

# Comprehensive Report

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of the Special Advisor to the DCI on  
Iraq's WMD

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# Transmittal Message

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*Introduction.* Iraq has endured decades of collapsing hopes and accumulating tragedy. It is numbing to consider the waste of so much human and resource potential. Saddam's ambitions conflicted with the region and the international community. True to his name, he too often chose confrontation over cooperation. Ultimately these decisions led to total collapse.

Weapons of Mass Destruction (WMD) were an integral element in the range of tools Saddam drew upon to advance his ambitions. WMD was not an end in itself. Therefore, to examine meaningfully WMD in Iraq means examining the leadership of Iraq concomitantly.

The Iraq experience with WMD stretches over 30 years and three wars. Thousands of victims died on battlefields, and civilians have been gassed in domestic terror campaigns. War and sanctions have ground civil society down to rudimentary levels. The most talented of Iraq have faced excruciating dilemmas—to comply with the Regime's directions or risk careers, their lives, and the lives of loved ones. Chronic, systemic fear on the part of the best and the brightest was a feature of the intellectual elite.

The international community has struggled with the Regime. Various attempts to coerce, co-opt, placate, or ignore Iraq produced confusion and inconstancy. It is understandable that Saddam may not have understood where international forces were headed. Indeed, the international community's focus on Iraq and WMD was affected by serendipity as well as considered national policies. Had the events of 11 September 2001 not occurred, Saddam might well be still in power. But, he deeply miscalculated one last time and curtailed his own leadership.

Saddam, his family, and cronies rose, enriched themselves, became corrupt, combusted, and collapsed. Saddam's huge commitment to weapons technology consumed the best and brightest and led them to nothing but destruction. The Fertile Crescent was turned into a land filled with risk and chaos. In many ways the arms inspectors have merely been leading the way in exploring the decay that Iraq became, and, indeed the corrupt systems that grew parasitically on Iraq as it decayed.

*Dynamic Vice Static Analysis.* The goal of this report is to provide facts and meaning concerning the Regime's experience with WMD. It aims to provide a dynamic analysis rather than simple static accounting of the debris found following Operation Iraqi Freedom. The report will put into context the WMD activities of the Regime and the trends and directions of the Regime with respect to WMD. Artificially separating the WMD from the Regime would not provide a synthetic picture. Such a picture would seem to be more instructive than a simple frozen inventory of the program remnants at one point in time.

Readers will draw their own conclusions about various national and international actions and policies. This report will, hopefully, allow a more complete examination of these events by showing the dynamics involved within the Regime and where it was headed as well as the status of the WMD on the ground in 2003. The events surrounding Iraqi WMD have caused too much turmoil to be reduced to simple binary discussions of whether weapons existed at one moment in time

versus another. They deserve at least an attempt to look at the dynamics rather than a description of a single frame of a movie. It deserves calculus not algebra. This report will deny the reader any simple answers. It will seek to force broader and deeper understanding from multiple perspectives over time.

This report will also attempt to broaden understanding by recalibrating the perspective of the reader. The Regime was run by Saddam and the calculations he made concerning WMD were based on his view of relevant related factors—not ours. Optimally, we would remove the reader temporarily from his reality and time. We would collect the flow of images, sounds, feelings, and events that passed into Saddam's mind and project them as with a Zeiss Planetarium projection instrument. The reader would see the Universe from Saddam's point in space. Events would flow by the reader as they flowed by Saddam.

Ideally, the reader would see what Saddam saw—not our television pictures of him. Saddam saw adulation in a crowd cheering him when he fired a rifle over their heads—not what we Westerners may see as a guy in a funny hat recklessly firing a weapon. Imagine Saddam's window to the outside world limited to television reports regularly reporting the statements by the President of the United States about him. . . calling him a madman.

Imagine Saddam's view of the fear/hate/confidence/idolatry in the eyes of his chosen ministers and wonder if what they were saying was true or what they were not saying. How did he see the reports of uprisings tentatively offered to him by underlings filled with fear. The reader could see how various moves and pressures are either advancing or delaying greater achievement. The reader could see the dubious quality of the data presented directly and through the reports of underlings.

Such a transmutation is impossible. However, this report will provide the reader a handrail to grasp in the form of a time line that will also serve as a constant reminder of contemporaneous events that filled the field of Saddam's view. The objective throughout this, perhaps unusual presentation, is to emphasize that WMD is always part and parcel of something else. The timeline is a tool to collect significant events as they flowed past Saddam. Examining this flow shows inflection points where fundamental decisions were made concerning WMD. These will be addressed in detail since they are moments when factors determining the course selected by Saddam can be illuminated with some degree of confidence.

**Expectations/Hidden Assumptions.** Complicating understanding and analysis of the former Regime's WMD is the tendency to bring our own assumptions and logic to the examination of the evidence. Western thought is filled with assumptions. Like the operating system of our computers, we have logic and assumptions that are virtually built in. We have been applying them successfully so long in our own frame of reference that we forget they are present and shape our thinking and conclusions. When considering the very different system that existed under the government of Saddam Hussein, there is a risk of not seeing the meaning and not seeing the implications of the evidence.

Analysts were asked to look for something they may *not expect or be able to see*. A challenge like that faced by scientists engaged in the search for extraterrestrial intelligence. They have to consider what evidence they might see that they could not recognize. They cannot expect to detect radio transmissions like ours. Likewise, analysts here should not expect to find extensive

government documents or parliamentary records reflecting Saddam's decisions on WMD. The Regime simply did not operate that way. An obvious corollary is that not finding such documents is not meaningful one way or the other.

**The Regime Was Saddam—and Saddam Is Different.** The former Regime was Saddam, and he was the one person who made important decisions. It was his assessment of the utility of various policy options that was determinant. It was Saddam's calculations of risk and timing that mattered.

A corollary to this is that the relevance and importance of his top advisors and ministers is also very different from that of similarly titled functionaries in other countries. The testimony of such individuals is interesting, but must be understood for what it is in the Iraqi context. These individuals had a role and existence vastly different than in other countries.

Those around Saddam knew their future depended on their ability to divine what he wanted and to be able to respond favorably to his requests. Those who survived knew how to relate in this environment. This meant that they were often forced to anticipate what Saddam wanted because they did not want to be in a position to have to say no.

Complicating their lives was the tendency of Saddam to hold his cards close while he allowed minions to debate. Saddam did not lead by espousing detailed goals and objectives. He tended to allow ideas to float up and he would consider them—often never pronouncing on them one way or the other. This meant that much guidance to the government was *implicit* rather than *explicit*. For investigators, a consequence is that forensic evidence of Presidential direction may not exist, but it does not mean that such guidance was not there, but simply that we cannot see it in the usual ways. *Implicit guidance may exist and be of equal or greater importance than explicit direction.* This reality of life in Baghdad under Saddam has the consequence of diminishing the ability to document governmental policies or directions.

**Saddam's Views.** Debriefings of Saddam and those around him must be evaluated in this light. There was no incentive and/or motivation for Saddam to cooperate with the debriefer, except to shape his legacy. Saddam is concerned with his place in history and how history will view him. Therefore, Saddam had no choice but to engage his debriefer in both formal and informal discussions on events that occurred during his reign.

The debriefing strategy was designed to elicit candid responses from Saddam, specifically regarding his previous actions and reasoning without the benefit of incentives. These discussions were conducted and controlled by one debriefer and spanned several months. Some vital insights emerged during these discussions, which elicited views and information that may be considered revelatory. Undoubtedly, Saddam will continue to take advantage of any opportunity to defend his past actions and state his case while attempting to shape his legacy, very likely contradicting previous statements and actions.

We have tried to sort through the data available and have tried to judge candid views from Saddam on WMD as well as his likely vision of the future of Iraq and the role of WMD. *What seems clear is that WMD was a tool of power or leverage that varied in its utility in advancing toward his goals for himself and Iraq.*

In Saddam's view, Iraq was the natural leader of the Arab world. Its people, history, and resources combined with his leadership made it the inevitable leader in the region—perhaps not without struggle, but struggle contributes to the overall glory. Saddam sees himself as the most recent of the great Iraqi leaders like, Hammurabi, Nebuchadnezzar, and Saladin. In Babylon, where Iraq was reconstructing the historical city, the bricks were molded with the phrase, "Made in the era of Saddam Hussein"—mimicking the ancient bricks forged in ancient Babylon and demonstrating his assumption that he will be similarly remembered over the millennia. This narcissism characterizes his actions, and, while it is not always visible, it is always there.

**Iran.** Saddam sustained the historical Iraqi Arab animosity toward the Persians. His view on the threat of Iran was not just a simple present day calculation, but includes the emotive content of a sense of the long-standing rivalry over the centuries and his own desire to be seen as an historic military leader. This was an important motivation in his views on WMD—especially as it became obvious that Iran was pursuing the very capabilities he was denied. From Saddam's viewpoint the Persian menace loomed large and was a challenge to his place in history.

**Gulf States.** Saddam viewed the Gulf States as undeserving of the respect they were accorded in the West. His Regime viewed the Gulf Arabs as undeserving. They simply enjoyed the geological good fortune of sitting on large oil reserves. They did not earn respect; the West simply wanted their oil. In particular, Saddam resented the Saudis. The Saudi position of leadership in OPEC and by extension in the Western world rankled him. It was clearly an objective to supplant the Saudi position of leadership in whatever way he could. He strove to undermine their influence in the oil markets and the prestige they accrued through association with the United States.

**United States.** Saddam's view of the United States was complicated. He accrued power and prestige far beyond his inherent weight by positioning himself as the only leader to stand up to the last superpower. To the extent that you assume some of the stature of your enemy, Saddam derived prestige from being an enemy of the United States. *Conversely, it would have been equally prestigious for him to be an ally of the United States—and regular entreaties were made, during the last decade to explore this alternative.*

Saddam apparently calculated that Iraq's natural resources, secular society, and dominance in the region would inevitably force the United States to deal with Iraq (He may have been correct, but he mistakenly thought his leadership of Iraq was immutable.) Indeed, throughout the 1990s he tested Washington's willingness to open a dialogue. On multiple occasions very senior Iraqis close to the President made proposals through intermediaries (the author among others) for dialogue with Washington. Baghdad offered flexibility on many issues, including offers to assist in the Israel-Palestine conflict. Moreover, in informal discussions, senior officials allowed that, if Iraq had a security relationship with the United States, it might be inclined to dispense with WMD programs and/or ambitions.

**Long View.** Saddam's perspective on the world and his place in history was naturally a very long view. He had long timelines—certainly as compared with Western democracies, which are driven by news and election cycles. He also had a strong sense of the glory of a long struggle. For example, he romanticized his period of exile from Iraq following his participation in the failed assassination attempt against Qasim. He accepts setbacks as noble challenges to be overcome.

Saddam refused to admit that Iraq lost the war in 1991. His diplomats were always quick to point out that the resolution ending the war was a cease-fire agreement, not a peace treaty or capitulation. This was not simply bombastic propaganda. Saddam saw it only as a temporary setback. Indeed, Saddam displayed a remarkable ability to recover from this loss. Following the war in 1991, rebellions had broken out in all but two provinces. From this new nadir, Saddam restored his internal power and control with speed and devastating efficiency—including another instance of his use of chemical munitions once again. In the decade that followed, his struggle against international constraints continued September 11, 2001.

*Levers of Power/Prestige.* Saddam conducted his confrontation with the United States on many fronts. The main military front was the no-fly zone skirmishes. It must be said that, as much as Saddam hated the intrusion over his airspace of American and British patrols (and, it may be recalled, with the French initially participating as well), this was a battle he was fighting with a very favorable exchange ratio. He cost the United States a lot with almost no cost to himself, and he could readily sustain the battle indefinitely. Again, this was a typically shrewd method of exercising leverage.

Saddam believed Iraq and its people should be leaders in all ways—sciences, art, engineering, military, economics, construction, etc. He supported the range of these functions, and in fact Iraq had a well-funded education and health system during his early years before the disasters of war. He aspired to the prestige associated with the advanced arts and sciences. In his view, the most advanced and potent were nuclear science and technology. By all accounts, and by the evidence of the massive effort expended by the Regime, nuclear programs were seen by Saddam as both a powerful lever and symbol of prestige. He also did not want to be second to the Persians in neighboring Iran.

Saddam has a remarkable sense for the use of power. For Saddam there was always a duality to influence. He consistently applied both positive and negative currents in all aspects of his rule. Reward and punishment would be presented to the same subject to contrive the behavior he desired. The approach was evident in his personal dealings with individuals as well as international relations. His staff would recount that he could have his immediate servants severely punished or jailed for some infraction. Yet, later, they would be released and Saddam might cook a meal for them himself.

Jail was frequently on the resume of even some of his higher ranking staff. For example, Presidential Advisor and leader of the former Iraqi Nuclear Weapon program, Ja'far Dhia Ja'far, was jailed by Saddam and released only when he agreed to work on the nuclear weapon program.

Saddam also, of course, rewarded handsomely those who supported him. New cars were a small token of appreciation, which he dispensed.

The same duality of pressure and reward was used by Saddam internationally. For example, in the spring and summer of 1995, Iraq attempted to bring to closure the disarmament inspections of UNSCOM by offering a deal. UNSCOM experts had been pressuring Iraq to acknowledge an offensive biological weapons program. Tariq Aziz informed UNSCOM Chairman Rolf Ekeus that, if his upcoming June 1995 report to the Security Council was positive in the missile and chemical weapons areas, then Iraq would “satisfy” Ekeus in the biological weapons area.

UNSCOM gave a sufficiently positive report on Iraq to the Security Council, and Aziz invited Ekeus to Baghdad where he made a partial admission to having made biological weapons. During the same time (in a 17 July national day address), Saddam gave a speech threatening to end all cooperation with the Security Council unless the Council acted to fulfill its obligation to lift the oil embargo. Days later, Baghdad even set a deadline for the Security Council to act. Saddam regularly combined concessions with attempts at coercion.

This approach turned out badly for Iraq because only a few weeks later, Saddam's son-in-law, Husayn Kamil, defected to Jordan. He had been the key Regime force in managing all WMD programs, and his defection forced the Regime to reveal that Iraq had not been fully forthcoming, thus undermining Iraq's position and the position of Iraq's key supporters in the Security Council.

**Security Threats** Internally, it was always the case that, if Saddam perceived a challenge or a potential risk among those around him, he would address it early and vigorously. Those around him feared that he would know if they even thought of something that was less than fully supportive of the Regime. Jailing, or worse, of those thought to be disloyal was commonplace. It was not just an urban legend that, if someone became too popular or too powerful, he would quickly be removed.

Externally, Saddam applied the same predilection to attack perceived threats preemptively. Saddam acted against Iran when he thought he had the advantage. Saddam attacked Kuwait in response to perceived economic aggression by Kuwait.

Saddam's rule was driven first by security concerns. Survival came first. This produced the multiple security organs, and their prime objective was protection of the leadership. It was natural that the objectives of United Nations inspectors collided with the security apparatus. Inspections aimed at deciphering the most sensitive weapons programs would transgress the security apparatus protecting the president. This was obvious and unavoidable if both objectives were pursued to the maximum.

Saddam also encouraged a multiplicity of reporting systems, formal and informal. Since no one ever knew for sure how certain their position was, it bred anxiety and uncertainty even among the longest serving Ministers. He fostered competition and distrust among those around him. There was survival value to him in this method of management. However, it greatly colored and contorted the perspectives of reality that his top aides had.

This method of management makes interpreting their descriptions of the inner workings of Regime figures very difficult. They often did not know the truth. Hence, when they would describe something that is wrong, it is difficult or impossible to know if they are purposely dissembling. ISG investigators suffered some of the same problems as Saddam; not knowing if senior advisors are telling the truth, or leaving out important facts.

**Evidence.** The problem of discerning WMD in Iraq is highlighted by the prewar misapprehensions of weapons, which were not there. Distant technical analysts mistakenly identified evidence and drew incorrect conclusions. There is also the potential of the obverse problem. Observers

may have evidence before them and not recognize it because of unfamiliarity with the subject. Often ISG found no evidence of one thing or another. It may be that a more accurate formulation might be we recognized no evidence. This is a fundamental conundrum in assessing alien circumstances.

It is vital to understand that in such an environment—an environment alien to those accustomed to Western democracies—implicit guidance from the leader can be as compelling and real as explicit guidance. Indeed, in the security-conscious world of Saddam, *it would be surprising to find explicit direction related to sensitive topics like WMD. This would especially be the case for programs of presidential interest or direction.* It is important to understand what one should expect to see and what one should not expect to see.

Related to this is a further important factor that greatly affects how evidence is viewed. The key Regime figures in the WMD area had a much better understanding of how the West viewed their programs than the other way around. Consider how many Western technocrats studied in Baghdad compared with how many key WMD figures studied in the West (many, if not most, speak English).

Likewise, many years of inspections taught the Iraqi WMD counterparts how their country was being examined. It might well be expected that they would seek to elude such examination as a result.

Two examples from interactions in the 1990s may be illustrative. An Iraqi minister in 1994 asked, "Why do you Americans always attack buildings?" Iraq, of course had been subject to several bombing attacks, and the question seems simple on the surface. However, it reveals something about American assumptions. Intelligence analysts look at overhead imagery and identify buildings with some function. Digital Imagery is also used for targeting weapons such as cruise missiles. Implicit in this process is an assumption that destroying a building will destroy the capability. Discussions and observations of the Iraqis showed that they reacted to this understanding of the American process by effectively dissolving the images we were focusing on. They disassociated capability from the buildings we were able to image. To wit, they would simply take key equipment and move it out of buildings and disperse it in ways that we could not resolve into our targeting and intelligence-operating system. This was shrewd but obvious. It affected the data we were examining.

A second example of Iraq learning the signatures inspectors sought occurred while UNSCOM was attempting to investigate the governmental apparatus the Regime used to conceal material from UN inspectors. The inspectors assumed that only Saddam would give instructions on such sensitive matters. Hence, inspectors investigated those governmental arms directly connected to the Presidency, e.g., the Diwan, the Special Security Organization, the Special Republican Guard, etc. In effect, the inspectors were modeling an organization chart that branched out from the President. These organs became high-priority targets for the UN inspectors. This was perfectly logical from their perspective.

Of course, one effect of this investigation was to teach the Iraqis how we investigated and what we looked for. And, like the previous case where Iraq reacted by dissolving the image that we looked for, it should be expected that Iraq would avoid using entities that would show up on organization charts or that would follow the types of order we had earlier tried to picture.



The Regime, drawing on the experience of the 1990s with the UN and given the priorities to which it subscribed, scrambled the types of signatures they knew we would be searching for. This contributed to the difficulty in verifying what happened to Iraq's WMD.

**The Timeline Tool.** The role and use of WMD and how it played in Saddam's calculations varied over the last 30 years. This analysis includes an examination of a few key inflection points when Saddam made clear decisions regarding WMD. ISG analysts studied individual programs bearing in mind contemporaneous events. A timeline annotated with the events that would have filled the vision of Saddam is used as a device to continuously relate WMD to other changing factors.

Through this methodology an attempt is made to understand the overall intentions of the Regime, i.e., Saddam. With this perspective a better understanding of the evidence of the elements of the WMD programs can be made. This is like having the picture on the box cover of a jigsaw puzzle to guide the assembly of the component puzzle pieces.

Throughout this report, timeline sections are repeated to remind continuously the reader of the events going on that impinge on Saddam's field of vision.

**Key Inflection Points.** A few unique points in time shaped Saddam's perspectives regarding WMD after the 1991 Gulf war. However, it must be stated that Saddam's experience with WMD previously had been very positive. Senior Iraqis have said that it was their firm conviction that the use of ballistic missiles and chemical munitions saved them in the war against Iran. Missiles allowed them to hit Iranian cities, and chemical munitions (101,000 were used) countered the Iranian "human wave" attacks.

In addition, the Iraqis believed that their possession and willingness to use WMD (CW and BW) contributed substantially to deterring the United States from going to Baghdad in 1991. WMD demonstrated its worth to Saddam. Moreover, senior Iraqis have observed that, if Saddam had waited until he finished his nuclear weapon before invading Kuwait, the outcome would have been much different.

Therefore, it was a tough decision he faced when confronted by the UN resolution linking lifting the of sanctions with WMD disarmament. Ultimately, his top priority (after survival) was to get out of the UN constraints. That priority underlies the actions of the Regime during the past 13 years. This may seem obvious but is easily forgotten. The spring and summer of 1991 were defining moments for Baghdad on this point.

During the first few inspections (June-July 1991), it became clear that the inspectors were more serious and intrusive than Baghdad expected of the United Nations. Baghdad was still surrounded by a huge array of military force that was fully capable of invading. Baghdad nevertheless initially chose to conceal WMD capabilities with a goal of preserving future WMD options. Indeed, Iraq used CW against Shia within its own borders just two months earlier.

Baghdad was found blatantly cheating. The immediate consequence during this period was that the UN Security Council, including the United States, did not restart the recently ended conflict but did pass a new resolution on 15 August 1991 (UNSCR 707) demanding more access and more intrusive rights for UN inspectors. The message was thus mixed. The UN Security Council could agree on demands but not on enforcement. What was the impression received by Saddam? He was clearly refusing cooperation with the UN resolutions. Saddam crushed internal dissent,

including the use of chemical weapons, just as he did in the late 1980s. Yet, military force was not used against him. However, more intrusive legal strictures were imposed. Saddam identified the envelope of limits around him.

The Regime continued to mix compliance with defiance. It now appears clear that Saddam, despite internal reluctance, particularly on the part of the head of Iraq's military industries, Husayn Kamil, resolved to eliminate the existing stocks of WMD weapons during the course of the summer of 1991 in support of the prime objective of getting rid of sanctions. The goal was to do enough to be able to argue that they had complied with UN requirements. Some production capacity that Baghdad thought could be passed off as serving a civilian function was retained, and no admission of biological weapons was made at all. But the clear prime theme of Saddam was to defeat the UN constraints. Dispensing with WMD was a tactical retreat in his ongoing struggle.

*From the evidence available through the actions and statements of a range of Iraqis, it seems clear that the guiding theme for WMD was to sustain the intellectual capacity achieved over so many years at such a great cost and to be in a position to produce again with as short a lead time as possible—within the vital constraint that no action should threaten the prime objective of ending international sanctions and constraints.*

*Saddam continued to see the utility of WMD. He explained that he purposely gave an ambiguous impression about possession as a deterrent to Iran. He gave explicit direction to maintain the intellectual capabilities. As UN sanctions eroded there was a concomitant expansion of activities that could support full WMD reactivation. He directed that ballistic missile work continue that would support long-range missile development. Virtually no senior Iraq; believed that Saddam had forsaken WMD forever. Evidence suggests that, as resources became available and the constraints of sanctions decayed, there was a direct expansion of activity that would have the effect of supporting future WMD reconstitution.*

Yet, Saddam was not willing to give up sovereignty and security in an immediate gamble that the UN Security Council would lift sanctions. Bearing in mind that at this very time, Saddam was in a hugely weakened state domestically, still acting with defiance by retaining some capacity and, at that time, refusing to accept certain UN resolutions, most notably UNSCR 707 and 715, which demanded that Iraq accept a system of *monitoring* to detect a reconstitution of Iraqi WMD programs. This Saddam flat out refused as an invasion of his sovereignty that would be permanent, not temporary.

**1996 Beginning of Oil-for-Food.** Another example of a key inflection point was the 1996 decision to accept the Oil-for-Food (OFF) program. Internally, Iraq was in trouble. The economy was in tatters. The middle class was decimated by the collapse of the dinar and the impact of sanctions. The hobbling of Saddam by the 1991 cease-fire resolution, UNSCR 687, was still persisting despite vocal support of some members of the Security Council. Saddam had long refused to accept the option of exporting oil with constraints on revenues. He was concerned that, once started, the pressure on the Security Council to lift sanctions—his real goal—would be lifted. It was clear he was using the pain endured by his people and the concern by some members of the Security Council that sustaining civil destruction as pressure to get the Security Council to remove the sanctions. However, by 1996, it became apparent that the United States had a lock in

the Security Council on lifting the sanctions and Saddam accepted UN Security Council Resolution 986 initiating the OFF program.

The onset of the OFF program began what became a burgeoning source of real disposable income. The revenues Iraq garnered grew incredibly from an estimated \$250 million in 1996 to \$2.76 billion in 2001. The process of oil exports offered leverage in the international oil markets. The UN system for controlling Iraqi oil exports had the unintended consequence of allowing ample opportunities for corruption. Corruption of this process suited the objectives of Saddam of escaping the fetters of the sanctions controlled by the UN Security Council.

As experience grew with the process of the Oil for Food program, Iraq found that the allocation of oil liftings was also a splendid opportunity to develop influence. Iraqi oil liftings were priced below market substantially; hence, obtaining the right to lift a tanker full of Iraqi oil was worth a considerable amount of money. While Iraq, due to the constraints imposed upon it by the UN system, could not legally receive cash, the price differentials could be pocketed by whatever trader designated to lift Iraqi oil. Saddam, again demonstrating his style of influence, distributed these allocations to those he deemed helpful in eroding support for sanctions.

Saddam applied a dual approach to this objective. On the one hand he emphasized the suffering of the innocent Iraqi civilian population and argued that the sanctions were immoral. At the same time he gave prominent vocal Iraq supporters and willing influential UN-officials lucrative oil allocations. He gave individuals a moral rationalization for their support and friendship to the Regime. This worked with individuals as well as countries.

The Regime's strategy was successful to the point where sitting members of the Security Council were actively violating the resolutions passed by the Security Council.

**1998—End of Inspections.** The patience and utility of cooperating with the Security Council and the UN inspectors were diminishing in the view of Baghdad during the course of 1998. The potential of the inspection process leading to a formal lifting of sanctions by the Security Council was seen as diminishing. The approach of eroding the constraints of sanctions until they collapsed appeared more promising. Certainly the flow of imports and revenues was growing. The divisions in the Security Council were greater between the United States and the United Kingdom on one side and France and Russia on the other. (Iraq encouraged competition between France and Russia to do more to support Baghdad.)

At the same time, Baghdad viewed the domestic controversies in the United States as indicating, if not weakness, certainly a distraction to the White House. During the summer of 1998, when UNSCOM surfaced its concern over the evidence it found that Iraq had, contrary to its declarations, weaponized VX in missile warheads, Baghdad appears to have concluded that there was no prospect of satisfying the inspection teams. Cooperation with UNSCOM was seen as a trap, not a path to ending sanctions.

Baghdad ended full cooperation in August and began a series of confrontations with the UN that aimed at bringing its dialogue to the Secretary General and Security Council directly, and marginalizing UNSCOM. Baghdad was largely successful in drawing the Secretary General into the controversy and causing France and Russia to take firmer positions on its behalf. Ultimately, Iraq did not fully cooperate with UNSCOM in a test period of renewed inspection activity during

December 1998. The United States and United Kingdom reacted militarily with a circumscribed bombing campaign that took place between the time President Clinton completed a previously scheduled visit to Israel and the beginning of Ramadan, about four days later.

The Security Council was left deeply divided. UNSCOM and IAEA inspectors departed Iraq just before the bombing and never returned. The Iraqis were satisfied with the outcome. They said, given a choice of sanctions with inspections or sanctions without inspections, they would prefer without.

The UN Security Council struggled for a year to find a new consensus on Iraq. Finally, after much debate they passed a new resolution in December 1999 (UNSCR 1284). It included (largely at Russian insistence) language about the suspension and ultimate lifting of sanctions. Nevertheless, Iraq ignored its demands and also paid no further consequences. Clearly their strategy was to erode sanctions, and they saw no need to accept a new set of inspectors.

**2000—*The End is in Sight.*** By 2000, the erosion of sanctions accelerated. The semi-annual debates over the renewal of sanctions in the Security Council became the forum for Iraqi proponents to argue the case for relaxing sanctions further. Out of concern that this pillar of containment policy was about to collapse, the United States (under a new administration) proposed “Smart Sanctions” in early 2001. This was an attempt to bolster support for sanctions within the Security Council by narrowing the targeted items subject to scrutiny. There was a reversal of a presumption of denial to a presumption of approval of items to be acquired under the Oil-For-Food program.

Syria had recently signed an oil export protocol that provided for reopening of the Iraq-Syria pipeline. Initially, the United States tried to curtail this program, but failed. Baghdad could read this turn of events only as growing momentum of its strategy to undermine sanctions with the goal of an ultimate collapse.

The new administration in Washington gave no evidence of changing the approach toward Iraq. The sanctions debate in the Security Council in June 2001 was indicative with the Russians demanding further relaxation and a concrete signal from the Council that sanctions would be lifted if Iraq satisfied the elements of UNSCR 1284. Deputy Prime Minister Tariq Aziz and the new Foreign Minister, Naji Sabri, were making progress internationally. France, Russia, and Syria (then a member of the Security Council) were all quite vocally supporting Iraq in sanctions debates in the Security Council.

Prohibited goods and weapons were being shipped into Iraq with virtually no problem. The only notable items stopped in this flow were some aluminum tubes, which became the center of debate over the existence of a nuclear enrichment effort in Iraq. Major items had no trouble getting across the border, including 380 liquid-fuel rocket engines. Indeed, Iraq was designing missile systems with the assumption that sanctioned material would be readily available.

Politically, the Iraqis were losing their stigma. The Baghdad International Fair in November 2001 was attended by hundreds of companies. The Rasheed Hotel was filled with businessmen from all over the world. The Arab summit in Beirut in March 2002 offered the headline photo of Taha Yasin Ramadan embracing his Saudi counterpart. Funding filled the coffers of various ministries. The Iraqi OPEC delegations were treated with as much or greater interest than the Saudis. The

Oil Minister was treated like a rock star. The oil markets were extremely sensitive to the prospects for Iraqi oil on the market. In fact, the very uncertainty about Iraqi oil gave Baghdad even greater leverage over the international community since, by its whims, energy prices would vary significantly and have corresponding effects on the world economy.

In international politics, Saddam capitalized on his position as the only Arab leader willing to stand up to the Americans. This position undermined the positions of the leadership in neighboring countries like Saudi Arabia and Egypt. Their populations, being sympathetic to the Palestinians, saw Saddam as bolder than their own leaders. By this stance, Saddam created a powerful lever against these governments at virtually no cost.

From Baghdad the long struggle to outlast the containment policy of the United States imposed through the UN sanctions seemed tantalizingly close. There was considerable commitment and involvement on the part of states like Russia and Syria, who had developed economic and political stakes in the success of the Regime. From Baghdad's perspective, they had firm allies, and it appeared the United States was in retreat. The United Nations mechanism to implement the Oil For Food program was being corrupted and undermined. The collapse or removal of sanctions was foreseeable. This goal, always foremost in Saddam's eyes, was within reach.

**11 September 2001** The progress Baghdad had made toward escaping sanctions changed following 11 September 2001. Saddam did not immediately understand this.

Reflecting Saddam's ill-formed understanding of the United States, Baghdad fully grasped neither the effect of the attacks on the United States nor their implications for Iraq's position in the United Nations. The seriousness of the change in the international atmosphere and Iraq's diplomatic position became clear to Saddam only after President Bush's 2002 State of the Union speech. He saw a seriousness he had not earlier recognized. Still, he tried to bargain with the Security Council rather than outright accept new inspections. The dithering cost him.

Washington was building a huge and expensive military force around Iraq. Efforts to secure access and support for potential military action were pursued. In the Security Council a new, tougher resolution was passed (UNSCR 1441). Momentum was building that would be increasingly hard to deflect. Belatedly, following the speech by President Bush at the UN General Assembly in September 2002, Saddam finally agreed to unconditional acceptance of the UNMOVIC weapons inspectors.

The work of UNMOVIC inspectors on the ground was pursued energetically and in a charged political environment. Iraq was surrounded by a large and expensive military force. Sustaining such a force for any length of time would be impossible. It was not a stable situation, and Saddam realized his position far too late.

Readers of this report can weigh for themselves the actions taken by all governments in response to Saddam and his WMD ambitions. It is a complicated story over a long period of time. Hopefully, this report will illuminate some of the important dynamics and the trends.

Charles Duelfer

Special Advisor to the Director of Central Intelligence

Baghdad, September 2004

## **Acknowledgements**

**(12 September 2004 2330)**

This report is the product of the hundreds of individuals who participated in the efforts of Iraq Survey Group (ISG): The Australian, British, and American soldiers, analysts, and support personnel who filled its ranks. They carried out their roles with distinction, and their work reflects creditably on the commitment of Washington, London, and Canberra to firmly support the mission throughout a long and difficult period.

Two of our colleagues gave their lives during ISG's field inspections. On April 26, Sgt. Sherwood R. Baker and Sgt. Lawrence A. Roukey died while providing security for one of the most critical ISG investigations when an explosion destroyed the facility being inspected. Their memory has been present throughout the creation of this report.

The analysts and case officers who came to Iraq, most for the first time, worked hard to develop the information to support this report. They labored long hours to develop intelligence reports and the text that became this report, a difficult task to which they responded with enthusiasm.

This report also builds upon the work of a broader universe of people who have striven to understand the role of Weapons of Mass Destruction in Iraq during the past decade or more. United Nations inspectors and analysts around the world have wrestled with this issue trying to sort out reality and develop policies to mitigate suffering and avoid conflict. Hopefully this report will provide some answers or at least more data for constructive review.

Mention must be made of the Iraqis themselves. It is important for an outsider to understand fully the dilemmas encountered and choices made by individuals under the former Regime, many of them energetic and brilliant people who participated in the programs and decisions addressed here. ISG analysts have spoken with many of them—both in detention and free. Some have tried to help us understand what happened; others were too fearful to help. Still others had many reasons to reveal as little as possible. Nevertheless, I hope that the characterization of events offered here will be seen as a fair representation by those who are, after all, the real experts, the Iraqi participants.

The tragedy of Iraq is perhaps best seen on the individual level. I have known many of their most senior technocrats and political leaders for over a decade. I have spent hours with them in meetings trying to unravel circumstances and events. We have met in large government offices, the United Nations, in laboratories and now in jails or tents. They are some of the best and brightest the country has produced. How they dealt with the moral dilemmas of pursuing careers in a Regime like Saddam's is difficult to understand. Some clearly did so with relish and happily reaped the rewards that were bestowed. Others, with better intentions, had limited options, given the nature of the Regime. Through the accident of birth, they were placed in circumstances most of us are never tested by.

The new Iraq could benefit from the talents of some of these technocrats. The new Iraq should seek recompense from some others who profited from the promotion of the worst deeds of the Regime. Readers of the procurement and finance section of the report will gain some appreciation of how rewards were dispensed.

Many Iraqis over many years tried hard to explain Iraq and these programs to me. This was not easy for them and carried substantial risk. I am grateful to them beyond words.


The intelligence services of three nations supported ISG, a long and demanding task. In the United Kingdom, mention must be made of SIS and the Defense Intelligence Service (especially the Rockingham group) for their long support. In the United States, both the Defense Intelligence Agency and Central Intelligence Agency sustained the process at substantial cost. Australia provided some of the best intelligence analysts anywhere. While these institutions expressed interest in the finding and certainly were curious where their pre-war assessments went wrong, they did not try to steer in any way the judgments included here.

In the end, this is not an Intelligence Community product. Rather, it is my independent judgment as the Special Advisor to the Director of Central Intelligence on Iraqi WMD. I have had the assistance of many people, but I chose the directions and methodologies, which are not typical of the intelligence community. Yet, in future decisions, I chose the frame of reference outlined. Where there were decisions to be made on interpretation or judgment, they are mine.

This will not be the last word on the Iraqi experience with WMD. Many may argue with the interpretation given here. To further that public debate, and in the interest of the historian to whom this subject is likely to be of considerable interest, I have been firmly committed to making this report unclassified. I have also opted on the side of inclusion of material – even if sensitive for one reason or another – rather than exclusion. The data can be interpreted by others, now and in the future, to form their own judgments.

Lastly, I offer my thanks to former DCI George Tenet who offered me the opportunity to pursue this endeavor. I was given neither guidance nor constraints, and tasked only to find the truth. I have tried to do that.

*Charles Duelfer*  
*Special Advisor to the Director of Central Intelligence*



# Comprehensive Report

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of the Special Advisor to the DCI on  
Iraq's WMD

30 September 2004



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## Scope Note

This report relays Iraq Survey Group's findings from its creation in June 2003 until September 2004 and provides context and analysis to ISG's physical findings. It also attempts to place the events in their Political-Military context. For the purposes of this report, the term Weapons of Mass Destruction (WMD) refers to the definition established by the United Nations Security Council in the context of UN Security Council Resolution 687 (1991).

The United States' investigation of Iraqi WMD activities began during Operation Iraqi Freedom itself. In prewar planning, it was assumed chemical and possibly biological stocks were likely to be encountered and perhaps employed. Forces were equipped with protective equipment. A military unit designated Expeditionary Task Force-75 (XTF-75) was deployed during the war to investigate suspected locations for WMD stocks. Many sites were inspected but with an aim of discovering WMD, not inspecting and developing an analytical assessment of the Iraqi programs. Wartime conditions prevailed with concern about force protection primary. The work of XTF-75 was therefore aimed at discovery of possible WMD locations (to eliminate a threat), not the compilation of evidence to build a picture of what happened to the weapons and programs.

This early approach, perhaps logical if the goal was simply to find hidden weapons, undermined the subsequent approach of piecing together the evidence of the Iraqi WMD programs such as they existed. In fact, combined with the chaos of the war and the widespread looting in the immediate aftermath of the conflict, it resulted in the loss of a great amount of potentially very valuable information and material for constructing a full picture of Iraqi WMD capabilities. Sites were looted. Documents were either ignored or collected haphazardly or burned by either the Regime or Coalition forces.

To begin a more systematic collection of evidence to build an understanding of Iraqi WMD programs, DOD stood up ISG under the military command of Major General Keith Dayton. He brought together a unique blend of collection, analytic, and force maneuver assets to conduct both the ongoing WMD investigation and secondary tasks that included counterterrorism and the search for Captain Scott Speicher, a US Navy pilot shot down in 1991 during Desert Storm. Elements of ISG included:

**Analytic Staff**—Experts in the functional areas of Iraqi WMD from the CIA, DIA, DOE, State, DOD, as well as United Kingdom and Australia gathered and analyzed data to develop a picture of Iraq's WMD program and plan further collection. Several participants were former United Nations inspectors with long experience in Iraq.

**Documentation Exploitation**—A forward linguistic element in Baghdad (approximately 190) identifies documents of immediate importance from the millions recovered in the course of the war and occupation. A large facility housing more than 900 staff members in Qatar recorded, summarized, and translated documents. At the time of this writing, this facility houses about 36 million pages that have been scanned into a database. Roughly a third of these—all that appeared of direct relevance to ISG's mission—have been examined by a linguist and a gist prepared.

Recently, ISG obtained about 20,000 boxes of additional documents, which had been stored in Coalition-occupied buildings. Many of these documents are from the Iraqi Intelligence Service

and the Baath party. This is a volume roughly equivalent to the total received to date—a huge infusion. Triage of these documents will probably take several months. New information will inevitably derive from this process, but may not materially affect the overall elements of this report.

**Interrogation and Debriefing**—ISG had dedicated linguists and debriefers for the so-called High Value Detainees. Statements by former key players in the Regime formed an important information source, but must be evaluated very cautiously since the prospect of prosecution inevitably affected what they said. It is also important to understand that the population of senior detainees held at the Camp Cropper facility interacted freely among themselves. They could consult on what they were asked, and the pressures and tensions among detainees over cooperation with ISG certainly affected their candor. In addition, debriefers were not experts in the field of Iraq or WMD as a general rule. ISG compensated by having subject matter experts present as often as possible.

- **Technical Analysts**—Two laboratories, one British and one American, analyzed materials suspected of being related to WMD. Samples included nerve agent rounds, mustard shells, and a wide range of dangerous chemical substances.
- **Explosive Ordnance Disposal**—A team was always on hand to deal with unexploded ordnance hazards—a regular feature of the Iraqi landscape
- **Movement Forces**—A collection of teams to provide transportation and protection for ISG investigators.
- **HUMINT Collection Teams**—Case officers to establish connections to individuals useful to the investigation of WMD infrastructure, security, and other support.
- **Support Staff**—Base security, logistics, communications, computers, housing, food, etc.
- **National Geospatial Agency and National Security Agency representatives** were also a part of ISG to bring analytic and technical collection assistance to the investigation.

The Director of Central Intelligence provided additional analytic and collection support and named a senior Special Advisor for Iraqi WMD to provide direction to the overall effort. David Kay was the first Advisor, serving in Iraq from June until December 2003. Under his direction, ISG began a systematic survey and examination of the existence and location of WMD capabilities. Dr. Kay provided an initial report to the DCI in September 2003 on the early findings of the investigation. Under his leadership, ISG interviewed many key participants in the WMD programs, undertook site visits, and began the review of captured documents. Under Dr. Kay, ISG focused on leads from Iraqi sources, documents, and physical evidence. Dr. Kay believed that, if ISG were to find any WMD in Iraq, the Iraqis would probably have to lead ISG to it.

Work in Iraq was very difficult. Contrary to expectations, ISG's ability to gather information was in most ways more limited than was that of United Nations inspectors. First, many sites had been reduced to rubble either by the war or subsequent looting. The coalition did not have the man-

power to secure the various sites thought to be associated with WMD. Hence, as a military unit moved through an area, possible WMD sites might have been examined, but they were left soon after. Looters often destroyed the sites once they were abandoned.

A second difficulty was the lack of incentive for WMD program participants to speak with ISG investigators. On the one hand, those who cooperated risked retribution from former Regime supporters for appearing to assist the occupying power. On the other hand, there was substantial risk that the Coalition would incarcerate these individuals. Hence, for the most part, individuals related to Iraqi WMD tried to avoid being found. Even long after the war, many Iraqi scientists and engineers find little incentive to speak candidly about the WMD efforts of the previous Regime. This is exacerbated by their life-long experience of living with the threat of horrible punishment for speaking candidly.

The third constraint was the growing risk from the insurgency. From roughly November 2003 onward, it was very difficult to simply travel to points of interest by investigators. Armored cars and protection by military units were required. Many ISG armored vehicles were damaged or destroyed by hostile fire or improvised explosive devices, and two military personnel lost their lives assisting the investigation, SGT Sherwood R. Baker and SGT Lawrence A. Roukey.

A fourth hurdle was that, given the difficult conditions existing in Iraq, many individuals had little interest in remaining in Iraq for a lengthy time, and typically an analyst would come to ISG for only a couple of months, which produced great inefficiencies: Individuals would become familiar with certain Iraqi issues and then depart. Many detainees were interviewed multiple times by a number of analysts seeking answers to the same question. The only ISG member who was present from the beginning until the drafting of this report was the ISG Chaplain.

Despite these obstacles, a core of knowledge was built, and some long-term Iraqi experts became key members of the ISG team. Several were former UN inspectors with over a decade of experience with the Iraqi WMD programs and, indeed, the Iraqi participants in WMD programs. Their background and knowledge were invaluable. For example, it is much more difficult (though still quite possible) for Iraqis to deceive investigators they had known for 10 years or more. At any given time, ISG staff included approximately 15 to 20 Iraq WMD experts, though as time went on, it became more difficult to retain a truly expert cadre.

A timeline methodology was used to integrate key elements of the analysis and to assist the building of the corporate knowledge base. Through regular meetings of all functional teams, analysis of the range of events that interacted with respect to WMD was conducted. This work was much aided by the regular participation of Saddam's debriefer. Relevant data points were identified and manipulated on a timeline tool, and major inflection points that related to Saddam and WMD were established. These were then used by teams, especially the Regime Strategic Intent team, to cue further analysis and to develop their respective portions of the report.

Looking to the future, there will continue to be reports of WMD-related material that must be addressed. Virtually every week some WMD-related report—often involving the delivery of items thought to be WMD-related—is received and investigated by ISG. This is a continuous task that often requires the removal of dangerous objects (like mortar rounds or dangerous chemicals). This element of ISG work accounts for much of the effort of many of the staff during the past 18 months. The necessary investigation of all reasonable leads has led to dozens of missions that

have been important, though they have found no significant stocks of WMD. Such missions have included, for example, extensive underwater searches using sophisticated sensor equipment in Iraqi lakes and rivers.

Since there remains the possibility (though small) of remaining WMD, such reports will continue to be evaluated and investigated as judged necessary.

### **Sources of Information**

Iraqi detainees were a major source of information. Many WMD-associated figures have been detained at Camp Cropper where the so-called high-value detainees are incarcerated. Analysts questioned them repeatedly about aspects of the program and Regime decisionmaking. Their answers form a large part of the data ISG has used in this report, but must be considered for what they are. These individuals have had long experience living under a severe Regime that imposed harsh consequences for revealing state secrets and have no way of knowing what will happen to them when they get out. Certainly there are strong Regime supporters among the Camp Cropper population. The word inevitably circulates among them who is cooperative and who is not. Once released, such detainees may fear for their lives from Regime supporters.

Another consideration is that many senior Regime figures are concerned about prosecution and will shape their tales to serve their interests. There is a tendency, for example, to blame the dead guy—for example Saddam's son Qusay or son-in-law and former top weapons development manager, Husayn Kamil.

On the other hand, some of these individuals have been long-term technocrats with no particular love of the Regime. Of these, some have been quite helpful, particularly with former inspectors whom they have known well over the years. Nevertheless, it must also be remembered that their perspectives, even if honestly conveyed, may not reflect the views of the Regime leadership. It has also been the case that with the Regime's hypersecurity measures, compartmentalization was quite extensive. For example, many very senior Iraqis did not know whether Iraq had WMD or not before the war.

The documentation that ISG has accumulated is extensive. It has yielded important nuggets, which pop out as linguists make their way through the massive amount of material. The magnitude of the task is huge and complicated by the potential of errors in transliteration or in the original documents. Since it is impossible to forecast when relevant documents will be found in this largely unordered collection, it may well be that documents or electronic media may emerge that could significantly add to the themes and background presented here.

A vital part of the picture of how the Regime proceeded with respect to UN sanctions is illustrated in its implementation of the Oil for Food program. We received much detailed information from the Iraqi Oil Ministry, State Oil Marketing Organization, and individual participants. The data presented here are intended only to demonstrate the tactics and strategy of the Regime. Iraq sought to influence these data links to many countries and individuals. This report stops at that point. The report does not intend to analyze or assess the implications for non-Iraqis. Participation in Iraq's voucher system may have been perfectly legal and appropriate depending upon the

circumstances. Others are charged with investigating these transactions. What is clear is that the Regime sought to reward and influence using this tool.

Physical inspection of sites has been pursued to the extent possible. This is a dangerous activity under the circumstances of 2004: We had two fatalities, and ISG teams have been shot at many times with some serious injuries. Many armored cars have been destroyed in attacks. This has made site investigations more difficult.

Moreover, many locations associated with the previous WMD programs and sites under monitoring by the United Nations have been completely looted. In fact, the sites that filled the database of monitored locations are radically different postwar. Equipment and material in the majority of locations have been removed or ruined. Often there is nothing but a concrete slab at locations where once stood plants or laboratories.

A final consideration of the work of ISG concerns the return of sovereignty to Iraq. Since 28 June 2004, Iraq has been responsible for its own territory, and that includes matters associated with WMD questions. ISG has been consulting with the Interim Iraqi Government (IIG) concerning its work. Gradually, more cooperation in investigatory work can take place. It is a natural transition of responsibility and knowledge to the new government.

WMD concerns are not merely of historic interest. ISG chemical weapons (CW) and counter-terrorism experts uncovered and tracked down an active insurgent group that had been using former Regime CW experts to attempt to create and use CW for use against the Coalition. This was dubbed the Al Abud network after the location of the first raid where insurgents were found attempting to acquire ricin. A very aggressive investigation by ISG and a series of raids have apparently been successful in containing this threat. This has been a major success, but will require sustained attention by both Coalition and IIG since terrorists have long demonstrated an intention to obtain WMD and use it. This could occur inside or outside Iraq.

While the future size and direction of the Iraq Survey Group are currently under review, the requirement remains to collect further information related to threats posed by residual elements of the former Regime's WMD programs. There will also be new information from individuals and sources, which will come to light. Moreover, certain defined questions remain unanswered. For example, we cannot express a firm view on the possibility that WMD elements were relocated out of Iraq prior to the war. Reports of such actions exist, but we have not yet been able to investigate this possibility thoroughly. Likewise, there remains some uncertainty concerning reports of mobile BW capabilities—though we have conducted an extensive investigation and we have a paucity of confirmatory information, there is still some possibility that such a capability did exist.

As new information becomes available and is analyzed and assembled into meaningful packages, further unclassified additions to this report may be issued.

This report addresses the actions and considerations of the Regime until it fell in April 2003. It attempts to show the WMD programs and their context. It combines analysis of both physical evidence and an examination of the considerations of the Regime leadership with regard to WMD. The report is not intended to be predictive but should provide data from which others may consider such questions and indeed, consider implications for other circumstances elsewhere.

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# Regime Strategic Intent

*We will never lower our heads as long as  
we live, even if we have to destroy everybody.*

*Saddam Husayn, January 1991*



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## Key Findings

***Saddam Husayn so dominated the Iraqi Regime that its strategic intent was his alone. He wanted to end sanctions while preserving the capability to reconstitute his weapons of mass destruction (WMD) when sanctions were lifted.***

- ***Saddam totally dominated the Regime's strategic decision making.*** He initiated most of the strategic thinking upon which decisions were made, whether in matters of war and peace (such as invading Kuwait), maintaining WMD as a national strategic goal, or on how Iraq was to position itself in the international community. Loyal dissent was discouraged and constructive variations to the implementation of his wishes on strategic issues were rare. Saddam was the Regime in a strategic sense and his intent became Iraq's strategic policy.
- ***Saddam's primary goal from 1991 to 2003 was to have UN sanctions lifted, while maintaining the security of the Regime.*** He sought to balance the need to cooperate with UN inspections—to gain support for lifting sanctions—with his intention to preserve Iraq's intellectual capital for WMD with a minimum of foreign intrusiveness and loss of face. Indeed, this remained the goal to the end of the Regime, as the starting of any WMD program, conspicuous or otherwise, risked undoing the progress achieved in eroding sanctions and jeopardizing a political end to the embargo and international monitoring.
- ***The introduction of the Oil-For-Food program (OFF) in late 1996 was a key turning point for the Regime.*** OFF rescued Baghdad's economy from a terminal decline created by sanctions. The Regime quickly came to see that OFF could be corrupted to acquire foreign exchange both to further undermine sanctions and to provide the means to enhance dual-use infrastructure and potential WMD-related development.
- ***By 2000-2001, Saddam had managed to mitigate many of the effects of sanctions and undermine their international support.*** Iraq was within striking distance of a *de facto* end to the sanctions regime, both in terms of oil exports and the trade embargo, by the end of 1999.

***Saddam wanted to recreate Iraq's WMD capability—which was essentially destroyed in 1991—after sanctions were removed and Iraq's economy stabilized, but probably with a different mix of capabilities to that which previously existed. Saddam aspired to develop a nuclear capability—in an incremental fashion, irrespective of international pressure and the resulting economic risks—but he intended to focus on ballistic missile and tactical chemical warfare (CW) capabilities.***

- ***Iran was the pre-eminent motivator of this policy.*** All senior level Iraqi officials considered Iran to be Iraq's principal enemy in the region. The wish to balance Israel and acquire status and influence in the Arab world were also considerations, but secondary.
- ***Iraq Survey Group (ISG) judges that events in the 1980s and early 1990s shaped Saddam's belief in the value of WMD.*** In Saddam's view, WMD helped to save the Regime multiple times. He believed that during the Iran-Iraq war chemical weapons had halted Iranian ground offensives and that ballistic missile attacks on Tehran had broken its political will. Similarly, during Desert Storm, Saddam believed WMD had deterred Coalition Forces from pressing their attack beyond the goal of freeing Kuwait. WMD had even played a role in crushing the Shi'a revolt in the south following the 1991 cease-fire.
- ***The former Regime had no formal written strategy or plan for the revival of WMD after sanctions.*** Neither was there an identifiable group of WMD policy makers or planners separate from Saddam. Instead, his lieutenants understood WMD revival was his goal from their long association with Saddam and his infrequent, but firm, verbal comments and directions to them.

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### **Note on Methodological Approach**

**Interviews with former Regime officials who were active in Iraq's governing, economic, security, and intelligence structures were critical to ISG's assessment of the former Regime's WMD strategy.** While some detainees' statements were made to minimize their involvement or culpability leading to potential prosecution, in some cases those who were interviewed spoke relatively candidly and at length about the Regime's strategic intent.

- ISG analysts—because of unprecedented access to detainees—undertook interviews of national policy makers, the leadership of the intelligence and security services, and Qusay's inner circle, as well as concentrated debriefs of core Regime leaders in custody, to identify cross-Regime issues and perceptions.
- As part of the effort aimed at the core leadership, analysts also gave detainees “homework” to give them more opportunity to discuss in writing various aspects of former Regime strategy. Many of these responses were lengthy and detailed. Secretary of the President, ‘Abd Hamid Al Khatab Al Nasiri, Deputy Prime Minister Tariq ‘Aziz ‘Aysa, and Minister of Military Industry ‘Abd-al-Tawab ‘Abdallah Al Mullah Huwaysh answered questions in writing several times, providing information on both the former Regime and the mindset of those who ran it.
- Saddam's debriefer was fully aware of ISG's information needs and developed a strategy to elicit candid answers and insights into Saddam's personality and role in strategy-related issues. Remarks from the debriefer are included.
- Analysts also used working groups to study themes and trends—such as intelligence and security service activity, weaponization, dual-use/break-out capabilities and timeline analysis—that cut across ISG's functional teams, as well as to pool efforts to debrief members of the core leadership.

**Analysts used subsource development and document exploitation to crosscheck detainee testimony, leverage detainees in debriefs, and to fill gaps in information.** For example, analysts interviewing Huwaysh gained insights into his personality from subsources, while translated technical and procurement-related documents were critical to verifying the accuracy of his testimony. Likewise, we confronted Vice President Taha Yasin Ramadan Al Jizrawi with a captured document indicating his major role in allocating oil contracts and he divulged details on corruption stemming from the UN's OFF program.

**Nonetheless, the interview process had several shortcomings.** Detainees were very concerned about their fate and therefore would not be willing to implicate themselves in sensitive matters of interest such as WMD, in light of looming prosecutions. Debriefers noted the use of passive interrogation resistance techniques collectively by a large number of detainees to avoid their involvement or knowledge of sensitive issues; place blame or knowledge with individuals who were not in a position to contradict the detainee's statements, such as deceased individuals or individuals who were not in custody or who had fled the country; and provide debriefers with previously known information. However, the reader should keep in mind the Arab proverb: “Even a liar tells many truths.”

Some former Regime officials, such as ‘Ali Hasan Al Majid Al Tikriti (Chemical ‘Ali), never gave substantial information, despite speaking colorfully and at length. He never discussed actions, which would implicate him in a crime. Moreover, for some aspects of the Regime's WMD strategy, like the role of the Military Industrialization Commission (MIC), analysts could only speak with a few senior-level officials, which limited ISG's assessment to the perspectives of these individuals.

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**Former Iraqi Regime Officials Varied in Their Level of Cooperation**

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*The quality of cooperation and assistance provided to ISG by former senior Iraqi Regime officials in custody varied widely. Some obstructed all attempts to elicit information on WMD and illicit activities of the former Regime. Others, however, were keen to help clarify every issue, sometimes to the point of self-incrimination. The two extremes of cooperation are epitomized by 'Ali Hasan Al Majid—a key Presidential Adviser and RCC member—and Sabir 'Abd-al-Aziz Husayn Al Duri, a former Lieutenant General who served in both the Directorate of General Military Intelligence and the Iraqi Intelligence Service. 'Ali Hasan Al Majid was loquacious on many subjects, but remained adamant in denying any involvement in the use of CW in attacks on the Kurds and dissembling in any discussion of the subject. His circumlocution extends to most other sensitive subjects of Regime behavior. By contrast, Sabir has been forthcoming to the point of direct association with a wide range of Iraqi activities, including the management of Kuwaiti prisoners, the organization of assassinations abroad by the former Iraqi Intelligence Service (IIS), and the torture of political prisoners.*

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## Who Made Iraq's Strategic Decisions and Determined WMD Policy

### Saddam's Place in the Regime

#### The Apex of Power

*Saddam controlled every peak position of authority in Iraq and formally dominated its state, administrative, Ba'th party and military hierarchies.* By the time of Desert Storm, there was no constitutional threat to his position of authority. He had also appointed himself "Paramount Sheikh" in a bid to dominate the country's tribal system. By the late 1990s, he began seeking more formal control over the nation's religious structures.

- Saddam was simultaneously President, Prime Minister, Chairman of the Revolutionary Command Council (RCC), General Secretary of the Ba'th Party, and Commander in Chief of the Armed Forces. Also directly reporting to him were the Republican Guard (RG), Special Republican Guard (SRG), Fedayeen Saddam, the four intelligence agencies, the Military Industrialization Commission (MIC)<sup>a</sup> and the Al Quds Army.
- Tariq 'Aziz says that Saddam had enhanced the role of the tribal leaders, giving them money, weapons, land and authority, to turn them into an instrument of support for himself.

#### Personalized Rule

*Saddam dominated all Iraqi institutions by the early 1990s and increasingly administered by personal direction.* Major strategic decisions were made by Saddam's fiat alone, although subordinates acted upon what they perceived to be indirect or implied orders from him. Moreover, Saddam, particularly early in his rule, was fond of micromanagement in all aspects of government.

