourd'hui épreuves et tracasseries.

Je suis désolé que cette audition ait du être interrompue, mais l'état de santé de madame Na'ana comme la tardiveté de l'heure ne permettaient pas de continuer.

Ainsi que nous en sommes convenus avec Monsieur Califano, je souhaiterai que vous puissiez me confirmer :

1- qu'en ce qui concerne les informations données par Madame Na'ana, vous préserverez la confidentialité complète de votre source : il s'agit d'une garantie primordiale pour la sécurité personnelle de Madame Na'ana comme vous l'avez parfaitement compris ;

2- que, de même que Monsieur le Juge Philippe Courroye que vous avez vu et que nous avons contacté à cet égard, Monsieur le Juge Jean-Bernard Schmid de Genève n'a aucune objection ou

The names of Committee Investigators have been redacted from all letters included in the Appendices

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Louis Degos - RE: Me. L Degos

Page 2

réserve à ce qu'une telle audition puisse avoir lieu.

En vous remerciant par avance, je vous prie de me croire,

Votre bien dévoué,

Louis Degos
Avocat à la Cour
Associé - Partner
Frere Cholmeley - Eversheds
8, place d'Iéna
75116 Paris
Tel. : +33 1 55 73 40 00
Fax. : +33 1 55 73 40 11
louisdegos@eversheds.com
www.eversheds.com

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Viruses: Although we have taken steps to ensure that this email and attachments are free from any virus, we advise that in keeping with good computing practice the recipient should ensure they are actually virus free.

***** [http://www.eversheds.com/] *****

CC: "Rodman Bundy" <RodmanBundy@eversheds.com>, "Mark G. Califano" <mcalifano@iic-offp.org>

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

O. RESPONSE OF JEAN-MARIE BENJAMIN

From: benjamin@
Sent: Thursday, October 13, 2005 6:45 AM
To: Susan M. Ringler
Subject: At THE ATTENTION OF Mrs. Susan M. Ringler, from Fh. J-M Benjamin

Chère Madame Ringler,
J'ai bien reçu votre email avec la lettre de M. Reid Morden et m'excuse de vous répondre en français, car mon anglais n'est pas très bon.
Lorsque j'ai rencontré () en janvier 2005 à Genève, j'ai précisé les points suivant que je vous confirme aujourd'hui.

- Je n'ai jamais accepté de donation (pétrole ou autre) de l'Iraq.
- J'ai refusé toute donation par lettre à M. Tareq Aziz en date du 25 janvier 2002.
- J'ai envoyé par courrier la copie de cette lettre à () .
- Je sais que M^o Alain Bionda travaille depuis de nombreuses années pour des compagnies pétrolières et qu'il traitait des contrats avec beaucoup de pays, dont aussi l'Iraq. Je ne suis pas compétent en la matière et M^o Bionda ne m'a jamais fait de confiance à cet effet.
- La donation à la Fondation Beato Angelico n'a rien à voir avec les activités professionnelles de M. Bionda. C'est une donation faite à titre personnel à la Fondazione Beato Angelico et non à moi.
- J'ai transféré ces fonds au IOR (une partie en Euro l'autre en dollars) au bénéfice de la Fondation. Les documents du IOR sur ce virement ont été envoyé aujourd'hui de Rome par courrier DHL à la Independent Inquiry Committee. Vous les recevrez dans le prochaines 48 heures.
- Tous ces fonds ont été consacrés à la production de films documentaires sur l'Iraq, publications de livres, organisation de conférences et oeuvres humanitaires. Sur toutes ces activités et dépenses (y compris celles d'actions humanitaires), nous préparons un documents qui sera publié prochainement.

Je vous remercie de votre attention et vous adresse, ainsi qu'à M. Morden, mes meilleures salutations.
Jean-Marie Benjamin

The names of Committee Investigators have been redacted from all letters included in the Appendices

10/26/2005

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

TRANSLATION BY IIC:

Dear Mrs. Ringler,

I received your email and Mr. Reid Morden's letter, and excuse me for responding to you in French but my English is not very good. When I met with Messrs () and () in Geneva in January 2005, I specified the following points that I confirm today:

- I have never accepted any donations (oil or other) from Iraq.
- I refused all donations in a letter to Mr. Tareq Aziz on 25 January 2002.
- I sent by mail a copy of this letter to Messrs () and ().
- I know that Mr. Alain Bionda has been working for oil companies since numerous years, and that he dealt with contracts with many countries, among them Iraq. I do not have any competence regarding these matters, and Mr. Bionda never confided anything to me.
- The donation made to the Beato Angelico Foundation had nothing to do with Mr. Bionda's professional activities. The donation was made on a personal basis to the Fondazione Beato Angelico, and not to me.
- I transferred these funds to IOR (partly in Euros and the other part in Dollars) to the benefit of the Foundation. The documents of the IOR related to these transfers were sent to the Independent Enquiry Committee today by DHL from Rome. You shall receive them in the next 48 hours.
- All these funds were dedicated to the production of a documentary film about Iraq, publication of books and the organization of conferences and humanitarian works. We are preparing documents regarding these activities and expenses (including the humanitarian actions) which will be published soon.