- Former advisors suggest that Saddam was healthy, rational and deliberate. He would ponder key decisions—such as the invasion of Kuwait—for months

but share his thoughts with few advisors. He was cool under pressure. Even his firmest supporters, such as 'Abd Hamid Mahmud Al Khatab Al Nasiri, the former presidential secretary from 1991 to 2003, characterize his decision-making style as secretive.

- 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh—former Deputy Prime Minister from 2001 to 2003 and Minister of Military Industrialization from 1997 to 2003—believed there was a "big gap" between Saddam and his advisors and that, despite the lengthy pondering of an issue, he could be emotive at the point of decision. For example, Huwaysh, while not in a position of power at the time, pointed to the sudden and unconsultative manner in which Saddam ordered the invasion of Kuwait, despite the amount of planning and forethought that had gone into the scheme.
- Saddam had shown a detailed, technical interest in military affairs during the Iran-Iraq war, frequently visiting army units and giving direct instructions, whether or not the defense minister or the chief-of-staff was present. In contrast, limited evidence suggests that after 1991 Saddam attempted to detach himself from the minutiae of working with the UN.
- Nevertheless, Saddam was prone to take personal control of projects that spanned military industry, higher education, electricity, and air defense, according to former Presidential Advisor 'Ali Hasan Al Majid.

### Saddam's Unsettled Lieutenants

*Most of Saddam's key lieutenants were active, experienced and committed to the Regime, but by the mid-1990s they were tightly constrained by their fear of Saddam, isolation and a loss of power.* Many accepted the limits of their personal influence in return for membership in a privileged class, because of a personal identification with the goals of the Regime and realization of the personal consequences should it fall.

<sup>a</sup> As a convention, "Military Industrialization Commission" is used throughout this text to refer to the Arabic Name *Hi'at al-Tasnia Al-'Askari*. Other translations of the name include Organization of Military Industrialization (OMI) and Military Industrial Organization (MIO). All refer to the same institution.

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**Key Iraqi Organizations and Officials (2003)**

(Note: Names bolded and italicized have been interviewed by ISG)

President	<b>Saddam Husayn</b>
Prime Minister	<b>Saddam Husayn</b>
Vice President	Taha Muhyi-al-Din Ma'ruf [still at large]
Vice President	<b>Taha Yasin Ramadan Al Jizrawi</b>
Secretary of the President	<b>'Abd Hamid Mahmud Al Khatab Al Nasiri</b>
Deputy Prime Ministers	<b>Tariq 'Aziz 'Issa</b> Ahmad Husayn Khudayr Al Samarra'i Hikmat Mizban Ibrahim Al 'Azzawi <b>'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh</b> <b>Ahmad Husayn Khudayr Al Samarra'i</b> <b>Naji Sabri Ahmad Al Hadithi</b> <b>Staff Gen. Sultan Hashim Ahmad Al Ta'i</b> <b>Staff Gen. Ibrahim Ahmad 'Abd-al-Sattar Muhammad</b> <b>'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh</b>
Chairman, Presidential Diwan	
Minister of Foreign Affairs	
Minister of Defense	
Army Chief-of-Staff	
Minister of Military Industrialization	
National Monitoring Directorate	
Committee of Three (Military Matters)	
	<b>Husam Muhammad Amin Al Yasin</b> , Director Qusay Saddam Husayn [deceased] Staff Gen. Sultan Hashim Ahmad Al Ta'i Staff Gen. Husayn Rashid Muhammad 'Arab Al Tikriti Heads of all major departments
Council of Ministers	
Revolutionary Command Council	
	<b>Saddam Husayn</b> (Chairman) <b>'Izzat Ibrahim Al Duri</b> (Vice-Chairman) [still at large] Taha Yasin Ramadan Al Jizrawi Taha Muhyi-al-Din Ma'ruf [still at large] Tariq 'Aziz Issa <b>'Ali Hasan Al Majid</b> Mizban Khadr Hadi
	<b>Muhammad Hamzah Al Zubaydi</b> (retired 2001)
Committee of Four ("The Quartet")	<b>'Izzat Ibrahim Al Duri</b> [still at large] Taha Yasin Ramadan Al Jizrawi Tariq 'Aziz Issa <b>'Ali Hasan Al Majid</b>
National Security Council	<b>'Izzat Ibrahim Al Duri</b> (Chairman) [still at large] <b>'Abd Hamid Mahmud Al Khatab Al Nasiri</b> (Secretary) Qusay Saddam Husayn, Special Security Organization [deceased] Tahir Jalil Habbush, Iraqi Intelligence Service [still at large] <b>Zuhayr Talib 'Abd-al-Sattar</b> , DGMI Rafi' 'Abd-al-Latif Tulfah Al Nasiri, Directorate of General Security [still at large]
Higher Inspection Committee	<b>Taha Yasin Ramadan Al Jizrawi</b> (Chairman 2002-2003) <b>Tariq 'Aziz Issa</b> (Chairman 1991-1998) <b>'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh</b> Naji Sabri Ahmad Al Hadithi Husam Muhammad Amin Al Yasin Qusay Saddam Husayn [deceased] <b>'Amir Muhammad Rashid Al 'Ubaydi</b> <b>'Amir Hamudi Hasan Al Sa'adi</b> (scientific advisor) <b>Ja'far Diya' Ja'far Hashim</b> (scientific advisor)

- Tariq 'Aziz described the requirements for a leader in Iraq as "power and an iron fist." He was happy initially with Saddam's use of these attributes and "for the first ten years we thought he was doing the right thing."
- Former RCC member Muhammad Hamzah Al Zubaydi was totally acquiescent, uncritical, and thought Saddam was "a good president."
- According to former Vice President Ramadan, when Saddam announced to the RCC in 1990 that he was going to invade Kuwait, only he and Tariq 'Aziz expressed doubts about the plan, but they felt they could only do so on preparedness grounds. Nevertheless, the invasion resolution passed unanimously and whatever dissent Ramadan and Tariq 'Aziz registered was insufficiently robust to have stayed in the memories of other participants in the meeting.
- Yet Saddam's lieutenants in the RCC and other upper echelons were seen by lower levels of the Regime and the public as powerful and influential. Saddam was keen to maintain this perception. Opposition to his lieutenants' views from within the Regime was discouraged as criticism of them reflected on him. "When he gave his trust to someone, he didn't want to hear criticism about that person," according to 'Ali Hasan Al Majid.

#### A Few Key Players in an Insular Environment

*Iraq's policymaking on national security issues, including WMD, rested with Saddam and major decisions were by his fiat. He consulted a few long-serving advisors, but large deliberative bodies like the RCC, the Ba'th Party leadership, Cabinet, Ministries, the military or the intelligence agencies and industrial establishment were incidental to critical decisions.* Saddam reserved the right to make final decisions, and former advisors reveal that he often disregarded their advice. Saddam made few public statements regarding WMD, and his deliberations were tightly compartmented and undocumented after the 1980s. Saddam's advisors have revealed

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#### *Life Near Saddam—A Characterization*

*Saddam's Iraq was similar to other dictatorships. The primary characteristics of such regimes are: (1) an almost exclusive reliance upon a single decision-maker, his perceptions and objectives; (2) fear and intimidation; (3) little dissent from the "leader's" views; (4) compartmented expertise with little or no cross-fertilization; (5) the passing of misinformation through the chain of command; (6) internal personal conflicts among second and third tier leadership; (7) a second level of leadership whose power and influence is derived entirely from above, not particularly from the constituencies they represent; (8) avoidance of responsibility. Toward the end of his rule Saddam became more reclusive and relied even less upon advisors for decision-making, while turning more and more to relatives.*

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much about a deliberate, secretive decision-making style, which accounts for the lack of information (for example, the lack of documentary evidence) on his strategic intent for WMD. Many, however, believe that Saddam would have resumed WMD programs after sanctions were lifted.

- *Saddam maintained continuity and secrecy by repeatedly turning to a few individuals and small-compartmented committees for foreign policy and national security advice.* Tariq 'Aziz, although deputy prime minister, served as the pre-eminent foreign policy advisor from the early years of the Regime until 2001. Saddam praised 'Aziz for his knowledge of the west and foreign affairs, in general, despite 'Aziz falling out of favor in the later stages of the Regime. Two successive committees deliberated over foreign policy issues referred to them by Saddam: the Political Operations Room (1991 to mid-1990s), and its successor the Committee of Four (the "Quartet" from 1996 to 2003), (see Annex A, *The Quartet—Influence and Disharmony Among Saddam's Lieutenants* for additional information). Additionally, Iraq established the Higher Committee in 1991 to orchestrate relations with UN Weapons inspectors (see section on the Higher Committee).

- **Party and governmental organizations implemented and legitimized Saddam's foreign policy decisions more than they directed them.** Saddam routinely met with the Cabinet, its committees and the RCC, but participants say they often had little latitude. He also met frequently with key technocrats, such as in the Minister of Military Industrialization, who oversaw MIC. Detainees from various organizations suggest they carried out national security policy rather than created it, although Huwaysh had considerable autonomy in his planning efforts. Nonetheless, even as a favored technocrat, Huwaysh found his decisions subject to Saddam's changes.
- Saddam lacked a full grasp of international affairs, according to Tariq 'Aziz. Saddam perceived Iraqi foreign policy through the prism of the Arab world and Arabic language. He listened to the Arabic services of Voice of America and the BBC, and his press officers would read him translations of foreign media, but he appeared more interested in books and topics about the Arab world. Secretary of the President 'Abd claimed that Saddam was open to American culture—he watched classic US movies—and that he did not perceive the US-Iraqi relationship to be necessarily one of conflict. Saddam told a US interviewer he tried to understand Western culture, and admitted he relied on movies to achieve this.

### Saddam Calls the Shots

**Saddam's command style with subordinates was verbal and direct.** Detainees frequently mention verbal instructions from Saddam. His subordinates regarded these commands, whether given in private or in public, as something to be taken seriously and at face value. Saddam was explicit—particularly on issues of a personal or state security nature, which were one and the same to him. The Regime did not take action on WMD or security issues in a documented way using the Iraqi equivalent of public policy statements, cabinet minutes or written presidential executive orders.

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### **Former Director of the Directorate General of Military Intelligence Discusses Information for Strategic Operational Planning**

*"We gathered information from the five embassies where we have (military) attaches: Jordan, Turkey, Qatar, Yugoslavia and Russia. Another source is the Internet—it has everything. For example, the attaché in Qatar reports that the coalition [as it prepares for war] has 15,000 to 18,000 [troops] arriving. We could see it on the Internet, as well—it was all there. For another example, we know that there was pre-planned storage equipment in Qatar and Kuwait, equipment without personnel. [We got these messages by] electronic format or the officer would hand-carry the information back to Iraq."*

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- Saddam verbally referred matters for consideration to the Quartet. He was verbally back-briefed by 'Izzat Ibrahim Al Duri on the results.
- According to Husayn Rashid Muhammad 'Arab Al Tikriti, a former Iraqi Army Chief-of-Staff, Saddam established a key state committee—the Committee of Three, which managed the military—without any initiating or directing documentation. The three members were ordered verbally by Saddam to form and operate the committee.

**Saddam's custom of verbal instructions to subordinates on key issues was a preference driven largely by his security concerns, which fitted well with the style and capability of Iraqi public administration.**

- Close documentation of decision-making chains was incomplete in Iraq, and there was inconsistency in what was recorded. Regime policy files on security issues have not been found following the fall of the Regime and—judging by the ashes found in Iraqi Government offices—may have been comprehensively destroyed. We do not have a complete paper trail of the execution of Saddam's decisions on state security issues or WMD at a senior level. But there is some documentary evidence.

- Instead, voluminous files were often kept on personnel management issues, and trivial and non-official aspects of even very junior personnel were recorded.
- Official record keeping was highly inconsistent in content and form. Access to electronic information technology varied widely. Even manual typewriters were not available in some places. Pre-electronic copying systems such as carbon paper do not appear to have been widespread. Hand-written records (including many of limited legibility) are common. A high level order in the 1980s directed that Top Secret orders were to be hand-written to avoid the need for typing staff to see them.

***Saddam's subordinates feared him and sought to anticipate his wishes on matters where he had not yet issued characteristically clear and unquestionable orders. At the very least they would seek to avoid outcomes he was known to detest or dislike.*** Senior subordinates would in these circumstances issue instructions reflecting what they believed was Saddam's line of thinking on an issue. His more experienced associates, such as Ramadan, found Saddam to be predictable and they were able to work to the limits of his tolerance. That said, fear of Saddam meant that rumor about his wishes could acquire considerable force and make Regime attempts to change course sometimes awkward to implement. ***MIC staff, for example, initially did not believe that Saddam had decided to abandon the program to withhold information from inspectors. They were accustomed to the earlier Saddam-endorsed policy of deception, and feared transgressing what they earlier knew to be Saddam's wishes.*** Vice President Ramadan had to be dispatched in early 2003 to personally explain the new policy to skeptical and fearful MIC staff.

- Ramadan spoke for three hours at a mass meeting of MIC staff in 2003 to overcome their skepticism, according to Huwajsh.

***Saddam's penchant for both centralized verbal instruction and administrative compartmentation lent itself to accidental or intended competition among subordinates.*** Compartmentation, when accompanied by his encouragement of backchannel communication, (see *Harvesting Ideas and Advice*

*in Byzantine Setting* section), occasionally led to two (or more) teams working the same problem. This was particularly the case in security and intelligence issues, allowing the possibility that more than one "order" might be given. Saddam was normally able to realign projects when he needed to but checks and balances among political and security forces of the Regime remained a feature of his rule to the end.

- Intended competition resulting from two competing "orders" possibly occurred in WMD activities. For example, the Regime had two competing ballistic missile programs under Ra'id Jasim Isma'il Al Adhami and Muzhir Sadiq Saba' Al Tamimi in 1994, as well as the separate development of two different binary CW rounds by the Al Muthanna State Establishment (MSE) and the Technical Research Centre (TRC) in the late 1980s.

#### Saddam Shows the Way

***Saddam gave periodic unambiguous guidance to a wider audience than his immediate subordinates.***

He wrote his own speeches. He was unafraid of detail and personally intervened with instructions in all areas of government administration at all levels. Problems arose if Saddam or his lieutenants had not given junior subordinates his views on an issue, leaving them in doubt about policy or their authority in a system where conformity was valued and failure to follow orders often brutally punished. Initiative suffered and the system could be inflexible as it worked on old interpretations of Saddam's wishes. This latter problem became acute after 1998 when Saddam became more reclusive and his comprehensive speeches became less frequent. A problem also arose when subordinates occasionally moved ahead of Saddam's decisions, relying on older guidance to anticipate his wishes.

- During a custodial interview, Saddam said major speeches he drafted and gave, such as the June 2000 speech, on why Iraq could not give up its strategic weapons capability if its neighbors did not, were intended to shape internal and external conditions, in this case the positions of both Iran and the UN.

- Saddam also wrote key speeches of officials, notably that of Foreign Minister Naji Sabri Ahmad Al Hadithi to the UNGA on 19 September 2002, following President Bush's 'Grave and Gathering Danger' speech to the same body on 12 September.
- 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh said Saddam "intervened in all of his ministries and agencies where and when he saw fit."
- Saddam appointed Ramadan to lead the "Higher Committee" in 2002 to implement UN Security Council Resolution (UNSCR) 1441. Ramadan was unsure of his authority to deal with UN inspectors under this arrangement, and he would guess at both the limits of his authority and his personal safety from Saddam's wrath, a situation compounded by the inability to contact Saddam at critical moments.
- Tariq 'Aziz said that in reporting to Saddam on the proceedings of the Committee of Four (the Quartet), chairman 'Izzat Ibrahim Al Duri would guess at what he thought Saddam wanted to hear. 'Ali Hasan Al Majid supported 'Izzat Ibrahim in this approach.
- Ramadan pointed to the overactive attitude of factory managers in 2002-2003 in blocking UN inspectors as an example of Iraqis anticipating a position Saddam wanted them to take, when in fact his policy had moved in a different direction.

Saddam was strictly opposed to corruption—in the sense of Regime personnel soliciting bribes or expropriating public assets—on the part of family members or subordinate members of the Regime, seeing it as corrosive of respect for authority. Personal corruption could be punished drastically and Saddam issued many directions about what he expected in terms of personal financial behavior. Instead, Saddam reserved for himself the right to dispense the fruits of the Regime, thereby making those who benefited from power sure they were doing so exclusively at his will.

- According to 'Ali Hasan Al Majid, Saddam required all official personnel to submit periodic inventories of their assets. Assets could not be above "sufficient" levels, nor could assets be listed under other people's names. He directed that half of hidden property be given as a reward to whoever reported the deception.

### Harvesting Ideas and Advice in a Byzantine Setting

*Saddam did not encourage advice from subordinates unless he had first signaled he wanted it.* Advisory groups he established, such as the Committee of Four (the Quartet) on foreign, political and strategic policy, considered only those issues he referred to them. Committees generally assumed Saddam already had a preferred position on such issues and commonly spent time trying to guess what it was and tailor their advice to it. More conscientious members of the Regime sought to work around sycophantic or timid superiors by cultivating alternative, direct lines of communication to Saddam—a development that pleased Saddam because it put another check on subordinates. The result, however, was a corrosive gossip culture in senior government circles that further undercut any semblance of developing policy through conventional government procedures.

- Ramadan thought Saddam's preference for informal chains of command encouraged a gossip culture in his immediate circle that undercut good policy development.
- 'Izzat Ibrahim Al Duri, Ramadan, and 'Ali Hasan Al Majid in the Quartet would usually argue for whatever policy they thought Saddam would want, according to Tariq 'Aziz.
- In some areas, alternative channels were formalized. Special Security Organization (SSO) personnel were able to regularly bypass superiors, and senior SSO officers bypassed the SSO Director if they had links to Qusay Saddam Husayn. Similarly, certain sections of the SSO could bypass the SSO Director and report straight to Saddam.
- Saddam claimed he regularly met with the Iraqi people as he found them to be the best source of accurate information. Additionally, Saddam said he found women to be great sources of information, particularly within the various government ministries.
- Saddam's interest in science meant that some Iraqi weapons-related scientists were able to use back channels to by-pass military industry gatekeepers such as Huwaysh. This enabled them to sometimes

secure Saddam's support for odd or marginal programs of little use to defense. For example, retired defense scientist 'Imad 'Abd-al-Latif 'Abd-al-Ridha secured Saddam's backing in January 2000 for the Al Quds UAV program over the objections of Huwaysh. The project never progressed beyond two prototypes and Huwaysh stated that the program was ultimately an expensive failure.

- Saddam was "like a computer," according to 'Abd: if he received reliable information he would make good decisions, but if the inputs were flawed, the resulting policies would suffer.

### Weaving a Culture of Lies

The growth of a culture of lying to superiors hurt policymaking more than did the attendant gossip. Lying to superiors was driven by fear of the Regime and the inability to achieve results as resources deteriorated under sanctions in the first half of the 1990s. Lack of structural checks and balances allowed false information to affect Iraqi decision making with disastrous effects. Saddam knew his subordinates had a tendency to lie, but his earlier efforts to check their claims by "ground-truthing" them through personal tours of inspection decreased by 1998 as he became more reclusive.

- Tariq 'Aziz asserts that before Operation Iraqi Freedom, the Iraqi military lied to Saddam about its preparedness, which led Saddam to grossly miscalculate Iraq's ability to deter an attack.
- Several sources claim that reporting up the party, government, and military chain of command became less trustworthy before Operation Iraqi Freedom. Key commanders overstated their combat readiness and willingness to fight, and Saddam no longer sought ground truth by visiting units and asking pointed questions as he had during the Iran-Iraq war. He instead relied upon reports by officers who later admitted misleading Saddam about military readiness out of fear for their lives.

- 'Abd said key Regime members "habitually" concealed from Saddam unpleasant realities of Iraq's industrial and military capabilities and of public opinion. Fear of the loss of position motivated this deception, which continued until the final days of the Regime.
- Asked how Saddam treated people who brought him bad news, 'Ali Hasan Al Majid replied, "I don't know." ISG assesses that 'Ali Hasan Al Majid has never known any instance of anybody bringing bad news to Saddam.

### Saddam Became Increasingly Inaccessible

*Saddam encouraged a sense of his omnipotence among his subordinates, a condition that increased after 1998 as Saddam became more physically reclusive.* The former workaholic and micromanager appeared less engaged after this time, although he would involve himself in issues of interest, such as air defense. Saddam's inaccessibility was driven by an extreme fear of assassination and also apparently by a personal prioritization of other activities, including writing. While there is no evidence Saddam's control of the Regime slipped, many of his lieutenants saw a sharp lessening of Saddam's attention to detail and an absence of his previous desire to "ground proof" high level advice through field inspections. They suggest his formerly detailed interest in military affairs diminished compared to that shown during the Iran-Iraq war or Desert Storm.

- By Saddam's own account, he had only used a telephone twice since 1990, for fear of being located for a US attack.
- According to Ramadan, he never phoned Saddam directly after 1991, never privately socialized with him and was often unable to locate Saddam for days, even in periods of crisis. Simply locating Saddam could be a problem even for senior officials. Ramadan said, "Sometimes it would take three days to get in touch with Saddam."



- Hikmat Mizban Ibrahim Al 'Azzawi, Deputy Prime Minister and Minister of Finance, thought that because of extensive security measures, there was little possibility that Saddam would be assassinated. Hikmat said Saddam was confident no one could assassinate him because no one knew where he slept, and ministerial meetings were held at undisclosed locations. Ministers were picked up and driven to the meeting locations in vehicles with blacked out windows, and they were never told where they were once they arrived at meetings, according to a former senior official.
- According to 'Ali Hasan Al Majid, notice of RCC meetings was given only hours and sometimes minutes before they occurred; it was normal for RCC members to be collected by official cars, and then be switched to different cars between the pick-up point and the meeting place, and sometimes the meeting place would be changed as well.
- Despite the extensive measures used to protect Saddam, his family, and senior leaders, an assassination attempt in December 1996 seriously wounded 'Uday Saddam Husayn. This critical failure of the Regime's security infrastructure is likely to have contributed significantly to Saddam's withdrawal.
- Saddam was more reclusive during his last years as president, according to a former senior official. He lost much of his contact with the government. He still attended RCC meetings, but he met only infrequently with the Quartet. Beginning in 1999, "when he was writing his novels," Saddam would often come to his ministers' meetings unprepared. "He had not even read the summary notes his staff prepared for him for the meeting," according to the Minister of Military Industrialization.
- Tariq 'Aziz stated that during the 1990s, Saddam became less involved in tactical issues and concentrated more on strategic matters. During the late 1990s, he spent more time in his palaces; subordinates had to forward documents to him because they could no longer communicate directly with him. 'Aziz claims that in the months before Operation Iraqi Freedom, he had little interaction

with Saddam and he was reduced to spending the time watching TV and reading newspapers (part of 'Aziz's isolation was a result of the growing prominence, at 'Aziz's expense, of Foreign Minister Naji Sabri). Although Saddam still sought detailed reporting, he did not process it with the diligence that characterized his approach to paperwork a decade earlier. In 'Aziz's view, Saddam listened less to advisory boards such as the Quartet and rejected their advice more frequently. Instead, he turned more toward family members, such as Qusay.

### **Saddam's Command By Violence**

*Saddam used violence liberally as an administrative method, to ensure loyalty, repress even helpful criticism and to ensure prompt compliance with his orders.* Saddam's use of violence stood in stark contrast to the public image he created of a benevolent father figure, interested in all aspects of Iraqi life, from children's poetry to public hygiene.

- In 1979, during Saddam's transition from Vice President to President, he directed the execution of a "number of the leadership" for supposedly plotting with Syrian Ba'thists against him. Tariq 'Aziz described this episode as the cruelest action he witnessed under Saddam.
- 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh confirmed that in 1982, Saddam ordered the execution of his Health Minister Riyadh Al 'Ani (a relative of Huwaysh) and delivery of the dismembered body to the victim's wife. Riyadh, in response to an appeal by Saddam for creative ideas on how to end the war with Iran, had made the fatal mistake of suggesting that Saddam temporarily resign and resume office after peace was achieved.
- Muhsin Khadr Al Khafaji, Ba'th Party Chairman in the Al Qadisiyah Governorate, "never refused to do anything he was asked to by Saddam as he fully expected to be executed if he failed to comply with orders given to him. In the 1980s, (he) witnessed a number of soldiers being executed after they deserted."

**Saddam's Use of Execution—Management by Threat**

*Fear of Presidential violence was widespread under the former Regime, but some situations merited explicit threats. The return from Jordan in February 1996 of Saddam's son-in-law, Husayn Kamil Hasan Al Majid, "the traitor," was such an event. This SSO administrative order was found after Operation Iraqi Freedom:*

*An administrative order*

*The order of the Special Security Organization Director*

*The traitor Husayn Kamil Hasan is to be treated as any citizens in the state and his, or his traitorous group's orders are not to be obeyed in any way or in any location in the country. **Anyone who obeys his orders will be punished by execution, by order of the Leader, The President, God Bless Him.***

*This order is posted by the Security Unit division manager and it is timed below.*

*Dated 20 Feb 96.*

**Saddam's Effect on the Workings of the Iraqi Government**

**Suspicion of Structures**

*Saddam profoundly distrusted constitutional structures because they risked accruing power independent of his.* The legally powerful cabinet never met in later years as a deliberative body. When it did meet—for information or ratification purposes—Saddam avoided agendas. The same occurred at RCC meetings. Instead, when business required an agenda, such as dealing with issues requiring cross-portfolio decisions, Saddam met Ministers individually or as sub-committees. Likewise, attendees often had no preparation for what Saddam might raise.

- "Meetings of the political leadership were not scheduled . . . many times they were convened without knowing the subject of the meeting. He would simply raise an issue . . . without warning," according to Tariq 'Aziz.

**Powerless Structures**

*Iraq under Saddam had all the formal decision-making structures and staff of a modern state, but they did not make national strategic policy.* Iraq possessed a skilled foreign ministry and able technocrats in all branches of government. They could route proposals upward in the Regime almost to its end, but not if they conflicted with Saddam's strategic intent or if they proposed an alternate national strategy.

*Iraq possessed a full array of government organs familiar to any "Western" country: president, national assembly, judiciary, civil service; but their actual functions and relationship with each other bore no resemblance to Western counterparts.* Instead, they filled control or cosmetic roles in support of Saddam's dictatorship. They played little part in the effective chain of command under Saddam, and they did not exercise a decision-making or executive role comparable to nominally similar organs in Western states.

After the Ba'hist seizure of power in 1968, the RCC became a key Regime institution. It gave Saddam the right to make emergency decisions in its name in the 1980s, and he used this authority to reduce the RCC to irrelevance. This propensity extended to Saddam assuming authority over national policy on WMD development and retention.

- According to 'Ali Hasan Al Majid, the RCC had voted in the 1980s to allow Saddam to make decisions in its name. Since then, Saddam made such decisions "whenever he liked." By the 1990s, RCC members often first heard on the radio or television about decisions made by Saddam in their name. Moreover, only Saddam could call an RCC meeting.
- According to Ramadan, the RCC discussed UNSCR 687 after Desert Storm, but Husayn Kamil was placed in charge of implementation, even though he was not a RCC member. Communication between Saddam and Husayn Kamil on WMD therefore bypassed the RCC. After 1991, the RCC had no collective decision-making about retention or development of WMD.
- After 1995, Saddam would usually have his decisions drafted by the Legal Office in the Presidential Diwan and then proclaimed without reference to the Cabinet or the RCC.
- Muhammad Hamzah Al Zubaydi said of the RCC, that Saddam made decisions and "there was never any objection to his decisions."
- Similarly, membership of the RCC became a matter of Saddam's fiat, not a reflection of internal party election or opinion. Saddam had 'Izzat Ibrahim Al Duri, Deputy Chairman of the RCC, order members who he wished to move off the RCC to retire. Soon to be ex-members were told not to submit their nominations for "re-election." Similarly, 'Izzat notified individuals chosen as new members they were to "nominate" themselves as candidates, according to Muhammad Hamzah.
- 'Ali Hasan Al Majid said "I don't remember the Cabinet ever discussing foreign affairs" and that

the Foreign Minister reported directly to Saddam. Saddam exercised a high degree of personal control by taking over leadership of the ministers' council and by getting involved in its details. He additionally enhanced his control through regular meetings with experts and leaders in industry and academia, according to Ramadan.

### The Higher Committee

Saddam established the Higher Committee in June 1991 following Desert Storm to manage Iraq's relationship with the UN on WMD disarmament. The Committee was also to develop a strategy for determining what WMD information would be disclosed to the UN. The Higher Committee displayed from the outset all the dysfunctional characteristics of administration under Saddam. It was beset by backchannel communications to Saddam from individual members that prevented the Committee from developing policy on WMD that was not prone to intervention from Saddam. The Committee was plagued by a lack of transparency, gossip and family court interests. According to presidential secretary 'Abd Hamid Mahmud Al Khatib Al Nasiri, the Committee was disrupted by a philosophical tug-of-war between Husayn Kamil, Saddam's favorite son-in-law and military industry czar—who sought to limit UN access to hidden nuclear and biological programs—and Tariq 'Aziz, the chairperson, who pursued greater cooperation with the UN, including advocating early acceptance of OFF. *This unresolved dispute contributed to Iraq's conflicted posture in dealing with UNSCOM.*

- Saddam gave the committee a substantial amount of working level leeway, according to the former presidential secretary. He only wanted to retain oversight on decisions that the committee found insolvable or costly, such as the destruction of a large industrial complex.
- Nevertheless, Husayn Kamil sought to undermine Tariq 'Aziz's influence by going directly to Saddam and misrepresenting UN policies to him. He sought to turn Saddam against the UN by telling him that UNSCOM wanted to destroy facilities created

solely for civilian use when the reality was they were dual use facilities, according to the former presidential secretary, 'Abd.

- Husayn Kamil masterminded the undeclared destruction of large stocks of WMD in July 1991. This undermined Iraq's and specifically Tariq 'Aziz's credibility with the UN. Husayn Kamil also persuaded Saddam to hide and to deny the existence of Iraq's nuclear program in 1991, conceal the biological weapons program, and to reject early UN offers (UNSCR 712, a forerunner to the OFF program) of monitored oil sales as a means of limited sanctions relief.
- Tariq 'Aziz said that in contrast he sought concessions from the UN in return for Iraq's gradual compliance with UN sanctions. He cooperated with the UN, but was undercut by Husayn Kamil's machinations and was unable to extract concessions, an outcome that eventually led Saddam and other leaders to criticize him, according to the presidential secretary.

### The Foreign Policy Committees

Saddam created a committee called the Political Operations Room after 1991 as a deliberative body to provide political advice. The committee, comprising Foreign Minister Ahmad Husayn Khudayr Al Samarra'i, Prime Minister Sa'dun Hamadi (chair), Tariq 'Aziz and either Latif Nusayyif Jasim Al Dulaymi or Hamid Yusif Hammadi, replaced a system in which ministers met with Saddam individually to discuss such issues. Tariq 'Aziz was assigned to chair the committee when Saddam fired Hamid in October 1991.

- Important decisions were left to Saddam, although the committee sought to react quickly to secondary political developments by issuing statements and comments according to Tariq 'Aziz.

Saddam created the Committee of Four, or Quartet, in 1996 as a foreign policy advisory body to replace the Political Operations Room. Vice President 'Izzat

Ibrahim al Duri served as the informal chair and Tariq 'Aziz, Vice President Taha Yasin Ramadan and 'Ali Hasan Al Majid, who was put on the committee to monitor the others, served as members. Saddam set the agenda, which was ad hoc and varied. The Quartet might consider WMD-related topics such as UNSCOM cooperation, but it did not address overall strategy for acquiring or employing WMD, according to Tariq 'Aziz.

*Neither the Political Operations Room nor the Quartet had a policymaking role. Instead, they offered advice, but only on issues referred to them by Saddam.* They had none of the proactive or directive powers normally associated with such senior committees in the West or elsewhere. Moreover, they were weakened by the Byzantine administrative practices common to the higher levels of the Regime.

- The Quartet addressed an extensive range of topics, including policies toward Russia, France, Syria, the UN and the Kurds. It also discussed the Arab-Israeli situation and the dispatch of envoys. 'Izzat Ibrahim would prepare a few working minutes, uncoordinated with any of the other members, after the meeting and forward them to Saddam.
- The Quartet assigned specific government agencies to research specific topics and provide answers to Saddam, if the president required it, but did not have a dedicated assessments staff of its own.

The RCC also considered foreign policy issues but usually in the form of briefings from Saddam or expert staff and usually did little more than endorse the decision Saddam had already determined. It served increasingly as a forum for Saddam to make announcements or as a face-saving foil to explain Iraq's policy changes.

- Saddam would on occasion elicit foreign policy advice from the RCC, but would not accept it very often, even after lengthy discussion, according to former Vice President Ramadan. The RCC at other times would simply parrot what they knew was Saddam's opinion. Saddam was more inclined to accept RCC advice about more junior level government appointments.

- The RCC represented the outer limit of awareness in government circles of WMD in Iraq and was not part of the normal decision-making process on the issue. Saddam's address to the RCC in late 2002 announcing Iraq had no WMD was news to many members. WMD-related topics were never discussed outside the RCC and rarely outside the Quartet members, according to the former presidential secretary. The RCC had no role in WMD or missile strategy, according to former Vice President Ramadan, and did not usually consider military issues, according to Tariq 'Aziz.
- Saddam approached the RCC for recommendations on how to deal with UNSCR 1441 of 8 November 2002, but he opened the discussion by stating that Iraq would not accept reconnaissance flights, interviews with scientists, or visits to presidential sites such as palaces. These topics would not be open for discussion. Ramadan, along with other key members, realized limited compliance with UNSCR 1441 would be futile and counterproductive, but he did not use the RCC to debate Iraq's response to UNSCR 1441. Instead he first used the Higher Committee to lobby Saddam to approve UN over flights and to allow UN inspectors to interview Iraqi scientists, but without success. Faced with a UN ultimatum to agree, and with Saddam in one of his periods of self-imposed seclusion, Ramadan exhibited a rare display of independent decision-making and exercised his own authority to authorize the UN over flights.

### **Saddam's Grip on National Security and WMD Development**

*Saddam's disregard for civil and constitutional forms of administration meant he turned to an array of security and military industrial organizations to implement policy or to provide technical advice during the sanctions period.* Paramount among these were the SSO, IIS, RG, MIC and the armed forces, all of which answered directly to him.

- Saddam addressed military and military industrialization issues directly with the people he installed

in the positions of Defense Minister or the Minister of Military Industrialization, according to the former Defense Minister, without the filter of the Cabinet, the RCC or any equivalent of a National Security Council. Similarly, Saddam discussed any Republican Guard issues directly with Qusay and the RG Chief-of-Staff.

- The defense minister, who had no authority over the Republican Guard, forwarded all other military matters of any significance to Saddam, according to Tariq 'Aziz.

Saddam had direct command of the Iraqi intelligence services and the armed forces, including direct authority over plans and operations of both. The Directorate of General Military Intelligence (DGMI) and the IIS assembled detailed orders of battle and summaries of the general military capability of potential adversaries, particularly Iran, Israel and the United States, and gave them to Saddam and his military leadership. The IIS also ran a large covert procurement program, undeclared chemical laboratories, and supported denial and deception operations (See Annex B "Iraqi Intelligence Services" and Annex C "Iraqi Security Services" for additional information).

- The intelligence services collected foreign intelligence and relayed the raw reporting to Saddam via his presidential secretary. The Regime tightly controlled dissemination of such material. Material going to Saddam would not necessarily be shared with the responsible deputy prime minister or the military.

Saddam's hold on the state and its security infrastructure extended to the military-industrial complex. MIC oversaw Iraq's substantial and centrally planned military-industrial infrastructure. MIC at certain times in its history covered all industries and most activities that supported the research, development, production and weaponization of CBW agents and missile delivery systems. While as an institution MIC had organizational continuity, substantively there were two MICs, each distinguishable by unique historical circumstances and its links to a prominent leader. Both leaders were close protégés of Saddam and answered

directly and continuously to him. Husayn Kamil created the first MIC in 1987, which continued in various forms—including a major overhaul in 1992—until his flight to Jordan in 1995. ‘Abd-al-Tawab ‘Abdallah Al Mullah Huwaysh restructured the organization in 1997 into its second form, which remained until the onset of Operation Iraqi Freedom.

Both Husayn Kamil and ‘Abd-al-Tawab ‘Abdallah Al Mullah Huwaysh represent partial anomalies in Saddam’s command and control structure. Saddam was interested in their loyalty, discretion and ability to achieve results. The assets they commanded were not threats to his rule in the way the army or the Ba’th Party could be. Both Husayn Kamil and Huwaysh were therefore given more license and less direct oversight than the army leadership or the RCC, although Saddam would often ask about particular projects or facilities. Ironically, in Husayn Kamil’s case, this lack of oversight eventually created major problems for the Regime.

- When Husayn Kamil assumed responsibility for military scientific research and industry in 1987, Saddam gave him broad administrative and financial authority to consolidate Iraq’s research, development, and industrial resources into military capabilities essential for winning the Iran-Iraq war. Husayn Kamil had notable successes, developing long-range missiles and BW and CW capabilities for Saddam. In the aftermath of Desert Storm, Husayn Kamil used MIC in attempts to conceal banned weapons and deceive UNSCOM inspectors. His capricious and self-serving leadership of MIC and lack of accountability eventually destroyed its institutional integrity, a process further aggravated by his departure in 1995.
- By 1997, MIC was on the verge of collapse. The Ministry of Defense, MIC’s primary customer, had lost confidence in its ability to meet military production requirements. To halt the slide, Saddam plucked ‘Abd-al-Tawab ‘Abdallah Al Mullah Huwaysh from nine years of bureaucratic exile, and installed him as the Minister of Military Industrialization. Huwaysh instituted strict organizational and financial reforms, centered on mandatory planning and personnel accountability. By 2002, MIC was thriving, its total revenues increasing over forty fold as had its revenue base, despite continuing UN sanctions and coalition attacks on its facilities.

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### *The Military Industrialization Commission*

*As an institution, the MIC had historical continuity emerging in the 1980s from the State Organization for Technical Industries (SOTI) as the “Military Industrialization Organization,” progressing through the Ministry of Industry and Military Industrialization (MIMI), and finally in 1991, transforming into the MIC.*

*The MIC ran Iraq’s military-industrial complex, including at certain times, all weaponization of chemical and biological agents and delivery systems. Iraq’s nuclear program, however, was separate from MIC’s institutional framework through much of its history. Operation Desert Storm destroyed much of Iraq’s military-industrial infrastructure, including many chemical bombs and rockets. But, despite the war, some of Iraq’s WMD arsenal remained intact, and was preserved by the MIC. The MIC assisted in concealing banned weapons and attempting to deceive the UN weapon inspectors up until 1995, when Husayn Kamil Hasan Al Majid, Saddam’s son-in-law and MIC director, fled to Jordan (see the “Husayn Kamil” text box for additional information).*

*By 1997, the Iraqi Ministry of Defense (MoD) had lost faith in the ability of the MIC to develop or produce the goods required of it. Re-creation of the MIC began in 1997 under Huwaysh, who by 1999 had reorganized and completely restructured the organization. Saddam’s growing confidence in Huwaysh saw him eventually appointed as the Minister of Military Industrialization and, later, as one of the Deputy Prime Ministers of Iraq. The MIC’s re-emergence provided the research, development and industrial base upon which Saddam hoped to rebuild and modernize Iraq’s military-industrial capabilities. Huwaysh introduced mandatory planning, financial oversight and personal accountability in order to set the organization on a modern accountable management base. Salaries were raised and re-engagement with the MoD took place. Universities were encouraged to contribute to MIC projects and research, while production was outsourced to the private sector, with considerable success.*

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## Saddam Holding Court

### *Saddam made shells of state institutions that in most other countries would be organs of executive power.*

Under Saddam, they existed largely for appearance and as lightning rods for blame. For example, the RCC would be summoned for a public session so that a potentially embarrassing change of course could be attributed to the RCC, rather than be seen as an earlier misjudgment on Saddam's part. This division of responsibilities allowed Saddam to take the credit, while institutions took the blame.

- For example, according to Taha Yasin Ramadan, he, the RCC and the Higher Committee assumed responsibility for embarrassments such as acquiescence to UN "intrusions" and agreeing to U2 flights. Blame shifting was typical of Saddam. Nonetheless, from time to time in uncontroversial non-crisis situations, Saddam would revert back to formal decision-making structures to conduct business. Ramadan commented that he did not know what would prompt Saddam to resort to the formal chain of command at a particular point of time.

## Saddam and Fiscal Policy

Saddam ignored his economic advisors in the Ministries of Finance and Planning with respect to strategic planning. For example, Saddam entered the Iran-Iraq war heedless of Ministry warnings about the economic consequences. He had no plan or strategy for how the war was to be financed and generally displayed little interest in economic policy. He showed little concern about adjusting disastrous economic policies (such as those causing inflation) in the interests of social stability. He did, however, pay close attention to disbursements. He made sure he could take the credit for public sector pay raises or special allocations such as bonuses to particular sections of the Iraqi population. He took less interest in whether such outlays were affordable or their effect on fiscal management.

- A senior Iraqi Finance Ministry official said the Ministry consciously conducted its budgeting in the 1980s as if foreign debt did not exist. Internal debt was paid by printing dinars and concocting artificial exchange rates, regardless of the inflationary consequences.
- Saddam appointed Hikmat Mizban Ibrahim Al 'Azzawi as Finance Minister in 1995 and Deputy Prime Minister and head of the Financial Committee in 1999. He reported directly to Saddam and not to the cabinet. Saddam gave direct instructions to Hikmat on how to allocate funds for salaries, bonuses, farm subsidies and to adjust ration prices, according to 'Ali Hasan Al Majid.
- Financial matters were Saddam's third governmental priority after security and political management, but ahead of technical, industrial and social administration according to 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh reviewing in 2004 the last years of Saddam's governance. Huwaysh's description of Saddam's financial discussions, however, shows Saddam was preoccupied with disbursements and cash flow, not fiscal policy or macroeconomic management. Huwaysh based his view of Saddam's priorities on the order of precedence of the four Deputy Prime Ministers who were responsible respectively for international security (Tariq 'Aziz), political management through the Presidential Diwan (Ahmad Husayn Khudayr Al Samarra'i), Finance (Hikmat) and finally Huwaysh.

## How Saddam Saw His Subordinates

### Mining Respect and Expertise

Saddam recognized and respected talent and public esteem in individual subordinates and area experts, but not to the point where they could contradict his goals, power or his judgment. He worked systematically to extract what they could contribute to the Regime, while keeping them politically isolated. Saddam was careful to keep subordinates from gaining popularity.

- According to 'Ali Hasan Al Majid, "If some person makes good work and gets the admiration of . . . the Ba'thists, he does not keep that person . . . he never let an official admired by the Iraqis [stay] in the same position for more than three years."

### Mutuality of Fear

*Saddam feared that his subordinates could gather enough strength to challenge his position, or even a particular policy, and he acted to prevent it.* He was routinely suspicious of subordinates—even those with long standing loyalty. His subordinates remained fearful of him, and they were incapable of common action against him or key policies.

- Tariq 'Aziz said that he opposed the invasion of Kuwait, but could not dissuade Saddam. Asked why he did not resign in protest, he denied he thought he would be killed, but said, ". . . there would be no income, no job." Tariq 'Aziz denied Saddam killed anyone personally while President. "But he would tell the security services to take care of things [dis-senters], and they would take care of it."
- Ramadan believed that from late 2002, Iraqi policy toward the UN and the United States was taking the Regime toward a disastrous war, but he said, "I couldn't convince Saddam that an attack was coming. I didn't try that hard. He was monitoring my performance in managing [UN] inspectors."

- 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh was sacked as Minister of Industry in 1988 after a clash with Husayn Kamil and was ostracized for nine years. He believed he only avoided prison because of Ramadan's intervention with Saddam. According to Huwaysh, no minister ever argued in meetings against Saddam's stated position because it ". . . was unforgivable. It would be suicide."
- 'Ali Hasan Al Majid said he feared Saddam and cited the killing of many people close to Saddam as the basis of his fear.
- Huwaysh said Saddam "loved the use of force."
- Fear worked both ways. At Saddam's "one-on-one" weekly meetings with individual heads of security agencies, he would always be accompanied by a bodyguard, according to Hamid Yusif Hammadi, Minister of Culture and Information. "Saddam did not trust anyone, even his cousin."
- Nevertheless, Saddam said he believed "Good personal relations bring out the best in people."

### Dazzled by Science

*Saddam was awed by science and inspired by the possibilities it offered for national development and military power.* Saddam had an enthusiastic attitude toward science dating back to when, in the early 1970s, he found himself in charge of the Iraqi Atomic Energy Commission (IAEC) as part of his responsibilities as Vice President. Saddam venerated Iraq's history as a center of scientific achievement under individuals like the famous mathematician and astronomer Ibn Al Haytham (c. 965 AD—c. 1040 AD). He retained a respect for many aspects of science to the end, but became less interested in detail and more detached from developments in Iraq's scientific infrastructure.

- Deputy Prime Minister 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh believed Saddam had "a special affection for his nuclear scientists" from the inception of the Iraqi nuclear program in the 1970s.



- ‘Ali Hasan Al Majid noted Saddam’s expansion of the university system “. . . to the point of [having] a university in every governorate of the country.”
- Saddam kept three scientific advisers on his staff: ‘Amir Hamudi Hasan Al Sa’adi, former deputy director at MIC, who held that position since 1994, ‘Amir Muhammad Rashid Al ‘Ubaydi, the former Minister of Oil, and Ja’far Diya’ Ja’far Hashim, former head of PC-3.

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**“A Man Can Be Destroyed, But Not Defeated”**

Ernest Hemingway, “The Old Man and the Sea”

*Saddam’s fondness for certain examples of Western culture was highly selective and did not reflect a sophisticated awareness of Western cultural values or motivations. Saddam—not unlike other dictators throughout history—fixed upon foreign cultural examples to reinforce his view of himself and his own behavior, not to moderate it through the development of a broader, global or more inclusive perspective. One of Saddam’s favorite books is Ernest Hemingway’s *The Old Man and The Sea*, the Nobel Prize-winning story of one man—Santiago, a poor Cuban fisherman—and his struggle to master the challenges posed by nature. Saddam’s affinity for Hemingway’s story is understandable, given the former president’s background, rise to power, conception of himself and Hemingway’s use of a rustic setting similar to Tikrit to express timeless themes. In Hemingway’s story, Santiago hooks a great marlin, which drags his boat out to sea. When the marlin finally dies, Santiago fights a losing battle to defend his prize from sharks, which reduce the great fish, by the time he returns to his village, to a skeleton. The story sheds light on Saddam’s view of the world and his place in it.*

*The parallels that Saddam may have drawn between himself and Santiago were in their willingness to endure suffering and hardship to prove a point and in their willingness to inflict pain on the victims of their struggles to accomplish their objectives. Saddam’s rise to “greatness” is marked by jail and exile, as well as violence. Saddam tended to characterize, in a very Hemingway-esque way, his life as a relentless struggle against overwhelming odds, but carried out with courage, perseverance and dignity. Certainly in the context of the “Mother of All Battles”—his name for the 1991 Gulf War—and his subsequent struggle against UN sanctions, Saddam showed a stubbornness arising from such a mindset and a refusal to accept conventional definitions of defeat. Much like Santiago, ultimately left with only the marlin’s skeleton as the trophy of his success, to Saddam even a hollow victory was by his reckoning a real one.*

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## How Saddam Saw Himself

### Saddam's Psychology

*Saddam's psychology was shaped powerfully by a deprived and violent childhood in a village and tribal society bound by powerful mores.* Many of his associates noted how early experiences had a lasting effect on Saddam's outlook.

- 'Ali Hasan Al Majid thought that "As any village child, he was affected by the traditions and customs of his tribe . . . you see him having an influence on most . . . Iraqis because they have come from the same country and tribal origin."
- 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh believed much of Saddam's personality was shaped by the circumstances of his childhood, particularly his violent and xenophobic guardian uncle.
- Saddam had few friends among top leaders even in the 1970s and 1980s. These ties diminished further after 1995 and he focused more on relatives, according to Tariq 'Aziz.

### Saddam's Personal Security

*Saddam thought he was under constant threat and he prioritized his personal safety above all administrative issues.* 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh said Saddam put the priority for personal safety at the absolute peak of a hierarchy of interests. Some of his fear was well founded, but he grew increasingly paranoid as the 1990s progressed. His personal security measures were extreme. For example, the SSO operated a laboratory specifically for the testing of Saddam's food. An outgrowth of his fear was the building of multiple palaces, in part designed to foil attempts by attackers or assassins to locate him. The palaces also reflected the fact that Saddam increasingly saw himself as the state and that what was good for him was good for Iraq.

- Saddam went on a palace and mosque building extravaganza in the late 1990s, employing 7000 construction workers, when much of the economy

was at the point of collapse. His rationale for this was concern for his personal security. He stated that by building many palaces the US would be unable to ascertain his whereabouts and thus target him.

- Military officers as senior as the Commander of the SRG, who was responsible for physical protection of Presidential palaces, were barred from entering any palace without prior written permission.
- 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh attributed much of this paranoia to Saddam's sense of betrayal following the defection of Husayn Kamil in 1995, who he had previously seen as close to him as a son. The attempt on 'Uday's life in December 1996 also had a deep impact on Saddam, because the extensive security infrastructure designed to protect him and his family failed in a spectacular and public way. The attack marks the start of Saddam's decreased visibility with senior officials and increased preoccupation with Regime security.

### Saddam the Dynasty Founder

Saddam's resort to dynastic and familial means of running Iraq did the most to undermine institutional decision-making. Saddam saw the state in personal terms and his career was marked by a steady retreat from the Ba'thist ideal of a modern state to governance modeled on a rural Arab clan. His administration became reliant on family and clan members throughout the 1990s. Tariq 'Aziz and Taha Yasin Ramadan commented on the growing and corrosive influence of the Tikriti clan on state control at this time. Relatives dominated leadership positions and progressively diminished the policy (as opposed to coercive) role of the Ba'th Party. Every senior non-Tikriti in the Regime has pointed to Saddam's increasing and destructive resort to family and clan members to staff sensitive government positions. Nevertheless, while inclined toward a dynastic succession, Saddam prioritized preservation of his legacy. He was still searching for a competent and reliable succession that would guarantee his legacy at the time of his fall.

- Saddam gradually shifted his reliance on advice from technocrats to family members from 1995 onward, according to Tariq 'Aziz. This favored

family, who was not necessarily competent, such as 'Ali Hasan Al Majid, weakened good decision-making, according to former Vice President Ramadan. Nonetheless it was accepted as a seemingly normal part of administration in Iraq.

- Ramadan thought, "The last three years with Saddam bothered me the most. There were too many relatives in sensitive jobs. When I was put in charge of inspections, I was qualified to do the job. My staff will tell you I could have fixed it."
- He said, "Saddam was weak with his family members. He punished them, but let them go right back to doing what they were doing in the first place." Moreover, 'Ali Hasan Al Majid thought the only occasions he saw Saddam yield under "pressure" was in dealing with relatives. "He used to stand by their side regardless of any reason."

It seems clear that Saddam was grooming Qusay as his heir by gradually giving him increasing responsibilities starting in the late 1990s. According to 'Ali Hasan Al Majid, "He was paving the way for his son Qusay more than 'Uday, because Qusay was lovely, having a noble character." For many senior Iraqis, however, Qusay's significance stemmed from his perceived influence on his father. These former senior officials dismiss Qusay's intelligence and leadership ability. Saddam gave him security, and some military responsibilities, but never significant political, scientific or economic tasks in government. There was also a view that Qusay already had more responsibility than he could handle.

- Saddam gave Qusay control of the RG, SRG, and SSO. He was elected in 2001 to the Ba'th Party Command, a stepping-stone to eventual RCC membership, which would have been the most significant mark of his growing importance in the Regime hierarchy.
- Saddam also assigned Qusay to the Higher Committee as a watchdog in 2002 in response to Saddam's dissatisfaction with committee concessions to the UN, according to Ramadan.

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### ***The Heir Apparent***

***Different sources portray Qusay Saddam Husayn, Saddam's potential successor, as ambitious, distrustful and fawning.***

- *Qusay in 1998 began to marginalize certain senior Regime officials who had been appointed by Saddam and installed his own trusted aides in key positions, including within the SSO, according to a former senior official.*
- *Qusay was a member of the (military) Committee of Three, which controlled armed forces officer promotions and recommended to Saddam General Officer appointments and promotion. He showed himself profoundly suspicious of recommendations from within the army and often disregarded them, according to a former senior officer.*
- *Qusay was keen to provide Saddam with good military news, according to Walid Hamid Tawfiq. However, he lived in fear of incurring Saddam's displeasure and optimistically exaggerated information that he gave to Saddam.*
- *The former MIC director, Huwaysh, recounted that on one occasion in late 2002 when he met with Saddam and Qusay, Qusay boasted to his father, "we are ten times more powerful than in 1991." Immediately disagreeing, Huwaysh said, "Actually, we are 100 times weaker than in 1991, because the people are not ready to fight." Saddam did not respond, but Qusay was angry that Huwaysh had contradicted him.*

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### **Saddam and His Sense of Legacy**

Saddam was most concerned with his legacy, and he saw it in grand historic terms. His management of the present was always with a view to its appearance in the future, and this tended to distort foreign protagonists' perceptions of his current motivations. He wanted to be remembered as a ruler who had been as significant to Iraq as Hammurabi, Nebuchadnezzar and Salah-al-Din [Saladin]. His problem lay in how to define and to achieve this greatness. Even what it was

to consist of was hazy. His drive to preserve his place in Iraqi history outweighed even his feelings toward his family. Saddam wanted a dynasty as seemingly the best way to guarantee his legacy, but he was clear about the distinction between dynasty and legacy and of the two, he was most concerned about legacy. At the time of the fall of the Regime, he was leaning toward Qusay as successor, but with his second son still very much on probation.

- A US interviewer noted Saddam spoke of his place in Iraqi history and his family in the same context, but showed a far greater concern for the former.
- ‘Abd-al-Tawab ‘Abdallah Al Mullah Huwaysh thought Saddam saw himself in “larger than life” terms comparable to Nebuchadnezzar and Salah-al-Din [Saladin]. More modestly, Saddam when speaking to ‘Ali Hasan Al Majid compared his rule to Al Mansur, the Abbasid Caliph who founded Baghdad, and Al Hajjaj, the Umayyad founder of Arab rule in Iraq. ‘Ali also thought Saddam “dreamed of making Iraq the biggest power in the region and the Middle East.”
- According to Huwaysh, Saddam’s economic vision for Iraq—looking out ten years—was a recreation of Iraq’s industrial strength and a planned manufacturing economy that would not be dependent on oil exports. Saddam, however, had no plans for an information-based or service sector economy, nor was there a place for tourism. The likelihood was that even with peace and no sanctions, Iraq would have been as self-isolated and unconnected to a free world as it ever had been under his rule.

## Desire . . . Dominance and Deterrence Through WMD

### Saddam’s Role in WMD Policy

*Saddam’s centrality to the Regime’s political structure meant that he was the hub of Iraqi WMD policy and intent.* His personalized and intricate administrative methods meant that control of WMD development and its deployment was never far from his touch (see the “Excerpts from a Closed-Door Meeting” inset). His chain of command for WMD was optimized for his control rather than to ensure the participation of Iraq’s normal political, administrative or military structures. Under this arrangement, the absence of information about WMD in routine structures and the Iraqi military’s order of battle would not mean it did not exist. Even so, if WMD existed, its absence from Iraqi military formations and planning when war was imminent in 2003 would be hard to explain.

As with past use, Saddam would have rigorously and personally controlled the relevant formations, and have had sole release authority. Saddam’s doctrine in the Iran-Iraq war was to separate WMD control from the military’s leadership, but to have its use available (and controlled by security agencies) if military operations required it.

The defense ministry and the senior military staffs formulated national war plans, but according to Staff Gen. Sultan Hashim Ahmad Al Ta’i, the former Minister of Defense, these organizations did not incorporate WMD in their planning, training, and supply systems during the Iran-Iraq war. Sultan’s recollection, however seems thin given the likely degree of planning and training necessary for the extensive use of CW by both sides during the conflict.

- During and after the late 1990s, the few times Saddam evidently asked about the potential of certain Iraqi WMD options suggest he was not consistently focused on this issue. He asked ad hoc questions about feasibility of reconstituting programs and confined his confidences to hinting that Iraq might reconstitute WMD after sanctions. While

he may have said he had the desire, no source has claimed that Saddam had an explicit strategy or program for the development or use of WMD during the sanctions period. Given the sensitivity of the subject, however, to share such thinking with anybody but a few close associates would have been out of character for Saddam. This lack of a formal statement would chime with his autocratic style of governance—especially given past experience with UN inspections searching for documents.

- Saddam spoke often in one-to-one sessions with first Husayn Kamil and later 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh on research and industrial issues supporting WMD. There are no indications that Saddam issued detailed written instructions to either individual to direct WMD work, as was the practice in the 1980s when the programs were highly active.
- There are multiple references, however, to Saddam ordering the MIC to pursue military technology “pet projects” he had received from other government agencies, individual scientists, or academics. Often the projects’ proponents had exaggerated their technical merits to obtain Saddam’s backing. Desperate to find and exploit any potential military advantage, Saddam would direct the projects for further research and development. However, none of these projects involved WMD.