I thank you for your attention and present to you and to Mr. Morden my best regards.

Jean-Marie Benjamin

The names of Committee Investigators have been redacted from all letters included in the Appendices

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

P. RESPONSE BY MARC RICH GROUP

24/10/2005 19:42 NUM165 0002

C/M/S/ von Erlach Henrici
Rechtsanwälte Avocats Attorneys at law

By telecopier

Mr. Reid Morden
Executive Director
Independent Inquiry Committee Into
The United Nations Oil-For-Food Programme
825 Third Avenue
15th Floor
New York, NY 10022
USA

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office@cms-veh.com
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Dr. Jodok Wicki
Attorney at law
jodok.wicki@cms-veh.com

Marc Rich Group October 24, 2005
104596*op/00004464.doc/WJ/jwi

Dear Mr. Morden

We refer to your letter of October 17, 2005 to Mr. Thomas Frutig by which you have informed the Marc Rich Group about the proposed finding to be included in the next report by the Independent Inquiry Committee and to our answer of October 18. The Committee has provided us on October 21, upon our request, with copies of the relevant documentation which allegedly supports the proposed finding. We are grateful for having been granted the opportunity to review that documentation. The Committee has not provided us, however, with summaries of possible interviews with witnesses nor has the Committee indicated to us the names of any such possible witnesses upon whom it may want to rely.

Despite a careful review of the documentation provided to us we have been unable to find any support for the statement made in your proposed finding that "In this period, Marc Rich and Co. Investment AG caused to be paid surcharges to the Government of Iraq in the amount of approximately \$992,630."

While some documents indicate that E.O.T.C. deposited or transferred certain amounts to an account with the Jordan National Bank in Amman, there is no evidence produced to us involving the Marc Rich Group or Marc Rich + Co Investment AG in any way in any such deposit or transfer. There is also no evidence whatsoever that the Marc Rich Group or Marc Rich + Co Investment AG "caused" any such deposit or transfer by E.O.T.C. or any evidence from which such an inference could be drawn. We should like

CMS von Erlach Henrici is a member of CMS, the transnational legal and tax services organisation.
CMS law firms: CMS Adonnino Ascoli & Cavasola Scamoni (Italy), CMS Albiñana & Suárez de Lezo (Spain), CMS Bureau Francis Letebvre (France), CMS Cameron McKenna (United Kingdom), CMS DeBaeker (Belgium), CMS Derks Star Busnann (Netherlands), CMS von Erlach Henrici (Switzerland), CMS Hasche Sigle (Germany), CMS Reich-Rohrwig Hainz (Austria)
Registered with the Attorneys' Registry

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

24/10/2005 19:42

NUM165 D003

C/M/S/ von Erlach Henrici

- 2 -

to emphasize that our client continues to dispute vigorously having caused any such payment.

Section E.1 of the Committee's Investigation Guidelines provides that the standard of proof necessary to result in a finding shall generally be "reasonably sufficient evidence." Nothing in the documents we have been provided with satisfies that standard of proof. In the absence of any evidence provided to us we would invite you to reconsider whether the standard defined by the Investigation Guidelines has been met. We maintain it has not been.

— In other words, the Committee's proposed finding presents speculation (which in addition is disputed) as facts, without, however, identifying such speculation to the reader of the report. This may not only mislead the reader, but may also unjustifiably prejudice the concerned companies, consequences which are incongruent with the Committee's tasks.

Considering the above, we hereby request the Committee to remove the following statement from the report because it is devoid of any factual support and remains entirely disputed by our client:

"In this period, Marc Rich and Co. Investment AG caused to be paid surcharges to the Government of Iraq in the amount of approximately \$992,630."

Finally, we should like to note that we only received the documentation on October 21, the day on which the time limit originally set by your letter of October 17 would have expired, and that some documents provided required translation from Arabic into English. We have responded with the utmost expedition and we would invite you in the interests of fairness to favourably consider our submissions and remove the proposed finding referred to above from the Committee's report.

Sincerely yours
For Dr. Jodok Wicki



Oliver Schutte

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

Q. RESPONSE BY ROBERTO FORMIGONI

21-OTT-05 12:53 Da-	T-559 P.01/01 F-558
Regione Lombardia	
Giunta Regionale Il Presidente	
Milan, October 21st, 2005	
Dear Sir,	
with reference to your letter of last October 17, 2005 I wish to inform you that I don't find myself by no means in what you write in the fourteen lines of such letter that are quoted below:	
<i>"Iraqi Oil Ministry records from the State Oil Marketing Organization ("SOMO") reflect that from Phase III through XIII of the Programme, oil allocations were issued in the name of Roberto Formigoni, and that these allocations were lifted and sold by Costieri Genovese Petroliera ("CO.GE.P"). Tarek Aziz confirmed that Mr. Formigoni received oil allocations. In approximately 1998, Roberto Formigoni, President of Lombardy, met with a number of Iraqi officials in Rome and mentioned two Italian oil companies with an interest in doing business in Iraq. Costieri Genovese Petroliera ("CO.GE.P") and NGR Oils S.r.l.. Thereafter, a Lombardy Region consultant, Marco Mazarino De Petro, faxed to Tariq Aziz a letter noting this meeting under Mr. Formigoni's name - though signed by another person. Through the Programme, Mr. De Petro and CO.GE.P proceeded use the allocations to buy oil from Iraq under the Programme, and Mr. De Petro received over \$700,000 from the sale of this oil."</i>	
I especially inform you that I never received oil allocations from Iraq. Therefore whoever maintains that I got them says something that is definitely untrue.	
Your sincerely,	
 (Roberto Formigoni)	

To: Mr. Reid Morden Executive Director Independent Inquiry Committee	
Cc: Mr. Paul Volcker Chairman Independent Inquiry Committee NEW YORK	

REPORT ON PROGRAMME MANIPULATION
CHAPTER TWO
OIL TRANSACTIONS AND ILLICIT PAYMENTS

R. RESPONSE BY SANDI MAJALI-IVUME

17. OCT. 2005 (MON) 17:59 BARRY AARON & ASSOCIATES 8838482 PAGE. 1/7

BARRY AARON & ASSOCIATES
Attorneys
Johannesburg London Geneva Athens

Susan M Ringler
Counsel to Committee
Independent Inquiry Committee

PER TELEFAX: 091 212 842 4555

17 October 2005

Our Ref: BA/ljs/T830
Your Ref: Susan M Ringler

Dear Madam,

OUR CLIENTS: SANDI MAJALI & IMYUME MANAGEMENT (PTY) LTD
RE: RESPONSE TO IIC SUMMARY

1. We refer to our telefax/e-mail to you dated 12 October 2005.

2. We have not heard from you in regard thereto in any respect, but more particularly, have not received the full text of that portion of the report dealing with our clients. Your committee, investigators and entire operation are a law unto yourselves, disregard your own undertakings and generally act outside the spirit of the mandate conferred on you. Your representatives have their own agenda and act unilaterally, unfairly and in a biased and partial manner.

3. The IIC has demonstrated ongoing *male fides* throughout its dealings with and relating to our clients, including in the following respects:-

3.1 the recording of the meeting of 30 June 2005 provided by disc cannot be opened and is entirely useless;

P O Box 783125
Sandton 2146

Suite 402, West Tower
Nelson Mandela Square
3 Maude Street
Sandton
South Africa

Tel: (011) 883-8483
Fax: (011) 883-8482

Dx 50 Nelson Mandela Square
email: baaron@mweb.co.za
VAT Reg. No. 4770138746

& per e-mail: sringler@iic-oftf.org

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

17. OCT. 2005 (MON) 17:53

BARRY AARON & ASSOCIATES

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- 3.2 despite our repeated requests, you refused to provide us with copies of any of the annexures produced by the investigators at the meeting on 30 June 2005 (yet the investigators gave these to Mail & Guardian);
- 3.3 you refused to provide us with a copy of an annexure referred to in a document produced by the investigators, knowledge of which our clients disputed, but in respect of which our clients' comments were required;
- 3.4 your investigators provided the Mail & Guardian with copies of the documents shown to our clients at the interview on 30 June 2005 (but which you refused to give to us) and generally discussed and disclosed the matters and the issues subject to the undertaking of confidentiality which the investigators had given to our clients;
- 3.5 you include in the summary report and clearly intend to report the fact that our clients illegally paid US\$60 000 as a surcharge, yet this issue was never raised with our put to our clients at the meeting on 30 June 2005 or at any other time and no evidence of any such payment exists. At best you are relying on hearsay or other unrelated or unverifiable evidence;
- 3.6 you frequently failed to respond to or answer correspondence we had addressed to you;
- 3.7 you failed to provide our clients with the full text of the upcoming report, despite the investigators' undertakings in this regard and have only provided our clients with a summary thereof;
- 3.8 you have refused to provide confirmation that our clients' comments and rebuttal to the upcoming report will be published *verbatim*, despite the investigators' undertakings to our clients to this effect;
- 3.9 you have generally acted in a hostile, partial and obstructive manner towards our clients throughout the entire process.