***Saddam’s rationale for the possession of WMD derived from a need for survival and domination. This included a mixture of individual, ethnic, and nationalistic pride as well as national security concerns particularly regarding Iran.*** Saddam wanted personal greatness, a powerful Iraq that could project influence on the world stage, and a succession that guaranteed both. Saddam sought the further industrialization of Iraq, held great hopes for Iraqi science, and saw himself as the liberator of Palestine. His vision was clearest—and seemingly most achievable—in terms of leaving Iraq militarily strong, within appropriate borders and safe from external aggressors, especially Iran. WMD was one of the means to these interrelated ends.

***Saddam felt that any country that had the technological ability to develop WMD had an intrinsic right to do so.*** He saw WMD as both a symbol and a normal process of modernity. Saddam’s national security policy demanded victory in war, deterrence of hostile neighbors (including infiltration into Iraq), and prestige and strategic influence throughout the Arab world. These concerns led Iraq to develop and maintain WMD programs.

- Saddam sought foremost personal and Regime survival against several foreign and domestic enemies. At the same time, he sought to restore Iraq’s regional influence and to eliminate sanctions.
- In particular, Saddam was focused on the eventual acquisition of a nuclear weapon, which Tariq ‘Aziz said Saddam was fully committed to acquiring despite the absence of an effective program after 1991.

#### **What Saddam Thought: The Perceived Successes of WMD**

***The former Regime viewed the four WMD areas (nuclear, chemical, biological, and missiles) differently.*** Differences between the views are explained by a complex web of historical military significance, level of prestige it afforded Iraq, capability as a deterrent or a coercive tool, and technical factors such as cost and difficulty of production. We would expect to see varying levels of attention to the four programs and varying efforts to prepare for, or engage in, actions to restart them.

***Saddam concluded that Iraq’s use of CW prevented Iran, with its much greater population and tolerance for casualties, from completely overrunning Iraqi forces, according to former vice president Ramadan.*** Iraq used CW extensively in the Iran-Iraq war (1980-88) to repel the Iranian army.

- Iraq suffered from a quantitative imbalance between its conventional forces and those of Iran.
- Saddam’s subordinates realized that the tactical use of WMD had beaten Iran. Even Taha Yasin Rama-

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### *Iraq's Use of CW in 1991 Against Internal Unrest*

*The former Regime also saw chemical weapons as a tool to control domestic unrest, in addition to their war-fighting role. In March 1991, the former Regime used multiple helicopter sorties to drop CW-filled bombs on rebel groups as a part of its strategy to end the revolt in the South. That the Regime would consider this option with Coalition forces still operating within Iraq's boundaries demonstrates both the dire nature of the situation and the Regime's faith in "special weapons."*

- *All but two of Iraq's provinces in 1991 were in open revolt and the Regime was worried. The fall of Karbala deeply affected key decision-makers. According to a former senior member of the CW program, the Regime was shaking and wanted something "very quick and effective" to put down the revolt.*
  - *In the early morning of 7 March 1991 an unidentified Iraqi requested permission to use "liquids" against rebels in and around An Najaf. Regime forces intended to use the "liquid" to defeat dug-in forces as part of a larger assault.*
  - *Husayn Kamil, then Director of MIC, ordered senior officials in the chemical weapons program to ready CW for use against the revolt. His initial instruction was to use VX. When informed that no VX was available he ordered mustard to be used. **Because of its detectable persistence, however, mustard was ruled out and Sarin selected for use.***
  - *On or about 7 March 1991, R-400 aerial bombs located at the Tamuz Airbase were readied for use. Al Muthanna State Establishment (MSE) technicians mixed the two components of the Iraqi "binary" nerve agent system inside the R-400s. Explosive burster charges were loaded into the bombs and the weapons assembled near the runway.*
  - *Helicopters from nearby bases flew to Tamuz, were armed with the Sarin-laden R-400s and other conventional ordnance. Dozens of sorties were*
- flown against Shi'a rebels in Karbala and the surrounding areas. A senior participant from the CW program estimates that 10 to 20 R-400s were used. Other reporting suggests as many as 32 R-400s may have been dropped. As of March 1991, about a dozen MI-8 helicopters were staged at Tamuz Airbase.*
- *MI-8 helicopters were used during the Iran-Iraq war to drop chemical munitions, according to an Iraqi helicopter pilot.*
  - *Following the initial helicopter sorties, the senior chemical weapons program officer overseeing the operation received an angry call from Husayn Camel's office. The caller said the attacks had been unsuccessful and further measures were required. The R-400s were designed for high-speed delivery from higher altitude and most likely did not activate properly when dropped from a slow-moving helicopter.*
  - *As an alternative to the R-400s, the Al Muthanna State Establishment began filling CS (tear gas) into large aerial bombs. Over the next two weeks helicopters departed Tamuz Air Base loaded with CS-filled bombs. One participant estimated that more than 200 CS filled aerial bombs were used on rebel targets in and around Karbala and Najaf.*
  - *Trailers loaded with mustard-filled aerial bombs were also transported to the Tamuz Air Base. A participant in the operation stated that mustard gas was not used on the rebels because of the likelihood of discovery by the Coalition. According to the source, the mustard filled bombs were never unloaded and were not used.*
  - *Reports of attacks in 1991 from refugees and Iraqi military deserters include descriptions of a range of CW and improvised poisons used in the areas around Karbala, Najaf, Nasiriyah, as well as Basrah.*
-

dan, one of Saddam's more independent-minded underlings, acknowledged that the use of CW saved Iraq during ground fighting in the Iran-Iraq war.

- Saddam announced at the end of the war that the Iranian army's backbone had been shattered by the war, according to the presidential secretary. Saddam stated that Iran would be unable to confront Iraq for a decade. Political divisions in Iran, weaknesses in Iranian military capabilities, and Iran's inability to sustain long-term offensive operations also reduced the risk of attack, according to the former chief-of-staff.
- Hamid Yusif Hammadi, former Secretary of the President and presidential office director (1982-1991), said that after the Iran-Iraq War, Saddam was intoxicated with conceit. He believed he was unbeatable. He spoke of this to the Iraqi Government officials and to visiting dignitaries from other Arab countries."

***Saddam concluded that missile strikes on Tehran, late in the Iran-Iraq war, along with the Al Faw ground offensive had forced Iran to agree to a cease-fire, according to the former Minister of Military Industrialization.***

- Saddam's logic was that the "war of the cities"—when Al Husayn missiles were fired at Iranian targets from February to April 1988—had shown that Tehran was more vulnerable to missiles because its population density was greater than Baghdad's. This gave Iraq a strategic incentive to maintain ballistic-missile capabilities.
- According to Saddam, Iraq accelerated its missile development after Iran demonstrated the range capability of its imported ballistic missiles in the 1980s. Saddam said missile technology had been important to Iraq because Iraq could build its own ballistic missiles whereas Iran could not.

***Saddam saw Iraq's nuclear program as a logical result of scientific and technical progress and was unconvinced by the notion of non-proliferation.*** He considered nuclear programs a symbol of a modern nation, indicative of technological progress, a by-

product of economic development, and essential to political freedom at the international level (what he described as "strategic balance"). He wanted nuclear weapons to guarantee his legacy and to compete with powerful and antagonistic neighbors; to him, nuclear weapons were necessary for Iraq to survive. Saddam wished to keep the IAEC active and his scientists employed and continuing their research. "I," maintained Saddam, "am the Godfather of the IAEC and I love the IAEC." In a captured audio tape, Saddam said in a conversation (of unknown date) with Tariq 'Aziz and other unidentified senior officials:

*This conversation was very useful. We have had a look at the international situation, and arrange (present tense) our present and future steps during these studies. I believe that the USA is concentrating on the Far East, and all of the areas of South East Asia, for two main reasons—Korea and Pakistan. The existence of the nuclear weapons in other countries makes the USA and Europe get worried. Having nuclear weapons in these areas, with their economic situation known by the US, gives these countries a chance to face the European countries and the Americans. A long time ago economic recovery existed in only in two areas of the world. In the last fifteen years Japan appears to have improved itself to what they see now. Not only Japan but all of these countries have developed economically. When it appears that there are nuclear weapons in Korea others will be allowed, under the doctrine of "self defense and balance of power," to create the same industry. As a result, when South Korea or Japan decides to create nuclear weapons they won't need a long time to produce it. The money and the weapons will be in an area outside Europe and the USA. At the same time there will be more pressure on China to stop their [South Korea or Japan's] nuclear experiments. When nuclear centers are allowed in different places this pressure will decrease, and China will have the chance to develop its nuclear programs with less pressure from USA and Europe. As a result, as it was previously with China, with the high technology, will put the USA and Europe in the situation we mentioned before: they will be worried about their international trading and their international effect. This is what the USA is interested in.*

**Excerpts from a Closed-Door Meeting  
Between Saddam and Senior Personnel, January  
1991**

The Iraqi Regime routinely, almost obsessively, engaged in the recording of its high level meetings, not in the conventional documentary form of more ordinary bureaucracies, but by way of audio and videotapes. Despite the highly secret and sensitive nature of CBW, even discussions in this area are known to have been recorded in this manner. Below is an example of an audio recording recovered by ISG, probably made during the second week of January 1991. Saddam and senior officials move from making routine, even jocular, small talk about ceremonial clothing, to engaging in a detailed discussion of chemical and biological weapons. The following are excerpts from a conversation lasting a quarter of an hour between Saddam, director of the MIC Husayn Kamil Hasan al Majid, Iraqi Air Force Commander Muzahim Sa' b Hasan Muhammad Al Masiri, and, at least, one other senior official in which they discuss the prospect for WMD attacks on Saudi and Israeli cities (see Annex D "Saddam's Personal Involvement in WMD Planning" for the complete meeting transcript).

Begin Transcript:

Speaker 2: Sir, the design of the suit is with a white shirt and a collar (neck line) like dishdasha.

Saddam: Then my design is right.

Husayn Kamil and Speaker 2: Absolutely right, sir . . .

Saddam: I want to make sure that—close the door please (door slams)—the germ and chemical warheads, as well as the chemical and germ bombs, are available to [those concerned], so that in case we ordered an attack, they can do it without missing any of their targets?

Husayn Kamil: Sir, if you'll allow me. Some of the chemicals now are distributed, this is according to the last report from the Minister of Defense, which was submitted to you sir. Chemical warheads are stored and are ready at Air Bases, and they know how and when to deal with, as well as arm these heads. Also, some other artillery machines and rockets (missiles) are available from the army. While some of the empty "stuff" is available for us, our position is very good, and we don't have any operational problems. Moreover, in the past, many substantial items and materials were imported; now, we were able to establish a local project, which was established to comply with

daily production. Also, another bigger project will be finalized within a month, as well as a third project in the coming two to three months that will keep us on the safe side, in terms of supply. We, Sir, only deal in common materials like phosphorus, ethyl alcohol and methyl (interrupted) . . .

Saddam: what is it doing with you, I need these germs to be fixed on the missiles, and tell him to hit, because starting the 15th, everyone should be ready for the action to happen at anytime, and I consider Riyadh as a target . . .

Husayn Kamil: (door slams) Sir, we have three types of germ weapons, but we have to decide which one we should use, some types stay capable for many years (interrupted).

Saddam: we want the long term, the many years kind . . .

Husayn Kamil: . . . There has to be a decision about which method of attack we use; a missile, a fighter bomb or a fighter plane.

Saddam: With them all, all the methods . . . I want as soon as possible, if we are not transferring the weapons, to issue a clear order to [those concerned] that the weapon should be in their hands ASAP. I might even give them a "non-return access." (Translator Comment: to have access to the weapons; to take them with them and not to return them). I will give them an order stating that at "one moment," if I 'm not there and you don't hear my voice, you will hear somebody else's voice, so you can receive the order from him, and then you can go attack your targets. I want the weapons to be distributed to targets; I want Riyadh and Jeddah, which are the biggest Saudi cities with all the decision makers, and the Saudi rulers live there. This is for the germ and chemical weapons . . . Also, all the Israeli cities, all of them. Of course you should concentrate on Tel Aviv, since it is their center.

Husayn Kamil: Sir, the best way to transport this weapon and achieve the most harmful effects would come by using planes, like a crop plane; to scatter it. This is, Sir, a thousand times more harmful. This is according to the analyses of the technicians (interrupted) . . .

Saddam: May God help us do it . . . We will never lower our heads as long as we are alive, even if we have to destroy everybody.



Iraq began a nuclear program shortly after the Ba'athists took power in 1968. The program expanded considerably in 1976 when Saddam purchased the Osirak reactor from France, which was destroyed by an Israeli air strike in 1981. Saddam became very concerned about Iran's nuclear weapons program late in the Iran-Iraq war and accelerated Iraq's nuclear weapons research in response, according to Vice President Ramadan. Massive funds were allocated to develop infrastructure, equipment, scientific talent, and research. By January 1991, Iraq was within a few years of producing a nuclear weapon.

Coalition bombing during Desert Storm, however, significantly damaged Iraq's nuclear facilities and the imposition of UN sanctions and inspections teams after the war further hobbled the program. It appears Saddam shifted tactics to preserve what he could of his program (scientific talent, dual-use equipment, and designs) while simultaneously attempting to rid Iraq of sanctions.

***In comparison to Iraq's nuclear and CW programs, the BW program was more dependent upon a smaller body of individual expertise.*** Iraq's BW program began in the 1970s under President Ahmad Hasan Al Bakr. Scientists conducted research into fundamental aspects of bacteria, toxins, and viruses, emphasizing production, pathogenicity, dissemination and storage of agents, such as *Clostridium botulinum*, spores of *Bacillus anthracis*, and influenza. Despite investing considerable effort in this first attempt, Iraq's BW program faltered. In 1979, after Saddam assumed the Presidency, Iraq reorganized its CW and BW effort. Iraq rebuilt and expanded the infrastructure for BW research between 1979 and 1985, but undertook little work on military applications, aside from assassination-related research for the IIS (see Annex B "Iraq's Intelligence Services" for additional information).

At the height of the Iran-Iraq war in 1985, the Regime revitalized the BW program. A new BW group was recruited and research began on gas gangrene and botulinum toxin. In 1986, the Regime developed a 5-year plan leading to weaponization of BW agents. By early 1990, Iraq was methodically advancing toward the addition of a BW component to its WMD arsenal. In April 1990, Husayn Kamil gave orders to weapon-

ize BW as quickly as possible and by August 1990, when Iraq invaded Kuwait, the BW program had moved into high gear to field BW-filled weapons. By the time of the Desert Storm, Iraq had a BW program that included production of large quantities of several agents—anthrax, botulinum toxin, *Clostridium perfringens*, aflatoxin, and small quantities of ricin. Iraq successfully weaponized some of these agents into ballistic missiles, aerial bombs, artillery shells, and aircraft spray tanks.

The Coalition destroyed all of Iraq's known BW facilities and bombed some of the suspect BW sites during the 1991 Gulf war. After the Desert Storm, the Regime fabricated an elaborate cover story to hide the function of its premiere BW production facility at Al Hakam, while at the same time it continued to develop the sites potential. The UN suspected but could not confirm any major BW agent production sites until Iraq partially declared its BW program prior to the departure of Husayn Kamil in 1995. Iraq eventually owned up to its offensive BW program later that year and destroyed the remaining facilities in 1996 under UN supervision. From 1994 until their departure at the end of 1998, and from late 2002 until the start of Operation Iraqi Freedom, UN inspectors monitored nearly 200 sites deemed to have some potential use in a BW program. Iraq's actions in the period up to 1996 suggest that the former Regime intended to preserve its BW capability and return to steady, methodical progress toward a mature BW program when and if the opportunity arose. After 1996, limited evidence suggests that Iraq abandoned its existing BW program and that one Iraqi official considered BW personnel to be second rate, heading an expensive program that had not delivered on its potential (see the BW chapter for additional information).

### **What Saddam Thought: External Concerns**

***Saddam viewed Iraq as "underdeveloped" and therefore vulnerable to regional and global adversaries.*** Senior Regime members generally ranked Tehran first and Tel Aviv as a more distant second as their primary adversaries, but no Iraqi decision-

maker asserted that either country was an imminent challenge between 1991 and 2003. Late during this period, Saddam became concerned about the growing military imbalance between Iran and Iraq; Iran was making significant advances in WMD while Iraq was being deprived of the opportunity to maintain or advance its WMD capacity. He also privately told his top advisors, on multiple occasions, that he sought to establish a strategic balance between the Arabs and Israel, a different objective from deterring an Iranian strategic attack or blunting an Iranian invasion.

- According to 'Abd Hamid Mahmud, Saddam "desired for Iraq to possess WMD, nuclear, biological, and chemical because he always said that he desired for balance in the Middle East region." Saddam said this was because there were other countries in the area that possessed such weapons, like Israel, and others on the way to possession, like Iran.

## Iran

**Saddam believed that WMD was necessary to counter Iran.** He saw Iran as Iraq's abiding enemy and he sought to keep it in check. Saddam was keenly aware that, in addition to the potential of invasion, Iranian infiltrators could cause internal unrest. Therefore, the orientation of most Iraqi ground forces toward the Iranian border remained unchanged throughout the sanctions period. Saddam argued Iraqi WMD development, while driven in part by the growth of Iranian capabilities, was also intended to provide Iraq with a winning edge against Iran.

- Saddam considered WMD as the only sure counterbalance to an enemy developing WMD of its own. He said Iran was the main concern because it wanted to annex southern Iraq. Saddam said US air strikes were less of a worry than an Iranian land attack.
- Ramadan thought WMD programs might only be suspended for a short period of time in order to normalize Iraq's relations with the international community, and would have to be resumed if no substitute counterbalance to Iran was forthcoming.

- Saddam and the Quartet discussed Iran many times, according to officials close to Saddam. Both 'Aziz and Huwaysh have stated in interviews that Saddam's main focus was the danger from Iran.
- Iran attacked a Mujahiddin è Khaliq (MEK) facility in April 2001 with more than 60 missiles. Earlier strikes on MEK targets had occurred in November 1994 and June 1999, but Iran had only fired a small number of rockets.

Saddam was very concerned about Iranian military production capabilities, particularly its nuclear weapons program, according to former Vice President Ramadan. A Ministry of Defense conference concluded in January 2003 that Iranian WMD posed a looming menace to Iraq and the region, according to a sensitive source. Attended by 200 senior officers, the conference discussed Iran's pursuit of nuclear weapons, acquisition of suitable delivery systems, and possession of missiles capable of carrying CW or BW warheads over a range of 1,000 kilometers. Saddam believed that Iran had benefited from the breakup of the former Soviet Union by gaining access to WMD as well as conventional technologies.

Iraqi military troops trained with the expectation that Iran would use CW if Iran invaded. If Iraq came under chemical or biological attack, the army would attempt to survive until the international community intervened. Tariq 'Aziz also expressed hope that the close UN monitoring of Iraq might force international intervention in this scenario. Saddam felt that the United States would intervene to protect oilfields, according to a former senior Iraqi official.

A former Corps commander stated that Saddam believed the next war would be fought in a chemical environment with heavy reliance upon missiles. Iraq assumed that Iran could manufacture CW and would use it, according to a former senior Iraqi intelligence officer. The Iraqis had identified Iranian nuclear and chemical facilities as well as 240 factories in Iran that they assessed produced missile components.

Between 1998 and 2003, Iraqi leaders determined that Tehran was more of a long-term danger than an imminent one because of deficiencies in Iranian readiness and morale when compared against Iraqi training and

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### *Iraqi Intelligence Collection Against Iran*

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*Iraq's intelligence services collected foreign intelligence on Iran and relayed the raw reporting to Saddam via his presidential secretary. The government tightly controlled dissemination of material. This raw intelligence that went to Saddam would not necessarily be shared even with the deputy prime minister or military.*

- *The National Security Committee, the body that coordinated Iraq's intelligence services, advised the vice president in October 2001 that Iran would remain Iraq's foremost enemy and that the Iranians would rely heavily on missiles in a future war, according to captured documents.*
- *IIS conducted extensive collection operations against Iran, according to a former IIS senior officer and various captured documents. Intelligence collection as a whole targeted Iran's weapons programs, its nuclear program, economic issues, and international relations. Human intelligence sources were the primary means of intelligence collection against Iran, supported by signals intelligence conducted by the IIS Directorate for Signals Intelligence (M17).*
- *IIS had assigned 150 officers to work the Iranian target, according to a former senior IIS officer. The IIS relied heavily on the MEK and independent assets in every province to monitor Iranian military and WMD developments. The Iraqis also studied Jane's publications for information on foreign weapons systems. One senior officer spotlighted how important the Internet was to their understanding of general threat capabilities.*
- *DGMI maintained over 10,000 files on Iranian order of battle, including 3,000 photographs, according to a former intelligence officer. Intelligence reports with detailed, tactical information about Iranian infiltration attempts also were forwarded directly to Saddam, according to captured documents.*
- *The RG and Air Force provided detailed air order of battle information for Israel and Iran, according to captured Iraqi documents. The documents assessed probable Israeli Air Force tactics against Iraqi forces. Although much of this information could be obtained from open sources, it is significant that Iraq could "mine" it and apply it to military planning.*
- *Iraqi intelligence collected on the Iranian nuclear program in 2001, but did not contradict Iranian claims that their reactors being used for peaceful purposes, according to the former deputy director of the IIS. Regardless, Iraq assumed Iran was attempting to develop nuclear weapons. IIS assets often passed along open source information as if it were intelligence, allowing disinformation to reach the upper levels of the former Regime. Iraqi leaders acknowledged Iran's advantages in population, income, and access to international arms markets—especially as Iraq's former ally Russia began to arm Iran.*

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preparedness. Some Iraqis also believed the international community would halt if not deter an Iranian invasion. Saddam accordingly decided to use diplomacy as his primary tool against Iran, but he never wielded it successfully. Iraq really had no coherent policy on how to deal with Tehran after Desert Storm, although, from the Iraqi point of view, the immediate risk was deemed to be low.

- *According to the former Iraqi Army Chief-of-Staff (COS), Iran would have difficulty conducting a large surprise attack because Iraq would detect the extensive mobilization required for it. Iraqi forward observers would detect Iranian troops as they assembled along probable invasion corridors.*
- *Iraqi units were at least as good as their Iranian counterparts. The former Iraqi Army COS said Iran enjoyed quantitative—not qualitative—ground superiority, according to the former defense minister. Although sanctions would have had a major impact, Iraqi forces arrayed along the border could survive the first two echelons of an Iranian invading force without resorting to WMD. After that they would be overrun.*
- *One senior Regime official, however, said that although the Iranian threat was real, Saddam exaggerated it. Iraq considered Iran a historical enemy with desires for Iraqi territory.*

## Israel

*"There can never be stability, security or peace in the region so long as there are immigrant Jews usurping the land of Palestine,"* Saddam Husayn, Baghdad TV political discussion, 17 January 2001

***Saddam's attitude toward Israel, although reflecting defensive concerns, was hostile.*** Saddam considered Israel the common enemy of all Arabs and this mirrored the attitudes of the Arab street in their opposition to a Zionist state. Moreover, it was reported that he considered himself the next Salah-al-Din (Saladin) with a divine mission to liberate Jerusalem. This was a tactic to win popular support in countries like Egypt, Saudi Arabia, and Jordan. He was aware of his prestige as a champion of Palestine against Israel and consistently called for the liberation of Palestine from the "river to the sea" and warned that any Arab ruler who abandoned the Palestinians would "pay a heavy price." In February 2001, he said publicly:

*"When we speak about the enemies of Iraq, this means the enemies of the Arab nation. When we speak about the enemies of the Arab nation, we mean the enemies of Iraq. This is because Iraq is in the heart, mind, and chest of the Arab nation,"*

***Saddam implied, according to the former presidential secretary, that Iraq would resume WMD programs after sanctions in order to restore the "strategic balance" within the region.*** Saddam was conscious of Israel's WMD arsenal and saw Israel as a formidable challenge to Arab interests. Israel appeared to be a rival that had strategic dominance because it possessed WMD and the ability to build relations with countries neighboring Iraq, such as Turkey and Iran, which could destabilize Iraq from within using the Shi'a or Kurds. Iraq faced a more focused risk of air and missile strikes from Israeli strategic forces, rather than a ground attack. According to a former senior official, Israel's bombing of Iraq's Osirak nuclear reactor spurred Saddam to build up Iraq's military to confront Israel in the early 1980s. Other Iraqi policy makers stated they could otherwise do little to influence Israel. Saddam judged Israel to be a lesser adversary than Iran because Israel could not invade Iraq, according to former Vice President Ramadan.

## The United States

***Saddam did not consider the United States a natural adversary, as he did Iran and Israel, and he hoped that Iraq might again enjoy improved relations with the United States, according to Tariq 'Aziz and the presidential secretary.*** Tariq 'Aziz pointed to a series of issues, which occurred between the end of the Iran-Iraq war and 1991, to explain why Saddam failed to improve relations with the United States: Irangate (the covert supplying of Iran with missiles, leaked in 1986), a continuing US fleet presence in the Gulf, suspected CIA links with Kurds and Iraqi dissidents and the withdrawal of agricultural export credits. After Irangate, Saddam believed that Washington could not be trusted and that it was out to get him personally. His outlook encouraged him to attack Kuwait, and helps explain his later half-hearted concessions to the West. These concerns collectively indicated to Saddam that there was no hope of a positive relationship with the United States in the period before the attack on Kuwait.

Although the United States was not considered a natural adversary, some Iraqi decision-makers viewed it as Iraq's most pressing concern, according to former Vice President Ramadan. Throughout the 1990s, Saddam and the Ba'th Regime considered full-scale invasion by US forces to be the most dangerous potential threat to unseating the Regime, although Saddam rated the probability of an invasion as very low. Throughout the UNSCOM period, Iraqi leaders extended a number of feelers to the United States through senior UNSCOM personnel offering strategic concessions in return for an end to sanctions. The stumbling block in these feelers was the apparent Iraqi priority on maintaining both the Saddam Regime and the option of Iraqi WMD.

- In a custodial debriefing, Saddam said he wanted to develop better relations with the US over the latter part of the 1990s. He said, however, that he was not given a chance because the US refused to listen to anything Iraq had to say.
- In 2004, Charles Duelfer of ISG said that between 1994 and 1998, both he and UNSCOM Executive Chairman Rolf Ekeus were approached multiple times by senior Iraqis with the message that Bagh-

dad wanted a dialogue with the United States, and that Iraq was in a position to be Washington's "best friend in the region bar none."

While Iran was a more enduring enemy, after 1991, the temporary challenge from the United States posed a more immediate danger. Those who had detailed information about US capabilities also concluded there was little Iraq could do to counter a US invasion. Iraqi military commanders who did perceive the risk of invasion realized that the imbalance in power between Iraq and the United States was so disparate that they were incapable of halting a US invasion. Even if Iraq's military performed better during Operation Iraqi Freedom, Iraq would only have increased the number of Coalition casualties without altering the war's outcome, according to the former defense minister.

Saddam failed to understand the United States, its internal or foreign drivers, or what it saw as its interests in the Gulf region. Little short of the prospect of military action would get Saddam to focus on US policies. He told subordinates many times that following Desert Storm the United States had achieved all it wanted in the Gulf. He had no illusions about US military or technological capabilities, although he believed the United States would not invade Iraq because of exaggerated US fears of casualties. Saddam also had a more pessimistic view of the United States. By late 2002 Saddam had persuaded himself, just as he did in 1991, that the United States would not attack Iraq because it already had achieved its objectives of establishing a military presence in the region, according to detainee interviews.

- Saddam speculated that the United States would instead seek to avoid casualties and, if Iraq was attacked at all, the campaign would resemble Desert Fox.
- Some Iraqi leaders did not consider the United States to be a long-term enemy, but many knew little about the United States and less about its foreign policy formulation. Former advisors have also suggested that Saddam never concluded that the United States would attempt to overthrow him with an invasion.

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### ***Iraq's Limited Intelligence on US Military Operations***

*Iraq derived much of its understanding of US military capabilities from television and the Internet, according to the former DGMI director. Iraq obtained only limited information about US military capabilities from its own intelligence assets, although they closely monitored the US buildup in Kuwait.*

- *The army staff prepared a comprehensive study on how US attacks against Iraq might unfold in 2002, according to captured documents. The assessment evaluated the size, composition, and probable disposition of US forces and identified the US aircraft carriers immediately available to attack Iraq.*
- *The DGMI provided the Higher Military College an assessment about how the US XVIII Airborne Corps might attack Iraq, according to captured documents. The Al Bakr University was using this information in computer modeling and war gaming.*
- *Iraq collected reliable tactical intelligence against US forces in Kuwait and even knew when Operation Iraqi Freedom would start, according to a former field-grade Republican Guard officer. One senior officer spotlighted how important the Internet was to their understanding of general threat capabilities.*

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***Saddam, however, portrayed the United States and Israel as inseparable and believed Israel could not attack Iraq without permission from the United States.*** In February 2001, Saddam stated in a television broadcast, "The United States and Israel are one thing now . . . the rulers of the United States have become a toy in the hands of the Zionist octopus, which has created the midget Zionist entity at the expense of Arabs in occupied Palestine." In May of the same year he stated, "We will draw the sword against whoever attacks us and chop off his head." Saddam directed the Iraqi media "to highlight the motive of the covetous [US] leadership that succumbs to the wishes of Zionism" and "seeks to establish an artificial homeland at the Arabs' expense." Ramadan noted that the Regime considered Israel to be an extension of the danger posed by the United States.

*Saddam's handling of Iraq's response to the 9/11 attacks probably reflects a lack of understanding of US politics and may explain why Baghdad failed to appreciate how profoundly US attitudes had changed following September 2001.* Saddam's poor understanding of US attitudes contributed to flawed decision-making, according to Tariq 'Aziz. According to 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh, Saddam rejected advice from his cabinet to offer condolences after the attacks:

- Ministers discussing the attacks recommended that Iraq should issue an official statement condemning the terrorists and offering condolences to the people of the United States, despite American hostility toward Iraq.
- Saddam refused on the grounds that he could not extend official condolences, given the hardships the Iraqi people had suffered at the hands of the US Government—without any US apology. Saddam was happy after the 11 September 2001 attacks because it hurt the United States, according to Tariq 'Aziz, and he declined to issue any statements of condolence.
- Saddam's response dissatisfied most ministers, who saw the catastrophe as being beyond state-to-state relations. They feared that official Iraqi non-reaction would associate Baghdad with Al Qa'ida. Moreover, they perceived that the net result of the attack would align the United States against Islam and the Arabs.
- Saddam dismissed these concerns, but he authorized Tariq 'Aziz to pursue a "people to people" program by privately expressing condolences individually to a few US officials.
- Iraq's media was unique among Middle Eastern services in praising the attackers, according to the Foreign Broadcast Information Service.

*Former Iraqi officials concluded, time and time again, that the threat inherent in their WMD arsenal and weapons delivery systems helped preserve Saddam's Regime.*

- In April 1990, Saddam threatened "by God, we will make fire eat up half of Israel, if it tried [to strike] against Iraq." Saddam's statement was part of a lengthy speech in which he denied having a nuclear weapons program. His warning might have been meant to deter Israel from preemptively attacking an industrial facility, which manufactured electrical capacitors alleged to be used in the trigger of a nuclear device, as it had done when it struck the Osirak reactor in June 1981.
- Prior to Desert Storm, Saddam threatened to use missile- and aircraft-delivered chemical and biological munitions to deter Israel and the coalition from attacking Iraq or at worst unseating the Regime. Former Iraqi officials concluded the threat inherent in their WMD arsenal and delivery systems helped preserve the Regime when Coalition Forces did not invade Baghdad in 1991.
- Saddam's public and private statements in 1990 and 1991 reveal that Iraq envisioned using WMD against Israel and invading Coalition Forces under certain conditions. Iraq later declared to UNMOVIC inspectors that just prior to the Gulf war it dispersed CBW munitions to selected airfields and other locations. This included 75 "special warheads" for the Al Husayn missile deployed at four sites, with the warheads and missile bodies stored separately. Iraq told UNMOVIC these weapons were only to be used in response to a nuclear attack on Baghdad, and that the government had delegated retaliatory authority to field commanders. (See "Excerpts from a Closed Door Meeting" inset below for additional information).
- Public statements, intensified research and development, production, weaponization, and dispersal of WMD suggest that Saddam sought the option of using WMD strategically before and during Desert Storm. He hoped to prolong the war with the United States, expecting that the US population would grow war-weary and stop the attack.
- Saddam announced on the eve of the ground campaign that the Al Husayn missile was "capable of carrying nuclear, chemical and biological warheads." He warned that Iraq "will use weapons

that will match the weapons used against us by our enemy, but in any case, under no circumstances shall we ever relinquish Iraq." He explained that "Iraq" included territory extending from "Zakho in the north to the sea in the south, all of Iraq."

- Saddam warned in a statement to the press in February 1993 "any attempt to strike against our scientific or military installations will be confronted with a precise reaction." He also used a Quranic citation he rarely used "God be my witness that I have delivered the message." He used a similar construct in a July 1990 warning to Kuwait.

#### **WMD Possession—Real or Imagined—Acts as a Deterrent**

The Iran-Iraq war and the ongoing suppression of internal unrest taught Saddam the importance of WMD to the dominance and survival of the Regime. Following the destruction of much of the Iraqi WMD infrastructure during Desert Storm, however, the threats to the Regime remained; especially his perception of the overarching danger from Iran. In order to counter these threats, Saddam continued with his public posture of retaining the WMD capability. This led to a difficult balancing act between the need to disarm to achieve sanctions relief while at the same time retaining a strategic deterrent. The Regime never resolved the contradiction inherent in this approach. Ultimately, foreign perceptions of these tensions contributed to the destruction of the Regime.

- Saddam never discussed using deception as a policy, but he used to say privately that the "better part of war was deceiving," according to 'Ali Hasan Al Majid. He stated that Saddam wanted to avoid appearing weak and did not reveal he was deceiving the world about the presence of WMD.
- The UN's inconclusive assessment of Iraq's possession of WMD, in Saddam's view, gave pause to Iran. Saddam was concerned that the UN inspection process would expose Iraq's vulnerability, thereby magnifying the effect of Iran's own capability.

Saddam compared the analogy of a warrior striking the wrist of another, with the potential effect of the UN inspection process. He clarified by saying that, despite the strength of the arm, striking the wrist or elbow can be a more decisive blow to incapacitate the entire arm; knowledge of your opponents' weaknesses is a weapon in itself.

#### **Saddam's Prioritization of Getting Out From Under Sanctions**

Iraq's invasion of Kuwait on 2 August 1990 led to the imposition of comprehensive and mandatory trade and financial sanctions under UNSCR 661 of 6 August 1990. These sanctions remained in place after the military ceasefire on 28 February 1991. The "Political Ceasefire" incorporated in UNSCR 687 of 3 April 1991 explicitly linked Iraq's WMD disarmament to Iraq's right to resume oil exports. Withdrawal of wider sanctions was made dependent on this step.

Saddam continually underestimated the economic consequences of his actions. His belief that sanctions would prove ineffective led him to conclude he could avoid WMD disarmament. (Saddam may have been encouraged in this belief by a miss-appreciation of the relative effectiveness of sanctions against the apartheid regime in South Africa.) As early as 1992, however, Saddam began to form a more sober impression of the power of sanctions and their deleterious effect on Iraq.

The compounding economic, military, and infrastructure damage caused by sanctions—not to mention their effect on internal opinion in Iraq—focused Saddam by the mid-90s on the need to lift sanctions before any thought of resuming WMD development could be entertained. Saddam's proximate objective was therefore lifting sanctions, but efforts had to be compatible with preservation of Regime security.

While it appears that Iraq, by the mid-1990s, was essentially free of militarily significant WMD stocks, Saddam's perceived requirement to bluff about WMD capabilities made it too dangerous to clearly reveal

this to the international community, especially Iran. Barring a direct approach to fulfillment of the requirements of 687, Iraq was left with an end-run strategy focusing on the de facto elimination of sanctions rather than the formal and open Security Council process.

- In the late 1990s, Saddam realized he had no WMD capabilities but his ego prevented him from publicly acknowledging that the Iraqi WMD program was ineffective, according to the former Minister of Higher Education and Scientific Research Humam 'Abd-al-Khaliq 'Abd-al-Ghafur. He added that Saddam never talked openly about bluffing in regard to WMD.

**Efforts To Lift Sanctions**

*As part of his efforts to escape sanctions, Saddam launched a vigorous campaign to shape international opinion.* The Regime drew attention to everything from poor sanitation to the absence of electric power; the main effort, however, focused on the impact of sanctions upon children, especially those under five years of age. Sanctions did indeed have an enormous impact upon Iraq, and Saddam's campaign utilized and amplified that impact. The campaign eventually involved everyone from ministers of the Iraqi Government to journalists around the world, humanitarian groups, and UN officials.

- The London *Observer* amplified a BBC2 documentary which aired in 2002 and exposed Saddam's tactics. "Small coffins, decorated with grisly photographs of dead babies and their ages—'three days', 'four days', written useful for the English-speaking media—are paraded through the streets of Baghdad on the roofs of taxis, the procession led by a throng of professional mourners." There is only one problem, the program observes: because there are not enough dead babies around, the Regime prevents parents from burying infants immediately, as is the Muslim tradition, to create more powerful propaganda. An Iraqi taxi driver interviewed on the program observed, "They would collect bodies of children who had died months before and been held for mass processions." A Western source visited an

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**Buying Your Way Out**

*As a way of generating international support, the Regime gave to others an economic stake in the Regime's survival; an example of this is the curious cash disbursement to a senior member of Russian Intelligence.*

*According to 'Abd Hamid Mahmud Al Khatab Al Nasiri, the Secretary of the President, Tariq 'Aziz and the Iraqi Ambassador to Russia, 'Abbas Al Kunfadhi, arranged the payment of 15-20 million USD to a female colonel in the Russian Intelligence Service. She wanted 'Aziz to accommodate the companies nominated by the Russian Intelligence. Saddam was approached with this issue by 'Aziz during or after the Council of Ministers' meeting. Later, Saddam called 'Abd and told him to expect a call from Tariq 'Aziz to authorize the payment and channel it through Muhib 'Abd-al-Razzaq, the director of the accounting office of the Presidential Diwan. The payments were made in installments rather than a lump-sum over every six months starting on or about 20 September 2002.*

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Iraqi hospital and, in the absence of his "minder," was shown "a number of dead babies, lying stacked in a mortuary, waiting for the next official procession."

**Saddam used Iraq's oil resources, in what Baghdad perceived to be a moderately successful attempt, to undermine and remove UN sanctions.** Iraq's proven oil reserves are assessed to be second only to those of Saudi Arabia, with estimates ranging from 90.8 to 147.8 billion barrels (the most common is 112.5 billion barrels). The former Regime played its "oil card" in two distinct ways: first, Saddam either stopped or reduced oil exports to increase upward pressure on world oil prices. Iraq successfully used this tactic from November 1999 through the spring 2000. Second, Saddam attempted to link the interests of other nations with those of Iraq through the allocation of OFF oil and trade contracts, which were granted to companies whose governments were willing to exercise their influence within the Security Council to lift sanctions. This effort also included the award of oil contracts to individuals and groups willing to use



their influence with their governments to encourage policies favorable to removing sanctions.

***The condition of international oil markets after the adoption of OFF in 1996 enabled Saddam to use his oil resources in disputes with UN Sanctions Committee 661, and he did so until other oil producing nations began to cope with his tactics.*** Saddam intended to use the threat of higher oil prices, or market uncertainty (volatility), to influence UN decision-making toward the removal of sanctions. He was initially successful, but he could not sustain pressure on oil markets, in part because he could not always time his threats to when the balance between world supply of and demand for oil would favor upward pressure on prices. Second, oil-producing states eventually started to adjust their production and exports to lessen the impact of Saddam's tactics. As a result, Saddam had far less effect than he wished or intended.

- Saddam stopped oil exports in November-December 1999 in an effort to prevent the passage of UNSCR 1284, which called for sanctions renewal. Oil prices increased slightly more than a dollar a barrel between November and December and by almost a dollar between December 1999 and January 2000 (see Figure 2). Nevertheless, UNSCR 1284 was adopted.
- Saddam reduced Iraqi oil exports from January through March 2000 in an effort to force the delivery of spare parts held up by UN Committee 661. The price of a barrel of oil increased from \$23 in December 1999 to \$27 in March. The UN released the parts, Saddam started exporting, and the cost of a barrel of oil fell to \$22 in April.
- When the United States and United Kingdom announced plans in June 2001 to impose "smart sanctions," Saddam once more stopped exporting oil to halt the effort. This time, however, the price of a barrel of oil *declined* to \$23 in July from a price of \$25 in May. Saddam restarted exporting the following month, August.
- The Iraqi Presidential Council in September 2000 received a staff paper proposing that Iraq threaten to withdraw oil from the OFF program to induce upward pressure on world oil prices. The paper claimed that this would compel the United States

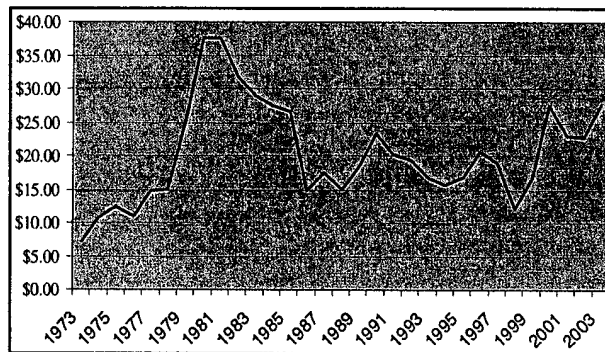


Figure 1. Average oil price per year (1973-2003).

and United Kingdom to remove their objections to contracts being held up in UN Committee 661. The paper also assumed that there was insufficient excess capacity among oil producing nations to counter Iraq's move. The Council, however, disagreed and did not approve the proposal.

- In addition, Saddam introduced a "surcharge" on Iraqi oil exports in September 2000. The UN objected to the surcharge because it would give Iraq more money than it was authorized under the OFF program. Attempting to defeat the UN's objections, Saddam once again stopped oil exports in December, and between December 2000 and January 2001 oil increased by 3 dollars a barrel but thereafter declined. Saddam restarted oil exports but the surcharge stayed in place, although "under the table."

***The former Regime also used Iraq's oil resources to seek diplomatic support for the lifting or easing of sanctions.*** According to Rashid, in early 1997 Foreign Minister 'Aziz and Vice President Ramadan approached him to propose selling oil only to those who were "friendly" toward the former Regime. By "friendly," Rashid said that 'Aziz and Ramadan meant "those nations that would help [Iraq] get sanctions lifted or individuals who were influential with their government leaders and who could persuade them to help get sanctions lifted." Saddam ordered the proposal be undertaken.

- Saddam gave preferential treatment to Russian and French companies hoping for Russian and French support on the UN Security Council. (See the Regime Finance and Procurement chapter for additional information.)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	9.86	9.3	12.05	14.6	15.17	15.24	17.43	18.55	20.94	19.93		
2000	24.11	26.54	27.44	22.99	26.06	28.57	27.17	28.27	30.88	30.01	31.16	
2001	28.66	26.72	23.96	26.77	25.44			24.08	20.82	19.04	16.45	16.21

Note: Red cells indicate periods of no exports; yellow cells, periods of reduced exports; blue cells indicate periods where Iraq imposed surcharges on oil sales.

Figure 2. Average oil price by month (1999-2001).

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
<b>OPEC PRODUCTION</b>	36.8	36.4	32.3	36.4	37.1	35.4	36.7	31.9	27	22.5	21	20.9	19.4	21.9	22.3	24.4
<b>IRAQ</b>																
Production	2.4	2.4	2.7	2.8	2.8	3.1	4.2	3.1	3.2	3.2	3.4	3.7	3.2	3.5	3.4	3.4
% of OPEC	6	6	8	8	8	9	11	9	12	14	16	18	16	16	15	14
<b>SAUDI ARABIA</b>																
Production	9.1	10.2	8.5	10.3	11.5	10	11.4	11.9	11.8	7.8	6.1	5.6	4.5	5.8	5.1	6.1
% of OPEC	25	28	26	28	31	28	31	37.3	44	34.7	29	26	23	26	23	25
<b>IRAN</b>																
Production	7	7.2	6.4	7.1	6.8	6.3	3.8	2.2	1.6	2.6	2.9	2.6	2.7	2.4	2.6	2.7
% of OPEC	19	20	20	20	18	18	10	7	6	11.6	13.8	12.8	13.9	11	11.6	11
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
<b>OPEC PRODUCTION</b>	26.5	27.8	27.9	29.3	30.1	30.6	31.2	31.7	33.2	34.5	33.1	35.1	34	31.6	33.6	
<b>IRAQ</b>																
Production	3.5	2.4	0.4					0.7	1.4	2.6	3	3.1	2.9	2.4	1.5	
% of OPEC	13	8	1					2	4	8	9	9	8	8	4	
<b>Saudi Arabia</b>																
Production	6.1	7.7	9.7	10	9.8	9.7	9.9	9.9	10	10.1	9.4	10.1	9.6	9.2	10.6	
% of OPEC	23	28	35	34	32	30	32	31	30	29	28	29	28	29	32	
<b>IRAN</b>																
Production	3.3	3.7	4	4.1	4.1	4.3	4.4	4.4	4.4	4.4	4	4.4	4.5	4.1	4.5	
% of OPEC	12	13	14	14	14	14	14	14	13	13	12	12	13	13	13	

Green = Period of War  
Red = Sanctions period  
Yellow = OFF

Figure 3. OPEC oil production (1973-2003).

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### ***Iraq's Surcharge on Oil and Regime Decision Making***

*The description of the surcharge episode by the former Minister of Oil, 'Amir Muhammad Rashid Al 'Ubaydi, while a detainee, provides an interesting example of the Regime's decision-making process.*

*In the autumn of 2000 the talk of a surcharge began. Saddam never asked me about the surcharge. He talked to a group of sycophants who simply told him he had a great idea. Huwaysh would make a recommendation and Saddam would follow him blindly. Huwaysh suggested 10 percent [suggesting 10 percent of the oil company's profit margin]. I never attended a meeting and without me it was not a proper meeting. Ramadan formed a committee to determine how to divert some fixed part of the buyer's profit margin to the Iraqi Government. The idea was supported by both Ramadan and 'Aziz. They finally agreed on 10 percent a barrel.*

*What happened? The professionals (France, Italy, Spain, Russia) refused to buy from us. [The effect of the surcharge was to remove Iraqi oil from the market.] However, the individuals with whom we were trading had contracts with the trading companies. I went to the trading companies to get them to share their profit margin with us. They refused. Saddam was very critical of my efforts but I didn't care if I lost my job.*

*A new committee was formed. This committee included the sycophants and the "genius." When I went to the meeting I brought the three top experts*

*from SOMO. They told the committee that it was impossible to do more than 10 cents a barrel. Nevertheless, the committee recommended 50 cents. What happened? They stopped buying from us. Our exports were about 2.2 to 3.1 mbd over the time period in question.*

*After two weeks I went to Saddam and got him to lower the price to 40 cents. Our exports rose about 30%. The companies put pressure on SOMO to lower the price.*

*A third meeting was held. I participated together with SOMO. 'Aziz and Ramadan supported me, but they were afraid to speak up. Finally we decided on 30 cents a barrel selling to the US and 25 cents a barrel selling to Europe.*

*Now the problem became how to explain the situation to OPEC. We couldn't tell them about the surcharge because it was illegal. Of course we thought the oil was Iraq's and we could do what we wished with it. But that was not the international situation.*

*This situation remained through part of 2002. I decided to fight. No one was lifting Iraqi oil. I talked to Foreign Minister 'Aziz and he pointed out that we had lost all our friends. So we finally went back to 10 cents a barrel for the last part of 2002.*

*Overall, we lost \$10,000,000 in exports.*

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### *Iraq's Relationship With Russia*

*The former Iraqi Regime sought a relationship with Russia to engage in extensive arms purchases and to gain support for lifting the sanctions in the UNSC. Saddam followed a two-pronged strategy to pursue weapons capability while also coping with sanctions imposed following invasion of Kuwait. The Regime continued to import weapons and technical expertise, while seeking diplomatic support for lifting/leasing sanctions. Iraq sought to tie other countries' interests to Iraq's through allocating contracts under the OFF program and entering into lucrative construction projects to be executed once sanctions had been lifted. At best, the Iraqi strategy produced mixed results. Russian commercial interests provided a motivation for supporting Iraq; Russian political and strategic interests set limits to that support.*

- *March 1997: Russian Energy and Fuels Minister Rodinov went to Baghdad to discuss a \$12 billion deal in an effort to build economic relations with Iraq. The deal was signed and was scheduled to begin once sanctions were lifted.*
- *1999: A Russian delegation traveled to Iraq to provide expertise on airframes and guidance systems for missiles.*
- *Under OFF, 32 percent of the Iraqi contracts went to Russia.*

*Iraqi attempts to use oil gifts to influence Russian policy makers were on a lavish and almost indiscriminate scale. Oil voucher gifts were directed across the political spectrum targeting the new oligarch class, Russian political parties and officials. Lukoil, a Russian oligarch-controlled company received in excess of 65 million barrels (amounting to a profit of nearly 10 million dollars); other oligarch companies such as Gazprom and Yukos received lesser amounts; the Liberal Democratic Party leader Zhirinovskiy was a recipient, as was the Russian Communist party and the Foreign Ministry itself, according to Iraqi documents. (See Oil Voucher Allocations within the Regime Finance and Procurement chapter for additional information.)*

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- *In 1991, only 15 of Iraq's 73 discovered fields had been exploited. Development of these reserves in the post-sanctions period would provide the former Regime with greater leverage in the world oil market. Accordingly, Iraq entered into lucrative oil exploration and exploitation contracts. The lion's share of these contracts went to Russian companies. For example, Lukoil received a \$4 billion contract in 1997 to develop the second Qurna field, and in April 2001 Zarubezhchneft and Tatneft received a contract worth \$11.1 billion to drill in three Iraqi oil fields. In 2002, a contract was negotiated—but not signed—for Russian firms to begin exploration of several Iraqi oil fields over a ten-year period. Execution of these contracts was to commence during sanctions and be fully implemented once sanction had been lifted. Iraq hoped these contracts would provide Russia, and other nations, with a significant economic interest in pushing for the removal of sanctions.*

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## ***Iraq's Relationship With France***

***The former Iraqi Regime sought a relationship with France to gain support in the UNSC for lifting the sanctions.*** Saddam's Regime, in order to induce France to aid in getting sanctions lifted, targeted friendly companies and foreign political parties that possessed either extensive business ties to Iraq or held pro-Iraqi positions. In addition, Iraq sought out individuals whom they believed were in a position to influence French policy. Saddam authorized lucrative oil contracts be granted to such parties, businesses, and individuals.

- In 1988, Iraq paid 1 million dollars to the French Socialist Party, according to a captured IIS report dated 9 September 1992. 'Abd-al-Razzaq Al Hashimi, former Iraqi ambassador to France, handed the money to French Defense Minister Pierre Joxe, according the report. The IIS instructed Hashimi to "utilize it to remind French Defense Minister, Pierre Joxe, indirectly about Iraq's previous positions toward France, in general, and the French Socialist party, in particular".
- 'Aziz says he personally awarded several French individuals substantial oil allotments. According to 'Aziz, both parties understood that resale of the oil was to be reciprocated through efforts to lift UN sanctions, or through opposition to American initiatives within the Security Council.
- As of June 2000, Iraq had awarded short term contracts under the OFF program to France totaling \$1.78 billion, equaling approximately 15 percent of the oil contracts allocated under the OFF program. (See the Regime Finance and Procurement chapter.)

***The IIS flagged two groups of people to influence French policy in the UNSC: French Governmental officials and influential French citizens.*** IIS documents recovered by ISG identify those persons of interest, to include ministers and politicians, journalists, and business people. On 25 January 2004, the Baghdad periodical Al Mada published a list of names of companies, individuals and other groups that received oil allocations from the former Regime under the auspices of the OFF program. These influential individuals often had little prior connection to the oil industry and generally engaged European oil companies to lift the oil, but were still in a position to extract a substantial profit for themselves. Individuals named included Charles Pascua, a former French Interior Minister, who received almost 11 million barrels; Patrick Maugein, whom the Iraqis considered a conduit to Chirac (which we have not confirmed), who received 13 million barrels through his Dutch-registered company, Michel Grimard, founder of the French-Iraqi Export Club, who received over 5.5 million barrels through Swiss companies and the Iraqi-French Friendship Society, which received over 10 million barrels. The French oil companies Total and SOCAP received over 105 million and 93 million barrels, respectively (see Oil Voucher Allocations of the Regime Finance and Procurement chapter for additional information).

## Realizing Saddam's Veiled WMD Intent

### Regime Strategy and WMD Timeline

*For an overview of Iraqi WMD programs and policy choices, readers should consult the Regime Strategy and WMD Timeline chart, enclosed as a separate foldout and tabular form at the back of Volume I. Covering the period from 1980 to 2003, the timeline shows specific events bearing on the Regime's efforts in the BW, CW, delivery systems and nuclear realms and their chronological relationship with political and military developments that had direct bearing on the Regime's policy choices.*

*Readers should also be aware that, at the conclusion of each volume of text, we have also included foldout summary charts that relate inflection points—critical turning points in the Regime's WMD policymaking—to particular events, initiatives, or decisions the Regime took with respect to specific WMD programs.*

*Inflection points are marked in the margins of the body of the text with a gray triangle.*

*In the years following Iraq's war with Iran and invasion of Kuwait, Saddam's Regime sought to preserve the ability to reconstitute his WMD, while seeking sanctions relief through the appearance of cooperation with the UN Special Commission (UNSCOM) and the UN Monitoring Verification and Inspection Commission (UNMOVIC). Saddam's initial approach under sanctions was driven by his perceived requirements for WMD and his confidence in Iraq's ability to ride out inspections without fully cooperating. Interwoven into this basic fabric of Iraq's interaction with the UN were equally significant domestic, international, and family events, all influenced by and reflective of Saddam's strategic intent. These events can be divided into five phases that cover the entire period 1980 to 2003.*

### Ambition (1980-1991)

*The opening years of Saddam's Regime are defined by a period of ambition. The 1980 to 1991 period is dominated by the Iran-Iraq war and its aftershock.*

The war was costly in financial, human and materiel resources and led Iraq towards a period of insolvency and decline. Further, the war taught Saddam the importance of WMD to national and Regime survival; in doing so, however, it also highlighted Iraq's active WMD program to the world.

A sharp increase in the price of oil in 1979, following a series of earlier spikes, provided Saddam with a financial base that he hoped to use to improve Iraq's civilian infrastructure and modernize its military. Indeed the 1979 gains created a new plateau for higher prices (more than \$30 a barrel) through the mid-1980s and created a hard currency windfall for Iraq in 1980.

The 1979 Islamic revolution in Iran, however, interrupted Saddam's plans. Although Ayatollah Ruhollah Khomeini threatened to "export [his] revolution to the four corners of the world," he viewed his best opportunity to be among Iraq's Shi'a majority in southern Iraq. Khomeini therefore supported Shi'a demonstrations in 1979 and a civil unrest in 1980. Saddam sought to punish Khomeini for his meddling and also sought to reestablish total Iraqi control over the Shatt al-'Arab waterway, Iraq's primary outlet to the Persian Gulf. In 1975, Saddam had agreed under duress to share the waterway with the Iranians. In the fall of 1980, with Iran's military weakened by internal purges, Saddam believed an attack would be successful. He also felt that attacking Iran would enhance his prestige with fellow Arab leaders who feared Khomeini's influence. **Saddam launched in September what he expected to be a short "blitzkrieg" campaign to take and hold territory in southern Iran** to extort concessions from Khomeini and possibly cause his overthrow. The plan backfired. After several initial Iraqi victories, stiff Iranian resistance, stopped and then rolled back Iraqi gains with heavy casualties on both sides. This pattern of brutal thrusts, counterattacks, and prolonged stalemate continued for another eight years, eventually drawing in the United States and the Soviet Union (both supporting Iraq), the UN, and several other regional and Third World states.

Hostilities ended in August 1988, with no change from the 1980 political status quo, after both parties agreed to a cease-fire on the basis of UN Security Council Resolution 598. The war exacted a significant toll on Iraq, which lost an estimated 375,000 casualties and 60,000 prisoners and cost \$150 billion, much

of it borrowed from Gulf neighbors and the Soviet Union (for arms). Having survived, Saddam learned that defeating superior numbers of Iranian forces, especially massed infantry attacks, required the use of CW. He was also convinced that Iraq's ability to retaliate with missile strikes against Tehran in the 1988 "War of the Cities" finally forced Khomeini to agree to a ceasefire. ***The importance of a mutually supporting system of WMD, with theater ballistic missiles in securing Iraq's national security became an article of faith for Saddam and the vast majority of Regime members.***

Despite Iraq's heavy burden of debt after the war, Saddam emerged with an experienced and expanded military force, poised to dominate the Gulf. ***Economic difficulties were Saddam's main motive for the invasion of Kuwait, with irredentist grievances a secondary concern.*** Absorbing Kuwait as Iraq's 19<sup>th</sup> province was viewed as having historical justification and being the key to revitalizing Iraq's economy. ***Saddam had planned for an invasion of Kuwait for some weeks beforehand, but the timeframe in which to conduct the attack had not been formalized. The impulsive decision to invade in August 1990 was precipitated by what Saddam chose to perceive as Kuwait's arrogance in negotiations over disputed oil drilling along the common border.***

As in the Iran-Iraq war, Saddam's ambition led him to miscalculate the impact of his actions. He was unprepared for the harsh reaction to the Kuwaiti invasion by the United States and the other permanent members of the UNSC, especially the Soviet Union, and surprised by the condemnation of fellow Arab leaders, many of whom he knew detested the Kuwaitis. In the face of this criticism, however, Saddam refused to back down, believing he could prevail, just as he did against Iran. While Coalition forces ousted Iraq from Kuwait, Saddam maintained his grip on power inside Iraq, as well as his conviction that the key to successfully defending Iraq was to possess WMD and an effective means of delivering them.