REPORT ON PROGRAMME MANIPULATION

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

17. OCT. 2005 (MON) 17:53 BARRY AARON & ASSOCIATES

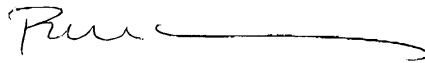
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4. Any report which you issue in respect of or relating to our clients is irreparably tainted, flawed and contaminated.
5. The foregoing having been said, we attach our clients' responses and comments to the summary of the issues relating to our clients which you apparently intend to include in the upcoming report to be issued which we hereby furnish by Tuesday 18 October 2005, as required.
6. Our clients require this response to be published *verbatim*.
7. Please acknowledge receipt hereof.
8. In due course, please also provide us with that portion of the report dealing with our clients as may be published.
9. The publication of any report including an allegation that our clients paid any amount to SOMO or the Iraqi authorities in contravention of the UN regulations will be highly defamatory of our clients. Our clients will institute proceedings against the IIC, the commissioners and all those guilty of such irresponsible and unwarranted conduct. You publish such unfounded and reckless allegations against our clients at your own peril. No evidence of any such payment exists.
10. All of our clients' rights are reserved and, as necessary, will be enforced.

Yours faithfully,



BARRY AARON & ASSOCIATES

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

17. OCT. 2005 (MON) 17:53

BARRY AARON & ASSOCIATES

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RESPONSES OF SANDI MAJALI & IMVUME MANAGEMENT (PROPRIETARY) LIMITED TO THE SUMMARY PROVIDED BY THE IIC IN RESPECT OF THE REPORT TO BE ISSUED IN REGARD TO THE CONDUCT OF MONTEGA TRADING (PROPRIETARY) LIMITED AND IMVUME MANAGEMENT (PROPRIETARY) LIMITED IN RELATION TO THE UNITED NATIONS IRAQ OIL-FOR-FOOD PROGRAMME

1. MONTEGA TRADING

The representatives of Montega Trading were Shakir Al-Khafaji, Rodney Hemphill and Sandi Majali. The initial discussions with SOMO regarding the terms of the Montega allocation were conducted by Al-Khafaji and Hemphill who negotiated the terms of the Montega allocation with SOMO. At the time, Majali was entirely unaware of the general SOMO requirement regarding the payment of surcharges linked to allocations. After the Montega cargo was lifted and when Majali first approached SOMO in respect of an oil allocation for Imvume, SOMO raised the issue of the outstanding surcharge due by Montega. This the first time that Majali was aware of the surcharge arrangement in respect of Montega. In the course of the ongoing discussions and negotiations on behalf of Imvume, Majali, as a strategy, undertook to SOMO to attempt to resolve the Montega surcharge issue as there would otherwise have been no prospect whatsoever of Imvume receiving any allocation. Majali was by this time aware that the payment of surcharges was contrary to the UN sanctions arrangements and the Oil-for-Food Programme and, in fact, had no intention at all of paying any surcharges at all, whether in respect of the Montega account or otherwise.

The Montega surcharge was, to the best of Majali's knowledge, never paid.

REPORT ON PROGRAMME MANIPULATION**CHAPTER TWO****OIL TRANSACTIONS AND ILLICIT PAYMENTS**

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BARRY AARON & ASSOCIATES

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2. IMVUME ALLOCATION – PHASE XI

Although Imvume received an allocation of two-million barrels in Phase XI, Majali had made it clear to SOMO that no surcharge would be paid and a surcharge was never part of the arrangements in respect of this allocation. SOMO may well have levied a surcharge but this never part of the contractual arrangements nor would Majali or Imvume have agreed to pay any surcharge in respect thereof. Imvume and Majali deny having paid any amount in respect of any surcharge on this (or any other) allocation and deny that they made any advance payment of US\$60 000, as alleged in the summary report, or at all. The IIC investigators who met Majali on 30 June 2005 never, during the course of five-hour meeting, raised the issue of this alleged payment with our clients or made any mention thereof. Had they done so, Majali would, at the time, have denied the existence of this alleged payment. At the interview Majali denied generally that he had ever paid any surcharges. The investigators never contested or refuted this. No evidence of this alleged payment has ever been produced and the issue has only now been raised with Majali and Imvume for the first time. At best, the IIC is relying on hearsay evidence or other unreliable and unverifiable allegations. Majali and Imvume demand that proof of such payment is produced. They deny that any evidence of such a payment can exist and no such payment was made by them. Majali can only suppose that the payment of US\$60 000 was incorrectly “allocated” by SOMO to the Imvume account in respect of this transaction as no surcharge or advance on account thereof was ever paid.

Imvume subsequently received a further allocation in Phase XII for four-million barrels. No mention was ever made by SOMO to Majali in respect of any surcharge levied in respect of the allocation in Phase XI, the fact that an advance had been paid on account thereof, or that there was any balance outstanding in regard thereto. Had Imvume been obliged to pay any surcharge, or any shortfall, SOMO would never have provided a further allocation, corroboration that no surcharge was ever payable on this cargo.