## **Decline (1991-1996)**

***The costliness of the Iran/Iraq war and the resulting invasion of Kuwait ushered in a period of economic and military decline.*** The years 1991—1996 were a tense and difficult period that threatened Regime survival. The Iraqi economy hit rock bottom in 1995 and forced Saddam to accept the OFF program the following year; bolstering the position of the Regime generally and Saddam's survival specifically.

UNSCR 715, passed on 11 October 1991, required Iraq's unconditional acceptance of an ongoing monitoring and verification presence to verify Iraq's compliance with the weapons-related provisions of UNSCR 687 (1991). UNSCR 715 also required national implementing legislation to ban future Iraqi WMD work. The former Regime refused to accept these provisions until November 1993. (However, national implementing legislation was not enacted until February 2003.) The former Regime objected to the open-ended nature of long-term monitoring, because Iraq equated the presence of inspectors with the continuation of sanctions. As this wrangling continued, sanctions took their toll on the Iraqi economy—government and private-sector revenues collapsed, rampant inflation undermined business confidence, and Iraqis at all levels were impoverished—and the former Regime in late 1994 threatened to end cooperation with inspectors unless the oil embargo was lifted. The Iraqi Government was unable to invest in rebuilding its infrastructure, already devastated by the Gulf war and the Iran-Iraq war.

The "no-fly zones" over northern and southern Iraq, patrolled by Coalition aircraft, were an affront to Iraqi sovereignty. Although severely weakened militarily, Iraq used troop movements into southern Iraq in 1994 to threaten the Kuwaitis and into northern Iraq in 1996 to punish disaffected Kurds. Internally, the departure to Jordan in August 1995 of Saddam's son-in-law and close confidante Husayn Kamil created further disarray among senior members of the Iraqi Regime. Through it all, Saddam endured and his desire to end sanctions and rebuild his WMD capability persisted.

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**Selected UN Security Council Resolutions**

**UNSCR 687, 3 April 1991**—created the UN Special Commission (UNSCOM) and required Iraq to accept “the destruction, removal, or rendering harmless, under international supervision” of its chemical and biological weapons and missiles with a range greater than 150 kilometers and their associated programs, stocks, components, research, and facilities. The International Atomic Energy Agency (IAEA) was charged with abolition of Iraq’s nuclear weapons program.

**UNSCR 706, 15 August 1991**—proposed allowing Iraq to export oil to pay for food, medicine, and compensation payments to Kuwait and cost of UN operations.

**UNSCR 707, 15 August 1991**—noted Iraq’s “flagrant violation” of UNSCR 687 and demanded that Iraq provide “full, final, and complete disclosure” (FFCD) of its WMD programs, provide inspectors with “immediate, unconditional, and unrestricted access” to inspection sites, and cease all attempts to conceal material or equipment from its WMD and missile programs.

**UNSCR 712, 2 September 1991**—Authorizes immediate release of funds from escrow to finance payments for the purchase of foodstuffs, medicines and materials and supplies for essential civilian needs, and confirmed that funds from other sources may be deposited in the escrow account to be immediately available to meet Iraq’s humanitarian needs, and urges that any provision be undertaken through arrangements which assure their equitable distribution to meet humanitarian needs.

**UNSCR 715, 11 October 1991**—approved UNSCOM and IAEA plans for Ongoing Monitoring and Verification (OMV) to prevent Iraq from reconstituting its WMD programs.

**UNSCR 986, 14 April 1995**—allowed Iraq to export \$1,000,000,000 of petroleum and petroleum products every 90 days, placed the funds in an escrow account, and allowed Iraq to purchase food, medicines, and humanitarian supplies with the proceeds. Laid the groundwork of what came to be known as the Oil-For-Food Program.

**UNSCR 1051, 27 March 1996**—approved a mechanism for monitoring Iraqi imports and exports as required by UNSCR 715. The mechanism allowed the UN and the IAEA to monitor the import of dual-use goods in Iraq.

**UNSCR 1154, 2 March 1998**—provide Security Council endorsement for a Memorandum of Understanding between the UN Secretary General and the Iraqi Regime that governed the inspection of presidential palaces and other sensitive sites.

**UNSCR 1194, 9 September 1998**—condemned Iraq’s decision to halt cooperation with UNSCOM and IAEA inspections in August 1998 as a “flagrant violation” of its obligations and demanded that Iraq restore cooperation with UNSCOM. The resolution suspended sanctions reviews but promised Iraq a “comprehensive review” of its situation once cooperation resumed and Iraq demonstrated its willingness to comply.

**UNSCR 1205, 5 November 1998**—condemned Iraq “flagrant violation” of earlier UNSCRs in suspending cooperation with UN monitoring activities in Iraq on 31 October 1998.

**UNSCR 1284, 17 December 1999**—established the UN Monitoring, Verification, and Inspection Commission (UNMOVIC) to take over the responsibilities mandated to UNSCOM under UNSCR 687. It also linked Iraqi cooperation in settling disarmament issues with the suspension and subsequent lifting of sanctions. UNSCR 1284 also abolished the ceiling on Iraqi oil exports.

**UNSCR 1441, 8 November 2002**—declared Iraq in material breach of its obligations under previous resolutions including 687, required new weapons declarations from Iraq, and included stringent provisions for Iraqi compliance, including access to all sites, interviews with scientists, and landing and over flight rights.

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## Scientific Research and Intention to Reconstitute WMD

*Many former Iraqi officials close to Saddam either heard him say or inferred that he intended to resume WMD programs when sanctions were lifted. Those around him at the time do not believe that he made a decision to permanently abandon WMD programs.* Saddam encouraged Iraqi officials to preserve the nation's scientific brain trust essential for WMD. Saddam told his advisors as early as 1991 that he wanted to keep Iraq's nuclear scientists fully employed. This theme of preserving personnel resources persisted throughout the sanctions period.

- *Saddam's primary concern was retaining a cadre of skilled scientists to facilitate reconstitution of WMD programs after sanctions were lifted, according to former science advisor Ja'far Diya' Ja'far Hashim.* Saddam communicated his policy in several meetings with officials from MIC, Ministry of Industry and Minerals, and the IAEC in 1991-1992. Saddam instructed general directors of Iraqi state companies and other state entities to prevent key scientists from the pre-1991 WMD program from leaving the country. This retention of scientists was Iraq's only step taken to prepare for a resumption of WMD, in Ja'far's opinion.
- Presidential secretary 'Abd Hamid Mahmud wrote that in 1991 Saddam told the scientists that they should "preserve plans in their minds" and "keep the brains of Iraq's scientists fresh." Iraq was to destroy everything apart from knowledge, which would be used to reconstitute a WMD program.
- Saddam wanted people to keep knowledge in their heads rather than retain documents that could have been exposed, according to former Deputy Prime Minister Tariq 'Aziz. Nuclear scientists were told in general terms that the program was over after 1991, and Tariq 'Aziz inferred that the scientists understood that they should not keep documents or equipment. 'Aziz also noted that if Saddam had the same opportunity as he did in the 1980s, he probably would have resumed research on nuclear weapons.

- Ja'far said that Saddam stated on several occasions that he did not consider ballistic missiles to be WMD and therefore Iraq should not be subject to missile restrictions. Ja'far was unaware of any WMD activities in Iraq after the Gulf war, but said he thought Saddam would reconstitute all WMD disciplines when sanctions were lifted, although he cautioned that he never heard Saddam say this explicitly. Several former senior Regime officials also contended that nuclear weapons would have been important—if not central—components of Saddam's future WMD force.
- According to two senior Iraqi scientists, in 1993 Husayn Kamil, then the Minister of Military Industrialization, announced in a speech to a large audience of WMD scientists at the Space Research Center in Baghdad that WMD programs would resume and be expanded, when UNSCOM inspectors left Iraq. Husayn Kamil's intimate relationship with Saddam added particular credibility to his remarks.

## Reaction to Sanctions

*Baghdad reluctantly submitted to inspections, declaring only part of its ballistic missile and chemical warfare programs to the UN, but not its nuclear weapon and biological warfare programs, which it attempted to hide from inspectors.* In 1991, Husayn Kamil and Qusay Saddam Husayn attempted to retain Iraq's WMD and theater missile capability by using MIC, along with the SSO, RG, SRG, and Surface-to-Surface Missile Command to conceal banned weapons and deceive UNSCOM inspectors.

- MIC organizations—the Technical Research Center and the Al Muthanna State Establishment—dispersed Iraq's biological and chemical bombs and missile warheads in cooperation with the Iraqi Air Force and Surface-to-Surface Missile Command prior to Desert Storm. These undeclared or partially declared weapons remained in dispersal sites, allegedly, until July 1991.

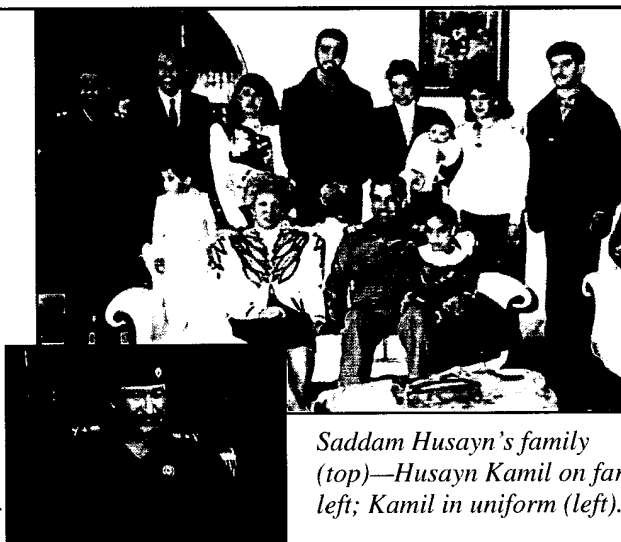
### Husayn Kamil

Born in 1955 within the Al Majid branch of Saddam's family, Husayn Kamil was the son of Saddam's first cousin on his father's side, Kamil Hasan Al Majid 'Abd-al-Qadir. More importantly, Husayn Kamil became Saddam's son-in-law, married in 1983 to Saddam's eldest and favorite daughter, Raghda. Husayn Kamil began his rise to power within the Regime's security services as part of Saddam's personal detail. According to Tariq 'Aziz, Husayn Kamil was a second lieutenant when Saddam became president in July 1979.

In 1983, Saddam appointed him Director of the SSO and later Supervisor, or "Overseer" (Mushrif), of the RG (including the SRG). In effect, he controlled all of Saddam's security organizations, an unprecedented level of trust for any single individual. In 1987, Saddam appointed Husayn Kamil as Overseer of Military Industrialization. He rose to Minister of Industry and Military Industrialization (MIMI) in 1988 after acquiring the Ministries of Heavy Industry and Light Industry as well as exerting control over the Ministry of Petroleum, the Atomic Energy Commission, and Petrochemical Complex 3 (Iraq's clandestine nuclear program). By 1990, Husayn Kamil was, very likely, the second most powerful man in Iraq.

Husayn Kamil received broad administrative and financial authority from Saddam to consolidate both Iraq's research and development programs, and its industrial resources into military production, including WMD and missile delivery systems production. Although not technically trained, Kamil oversaw Iraq's program to modify the Regime's Scud missiles to the longer-range Al Husayn variant, and the development and production of nerve agents, including Tabun, Sarin and VX.

His relationship with Saddam gave Husayn Kamil opportunities to act outside the law and with minimal personal and fiscal oversight. Because of his family ties and proximity to Saddam, he could have anyone fired or placed under suspicion. Although 'Amir Hamudi Hasan Al Sa'adi was the Deputy Director of MIC and a key subordinate, Kamil did not rely on deputies. A former subordinate noted: "Husayn Kamil did not have a right-hand man, as he was too arrogant." His successor at MIC, who was also one of Kamil's former subordinates said, "No one in MIC could control him and everyone feared him."



Saddam Husayn's family (top)—Husayn Kamil on far left; Kamil in uniform (left).

By 1995 the impact of sanctions meant Iraq was on the verge of bankruptcy—Kamil's capricious and self-serving oversight of MIC, his lack of accountability, and the intrusive nature of UN inspections combined to erode Iraq's military industrial capability. Husayn Kamil, his brother Saddam Kamil, and their wives and children (Saddam Husayn's grandchildren) fled Iraq and sought political asylum in Jordan on 9 August 1995.

Various reasons may explain why Husayn Kamil left Iraq. The most important reason may have been the growing tension between him and his bitter family-rival 'Uday Saddam Husayn. According to King Hussein of Jordan, "as far as we know, this was a family crisis, in the personal context, for a fairly long period." A further explanation revolves around the terrible state of the Iraqi economy under sanctions and the possibility that he wanted to escape Iraq before a popular or tribal revolt unseated Saddam and his family. For his part, Husayn Kamil said Saddam's rule had "lost its credibility on the international and Arab level," and that his defection "shows to what extent the situation in Iraq has deteriorated." The Iraqi media and leadership first accused him of financial improprieties, and then said he was "no more than an employee in this state and his responsibilities were limited." Finally, they made him the ultimate "fall guy" for all Iraq's problems—from the Regime's decision to invade Kuwait, to Iraq's duplicitous relations with UNSCOM.

Despite the level of invective on both sides, Husayn Kamil, Saddam Kamil, and their families decided

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### *Husayn Kamil (continued)*

to return to Iraq in February 1996, supposedly with the promise of a pardon from Saddam. Upon their return from Jordan, he and his brother were detained, separated from their families, and placed under house arrest. Within days, Saddam's daughters divorced their husbands. While under house arrest Husayn Kamil and his brother were confronted by 'Ali Hasan Al Majid and members of their family tribe, come to reclaim "tribal honor." Husayn Kamil, his brother

Saddam, their father, their sister and her children were killed in the ensuing shoot-out. Saddam Husayn "explicitly endorsed the killings, which, as he saw them, 'purified' and healed the family by amputating from the 'hand' an 'ailing finger.'" Trying at the same time to distance himself, however, he assured his listeners that, had he been notified about it ahead of time, he would have prevented the assault, because "when I pardon, I mean it."

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- The Surface-to-Surface Missile Command concealed undeclared Al Husayn and Scud missiles, launchers, and chemical and biological warheads.
- Particularly in the early 1990s, the SRG concealed uranium enrichment equipment, missiles, missile manufacturing equipment, "know-how" documents from all the programs, as well as a supply of strategic materials.
- The RG Security Directorate of the SSO conveyed instruction from Husayn Kamil and Qusay to the SRG elements that were hiding material and documents, and SSO political officers at SRG units often knew the whereabouts of the hidden material.

Senior Regime members failed to anticipate the duration of sanctions and the rigor of UN inspections.

- ***Saddam initially expected the sanctions would last no more than three years, and many Iraqis doubted the sanctions would be so comprehensive, according to several detainee interviews.*** These perceptions probably persuaded senior Regime leaders that they could weather a short-lived sanctions regime by making limited concessions, hiding much of their pre-existing weapons and documentation, and even expanding biological warfare potential by enhancing dual-use facilities.

- ***Following unexpectedly thorough inspections, Saddam ordered Husayn Kamil in July 1991 to destroy unilaterally large numbers of undeclared weapons and related materials to conceal Iraq's WMD capabilities.*** This destruction—and Iraq's failure to document the destruction—greatly complicated UN verification efforts and thereby pro-

longed UN economic sanctions on Iraq. According to Iraqi Presidential Advisor 'Amir Hamudi Hasan Al Sa'adi, the unilateral destruction decision was comparable in its negative consequences for Iraq with the decision to invade Kuwait.

- Intrusive inspections also affected potential WMD programs by guaranteeing the presence of inspection teams in Iraqi military, and research and development facilities.
- ***Sanctions imposed constraints on potential WMD programs through limitations on resources and restraints on imports.*** The sanctions forced Iraq to slash funding that might have been used to refurbish the military establishment and complicated the import of military goods. Rebuilding the military, including any WMD capability, required an end to sanctions.
- The economic bite of the sanctions instead grew increasingly painful and forced the Regime to adopt an unprecedented range of austerity measures by 1996. Disclosure of new evidence of Iraqi WMD activity following Husayn Kamil's 1995 flight to Jordan undermined Baghdad's case before the UN.

### **Husayn Kamil's Departure**

***Senior Iraqi officials—especially Saddam—were caught off-guard by Husayn Kamil's flight to Jordan in August 1995.*** The Regime was forced to quickly assess what the fallout would be from any revelations and what damage they would inflict on Iraqi cred-

ibility with UNSCOM. Iraqi demands to end sanctions and threats to stop cooperation with UNSCOM became increasingly shrill in the two months prior to Husayn Kamil's defection. Vice President Ramadan said on 14 June that Iraq had decided "not to continue cooperation with the Council" if UNSCOM Executive Chairman Rolf Ekeus' 19 June 1995 report to the Security Council did not bring about "a positive position that contributes to ending the siege imposed on Iraq." On 17 July, the anniversary of the Ba'ath party revolution, Saddam again threatened to stop cooperation with the UN unless sanctions were lifted. Two days later, after meetings with his Egyptian counterpart, Iraqi Foreign Minister Muhammad Sa'id Kazim Al Sahaf insisted that Iraq had complied with its obligations under UN resolutions and demanded the oil embargo and other sanctions be lifted by the Security Council after the next review on 14 September.

By the time Husayn Kamil fled, Iraq already had submitted another "full, final, and complete declaration (FFCD)" on its biological program to UNSCOM. On 1 July 1995, Iraq had admitted to the production of bulk biological agent, but had denied weaponizing it. To maintain the appearance of cooperation, however, Iraq had to provide more information to inspectors and withdraw the earlier FFCD. After making such strident demands of Rolf Ekeus and the UN, Iraq was now forced—to great embarrassment—to withdraw its threat to cease cooperation with UNSCOM and admit that its biological program was more extensive than previously acknowledged.

- Husayn Kamil's flight set the stage for further disclosures to the UN, particularly in the BW and nuclear fields. The UN responded by destroying extensive dual-use facilities critical to the BW program, such as the facilities at Al Hakam and Dawrah. The revelations also triggered contentious UNSCOM inspections in 1996 designed to counter Regime deception efforts and led to showdowns over access to sensitive facilities, including presidential sites.
- After Husayn Kamil's departure, about 500 scientists and other nuclear officials assembled and signed documents affirming they would hide neither equipment nor documents, according to a former nuclear scientist.

- The director of the National Monitoring Directorate (NMD) responded to Husayn Kamil's departure by installing representatives in each ministry and company, according to the former Minister of Military Industrialization 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh. These individuals, fully aware of all the UNSC resolutions, were to report any violations to the NMD. When they detected potential violations, such as trying to procure materials and conducting illicit research, they halted them.


### Cooperating With UNSCOM While Preserving WMD

*Iraq attempted to balance competing desires to appear to cooperate with the UN and have sanctions lifted, and to preserve the ability to eventually reconstitute its weapons of mass destruction.* Iraqi behavior under sanctions reflects the interplay between Saddam's perceived requirements for WMD and his confidence in the Regime's ability to ride out inspections without full compliance, and the perceived costs and longevity of sanctions. The Iraqis never got the balance right.


- According to 'Abd Hamid Mahmud, Saddam privately told him that Iraq would reacquire WMD post-sanctions and that he was concerned about Iraq's vulnerability to Israeli WMD and Iran's growing nuclear threat.
- Baghdad tried to balance perceived opportunities offered by denial and deception, and diplomacy, against costs imposed by the continuation of sanctions, the UN's introduction of more rigorous inspection techniques, and Coalition air attacks.
- Saddam repeatedly told his ministers not to participate in WMD-related activity, according to Tariq 'Aziz.
- A former MIC employee stated he was directed to sign an affidavit in 1993 acknowledging he understood that he was under orders to comply with UN restrictions and that the penalty for non-compliance was death. He signed a similar affidavit in 1994-

1995, and again in 1999, under orders from Minister of Military Industrialization 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh through his supervisor.

- In 1991, however, Husayn Kamil stated to presidential secretary 'Abd Hamid Mahmud that it was not necessary to declare Iraq's BW program to the UN and indicated that he would order the scientists to hide all evidence in their homes.
- Initially, the Iraqi Regime's deception strategy responded only to the movement and actions of the UN inspectors. From 1991 to 1995, the Iraqis modified their tactics to continue the concealment of proscribed materials. During the early phases of the inspections in 1991, UNSCOM inspectors often gave notice of inspection sites 24 hours in advance of movements. This gave Iraqi officials a day to remove materials, if required. The materials could then be returned when the inspection was complete.

 ***The continual decline led to the economic low point of 1995 and convinced the Regime to adopt different tactics.***

#### **Recovery (1996-1998)**

 ***Iraq's economic decline forced the Regime to accept the UN OFF program; this resulted in economic recovery and underpinned a more confident Regime posture.***

The tightening economic sanctions, Iraq's declaration of a BW program, the flight of Husayn Kamil, and the subsequent failure of Iraq's attempt to disclose the "chicken farm" documents sent the nation into a downward spiral. If Saddam was going to do something—it had to be soon. ***Iraq's reluctant acceptance of UNSCR 986—the Oil-For-Food program approved by the UN on 14 April 1995—and its negotiation of the formal, unchallenged trade protocol with Jordan set the pattern for similar illegal deals with Syria and Turkey in 2000. These became the foundation for Iraq's economic recovery.*** Although initially approved by the UN in April 1995, Iraq waited until 20 May 1996 to accept UNSCR 986,

and it wasn't until December of 1996 that the actual implementation of the program began funding this recovery.

***According to Tariq 'Aziz, Husayn Kamil's defection was the turning point in Iraqi sanctions history in that afterwards Saddam agreed to accept OFF.*** In the early 1990s, Saddam and his advisors had failed to realize the strategic trade (and thereby political) opportunities that OFF program offered Iraq. France, Russia and China pushed Iraq to accept OFF because the Iraqis had consistently complained about the deprivation sanctions had imposed on the populace ('Aziz had repeatedly tried to get Saddam to accept the program during the early 1990s). In the opinion of senior Iraqi leaders, OFF allowed Iraq to rejoin the world of international trade and its position began to improve by 1997. 'Aziz said Iraq began "accumulating partners," life became "less difficult," and the Iraqi Government increased the amount of rations being provided.

Prior to the implementation of UNSCR 986, internally, the former Iraqi Regime struggled with its Kurdish enemies in northern Iraq, and used military force to recapture the city of Irbil in August 1996. Coalition military retaliation appeared in the form of Desert Strike and the subsequent extension of Iraq's No-Fly-Zones, further constricting Iraqi controlled airspace. Russian and France continued to chide the United States for, what they viewed as, US unilateral action against the sovereignty of Iraq.

Iraq's relationship with UNSCOM remained mercurial. Early Iraqi hopes for a quick resolution of outstanding inspection issues were swallowed up in ever increasing mistrust and substantive disputes between the two sides. Saddam had hoped to gain favor after a massive turnover of WMD-related documents that the Regime "discovered" at Husayn Kamil's "chicken farm", which validated suspicions about Iraqi concealment operations and raised additional questions. UNSCOM, however, became more suspicious of Iraqi motives and the relationship steadily deteriorated, despite intervention by the UN Secretary General. ***Eventually, the balance tipped against compliance with inspection requirements in favor of pursuing other avenues of sanctions relief.*** Saddam's decisions in 1998 to suspend cooperation with UNSCOM

and the International Atomic Energy Agency (IAEA) eventually led to UNSCOM's departure and a Coalition military attack against Iraq, Desert Fox.

Saddam later regarded the air strikes associated with Desert Fox in December 1998 as the worst he could expect from Western military pressure. He noted, but was less influenced by, the limits of international tolerance shown in the UNSC to his hard-line against UNSCOM. He over-estimated what he could, in future, expect from Russia, France and China in the UNC in terms of constraining a more vigorous Coalition response.

- ***Iraq accepted OFF in May 1996 and oil began to flow in December 1996; revenues from this program gradually increased to \$5.11 billion annually in 1998*** (see the Regime Finance and Procurement chapter).
- Saddam distrusted OFF because he felt it would relieve international pressure on the UNSC to expeditiously lift sanctions. For the same reason, he refused in September 1991 to acknowledge UNSCR 712, to garner international support by claiming that sanctions were starving the Iraqi people.

### Impact of the "Chicken Farm" Documents

***The release of long-concealed WMD documentation planted at Husayn Kamil's farm in August 1995, and Iraq's declarations in February 1996 revealing new aspects of the WMD programs were major turning points in the Regime's denial and deception efforts following the Desert Storm.*** Iraq considered the declaration to be a measure of goodwill and cooperation with the UN; however, the release of these documents validated UNSCOM concerns about ongoing concealment and created additional questions from the international community. In an attempt to comply with UN requirements:

- The Iraqi leadership required WMD scientists to sign an agreement in 1996 indicating that they would turn over any WMD documents in their houses and that failure to do so could lead to execution, according to reporting.

- Huwaysh, in 1997 ordered his employees to sign statements certifying they did not have any WMD-related documents or equipment. The penalty for non-compliance was death. His scientists relinquished rooms full of documents, which MIC turned over to the National Monitoring Directorate. Huwaysh was unsure what the NMD ultimately did with them.

***Although Iraq's release of the "chicken farm" documents initially created a more positive atmosphere with UNSCOM, the relationship grew strained as UNSCOM and the IAEA inspections became more aggressive.*** The release destroyed the international community's confidence in the credibility of follow-on Iraqi declarations of cooperation. UNSCOM concluded that it had been successfully deceived by Iraq and that the deception effort was controlled and orchestrated by the highest levels of the former Regime. UNSCOM therefore directed its efforts at facilities associated with very senior members of the Regime and designed inspections to uncover documents rather than weapons. The situation eventually reached an impasse then escalated to crisis and conflict. From this experience, Iraq learned to equate cooperation with UNSCOM with increased scrutiny, prolonged sanctions, and the threat of war. In response, Baghdad sought relief via a weakening of the sanctions regime rather than compliance with it.

### Looking Ahead to Resume WMD Programs

***The Regime made a token effort to comply with the disarmament process, but the Iraqis never intended to meet the spirit of the UNSC's resolutions.*** Outward acts of compliance belied a covert desire to resume WMD activities. Several senior officials also either inferred or heard Saddam say that he reserved the right to resume WMD research after sanctions.

- Presidential secretary 'Abd Hamid Mahmud, while a detainee, wrote: "If the sanctions would have been lifted and there is no UN monitoring, then it was possible for Saddam to continue his WMD activities and in my estimation it would have been done in a total secrecy and [with] concealment because he gained from 1991 and UN decisions." But in another debrief, Huwaysh said it would take 6 months to reconstitute a mustard program.

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### **The Saga of the "Chicken Farm" Documents**

*Husayn Kamil Hasan Al Majid and Qusay Saddam Husayn were behind an effort to conceal WMD documents and strategic materials that only ended after he fled to Jordan in August 1995. After the first Iraqi declaration in April 1991, Husayn Kamil ordered that all "know-how" documents, catalogs, and technical documents from the WMD and missile programs should be gathered and given to the security services for safekeeping. The Director General of each Military Industrialization Commission (MIC) Establishment was to gather his organization's important technical documents, and they were told that the documents were so important that the documents were to be destroyed only by the security services. Establishments were asked to deliver their documents to MIC security elements, which trucked them to a central rendezvous point in Baghdad where the trucks were turned over to the Special Security Organization (SSO) and the Special Republican Guard (SRG). On two or three occasions in April and May 1991, MIC security officers turned over truckloads of program documents.*

*A separate effort collected the documents of the PC-3 nuclear weapons organization. Security personnel hid these documents for a time in Duluiyah and Tarmiyah. Some nuclear documents were also loaded into a railroad car and shuttled between Baghdad and Hadithah in western Iraq.*

*The documents were later delivered to a house that belonged SRG training officer Lt. Col. Sufyan Mahir Hasan Al Ghudayri in the Ghaziliyah section of Baghdad. After Sufyan transferred to the Republican Guard in 1993, SRG Chief of Staff Col. Walid Hamid Tawfiq Al Nasiri took control of the documents and moved them to a new safe house in the Hay at-Tashri section of Baghdad near the Republican Palace.*

*An SRG element led by Col. Najah Hasan 'Ali Al Najar was also selected to conceal several truckloads of metals—aluminum billets and maraging steel disks—that had been purchased for the uranium centrifuge enrichment program. The SRG loaded this material onto civilian trucks and drove them to various locations outside of Baghdad to evade inspectors. Col. Walid also managed and coordinated this activity.*

*Husayn Kamil's flight to Jordan raised concerns that he would tell the UN about the hidden documents and materials. Qusay summoned Col. Walid to his office and quizzed Walid about the documents. Walid explained to Qusay about the Hay at-Tashri safe house. Shortly after this meeting, Walid was ordered by his former SRG commander, Kamal Mustafa 'Abdallah, to move the documents out of Baghdad. Walid used seven to nine SRG trucks to haul the documents to a farm near 'Aqarquf, west of Baghdad, where they were stored for a number of days. When Walid inquired of Kamal Mustafa what he should do with the documents, and Kamal Mustafa told him to burn them. After nearly two days of burning, Walid and his crew destroyed approximately a quarter of the documents.*

*At that point, Walid was contacted by Khalid Kulayb 'Awan Juma', the head of the SSO Republican Guard Security Directorate, who ordered that the documents be moved to Salman Pak and from there to a final destination. Walid and a convoy of trucks carried the boxes of documents in the middle of the night to Salman Pak where they were guided to Husayn Kamil's "chicken farm" near Al Suwayrah. A number of people in civilian clothes met the convoy when it arrived at the farm and directed the unloading of the vehicles. The boxes of documents were all unloaded at the farm by 7 o'clock in the morning.*

*Walid also reportedly called Col. Najah the same night and directed Najah to meet his convoy of trucks containing the aluminum and steel at the SRG office in Amiriyah. Col. Walid subsequently led the convoy to Husayn Kamil's farm where these vehicles were also unloaded.*

*UNSCOM Executive Chairman Rolf Ekeus and IAEA Action Team leader Mauricio Zifferero were in Baghdad at the invitation of the Iraqi Government. They had conducted several days of talks with the Iraqis and were about to depart for Amman, Jordan to talk with Husayn Kamil. Husam Muhammad Amin Al Yasin, Director General of the National Monitoring Directorate (NMD), received a telephone call from presidential secretary 'Abd Hamid Mahmud Al Khatab Al Nasiri explaining that Ekeus and Zifferero should view some documents found at Husayn Kamil's farm.*

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### *The Saga of the “Chicken Farm” Documents (continued)*

*Husam Amin was able to reach Ekeus about one hour prior to Ekeus' scheduled departure from Baghdad. Ekeus, along with the IAEA's Gary Dillon, set off for Husayn Kamil's farm, guided by two minders sent by the presidential secretary.*

*Reportedly, the original plan for the documents was to burn them all, and Walid and his crew had begun that process at the farm in 'Aqarquf. Then someone had the “bright idea” to incriminate Husayn Kamil in the concealment of the documents, so they took*

*the materials to his “chicken farm.” When inspectors examined the material at the farm, they noticed the presence of pebbles among the dust on top of the document boxes, as though someone had simply thrown dirt on top of the boxes in an attempt to make it appear that the boxes had been at the farm for a long time. When the UN began an inquiry into how the documents were discovered at the farm, the Iraqis produced several fanciful stories that quickly unraveled.*

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- Saddam had said that after sanctions Iraq would resume production of WMD to “achieve international balance and protect the dignity of Iraq and Iraqis and the Arab nations,” according to former presidential secretary ‘Abd. ‘Abd wrote while a detainee, “He [Saddam] would say if only Iraq possessed the nuclear weapon then no one would commit acts of aggression on it or any other Arab country, and the Palestinian issue would be solved peacefully because of Iraq.”
- Saddam would have restarted WMD programs, beginning with the nuclear program, after sanctions, according to Tariq ‘Aziz. Saddam never formally stated this intention, according to ‘Aziz, but he did not believe other countries in the region should be able to have WMD when Iraq could not. ‘Aziz assessed that Iraq could have a WMD capability within two years of the end of sanctions.
- Saddam’s intent to maintain and compartment WMD capabilities was well known and often acknowledged by high level authorities, according to a senior Al Kindi State Company official. The Minister of Military Industrialization allegedly told the source that Saddam wanted a WMD program “on the shelf.” Huwaysh, in a written statement, explained instead that Saddam briefed senior officials on several occasions saying, “We do not intend or aspire to return to our previous programs to produce WMD, *if the Security Council abides by its obligations pertaining to these resolutions [UNSCR 687, paragraph 14].*” Saddam reiterated this point in a cabinet meeting in 2002, according to Dr. Humam ‘Abd-al-Khaliq ‘Abd-al Ghafur, the former Minister of Higher Education and Scientific Research.
- Huwaysh believed that Saddam would base his decision regarding future Iraqi WMD development on how the Security Council followed through on its promise in paragraph 14 to establish “in the Middle East a zone free from weapons of mass destruction and all missiles for their delivery.” If this promise was not fulfilled, Iraq should be free to act in its own interests. During an earlier debrief Huwaysh speculated that Iraq would have reconstituted many of its proscribed programs within five years if OIF had not occurred.
- During a custodial interview, Saddam, when asked whether he would reconstitute WMD programs after sanctions were lifted, implied that Iraq would have done what was necessary.

### **Guarding WMD Capabilities**

*The abortive efforts to outwardly comply with the UN inspection process from 1995 onward slowly shifted to increased efforts to minimize the impact of the inspection process on Regime security, military, and industrial and research capabilities.* Throughout 1997-1998, Iraq continued efforts to hinder UNSCOM inspections through site sanitization, warning inspection sites prior to the inspectors’ arrival, concealment of sensitive documentation, and intelligence collection on the UN mission.

- Increasingly after September 1997, Iraq burned documents, barred access to sites to UNSCOM, banned US inspectors, and threatened to shoot down UNSCOM U-2 missions until the UN forced compliance in November of the same year.



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## Security Services

### ***Instruments of Denial and Deception***

*Iraq placed high priority on monitoring UN inspection teams, as well as the political dynamic of UN policy toward Iraq. Former Regime officials state that the Iraqi security services, along with select military elements, played critical roles in guarding Saddam and other key members of the Regime, enforcing Regime policies, and protecting Iraqi military and security activities. (See Annex B "Iraqi Intelligence Services" and Annex C "Iraqi Security Services" Annex for additional information.)*

### ***The Iraqi Intelligence Service (IIS)***

*The IIS, responsible for counterintelligence, was the lead organization charged with monitoring UN inspection activities and personnel. IIS directorates carried out human, technical and electronic surveillance of the UN in Iraq to detect intelligence agents and to predict which sites were to be inspected so that those sites could be sanitized.*

- IIS personnel accompanied all UNSCOM and UNMOVIC inspection convoys, according to a former senior Iraqi official. The IIS believed that all foreigners were spying on the security of Saddam Husayn or were seeking military or security information. The IIS believed that UN Security Council Resolution 1441 was very tough and that it was important to engage in counterintelligence activities to protect against the loss of important information. IIS "minders" traveled with communications intercept equipment in their vehicles in order to listen to UNSCOM communications while on the move, though this strategy was not used against UNMOVIC in 2002 and 2004 out of fear of detection.*
- In the early and mid-1990s, the IIS was tasked with clandestine monitoring of UNSCOM weapons inspectors and their communications, as well as attempting to recruit or turn UNSCOM members, according to a former IIS official. As soon as the UNSCOM mission began focusing on presidential sites, the SSO became actively involved in the inspection process.*
- IIS personnel were directed to contact facilities and personnel in advance of UNMOVIC site inspections, according to foreign government information. The IIS developed penetrations within the UN and basic surveillance in country to learn future inspection plans. IIS officials also had the responsibility of organizing protests at UNMOVIC inspection sites.*
- According to presidential secretary 'Abd Hamid Mahmud Al Khatab Al Nasiri, during the mid-to-late 1990s Saddam issued a presidential decree directing the IIS to recruit UNSCOM inspectors, especially American inspectors. To entice their cooperation, the IIS was to offer the inspectors preferential treatment for future business dealings with Iraq, once they completed their duties with the United Nations. Tariq 'Aziz and an Iraqi-American were specifically tasked by the IIS to focus on a particular American inspector.*
- The IIS Directorate of Signals Intelligence (M17) conducted surveillance and collection activities directed against UNSCOM and the UN, according to a former M17 officer. As with the rest of the IIS effort, M17's objectives were the identification of spies and intelligence activities and the determination of inspection sites before the inspection took place. M17 used a number of techniques including signals intelligence collection from fixed sites and mobile platforms, the bugging of hotel rooms, and eavesdropping on inspector conversations. The IIS also intercepted inspectors' phone calls. As noted above, M17 did not carry out these activities during 2002 and 2003.*
- During UNMOVIC inspections in 2002 and 2003, the IIS was determined not to allow inspection teams to gather intelligence as the Iraqis perceived had been done in the past. Members of the IIS Directorate of Counterintelligence (M5) dramatically increased their physical observation of UN personnel during site visits, having as many as five minders per inspector. The IIS also attempted to be extremely cautious in monitoring UNMOVIC inspections in order to avoid international incidents or being caught hindering inspection activities.*

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**Security Services (continued)**
**The Special Security Organization (SSO)**

The SSO was primarily responsible for the security of the President and other key members of the Regime, security of Presidential palaces and facilities, and ensuring the loyalty of key military units, principally the RG and SRG. SSO personnel also played an important coordinating role between Husayn Kamil Hasan Al Majid and the SRG elements that engaged in concealment of weapons, documents, and materials in the early 1990s. An SSO element also coordinated flight planning for UNSCOM and UNMOVIC aviation elements and provided warning of UN flight activities to the Iraqi Government. The SSO reportedly worked with the IIS to develop a database of inspectors.

- SSO minders also accompanied inspection teams involved in inspections of "sensitive sites," which included RG, SRG, and security service sites. Their role, ostensibly, was to facilitate quick access to

the facilities and prevent controversy. In 2002 and 2003, SSO minders accompanied many inspection teams because of the requirement laid down by UNSCR 1441 to provide immediate access to all facilities, including presidential sites. They also served to warn Saddam Husayn's security personnel that inspectors were approaching presidential locations.

- Qusay also ordered SSO personnel to hide any orders from Saddam when UN teams came to inspect SSO sites, according to two high-level SSO officers. They were also to hide any contingency war plans, anything dealing with Saddam's family, SSO personnel rosters, or financial data which could have posed a risk to Iraq national security. Officers would keep materials in their homes and return it once inspectors left.

- The SSO recruited sources on inspection teams to uncover information on planned inspection visits, according to a former SSO security officer. When the SSO officer assigned to an UNSCOM inspection team learned which site was due for inspection, he notified the target site via walkie-talkie using a predetermined code system. The SSO officer on-site had authority to use whatever means was necessary to keep the team from entering the site before it was fully sanitized.
- Concealment failures ultimately compounded issues raised by UNSCOM. The most notorious failure was UNSCOM's discovery in July 1998 discovery of the "Air Force Document" which called into question Iraq's declaration of destroyed chemical munitions. Inspectors found the document despite extensive Iraqi efforts to sanitize the site prior to inspector arrival. The discovery resulted in a presidential decree creating a committee to purge such documents from MIC facilities to prevent other such occurrences.

**Iraq's Internal Monitoring Apparatus: The NMD and MIC Programs**

In 1998, after the Air Force Document incident, Saddam personally ordered the establishment of a Document Committee under the purview of the NMD to purge all MIC establishments of records of past-prohibited programs to prevent their discovery.

- The NMD oversaw the destruction of redundant copies of declared documents, as well as continued the concealment of documents of past programs that would cause additional problems with the UN. Financial documents that were deemed too valuable to destroy but too controversial to declare were placed in a lockbox in the care of a special agent of the Iraqi Intelligence Service.
- According to NMD Director Husam Muhammad Amin, the NMD continued in its role of enforcing UNSC resolutions, despite its subordination to MIC and the departure of UNSCOM inspectors on 15 December 1998. For example, the NMD carried out the destruction of missile production components, such as the 300-gallon mixer, that MIC had reconstructed against Security Council resolutions

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## **VX Warhead Samples & The Iraqi Air Force Document Story**

Two events in mid-1998 defined a turning point in UNSCOM/Iraq relations: The detection of VX-related compounds on ballistic missile warhead fragments and the discovery of a document describing the use of special weapons by the Iraqi Air Force. Both events convinced inspectors that their assessment of ongoing Iraqi concealment was correct. Conversely, the discoveries convinced Iraqi authorities of the futility of continued cooperation.

### ***"You overlook many truths from a liar."—'Amir Al Sa'adi in reference to an old Arabic proverb***

In order to verify Iraqi declarations and special weapons accounting, wipe samples of ballistic missile warhead remnants were taken by an UNSCOM sampling mission in April 1997. These samples were analyzed by laboratories designated by the Special Commission, which detected the presence of degradation products of nerve agents, in particular VX, on a number of warhead remnants. In addition to these chemicals, a VX stabilizer and its degradation product were identified in some of the samples. A second round of sample testing was conducted by the United States in February 1998, confirming the previous findings. However, subsequent analysis performed by French and Swiss labs was been inconclusive.

In June 1998, in multiple statements, including from Iraq's Foreign Minister and Permanent Representative to the UN, Iraq categorically denied the outcome of the testing and argued that the results could not have been accurate since VX was not used in any kind of munitions in Iraq due to continuous production failure. According to the former the Minister of Military Industrialization, the Iraqi leadership viewed this episode as one more example of collusion between the US and UNSCOM to discredit Iraqi compliance efforts and lengthen sanctions.

UNSCOM submitted a report to the Security Council, which stated that the existence of VX degradation products conflicted with Iraq's declarations that the unilaterally destroyed special warheads had never been filled with any CW agents.

In response, Iraq claimed that the contamination of the warhead fragments had been the result of a deliberate act of tampering with samples taken to the United States. In public statements following an August 1998 announcement of Iraq's suspension of cooperation with UNSCOM, Tariq 'Aziz denied Iraq had any weapons of mass destruction and accused UNSCOM of catering to hostile American policy by prolonging the inspection process. Said 'Aziz, "the manner in which the inspection teams have acted recently is neither honest nor fast. This policy serves the United States. I have had . . . the impression that UNSCOM is back to its old games and tricks." Al Sa'adi saw the VX issue as the critical catalyst in feeding Iraqi distrust of UNSCOM and convincing Iraqi officials that no matter what they did, it would never be enough to achieve sanctions relief. He summed up the matter by stating, "We lost faith with UNSCOM after VX; we determined they were after us by hook or crook."

***On 18 July 1998, another incident created a confrontation between UNSCOM and Iraqi officials. During an inspection of the operations room at Iraqi Air Force Headquarters, an UNSCOM team found a document containing information about the consumption of special (chemical) munitions during the Iran-Iraq War.***

According to Husam Muhammad Amin, former director of the National Monitoring Directorate, "It was laziness on behalf of the Brigadier that the document was found. The Brigadier had more than one hour to hide the document while the inspectors waited at the entrance of the Air Force command. The Brigadier was sent to court and his judgment was imprisonment for 5-10 years in jail."

The inspection team felt that this document could be helpful in their efforts to verify the material balance of Iraq's chemical munitions. Rather than take possession of the document, the chief inspector on the team requested a copy. Initially Iraqi officials on the scene agreed; then reneged, saying inspectors could only take notes on the document or receive a redacted

### ***VX Warhead Samples & The Iraqi Air Force Document Story (continued)***

copy. The chief inspector objected to these restrictions after which Iraqi officials seized the document from the chief inspector's hands and refused UNSCOM any further access to the papers. According to Amin, Iraq considered any documentation or discussions detailing the use of chemical weapons to be a red-line issue. Iraq did not want to declare anything that documented use of chemical weapons for fear the documentation could be used against Iraq in lawsuits. Iraqi Regime leadership was concerned Iran would seek legal reparations for the death and suffering of Iranian citizens due to Iraq's use of CW in the 1980s.

From 1998 until 2003, Iraq was unwilling to hand over the Air Force document. According to Tariq 'Aziz, "In most cases Saddam listened and agreed with me when I would tell him that we must be forthcoming with the UN." However, 'Aziz added, "The Higher Committee did not want to release the document to the UN because the delivery times and methods contained in the document were thought to be sensitive." When pressed further on why the Iraqis were so adamant about maintaining the Air Force document 'Aziz paused, then stated, "We did not have to hand over the document because it was a matter of our national security."

in 2002. This role prompted MIC to undertake an internal deception campaign to withhold information regarding the procurement of dual-use material from the NMD, which was viewed as an obstacle to MIC progress.

- MIC employees in 1999 had to sign an affidavit stating that they would not import restricted materials or withhold documents, according to a former senior Iraqi officer who worked in MIC. The Minister of Military Industrialization claimed that although he prohibited any research that would violate UN sanctions, some scientists conducted research in secret. The deputy of NMD requested scientists to turn in documents that might be stored in their home in 2001, according to a sensitive source.

### **Suspending Cooperation With UNSCOM**

*The tension that had built between Iraq and UNSCOM over 1997 began to ease in 1998 with UN Secretary General Kofi Annan's visit in February and the subsequent draft of a Memorandum of Understanding that restricted the criteria for presidential site visits. A month later, the UNSC decided to review the status of sanctions every sixty*

days, giving the former Regime hope that the end of sanctions was nearing. These two concessions to Iraq calmed the situation and gave the appearance that things were moving forward. Over the summer of 1998, however, pressure on Iraq began to build again as the VX findings leaked in June, and the Air Force document was discovered in July. Tariq 'Aziz, in a carefully scripted early August performance, demanded that UNSCOM Executive Chairman Richard Butler report to the Security Council that Iraq had met its disarmament obligation, but Butler refused to do so.

UNSCOM and the IAEA failed to close any of the outstanding WMD case files during the summer of 1998—despite high Iraqi hopes to the contrary. Saddam's profound sensitivity over palace inspections and growing Iraqi bitterness about prolonged cooperation with the UN without getting anything in return also complicated Iraqi-UN relations. These events created breakdowns in the process that probably would have occurred whether or not Iraq retained WMD.

*Saddam, Tariq 'Aziz, and other senior Regime officials realized by August 1998 that Iraq would not be able to satisfy UNSCOM and the UN Security Council and have sanctions lifted. This led Saddam to suspend cooperation with UNSCOM and the International Atomic Energy Agency (IAEA) on 5 August and to halt all UNSCOM activities in Iraq,*



*including monitoring, on 31 October.* Even though Saddam revoked this decision on 14 November (under the threat of an American air strike), it had so poisoned the atmosphere with UNSCOM that the relationship could not be repaired. UNSCOM inspectors returned in November and December 1998, but in a letter to the UN Secretary General on 15 December, UNSCOM Executive Chairman Richard Butler noted that "Iraq's conduct ensured that no progress was able to be made in either the fields of disarmament or accounting for its prohibited weapons programmes." Iraqi behavior, the VX detection, the Air Force document and other indications all conspired to eliminate any UN acceptance of imperfect compliance. Later that day UNSCOM and IAEA inspectors withdrew from Iraq; in the early morning hours of 16 December the Coalition launched a four-day bombing campaign against Iraq designated Desert Fox. On 19 December, Baghdad declared that UNSCOM would never be allowed to return to Iraq.

#### Transition (1998-2001)

▼ *The suspension of cooperation with UN inspectors ushered in a period of mixed fortunes for the Regime.* This transitional phase was characterized by economic growth on the one hand, which emboldened and accelerated illicit procurement and programs. On the other hand Saddam's increasing physical reclusiveness and the nature of the revenue streams weakened the routine functioning of the Regime and its governance structures.

At the conclusion of Desert Fox on 19 December 1998, Vice President Ramadan announced the end of Iraq's cooperation with UNSCOM at a press conference in Baghdad. He declared, "The issue of UNSCOM is behind us now. The commission of spies is behind us now. It no longer has a task . . . all that has to do with inspection, monitoring, and weapons of mass destruction is now behind us." The Security Council, however, created three panels on 30 January 1999 under the direction of Brazilian Ambassador Celso L.N. Amorim to re-start the process of inspections. The panel on Disarmament and Current and Future Ongoing Monitoring and Verification Issues reported its results on 27 March 1999 and recom-

mended to the Security Council that it create a new monitoring and verification apparatus, within the existing framework of UNSC resolutions, to replace UNSCOM and tackle remaining Iraqi disarmament issues. Iraq's agreement to inspections, however, was still needed for a successful effort. The recommendations from the panels formed the basis of UNSCR 1284, ratified on 17 December 1999. Resolution 1284's first priority was the establishment of the UN Monitoring, Verification and Inspection Commission (UNMOVIC) to replace UNSCOM. The Security Council in January 2000 appointed Hans Blix as UNMOVIC's Executive Chairman. Obtaining Iraq's cooperation with UNMOVIC so inspectors could return, however, took nearly three more years. Resolution 1284 also included language at Russia's insistence that obligated the Security Council to consider lifting economic sanctions. UNSCR 1284 also provided the background to Iraq's failure to accept renewed inspections from 2000 to late 2002.

*Despite the end of the former Regime's cooperation with UNSCOM, the OFF program continued without interruption.* The Security Council not only renewed the original OFF mandate under UNSCR 986, but raised the revenue ceiling for Iraqi oil exports in October 1999 with UNSCR 1266. The ceiling was then eliminated with UNSCR 1284 (although the resolution reaffirmed sanctions). While the former Regime managed to collect significant hard currency revenues by illicitly exploiting the OFF contracting process, Saddam chafed under OFF controls, even as benefits to the Iraqi people increased and the Security Council raised oil production ceilings. On 17 July 1999, in a speech commemorating the 31<sup>st</sup> anniversary of the Ba'thist revolution in Iraq, Saddam stated, "Arab oil must be for the Arabs. It has become clear now that the oil is for foreigners . . . . The United States determines the amounts and prices of oil, with the help of its fleets and the occupation forces . . . in the Arabian Gulf countries [and is] now dictating to others what they should sell or manufacture, the goods and commodities they purchase, how much and how many. Such a situation makes economic progress an unattainable wish in our greater Arab homeland."

*The former Regime attempted to use Iraq's oil resources to leverage the world community, and from 1999 to 2001 repeatedly—but with varying*

success—reduced or suspended oil production in an attempt to influence decision-making in the Security Council. Iraq controlled the contracting process for both selling its oil and arranging purchases of humanitarian goods and it took advantage of lax UN oversight. To try to garner diplomatic support in the UN, the former Regime ensured that Chinese, French and Russian energy firms, as well as others representing states sympathetic to Iraq, were prominent recipients of oil contracts. Iraq also manipulated oil contracts by imposing an illegal “surcharge” on every barrel sold. Furthermore, Iraq’s neighbors Syria and Turkey negotiated formal, but technically illegal trade protocols which allowed Iraq to provide oil at discounted prices for hard currency or items it could not obtain through OFF. Trade with Syria flourished, providing Iraq with the largest share of its illegal hard currency revenues by 2002. (See Syrian Trade Protocol, under the Regime Finance and Procurement chapter for additional information.)

***Saddam invested his growing reserves of hard currency in rebuilding his military-industrial complex, increasing its access to dual-use items and materials, and creating numerous military research and development projects.*** He also emphasized restoring the viability of the IAEC and Iraq’s former nuclear scientists. The departure of UN inspectors and Iraq’s refusal to allow their return permitted MIC to purchase previously restricted dual-use materials and equipment that it needed for both weapons development and civilian applications. In addition, MIC had greater flexibility in adapting civilian technology to military use. Yet without inspectors to certify Iraq’s ultimate compliance with UNSC resolutions, the UN could perpetuate sanctions indefinitely. The actions of Minister of Military Industrialization ‘Abd-al-Tawab Al Mullah Huwaysh reflected this situation: he said he gave explicit directions to MIC leadership and workforce to avoid any activities that would jeopardize lifting UN sanctions. But, according to reports from his subordinates, he disregarded UN restrictions; acting, as if Saddam had instructed him to do so and justifying his actions by telling his employees that no matter how much evidence Iraq provided it would never satisfy the UN. For example, Huwaysh authorized in 2000 the repair of two 300-gallon mixers, and two solid propellant casting chambers in 2002

(all rendered inoperable by UNSCOM inspectors in 1992), for possible use in building solid propellant missiles that exceeded the 150 km range restriction fixed by UNSCR 687.

While international sympathy for the plight of the Iraqi people increased and support for sanctions progressively eroded, Saddam was unable to capitalize on these shifting moods to strengthen his bargaining position with the UN. ***Isolated internally by his paranoia over personal security, and externally by his misreading of international events, Saddam missed a major opportunity to reduce tensions with the United States following the 11 September 2001 terrorist attacks.*** By failing to condemn the attacks and express sympathy to the American people, Saddam reinforced US suspicions about his connections to Al Qa’ida and certified Iraq’s credentials as a rogue state. He told his ministers that after all the hardships the Iraqi people had suffered under sanctions he could not extend official condolences to the United States, the government most responsible for blocking sanctions relief. From a practical standpoint, Saddam probably also believed—mistakenly—that his behavior toward the United States was of little consequence, as sanctions were on the verge of collapse.

#### Nullifying All Obligations To UNSC Resolutions

***Saddam, angered by sanctions, inspections, and the Desert Fox attacks, unilaterally abrogated Iraq’s compliance with all UN resolutions—including the 1991 Gulf war ceasefire—with a secret RCC resolution, according to both presidential secretary ‘Abd Hamid Mahmud and Diwan President Ahmad Husayn Khudayr.*** Tension within the former Regime over the inspections process had been building since 1995, but Saddam did not formalize his decision to cut Iraq free from UN-imposed limitations until 1998. The RCC resolution was unique because of its confidential nature, according to Ahmad Husayn. The RCC never repealed the resolution nor published it. ***The secret RCC resolution most likely represented—beyond a personal and impetuous swipe by Saddam at those he saw as his tormentors—an attempt by Saddam to create a legal foundation for future action, as well as preserve his standing in Iraqi history.***

- According to ‘Abd Hamid Mahmud, on the second day of Desert Fox, Saddam said, “[T]he cease-fire principle is over; the US broke the international law and attacked a country, which is a member in the UN.” He drafted a resolution which called for the RCC “to cancel all the international obligations and resolutions, which Iraq has agreed upon.” ‘Abd said that Saddam blamed the United States for attacking “Iraq without the UN permission, and [pulling] the inspectors out of Iraq.” As a result, “Iraq [had] the right to cancel all these resolutions to get rid of the sanction which was imposed for more than seven years.”
- The RCC resolution formally ended all Iraqi agreements to abide by UN resolutions. Ahmad Husayn Khudayr recalled that Saddam’s text ordered Iraq to reject every Security Council decision taken since the 1991 Gulf war, including UNSCR 687. Ahmad said the resolution was worded in careful legal terms and “denied all the previously accepted [resolutions] without any remaining trace of them [in the Iraqi Government].”
- Saddam stressed to all those present in the office that his decision was secret and not to disclose it until the decision was publicly announced, according to ‘Abd this admonition was also passed to RCC members.
- Later that evening, Saddam addressed the RCC; Tariq ‘Aziz, Taha Yasin Ramadan, and Taha Muhyi-al-Din Ma’ruf were among those present. Saddam asked the group’s opinion of his draft resolution. ‘Abd remembered, “Tariq ‘Aziz started talking, because he has an experience in international foreign politics and was following the UN resolutions from 1991 to 1998, and also a leader of the committee that worked with the WMD inspectors in Iraq. He supported the resolution along with Ramadan and Taha Muhyi-al-Din Ma’ruf.”
- Saddam signed three copies of the RCC-approved resolution. One was passed to ‘Izzat Ibrahim Al Duri, another went to Ahmad Husayn Khudayr, and the last was held by ‘Abd. According to both ‘Abd and Ahmad the resolution was kept secret for the remainder of the Regime. ‘Abd noted, however, that Saddam said, “One day I will declare this resolu-

tion.” The secret nature of the RCC resolution meant that it did not see widespread implementation in ongoing administrative processes, notably NMD operations.

*We do not know what measures were taken by the former Regime after the secret resolution was approved, but a number of events may be linked to it.* The former Regime made public statements and undertook potential WMD-related activities that would seem to follow from the December 1998 RCC resolution (for more information, see examples from 1999 in the “Preserving and Restoring WMD Assets and Expertise” sub-section below). ‘Abd and Ahmad, however, claim that they know of no specific responses by the former Regime to the resolution. ‘Abd stated that no action was taken because the secret resolution—despite its apparent gravity—was not distributed and remained limited to the three original copies.

- Taha Yasin Ramadan, also present for the secret RCC decision, held a press conference shortly after the end of the Desert Fox campaign and repeatedly termed Iraq’s compliance with UN requirements as something in the past: “The same applies to the blockade, which has lasted too long and which is now behind us,” he declared. “There are no terms [to end the conflict]. We don’t accept any conditions. *Everything in the past is behind us now.*” “I am not talking about the details. *What I am saying is that all that has to do with inspections, monitoring, and weapons of mass destruction is now behind us.*” UN inspectors were denied access to Iraq until late 2002, when the threat of war caused Saddam to relent.
- Struggling to explain Saddam’s motives behind the secret resolution, Ahmad Husayn Khudayr offered that Saddam might have been attempting to save “face” by publicly accepting UN mandates but rejecting them in private. By doing this he could then reveal the resolution in the future and claim that he had never really stopped fighting. However, Ahmad’s reasoning is debatable: Saddam passed the secret order in the midst of an attack—suggesting a more resolute frame of mind—rather than immediately prior to an act of forced compliance.

## Preserving and Restoring WMD Infrastructure and Expertise

*There is an extensive, yet fragmentary and circumstantial, body of evidence suggesting that Saddam pursued a strategy to maintain a capability to return to WMD after sanctions were lifted by preserving assets and expertise.* In addition to preserved capability, we have clear evidence of his intent to resume WMD as soon as sanctions were lifted. The infrequent and uninformed questions ascribed to him by former senior Iraqis may betray a lack of deep background knowledge and suggest that he had not been following the efforts closely. Alternatively, Saddam may not have fully trusted those with whom he was discussing these programs. Both factors were probably at play. All sources, however, suggest that Saddam encouraged compartmentalization and would have discussed something as sensitive as WMD with as few people as possible.

- Between 1996 and 2002, the overall MIC budget increased over forty-fold from ID 15.5 billion to ID 700 billion. By 2003 it had grown to ID 1 trillion. MIC's hard currency allocations in 2002 amounted to approximately \$364 million. MIC sponsorship of technical research projects at Iraqi universities skyrocketed from about 40 projects in 1997 to 3,200 in 2002. MIC workforce expanded by fifty percent in three years, from 42,000 employees in 1999 to 63,000 in 2002.
- According to a mid-level IIS official, the IIS successfully targeted scientists from Russia, Belarus, Poland, Bulgaria, Yugoslavia, China, and several other countries to acquire new military and defense-related technologies for Iraq. Payments were made in US dollars. The Iraqi Government also recruited foreign scientists to work in Iraq as freelance consultants. Presumably these scientists, plus their Iraqi colleagues, provided the resident "know how" to reconstitute WMD within two years once sanctions were over, as one former high-ranking Iraqi official said was possible.
- Saddam met with his senior nuclear scientists in 1999 and offered to provide them with whatever they needed, and increased funding began to flow to the IAEC in 2001, according to the former Minister of Military Industrialization. Saddam directed a large budget increase for IAEC and increased salaries tenfold from 2001 to 2003. He also directed the head of the IAEC to keep nuclear scientists together, instituted new laws and regulations to increase privileges for IAEC scientists and invested in numerous new projects. He also convened frequent meetings with the IAEC to highlight new achievements.
- Saddam asked in 1999 how long it would take to build a production line for CW agents, according to the former Minister of Military Industrialization. Huwaysh investigated and responded that experts could readily prepare a production line for mustard, which could be produced within six months. VX and Sarin production was more complicated and would take longer. Huwaysh relayed this answer to Saddam, who never requested follow-up information. An Iraqi CW expert separately estimated Iraq would require only a few days to start producing mustard—if it was prepared to sacrifice the production equipment.
- Imad Husayn 'Ali Al 'Ani, closely tied to Iraq's VX program, alleged that Saddam had been looking for chemical weapons scientists in 2000 to begin production in a second location, according to reporting.
- Huwaysh stated that in 2001 Saddam approached him after a ministers' meeting and asked, "Do you have any programs going on that I don't know about," implying chemical or biological weapons programs. Huwaysh answered no, absolutely not. He assumed that Saddam was testing him, so Huwaysh added that because these programs were prohibited by the UN, he could not pursue them unless Saddam ordered it. Huwaysh said Saddam seemed satisfied, asked no further questions, and directed no follow-up actions. The incident was perplexing to Huwaysh, because he wondered why Saddam would ask him this question. While he had no evidence of WMD programs outside MIC, Huwaysh speculated that Qusay had the ability within the SSO to compartmentalize projects and select individuals to do special work.



- Saddam stated to his ministers that he did not consider ballistic missiles to be WMD, according to Huwaysh. Saddam had never accepted missile range restrictions and assessed that if he could convince the UN inspectors he was in compliance regarding nuclear, chemical and biological weapons then he could negotiate with the UNSC over missile ranges.
- Saddam stated publicly in early 2001 that “we are not at all seeking to build up weapons or look for the most harmful weapons . . . however, we will never hesitate to possess the weapons to defend Iraq and the Arab nation”.
- Purported design work done in 2000 on ballistic and land attack cruise missiles with ranges extending to 1000 km suggests interest in long-range delivery systems.
- In 2002, Iraq began serial production of the Al Samud II, a short-range ballistic missile that violated UN range limits—text firings had reached 183 km—and exceeded UN prescribed diameter limitations of 600mm. Iraq’s production of 76 al Samud IIs, even under sanctions conditions, illustrates that Iraq sought more than a handful of ballistic missiles, but was deterred by the existing trade restrictions.
- Saddam directed design and production of a 650 to 750 km range missile in early 2002, according to Huwaysh. Saddam wanted the missile within half a year. Huwaysh informed him, later that year, that Dr. Muzhir Sadiq Saba’ Al Tamimi’s twin Volga engine, liquid-propellant design would reach only 550 km and would take three to five years to produce. Saddam seemed profoundly disappointed, left the room without comment, and never raised the subject again.
- Other reports suggest work on a ballistic missile designed to exceed UN restrictions began earlier. A high-level missile official of Al Karamahh State Company said that in 1997 Huwaysh requested him to convert a Volga (SA-2) air defense missile into a surface-to-surface missile. When the official briefed Huwaysh on the results, however, he said

Huwaysh told him to stop work immediately and destroy all documentary evidence of the tests. In mid-1998, another missile official said Huwaysh ordered ‘Abd-al-Baqi Rashid Shi’a, general director at the Al Rashid State Company to develop a solid-propellant missile capable of a range of 1,000 to 1,200 km. The missile official speculated Huwaysh’s order came directly from Saddam. A senior level official at Al Karamahh, alleged that in 2000 Huwaysh ordered two computer designs be done to extend the range of the al Samud, one for 500 km and the other for 1000 km, which were provided him in late 2000. Huwaysh disputes all these accounts.

- As late as 2003, Iraq’s leadership discussed no WMD aspirations other than advancing the country’s overall scientific and engineering expertise, which potentially included dual-use research and development, according to the former Minister of Military Industrialization. He recalled no discussions among Regime members about how to preserve WMD expertise per se, but he observed there were clear efforts to maintain knowledge and skills in the nuclear field.

### **Pumping Up Key Revenue Streams**

*Baghdad made little overall progress in lifting sanctions between December 1998 and November 2002, despite Russia’s pressure to include language in UNSCR 1284 that provided for the end of sanctions. The former Regime, however, was able to increase revenue substantially from several legitimate and illicit sources.* Iraq started to receive the revenues of OFF in January 1997. Revenues from this program increased from \$4.2 billion in 1997 to a peak of \$17.87 billion in 2000 (see the Regime Finance and Procurement chapter).

- According to his former science advisor, ‘Amir Hamudi Hasan Al Sa’adi, Saddam, by mid-to-late 2002, had concluded that sanctions had eroded to the point that it was inevitable they would be dropped.

- The Regime also sought diplomatic support for the lifting or easing sanctions by tying other countries' interests to Iraq's through allocating contracts under the OFF program and entering into lucrative construction projects to be executed when sanctions were lifted. In addition, Iraq held conferences to recruit and cultivate "agents of influence" to build pressure for lifting sanctions.
- Iraq negotiated a \$40 billion agreement for Russian exploration of several oil fields over a 10-year period. Follow-on contracts called for the construction of a pipeline running from southern to northern Iraq. Performance would start upon the lifting of sanctions. Under OFF, 32 percent of the Iraqi contracts went to Russia. The Iraqis gave preferential treatment to Russian companies mainly to try to gain Russia's support on the UN Security Council. The Russians, French, Ukrainians, and others succeeded in reducing the amount of OFF money Iraq paid to the UN Compensation Committee (for Gulf war reparations) from 30 to 25 percent thus adding significantly to Iraq's income stream.
- The Regime sought a favorable relationship with France because France was influential as a permanent member of the UN Security Council and was in a good position to help Iraq with lifting sanctions.
- Iraq awarded short term contracts under OFF to companies around the world. As of June 2000, French companies had contracts totaling \$1.78 billion.
- 'Aziz personally awarded several individuals substantial oil allotments. All parties understood that resale of the oil was to be reciprocated through efforts to lift UN sanctions, or through opposition to American initiatives within the Security Council.

**Miscalculation (2002-2003)**

*The Miscalculation phase was marked by a series of poor strategic decisions that left Saddam isolated*

*and exposed internationally.* This period was triggered by the ill-considered reaction of the Regime—driven personally by Saddam—to the 9/11 terrorist attack. This refusal to publicly condemn the terrorist action led to further international isolation and opprobrium. This was the first of several miscalculations that inexorably led to Operation Iraqi Freedom in 2003.

Following President George W. Bush's State of the Union speech on 29 January 2002, senior members of the Iraqi Government were nervous about both Iraq's inclusion in the "Axis of Evil," and the promise that "the United States of America will not permit the world's most dangerous regimes to threaten us with the world's most destructive weapons." Some ministers recognized that the United States intended to take direct unilateral action, if it perceived that its national security was endangered, and argued that the best course of action was to "step forward and have a talk with the Americans." Also concerned with the assertion of a connection between Iraq and its "terrorist allies," they felt they must "clarify" to the Americans that "we are not with the terrorists." Saddam's attitude, however, toward rapprochement with the UN was well known and remained unchanged. He had posed to his ministers on numerous occasions the following rhetorical question: "We can have sanctions with inspectors or sanctions without inspectors; which do you want?" The implied answer was "we're going to have sanctions one way or the other for a long time because of the hostile attitude of the United States and Great Britain."

Iraqi statements on renewing cooperation with the UN varied, perhaps indicating a clash between the private views of some officials and Saddam's policy. Vice President Ramadan on 10 February 2002 told journalists at the opening of the Syrian Products Exhibition in Baghdad that Iraq was ready to entertain a dialogue with the UN Secretary General for "return of international inspectors to Iraq without any preconditions." Four days later Iraqi Foreign Minister Naji Sabri "ruled out that Iraq would send any signals to the UN regarding its readiness to agree on the return of international inspectors."

Dialogue, however, did begin between Iraq and the UN. Senior-level talks occurred in March and May 2002 at UN Headquarters in New York among Secretary-General Kofi Annan, UNMOVIC Execu-

tive Chairman Hans Blix, IAEA Director General Mohammed El-Baradei and an Iraqi delegation headed by Naji Sabri. The results of these meetings were mixed, although both Naji Sabri and Annan agreed that the talks had been a positive and constructive exchange of views on the Iraq-UN relationship. In July 2002, Naji Sabri and Annan met again for talks in Vienna, and Naji Sabri noted that it would take a while to reach agreement on issues where there had been "12 years of lack of contact" and "12 years of conflict." Despite the positive tone of these meetings, very little substantive progress was made: Iraq still refused to accept UNSCR 1284 or to allow UN weapons inspectors to return. As a result, UNSCR 1441 imposed sanctions more harsh than those of UNSCR 1284.

***President Bush's speech to the UN General Assembly on 12 September 2002, emphasizing the threat Iraq's WMD posed to global peace and security, unsettled Saddam and the former Regime's leadership. Most chilling to them was the promise that "the purposes of the United States should not be doubted. The Security Council resolutions will be enforced—the just demands of peace and security will be met—or action will be unavoidable."*** According to 'Abd-al-Tawab 'Abdallah Al Mullah Huwaysh, Saddam was "very stiff" when he discussed this situation with his ministers some three weeks later, and was obviously still "feeling the pressure." Collectively, there was an even greater fear among the Regime's ministers that the United States unilaterally would attack Iraq, than when Bush made his "Axis of Evil" speech in January 2002. Saddam told them, "What can they discover, when we have nothing?" But some of the ministers were not as sure. Huwaysh said he began to wonder whether Saddam had hidden something: "I knew a lot, but wondered why Bush believed that we had these weapons," he said. Huwaysh could not understand why the United States would challenge Iraq in such stark and threatening terms, unless it had irrefutable information.

The Security Council's unanimous decision on 8 November 2002 to adopt Resolution 1441, which found Iraq in "material breach of all its obligations under relevant resolutions," clearly demonstrated the seriousness of the international community. Resolution 1441 required that Iraq "provide UNMOVIC

and the IAEA immediate, unimpeded, unconditional, and unrestricted access to any and all, including underground, areas, facilities, buildings, equipment, records, and means of transport which they wished to inspect, as well as immediate, unimpeded and private access to all officials and other persons whom UNMOVIC or the IAEA chose to interview in the mode or location of UNMOVIC's or the IAEA's choice pursuant to any aspect of their mandates." UNMOVIC and IAEA were instructed "to resume inspections no later than 45 days following adoption of this resolution and to update the Council 60 days thereafter."

Having held out for so long, Saddam initially did not accept much of what UNSCR 1441 required. Although Russia and France were putting pressure on Iraq, Saddam felt the risk of war and even invasion warranted re-acceptance of inspections. According to Vice President Ramadan, Saddam eventually permitted UNMOVIC greater latitude than he had initially intended. Military leaders were instructed at a meeting in December 2002 to "cooperate completely" with the inspectors, believing full cooperation was Iraq's best hope for sanctions relief in the face of US provocation. According to a former NMD official, one of the Regime's main concerns prior to UNMOVIC inspections was interviews of scientists. When asked why the former Regime was so worried if there was nothing to hide, the source stated that any such meeting with foreigners was seen as a threat to the security of the Regime.

Iraq's cooperation with UN inspectors was typically uneven, and ultimately the Coalition considered the Regime's efforts to be too little, too late. By January 2003, Saddam believed military action was inevitable. He also felt that Iraqi forces were prepared to hold off the invaders for at least a month, even without WMD, and that they would not penetrate as far as Baghdad. He failed to consult advisors who believed otherwise, and his inner circle reinforced his misperceptions. Consequently, when Operation Iraqi Freedom began, the Iraqi armed forces had no effective military response. Saddam was surprised by the swiftness of Iraq's defeat. The quick end to Saddam's Regime brought a similarly rapid end to its pursuit of sanctions relief, a goal it had been palpably close to achieving.

## Renewing UN Inspections

Iraq allowed the IAEA and UNMOVIC to resume inspections in November 2002 in the face of growing international pressure while apparently calculating a surge of cooperation might bring sanctions to an end.

- As it was during the period of the UNSCOM inspections, the Higher Committee was re-established in 2002, this time headed by Vice-President Ramadan, in order to prepare for the UNMOVIC missions. According to Tariq 'Aziz, Saddam believed that the goal of these inspections was to deprive Iraq of any scientific, chemical or advanced technology. Saddam said, "These people are playing a game with us—we'll play a game with them."
- Saddam assembled senior officials in December 2002 and directed them to cooperate completely with inspectors, according to a former senior officer. Saddam stated that the UN would submit a report on 27 January 2003, and that this report would indicate that Iraq was cooperating fully. He stated that all Iraqi organizations should open themselves entirely to UNMOVIC inspectors. The Republican Guard should make all records and even battle plans available to inspectors, if they requested. The Guard was to be prepared to have an "open house" day or night for the UNMOVIC inspectors. Husam Amin met with military leaders again on 20 January 2003 and conveyed the same directives. During this timeframe Russia and France were also encouraging Saddam to accept UN resolutions and to allow inspections without hindering them.
- The Higher Committee gradually addressed UN concerns as Ramadan relaxed Baghdad's original opposition to the UN resuming U-2 flights and conducting private, unmonitored interviews with Iraqi scientists. These actions eliminated major stumbling blocks in potential Iraqi cooperation with UNMOVIC.
- Saddam hoped to get sanctions lifted in return for hosting a set of UN inspections that found no evidence of WMD, according to statements ascribed to him by a former senior officer. The government directed key military units to conduct special inspections to ensure they possessed no WMD-associated equipment.

- Upon the direction of UNMOVIC, Baghdad started destroying its al Samud II ballistic missiles 1 March 2003 despite disagreements over the actual operational range of the missile.
- Beginning on 27 November 2002 until United Nations withdrew all its personnel on 18 March 2003, UNMOVIC completed 731 inspections at 411 sites, including 88 sites it had visited for the first time.
- The NMD published the *Currently Accurate, Full, and Complete Declaration* on 7 December 2002, and it attempted to resolve the pending issues of the UN's *Unresolved Disarmament Issues: Iraq's Proscribed Weapons Programmes* until the beginning of the war.

Iraqi military industries several times required scientists to sign statements acknowledging the prohibition on conducting WMD research. At a minimum, the forms would have provided documents to offer the UN, but they may also have stopped "free lancing" and thereby ensured that any WMD research underway was tightly controlled to avoid inadvertent disclosures.

- MIC on 20 January 2003 ordered the general directors of its companies to relinquish all WMD to the NMD and threatened severe penalties against those who failed to comply, according to documentary evidence.
- The NMD director met with Republican Guard military leaders on 25 January 2003 and advised them they were to sign documents saying that there was no WMD in their units, according to a former Iraqi senior officer. Husam Amin told them that the government would hold them responsible if UNMOVIC found any WMD in their units or areas, or if there was anything that cast doubt on Iraq's cooperation with UNMOVIC. Commanders established committees to ensure their units retained no evidence of old WMD.

Iraq's National Assembly passed a law banning WMD, a measure that had been required under paragraph 23 of the Ongoing Monitoring and Verifica-

tion Plan approved under UNSCR 715—and one Iraq had refused to pass despite UN requests since 1991. On 14 February 2003, Saddam issued a presidential directive prohibiting private sector companies and individuals from importing or producing biological, chemical, and nuclear weapons or material, according to documentary evidence. The directive did not mention government organizations.

### **Iraq's Other Security Concerns**

Iraq engaged in denial and deception activities to safeguard national security and Saddam's position in the Regime. These surveillance activities and the suspect vehicle movements in and around sensitive sites made it difficult for Western intelligence services to distinguish innocuous security-related measures from WMD concealment activities which added to the suspicion of Iraqi actions.

- According to a former senior SSO officer, prior to any UN inspection visits, the SSO leadership would instruct the chiefs of each SSO directorate to conceal anything to do with the President or his family, any documents referring to the Scientific Directorate, documents pertaining to human rights violations, documents pertaining to prisoners in custody, and photos of senior Regime personnel.
- The IIS was determined not to allow UN inspection teams to gather intelligence at sensitive sites, which the Iraqis feared had been done in the past. Members of the Directorate of Counterintelligence (M5) heightened their physical observation of UN personnel during site visits to prevent this, according to sensitive reporting from a source with excellent access.
- Huwaysh instructed MIC general directors to conceal sensitive material and documents from UN inspectors. This was done to prevent inspectors from discovering numerous purchases of illicit conventional weapons and military equipment from firms in Russia, Belarus, and the Former Republic of Yugoslavia.
- Saddam was convinced that the UN inspectors could pinpoint his exact location, allowing US warplanes to bomb him, according to a former

high-level Iraqi Government official. As a result, in late 1998 when inspectors visited a Ba'ath Party Headquarters, Saddam issued orders not to give them access. Saddam did this to prevent the inspectors from knowing his whereabouts, not because he had something to hide, according to the source.

In order to preserve his dignity and security, Saddam wanted to ensure that he had absolutely no contact with UNMOVIC inspectors. SSO "minders" used radios to alert Saddam's security personnel of UNMOVIC's actions so he could avoid contact with inspectors. According to a former senior Iraqi official, on one occasion when inspectors arrived at a presidential site, Saddam left through the back gate.

### **Sorting Out Whether Iraq Had WMD Before Operation Iraqi Freedom**

*ISG has not found evidence that Saddam Husayn possessed WMD stocks in 2003, but the available evidence from its investigation—including detainee interviews and document exploitation—leaves open the possibility that some weapons existed in Iraq although not of a militarily significant capability.* Several senior officers asserted that if Saddam had WMD available when the 2003 war began, he would have used them to avoid being overrun by Coalition forces.

- 'Amir Hamudi Hasan Al Sa'adi told an emissary from the RG leadership, on 27 January 2003, that if Saddam had WMD, he would use it, according to a former officer with direct knowledge of Iraqi military ground operations and planning.
- According to a former senior RG official, Iraq had dismantled or destroyed all of its WMD assets and manufacturing facilities. Had Saddam possessed WMD assets, he would have used them to counter the Coalition invasion.
- If he had CW, Saddam would have used it against Coalition Forces to save the Regime, according to a former senior official.
- Iraqi military planning did not incorporate the use—or even the threat of use—of WMD after 1991, according to 'Ali Hasan Al Majid. WMD was

never part of the military plan crafted to defeat the 2003 Coalition invasion.

**Senior military officers and former Regime officials were uncertain about the existence of WMD during the sanctions period and the lead up to Operation Iraqi Freedom because Saddam sent mixed messages.** Early on, Saddam sought to foster the impression with his generals that Iraq could resist a Coalition ground attack using WMD. Then, in a series of meetings in late 2002, Saddam appears to have reversed course and advised various groups of senior officers and officials that Iraq in fact did not have WMD. His admissions persuaded top commanders that they really would have to fight the United States without recourse to WMD. In March 2003, Saddam created further confusion when he implied to his ministers and senior officers that he had some kind of secret weapon.

- Prior to December 2002, Saddam told his generals to concentrate on their jobs and leave the rest to him, because he had “something in his hand” (i.e. “something up his sleeve”), according to Minister of Military Industrialization ‘Abd-al-Tawab ‘Abdallah Al Mullah Huwaysh.
- Saddam surprised his generals when he informed them he had no WMD in December 2002 because his boasting had led many to believe Iraq had some hidden capability, according to Tariq ‘Aziz. Saddam had never suggested to them that Iraq lacked WMD. Military morale dropped rapidly when he told senior officers they would have to fight the United States without WMD.
- Saddam spoke at several meetings, including those of the joint RCC-Ba’th National Command and the ministerial council, and with military commanders in late 2002, explicitly to notify them Iraq had no WMD, according to the former presidential secretary. Saddam called upon other senior officials to corroborate what he was saying.
- In Saddam’s last ministers’ meeting, convened in late March 2003 just before the war began, he told the attendees at least three times, “resist one week

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### ***Iraq’s Movement of Critical Defense Assets***

*From the mid-1990s to Operation Iraqi Freedom, Iraq continued to move and conceal key air defense equipment and other military assets to ensure their survivability. Interviews with former Regime officials indicate that the Iraqis felt threatened after President Bush’s “Axis of Evil” speech on 29 January 2002, and they increased movements of critical military equipment soon afterward.*

- *The biggest perceived threat to Iraq’s military equipment was cruise missiles; so military items were moved from location to location. The Higher Committee never thought that these movements would be seen as suspicious because they were carried out to preserve military equipment, according to former Deputy Prime Minister Tariq ‘Aziz.*
- *Between August 2002 and early January 2003, the Iraqi military had taken measures to prepare for an anticipated US military attack on Iraq, according to a former IIS official. These measures included the movement and hiding of military equipment and weapons. Army leaders at bases throughout Iraq were ordered to identify alternate locations and to transfer equipment and heavy machinery to off-base locations, taking advantage of farms and homes to hide items.*

*A recovered 2002 document outlines the Iraqi evacuation plan to protect key military industries and equipment from Coalition air strikes or threats. The former Regime developed these concepts in response to lessons learned after Desert Storm and Desert Fox. The report outlines the importance of utilizing a properly concealed Iraqi railroad system along with trucks and pre-equipped trailers to move important laboratories, equipment, and machinery.*

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and after that I will take over.” They took this to mean he had some kind of secret weapon. There are indications that what Saddam actually had in mind was some form of insurgency against the coalition.

- Just before the war began, Saddam reiterated the same message to his generals. According to Huwaysh, Saddam told them “to hold the coalition for eight days and leave the rest to him. They thought he had something but it was all talk.”
- Saddam believed that the Iraqi people would not stand to be occupied or conquered by the United States and would resist—leading to an insurgency. Saddam said he expected the war to evolve from traditional warfare to insurgency.

#### **Alternative Hypotheses on Iraq’s Nonuse of WMD During Operation Iraqi Freedom**

*The view has been advanced widely that if Saddam had WMD at the time of OIF, he would have used it. In the event, there are no indications that WMD was used during OIF.*

*If Iraq possessed WMD Saddam may have concluded, given his perception of the Coalition threat, he would not need to use WMD.* Military commanders consistently over-reported their combat capability and Saddam had concluded most Iraqis would fight to defend the country. He may not have realized that his Regime could not be saved until it was too late to deploy CW from existing storage areas to operational forces. Saddam told his debriefer that it was clear to him, some four months before the war, that hostilities were inevitable. Despite this knowledge, it seems that Saddam and those around him misjudged the nature and intensity of the conflict. It is possible that Saddam’s public statements and those to his chief lieutenants were intended to reassure rather than confide.

- Former Director of Directorate of Military Intelligence, Staff Gen. Zuhayr Talib ‘Abd-al-Satar: “Two to three months before the war, Saddam Husayn addressed a group of 150 officers. He asked why the Americans would want to come here.

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#### **Negative Indicators—What Iraqi Preparations Were Not Observed?**

*A former Iraqi army officer familiar with ground operations and planning compared ground CW activity required during the Iran-Iraq war to the absence of similar preparations for Operation Iraqi Freedom in the 2nd RG Corps area. He noted that standard operating procedures for CW had been validated during the Iran-Iraq war by experience, with many accidents, as many shells were defective. Unlike during the Iran-Iraq war, during Operation Iraqi Freedom there were:*

- *No orders from Baghdad to bring any artillery pieces from indirect support to a special handling point.*
  - *No meetings to carefully fix friendly and enemy positions.*
  - *No decontamination unit assigned to the unit engaging in chemical fires.*
  - *No special security officer informing any commander that a chemical ammunition convoy was coming.*
  - *No SSO handlers ready to receive convoys.*
  - *No messages warning chemical battalions to don protective gear and to prepare to receive chemical weapons.*
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Why would they come here when they don’t need anything from Iraq? They have already fulfilled the goals that the military established in the first Gulf war. They wanted to occupy the Gulf States and look it has happened. Everyone except for Saddam Husayn, his children, and his inner circle, everyone else secretly believed that the war would continue all the way to occupation. Saddam and his inner circle thought that the war would last a few days and then it would be over. They thought there would be a few air strikes and maybe some operations in the south.”

- Former Minister of Defense Sultan Hashim Ahmad Al Ta'i: "We knew the goal was to make the Regime fall . . . . We thought the forces would arrive in Baghdad or outside Baghdad in 20 days or a month. We accepted that the cities on the way would be lost. All commanders knew this and accepted it. Saddam Husayn thought that the people would, of their own accord, take to the streets and fight with light arms, and that this would deter the US forces from entering the cities."
- Former commander of the Nebuchadnezzar Republican Guard Division, Staff Maj. Gen. Hamid Isma'il Dawish Al Raba'i: "We thought the Coalition would go to Basrah, maybe to Amarra, and then the war would end . . . Qusay Saddam Husayn never took any information seriously. He would just mark on the map. He thought most of us were clowns. We pretended to have victory, and we never provided true information as it is here on planet earth. Qusay always thought he'd gain victory. Any commander who spoke the truth would lose his head."
- Saddam's draft speeches and public addresses conveyed this theme—an attack was unlikely, according to Tariq 'Aziz.
- Saddam was convinced that a show of force would be sufficient to deter an invasion. The United States would seek to avoid another Vietnam, according to a former senior Ba'ith party member.
- Saddam had concluded time was on his side and that the Coalition would never be allowed to attack, according to the former science advisor.

***If WMD stocks existed, timing was the problem. The Coalition attack moved so rapidly that Saddam was unable to exercise any options to use WMD and when he realized the end of the Regime was near, he was not prepared tactically to use any WMD he might have had.*** Based on the statements of former senior officers, the Iraqi military—including the RG—allegedly had no plans for employing WMD, had not practiced tactical use of WMD since 1991, had no available stockpiles of WMD, had not deployed any WMD to tactical units, and had no spe-

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### **Tariq 'Aziz on Saddam's Overconfidence**

*Debrief, 23 June 2004*

*Debriefers: You appeared confident. Your public statements were exactly what you said—that Iraq was prepared to defeat any American invasion.*

*'Aziz: Of course I said these things: How could I say "I think we are making a mistake; we are not prepared for an attack?" That would be impossible. I had to say these things because this was my government's position, but it was true. A few weeks before the attacks Saddam thought that the US would not use ground forces; he thought that you would only use your air force.*

*Debriefers: Wasn't he aware of the buildup of forces in the region?*

*'Aziz: Of course he was aware, it was all over the television screen. He thought they would not fight a ground war because it would be too costly to the Americans. He was overconfident. He was clever, but his calculations were poor. It wasn't that he wasn't receiving the information. It was right there on television, but he didn't understand international relations perfectly.*

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cial infrastructure in place for handling WMD.

- The 2nd RG Corps had chemical defense battalions, according to the former Al Quds Forces Chief-of-Staff, but these battalions left their equipment in their barracks during Operation Iraqi Freedom because the corps commander was confident the Coalition would not use CBW against Iraq. They probably would have retained this equipment had the commanders envisioned using CBW munitions in the 2nd RG Corps.
- The RG did not use its special ammunition distribution system before either the Gulf war or Operation Iraqi Freedom, according to a former senior Iraqi artillery officer. This system—specialized chemical battalions; replacement of company drivers with chemical battalion drivers and ammunition handlers; and use of special MIC depots—had served it well during the Iran-Iraq war. The source com-



mented that all systems broke down and there was no chemical ammunition distribution system during OIF. Even if units had received chemical ammunition, they would have buried it, not fired it.

- General 'Amir Husayn Al Samarra'i, commander of the Iraqi chemical corps, said the Iraqi army had no plans to use chemical weapons during OIF, according to reporting. If there had been a strategy for regular army forces to use chemical weapons, he would have known about it.
- The Commander of 2nd RG Corps stated it was his firm belief that Iraq did not have chemical weapons.

***If WMD existed, Saddam may have opted not to use it for larger strategic or political reasons, because he did not think Coalition military action would unseat him.*** If he used WMD, Saddam would have shown that he had been lying all along to the international community and would lose whatever residual political support he might have retained in the UNSC. From the standpoint of Regime survival, once he used WMD against Coalition forces, he would foreclose the chance to outlast an occupation. Based on his experience with past coalition attacks, Saddam actually had more options by not using WMD, and if those failed, WMD always remained as the final alternative. Although the Iraqi Government might be threatened by a Coalition attack, Saddam—the ultimate survivor—believed if he could hold out long enough, he could create political and strategic opportunities for international sympathy and regional support to blunt an invasion.

- Asked by a US interviewer in 2004, why he had not used WMD against the Coalition during Desert Storm, Saddam replied, "Do you think we are mad? What would the world have thought of us? We would have completely discredited those who had supported us."

- Iraqi use of WMD would deeply embarrass France and Russia, whom has cultivated Iraq.
- Use of WMD during Operation Iraqi Freedom would serve to justify US and UK prewar claims about Iraq's illegal weapons capabilities. Such a justification would also serve to add resolve to those managing the occupation.

**Annex A  
The Quartet—Influence and Disharmony  
Among Saddam’s Lieutenants**

*The Quartet comprised four of Saddam Husayn’s most senior lieutenants in the last years of his rule and provided high-level advice to Saddam on challenges facing Iraq. The four were as experienced, committed and loyal individuals as Saddam had available. Nonetheless, little of their advice was taken that did not conform to Saddam’s existing views. That a group as senior as the Quartet had so little influence on the Regime’s strategic policy indicates that the strategic intent of the Regime was Saddam’s alone. The Quartet had differing views on Iraq’s way forward on WMD, but the more cautious preferences within the group had little influence over Saddam’s actions.*

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*This portion of the Report is largely based on testimony from former Regime officials who were active in many of Iraq’s former governing, economic, security and intelligence organizations. While they were critical to our assessment of the former Regime’s WMD strategy, the detainees would often minimize their involvement or knowledge of sensitive issues. The placement of blame or knowledge with individuals, who were not in a position to contradict their statements, such as deceased or fled to another country, was also a common occurrence. Notwithstanding, most detainees were very cooperative and provided insight into the inter-workings of the former Regime. Original documentation captured during Operation Iraqi Freedom has served to confirm, supplement, and reinforce detainee statements.*

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**A Core of Lieutenants**

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'Ali



'Izzat



Ramadan



Tariq 'Aziz

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*In 1996, Saddam Husayn formed a committee of senior Regime figures, known as the Committee of Four, or Quartet, to advise him on foreign policy and other national issues. For all but the last months of its existence it was comprised of Vice President Taha Yasin Ramadan Al Jizrawi, Revolutionary Command Council Vice Chairman 'Izzat Ibrahim Al Duri, Deputy Prime Minister Tariq 'Aziz 'Issa and 'Ali Hasan Al Majid (aka Chemical 'Ali).*

The Quartet was not a uniform group. Ramadan, in an organizational sense, and 'Aziz, philosophically, represented old-style Ba'thism. 'Izzat Ibrahim was increasingly a tribalist as well as an advocate of a more religious complexion for the Regime. 'Ali Hasan was Saddam's closest relative in the government before the appointment of Qusay to the Ba'th leadership and he served as the family's man in the Quartet.

## How Much Power and Influence?

*The Quartet comprised some of the Regime's most senior and experienced individuals, but it did not have a significant impact on the Regime's policy on any critical issue.* Instead, the Quartet had only the appearance of power. It did not command its own agenda; instead it advised Saddam only on issues he chose to refer to it. Likewise, the Quartet offered no proactive advice and had no executive power or policy-determining role, and it lacked a dedicated staff to conduct analysis or write assessments.

- Personal divisions in the group hindered any attempt to influence Saddam as US pressure on Iraq began to mount, particularly after 2000. Two Quartet members claim to have been private dissenters from the policy of obstructing WMD disarmament, but there is no evidence they attempted to press Saddam on the issue through the Quartet. Quartet members were personally distrustful of colleagues to the point of fear. Mutual distrust and the group's widely varied experience of the outside world limited its ability to speak decisively on strategic and foreign issues.
- Longstanding conflicting lines of communication to Saddam further eroded the Quartet's effectiveness and solidarity. Backchannel communications to Saddam were a fixture of his rule. Saddam's growing reclusiveness after the mid-nineties increased this practice and the Quartet was immune neither to its members using backchannels against colleagues nor to disrupting effects of such practices on the body's effectiveness. 'Izzat Ibrahim reported his summary of Quartet recommendations, often only to have them contradicted by Tariq in separate discussions with Saddam.
- The Quartet, however, was solidly united on issues unrelated to Iraq's external problems. All Quartet members espoused hate of Shi'a, Kurds, democrats, communists, clerics, monarchists, free markets and most other Arabs. This unity did not transfer to a common coherent view of the wider world or create a common assessment of how to deal with Iraq's confrontation with the Coalition, or how to manage the crisis.

- Despite a limited ability to shape policy, the Quartet still carried considerable prestige among more junior levels of the Regime. The Quartet's existence reassured Regime supporters that Saddam's decisions had the benefit of the best minds in the leadership. Conversely, the individual networks of subordinates and followers of Quartet members meant that there was some transmission of Saddam's intentions through government. The Quartet was seen from below as powerful, even though—as the Regime evolved—senior lieutenants such as the Quartet members were personally little more than reflections of Saddam's own authority.

## Chains of Command

Saddam was formerly an able administrator within standard civil service and military structures, but starting in the mid-1990s, his methods changed dramatically. Saddam duplicated his mastery of formal administration with increasing resort to a network of family and personal relationships, using verbal instructions heedless of formal chains of command. His motives appear to have been a combination of increasing obsession with personal security and a prioritization of personal interests.

- This development blurred Iraq's formal mechanisms for developing state policy. Saddam had always retained the prerogative of final policy determination, but the process by which he formed policy became progressively less clear, even to senior participants in the system.
- As Saddam became less wedded to formal processes, the Quartet—an advisory body to begin with—was poorly placed to lock into formal chains of command and determine outcomes.

## Perceptions of Threat and Challenge

*The striking feature of the Quartet's members was their inward focus.* They were not cosmopolitan and their insularity hurt their ability to appreciate or assess what other countries saw as their interests and how Iraq's behaviour might create conflict. The Quartet, including 'Aziz, had a mindset of Iraq versus the world, rather than Iraq as part of the world. Even the globetrotting 'Aziz remained focused on Saddam's will and his exclusive power to determine Iraq's course.

*With the partial exception of Tariq 'Aziz, the Quartet had only a limited and hazy view of the United States, its interests and how policy was formed and driven in Washington.* At no stage did the Quartet demonstrate a strategic concept of what the US wanted with Iraq, where common ground and differences really lay, and the nature of the challenge the US or Coalition presented. Nor did they have a strategy for dealing with the West, apart from tactical games at the UN.

- Saddam shared this myopic view. Saddam had a view of US goals, but it was wide of the mark: he said he believed the US had achieved all it wanted in the Gulf after Desert Storm and that a continuing "Vietnam syndrome" about casualties precluded a full invasion of Iraq. Only in very late 2002 did Quartet members Ramadan and Tariq come to profoundly disagree with Saddam's view of US intentions and conclude that Iraq's ability to manage Coalition pressure was collapsing. But Ramadan and Tariq have since been concerned to portray themselves as, by then, too frightened and powerless to avert Saddam's collision with Washington.
- Saddam may have been closer to the mark in his sense that ultimate US policy in Iraq was Regime change. According to 'Aziz, Saddam decided at the time of Irangate (the covert supply of missiles to Iran in 1987) that the United States could not be trusted to support Baghdad. 'Ali Hasan said that in the 1990s Congressional calls for the overthrow of Saddam meant that there was no prospect of a strategic dialogue with Washington.
- The Quartet had little appreciation of global change since the end of the Cold War or how it affected Iraq's interests and options. Instead, they focused

unilaterally on Iraq's deteriorating relationship with the West, which was coincidental with such change. They did not seek to capitalize on Iraq's potential significance in global trade through its place in the oil market. The Quartet never deliberated over globalization as a concept and how to position Iraq within it.

*The Quartet's view of the rest of the Arab world was almost as limited.* Most members of the Quartet had negotiated for Iraq with other Arab states, but the Quartet had no strategy for building an Arab constituency from 1996 to 2003. The Arab world was not considered a resource for Iraq, either to bolster efforts against Iran or to act as intermediaries with the West. Instead, the Quartet seems to have shared Saddam's aversion to some Arab states, Saudi Arabia, in particular, and to some extent Egypt. The Quartet was not pan-Arabist like Nasser or Ghaddafi. Yet 'Ali Hasan was surprised in 2003 that no Arab state protested against the attack on Iraq.

- Instead, the Quartet's concept of who were Iraq's 'friends' harked back to Baghdad's perception of the different circumstances of the Cold War (Russia); of the UN as the pivotal player (France and Russia) and (very rarely) Malaysia, which was at the time Chairman of the Organization of the Islamic Conference.

## Regime Strategic Goals

*The Quartet had a common set of strategic goals, which were driven by Saddam. All Quartet members prioritized security against Iran before all else. They saw Iran as bigger, hostile and that it had in the years since the Iran-Iraq war overtaken Iraq in WMD development. The Quartet recognized no progress toward containing Iran would be possible without first getting out of sanctions.*

- The Quartet did not publicly advocate a particular strategic role for Iraq. Privately, it was not a proponent of regional hegemonism, whether over Kuwait, or the region, nor did it consider the use of WMD to that end. Ramadan and 'Aziz had thought the attack on Kuwait was folly and Ramadan opposed it in the RCC.

- Opposition to Israel was ritualistic. Quartet members saw Israel as a secondary threat compared to Iran. Israel had no land border with Iraq and was unlikely to mount a sustained attack on Iraq.

### **Shaping Regime Intent—Saddam, WMD and the Lieutenants**

*All Quartet members were convinced that WMD had saved Iraq in the war against Iran.* 'Ali Hasan and 'Izzat Ibrahim were personally involved in the use of chemical weapons (CW) in securing the Regime during the Shi'a Intifada by virtue of having held area commands in the region of unrest, although much of the physical organization of CW use lay with Husayn Kamil. But none saw the Quartet as an originator of WMD policy, nor saw themselves as promoters of WMD.

- Nuclear weapons (rather than WMD generically) were not a Quartet issue. Among the leadership, nuclear weapons as a goal appears to have been a particular priority of Saddam himself. 'Aziz believes Saddam was 'fully committed to obtaining a nuclear weapon' throughout his career, but there is no evidence that Quartet members were enthusiastic about a nuclear program and no hint of Saddam referring the issue to the Quartet at any stage.
- Ramadan said that he, and to a lesser extent Tariq, opposed WMD in the later sanctions period because it created more problems than benefits. Ramadan during UNMOVIC tried to rid Iraq of WMD, in particular by pursuing an untrammelled access policy, but alleges he was frustrated by Saddam and his relatives.
- Indeed, it was on the cost/benefit analysis of WMD in terms of Iraq's economy and diplomatic relations that the most distinct policy cleavage in the Quartet emerged. Ramadan, and to a lesser extent Tariq, believed strongly that Iraq's advantage lay in getting rid of WMD. Such a move would lift sanctions, normalize relations with the West and then allow reassessment of how to deal with Iran. Ramadan

and 'Aziz would not have ruled out a return to WMD, but they were more focused on the outcome of containing Iran rather than the means. 'Ali Hasan and 'Izzat Ibrahim were more motivated by catering to Saddam's views, and neither advocated any alternative thinking about WMD and containing Iran. Therefore, there was a divergence of ends versus means, with Saddam having a totemic attachment to WMD despite the costs, a view not shared by all Quartet members.

- The ever present danger of Iran was the most important long term factor in Quartet thinking. The Quartet thought Iraq was losing an arms race with a hostile larger neighbor. To the extent that there was support for WMD development among Saddam's subordinates, Iran was the most important driver. Those prepared to support WMD disarmament to achieve peace with the UN, would probably not have ruled out WMD rearmament if it was necessary subsequently to counter Iran.
- There was also some acceptance of Saddam's notion that WMD was the right of all nations and his opposition to multilateral counterproliferation. Quartet thinking was influenced by a belief that WMD is inseparable from industrialization and that dual use is inevitable.

### **Fear and Loathing in Baghdad**

Saddam did not trust the Quartet in a personal security sense. Only 'Izzat Ibrahim was allowed to drive himself to meetings with Saddam (the others were collected and driven in darkened limousines), though his mobility seems to have been curtailed toward the end. Quartet members were physically frightened of Saddam. Ramadan recalls a continuing fear of incarceration and that his son-in-law was jailed for two years. 'Aziz's son Zayyid had also been jailed for a period. 'Ali Hasan also was seen by his peers as fearful, despite his blood relationship and toadying.

## Annex B Iraq's Intelligence Services

### Overview

Iraq used multiple intelligence services to collect on the Regime's various international and local concerns. The Iraqi Intelligence Service was the former Regime's largest intelligence service; the Directorate of General Military Intelligence and the Directorate of General Security supported the Regime on a smaller scale.



Iraqi Intelligence Service



Directorate of General Military Intelligence



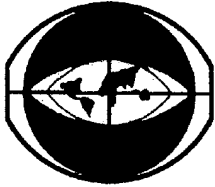
Directorate of General Security

The Iraqi Intelligence Service (IIS) served the Regime as a conventional intelligence service, but it also undertook denial and deception operations to thwart UN inspectors and for the illicit procurement of dual-use materiel and military equipment. The Directorate of General Security (DGS) and Directorate of General Military Intelligence (DGMI), however, generally performed intelligence and security operations in a comparable fashion to other countries' intelligence services. This annex will provide a view of the most recent organizational structures of these security services.

There are a few particular intelligence entities specifically involved in the WMD story:

- IIS M4 collected overseas intelligence against UN Missions dealing with Iraq
- IIS M4/4/5 provided support to sensitive, and sometimes illicit, procurement
- IIS M5/4/14 conducted surveillance of all UN missions within Iraq
- IIS M9 and M16 conducted "special substances" research and development
- IIS M17 collected signals intelligence against the UN
- IIS M20 assisted the aforementioned directorates in human surveillance
- IIS M23 provided security to Military Industrialization Commission and Iraqi Atomic Energy Commission facilities

*This portion of the Report is largely based on testimony from former Regime officials who were active in many of Iraq's former governing, economic, security and intelligence organizations. While they were critical to our assessment of the former Regime's WMD strategy, the detainees would often minimize their involvement or knowledge of sensitive issues. The placement of blame or knowledge with individuals, who were not in a position to contradict their statements, such as deceased or fled to another country, was also a common occurrence. Notwithstanding, most detainees were very cooperative and provided insight into the inter-workings of the former Regime. Original documentation captured during Operation Iraqi Freedom has served to confirm, supplement, and reinforce detainee statements.*



## The Iraqi Intelligence Service

### IIS Structure and Functions

The original mission of the Iraqi Intelligence Service (IIS), commonly known as the *Mukhabarat*, was foreign intelligence collection, domestic counterintelligence, and clandestine operations—standard activities for intelligence services worldwide—but the former Regime also used the service, beginning in late 1997, as a tool for the Military Industrial Commission (MIC) and its illicit procurement efforts. The IIS consisted of over twenty compartmented directorates, under the leadership of Tahir Jalil Habbush. The IIS also assisted in the obstruction of UN inspection missions and concealment of sensitive materials, equipment, and documentation for the former Iraqi Regime.



Tahir Jalil Habbush.

### M1, Office of the Director

M1 was the executive directorate of the IIS. Subordinate branches provided administrative functions, public relations, the creation of cover documentation for field agents, and general support to the entire service. The most recent director of M1 was Khudayr Isma'il Ibrahim Al Mashhadani.

### M2, Directorate of Administration and Accounting

This directorate managed daily administrative affairs and provided the following services: salaries and retirement services; logistic support, including vehicles and medical services; and liaison with government ministries and directorates. M2 also supervised house rentals for each IIS directorate. Every directorate maintained at least one safehouse for relocating operations from regular directorate offices. Husayn Muhsin Hasan, M2's director, held his position for the eight years prior to OIF.

### M3, Directorate of Data Processing and Information Security

Commonly referred to as the Computer Directorate, and often mistakenly translated as Finance, M3 focused on the training and use of information tech-

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### Structure of M4

- M4/1 Arab Countries
    - M4/1/1 Syria, Lebanon, and Jordan
    - M4/1/2 Egypt and Sudan
    - M4/1/3 Morocco, Tunisia, and Algeria
    - M4/1/4 Saudi Arabia, Kuwait, and the Gulf States
  - M4/2 Iran and Turkey
  - M4/3 Palestine and Israel
  - M4/4 United States and Europe
    - M4/4/5 Scientific and Technical Intelligence Department
  - M4/8 Special Projects
    - Commercial Section
    - Accounting Section
    - Liaison Section
- 

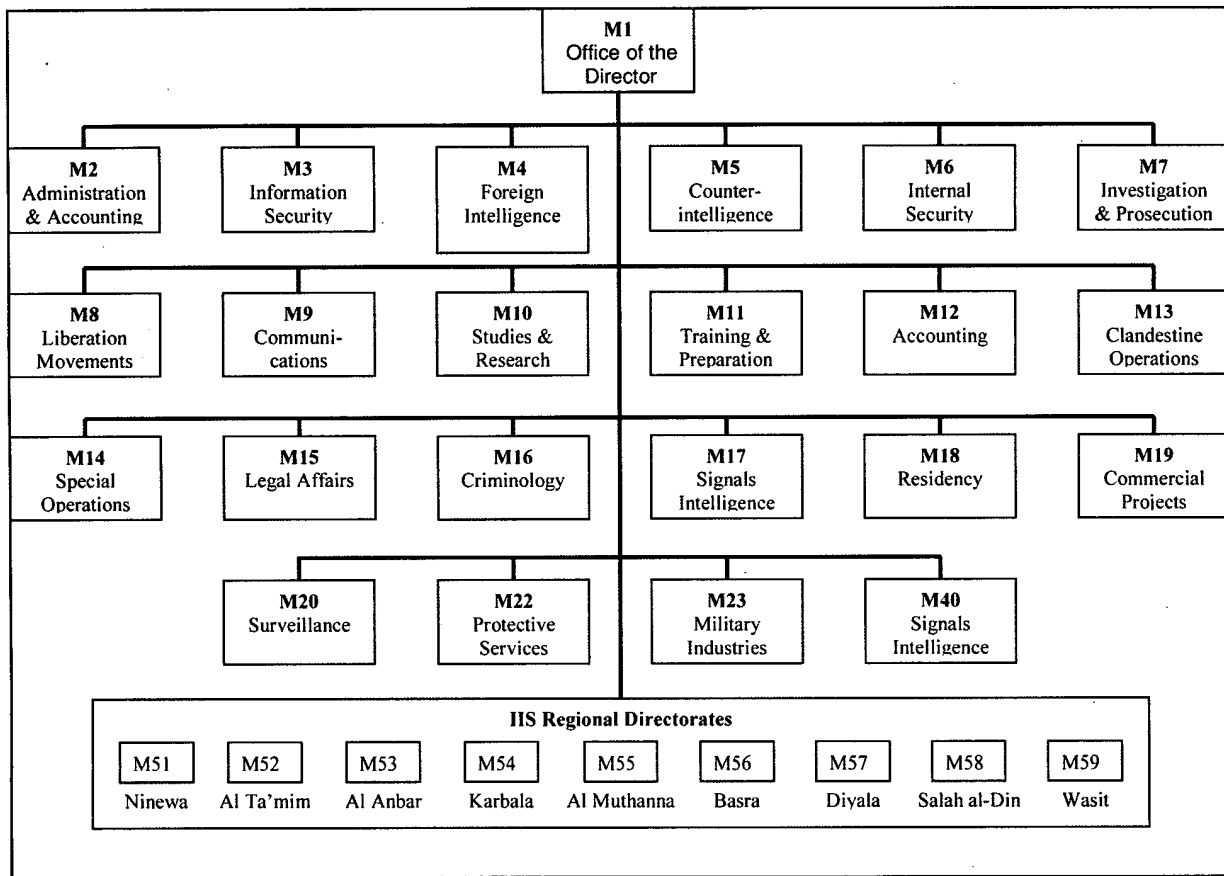
nology in the IIS. Sa'd 'Abd-al-Razzaq Al Majid Al Tikriti was responsible for the information, documentation, and file storage for the IIS.

### M4, Directorate of Foreign Intelligence

M4 was the primary directorate for foreign intelligence collection and foreign operations—it is also referred to as the “Secret Service Directorate,” when literally translated. Collection primarily focused on political and economic information; however, information regarding the military, media, health, and the administrative capabilities of foreign countries was also collected.

M4 was headed by Hasan Izbah Thalij Al 'Ubaydi until 2003. As the director, Hasan reported to IIS Deputy Director Khalil Ibrahim Al Sultan, who was responsible for M4, M5, M40, and monitoring (possibly M-20) directorates. Previously, Hasan had been the M2 Director and the Office Director of M1.

A fifth division within M4 targeted Iraqi opposition groups operating outside of Iraq. That division, however, was separated from M4 in 1997 and re-designated M40. The M4 and M5 directorates exchanged information whenever members of either directorate discovered intelligence related to the other directorate's responsibilities.



The Scientific and Technical Intelligence Department, headed by Muthanna Muhammad Ahmad Al Bayatti aided MIC's "Special Office" to facilitate the procurement of sensitive items and material through foreign channels (see Regime Finance and Procurement chapter for additional information).

**M5, Directorate of Counterintelligence**

M5 conducted domestic monitoring and counterintelligence operations within Iraq. Five divisions within M5 focused on specific regions of interest—similar to M4, its sister directorate. Muhammad 'Abd-al-Wahhab Fada'am was the M5 Director from 2000 until the fall of the former Regime; he was preceded by Ma'ad Ibrahim Al Duri (1996-2000) and Khalil Ibrahim 'Abdullah Nasiri (1994-1996).

Section M5/4/14 monitored all international organizations operating within Iraq, including the UN. As stated by a former manager within the M5 Directorate, "It [M5/4/14] monitored the UN inspectors

because that was its mission." Shakir Karhut headed this section until OIF and worked under Mu'ayyid 'Abd-al-Jalil, the head of M5/4. According to high level officials within the former Regime, these two were heavily involved in collection efforts against the UN.

The IIS General Affairs Division (M5/5) is the most recent sub-directorate. It was specifically created to act as the "catch-all" for M5 operations within Iraq. Section 18 operated more than 40 domestic businesses within Iraq, such as restaurants, hotels, travel services, souvenir shops, and truck service centers, in order to collect information on foreigners routinely entering Iraq. Other sections reportedly monitored foreign journalists, the media, and foreign students within Iraq.



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### **Structure of M5**

- *M5/1 Iran, Turkey, Israel*
    - Section 1 – Iran
    - Section 2 – Turkey
    - Section 3 – Israel
  - *M5/2 Syria, Lebanon, Jordan, & The Gulf States*
    - Section 4 – Syria and Lebanon
    - Section 5 – Jordan
    - Section 6 – The Gulf States
  - *M5/3 North African and East Asia*
    - Section 7 – Non-Arab States in Asia
    - Section 8 – Arabian States in Africa
      - Egyptian Embassy Department
      - Egyptian Citizens and Business in Iraq Department
      - Sudan and Somalia Department
      - Algeria and Libya Department
      - Morocco and Tunisia Department
    - Section 9 – Indian Continent and Non-Arab States in Africa
      - Department 1 – India
      - Department 2 – Pakistan, Afghanistan, and Bangladesh
      - Department 3 – Africa
  - *M5/4 Europe, the Americas, and the United Nations*
    - Section 10 – Europe (Eastern, Western, or Central)
    - Section 11 – Europe (Eastern, Western, or Central)
    - Section 12 – Europe (Eastern, Western, or Central)
    - Section 13 – North and South America
    - Section 14 – International Organizations in Iraq (United Nations)
  - *M5/5 General Affairs*
    - Foreign Journalist Surveillance
    - Inter-agency Relations
    - Embassy Security
    - Section 18 – Domestic Projects
      - 1 – Cover Businesses within Baghdad
      - 2 – Cover Businesses outside of Baghdad
- 

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### **IIS Regional Directorates**

*The IIS had regional offices for local collection, which carried out the functions of various national-level IIS directorates in the local governorates. These regional offices were called directorates despite their small size and limited capabilities. While they were not subordinate to the M5 Directorate, they fell under M5 administratively.*

- *M51 The Northern Directorate (Ninawa) located in Mosul*
- *M52 The Al Ta'mim Directorate located in Kirkuk*
- *M53 The Al Anbar Directorate located in Ramadi*
- *M54 The Central Euphrates Directorate (Karbala') located in Karbala'*
- *M55 The Western Directorate (Al Muthanna) located in Al Samawah*
- *M56 The Southern Directorate (Basrah) located in Basrah*
- *M57 The Eastern Directorate (Diyala) located in Ba'qubah*
- *M58 The Salah-al-Din Directorate located in Tikrit*
- *M59 The Wasit Directorate located in Al Kut*

*The IIS functional directorates, such as M4, M5, M20, and M22, had liaison offices within these regional directorates. Tasking would be passed down from the national-level to the local offices for collection or protection missions.*

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**M6, Directorate of Internal Security**

Khalid Najim 'Abdallah Sultan Al Tikriti directed a staff of approximately 200 security officers who acted as political minders within the IIS. Personally appointed by Saddam, the M6 director had sweeping powers of investigation and financial authority.

Like a satellite office of the SSO, M6 and its three divisions monitored the loyalty of all IIS employees. The first division supplied liaison officers to each IIS directorate and was responsible for technical monitoring, the archives, and security of the MIC; the second division was responsible for political mail, diplomatic couriers, and information security; and the third was responsible for the physical security of IIS headquarters and its arsenal.

**M7, Directorate of Investigation and Prosecution**

M7 oversaw the Hakamiyah prison facility in Baghdad and was last headed by Haythim Khalil Ibrahim Al Rawi. M7 had sub-directorates to investigate Arabs and foreigners, as well as for prison management and administration. M6 and M10 often provided additional support in internal investigations and interrogations.

**M8, Directorate of Liberation Movements**

In the opinion of a former IIS officer, the M8 Directorate was a political office instead of an intelligence collection or exploitation directorate. Formerly directed by Khalid Al Duri, M8 was responsible for supplying administrative support for approved Palestinian organizations, receiving guests, providing hospitality, and arranging visits with officials. The source also stated that the M8 director reported directly to Tariq 'Aziz on matters concerning Palestinians coming to Iraq from Syria.

**M9, Directorate of Communications**

M9 dealt with landline and wireless communications requirements between all IIS directorates. The IIS primarily used landlines for communications security; wireless communications were used only as an alternative if the land lines were down. The last director of M9 was Shibli Muhammad 'Ali. Information is not yet available in regards to when M9 assumed its benign role of communications.