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

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3. **INVUME ALLOCATION - PHASE XII**

As with the allocation to Invume in respect of Phase XI, no surcharges were ever discussed with Majali, on behalf of Invume, or ever paid.

4. **TIES TO THE AFRICAN NATIONAL CONGRESS**

Majali admits to a long standing, close relationship with and membership of the ANC. Both Majali and the ANC have admitted that the ANC promoted the business activities of Invume, with the authorities of the former Iraqi government. This was in the course of legitimate, above-board political support and the promotion of Invume as an emerging Black Economic Empowerment resources trading company, in the restructuring of the South African oil and fuels industry. It is ordinary, standard, everyday, commercial international business practice for companies to receive political support and be promoted, at a political level, in international trading activities. It is routine for high-level political delegations throughout the world to include business delegations and to receive introductions, encouragement and political support in business opportunities. This is precisely how Majali "used his close ties" with the ANC in pursuing business opportunities in Iraq.

5. **ADHERENCE TO UN REGULATIONS**

Majali, whether on behalf of Montega Trading or Invume Management, at all stages adhered to and complied with the requirements and regulations of the United Nations in respect of the Iraqi sanctions and in accordance with the Oil-for-Food Programme.

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Whilst the allegation is made in the report summary, that Imvume paid an advance of US\$60 000 on account of a surcharge levied on an allocation in Phase XI, Majali denies that any such payment was made or that he was aware that any such surcharge was even levied. No evidence has ever been presented to Imvume and Majali to this effect. This issue was never raised by the IIC investigators when they met Majali on 30 June 2005 or at any time since then.

Majali conducted lawful and legitimate business with Iraq and SOMO in respect of various allocations of crude oil, did not contravene any UN regulations and certainly did not pay any surcharges or other irregular payments to the Iraqi authorities. Any accusations against him to the contrary are unsustainable, unwarranted and highly irresponsible.

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

S. RESPONSE BY MARTIN SCHENKER

4-10-05:18:03 : ;+413101303 # 1 / 1

SWISS LAWYERS GROUP | **MARTIN & DAVIDOFF**
AVOCATS, ATTORNEYS AT LAW

Mr Reid Morden
Executive Director
Independent Inquiry Committee
825 Third Avenue
New York, NY 10022
USA
Via facsimile 212 842 2555

Geneva, October 4, 2004
mg

Re : Mr Martin Schenker

File handled by : Jean-Jacques Martin


Dear Mr Morden:

I am writing on behalf of Mr Martin Schenker in response to your letter of September 25, 2005.

I note that your letter states that the Committee sent to Martin Schenker a letter dated September 2, 2005, regarding your future report. My client never received such letter. I further note that Mr Schenker has not been provided by the Committee a copy of any documents or information upon which the Committee relies in reaching its conclusions.

Mr Schenker denies the conclusions set forth in your letter, and hereby requests that a copy of this letter be included in any future report in which Mr Schenker is discussed.

Sincerely,

Jean-Jacques Martin


JEAN-JACQUES MARTIN
ALEXANDRE DAVIDOFF
DOMINIQUE MAISSEN
ANTJE BECK MANSOUR
DEA en droit européen
ROMAIN FÉLIX, LL.M.
New York Bar
CATHERINE VOUTSINAS

FOGLIA, LUGANO
DR. ALDO FOGLIA
RENATA FOGLIA
FRANCO FOGLIA
HAUSHEER & PARTNER, ZUG
URS J. HAUSHEER
DR. MICHAEL ITEN
DANIELA VON FLÜE BOLLIGER
HODLER & EMMENEGGER, BERN
MARC HODLER
BEAT HODLER
GUY EMMENEGGER
BERNHARD HODLER
Mediator SAV
BERNHARD WELTEN, LL.M.
DR. PETER R. BURKHALTER
GEORG VOLZ
dipl. Steuereexpert, Notar
DR. LORENZ HIRT
DR. BORIS GRELL, LL.M.

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geneva@swisslawyersgroup.ch
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REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

T. RESPONSE BY SERGE BOIDEVAIX

Fax émis par : 33 1 CABINET FAR ET ASS 17/10/05 12:18 Pg: 1/2

FARTHOuat, ASSELINEAU & ASSOCIÉS
AVOCATS À LA COUR
7, RUE DE LA TOUR DES DAMES - 75009 PARIS
Téléphone (33) 01 45 55 75 05 - Télécopie (33) 01 45 55 29 79
Palais R 130

Vincent ASSELINEAU
Ancien Secrétaire de la Conférence
Ancien Membre du Conseil de l'Ordre

Olivier BLUCHE
Ancien Secrétaire de la Conférence
Avocat au Barreau de New York

Isabelle DUQUESNE-CIERC
Jean-René FARTHOuat
Ancien Bâtonnier de l'Ordre

Cyril FERGON
Christophe LLORCA
Jean-Christophe MAYMAT †
Ancien Secrétaire de la Conférence