**Structure of M9/J (1980 to 1990)**

*M9/J, headed by Dr. Muhammad from 1980 to 1987, consisted of at least five sections until 1984: Administration and Archives, Analysis and Biology Testing and Concealment, Evaluations, Implementation, and the Special Material sections. After 1984, M9/J restructured its five branches:*

- *Administration and Archives Section*
- *Secret Communications Section*
- *Physiochemical Analysis and Criminal Investigations Section*
- *Special Materials Sections*
  - *Chemical Production*
  - *Analysis and Implementation*
- *Explosives Section*
  - *Explosives Preparation*
  - *Explosives Investigation*

*The Secret Communications section handled the monitoring of postal communications and the development of invisible or secret inks. The Physiochemical Analysis and Criminal Investigations section conducted scientific analysis and research. The Explosives section was an independent unit that was located separate from the rest of M9/J to keep it as compartmented as possible. It conducted both explosive preparations and investigations for both offensive and defensive purposes.*

*Dr. Al Azmirli, after leaving M9/J in 1987, acted as a technical and scientific consultant who reported directly to the IIS director. Dr. 'Ali Mukhlif replaced Al Azmirli as head of M9/J, however by 1988, Dr. Mukhlif could not directly report to the IIS director as in the past. He was required to report to a General Director (director level) and a "technical advisor." Mukhlif would see the department through its next transformation in 1990, but he was replaced by Dr. 'Amir 'Awan Juma' a Al Tikriti in 1991.*

***From 1980-1990, M9 developed chemical and biological weapons, produced toxins, poisons, and lethal devices for intelligence or assassination operations, and tested its products on prisoners.*** In the early 1980s M9 was known as the IIS Science and Technology Directorate, which had four divisions: Engineering, Chemical, Mechanical, and Electronics. M9/J, a subordinate section headed by Dr. Muhammad 'Abd-al-Mun'im Al Azmirli, established labs after the start of the Iran-Iraq War for the development of chemical and biological weapons. According to Nu'man 'Ali Muhammad Al Tikriti, a former department director within M9/J, prisoners from Al Hakamiyah Prison were used and killed by M9's products in late 1983.

M9/J was removed from M9 in 1990, and it was assigned as its own directorate, M16. It retained most of its previous structure except for the Explosives Section, which was removed from its ranks entirely and also assigned as its own directorate, M21 (*See the M16 and M21 sections of this annex for additional information*).

#### **M10, Directorate of Studies and Research**

M10, also referred to as the "analytic directorate," was responsible for seeking, compiling, translating, and publishing open source materials from foreign governments, agencies, and organizations. Researchers investigated political, economical, social, international, and military topics and in-house linguists made translations. The director of M10 was Anmar Latif Nusayyif Jasim Al Dulaymi.

#### **M11, The Training and Preparation Institute**

The Training and Preparation staff, approximately 70 employees, prepared lectures and intelligence courses for both new and current IIS officers and employees on a yearly curriculum. The director of M11 was Mu'affiq Saleh Al 'Ali Al Tikriti.

#### **M12, Directorate of Accounting**

Headed by Nazar Yasin Al Maslawi, M12 was responsible for domestic and foreign bank accounts and IIS financial matters. Sub-directorates managed expenditures, financial archives, and salaries, as well

as supporting the comptroller. Each IIS directorate had an M12 officer to handle all accounting affairs of that directorate, such as the distribution of salaries, purchasing of equipment, food, clothing, and other directorate specific items.

#### **M13, Directorate of Clandestine Operations**

M13 was responsible for operational support services, such as lock-picking, surveillance photography, electronic eavesdropping, and counterintelligence functions at Iraqi embassies abroad. When a target was identified and approved for collection, M13 conducted the operation. Analysis of the collected information, however, was left to the requestor. M5 most likely tasked M13 to collect against UN inspectors, who were monitored through wire taps, listening devices, and hidden cameras at the Canal Hotel, which served as the UN Headquarters in Baghdad. After Desert Storm, the High Technology Photography and Electronics Research and Development Project was subsumed into the Directorate of Clandestine Operations. For this reason, M13 is also commonly referred to as the Technical Operations or Technical Monitoring Directorate.

#### **M14, Directorate of Special Operations**

M14, directed by Muhammad Khudayr Sabah Al Dulaymi, was responsible for training and conducting special operations missions. It trained Iraqis, Palestinians, Syrians, Yemeni, Lebanese, Egyptian, and Sudanese operatives in counterterrorism, explosives, marksmanship, and foreign operations at its facilities at Salman Pak. Additionally, M14 oversaw the "Challenge Project," a highly secretive project regarding explosives. Sources to date have not been able to provide sufficient details regarding the "Challenge Project."

#### **M15, Directorate of Legal Affairs**

M15 provided the IIS officers and employees with legal advice, handled all employees' legal cases, reviewed all new laws that pertained to IIS officers, and implemented the laws and regulations within the IIS. While it served all of IIS, M15 primarily assisted M1 and M2.

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### Structure of M14

- *Special Operations Department, composed of a foreign and a domestic section, performed government-sanctioned assassinations inside or outside of Iraq.*
  - *The "Tiger Group" was similar to Special Operations, except that it was primarily comprised of suicide bombers.*
  - *The Training Department provided training for all IIS officers going abroad.*
  - *The Counterterrorism Department handled counterterrorism activities in Iraq and at embassies; reportedly, it disarmed terrorists hijacking a Sudanese airliner from Saddam International Airport.*
  - *The Administrative Department provided support services such as administration, finances, communications, and logistics.*
  - *The Anti-Iranian Department infiltrated operatives into Iran for intelligence collection and operated against Iranian groups attempting to enter Iraq.*
- 

### M16, Directorate of Criminology

M16 was created when M9/J was extracted from M9 and designated as its own directorate in 1990. The directorate retained the organizational structure of M9/J except for the Explosives Section, which was also designated as its own directorate, the Al Ghafiqi Project (M21). The services M16 provided in the fields of chemical and biological science, criminal investigation and forensic sciences, chemical and poison production, and intelligence support offer insight to its nickname, the "Directorate of Special Logistics." Nu'man 'Ali Muhammad Al Tikriti was M16's last director having served from 1996 until 2003.

In late 2001 or early 2002, M16 requested assistance from the IIS Scientific and Technical Intelligence Department (M4/4/5) to acquire specialized equipment for M16. Devices were requested for atomic absorption, infrared, and ultraviolet spectrophotometers for the analysis of chemical substances; x-ray and bomb detection devices which were planned for use in Iraqi embassies; materials used to detect and exploit latent fingerprints for criminal investigations; and a device used to test for forged or falsified documentation requested by the Secret Communications Directorate.

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### Structure of M16 (2000 to 2003)

- *The Secret Communications Division was responsible for document seals and stamps, document authentication, and mail security. The division also worked on improving secret and invisible inks.*
  - *The Physiochemical Analysis and Forensic Criminal Investigations performed various testing on foods and medicines, e.g. it tested for bacteria and viruses in food, dairy products, and water. The forensics department specialized in fingerprints, ballistics, forgery, and the protection of diplomatic mail.*
  - *The Chemical Preparation Division conducted theoretical and practical research on toxic materials, poisons, and anesthetics for operational use by other IIS directorates, such as M4 or M5.*
  - *The Explosives Division, also known as "Section 27," was responsible for detecting and disabling of explosive devices relating to the mail or vehicles, as well as producing such devices for the IIS. This division was a hybrid between M16's former explosive ordinance disposal section and the former M21 Al Ghafiqi Project.*
- 

### M17, Directorate of Signals Intelligence

M17 monitored, collected, and analyzed external signals and voice communications. The signals intelligence project, formerly known as "Project 858," was almost completely destroyed during the first Gulf War. Following the war, the project was resurrected and re-designated the "Hadi Project." Responsibility for it was passed between Iraq's intelligence and security services until a presidential decree in the late 1990s brought it permanently into the IIS as M17. The directorate was the largest in the IIS, consisting of four divisions and two branches, and employing between 2,000 to 2,500 personnel. Khalid Karim Khalifa Braish Al 'Ajili was the director of M17 from 1995 to the beginning of OIF.

M17 was the pinnacle of Iraqi signals intelligence. It monitored internal Iraqi communications to ensure communications security, intercepted foreign military communications, and collected against foreign embassies, UN Headquarters, and, from 1995 to 1998, UN inspectors.

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### *The Evolution of the Former M9/J Department*

After M9/J was reassigned as M16 in 1990, it was headed by Dr. 'Amir 'Awni Juma' a from 1991 until 1996, when he was replaced by the last M16 director, Nu' man. M16's organization from its inception until early 2000 consisted of the following four sections:

- Administration and Archives Division
- Secret Communications Division
- Physiochemical Analysis and Criminal Investigations Division
- Special Materials Division
  - Chemical Production Section
  - Explosives and Radiation Detection and Treatment Section

According to captured documentation, on 29 September 1999 the IIS Director approved the deconstruction of the Special Materials Division, as well as M21, the Al Ghafiqi Project. The Special Materials Section was reorganized so that the Explosives Detection and Treatment Section could merge with the Al Ghafiqi Project under M16 for the "unification of technical specialties...since the defensive work is so closely tied with offensive work." The Radiation Detection utility was to remain with M16.

A consulting agency for the IIS Director proposed that the Chemical Production Section become an independent division subordinate to M16, comprised of a Chemical Supply Department and an Intelligence Applications Department. Its duties at the time of reorganization consisted of preparing substances which paralyzes the individuals' functionality, preparing tranquilizers and hypnotics for intelligence uses, preparing safe instant lethal substances, and camouflaging these substances by various means such as drinks or medicine. This was the last restructuring of M16 prior to OIF. (See the M21 section for additional information on the Al Ghafiqi Project.)

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### *Structure of M17*

- M17/1 Service and Administration Division
    - M17/1/1 Personnel
    - M17/1/2 Vehicle Maintenance
    - M17/1/3 Building Maintenance
  - M17/2 Analysis Division
    - M17/2/1 Algorithmic Encryption Design
    - M17/2/2 Electronic Cryptanalysis
    - M17/2/3 Manual and Mechanical Cryptanalysis
  - M17/3 Operations Division—Intercept, Jamming, and Direction Finding
    - Central SIGINT Station at Al Rashidiyah
    - North SIGINT Station at Mosul
    - South SIGINT Station at Basrah
    - West SIGINT Station at Al Rutbah
    - Communications Security Monitoring
  - M17/4 Technical Support Division
    - Signals Research
    - Technical Analysis
    - Satellite Intercept
  - Computer Branch
  - Analysis and Production Branch
    - Administration
    - Translation
    - Military Communications
    - Civilian Communications
    - COMSEC Analysis
    - Encrypted Communications Analysis
-

### **M18, Directorate of Residency**

M18 issued visas, determined residency status, and enforced immigration laws for all Arabs and foreigners living in Iraq.

### **M19, Directorate of Commercial Projects**

The Directorate of Commercial Projects ran front companies to help illicit procurement and importation of dual-use materiel and other prohibited items into Iraq. The Foreign Branch oversaw the management of trade with overseas front companies, such as MIC's Al Basha'ir Trade Company, Ltd., and the Syrian firms SES Trade Company and the MAS Economic Group. The Domestic Branch oversaw the management of numerous small businesses throughout Iraq to financially supplement IIS operations, usage by the IIS, such as print shops for forgery, and strategic surveillance of foreign interests.

In 1997, M19 director Mana' 'Abdallah Rashid ordered a halt to all Foreign Branch operations as a result of the failure of one of its companies to deliver spare parts, tires, batteries, electronic equipment, and vehicles. At the same time, the manager of the Domestic Branch was jailed for attempting to smuggle copper out of Iraq. These two incidents led to the permanent closure and subsequent salvage of the Directorate of Commercial Projects. M19 was disbanded and its sections were reassigned to the M4 and M5 Directorates. The Foreign Branch projects were re-designated as M4/8 under the Directorate of Foreign Intelligence. The Domestic Branch projects were re-designated as M5/5/18 under the Directorate of Counterintelligence (*see Regime Finance and Procurement for additional information on illicit procurement*).

### **M20, Directorate of Surveillance**

The Directorate of Surveillance monitored individual targets with human surveillance and may have been involved in collection against UN inspectors. M20, with three field intelligence units and an administrative branch, was directly subordinate to the IIS Deputy Director. Support requests had to first be approved by the Deputy Director before tasking was executed. Requests also had to provide specific information on targets and the intended location of surveillance. Restricted manpower and resources, however, limited collection periods to approximately seven to ten days. Akram 'Umar Salih Al Tikriti was the director of M20 from 2000 to OIF.

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### **Structure of M18**

- *M18/1 The Arab Division: responsible for all Arab immigrants regardless of country*
  - *M18/2 The Foreigners Division: responsible for all non-Arab immigrants*
  - *M18/3 The Airport Division: a satellite office located at the point-of-entry*
  - *M18/4 The Regional Division: satellite office located at the various regional governorates and points of origin.*
- 

### **M21, The Al Ghafiqi Project**

*The Al Ghafiqi Project existed to make explosive devices for the IIS to be used in assassination and demolition operations.* The Explosives Section of M9/J was extracted from the M9 Directorate in 1990 and assigned as its own directorate, M21; at the same time, the remainder of M9/J was also extracted and designated as M16. The name Al Ghafiqi, referring to a geographic area between Saudi Arabia and Kuwait, was most likely attached to the project in 1990 as it was designated as an independent directorate. The project is also known as "*sheen 27*," where 'sheen' is the first letter in the word for Section, however, this was not seen until after 2000.

Khalil Ibrahim Fayad Al Sabahi was the director of the former Explosives Section since 1986, and he continued to head the organization as the M21 Director until his departure in 1996. Dr. 'Amir 'Awni Juma'a, who was previously the M16 director until 1996, was the superintendent of the Al Ghafiqi Project during the negotiations to integrate Al Ghafiqi into M16 in 1999. Badi'a Muhammad Salih was the director of the project, which was decommissioned in 2000 and reassigned to M16.

No one person constructed an entire explosive device alone. The construction process drifted through the sections of the directorate. An improvised explosive device (IED) began in the Chemistry Department which developed the explosive materials for the device, the Electronics Department prepared the timers and wiring of the IED, and the Mechanical Department produced the igniters and designed the IED. Al Ghafiqi constantly invented new designs or methods to conceal explosives; books, briefcases, belts, vests, thermoses, car seats, floor mats, and facial tissue boxes were all used to conceal PE4, C4, RDX, or TNT.

### **M22, Directorate of Protective Services**

The Directorate of Protective Services was similar in composition to a light infantry battalion and it protected IIS facilities along with the Ba'th Party national leadership. Its most recent director prior to OIF was Khassam Ibrahim Omar Ayyub Al Tikriti. M22 provided external security at IIS sites, while M6 handled internal security issues—similar to the way that the SRG and SSO handled security at presidential palaces.

Three subordinate divisions in M22 carried out various physical security missions for the IIS Headquarters in Baghdad, the Mujahiddin è Khaliq (Iranians opposed to the current Iranian Regime), and the IIS Regional Offices (M51 through M59). M22 personnel guarded all IIS safehouses, and M22 personnel may have been present in the event of the transportation of WMD materiel, because it had previously provided convoy security for the shipment of light weapons.

### **M23, Directorate of Military Industries**

Also known as "*Al Munzhumah*," M23 provided security for all MIC and IAEC sites, and it assisted the National Monitoring Directorate (NMD) with purging MIC facilities of documents to be safeguarded from the UN. An Iraqi Regular Army unit was commonly co-located at MIC facilities for external protection, but M23 handled security within the facility, as well as the security staff manning gates at industrial complexes, weapons manufacturing plants, chemical production plants, and MIC offices. M23 also provided limited security for three MIC companies: Armos, Al Basha'ir, and Al Mufakhir—all front companies for illicit MIC procurement. We do not know to what extent M23 provided security for these companies. The last director of M23 was 'Abd-al-Hamid Sulayman Ibrahim Al Huraymis Al Nasiri.

M23 officers also were involved in NMD document concealment and destruction efforts. In August 1998, Saddam ended cooperation with UNSCOM inspections, and soon after he ordered the creation of a NMD committee to purge all MIC records of sensitive documentation related to past prohibited programs. While many documents had already been declared, some were given to M23 agent 'Ayad Qatan Talab, the director of M23/6/1 Counter-Espionage Section, to keep in a lockbox. These documents have not yet been recovered.

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### **Structure of M23**

- *M23/1 Human Resources*
    - M23/1/1 Military Personnel*
    - M23/1/2 Civilian Personnel*
    - M23/1/3 Personnel Management*
    - M23/1/4 Passports and Visas*
  - *M23/2 Internal Security*
  - *M23/3 Investigations*
    - M23/3/1 Interrogations*
    - M23/3/2 Investigations*
    - M23/3/3 Jail*
  - *M23/4 Nuclear Energy*
    - M23/4/1 Companies*
    - M23/4/2 Opposition Group Activities*
    - M23/4/3 Counter-Espionage*
  - *M23/5 Maintenance Division*
    - M23/5/1 Management Section*
    - M23/5/2 Building Maintenance*
    - M23/5/3 Vehicle Maintenance*
  - *M23/6 Counter-Espionage Division*
    - M23/6/1 Counter-Espionage*
    - M23/6/2 Companies*
    - M23/6/3 Opposition Group Activities*
- 

### **M40, Directorate of Opposition Group Activities**

M40 targeted opposition groups based overseas, such as the Al Dawa Party, the Communist Party, and the Wahhabis. M40 tasked its satellite offices around Iraq to monitor coalition forces prior to OIF, but limited resources prevented any measurable success. A civilian, 'Isam Khudhayr 'Abbas Al Dulaymi Al Awani, was the director of M40 from 1990 to 9 April 2003. At that point, according to a former M40 officer, all M40 officers were told to burn their documents and go home. "It was over," the source said, "the IIS did not exist anymore."

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**Structure of M40**

- M40/1 Monitors the Al Wafaq Party, Communist Party, and Separatists
  - M40/2 Monitors the Al Dawaa Party, Al Majlis Party, and the Wahhabis
  - M40/3 Monitors the Kurds
  - M40/4 Monitors external threats, Al Mu'tamar, and Independents
  - M40/5 Operations against the Kurds
  - M40/6 Monitors the Al Yazidis, Al Saabiah, and Al Ashurin
- 



**The Directorate of General Military Intelligence**

The Directorate of General Military Intelligence (DGMI) was Iraq's main military intelligence service.

The DGMI collected intelligence on the military capabilities of the countries adjacent to Iraq, as well as Kurdish forces. The director of DGMI, Staff Lt. Gen. Zuhayr Talib 'Abd-al-Sattar, reported directly to the Presidential Secretary, despite the subordination of the DGMI to the Ministry of Defense.

In addition to military analysis and targeting, the DGMI acted as an internal police force within the Iraqi military by assigning DGMI Intelligence Officers to each military unit down to the battalion level. Technically, the officer's mission was intelligence support, but the majority of the officer's work centered on controlling corruption and theft within the unit. Just as the SSO placed political officers within the Republican Guard, the DGMI placed intelligence officers within the military services to monitor troops.

This organization has also been recognized as the General Military Intelligence Directorate (GMID), General Directorate of Military Intelligence (GDMI), Directorate of Military Intelligence (DMI), Military Intelligence Directorate (MID), and the *Istikhbarat*, the shortened version of its Arabic name: *Mudiriyah Al Istikhbarat Al 'Askriah Al 'Ammah*.



**The Directorate of General Security**

The Directorate of General Security (DGS) provided local intelligence collection and prosecution of Regime opposition groups within the

individual governorates of Iraq. Little reporting exists about its composition and structure, but minor references to the DGS all reflect an effort focused against the infiltration of Iranian, Turkomen, and Kurdish oppositionists.



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## Annex C Iraq's Security Services

### Overview

*The former Regime's security services protected the President, secured the presidential palace grounds, and guaranteed loyalty to the Regime.* These organizations, however, also concealed information and material from United Nations weapon inspectors. This annex will provide a view of the most recent organizational structure of these security services.



Security Organization  
(Crest of the Republic)



Republican  
Guard

The Special Security Organization, using personal escorts and protection units, maintained the innermost security levels surrounding the President and the Regime. The Republican Guard, comprised of the Special Republican Guard and the Republican Guard Forces Command, served as the outer rings of Regime and national security. Prior to 1996 the Special Republican Guard was specifically tasked to conceal WMD-related material in collaboration with the Special Security Organization.

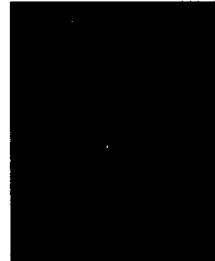
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*This portion of the Report is largely based on testimony from former Regime officials who were active in many of Iraq's former governing, economic, security and intelligence organizations. While they were critical to our assessment of the former Regime's WMD strategy, the detainees would often minimize their involvement or knowledge of sensitive issues. The placement of blame or knowledge with individuals, who were not in a position to contradict their statements, such as deceased or fled to another country, was also a common occurrence. Notwithstanding, most detainees were very cooperative and provided insight into the inter-workings of the former Regime. Original documentation captured during Operation Iraqi Freedom has served to confirm, supplement, and reinforce detainee statements.*

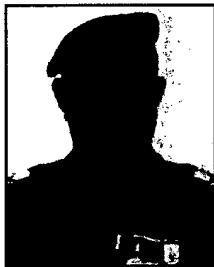
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**'Izzat Ibrahim Al Duri**  
*Chairman*



**'Abd Hamid Mahmud  
Al Khatab Al Nasiri**  
*Secretary General*



**Zuhayr Talib  
'Abd-al-Sattar**  
*Director, DGMI*



**Qusay Saddam  
Husayn**  
*Director, SSO*



**Tahir Jalil Habbush**  
*Director, IIS*



**Rafi 'Abd-al-Latif  
Tulfah Al Nasiri**  
*Director, DGS*

### ***The National Security Council***

*The National Security Council provided a forum for cooperation between Iraq's security and intelligence agencies regarding overlapping issues among the agencies and joint-service projects. It was comprised of 'Izzat Ibrahim Al Duri, 'Abd Hamid Mahmud Al Khatab Al Nasiri, and the directors of the four main security and intelligence organizations—the Special Security Organization (SSO), the Iraqi Intelligence Service (IIS), the Directorate of General Military Intelligence (DGMI), and the Directorate of General Security (DGS).*

*'Izzat Ibrahim, Vice-President and the Vice-Chairman of the Revolutionary Command Council (RCC), acted as the chairman, and 'Abd acted as the Secretary General of the National Security Council. The Council did not have regular preplanned meetings, but it met periodically at 'Izzat's headquarters at Al Admani Palace in Baghdad to address any problems or issues that had emerged since the last meeting. Despite these meetings most problems—big or small—were brought directly to Saddam by the agencies' directors.*

*The presidential secretary, 'Abd, screened almost all of the reporting sent to the Presidential Office by the SSO, IIS, DGMI, and DGS. The directors of these organizations, including Qusay Saddam Husayn, who headed the SSO, reported directly to 'Abd, who chose what should proceed to the President. The correspondence from the SSO and IIS was opened by the presidential secretary himself, and not the staff. 'Abd then evaluated whether it was for the President's action or Daily Brief. If the matter related to routine administration, the Secretary acted on the correspondence, himself, and then he returned it to the originating office. However, this did not include the hiring and firing of department directors.*

*The presidential secretary had a higher status than Qusay prior to 2001. Qusay, as Director of the SSO, still had to report to 'Abd despite being the President's son. Qusay was no longer within 'Abd's chain of responsibility after Qusay was elected to the Ba'th Party Leadership in May 2001, however, the SSO was still required to report to the presidential secretary.*

## The Special Security Organization

Saddam Husayn formed the Special Security Organization (*Jihaz al-Amn al-Khass* in Arabic) shortly after he became President in 1979. The assurance of Regime stability required a wide spectrum of support and services, and Saddam relied on the expertise of the Special Security Organization (SSO) until 2003. Saddam used the SSO, which consisted of over 5,500 personnel, to reveal any threats to him and his position.

### Leadership of the Organization

#### Husayn Kamil Hasan Al Majid

Husayn Kamil Hasan Al Majid headed the SSO from as early as 1983 until 1989, according to a senior Republican Guard officer. By 1987, he was also the “Overseer” of the Military Industrial Commission, the Republican Guard (including the Special Republican Guard), Saddam’s Special Presidential Guard, and the Ministry of Oil.



*Husayn Kamil*

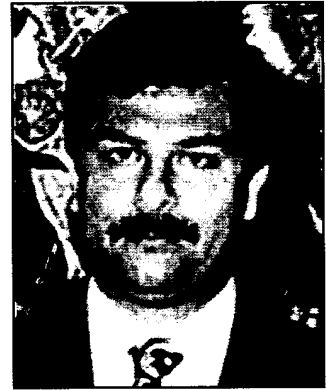
Husayn Kamil did not appear to rely on deputies. He had the power, because of his family ties and proximity to the President, to have anyone fired or have them placed under suspicion. A former subordinate noted “Husayn Kamil did not have a right-hand man, as he was too arrogant.” Many of the senior leadership believe that all of Iraq’s problems with the United Nations were the result of his unilateral decisions. He was briefly appointed to and eventually fired as the Minister of Defense in 1991, after which he was appointed by Saddam to be the Minister of the Military Industrial Commission. His transfer from the SSO in 1989 created a gap in SSO leadership (See the “Husayn Kamil” textbox in the Regime Strategic Intent chapter for additional information).

#### Fannar Zibin Al Hasan

During the first Gulf War, Fannar Zibin Al Hasan, a cousin of Saddam, directed the SSO. Fannar was a figurehead. Qusay Saddam Husayn, who was appointed by Saddam to be the deputy director, actually led the organization. Little is known about the SSO leadership from 1989 to 1991.

#### Qusay Saddam Husayn

Qusay became SSO Director in late 1991 or early 1992. The security organization lost much of its influence without Husayn Kamil. Many of the responsibilities were not passed to Qusay because he was viewed as inexperienced—he was approximately 24 years old when appointed to direct the SSO. Qusay was a graduate of the College of Law; he was not given military rank and always wore civilian clothes. For this reason Qusay enlisted the assistance of Husayn Kamil for leadership guidance.



*Qusay Saddam Husayn  
Director, SSO*

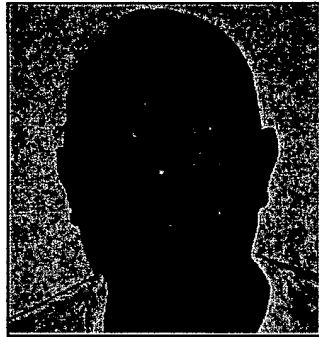
With the assistance of Husayn Kamil from 1991-1995 and under the leadership of Qusay, the SSO undertook many functions, such as protection, collection, and deception operations. Together, these two used the assets at their disposal to orchestrate a denial and deception program against the United Nations.

After the departure of Husayn Kamil in 1995, Qusay supervised the command authority of the Republican Guard and the Special Republican Guard while simultaneously serving as director of the SSO. In title, Qusay was referred to as the “Honorable Supervisor of the Republican Guard,” but he was never referred to as “the commander.” Qusay was able to manage the SSO, though he did not have the seniority, experience, or depth in military matters to command troops. Commanders feared and respected Qusay because, much like Husayn Kamil, he had almost-absolute power in the Regime. When he spoke to military commanders, however, he would generally issue vague managerial directives.

Qusay stepped down as the Director of the SSO after he was elected one of two deputies in charge of the military branch of the Ba'th Party on 19 May 2001, three days after being elected to Ba'th Party membership. Managing his new responsibilities in addition to his role in the SSO was reportedly a heavy burden on Qusay.

#### **Walid Hamid Tawfiq**

Staff Maj. Gen. Walid Hamid Tawfiq held the position of SSO Director from June 2001 until September 2002. Walid, a staff major general at the time, was selected to fill Qusay's position because he was the most senior officer within the SSO. Qusay wanted to appoint the Director of Republican Guard Security to the position of SSO Director, but that officer was only a colonel. Qusay never completely relinquished control of the SSO. Qusay ordered Walid to report directly to him, though the normal chain of reporting for the SSO Director was to report security matters to the presidential secretary, 'Abd Hamid Mahmud Al Khatab Al Nasiri.



*Walid Hamid Tawfiq*

Qusay eventually relieved Walid of duty and returned as the Director of the SSO in September 2002. The circumstances around Walid's reappointment to the Governor of Al Basrah are uncertain. Walid claims that he was removed one week after he received a letter from Saddam admonishing him for monitoring an individual who was, without the knowledge of Walid, close to Saddam.

#### **Structure of the Organization**

Unlike the Iraqi Intelligence Service (IIS), the directorates and branches of the SSO did not have a coded nomenclature.

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#### ***Himayah—The Presidential Bodyguards***

*The first tier of security closest to Saddam took no direction from the SSO, as this responsibility was removed from the SSO during the late 1980s. The Himayah (Arabic for "Protection"), a general term for the Department of Senior Escorts (al-Murafiq al-Qadim) was composed of two groups, the Special Protection (Amn al-Khas) and the Special Guard (Haras al-Khas), which were directly accountable to the Secretary of the President, 'Abd Hamid Mahmud Al Khatab Al Nasiri. The Special Protection was with the President 24 hours a day, seven days a week to provide personal security. The Special Guard had more of a logistic role, providing personal services such as laundry, food, and shopping. The SSO picked the candidates and monitored the members of this group to ensure loyalty to Saddam.*

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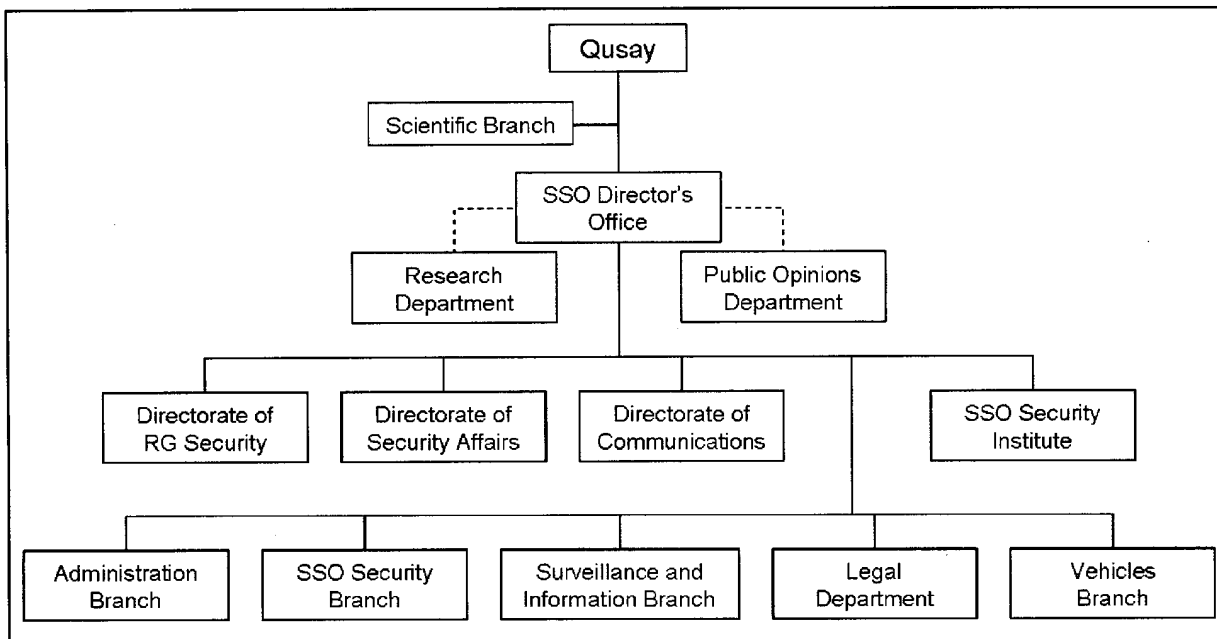
#### **The Office of the Director**

The Office of the Director contained the staff closest to Qusay and daily SSO operations. Qusay relied less on the established officials of the organization, and by 1998 he developed his own close circle of personal aides much as his father had done. Among them were 'Ali Husayn Al Rashid, Qusay's longstanding personal bodyguard; Hani 'Abd-al-Latif Tulfah Al Nasiri, the first cousin of Qusay's mother; and Suhayl Muhammad Sultan Al Duri, Qusay's secretary, Director of Public Relations, and by default, the Official Secretary of the SSO Director (Office Manager). Suhayl replaced Sulayman 'Ulwan Ibrahim Al Huraymis Al Nasiri who served as Qusay's secretary since 1991 and Office Manager until 1997, when Qusay dismissed him.

The director's office had four sections that handled allocation of residential properties for SSO employees, administration of SSO computers, financial oversight, and the inter-office and outgoing mail.

#### **The Directorate of Security Affairs**

The Directorate of Security Affairs, the second tier of presidential protection, consisted of two sections that were charged with the security of presidential palaces, the office of the presidency, and Ba'th Party offices and headquarters. Made up of over 1,700 personnel,



*The Special Security Organization.*

the Directorate of Security Affairs was the largest directorate and last headed by Col. Muhammad Rijab Al Haddushi. It supplied protective services to the Presidential Diwan and Ba'th Party Regional Command, as well as the support contingency known as "Group 40," which was composed of drivers, cooks, and launderers who traveled with Saddam.

**The Directorate of Republican Guard Security**

Hani 'Abd-al-Latif Tulfah Al Nasiri, one of Qusay's most capable deputies, headed this directorate, which monitored loyalty to the Regime within the Republican Guard. In 2001 Qusay told Staff Maj. Gen. Walid Hamid Tawfiq, despite Walid's appointment to SSO Director, that he would not have control over



*Hani 'Abd al-Latif*

Hani or his directorate. Hani retained his position of Director of the Directorate of Republican Guard (RG) Security as he ascended the ranks of the SSO. Three

months after Walid was appointed as SSO Director, Qusay appointed Hani, his preferred choice for SSO Director, to the position of Assistant Director.

Three departments within this directorate closely watched the SRG, the Allahu Akbar Operations Command (1<sup>st</sup> RG Corps), and the Fat'h Al Mubayyin Operations Command (2<sup>nd</sup> RG Corps). While not large enough to warrant their own departments, two SSO Security Officers scrutinized the RG Missile Command and the RG Airbase at Al Rashid, as well (see **The Republican Guard** section, below, for additional information).

Prior to 1991 the SSO used security officers to monitor, educate, and discipline the military troops in an effort to protect against enemy intelligence. After 1991 the SSO shifted its focus to monitor the military commanders to guarantee their loyalty and political reliability. These security officers, reminiscent of Soviet commissars, were embedded within Republican Guard units down to the battalion level, and they did not answer to the RG chain of command.

SSO Security Officers underwent a special three-month course held by the SSO, commonly wore civilian attire or military uniform without rank and, by nature of their positions, were not commonly liked

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### ***Duties of the SSO Palace Security***

*The Directorate of Security Affairs oversaw the security details within the presidential palaces and facilities of the Iraqi Regime. While the Special Republican Guard (SRG) maintained the perimeter and main entrance gate security, the Directorate of Security Affairs provided close-protection internal security measures:*

- *Access control for incoming and outgoing palace visitors, to include verifying authorizations, security badges, personal and vehicular searches.*
  - *Verifying personnel records for all inside and outside palace workers with the assistance of the Directorate of General Security (DGS).*
  - *Escorting or monitoring all workers (janitors, waiters, contractors, etc.) in the presidential palaces.*
  - *Requesting and validating annual security clearances from the Directorate of General Security for all enlisted and commissioned SRG personnel.*
- 

by the other soldiers. In the event of disloyalty or a security breach, the security officer would report the event directly to the director of RG Security. For example, a security officer at the battalion level would not be required to pass the information through the brigade and division security offices. The Director of RG Security could bypass the SSO Director because of his special link with Qusay.

### **The Directorate of Communications**

Secure communications between strategic Regime facilities was the responsibility of the Directorate of Communications, directed by Head Engineer Safa' Shakir Taha. This directorate established and maintained landline and wireless communications for all palaces, directorates, presidential and Diwan offices, and Republican Guard headquarters. Two departments within the directorate specialized in wireless and landline communications systems. The Landline Department was headed by Engineer Salam 'Aziz; the Wireless Department was headed by Engineer 'Abd-al-Rahman.

### **The SSO Security Branch**

Similar in mission to the RG Security Directorate or a police department's Internal Affairs division, the SSO Security Branch monitored the personnel of the Special Security Organization. A cousin of Qusay, Fatik Karim Sulayman Al Majid, was the last known director of this branch. Fatik had almost constant access to Saddam, because the SSO Security Branch was Saddam's window into Qusay's inner circle.

Saddam appointed strong loyalists, all of whom were members of his personal guard staff, to each of the security and intelligence services near the beginning of 2001. All of these positions reported the activities of their various agencies to Fatik, Director of the SSO Security Branch. Khalid Najim 'Abdallah Sultan Al Majid Al Tikriti was appointed to head the IIS Security Branch (M6), Haytham Sulayman Al Majid was appointed to head the Security Branch for the Directorate of General Military Intelligence, and Salim 'Abd-al-Qatar Sulayman was appointed to head the respective security element of the Directorate of General Security.

Cross-checking of the various services placed the SSO in a superior position over these agencies. For example, the IIS was not informed of SSO operations, but the SSO would be informed of all IIS operations; only the liaison officers between the two organizations would communicate officially. If the IIS became aware of a Ba'th Party member plotting action against the Regime, the case would be passed directly to the SSO. However, if the IIS wished to keep a case, Saddam most likely would have been consulted.

### **The Surveillance and Information Branch**

The Surveillance and Information Branch was tasked with monitoring Iraqi officials, all employees within the office of the presidency, and other designated targets, to identify individuals of questionable loyalty. The director of this branch, Rafi' Hamid Muhammad Al Sagmani, oversaw the operations of two sub-sections, the Telecommunications Monitoring Section, headed by Muhammad Ra'uf Ghassub, and the Human Surveillance Section, headed by Harith Al Duri. Rafi' was another of Qusay's close associates within the SSO.

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### Structure of the SSO Security Branch

- *The Organization Section monitored all assigned SSO personnel except those on the presidential detail. It had one officer assigned to each of the other branches and directorates within the SSO. This section was headed by Mu'ayyid 'Abd-al-Hamid.*
- *The Special Section monitored all assigned personnel to the presidential detail, including the protection detail, those who housed and provided logistics to the protection detail, and those who provided support services to Saddam (Group 40, shepherds for live meat, chefs, tailors, and day laborers). This section was headed by Sa'd 'Abdallah Zahran.*
- *The Investigation and Interrogation Section conducted investigations, interrogations, and detention of personnel for crimes ranging from theft to treason. Its jurisdiction was determined by Saddam or Qusay. This section was headed by Col. 'Adil Hamid Jamil.*
- *The Information and Identification Section maintained personnel files, marriage approval, weapons accountability, and organizational identification and passports for SSO personnel. The Information Section, also referred to as "Personnel," was headed by Samir 'Awad, and the Identification Section was headed by Muhammad Wahadi.*
- *The Separated Employees Section monitored all former SSO officers. Also known as the "Veterans' Section," this section was headed by Tha'ir Al Duri.*

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### Administration Branch

The administrative branch of the SSO, which was headed by Wasfi Mukhlif Al Ajili, had four subordinate sections: Supplies, Services and Maintenance, Personnel (Human Resources), and Accounting, which handled salaries and promotions.

### Vehicles Branch

Despite having its own motor pool and vehicles, the SSO attempted to acquire parts or maintenance for its own vehicles from the Special Republican Guard. Lt. Col. 'Isam Mamud 'Abdallah Al Tikriti headed the transport assets of the SSO.

### The Scientific Branch

The SSO operated a laboratory specifically to test the President's food. All food, clothing, and presidential supplies were acquired through the Ministry of Health or the Ministry of Trade. This branch was headed by Dr. Sabah Shuhab Ahmad Al Sumaydi. His two immediate subordinates were Dr. 'Adnan Ibrahim, Head of the Department of Chemistry, and Dr. Mujaz Tawfiq, Head of the Department of Biology.

The lab tested anything specifically for the president, including clothing, and its function was very secretive, even within the SSO. For example, Qusay planned refusal to acknowledge that the lab belonged to the SSO, even if confronted by UN inspectors about the lab. The lab was previously declared as belonging to the Ministry of Trade, which originally set up the lab for the SSO. Therefore, UN inspectors examined the lab under the assumption that it belonged to the Ministry of Trade, yet, fully aware of the lab's true function with regard to Saddam. Had the SSO acknowledged its ownership of the lab, it would have further increased the level of distrust between inspectors and Iraq.

### The Special Security Institute

While many SSO officers were already seasoned from prior intelligence service positions, all SSO officers were trained in Baghdad at the Special Security Institute, directed by Khalid Kulayb 'Awani. The Institute's primary mission was to educate SSO, SRG, and presidential office employees on all aspects of governmental security, including military training, political indoctrination, and security of presidential sites. It operated on a yearly schedule with classes beginning on the seventh day of January, a two-month vacation in July and August, and completion of the annual curriculum in December.

The basic course for Special Security Officers lasted three months at the Institute in the Al-Jihad district of Baghdad. The course consisted of physical security training relating to different types of facilities and premises, personnel security and search techniques, the debriefing of casual contacts, and methods used by hostile intelligence services to recruit sources. This course turned company-grade Republican Guard officers into SSO Security Officers, who subsequently were embedded into military units.



### **The Security Unit**

The SSO had a battalion-sized unit responsible for the security of strategically important roads around Baghdad and Tikrit. Hasan Na'amah Hamid Al Alusi replaced Col. 'Uday Al Habbus as the commander of the Security Unit in 2001. The unit consisted of four companies and a command element. The first company was composed of police patrol cars, the second company were also police vehicles, including recovery vehicles, for traffic enforcement, the third and fourth companies were foot-patrols mainly recruited from the SRG.

The unit's main focus was the route between the Baghdad International Airport and the Republican Palace in Baghdad. Similar service was provided by the unit on other routes, but with less manpower requirements. These security operations were, generally, permanent assignments; the Security Unit was rarely tasked with other assignments.

### **Public Opinion Department**

The Public Opinion Department collected information on all rumors regarding the Regime. This department, headed by Suhayl Muhammad Sultan Al Duri who simultaneously held the position of Manager of the Director's Office, maintained sources in all major cities who would report on all facets of public opinion regarding Saddam or the Regime.

### **Legal Department**

The Legal Department, led by Judge Basim 'Umar Al Tikriti, was responsible for all legal cases involving employees of the SSO.

### **Research Department**

The Research Department, headed by Dr. Mu'ayyid Al Tikriti, conducted a joint computer project with the Military Industrial Commission, according to former senior officers within the SSO command leadership. Allegedly, this section was comprised of four or five employees in addition to Dr. Mu'ayyid and was financed through the SSO. Neither Walid nor Hani, despite their senior positions within the SSO, knew much about the department's sensitive activities.

### **Collaboration With Other Services**

*The SSO collaborated with every Iraqi security or intelligence service on a limited scale—each service had a specific charter but overlapping responsibilities were common.* Moreover, all of Iraq's services were monitored for loyalty to the Regime.

*The SSO had links to every security and intelligence service of Iraq for political reasons, but it did not vet the reporting of the various agencies.* All of the services shared similar reporting chains, however. Once a report had been seen by the director of the relevant service, it followed one of two paths: if the report related to administrative or financial matters, it went to the Presidential Diwan; if the report related to intelligence or security, it went to the Presidential Secretary.

The security and intelligence services relied on each other for operational missions as well. The SSO would be informed if an agency had a security breach or suspected disloyalty among its ranks. Alternatively, the SSO tasked the Directorate of General Security for background checks and the Iraqi Intelligence Service and the General Military Intelligence Directorate for collection strategies and technologies.

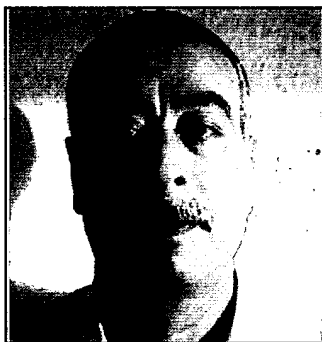


### The Republican Guard

The Republican Guard (RG) consisted of two military branches charged with divergent missions outlined below. Nonetheless, both branches of the RG received orders from the RG Secretariat, which was directly subordinate to Qusay Saddam Husayn. The last officer to hold the position of Secretariat General, more commonly referred to as Secretary General, was Staff Lt. Gen. Kamal Mustafa 'Abdallah Sultan Al Nasiri.

The smaller RG branch, the Special Republican Guard, was the third tier of presidential security after the Presidential Bodyguards and SSO. The Special Republican Guard's primary mission was the physical protection and security of the presidential grounds and other sites sensitive to national security.

The larger contingent, the Republican Guard Forces Command, was often recognized as the "elite fighting force of Iraq" and was also the group most often referred to when speaking of the Republican Guard. The Republican Guard Forces Command would be considered the fourth, and final, tier of the Regime security services.



*Kamal Mustafa*

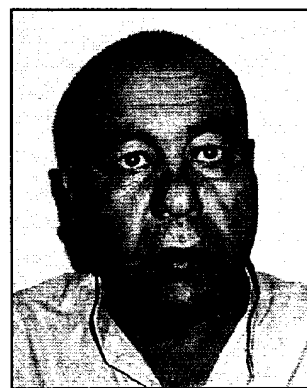
Qusay, in the role of the "Honorable Supervisor" of the Republican Guard, like his father, kept a keen eye on the military forces closest to the Regime. No piece of military equipment could be moved—even for repair—by a brigade, division, or corps commander without the prior written permission of Qusay through the RG Secretariat. Security officers from the SSO were embedded within the Republican Guard to ensure that this was strictly followed and report if it was contradicted.

### The Special Republican Guard

The primary mission of the Special Republican Guard (SRG) was to secure and protect presidential areas

and other sites sensitive to national security. Although tasked with guarding presidential grounds, the SSO officers also conducted all personal and vehicular searches and internal security. The SRG was responsible for manning gate guards and securing the grounds, perimeter, and surrounding areas. Even the SRG Commander, Brig. Barzan 'Abd-al-Ghafur Sulayman Al Majid, was not permitted to enter any presidential grounds without prior approval. Saddam ensured that all military units were kept far enough away in order to prevent any potential coup.

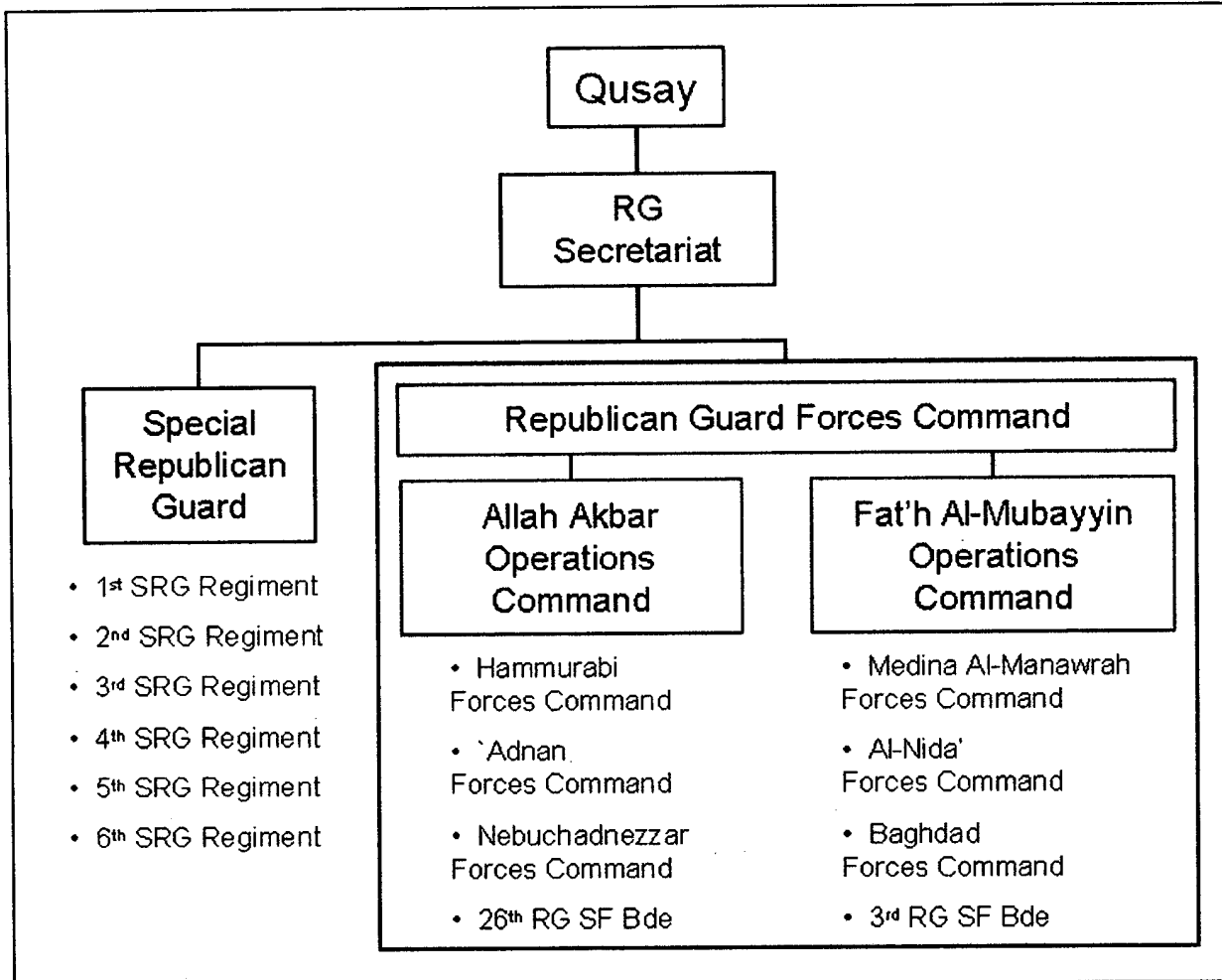
The SRG was originally a large brigade composed of seven battalion-sized elements referred to as Regiments. The SRG bulked up to the size of a division in 1992 when the threat to the government increased, although it had never—before or after the threat—been trained for coup suppression. The SRG maintained its large stature until early 2000, when the branch could not support its own logistic requirements and was reduced from four brigades to one. It was again augmented to divisional size before Operation Iraqi Freedom, but the SRG units played no role in combat as maneuver units during Operations Desert Storm or Iraqi Freedom.



*Barzan 'Abd al-Ghafur*

The chain of command within the SRG was strictly controlled, given the proximity of military troops to Saddam. Orders could only be passed down from the RG Secretariat to the SRG commander. The SSO at times would attempt to commandeer SRG assets for ad hoc tasks, but the SRG Commander would refuse to allocate a single vehicle without an official written order from the RG Secretariat.

**The SRG, under the direction of the SSO, participated in WMD-related concealment activities from 1991 to 1995. Equipment, documents, and other unidentified sensitive materials from the Military Industrialization Commission were loaded on trucks and stored at SRG facilities in order to prevent their discovery by UNSCOM inspectors, according to numerous sources.**



*Republican Guard Organizational Structure.*

## The Republican Guard Forces Command

The primary mission of the Republican Guard Forces Command (RGFC) was to safeguard Regime stability and to protect the Regime from both foreign and domestic enemies. RGFC units helped repel the Iranian invasion in the mid to late 1980s, invaded Kuwait in 1990, suppressed the Shi'a and Kurdish uprisings in the 1990s, and briefly defended the approaches to Baghdad in 2003. The mission of the RGFC resembled that of the Regular Army—tactical defense of the Regime and nation.



*Sayf Al-Din*

The RGFC was composed of two corps-sized elements that were “supervised” by Qusay, but Staff Lt. Gen. Sayf-al-Din Fulayyih Hasan Taha Al Rawi, as Chief of Staff, was the operational commander. The original corps, the Allahu Akbar Operations Command (1<sup>st</sup> RG Corps), was dispersed in the northern half of Iraq and the other, the Fat’h Al Mubayyin Operations Command (2<sup>nd</sup> RG Corps), in the southern half of Iraq. Each corps had three division-sized elements referred to as a “Forces Command” and an independent Special Forces Brigade.

Two of these divisions were garrisoned in Mosul and Krikuk to support the Regular Army in the north, three heavy (armored) divisions protected the approaches to Baghdad, and one infantry division was garrisoned in Al Kut. The RGFC was the last and the heaviest armed tier of Regime security. While it was essential to the protection of the Regime, Saddam kept the units away from Baghdad to prevent their involvement in any military-led coups.

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## Annex D Saddam's Personal Involvement in WMD Planning

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*The Iraq Survey Group recovered this recording of Saddam and senior officials discussing the use of WMD. This discussion was part of a more general meeting which would appear from the content to have taken place during the second week of January, 1991. This is of particular interest as it provides a compelling demonstration of Saddam's personal interest and involvement in WMD planning and preparation.*

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### Saddam's Personal Involvement in WMD Planning

Saddam: I was talking to 'Abd and I told him there is no need to make a big fuss about these suits because we are going to use them in this special occasion, even if it is a Chinese design the collar, the neck line should be lower than this.

Speaker 2: The suit, Sir, will have a neck line like the Dishdasha (Traditional dress of Arabia), so we can use normal white shirt with it.

Saddam: Why did they bring it to us like this then?

Speaker 2: No, I saw the state minister wearing the suit.

Husayn Kamil: Sir, formally, we are wearing it, but you seem to be cold sir (everyone was laughing).

Saddam: I think the people who designed that suit will not make that mistake: First, because you wear it right on the body, so it will get dirty soon; secondly, out of elegance, the hand shouldn't appear from the suit like this.

Speaker 2: Sir, the design of the suit is with a white shirt and a collar (neck line) like dishdasha.

Saddam: Then my design is right.

Husayn Kamil: Absolutely right, sir.

Saddam: Then work on it and make the corrections to the sizes.

Speaker 2: Sir, we will amend it to be exactly with the neck line.

Saddam: Even if it appears a little bit. Now when some one wears a suit, of course the shirt line will appear a little bit, but here I prefer not to have it obvious.

Speaker 2: Sir, you can see that nobody is wearing it.

Saddam: It's forgotten, but now I will ask Abu Muthanna, because he is the best at remembering [shackling noise]. Since 1958 the Iraqi army has been using these kinds of suits [people commenting and talking in the background].

Saddam: I want to make sure that—close the door please [door slams)—the germ and chemical warheads, as well as the chemical and germ bombs, are available to the “concerned people,” so that in case we ordered an attack, they can do it without missing any of their targets?

Husayn Kamil: Sir, if you'll allow me. Some of the chemicals now are distributed, this is according to the last report from the Minister of Defense, which was submitted to you sir. Chemical warheads are stored and are ready at Air Bases, and they know how and when to deal with, as well as arm these heads. Also, some other artillery machines and rockets (missiles) are available from the army. While some of the empty “stuff” is available for us, our position is very good, and we don't have any operational problems. Moreover, in the past, many substantial items and materials were imported; now, we were able to establish a local project, which was established to comply with daily production. Also, another bigger project will be finalized within a month, as well as a third project in the coming two to three months that will keep us on the safe side, in terms of supply. We, Sir, only deal in common materials like phosphorus, ethyl alcohol and methyl [interrupted].

Saddam: Etc. . . . this is not important to me.

Husayn Kamil: So, Sir, regarding the germs and [he pauses].

Saddam: And the Chemicals.

Husayn Kamil: No, we have some of the chemicals available [interrupted].

Saddam: So, we qualify that the missiles, by tomorrow, will be ready on the 15th.

Husayn Kamil: Sir, we don't have the germs.

Saddam: Then, where are they?

Husayn Kamil: It's with us.

Saddam: what is it doing with you, I need these germs to be fixed on the missiles, and tell him to hit, because starting the 15th, everyone should be ready for the action to happen at anytime, and I consider Riyadh as a target.

Husayn Kamil: Sir, let me explain to you. What we produced now are the rocket heads and the containers, and we distributed them underground in three different locations. We considered these locations the best places we have, and that if we had a chance to scatter and to find more locations, then we would have done it. These locations are far away from Baghdad, this is problematic because of transportation which will take seven days to commute, but we minimized all the transportation procedures in a way. However, when we want to commute it, we cannot do it within one day Sir, and if we want to do it by plane, then, Sir, we have to go for the method [paused].

Saddam: Let's talk about it later [waiters entered the room, sound of plates banging and side talks to the waiters].

Husayn Kamil: (door slams) Sir, we have three types of germ weapons, but we have to decide which one we should use, some types stay capable for many years [interrupted].

Saddam: we want the long term, the many years kind.

Husayn Kamil: Sir, this option is available and all other options are available as well.

Saddam: You mean at which time should we use it and at which moment!

Husayn Kamil: Yes sir. That is why there has to be a decision about which method of attack we use: a missile, a fighter bomb or a fighter plane.

Saddam: With them all, all the methods.

Husayn Kamil: Sir, we have to calculate now [interrupted].

Saddam: Husayn knows about those.

Husayn Kamil: Sir, there are some calculations we have to do, since we have modified fighters. The bombs or the warheads are all available, but the moment for using them at zero hour is something we should indicate sir; we will say that this will be launched (interrupted).

Saddam: At the moment of use (zero hour), you should launch them all against their targets.

Husayn Kamil: All of the methods are available, sir.

Saddam: We don't want to depend on one option. The missiles will be intercepted and the planes, at least one will crash, but whenever the missiles or planes fall down over the enemy land, then I consider the goal is achieved and the mission fulfilled.

Husayn Kamil: Sir, it is available and stored "somewhere," but if you, Sir, order us to transfer it, we are a bit worried it will cause contamination. It has been stored for 45 to 47 years, and yet has not been certified as being safe (uncontaminated). Sir, it had been experimented on only once and some of the employees, Sir, were contaminated.