Nathalie RORET
Marie-Manuèle SAMION
Patricia SIMO
Avocats à la Cour Associés

INDEPENDENT INQUIRY
COMMITTEE INTO THE UNITED
NATIONS
OIL-FOR-FOOD PROGRAM
Mr. R. MORDEN
Executive Director
825 Third Avenue
Fifteenth Floor
NEW YORK NEW YORK 10022

Fax : 1.212.842.25.55
1.202.842.45.55

Paris, October 17, 2005

OCT 17 2005

Réf. : Mr. Serge Boidevaix

Zino ADJAS
Patrice BACQUEROT
Nicolas BOULAY
Nicolas CASSART
Bénédictine GRAULLE
Ancien Secrétaire de la Conférence

Sarah KHONSARI
Mayalen LACABARATS
Agnès LÉBOUBE
Laurence MAROT
Fabien MASSON
Françoise POLACK
Eve PORTIAS
Juliette SCHWEBLIN
Avocats à la Cour

Dear Mr. Morden,

We are acting on behalf of our client Mr. Serge Boidevaix and revert to you with respect to the text of the next report of your committee.

Mr. Serge Boidevaix disagrees with the text provided for the following reasons:

- Mr. Serge Boidevaix was acting on behalf of VITOL, and this is not mentioned in the text provided,
- According to Mr. Serge Boidevaix, approximately 22 and not 29,5 barrels were lifted through VITOL during a six year period,
- Assuming that 786,789 \$ of oil surcharges were paid to the Government of IRAK in violation of the UN Oil for Food Programme, this would have been done without Mr. Serge Boidevaix being informed thereof.

Membre du réseau ALLIURIS :
PARIS, LYON, AMSTERDAM, BILBAO, BRUXELLES, EDMBURG, HANOYRE, LISBONNE,
LONDRES, LUXEMBOURG, MADRID, MILAN, ZUG.

Correspondance organique :
MONTRÉAL : BROUILLETTE, CHARPENTIER, FOURNIER, DOZOIS, FORTIN

Membre d'une Association agréée - Le règlement des honoraires par chèque est accepté.

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

Fax émis par : 33 1

CABINET FFA ET ASS

17/10/05 12:18 Pg: 2/2

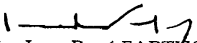
OCT 17 2005

Indeed, Mr. Serge Boidevaix was not aware of this fact.

The above comments are made further to the committee's proposal by fax dated October 12, 2005 to present additional information before October 19, 2005.

We hereby request the committee to include the above comments in his next report.

Sincerely,


Bâtonnier Jean-René FARTHOUAT


Nathalie RORET

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

U. RESPONSE OF SUDHIR JAYA

Jaya Sudhir

26 Pages
#

October 19, 2005

The Independent Inquiry Committee
United Nations Oil-for-Food Programme
825 Third Avenue
15th Floor
New York, NY 10022
USA

Dear () / ()

Independent Inquiry Committee into the UN Oil-for-Food Programme ("IIC")

Reference is made to the e-mail dated October 12, 2005 to me from the IIC (copy attached). I deeply appreciate the opportunity given to me to give my feedback.

I am of the firm opinion that that Faek Ahmad Shareef ("Faek") was the originator, sole architect, organizer, go-between, coordinator, manager and principal of all dealings between the Iraqi authorities, including SOMO, and Mastek Sdn Bhd.

I am forwarding a number of documents to you that will amply demonstrate his multi-faceted role. For ease of reference, I have numbered (and circled) the documents at the top right hand corner. I am forwarding this letter by soft copy (without the documents) and by fax (with the documents) later.

<u>Document No.</u>	<u>Date</u>	<u>Reference To</u>	<u>My Comments</u>
1.	12/1/01	Faek writes of receiving a call from the Top people and of their advise to perform as fast we could.	As far as SOMO was concerned, Faek was the key person.

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The names of Committee Investigators have been redacted from all letters included in the Appendices

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

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| 2. | 16/1/01 | Under No.1, Faek writes about his level of confidentiality with SOMO; 'they reason this why only I personally know this!!' | SOMO and Faek could not possibly have achieved this level of confidentiality unless SOMO saw him as the principal and also as the go-getter. |
| | | Faek refers under C to negotiations with them (i.e. SOMO). | He was the only one who negotiated with SOMO. |
| 3. | 19/1/01 | Faek writes of confirming his meeting with the Top on 20/1/01. | Yet another indication that Faek was the only one trusted by the Top. |
| 4. | 22/1/01 | Faek reverts with the outcome of his meeting with the Top level, in particular regarding sensitive matters. | He is the one who dealt with SOMO and subsequently passed on instructions. |
| 5. | 23/1/01 | Faek gives instructions on who is to sign certain documents. | Obviously, this was at the direction of SOMO with whom Faek was in close contact. The fax is headed as "Advise from SOMO". |
| 6. | 23/1/01 | Faek writes of another important meeting. He senses that 'they' are getting much better and sensitive to our advantage. | Only someone who was in close and intimate contact with the Iraqi authorities could have sensed as such. |
| 7. | 23/1/01 | Faek details vessel nominations. | Clearly he was involved in the operational details. |
| 8. | 23/1/01 | Faek opens as follows:: "very important fax and final results of my meeting with SOMO and the Top!!!". | By his own admission, he was intimate with not only SOMO but also with what he refers as the "Top". |

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Under No. 1, he talks of his efforts and hard work and of putting us at the 'Top of the Top'. He also says that he is in charge of the Iraq market.