-Time 07:36-08:20, Saddam: I want as soon as possible, if we are not transferring the weapons, to issue a clear order to the "concerned people" that the weapon should be in their hands ASAP. I might even give them a "non-return access." [Translator Comment: to have access to the weapons; to take them with them and not to return them]. I will give them an order stating that at "one moment," if I 'm not there and you don't hear my voice, you will hear somebody else's voice, so you can receive the order from him, and then you can go attack your targets. I want the weapons to be distributed to targets; I want Riyadh and Jeddah, which are the biggest Saudi cities with all the decision makers, and the Saudi rulers live there. This is for the germ and chemical weapons.

Husayn Kamil: In terms of chemical weapons, we have an excellent situation and good grip on them

[Translator Comment: they are in good control of them].

Saddam: Only in case we are obliged and there is a great necessity to put them into action. Also, all the Israeli cities, all of them. Of course you should concentrate on Tel Aviv, since it is their center.

Husayn Kamil: Sir, the best way to transport this weapon and achieve the most harmful effects would come by using planes, like a crop plane; to scatter it. This is, Sir, a thousand times more harmful. This is according to the analyses of the technicians (interrupted).

Saddam: We should consider alternatives Husayn (He called Husayn Kamil, Husayn). Meaning that if the planes don't arrive, then the missile will, and if the missile is intercepted, the plane will arrive.

Husayn Kamil: Sir, it is rare that the missiles are intercepted.

Saddam: Anyways, it is our duty to think of all the bad scenarios of this mission. Then Israel first, and if the Americans attack us with unconventional, harmful types of weapons, or at the moment we see it feasible to attack, but as for now, put Riyadh and Jeddah as targets.

Saddam: Air Force Commander [Muzahim Sa'b Hasan Muhammad Al Nasiri, at the time], you should coordinate with the Minister of Industry to get access to the weapons in the shortest time possible, of course with a lot of consideration for the technical and safety factors. Also, I want to give a written authorization to the "concerned people" that is signed by me, in case something happens to me. You know this is a life and death issue, all the orders about targets are sealed in writing and authenticated. Furthermore, for the officials from the missile (rockets) authority, you should coordinate with them so that they take the missile to locations. They are to inform the chief of staff, or operations commander deputy, to go to Husayn, Minister of Industry and go with the same necessary procedures. Regarding the chemical weapon [interrupted].

Husayn Kamil: We are really in good control of it sir.

Saddam: No, I mean it should be with the "taking action" people. [Translator Comment: the people who will execute the command; implementers.]

Husayn Kamil: Sir, the chemical is available and our establishment is the one responsible for commuting the weapon and supervising how it is used.

Saddam: Excellent. Do you have anything stocked in the establishment stores?

Husayn Kamil: We have (empty) heads but we also have production all over. Not only in the factories; it is scattered.

Saddam: I want you to keep in mind that by the 15<sup>th</sup> nothing should be stored in your factories that the "enemy" can have access to.

Husayn Kamil: Sir, the Ministry of defense should pull that "Stuff" out. The Ministry of defense already ordered 25% of that stuff. When and if they ask us for the rest, we will have no problem supplying it. Sir, we are in an excellent & prepared situation regarding the missile warheads and fighter's bombs. They are all modified and ready for launching any time, the chemical and the germ.

No conversation (sound of plates banging).

Saddam: Where are the most American forces and troops gathered and concentrated?

Speaker 2: Sir, it is in Khalid Military city "Madinat Khalid," located 60 kilometers past Hafr Al-Baten in Saudi, where the front General Command and Air Force Command are located. Most of the American army sectors, Sir, are by the coastal side in Al-Dammam, where most of the camp complexes exist.

Saddam: I want these big gatherings and complexes to be allocated properly and given to the Air Force commander to be added to the above targets of the germs weapons. This should be done by an order to Muzahim. This is by a direct order and it has the green light from me, since this mission doesn't fall into daily regular operations. I will issue a letter, signed by me, listing the commands and the alternative plans and probabilities of this mission, which should be followed literally.

Speaker 2: Sir, Economically important targets such as refineries, power plants & water reservoirs, should we include them in the mission?

Saddam: These locations should be put under the regular Air Force operations, and included in attacks not on this particular mission.



Husayn Kamil: Sir, these vital locations must be added to the mission and become priority targets to the biological & chemical weapons, because this will end all sorts of life. People are drinking water from these desalination plants and getting their fuel from refineries, thus ending the mission.

Saddam: Muzahim has already written these locations down and will take care of it, Refineries and [interrupted].

Muzahim: The Refineries and desalination plants, Sir.

Saddam: May God help us do it. Then there was no conversation.

Saddam: We will never lower our heads as long as we are alive, even if we have to destroy everybody.

The recording continues after this for a further 48 minutes, in which the participants discuss other military matters, such as senior command appointments and low-level defensive preparations. There was no further discussion of WMD.

# Regime Finance and Procurement

*We have said with certainty that the embargo  
will not be lifted by a Security Council resolution,  
but will corrode by itself.*

*Saddam speaking in January 2000  
to mark the 79th anniversary  
of the Iraqi armed forces.*

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### **A Word on the Scope of This Chapter**

This chapter of the Comprehensive Report details the evolution of Iraq's campaign to evade and overcome the UN ban on its import of material related to Weapons of Mass Destruction and conventional military forces. It also describes Iraq's effort to use the sale of its oil to hasten the end of the entire sanctions Regime. Because this chapter deals with Iraq's international trade and finance, half of the picture rests with entities outside Iraq—countries, companies, and individuals.

To tell the story, we had to describe—usually naming—Iraq's trade partners or entities Iraq thought sympathetic to its plight. Most of those individuals or entities are clearly identified in Iraqi documents, some of which were substantiated through interviews with former Iraqi Regime officials. We name those individuals and entities here in the interest of candor, clarity, and thoroughness. But it is not in ISG's mandate or capabilities to investigate or judge those non-Iraqi individuals or entities. And in many cases, the Iraqi documents and detainees stop short of confirming that a particular transaction was consummated, or that a courted foreign government official said "yes" to Iraqi blandishments.

We also must point out that some Iraqi trade was legal and legitimate under the UN Oil-For-Food Program. It is important to understand that the Iraqi Regime used both sanctioned and unsanctioned trade to buy influence and gain allies. But Iraq's intent to circumvent sanctions by no means incriminates those who may have in some cases unwittingly provided unsanctioned commodities to Iraq. We would like to emphasize that this report does not intend to analyze or assess the legal implications for non-Iraqis.



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## Key Findings

Throughout the 1990s and up to OIF (March 2003), Saddam focused on one set of objectives: the survival of himself, his Regime, and his legacy. To secure those objectives, Saddam needed to exploit Iraqi oil assets, to portray a strong military capability to deter internal and external threats, and to foster his image as an Arab leader. Saddam recognized that the reconstitution of Iraqi WMD enhanced both his security and image. Consequently, Saddam needed to end UN-imposed sanctions to fulfill his goals.

Saddam severely underestimated the economic and military costs of invading Iran in 1980 and Kuwait in 1990, as well as underestimating the subsequent international condemnation of his invasion of Kuwait. He did not anticipate this condemnation, nor the subsequent imposition, comprehensiveness, severity, and longevity of UN sanctions. His initial belief that UN sanctions would not last, resulting in his country's economic decline, changed by 1998 when the UNSC did not lift sanctions after he believed resolutions were fulfilled. Although Saddam had reluctantly accepted the UN's Oil for Food (OFF) program by 1996, he soon recognized its economic value and additional opportunities for further manipulation and influence of the UNSC Iraq 661 Sanctions Committee member states. Therefore, he resigned himself to the continuation of UN sanctions understanding that they would become a "paper tiger" regardless of continued US resolve to maintain them.

Throughout sanctions, Saddam continually directed his advisors to formulate and implement strategies, policies, and methods to terminate the UN's sanctions regime established by UNSCR 661. The Regime devised an effective diplomatic and economic strategy of generating revenue and procuring illicit goods utilizing the Iraqi intelligence, banking, industrial, and military apparatus that eroded United Nations' member states and other international players' resolve to enforce compliance, while capitalizing politically on its humanitarian crisis.

- From Saddam's perspective, UN sanctions hindered his ability to rule Iraq with complete authority and autonomy. In the long run, UN sanctions also interfered with his efforts to establish a historic legacy. ***According to Saddam and his senior advisors, the UN, at the behest of the US, placed an economic strangle hold on Iraq.*** The UN controlled Saddam's main source of revenue (oil exports) and determined what Iraq could import.
- UN sanctions curbed Saddam's ability to import weapons, technology, and expertise into Iraq. Sanctions also limited his ability to finance his military, intelligence, and security forces to deal with his perceived and real external threats.
- In short, Saddam considered UN sanctions as a form of economic war and the UN's OFF program and Northern and Southern Watch Operations as campaigns of that larger economic war orchestrated by the US and UK. His evolving strategy centered on breaking free of UN sanctions in order to liberate his economy from the economic strangle-hold so he could continue to pursue his political and personal objectives.

One aspect of Saddam's strategy of unhinging the UN's sanctions against Iraq, centered on Saddam's efforts to influence certain UN SC permanent members, such as Russia, France, and China and some nonpermanent (Syria, Ukraine) members to end UN sanctions. ***Under Saddam's orders, the Ministry of Foreign Affairs (MFA) formulated and implemented a strategy aimed at these UNSC members and international public opinion with the purpose of ending UN sanctions and undermining its subsequent OFF program by diplomatic and economic means.*** At a minimum, Saddam wanted to divide the five permanent members and foment international public support of Iraq at the UN and throughout the world by a savvy public relations campaign and an extensive diplomatic effort.

Another element of this strategy involved circumventing UN sanctions and the OFF program by means of "Protocols" or government-to-government economic trade agreements. Protocols allowed Saddam to generate a large amount of revenue outside the purview of the UN. The successful implementation of the Protocols, continued oil smuggling efforts, and the manipulation of UN OFF contracts emboldened Saddam to pursue his military reconstitution efforts starting in 1997 and peaking in 2001. These efforts covered conventional arms, dual-use goods acquisition, and some WMD-related programs.

- Once money began to flow into Iraq, the Regime's authorities, aided by foreign companies and some foreign governments, devised and implemented methods and techniques to procure illicit goods from foreign suppliers.
- To implement its procurement efforts, Iraq under Saddam, created a network of Iraqi front companies, some with close relationships to high-ranking foreign government officials. These foreign government officials, in turn, worked through their respective ministries, state-run companies and ministry-sponsored front companies, to procure illicit goods, services, and technologies for Iraq's WMD-related, conventional arms, and/or dual-use goods programs.
- ***The Regime financed these government-sanctioned programs by several illicit revenue streams that amassed more than \$11 billion from the early 1990s to OIF outside the UN-approved methods*** The most profitable stream concerned Protocols or government-to-government agreements that generated over \$7.5 billion for Saddam. Iraq earned an additional \$2 billion from kickbacks or surcharges associated with the UN's OFF program; \$990 million from oil "cash sales" or smuggling; and another \$230 million from other surcharge impositions.

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#### ***Analysis of Iraqi Financial Data***

*The Iraqi revenue analysis presented in this report is based on government documents and financial databases, spreadsheets, and other records obtained from SOMO, the Iraqi Ministry of Oil, and the Central Bank of Iraq (CBI), and other Ministries. These sources appear to be of good quality and consistent with other pre- and post-Operation Iraqi Freedom information. All Iraqi revenue data and derived figures in this report have been calculated in current dollars.*

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Saddam directed the Regime's key ministries and governmental agencies to devise and implement strategies, policies, and techniques to discredit the UN sanctions, harass UN personnel in Iraq, and discredit the US. At the same time, according to reporting, he also wanted to obfuscate Iraq's refusal to reveal the nature of its WMD and WMD-related programs, their capabilities, and his intentions.

- ***Saddam used the IIS to undertake the most sensitive procurement missions. Consequently, the IIS facilitated the import of UN sanctioned and dual-use goods into Iraq through countries like Syria, Jordan, Belarus and Turkey.***
- The IIS had representatives in most of Iraq's embassies in these foreign countries using a variety of official covers. One type of cover was the "commercial attaches" that were sent to make contacts with foreign businesses. The attaches set up front companies, facilitated the banking process and transfers of funds as determined, and approved by the senior officials within the Government.
- The MFA played a critical role in facilitating Iraq's procurement of military goods, dual-use goods pertaining to WMD, transporting cash and other valuable goods earned by illicit oil revenue, and forming and implementing a diplomatic strategy to end UN sanctions and the subsequent UN OFF program by nefarious means.
- Saddam used the Ministry of Higher Education and Scientific Research (MHESR) through its universities and research programs to maintain, develop, and acquire expertise, to advance or preserve existent research projects and developments, and to procure goods prohibited by UN SC sanctions.
- The Ministry of Oil (MoO) controlled the oil voucher distribution program that used oil to influence UN members to support Iraq's goals. ***Saddam personally approved and removed all names of voucher recipi-***

*ents. He made all modifications to the list, adding or deleting names at will.* Other senior Iraqi leaders could nominate or recommend an individual or organization to be added or subtracted from the voucher list, and ad hoc allocation committees met to review and update the allocations.

Iraq under Saddam successfully devised various methods to acquire and import items prohibited under UN sanctions. *Numerous Iraqi and foreign trade intermediaries disguised illicit items, hid the identity of the end user, and/or changed the final destination of the commodity to get it to the region.* For a cut of the profits, these trade intermediaries moved, and in many cases smuggled, the prohibited items through land, sea, and air entry points along the Iraqi border.

By mid-2000 the exponential growth of Iraq's illicit revenue, increased international sympathy for Iraq's humanitarian plight, and increased complicity by Iraq's neighbors led elements within Saddam's Regime to boast that the UN sanctions were slowly eroding. In July 2000, the ruling Iraqi Ba'athist paper, Al-Thawrah, claimed victory over UN sanctions, stating that Iraq was accelerating its pace to develop its national economy despite the UN "blockade." In August 2001, Iraqi Foreign Minister Sabri stated in an Al-Jazirah TV interview that UN sanctions efforts had collapsed at the same time Baghdad had been making steady progress on its economic, military, Arab relations, and international affairs.

- Companies in Syria, Jordan, Lebanon, Turkey, UAE, and Yemen assisted Saddam with the acquisition of prohibited items through deceptive trade practices. In the case of Syria and Yemen, this included support from agencies or personnel within the government itself.
- Numerous ministries in Saddam's Regime facilitated the smuggling of illicit goods through Iraq's borders, ports, and airports. The Iraqi Intelligence Service (IIS) and the Military Industrialization Commission (MIC), however, were directly responsible for skirting UN monitoring and importing prohibited items for Saddam.

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## Chapter Summary

The Illicit Finance and Procurement chapter focuses on the economic means, key actors and organizations, foreign suppliers, and procurement mechanisms used by Saddam to pursue his set of objectives: survival of himself, his Regime, and his legacy. The first section of the chapter provides an historic background divided into key economic phases. The chapter then examines Saddam's major revenue streams outside the UN sanctions regime: bilateral trade Protocols, UN OFF oil surcharges, commodity kickbacks, and "cash sales" or oil smuggling activities. ISG estimates the total amount of revenue earned between 1991 and 2003, while paying special attention to money earned after the introduction of the OFF program. ISG also addresses how the Regime used its oil assets to influence non-Iraqi individuals by means of an institutionalized, secret oil voucher program.

Following the illicit revenue section, the chapter identifies the Iraqi Regime's key individuals, ministries, organizations, and private entities within the Regime that were involved in Saddam's procurement and revenue activities. Next, the section identifies foreign suppliers—governments, state-owned and private firms, and/or individual agents that engaged in the export of goods in contravention of UN resolutions. In some cases, ISG has uncovered foreign government activity and knowledge that ranged from tacit approval to active complicity. *In other cases, firms engaged in the illegal activities without their government's consent or knowledge.* Moreover, ISG's investigation exposed Iraqi and foreign trade intermediaries' deceptive methods used to purchase, acquire, and import UN-banned items.

Finally, this chapter provides several annexes that give more detail on the spectrum of issues examined in the procurement chapter of ISG's report. Annex A consists of translations of Iraq's major trade Protocols; Annex B is an oil voucher recipient list that ISG obtained from Iraq's State Oil Marketing Organization (SOMO). Annex C relates Iraq's normal governmental budgetary process, while Annex D provides general Iraqi economic data. Annex E outlines ISG's illicit earnings sources and estimation methodology, and Annex F provides an illustrative oil smuggling case study. Annex G explains Iraq's banking system, and Annex H lists Iraqi-related UN Security Council Resolutions. Annexes I and J reveal suspected Iraqi dual-use and conventional weapons procurement transactions, while Annex K lists suspected companies engaged in military-related trade with Iraq. Finally, Annex L provides a list of procurement acronyms found throughout this section.

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## The Regime Timeline

*For an overview of Iraqi WMD programs and policy choices, readers should consult the Regime Timeline chart, enclosed as a separate foldout and in tabular form at the back of ISG report. Covering the period from 1980 to 2003, the timeline shows specific events bearing on the Regime's efforts in the BW, CW, delivery systems and nuclear realms and their chronological relationship with political and military developments that had direct bearing on the Regime's policy choices*

*Readers should also be aware that at the conclusion of each volume of text, we have also included foldout summary charts that relate inflection points—critical turning points in the Regime's WMD policymaking—to particular events, initiatives, or decisions the Regime took with respect to specific WMD programs. Inflection points are marked in the margins of the text with a gray triangle.*

### Ambition (1980-91)

During the Ambition phase in Iraq, Saddam and his Regime practiced open, traditional procurement of conventional weapons and developed clandestine methods for obtaining WMD materials and dual-use items. Iraq's oil wealth allowed Saddam to overcome the inherent inefficiencies of a centrally planned economy. **After the costly war with Iran**, Saddam's procurement efforts focused primarily on restocking Iraq's war materials. These defense-related procurement goals, however, were hindered by economic weakness. In the later part of this period, the Iraqi economy began to falter, saddled with a high international debt from the war, rising costs of maintaining a generous welfare state, low international oil prices, and the high cost entailed in weapons and WMD programs. Saddam's ill-conceived, shortsighted economic reforms in 1987 and reactionary price controls, nationalization, and subsidies in 1989 pushed the Iraqi economy further into crisis. **Capping the Ambition phase, Saddam chose to fight his way out of economic crises by invading Kuwait.**

### Decline (1991-96)

In the post-Gulf war decline phase, the possession of WMD remained important to the Regime. Saddam's procurement of conventional weapons and WMD, however, was hindered severely by a potent combination of international monitoring and a collapsing oil-based economy. **These constraints were compounded by the decision not to make full WMD disclosures** and the subsequent attempt to remove **WMD signatures through unilateral destruction.** The poor handling of the WMD disclosures further hardened the international community. UN sanctions, resulting from Saddam's refusal to comply with UN resolutions, froze the Regime's export of oil and import of commodities—cutting off Saddam's ability to generate the revenue needed for illicit purchases on international arms and dual-use markets. The Iraqi economy also suffered under UN sanctions during this period as gross domestic product (GDP) per capita fell from \$2304 in 1989 to an estimated \$495 in 1995. The decline in the street-value of the Iraqi Dinar rendered the average Iraqi citizen's savings worthless, casting the Iraqi middle-class into poverty. Simultaneously, this period of decline exhibited an increase in corruption, incompetence, and patronage throughout Saddam's Regime.

**Husayn Kamil's flight to Jordan in 1995** and Saddam's handling of the issue led to further WMD disclosures and subsequent international opprobrium. Saddam retained a desire for WMD, but economic growth and the ending of sanctions became the overriding concern as the **economy hit rock bottom in late 1995.** The combination of these factors motivated Saddam's decision to accept UNSCR 986, the UN OFF in 1996.

### Recovery (1996-98)

**The Recovery phase was ushered in by Saddam's acceptance of UN SC 986 and the UN OFF Program.** Trade fostered under the OFF program starting in 1997 allowed Saddam to pursue numerous illicit revenue earning schemes, which began generating significant amounts of cash outside of the auspices of the UN. With the legitimate side of the OFF program



providing the Iraq population with economic relief, Saddam was free to develop illicit procurement programs to arm his Regime against perceived and real threats. By the end of this period, Iraq had developed a growing underground network of trade intermediaries, front companies, and international suppliers willing to trade oil or hard currency for conventional weapons, WMD precursors, and dual-use technology. After 1996, the state of the Iraqi economy no longer threatened Saddam's hold on power in Iraq, and economic recovery underpinned a more confident Regime posture.

### **Transition and Miscalculation (1999-2003)**

The Transition and Miscalculation phases opened with Iraq's suspension of cooperation with UNSCOM and IAEA. The subsequent lack of effective monitoring emboldened Saddam and his procurement programs. The Regime successfully manipulated Iraq's oil production and sales policies to influence international political actors and public opinion. However, during this period, Iraq's long-neglected oil infrastructure began to falter, resulting in an inability to meet demand. As a result, the growth in the legitimate side of the Iraq economy slowed. Meanwhile, Saddam's increasing illegitimate revenue and profits from UN oil sales compensated for legitimate revenue losses. *Illicit oil revenue provided Saddam with sufficient funds to pay off his loyalists and expand selected illicit procurement programs.* From 1999 until he was deposed in April 2003, Saddam's conventional weapons and WMD-related procurement programs steadily grew in scale, variety, and efficiency. Saddam invited UNMOVIC and IAEA back into Iraq in September 2002, in the face of growing international pressure, calculating that a surge in cooperation might have brought sanctions to an end.

## Directing and Budgeting Iraq's Illicit Procurement

### Overview

Throughout the 1990s and up to OIF (2003), Saddam continually directed his advisors to formulate and implement policies, methods, and techniques to terminate the UN's sanctions and obtain prohibited conventional military and WMD-related goods.

- ***Saddam directed and approved illicit procurement*** by his Regime.
- The Diwan and Presidential Secretary facilitated Saddam's procurement directives by processing nonbudget funding for conventional military and WMD programs.
- The Iraqi budget process was divided into two different systems: a formal budget that served as a common governmental budget and a supplemental or secret budget that was controlled by Saddam and the Economic Affairs Committee (EAC). ***This supplemental process, which emerged in its most efficient form after 1995, used illicit hard currency to finance prohibited procurement programs.***

### President and Presidential Secretary's Role in Illicit Procurement

***The highest levels of the government, including the President and the Presidential Secretary, used trade Protocols and other cooperative agreements after 1991 as vehicles to circumvent UN sanctions and to facilitate the continued arming of Iraq.*** Iraq negotiated bilateral trade agreements called "Protocols" with Syria, Jordan, Turkey, and Egypt and less formal cooperative trade agreements with several East European countries such as Belarus, Poland, Ukraine, and Russia.

- The Syria, Jordan, Turkey, and Egypt Protocols were official bilateral cooperative agreements approved by officials of the countries involved (see Annex A: Translations of Iraq's Bilateral Trade Protocols).
- According to press reporting, Aziz traveled to Moscow on 25-26 January 2002. Recovered documents also indicate that Tariq Aziz delivered a letter to Moscow in person, and he met with senior Russian leaders.
- Belarusian President Lukashenko and Saddam developed a special relationship in which Lukashenko agreed to support Saddam because of the Iraqi President's support of the 2001 Belarusian Presidential elections.

***Saddam approved and directed the illicit procurement relationships that Iraq had with other countries in order to improve Iraq's military capabilities against regional threats.*** The Presidential Secretary, Abid Hamid Mahmud al-Tikriti, was a member of the committee that was formed to task the IIS via IIS Director Tahir Jalil Habbush al-Tikriti to procure technology for the MIC. In accordance with Saddam's instructions to Huwaysh to improve Iraq's missile capabilities, the MIC-IIS joint effort was to emphasize the support to Iraq's missile programs.

***The oil vouchers that the Regime would give to those who supported his Regime goals further emphasized Saddam's influence over these trade agreements.*** The Presidential Secretary along with Vice President Taha Yasin Ramadan al-Jizrawi facilitated the issuance of these vouchers and approved other trade arrangements by handling the paperwork involved and giving approval on behalf of Saddam for allocation of the oil shares.

Reportedly, Russian, Ukrainian, and Belarusian individuals, who in Baghdad's view, had contributed in some special way to Iraq's security, received oil shares at the request of Saddam (for the full list, see Annex B: Known Oil Voucher Recipients). Some of these persons have also been identified in Iraqi military procurement efforts (see Table 1).

<b>Name</b>	<b>Position</b>	<b>Barrels of Oil Per Year</b>
Ruslan Khazbulatov	Speaker of the Supreme Soviet Parliament under President Boris Yeltsin's administration	1.5
Gennadiy Zukanov	Head of Communist Party of the Russian Federation	1.5
Sergey Rudasev	Chairman of the Russian Solidarity With Iraq organization	1.5
Vladimir Zametalin and Nikolai Yevanyinko	Chairman of the Federation of Trade Unions and Former Presidential Administration Deputy Chief	3
Dr. Victor Shevtsov	Director of Infobank and Head of Belmetalenergo (BME) a major Belarusian foreign trade company	1.5
Yuri Shebrov	Director of BELFARM enterprise	1.5
Aleksandr Roboty	Officer in the Belarusian security network (possibly the Belarusian KGB)	1.5
Oleg Papirshnoy	Director of private Ukrainian company	1.5
Professor Yuri Orshaniskiy	Director of MontElect, a Ukrainian firm	1.5
Olga Kodriavitsev	Unknown	1.5
Leonid Kozak	Belarusian Federation of Trade Unions	3

### **Presidential Diwan's Role in Illicit Procurement**

The Presidential Office of Saddam comprised two sections: the Presidential Secretary, and the Presidency Office or Presidential Diwan. The Diwan was created in July 1979 to research and study specific issues requested by the President, the Council of Ministers, the Economic Affairs Committee (EAC), and the Revolutionary Command Council (RCC). The Diwan was purely an administrative presidential bureau with no policymaking authority. It had several departments representing a variety of issues (see Figure 1). There was also an Administrative Department and a Financial Accounts Department.

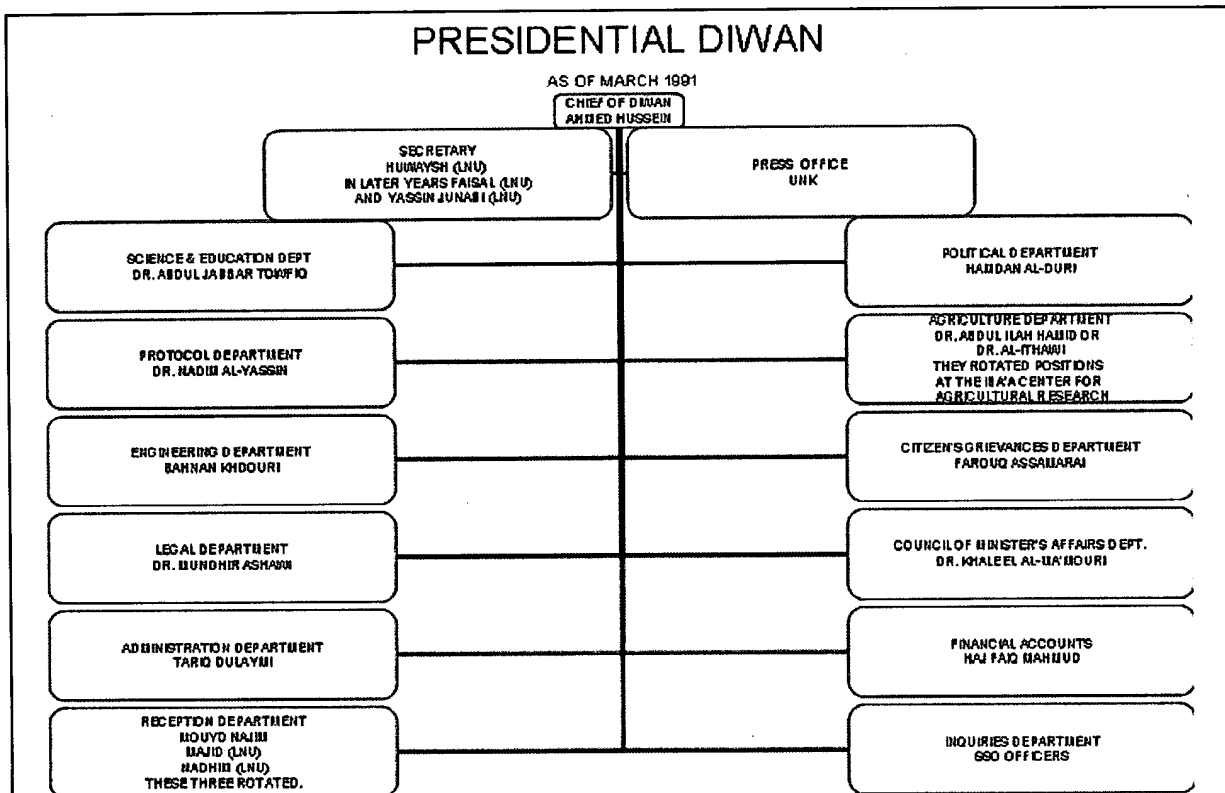
### **Diwan's Role in Supplemental Funding of Government Ministries**

Military and security service entities such as the IIS and the (MIC) could submit requests for additional funds to the Presidency. The information on this procedure is often contradictory.

- According to the Minister of Finance, the Iraqi security organizations submitted written requests for additional funds either to the chief of the Presidential Diwan, or to the head of the Presidential

Secretariat. The latter, who was also the Secretary of the National Security Council (NSC), probably handled all requests from any security organization and may have been preferred by some organizational heads as he was considered to be closer to the President.

- The head of the MIC, the Minister of Defense and the Governor of the Central Bank of Iraq (CBI) have also described approaching the Diwan for supplementary funds. The Chief of the Diwan and Presidential Secretary were sometimes unaware of requests made to one another. Saddam reportedly did this to limit the number of people who had access to expenditure data. Requests sent to the Presidential Diwan were sometimes sent to the Diwan's Financial Accounts Department for study. The chief of the Presidential Diwan sometimes directed the head of the Financial Accounts Department to discuss the request with the concerned minister. (Both Khalil Mahudi, the Secretary of the Council of Ministers (CoM), and Muhammed Mahdi Al Salih, the Trade Minister, were former heads of the Financial Accounts Department.)
- Organizations seeking budget supplements could also schedule a personal appointment with Saddam.



**Figure 1.** Organization of the presidential Diwan, March 1991.

### Extent of Knowledge of the Former President of the Diwan

The Chief of the Diwan, Ahmad Husayn Khudayir al-Samarra'i, maintains that he authorized payments to bodies such as the MIC only on the orders of the President through the Presidential Secretary without knowing the details of the projects being financed. However, the head of the MIC and Minister of Finance identified him as having been involved in the processing of requests for extra-budgetary payments to the military and security services. Moreover, the Minister of Finance stated that documents containing details of the request, such as project information or justification, were kept at the Chief of the Diwan's office, or with the Presidential Secretary, depending

on where the request had been submitted. In addition, captured documents suggest the Chief of the Diwan had at least some knowledge of military and security matters.

- In April 1996, al-Samarra'i provided a cover note for paperwork covering Protocols with a Georgian entity for a military aircraft industrialization complex.
- In April 2002, al-Samarra'i provided a cover note for paperwork concerning problems with a contract between the MIC and the Moldavian company Balcombe for an assault rifle (7.62 x 39mm) ordinance production line.

## Budgeting Iraqi Procurement

*Off-budget and secret budget planning bypassed large government forum and was processed directly between the Ministry of Finance (MoF) and the Presidency, between the requesting organization and the Presidency, or between the requesting organization and Saddam.* The former Regime relied heavily on liquidating assets (forcing the Central Bank of Iraq to print more money) to meet its yearly budget shortfalls.

## General Government Budget

*The general government budget, made up of current and capital spending, however, does not represent the total Iraqi budget because sensitive issues, such as defense, intelligence, and security were excluded.* As a result, government expenditures and debt probably were higher than what was listed in the budget.

- In 2001, according to statistics from the CBI, the former Regime spent over \$1.1 billion (constant 2001 dollars). This represents an increase of 49.5 percent over 2000.
- Complete data about Iraqi government budget spending after 2001 are unavailable. A common refrain among government officials and detainees is that many of these records perished during looting and fires after the US invaded Baghdad.

Because of the economic constraints following the war with Iran (see Economics Section), it became difficult for the Regime to draft and adhere to an accurate budget. Figures estimated in January diverged considerably by the end of the fiscal year. Also, because of Saddam's patronage policies, the Presidential accounts were reportedly routinely overdrawn by 15 percent, and about 50 percent of the infrastructure expenditure was spent by Saddam.

## Sources of Government Revenue

On-budget revenue—revenue included in the general government budget—came from sources such as:

- Income and property taxes.
- Customs duties and tariffs.
- A percentage of the profits from government-owned institutions and businesses such as banks and insurance companies.
- The revenues of leased state properties.
- The municipalities.

*Not all-Iraqi government revenue was accounted for in the general government budget.* Some of these off-budget funds included income earned through:

- The Syrian, Turkish, and Jordanian trade Protocols.
- Kickbacks on UN OFF Program import contracts.

## Supplemental Budgetary Process

The procurement programs supporting Iraq's WMD programs and prohibited conventional military equipment purchases were financed via a supplemental budget process that occurred outside of the publicized national and defense budgets (for details on the development, approval, and execution of the common national budgets, see Annex C: Iraq's Budgetary Process). The approval process and disbursement of funds from the supplemental budget illustrate who was distributing the money into the illicit procurement programs and reflect, in quantitative terms, the intent of the Regime.

## Supplemental Budget Submission Procedure

There were two methods for ministries and organizations to obtain fundraising for specific projects or procurement activities that were over and above the scope of their annual budgets:

- One method was through the (EAC).
- The other was to go directly to the Presidential Diwan or the Presidential Secretariat.

**Iraq's National Budget 1991-2002**

As illustrated in Figure 2, from 1991 to 1995, Iraqi revenues decreased by an average of 34.3 percent. From 1996 to 2001 revenues increased by an average of 42.3 percent. The reason for the 143.7-percent increase in revenues in 1996 is unclear because significant oil revenues from the UN Oil-for-Food Program (OFF) would not have been realized until early 1997. Some of this increase, however, is probably a result of revenues rising from such a low base. In 1997, there was a 66.8-percent increase in revenues

over 1996—a large increase that would be consistent with an increase in revenues from OFF. Expenditures also decreased from 1991 to 1995, but by an average of 28.2 percent. From 1995 to 2001, expenditures increased by an average of 16.8 percent—highlighted by a 49.5-percent increase in 2001. At the same time, over the 10 years since 1991, the government budget deficit decreased from \$1.6 billion to \$410 million (see Annex C: Iraq's Budgetary Process).

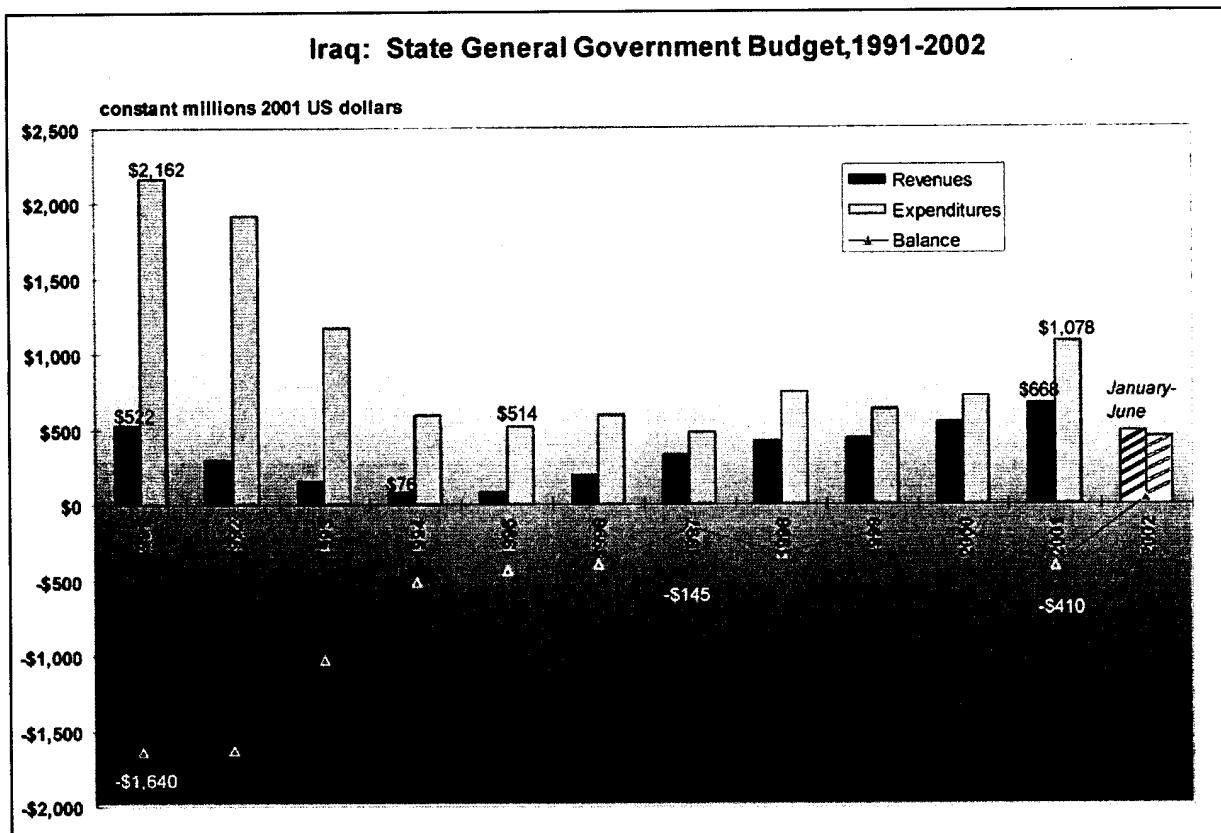


Figure 2. The Iraqi state general government budget, 1991-2002.

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### ***The Economic Affairs Committee (EAC)***

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*In late 1995, Saddam reestablished the EAC to handle economic issues that would have normally gone to the Presidential Diwan (the EAC existed in the 1980s but was abolished at an unknown date). The EAC had influence over fiscal and monetary policy issues such as government spending, taxation, and importation and interest rates. Only the head of the committee, rather than presenting them to the other committee members, handled some presumably sensitive issues.*

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The first method, which was common for most ministries and organizations, was to apply for approval from the EAC for the allocation of additional funds (see Figure 3).

- These requests may have been submitted to the chief of the Presidential Diwan or the Secretary of the Council of Ministers (CoM), who would submit the requests to Saddam. It is unclear how much control Saddam exerted during this phase of the process.
- If the EAC voted positively, the Minister of Finance would send a directive to the CBI to send the prescribed amount to the domestic or overseas account or accounts of the concerned ministry.
- If there were a dispute regarding the approval, the issue would be elevated to the CoM for approval. If the dispute were resolved in the requestor's favor, the Minister of Finance would direct the CBI to complete the transaction.

The second method was reserved for the military and security service entities such as the IIS, the MoD, MIC, and other security organizations that submitted requests for additional funds to the President. The information on this procedure is often contradictory (see Figure 4).

- According to the MoF, the Iraqi security organizations submitted written requests for additional funds to the President, through either the Chief of the Presidential Diwan or the head of the Presidential Secretariat. The latter, who was also the secretary of the NSC, probably handled all requests from any security organization, and may have been preferred by some organizational heads as he was considered to be closer to the President.

- The head of the MIC, the Minister of Defense, and the Governor of the CBI have also described approaching the Diwan for supplementary funds. The Chief of the Diwan and Presidential Secretary were sometimes unaware of requests made to one another. Saddam reportedly did this to limit the number of people who had access to expenditure data. Requests sent to the Presidential Diwan were sometimes sent to the Diwan's Economic Department for study. The Chief of the Presidential Diwan sometimes directed the head of the Economic Department to discuss the request with the concerned minister. Both Khalil Mahudi, the Secretary of the Council of Ministers (CoM), and Muhammed Mahdi Al Salih, the trade minister, were former heads of the Economic Department.

- Organizations seeking budget supplements could also schedule a personal appointment with Saddam.

### **Approval and Authorization of Supplemental Funding**

*While Saddam was the primary approval authority for requests for extra funds, signed authorizations were also issued from the Chief of the Presidential Diwan or the Presidential Secretary (both were authorized to represent Saddam).*

If the supplement request were made during a personal meeting between Saddam and the head of an Iraqi security organization, Saddam would immediately approve or disapprove the additional funds.

- This verbal approval was put in writing and sent to the requesting ministry, and a disbursement order was sent to the MoF.
- Confirmation of these payments would usually be presented as an order from the Presidential Secretary to the Chief of the Diwan.

Approvals for all other ministries would be issued in writing to the concerned ministry and the MoF (It is unclear whether this includes the IIS, MOD, MIC, and Iraqi security organizations).

- Disbursement orders sent to the MoF contained the date, signature of approving authority, amount, but no information about the request. Documents containing details of the request, such as project

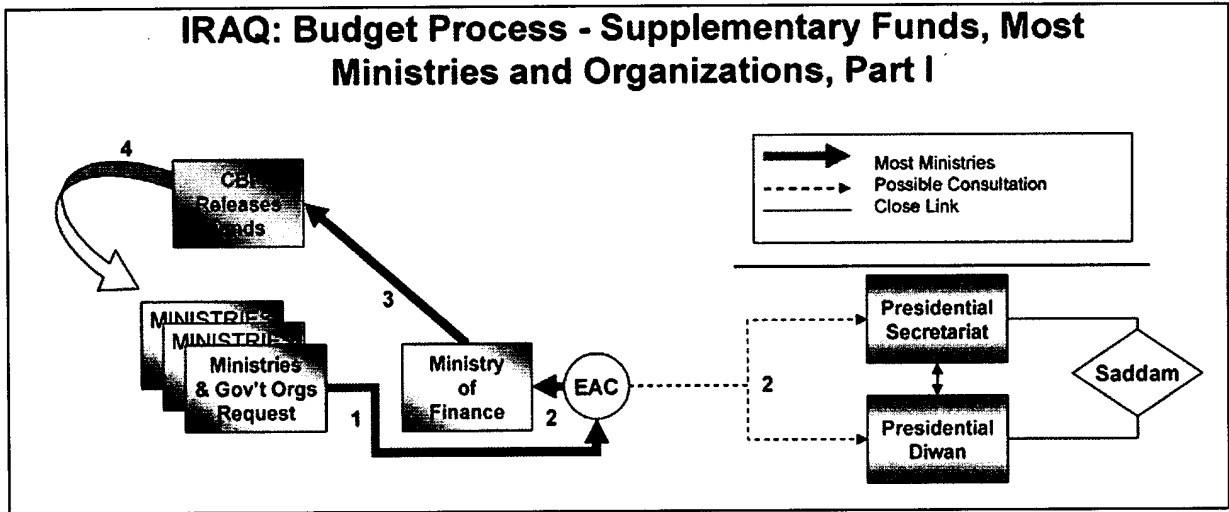


Figure 3. Supplementary budget process: most ministries.

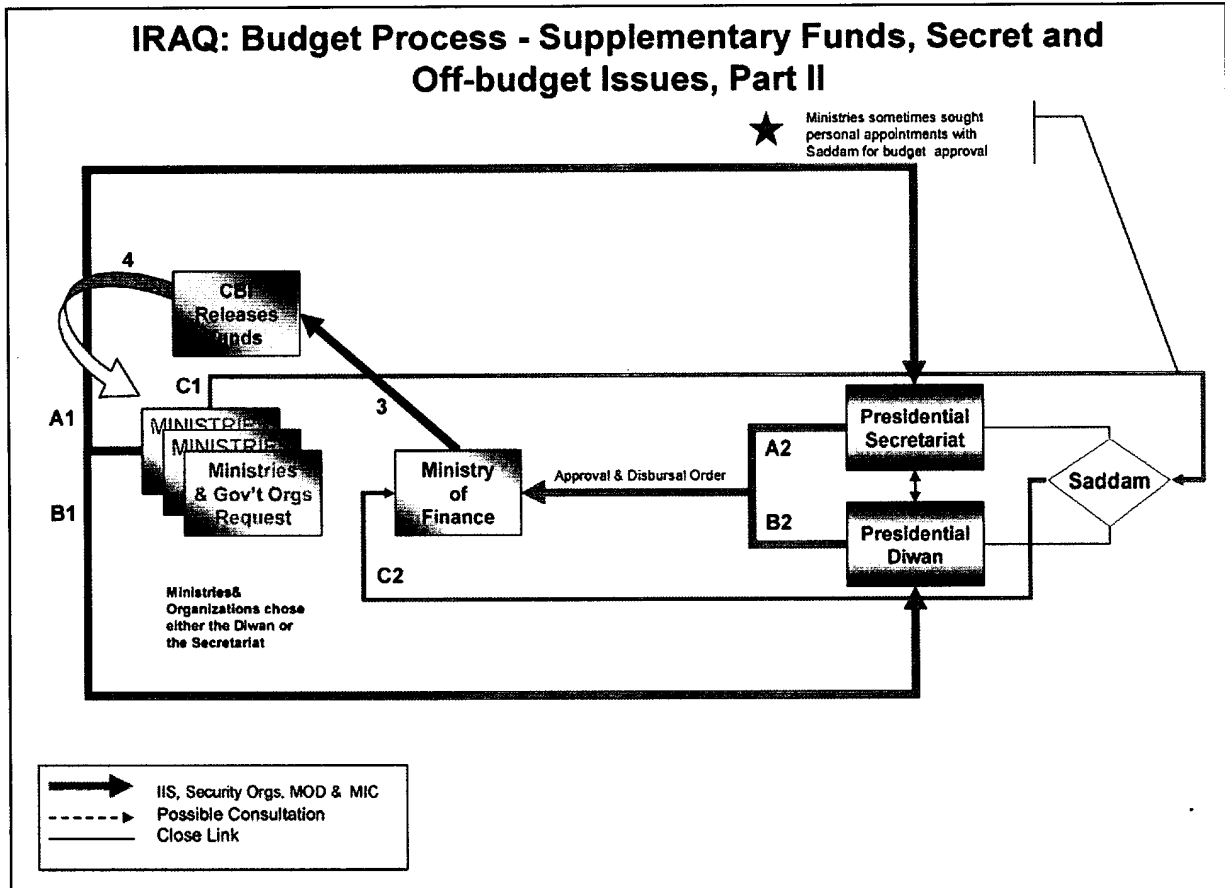


Figure 4. Supplementary budget process: IIS, MIS, and other special organizations.



information or justification, were kept at the Chief of the Presidential Diwan's office or the Presidential Secretary's office, depending on where the request had been submitted.

ISG has collected information concerning the nature of payments sought by the military and security services through the Diwan. However, this information generally lacks detail.

- For example, the IIS successfully sought additional funding of nearly 48.5 million Iraqi dinars (\$2.5 million—a conversion rate of 1,950 ID to the dollar was used to convert 48.5 million ID to \$25,000) to provide weaponry and ammunition for the Jalal Al-Talibani Group in early 2002.

According to MIC Director and Deputy Prime Minister, Abd al-Tawab Mullah Huwaysh, the MIC would approach the Diwan for additional hard currency funds. Examples of such occasions occurring from 2000-2002 included:

- A payment of \$42 million for an unsuccessful deal to purchase the Belarusian S-300 Air Defense System, with payment split evenly between the Ministry of Finance and President Diwan.
- \$25 million for the purchase of 7.62-mm ammunition from the Former Federal Republic of Yugoslavia (FRY) and Syria.
- \$25 million for the purchase of light weapons and ammunition (including RPG-7 and KORNET ATGMs) from Russia via a Syrian company.
- \$20 million for a maintenance facility for helicopters and the purchase of Mi-17 and Mi-25 helicopter engines.
- \$8.5 million for a contract with the FRY company ORAO for a maintenance facility for MiG-21 engines.
- The purchase of 3,000 night-vision goggles from Ukraine.

### **Disbursal of Supplemental Funds**

As stated by the Minister of Finance, the preferred method used to disburse requests for extra-budgetary funds was for the EAC to add the additional funds to the requesting ministry's budget. However in exceptional cases, such as when requests were time sensitive, the funds would be paid directly to the ministry. Most transactions were conducted using accounts at the Rafidian bank. Additional accounts were located at the CBI.

## Financing Iraq's Illicit Procurement

### Overview

Iraq developed four major mechanisms for raising illicit funds outside the legitimate UN OFF program. These included the sale of Iraqi oil to neighboring and regional states via trade Protocols, the imposition of surcharges on oil sold through the UN OFF program, and the receipt of kickbacks on UN-approved contracts for goods purchased under the UN OFF program, and so-called "cash-sales" or smuggling.

- From 1996 through 2000 a combination of the UN OFF Program, bilateral trade, and illicit oil profiteering allowed the Iraqi economy to recover from the post-1990 depression. This recovery ended the threat of economically induced Regime instability and provided Saddam with sufficient resources to pursue costly procurement programs.
- After the economic recovery waned in 2000, Saddam's revenues continued to amass via increasingly efficient kickback schemes and illicit oil sales. *ISG estimates Saddam generated \$10.9 billion in hard currency through illicit means from 1990 to 2003* (see Figure 5).

The 1996-2003 UN OFF Program opened many opportunities for Saddam's Regime:

- It provided \$31 billion in needed goods for the people of Iraq, relieving the economic pressure on Regime stability.
- *Saddam was able to subvert the UN OFF program to generate an estimated \$1.7 billion in revenue outside of UN control from 1997-2003 (see Figure 6).*
- The UN OFF oil voucher program provided Saddam with a useful method of rewarding countries, organizations and individuals willing to cooperate with Iraq to subvert UN sanctions.

## Iraqi Economy's Role in Illicit Procurement

During Saddam's rule, Iraq adopted the Soviet Union's centrally planned economic model. Saddam sought to centrally plan all facets of the state economy and utilized "Five Year Plans" to optimize the use of national resources. *Viewing the Iraqi economy from Saddam's perspective, we assess it underwent distinct phases from 1980 through OIF: "ambition," "decline," "recovery," "transition," and "miscalculation."* Readers may find it useful to refer to the Timeline summary chart at the end of the chapter.

### Economic Ambition (1980-91)

Given Iraq's large oil revenues of the 1970s and early 1980s, Saddam was able to ambitiously pursue a state-controlled economy without having to choose between solvency and other priorities, such as health and welfare programs, infrastructure development and development of his armed forces (see Annex D: Iraq Economic Data (1989-2003)). *Iraq's oil wealth allowed Saddam to overcome the inefficiencies of the economy until the war with Iran.* Even with the war, his cash reserves and borrowed money from friendly Arab states allowed Saddam to continue his ambitious policies into the mid-1980s.

*The Iran-Iraq war, however, exhausted and crippled the Iraqi economy:*

- Iraq had been free of foreign debt and accumulated \$35 billion in foreign reserves by 1980. These reserves, however, could not bear more than the opening salvos of the war with Iran, which over 9 years cost an estimated \$54.7 billion in arms purchases alone.
- Following the war, Iraq was under pressure to pay off high-interest, short-term debts to Western creditors estimated between \$35-45 billion. Saddam, however, never paid off this debt [see Annex D: Iraq Economic Data (1989-2003)].

*The economic burdens resulting from the Iran-Iraq war led Saddam to abandon Ba'ath-socialist economic policies that dominated in the 1960s and 1970s. In 1987, Saddam attempted to turn the Iraqi economy around with abrupt economic reforms,*

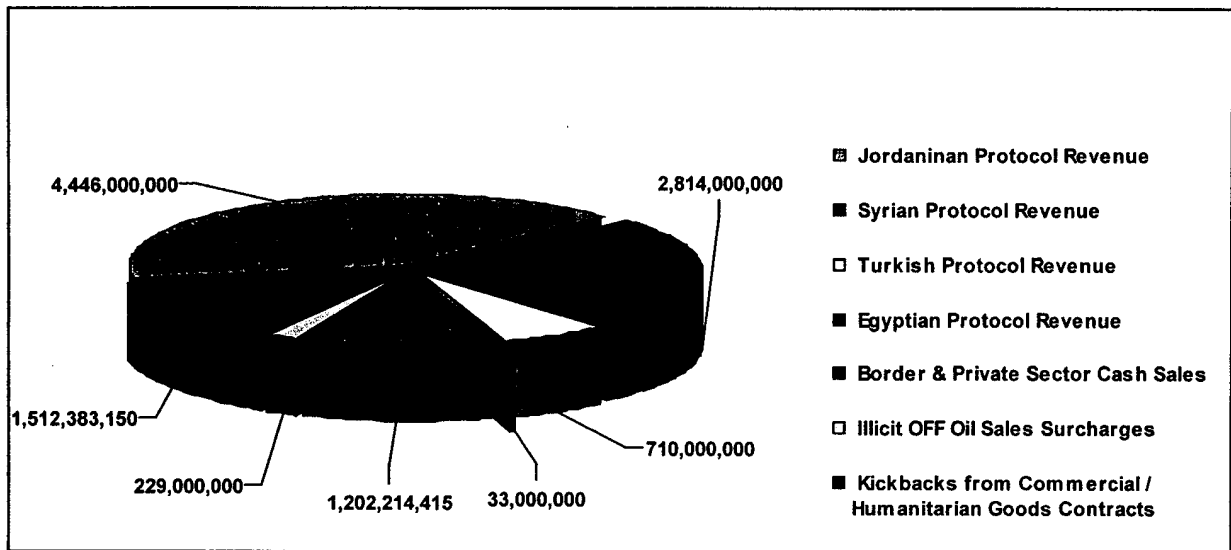


Figure 5. Iraqi illicit revenue sources (US \$), 1991-2003.

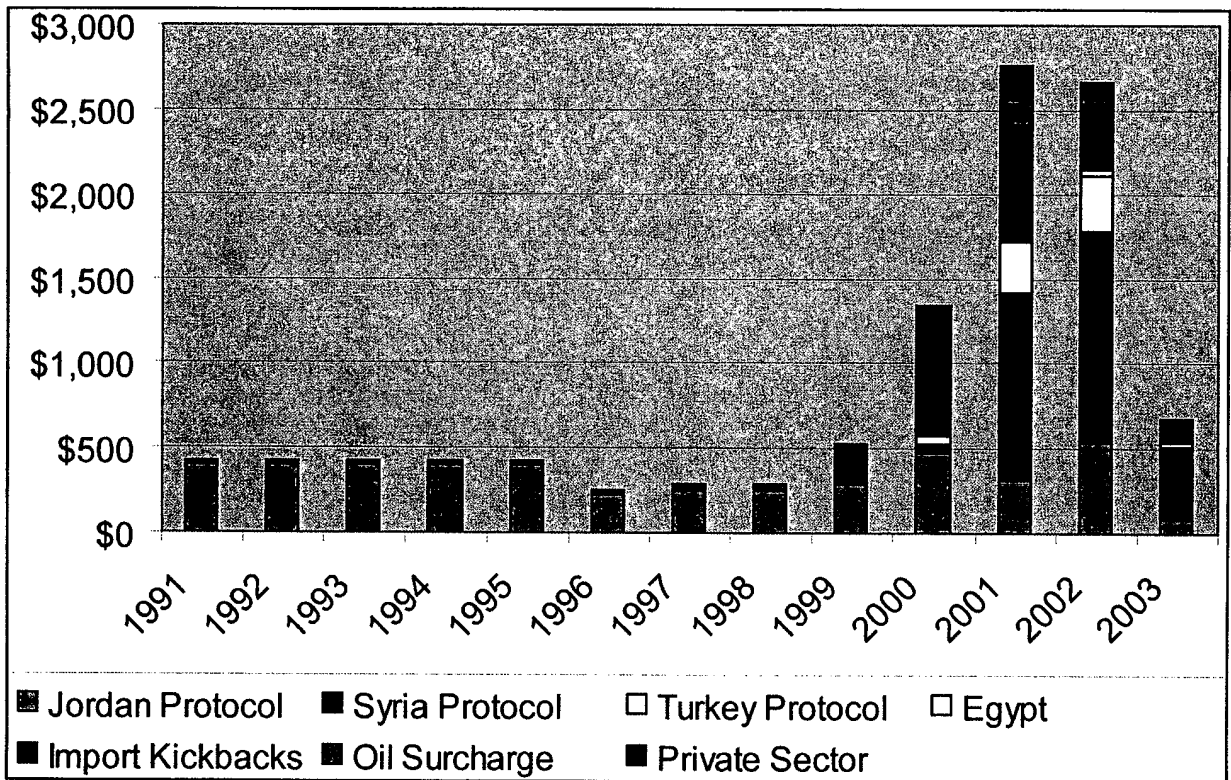


Figure 6. Iraqi illicit earnings by type (million US \$), 1991-2003.

including abolishing universal employment labor laws and privatizing key government industries.

- As a result, thousands of government workers were jobless.
- Bus companies, gas stations, department stores, agricultural businesses, and factories were left outside the responsibility of the government.

Rather than shocking the Iraqi economy into performing, these measures, by 1989, deepened the economic crisis and accelerated the collapse of living standards for most Iraqis. Sensing a threat to the viability of the Regime, Saddam again imposed price controls, renationalized some former state enterprises, and raised industrial and agricultural subsidies. ***The Iraqi economy was pushed to crisis by Saddam's inability to address or resolve a number of economic realities:***

- The rising cost of maintaining the Iraqi welfare state, which was among the more generous and comprehensive systems in the Arab world.
- Low oil prices on the international markets, which Saddam associated with Kuwait and its conducting "economic warfare" against Iraq.
- The lingering debt from the war with Iran.
- The cost of rebuilding his military and expanding his WMD programs.