There cannot be a doubt that Faek, by his own admission, was solely managing Iraq.

He also writes under No.1 for us to do exactly what he is advising.

He knew that he was fully in command of the situation and was dictating to us what needed to be done.

Under No. 3 and 3 (repeat), Faek talks of lifting and allocation.

Once again, he was in touch with SOMO at various key levels. Equally important, SOMO dealt with him as if he was the principal.

9. 24/1/01 Faek talks of nomination details in Nos.1, 2 and 3.

This is a clear indication that he was receiving and dealing with information at even the operational level with respect to SOMO.

Faek refers to his meeting with SOMO under No. 4.

He was clearly intimate with SOMO.

He expresses his anger about a delay in an allocation.

He was even in a position to get angry with SOMO.

There is a reference to a gift towards the end of the fax.

Faek was the one who called the shots on even what gifts, etc to be made and to whom.

10. 24/1/01 Faek directly refers to money to be paid to SOMO. He also says that we would be surprised about his performance.

Once again, he was referring to his ability to perform due to his contacts in Iraq.

REPORT ON PROGRAMME MANIPULATION

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

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| 11. | 25/1/01 | No.1 talks of allocation and No. 2 of lifting. Under No.3, he asks us to proceed with documentation and to copy to him. | Interaction with key people within SOMO's operations team. We were at all times directed by Faek. |
| | | Under No.10, Faek says "I have got some directions and advise from the Top!!" | There is no doubt that it was Faek who was in close and intimate contact with the top people in the oil trade. |
| 12. | 25/1/01 | Under No.2, he writes that "at the moment I am exposed (expected) to bring money now to SOMO." | Clearly, SOMO (and by inclusion, the 'Top' and the 'them') looked to Faek as the obligor for whatever payments that they expected to receive. He was also entrusted by SOMO to ensure that monies, in addition to whatever bank transfers, were given to the appropriate people. |
| | | Under No. 5, he refers to "people in SOMO". | Faek was the principal person in whom SOMO trusted and dealt with. |
| 13. | 25/1/01 | Faek focuses on vessel nominations. | Clearly he was in direct interaction with key people within SOMO's operations team. |
| 14. | 26/1/01 | Under No.1, Faek writes of SOMO waiting for a vessel nomination. | He was directly in touch with SOMO's operations team. |
| | | Under No.3 he talks of not forgetting the transfer. | He was under pressure from Iraqi authorities to speed up the transfer as they looked to him as being principally responsible for transfers, etc. |

REPORT ON PROGRAMME MANIPULATION

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

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| 15. | 29/1/01 | Faek himself talks of Iraq having achieved a lot in terms of breaking the sanctions. | This is from someone who was the architect of the entire scheme. |
| | | He also states that “our stand is very very strong and their support to us very very strong.” | He was the only one who was in a position to have made such a judgment; a position created not by accident but one through his own principal role. |
| | | Also, he says that “he shall get new direction and advise from them on how to get the job done. So you can trust that we will get very far.” | He was clearly in the driver’s seat with respect to discussions with the Iraqi authorities and that he accepts his role as facilitator, negotiator and deal maker. |
| | | He also refers to having had a first meeting and that he would revert with more direction and advise from ‘them’ on how to do the job. | Yet another piece of irrevocable evidence that Faek was the sole person entrusted by the ‘them’. |
| 16. | 2/2/01 | Faek talks of having done everything and having put in efforts and that we should know what he means. | He was alluding to his interaction with the Iraqi authorities. |
| 17 | 26/2/01 | Under No.3, Faek talks of cleaning the SOMO accounts. | As the principal, he was under pressure to ensure that the accounts were cleared up. |

REPORT ON PROGRAMME MANIPULATION

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OIL TRANSACTIONS AND ILLICIT PAYMENTS

Under No. 4, he says that Mastek has a big name and a good reputation with the Directors (of SOMO). Only Faek knew the feelings of SOMO and its Directors towards Mastek. Only Faek was in a position to have access to such feelings.

It is my firmly held position and conviction that Faek was primarily and solely instrumental in establishing the entire series of oil transactions and that all allocations, vessel nominations, meetings and negotiations, amounts to be paid and to whom, were undertaken by Faek in conjunction with SOMO. All we did was to follow instructions passed on to us by Faek. Iraqi authorities, including SOMO officials, dealt with him as a principal and all key notes, messages, advices, instructions and announcements were passed to him and not to us.

They treated him not only as a principal but also as a negotiator (for allocations, etc), an implementer (for the smooth execution of shipments) and an obligor (for payments to be made).

Thus I would appreciate it very much if you could amend the paragraph in your forthcoming report to reflect the true situation. The wording, as it stands, that I paid and caused to be paid, suggests that I was the architect of the payments of the surcharge. This was certainly not the case.

I would like to suggest that the wording thus be amended to the following:

“During the Programme, Faek Ahmad Shareef, caused to be paid to the Government of Iraq.....”.

Secondly, to differentiate me from Mastek would be to suggest that Mastek undertook the purchase of the oil whilst I carried out the ‘seemingly unrelated’ job of making the surcharge payments is also misleading. The surcharge payments could not possibly have been effected without the concurrence, approval and consent of Mastek.

In the alternate, I suggest that the wording be amended to the following:

“During the Programme, Mastek Sdn Bhd, caused to be paid to the Government of Iraq”.

Yours truly,


JAYA SUDHIR

REPORT ON PROGRAMME MANIPULATION

CHAPTER TWO

OIL TRANSACTIONS AND ILLICIT PAYMENTS

Jaya Sudhir

October 24, 2005

The Independent Inquiry Committee
United Nations Oil-for-Food Programme
825 Third Avenue
15th Floor
New York, NY10022
USA

Dear I () / ()

Independent Inquiry Committee into the UN Oil-for-Food Programme (“IIC”)

Further to my letter of October 19, 2005. I am pleased to forward herewith the following additional documents. The numbering here continues from my earlier letter and thus starts at 18.

<u>Document No.</u>	<u>Date</u>	<u>Reference To</u>	<u>My Comments</u>
18.	25/2/01	SOMO sends a fax to Mastek for attention of Faek on a vessel nomination issue.	SOMO looked to Faek for operational matters.
19.	28/2/01	He writes of having spoken to the Top and Mr. U for assistance and that they did what he requested for. He even complained about some people. He states that he had created the system and that it is under his supervision. He says that he stood guarantee.	He was the only one who was totally and solely in touch with the Iraqi authorities and that they trusted and dealt with him only. He could not possibly have created the ‘system’ unless so guided by the Iraqi authorities. The Iraqi authorities expected Faek to guarantee all obligations and he in turn accepted this obligation.

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The names of Committee Investigators have been redacted from all letters included in the Appendices

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| 20. | 2/3/01 | Remittance instructions from Faek requesting a change in recipient banks. | Faek was responsible for directing payments, including to himself, for and on behalf of various beneficiaries. |
| 21. | 29/3/01 | Faek categorically declares that the system has to be within his total control and that the crude oil is his and his responsibility. Further that we had to take instructions from him. | Here is someone who declared what was de facto the position all along, i.e. that he was in total control. |
| 22. | 12/4/01 | A confirmation from Faek on the receipt of US\$500,000. | Payments were made as instructed by Faek. This is a confirmation of receipt by him. |
| 23. | 12/4/01 | This is a statement prepared by Keppel Oil International stating clearly that:

Faek is the procurement agent for Mastek and that he is to be paid a representation commission and procurement fee.

Faek had been paid a commission/fee of US\$5.92 million on behalf of Mastek. | This statement was prepared to clarify what had transpired to date.

Faek was entirely responsible for managing the Iraqi authorities and |
| 24. | 12/4/01 | He urges us to complete the transfer of one m and to fax the bank slips to Amman. | He was referring to the transfer of US\$1 million. |

I reiterate that Faek was primarily and solely instrumental in establishing the entire series of oil transactions and that all allocations, vessel nominations, meetings and negotiations, amounts to be paid and to whom, were undertaken by Faek in conjunction with SOMO. All payments were made on the instructions of Faek and were to either Faek or to beneficiaries nominated by Faek.

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Document No. 19 from Faek highlights the extremely close proximity and dealings between him and those at the Top and a Mr. U.

By his own admission, in Documents 19 and 21, he refers to the system as having been created by him, that it was under his supervision and control, and that he was responsible for it.

I would urge you to rethink and reconsider the wording of the relevant paragraph to reflect the true situation; viz. that Faek was the person responsible for the entire system, including causing the payments to be made to the Iraqi authorities. Read together, the documents clearly demonstrate, support and reinforce that view.

The wording I had suggested is repeated here:

“During the Programme, Faek Ahmad Shareef, caused to be paid.....”.

In fact the breadth and depth of responsibility and involvement of Faek was such that to suggest that even Mastek was responsible would be inaccurate.

Yours truly,

(signed)
JAYA SUDHIR