***Saddam chose to fight his way out of economic crisis by invading Kuwait.***

#### **Economic Decline (1991-96)**

Rather than rescuing the Iraqi economy, ***the invasion of Kuwait resulted in even greater fiscal strains as Saddam found himself in a second costly war, this time facing a US-led Coalition.*** After Saddam's defeat in Kuwait, the UN trade sanctions placed on Iraq following the invasion remained in place. These sanctions, supported by over 150 nations, cut Iraq's ability to export oil, its main revenue generator. After Desert Storm, Saddam also had to contend with compensation claims made for reparations of damage inflicted during the invasion and occupation of Kuwait.

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#### ***Collecting Compensation for the First Gulf War***

*The United Nations Compensation Commission (UNCC) was responsible for processing and collecting such claims as authorized by UN Security Council Resolution 692. With the insistence of Moscow, the UN readdressed the revenue allocation of Iraqi oil revenue. In June 2000 it voted for the UNSC-adopted UNSCR 1330 that changed the percentage of oil allocated to the UNCC from 30 percent (UNSCR 705) to 25 percent. The UNCC estimated that the reduction to 25 percent would generate an extra \$275 million in Phase XII of the OFF program for the Iraqi Regime. As of 7 May 2004, claims totaling \$266 billion have been adjudicated, and claims worth \$48 billion have been awarded by the UNCC. Additional claims worth \$83 billion need to be resolved.*

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***As Saddam stubbornly refused to comply with UN Resolutions in the early 1990s, the Iraqi economy crashed to a low point in 1995.***

- From 1989 to 1995, Iraq's GDP per capita fell from \$2304 to \$495. Some estimates reveal that the Iraqi per capita GDP never rose above \$507 from 1991 to 1996.
- Inflation between 1989 and 1995 increased from 42 percent to 387 percent.
- Simultaneously, the street dinar exchange rate rose from 10 ID per \$1 in 1991 to 1674 ID per \$1 in 1995.
- During this same period, income inequality became a larger problem because the limited wealth was concentrated in the hands of Regime loyalists and elite traders, while the average Iraqi subsisted on much less income. Equally significant, by 1995 the plummeting dinar consumed the savings of the average Iraqi, causing the Iraqi middle class to virtually cease to exist.

***This period of economic decline also resulted in a dramatic increase in corruption, incompetence, and patronage in all facets of government.*** A good example of the Regime's incompetence in economic

matters was illustrated when the government set up a Directorate in 1992 to combat economic crimes under Ibrahim al-Battawi, who reported directly to Watban Ibrahim Hasan al-Tikriti, the Interior Minister and Saddam's brother. The task of the Directorate was to punish merchants and traders guilty of "profiteering." In July 1992, the Regime summarily executed 42 merchants in front of their shops in Baghdad's market district. Saddam felt that the duty of the private sector was to provide goods and services to the Iraqi people while constraining price increases. These merchants were found to be shirking their "duty."

#### **Economic Recovery (1997-99)**

*We judge that the harsh economic conditions from 1995 to 1996 were the primary factors in Saddam's decision to reluctantly accept the UNSCR 986 (see United Nations OFF Program section).*

- Saddam wanted to perpetuate the image that his people were suffering as "hostages" to the international community under the UN sanctions.

*UN-approved oil exports from Iraq began in December 1996. The trade fostered under the UN OFF program opened the door for Iraq to develop numerous kickback and illicit money earning schemes, possibly beginning as early as 1998. These legitimate and illegitimate revenue streams bolstered the Iraqi economy enough to raise it out of depression, at least for the Iraqi leadership and the elite.*

- In the 1996 to 2000 period, Iraq's GDP increased from \$10.6 billion to \$33 billion.
- According to the UN International Children's Emergency Fund (UNICEF), Iraq's chronic malnutrition rate dropped from 32 percent in 1996 to just over 20 percent in 1999.
- Iraqi oil production jumped from under 1 million barrels per day (bbl/d) in 1997 to 2.5 million bbl/d in mid-2000.

#### **Economic Transition and Miscalculation (1999-2003)**

*After 2000, Iraq's economic growth slowed for a number of reasons, most involving the production and sale of oil. As the Iraqi economy improved,*

*Saddam began to restrict oil production to influence the price of oil in the world market and to leverage political influence.* Additionally, Iraq's oil sector could not meet demand because of years of poor reservoir management, corrosion problems at various oil facilities, deterioration of water injection facilities, lack of spare parts, and damage to oil storage and pumping facilities. These petroleum infrastructure problems limited Saddam's ability to export oil and hampered the Regime's ability to sustain the economic growth shown in 1997 to 2000.

- Iraq's GDP slipped from a peak of \$33 billion in 2000 to \$29 billion in 2001.
- Iraqi oil production dropped from 2.5 million bbl/d in mid-2000 to under 2 million bbl/d in 2002.

Nevertheless, from the late 1990s until Operation Iraqi Freedom, Saddam steadily strengthened the fiscal position of the Regime while investing, as he wished, in development, technology, industry, and defense. Saddam also had enough revenue at his disposal to keep his loyalists in the Regime well paid. In short, *after 1996 the state of the Iraqi economy no longer threatened Saddam's hold on power in Iraq.*

- The budget for the MIC, a key illicit procurement organization, grew from \$7.8 million in 1996 to \$500 million in 2003.
- Despite Iraq's economic problems, MIC Director Abd al-Tawab Mullah Huwaysh stated that Saddam went on a palace and mosque building spree in the late 1990s that employed 7,000 construction workers.

#### **Iraq's Revenue Sources**

*During UN sanctions on Iraq, from August 1990 until OIF in March 2003, Saddam's Regime earned an estimated \$10.9 billion utilizing four primary illicit sources of hard currency income.* The UN OFF program became Saddam's sole legitimate means to generate revenue outside of Iraq (see Figures 7, 8, and 9):

Behind the scenes, the Iraqi government illegally generated billions of dollars in revenue through illegal surcharges it placed on UN approval oil sales, kickbacks it secretly received on top of UN approved contracts for purchase of commercial goods, and from illegal/secret cash border sales and smuggling of oil.

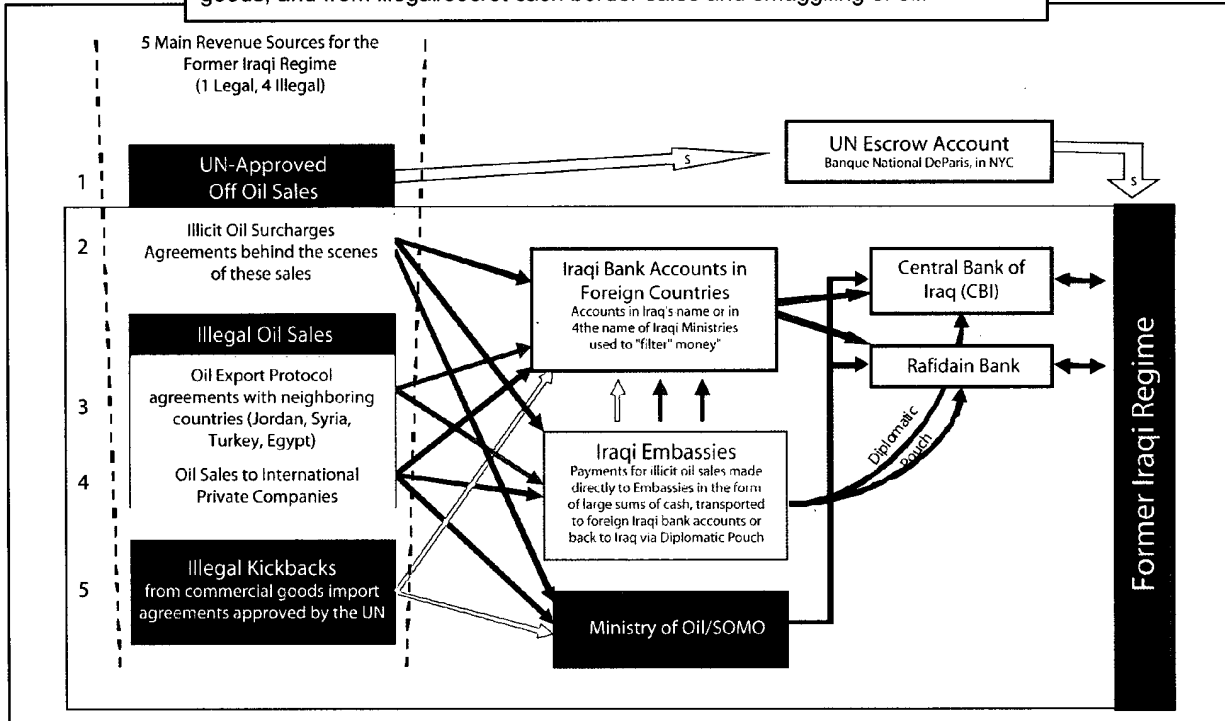


Figure 7. Saddam's legitimate and illicit oil revenue process.

PROTOCOLS	KICKBACKS	SURCHARGES	BORDER & PRIVATE SECTOR CASH SALES
Credit and cash earnings from oil exports under Protocol agreements made outside of the UN sanctioned oil sales	Under-the-table 10 percent kickbacks from UN approved humanitarian and commercial goods import contracts	Under-the-table, illegal surcharges (30 cents per barrel) placed on top of UN approved OFF oil exports	Illegal earnings
<b>\$8,003,692,074</b>	<b>\$1,512,383,150</b>	<b>\$228,592,128</b>	<b>\$1,202,214,415</b>

Figure 8. Summary of illicit Iraqi revenue, 1991-2003.

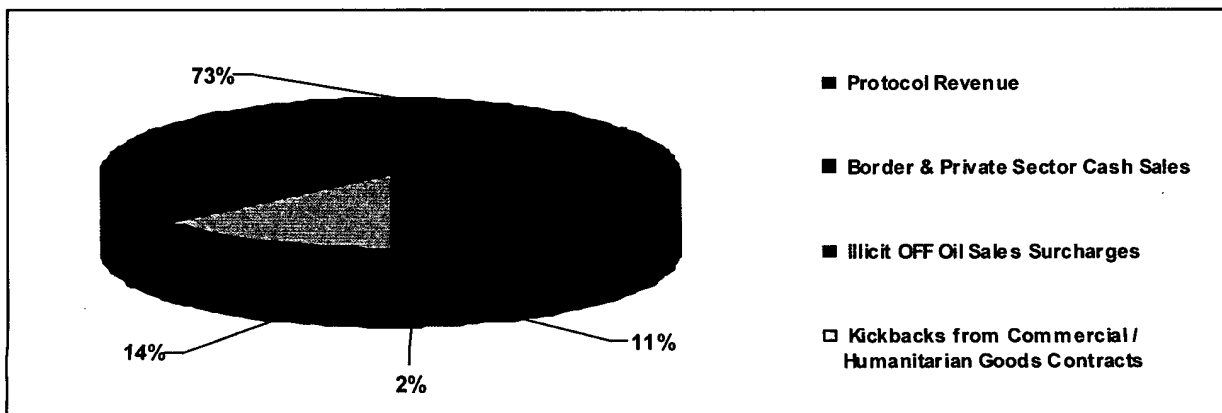


Figure 9. Illicit Iraqi revenue sources by percentage, 1991-2003 table.

- Illicit barrel surcharges on oil sold through the UN OFF program, hereafter referred to as surcharges.
- Ten-percent kickbacks from imports authorized under the UN OFF program, hereafter referred to as kickbacks.
- Exports, primarily petroleum, to private-sector buyers outside the Protocol and UN systems, hereafter referred to as private-sector exports.

***The Regime filtered the majority of the illicitly earned monies through foreign bank accounts in the name of Iraqi banks, ministries, or agencies in violation of UN sanctions.*** According to senior Iraqi officials at SOMO, oil suppliers and traders, who sometimes brought large suitcases full of hard currency to embassies and Iraqi Ministry offices, so that the payments would be untraceable, filled these illegal bank accounts.

***During 1997 to 2003, Saddam generated enough revenue to procure sanctioned military goods and equipment, dual-use industrial material, and technology as well as some legitimate uses.*** These sanctioned goods transactions will be described in detail in later sections. He used those funds to slow the erosion of his conventional military capability in contravention of UN SC resolutions. Available information also indicates Iraq used trade Protocols with various countries to facilitate the delivery of some dual-use items that could be used in the development and production of WMD.

#### **Bilateral Trade Protocols**

***Iraq's bilateral trade Protocols with neighboring states provided Saddam with his largest source of illicit income during UN sanctions. The Protocol with Jordan ensured the Regime's financial survival until the UN OFF program began in December 1996.*** Total income from the Protocols is estimated at \$8 billion.

- Baghdad coordinated Protocols with Syria, Turkey, Jordan, and Egypt. These governments were full parties to all aspects of Iraq's unauthorized oil exports and imports (see Annex A: Translations of Iraq's Bilateral Trade Protocols).

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#### ***Analysis of Iraqi Financial Data***

*The following revenue analysis is based on government documents and financial databases, spreadsheets, and other records obtained from SOMO, the Iraqi Ministry of Oil, and the Central Bank of Iraq (CBI), among others. These sources appear to be genuine, of good quality, and consistent with other pre- and post-Operation Iraqi Freedom information. This hard data are augmented, put into context, and explained by statements from former and current Iraqi government officials, particularly from SOMO, the Ministry of Oil, the Ministry of Trade, and the CBI (for more details, see Annex E: Illicit Earnings Sources and Estimation Methodology).*

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- According to SOMO records, Iraq earned approximately \$3.5 billion from illicit oil sales to Syria, Turkey, and Egypt under the Protocols from 2000 until the recent war, exclusive of trade with Jordan. We estimate Protocol trade with Jordan added an additional \$1.4 billion since 2000 and \$3 billion from 1991 through 1999.

***Jordan Trade Protocol. Jordan was the key to Iraq's financial survival from the imposition of UN sanctions in August 1990 until the implementation of the UN's OFF program.*** Jordan was Iraq's largest single source for income during the sanctions period. Oil sales to Jordan under Protocols began as early as 1983. Terms were negotiated annually, including 1991 and every year thereafter during sanctions. The UN Sanctions Committee "took note" in May 1991 of Jordan's oil imports from Iraq. Essentially, the Committee neither approved nor condemned Jordan because of its dependence on Iraqi oil at the time (see Annex A: Translations of Iraq's Bilateral Trade Protocols).

- Iraq trucked both crude oil and oil products—fuel oil, gas oil, LPG, base oil, and gasoline—to Jordan under the agreement, according to SOMO records. Crude shipments rose from about 45,000 barrels per day (bbl/d) in 1990 to 79,000 bbl/d by 2002. Oil product shipments rose from 13,000 bbl/d to 20,000 bbl/d over the same period.
- Jordan was to receive up to 90,000 bbl/d of crude oil that year. The difference between this number and the 79,000 bbl/d figure announced in 1993

for what they imported in 1992, probably was the roughly 20,000 bbl/d that Iraq shipped to Egypt through Jordan during the first half of 1992.

- Jordanian officials also agreed to import nonpetroleum Iraqi products in 2001, including sulfur, urea, and barley, but we do not know if these goods were actually imported or what Iraq's earnings were from them.

***We do not have complete Iraqi data for Iraq's effective earnings from the Jordan Protocol during the sanctions period but estimate them at \$4.4 billion*** (see Annex E, Illicit Earnings Sources and Estimation Methodology).

- We judge Iraq's earnings amounted to about \$400 million annually from 1991 through 1995 for a total of \$2 billion. This estimate includes trade approved under the Protocol averaging about \$200 million annually and Iraq's debt to Jordan increasing by \$1 billion, which accounts for additional Iraqi imports averaging another \$200 million a year (see Figure 10).
- We used announced trade Protocol levels to estimate earnings in 1996 to 1998 amounting to \$730 million.
- A combination of SOMO invoice and collections data was used to estimate earnings from 1999 to 2003 totaling \$1.7 billion.
- Iraq's earnings under the Protocol primarily were deposited in an Iraqi Ministry of Trade (MoT) account in the Central Bank of Jordan (CBJ) (see Figure 10).

Jordan deposited its credit payments for Iraqi oil, into an account at the CBJ on behalf of the CBI. Funds were then disbursed to suppliers by the CBJ by order of the CBI.

- In March 2003, prior to Operation Iraqi Freedom, Iraq had an estimated \$444 million dollars in its trade account in Jordan. With total deposits to the trade account during the sanctions Regime estimated at about \$4.4 billion and \$444 million remaining at the end of the war, Iraq would have spent almost \$4 billion on Jordanian origin goods and reexports under the Protocol agreement.

The Jordan Protocol is generally referred to (by Jordanian and Iraqi officials) as a 100 percent credit account, with no cash being provided to Iraq. SOMO information and a senior MoT official, however, indicated a small portion of the trade was 60 percent credit and 40 percent cash.

- SOMO Documents list oil sales to the Jordanian Ministry of Energy and Minerals on a 60-percent credit, 40-percent cash basis. Contracts of this type are listed only for 2002 and are valued at only \$6.2 million.
- A high-level Iraqi Trade Ministry official stated that Jordan's payments to Iraq for the cash portion of the trade Protocol was negotiated between the CBI and Jordan and provided specific written instructions about how to transfer the funds to Iraq. We have no further information on this aspect of the Jordan-Iraq trade Protocol.
- A MoO official stated his ministry had two accounts in Jordan funded by the Protocol. This could refer, in part, to the 40-percent cash portion of the trade, although the accounts held almost \$80 million while this trade only earned \$6.2 million.
- According to SOMO's database, the 60-percent earnings were deposited in the Jordan National Bank. The 40-percent cash earnings were deposited in the Ahli Bank, where much of Iraq's cash earnings from other Protocols were deposited. These, along with cash earnings from other sources, could account for the funds in the Ministry's accounts.
- It is possible, maybe even likely, that Iraqi oil sales under the 60/40 arrangement, sales to the Jordanian military, and purchases that resulted in \$1 billion in debt owed to Jordan are not technically part of the trade Protocol. Nevertheless, given the government to government nature of these transactions, they were accounted for here instead of as private-sector exports.

***Syria Trade Protocol. Iraq's trade Protocol with Syria was Iraq's primary illicit income source from 2000 until OIF in March 2003.*** With Syria facing increased political pressure from the US, opening relations with Iraq seemed attractive for both political and financial reasons. Negotiations began, and the Protocol was signed before Hafiz al-Assad died on



10 June 2000. The relationship probably accelerated when al-Assad's son, Bashar al-Assad, became President on 17 July 2000. For Baghdad, the relationship was attractive because Syria could buy significantly more oil at better financial terms than Iraq's other available illicit markets and Damascus was more willing than any other neighboring state to allow military goods to be shipped to Iraq through its territory.

- SOMO and the Syrian Oil Marketing Office negotiated the bilateral trade Protocol in Baghdad from 27 to 29 May 2000. Contracts were written under the Protocol from June 2000 through March 2003 (see Annex A: Translations of Iraq's Bilateral Trade Protocols).
- Under the agreement, Iraq exported crude, gas oil, fuel oil, gasoline, base oil, LPG and asphalt to Syria by pipeline and/or tanker truck.

***Iraq's total earnings over the life of the Protocol were about \$2.8 billion*** (see Figure 11).

- Iraq charged Syria roughly \$6 less than the authorized price for crude under the UN OFF program. Gas oil was sold for \$75 per metric ton and fuel oil was sold for \$20 per metric ton, both significantly discounted from world prices. These shipments allowed Syria to export its own crude oil at market prices instead of having to use it for domestic consumption.
- Under the Syrian Protocol, 60 percent of Iraq's earnings were deposited in a SOMO account in the Commercial Bank of Syria for use in buying Syrian goods or foreign-made items purchased through Syria.
- Iraqi sources' statements concerning the disposition of the remaining 40 percent cash payment are not clear. The best information, however, seems to indicate the cash was first deposited in a Commercial Bank of Syria cash account. Once this account reached \$1 million, the funds were transferred to an account at the Syrian Lebanese Commercial Bank in Beirut, Lebanon. One source states this account was in Lebanon, another in Damascus. SOMO eventually transferred the money to CBI accounts in Baghdad, possibly by courier.

- According to SOMO records, \$1.18 billion in contracts were written drawing on the SOMO (presumably credit) account with Syria. If 60 percent (\$1.68 billion) of Iraq's total earnings of \$2.8 billion were deposited in that account during the existence of the Protocol, there would be \$500 million remaining in unspent funds at the end of the war. All of these contracts probably had not been completed before OIF. This, and the possibility of other small accounts, probably explains the \$842 million in total Iraqi funds remaining in Syria at the outbreak of OIF.

***Turkey Trade Protocol. Trade under the Turkey-Iraq Protocol was a significant source of illicit income for Iraq from 2000 until OIF in March 2003.*** The Protocol was a rationalization and expansion of pre-existing Iraqi-private-sector contracts. Iraq was able to increase the volume of its exports and earnings.

- The main details of the Turkish Protocol were agreed to at meetings between Iraqi and Turkish delegations in early 2000. Minutes of meetings were signed on 16 January 2000, 29 February 2000, and 16 May 2000. The 16 January document was signed by Amir Rashid Muhammad al-Ubaydi, MoO, Republic of Iraq, and by a Turkish trade official, Republic of Turkey. It was decided a joint team of experts from the two sides would meet every three months to review the progress of the implementation of the Protocol (see Annex A: Translations of Iraq's Bilateral Trade Protocols).
- For 2000, Iraq agreed to export 2.75 million tons (54,247 bbl/d) of crude oil to four Turkish buyers: Oz Ortadobgu, Ram Dis, Tekfen, and the Turkish Petroleum International Company (TPIC) during 2000. TPIC was the trading arm of the Turkish National Oil Company and was granted the right to contract for additional oil above the 2.75 million metric tons.
- Contracts were written under the Protocol from July 2000 to February 2003.

***Iraq's total earnings over the life of the Protocol were \$710 million*** (see Figure 12).

1991 to 1995	1996	1997	1998	1999	2000	2001	2002	2003	Total
\$400 in each year	\$220	\$255	\$255	\$294	\$481	\$319	\$537	\$85	\$4,446

**Figure 10.** Iraq's estimated earnings from the Jordan Protocol (million US \$).

2000	2001	2002	2003	Total
\$45	\$1,102	\$1,242	\$425	\$2,814

**Figure 11.** Iraq's estimated earnings from the Syria Protocol (million US \$).

2000	2001	2002	2003	Total
\$51	\$300	\$329	\$30	\$710

**Figure 12.** Iraq's estimated earnings from the Turkey Protocol (million US \$).

- Iraq charged Turkey roughly \$6 less than the authorized price for crude under the UN OFF program. The low price served as an incentive for Turkey to participate in the scheme.
- Under the Turkish agreement, 70 percent (\$497 million) of Iraq's earnings were to be deposited into an account at the Turkey Halk Bankasi A.S. The account was under the name of TPIC, but the control of SOMO. This account was to be used by SOMO to pay Turkish companies for goods and services delivered and rendered to Iraqi organizations.
- According to a senior SOMO official, some of these funds were transferred to interest bearing accounts. As of January 2004, SOMO held \$157 million in these accounts and had earned almost \$7.7 million in interest since October 2000.
- Iraqi statements about the amount of cash deposited are inconsistent, but the best information indicates the remaining 30 percent in cash (\$213 million) was deposited in a SOMO account at the Saradar Bank in Lebanon. Some of these funds may eventually have been transferred to a CBI account at the Syrian Lebanese Commercial Bank. SOMO eventually transferred the money to CBI accounts in Baghdad, possibly by courier.
- Iraqi statements about cash deposits are again inconsistent, but a SOMO foreign account balance sheet showed the TPIC (70 percent) account containing over \$195 million just prior to OIF. Another report states Turkish entities owes Iraq \$265 million but also mentions an account balance in January 2004 of \$234 million. At least in the case of the \$234 million, the accounting included both the Protocol credit account (\$52 million) and some savings accounts (\$182 million). If 70 percent (\$497 million) of Iraq's total earnings of \$710 million were deposited in this account, and \$195 million (assuming the lower figure) was remaining at the end of the war, Iraq would have spent about \$302 million on Turkish goods and reexports under the Protocol agreement. The value of contracts signed using SOMO accounts amounted to \$303.5 million according to SOMO records. Some of these contracts almost certainly were not completed prior to OIF.

**Egypt Trade Protocol. Iraq and Egypt participated in a relatively short-lived Protocol from late 2001 to early 2002.** We do not have access to documents outlining this agreement, but, according to a senior Iraqi official, the deal involved the MIC-related company, Al-Husan.

- The first contract under the Protocol was signed in August 2001 and the last contract in June 2002.
- The trade involved primarily crude oil, but the last two contracts were for fuel oil.
- The trade reached an estimated peak of 33,000 bbl/d in May 2002. The cargo was shipped by truck from Iraq to Aqaba, Jordan, where it was loaded on ships for transport to Egypt or Yemen.

***Iraq's total earnings over the life of the Protocol were \$33 million according to SOMO records. All but \$1 million was earned in 2002.***

- Iraq generally charged Egypt about \$7 per metric ton less than the authorized price for crude under the UN OFF program. The first two contracts were \$15 per metric ton off the UN price.
- The Protocol was 60-percent credit and 40-percent cash. The credit account was under SOMO's name at the National Bank of Egypt and the cash proceeds were deposited in the Ahli Bank (Jordan National Bank) in Jordan.

#### **United Nations OFF Program**

***The UN OFF program saved the Iraqi Regime from financial collapse and humanitarian disaster. When Iraq began exporting oil under UN OFF in December 1996, the Regime averted economic conditions that threatened its survival. The program also provided Iraq with unprecedented opportunities to earn significant amounts of hard currency outside the control of the UN.***

#### **Phases of the UN OFF Program**

The UN OFF Program was run in phases. Each phase was approved by a UNSCR and was designed to last for 180 days, although the length was adjusted at times as deemed necessary. Phase 1 ran from 10 December 1996 to 7 June 1997. The first oil was exported on 15 December 1996, and the first contracts financed from the sale of oil were approved in January 1997. The first shipments of food arrived in Iraq in March 1997 and the first medicines arrived in May 1997. The final oil exporting period (phase 13), authorized by UNSCR 1447 (2002), was in effect from 5 December 2002 through 3 June 2003 (see Figure 13).

#### **Disposition of UN OFF Funds**

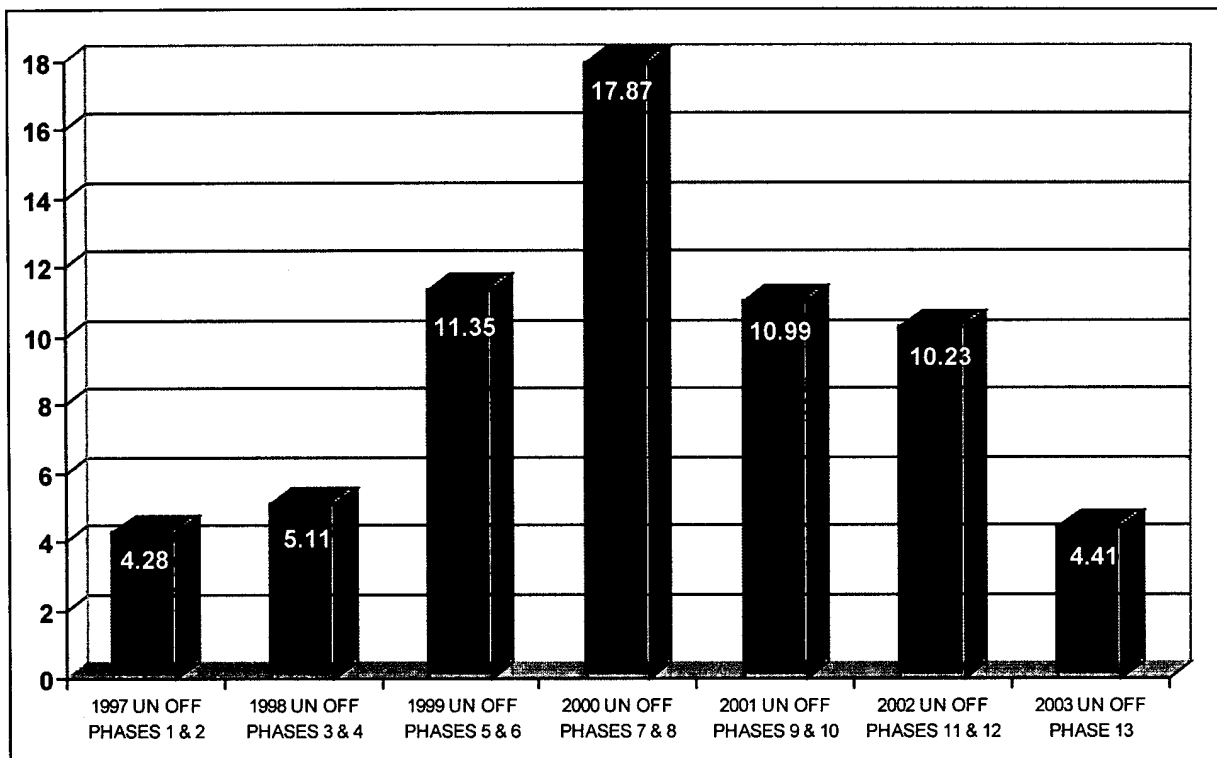
As of 19 November 2003, Iraq's oil exports under the program had earned over \$64 billion. After deducting the costs of the UN's administering the OFF program and WMD monitoring mission, as well as, the Compensation Fund, \$46 billion was available for Iraqi humanitarian imports. Of this amount:

- \$31 billion worth of humanitarian supplies and equipment were delivered to Iraq including \$1.6 billion of oil industry spare parts and equipment.
- \$3.6 billion was approved for projects to be implemented by UN agencies.
- \$8.1 billion had been transferred to the Development Fund for Iraq as of 19 April 2004.
- The remainder of this revenue was uncommitted and in the UN-Iraq accounts awaiting further distribution.
- In addition to the \$46 billion, an additional \$8.2 billion in approved and funded humanitarian goods were in the production and delivery pipeline and under review by the UN and Iraqi authorities.

#### **Oil Vouchers and Allocations**

***Throughout the UN OFF Program, Iraq used a clandestine oil allocation voucher program that involved the granting of oil certificates to certain individuals or organizations to compensate them for their services or efforts in undermining the resolve of the international community to enforce UNSC resolutions. Saddam also used the voucher program as a means of influencing people and organizations that might help the Regime. By the end of the final phase (13) of the UN OFF Program, Iraq had allocated 4.4 billion barrels of oil to approved recipients. However, only 3.4 billion barrels were actually lifted (loaded and exported)—the same figure reported by the UN.***

- The oil allocation program was implemented through an opaque voucher program overseen and approved by Saddam and managed at the most senior levels of the Iraqi Regime.
- Starting in Phase 3 of the UN OFF program, until OIF, the Iraqi Regime began to politicize the allocations process by giving quantities of oil to individuals and political parties it favored.









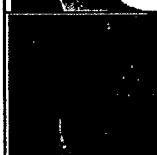
**Figure 13.** Oil earnings for each calendar year (13 phases of the UN OFF Program), 1997-2003.

- According to Tariq Aziz, Taha Yasin Ramadan al-Jizrawi, and Hikmat Mizban Ibrahim al-Azzawi, the oil voucher program was managed on an ad hoc basis by the Regime officials listed in Figure 14.
- The Iraqi Intelligence Service, Ambassadors, and other senior Iraqi officials also commonly made nominations for oil allocations.

**Oil Voucher Process**

The MoO normally distributed the secret oil allocations in six-month cycles, which occurred in synchronization with the UN OFF phases (see Figure 15). Senior Iraqi leaders could nominate or recommend an individual or organization to be added or subtracted from the voucher list and an ad hoc allocation committee met to review and update the allocations (see Annex B: Known Oil Voucher Recipients). However, *Saddam personally approved and removed all names on the voucher recipient lists.*

This voucher program was documented in detail in a complete listing maintained by Vice President Taha Yasin Ramadan al-Jizrawi and the Minister for Oil, Amir Muhammed Rashid Tikriti Al Ubaydi. If a change was requested by telephone by Saddam or any other top official, either the MoO or SOMO rendered a detailed memo for the record of the conversation. A senior Iraqi official, ambassador, the IIS, or Saddam himself would recommend a specific recipient (i.e. company, individual, or organization) and the recommended amount of the allocation. That recommendation was then considered by the ad hoc committee and balanced against the total amount of oil available for export under the UN program disbursement. When former Vice President Ramadan finalized the recipient list, it was sent to Al Ubaydi. The official at SOMO in charge of issuing the final allocation vouchers (making the disbursements) stated that Tariq Aziz would give the final list to him. He believed that it was Aziz that finalized the list upon the direction of Saddam.

	Tariq Aziz	Former Deputy Prime Minister. He was personally involved in the handling of Western expatriates and companies.
	Taha Yasin Ramadan Al-Jizrawi	Former Vice President, Ba'ath party head, and Director of the Iraqi Oil for Food Program Committee.
	Amir Muhammad Rashid Tikriti Al-Ubaydi	Former Minister of Oil. He ensured that the Ministry and its marketing arm, SOMO, kept detailed records on the oil allocation program.
	Muhammed Mahdi Al-Salih	Former Minister of Trade.
	Hikmat Mizban Ibrahim Al-Azzawi	Former Minister of Finance.
	Muhammad Sa'id Kazim Al-Sahhaf	Former Minister of Information.
	Abd Al-Tawab Mullah Huwaysh	Former Director of the Military Industrialization Commission (MIC).

**Figure 14.** Senior Iraqi leaders who managed the Oil Voucher Program and were authorized to offer vouchers.

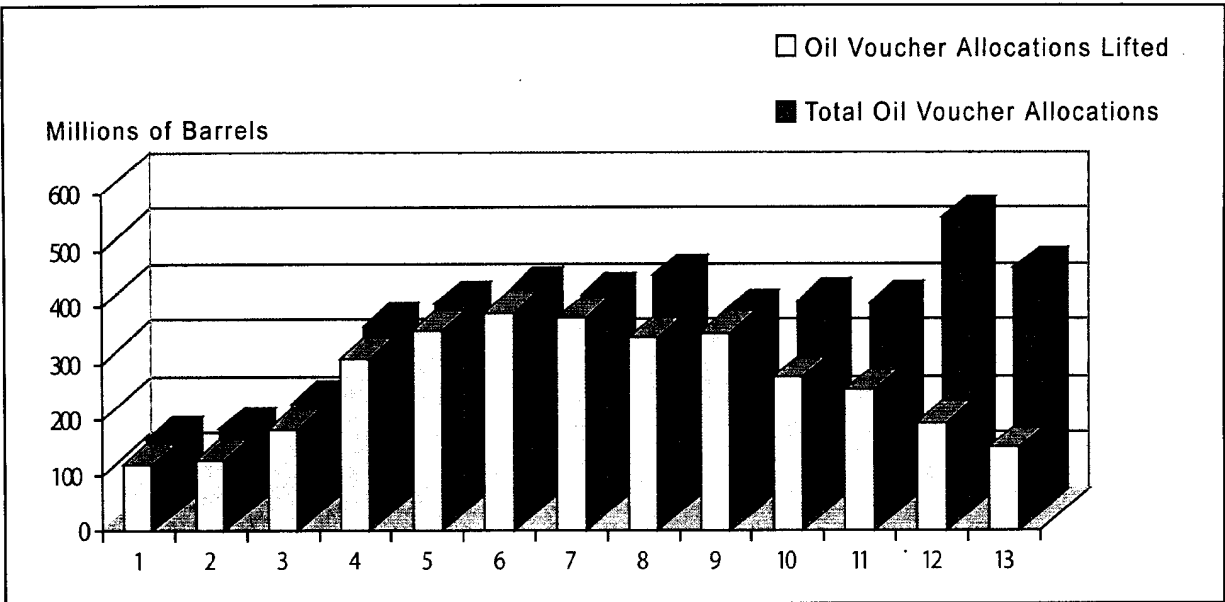
### Secret Voucher Recipients

In general, secret oil allocations were awarded to:

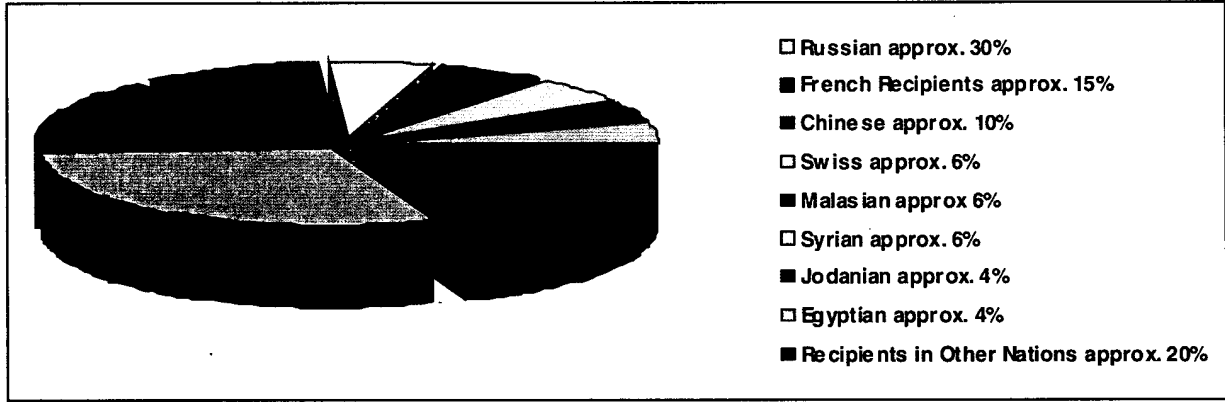
- Traditional oil companies that owned refineries.
- Different personalities and parties, which were labeled “special allocations” or “gifts.” This group included Benon Sevan, the former UN Chief of the Office of Iraq Program (OIP), numerous individuals including Russian, Yugoslav, Ukrainian, and French citizens.

- “The Russian State” with specific recipients identified (see Annex B: Known Oil Voucher Recipients).

Recipients could collect their allocation vouchers in person at SOMO or designate someone to collect them on their behalf. The oil voucher was a negotiable instrument. Recipients, especially those not in the petroleum business, could sell or trade the allocations at a discount to international oil buyers or companies at a 10 to 35 cent per barrel profit. Frequent buyers



**Figure 15.** Large differences in the later phases between the amount allocated under the voucher system and the amount actually lifted was due to disruptions in Iraq's oil exports.



**Figure 16.** The nationality of secret oil voucher recipients by volume of oil allocated.

of these large allocations included companies in the UAE as well as Elf Total, Royal Dutch Shell and others.

Figure 16 reflects the general proportion of the nationalities targeted to receive Iraq's oil allocations by volume of oil allocated, according to a former government official with direct access to the information. The top three countries with companies or entities receiving vouchers were Russia (30%), France (15%), and China (10%)—three of the five permanent members of the UNSC, other than the US and UK.

**Iraqi Oil Vouchers Provided to International Leaders**

The following select individuals (see Figure 17) include world leaders, senior politicians and corporate officials, were approved by the ad hoc committee as recipients of oil vouchers under this program (see Annex B: Known Oil Voucher Recipients for a more complete listing).

The voucher list provided by SOMO includes Russian members of government, politicians, and businessmen. The former Iraqi Vice President Ramadan

		Millions of Barrels Allocated	Millions of Barrels Lifted
Mr. Zierbek	Russian Communist Party	110.10	87.391
Mr. Azakov and Mr. Velloshia	Rus Naft Ambix and the Russian Presidential Office	84.278	72.516
Vladimir Zhirinovskiy and LDPR Companies	A former senior official in the Iraqi government stated that Zhirionvsky visited Iraq on a regular basis	53.0	79.8
"Russian Foreign Ministry"		55.0	42.722
Patrick Maugein	Iraq considered Maugein a conduit to French President Chirac, according to a former Iraqi official in a claim we have not confirmed.	14.0	13.199
"Raomin"	Allocations were made to an individual listed as Raomin who is further described in the voucher allocation list as the son of the former Russian ambassador in Baghdad.	13.5	13.071
Mr. Nikolayi Ryzhkov and Mr. Gotzariv	Members of the Russian Parliament (Duma)	12.0	11.88
Charles Pasqua	Businessman and former French Interior Minister	11.0	10.751
Benon Sevan, UN Chief of the Oil for Food Program	Former Iraqi officials say he received his illicit oil allocations through various companies that he recommended to the Iraqi government including the African Middle East Company.	13.0	7.291
Government of Namibia		7.0	7.123
Government of Yemen		5.0	4.713
Sukarnoputri Megawati, President of Indonesia	Iraqi documents list President Megawati as a recipient of oil allocations.	6.0	3.779

Figure 17. Selected secret oil voucher recipients.

stated that he believed the Russian Government was sympathetic to the plight of Iraq and strongly against the sanctions imposed upon it and that most of the parties of the Russian Parliament (Duma) supported Iraq's position. He stated that many Russian companies were dealing with the Iraqi ministries in charge of exports, and that this was no secret because many of the Russian Ministers visited Iraq regularly to aid this activity.

#### **American and British Oil Voucher Recipients**

According to a former high-ranking Iraqi official with direct access to the information, there are two Americans and one UK citizen listed as recipients on the list of Iraq's illicit oil allocation program (although at least three names are annotated "American" on the Iraqi lists). *Deputy Prime Minister Tariq Aziz was the principal point of contact for handling all high profile foreign recipients, all American recipients and most other non-Arab voucher recipients, called "internationals", who lived in countries outside of the Arab world.*

#### **Benon Sevan's Use of Iraqi Oil Vouchers**

*At the center of the day-to-day operations of the UN's \$64 billion OFF program, Sevan who spent his entire career at the UN, received oil allocations through various companies that he recommended to the Iraqi government.* This arrangement reportedly began soon after the OFF program started in December 1996. An investigation by the Iraqi Governing Council has uncovered a letter linking Sevan to a Panamanian-registered company called African Middle East Petroleum Company. The letter, dated 10 August 1998, from Saddam Zayn Hasan, the executive manager of SOMO, and addressed to Amir Muhammad Rashid Tikriti Al Ubaydi, then the Iraqi Oil Minister implicates Muwafiq Ayyub in playing a role in setting up the deal. The letter says: "Muwafiq Ayyub of the Iraqi mission in New York informed us by telephone that the above-mentioned company has been recommended by his Excellency Mr. Sevan, director of the Iraqi program at the UN, during his recent trip to Baghdad." A second page detailed the "Quantity of Oil Allocated and given to Mr. Benon

Sevan," listing a total of 7.3 million barrels of oil as the "quantity executed."

*A Source at SOMO confirmed that Sevan received allocations by way of a Cypriot company or the Panamanian registered, The African Middle East Petroleum Company.* According to the source, when the Chairman of the Iraqi UN OFF Committee, Vice President Taha Yasin Ramadan al-Jizrawi, saw any company with Sevan's name in parenthesis next to it (and there were a lot of them, according to the source) on the proposed voucher recipient list, Ramadan automatically gave approval to issue the vouchers associated with that account.

- SOMO voucher documents only list Sevan in relation to the African Middle East Petroleum Company. We have no further information on the role of a Cypriot company or any other company.

*According a high-level source at SOMO, Sevan never received his oil allocations in person.* Sevan's vouchers were always picked up by Fakhir Abdul Noor, an Egyptian now residing in Switzerland and connected to the African Middle East Petroleum Company, who would sign documents on Sevan's behalf and pick up his allocations at SOMO. Noor conducted this business for Sevan for each phase of the UN OFF MOI starting in the fourth phase and ending in the ninth phase. Sevan's allocations ended after the ninth phase when SOMO representatives informed Noor that the African Middle East Petroleum Company owed money under the oil surcharge program and the payments were in arrears.

#### **Iraqi Intelligence Service Nominations for Oil Vouchers**

Those who were nominated by the IIS and placed on the master voucher list were most likely placed there for their service in an intelligence capacity for the former Regime. The following two individuals were nominated by the IIS and approved for inclusion on the list (see Figure 18).

#### **Oil Export Surcharges**

In addition to income from the trade Protocols and the UN OFF program *Iraq demanded a surcharge*



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### ***Iraq's Oil Allocation Voucher Process***

*The UN allowed Iraq to sell a certain amount of oil under the Oil For Food Program and the proceeds would go to Iraq through an UN approved bank, the BNP. The UN did not monitor Iraq's oil voucher system and, according to senior Iraqi officials at SOMO, Baghdad made every effort to keep the details of the system hidden from the UN. During Iraq's negotiations with the UN concerning the OFF program Baghdad fought hard for the right to determine to whom it could sell its oil and Baghdad considered the UN's concession on this point an important victory. The UN approved the final contract between Iraq and the lifting company, ensured the company was on the register of approved lifting companies, and monitored the actual lifting of the oil to make sure the amount lifted fit within the approved contract amount. The UN also made sure that the total amount lifted matched the OFF allocation.*

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***fee for each barrel of oil it exported under the UN OFF program because of the relatively large built-in profit margin allowed by the UN Oil Overseers.*** Buyers were willing to pay Iraq a surcharge, usually 25 to 30 cents per barrel of oil, because they made sufficient profit to do so. Iraq reduced the amount it charged in 2002 as the Sanctions Committee gradually eliminated the profit margin; the last SOMO invoice for a surcharge was dated September 2002.

- The surcharge system began in the 8th phase of the UN OFF program. According to SOMO records, the surcharge was charged on 1,117 million barrels of oil between phases 8-12. The total contract value for the surcharges was \$265.3 million.
- ***Iraq actually collected only \$228.6 million in surcharge payments from September 2000 until March 2003*** (see Figure 19). Iraq was unable to collect \$36.7 million in surcharges. (see Annex E: Illicit Earnings Sources and Estimation Methodology)
- Payments were usually made to SOMO bank accounts in Jordan and Lebanon, but \$61 million was delivered in cash to Iraqi embassies, usually Moscow by Russian entities, according to SOMO

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### ***The Legality of Oil Voucher Allocations***

***The Oil Voucher Allocation system was set up by the former Regime of Iraq in order to allocate their exports under the UN Oil-For-Food (OFF) Program to entities that would gain Iraq the greatest benefit.*** Using the voucher program as a method of rewarding and/or influencing entities or countries really did not begin until about Phase 3 of the OFF Program. Phase 3 ran from 5 December 1997 to 29 May 1998. At the time, this internal Iraqi process was unknown to the UN and was not addressed in any UN resolutions.

*The UN approved all companies lifting oil under the OFF program and accounted for all the Iraqi oil lifted by authorized oil lifting firms. However, some entities and individuals may have abused this system by using an intermediary to lift and sell the oil allocated to them by Iraq under the voucher system. For example, according to oil voucher registers recovered from SOMO and statements by Iraqi authorities, several private individuals and political organizations were listed as a voucher recipient. However, an intermediary (a UN registered oil lifter) was used to pick these vouchers and actually lifted the oil under a UN approved contract. In this example, the UN was not aware that an individual or political organization was involved in, and was profiting from, the transaction. Consequently, if individuals or organizations knowingly received profits from these oil sales they were taking part in actions which were not sanctioned by the UN OFF program. ISG has no direct evidence linking these individuals or political organization to actually receiving the proceeds from these oil allocations. However, individuals and organizations are named as being on the list for oil allocations, statements from Iraqi officials support the fact that these entities received oil allocations, and evidence that Iraq entered into contracts with the intermediaries that actually lifted these allocations exist. In conclusion, the **Oil Voucher Allocation program is another example of how Saddam's Regime strove to undermine UN sanctions and the OFF process while garnering favor with well placed individuals and entities that would be able to favorably act on Iraq's behalf on the political scene.***

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documents. Ten other Iraqi embassies were used in this way including: Hanoi, Vietnam, Ankara, Turkey and Geneva, Switzerland.

- Some companies preferred to pay Iraqi embassies directly out of fear for public disclosure of the illegal arrangements. This may explain the preference to conduct such business with cash.
- Payments were mostly made in US dollars, but a few times they were made in Euros. The cash was later moved to Baghdad from the embassies via diplomatic pouch and deposited in the SOMO accounts at the CBI or Rafidian banks.

A former senior Iraqi official with direct access to the information stated that Saddam first ordered companies be charged a flat rate of 15 percent of their profits as the surcharge, but the companies refused to pay. Saddam then pursued a 50-cent per barrel surcharge that his advisors warned him was not workable. When Saddam realized they were right, he allowed the surcharge to be dropped to 30 cents and then finally to 10 cents. Ten cents was the amount first charged by SOMO in September 2000.

- Some companies, particularly the French, refused to pay the surcharge.
- However, some companies used a 'middleman' to hide the link between the originating company and Iraq.

Iraq tolerated the refusal of some companies to pay the 10-cent per barrel surcharge until the end of the 8th phase (5 December 2000) in order to avoid their refusal to ship the oil and reduce Iraq's projected exports.

- The 10-cent surcharge was increased in January 2001 during the 9th phase to 35 cents a barrel for sales to the US and 25 cents per barrel for sales to other countries. The surcharges continued into phase 12 at 15 cents per barrel to all customers (see Figure 20).

The surcharge system was an open secret. The subject was discussed by the media and by worldwide oil market. It was known the former Regime received income from its sales that were deposited in special accounts outside of Iraq.

- The system continued until October 2001 when the UK and US took unilateral action to eliminate the excess profit that allowed surcharges to be paid.

#### How Surcharges Were Collected

The buyers agreeing to the surcharges did so with a written personal pledge to pay. Iraq's main leverage to enforce payment was to deny the buyer future contracts until he made good on his debt. Iraq exercised this option in the case of the African Middle East Petroleum Company, according to SOMO documents. By the 12th phase, there were 42 entities receiving oil export allocations that were not allowed to sign contracts because they had not fully paid their surcharges.

#### Kickbacks on Commercial Goods Import Contracts

*The fourth revenue source for Saddam's Regime was kickbacks from UN OFF program commercial goods contracts being imported into Iraq.* According to a former senior MoT official, beginning with the 8<sup>th</sup> phase in June 2000, Iraq began to demand a kickback on all UN OFF program import contracts to generate illicit income. The amount of the kickback could vary, but generally was around 10 percent. ISG suspects, however, that Iraq had been receiving similar types of kickbacks since the beginning of the UN OFF program to varying degrees.

Contracts were written for 10 percent above the actual price and the supplier company would deposit this amount into Iraqi accounts. The fee was often included for spare parts or after sales service. The fee was often applied, particularly in Jordan, through the mechanism of the supplier providing a 10 percent performance bond in advance, which was then automatically transferred to an Iraqi account when the supplier was paid for the goods.

- A source described how it often worked for one front company. For instance, the Al-Eman Group (a Jordanian Company) would sign a contract with Iraq and deposit the 10 percent performance bond in an escrow holding account. When the goods were delivered to Iraq, the UN Iraq account would pay the full contract price to Al-Eman. At that point, the Jordan National Bank would automatically kick back the performance bond to an Iraqi account instead of returning it to Al-Eman, as would normally be the case.

	Millions of Barrels Allocated	Millions of Barrels Lifted	
<b>Fa'iq Ahmad Sharif And Mastek</b>	<b>60.756</b>	<b>43.614</b>	A former senior Iraqi official with direct access to the information believed Sharif to be a Malaysian resident and an owner or high level executive of the company Mastek.
<b>Hamad Bin Ali Al Thani</b>	<b>27.359</b>	<b>19.215</b>	A Qatari national and owner of the private airline Gulf Eagle (not a regular commercial enterprise) Al Thani was responsible for opening an air link between Baghdad and Damascus.

Figure 18. IIS oil voucher recipients.

2000	2001	2002	2003	Total
\$4	\$150	\$74	\$0	\$229

Figure 19. Iraq's estimated earnings from OFF oil surcharges (million US \$).

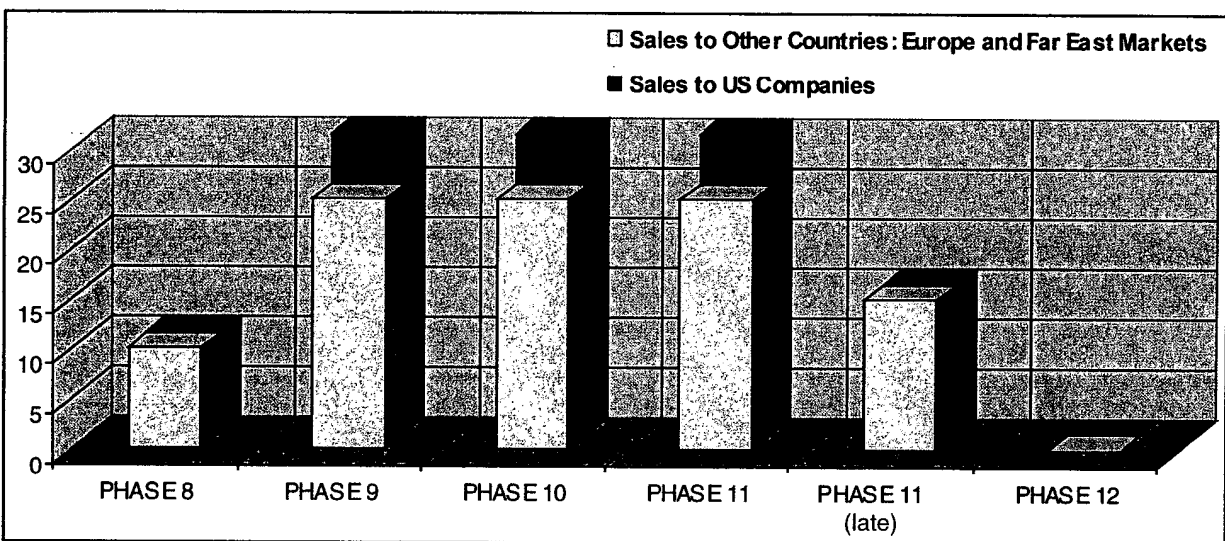


Figure 20. Surcharges amounts charged in US cents per barrel for each OFF phase.

- ISG does not have information from Iraqi sources regarding the revenue earned from these kickbacks; but we estimate, using a 10 percent average, that these kickbacks totaled approximately \$1.512 billion from late 2000 until OIF (see Figure 21). For more information on the methodology used to generate this estimate, see Annex E: Illicit Earnings Sources and Estimation Methodology.

According to senior MoT and official sources, kickback payments were deposited into temporary accounts controlled by the Iraqi ministry involved with the contract at banks in Jordan and Lebanon. These "bridge" accounts were not in the name of the ministry, but used false names to disassociate the Iraqi government from the transaction. Within 24 hours, the funds were transferred to a CBI account at the same bank. At the end of each day, the ministry bridge accounts had a zero balance. Kickback payments also

were made to at least two Iraqi front companies: Alia in Jordan and Al-Wasel & Babel in the UAE. Ultimately, the kickback funds were couriered back to the CBI in Iraq.

Each individual ministry that engaged in the import kickback contract scheme had copies of their respective contracts or deals. The MoT was responsible for monitoring these contracts but was not involved in negotiating the terms. Each of the following ministries (see Figure 22) engaged in the 10 percent fee scheme:

Although the kickback was paid to the particular ministry that entered into the contract, those ministries were not able to use the funds—they usually were transferred to the CBI as mentioned above.

- In order to encourage kickback collections by the ministry, and in order to compensate the ministry for the difficulties involved with the scheme, the CBI returned 5 percent of the 10 percent kickback to the ministry collecting the kickback.
- These funds were distributed to the employees of the particular ministry as an incentive to collect the kickbacks.

Another method of generating kickbacks from UN OFF import contracts emerged in the later years of the UN OFF program. This method was based on deceiving the UN over the quality of the items being imported to Iraq. For this illicit revenue scheme, Iraq arranged for a co-operative supplier to obtain a legitimate UN OFF contract specifying “first-quality” humanitarian goods. Iraq would then be authorized under UN OFF to pay top quality prices for the items via the UN OFF-controlled accounts. In reality, however, the co-operative supplier substituted cheap, poor-quality goods for the contract. This generated very high profits for the co-operative supplier. Saddam then arranged for the excess profits to be returned to Iraq via diplomatic channels, after the co-operative supplier took its “fee.” This revenue scheme was particularly nefarious since it left the people of Iraq with second-quality, sometime useless, humanitarian goods. (see the Use of Foreign Banks sections.)

#### Private-Sector Oil Sales

*Iraq’s trade with private-sector businessmen during the sanctions period provided a \$1.2 billion supplement to illicit money earned from kickbacks and surcharges related to the UN OFF program and*

*Protocols with neighbor states* (see Figure 23). Iraqis also refer to this trade as “border trade” or “smuggling.” (see Annex F: Iraqi Oil Smuggling for a case study on this topic.)

- These sales began almost immediately after sanctions were implemented, with examples dating back to at least 1993.
- Iraq exported crude oil, petroleum products, and dry goods such as dates and barley. ISG has very little information about the volume or earnings from the dry goods portion of the trade.

ISG estimates Iraq earned about \$30 million annually from 1991 through 1997 for a total of \$210 million during the period.

Private-sector sales were made by SOMO, but outside the UN OFF oil export program and the trade Protocols with Jordan, Syria, Turkey, and Egypt. SOMO information on these sales covers from 1998 until OIF. Payment for these sales amounted to \$992 million, and was made in three ways:

- Some contracts were listed as “cash.” According to the SOMO Invoice and Contract Data Base, these contracts were signed from June 1997 through March 2003 and were for all types of petroleum products (gas oil, fuel oil, asphalt, etc.) as well as small amounts of crude oil. These cargoes were shipped through the Arabian Gulf, Turkey, Jordan, Syria, and possibly Lebanon. The contracts were valued at \$560 million and \$523 million was actually collected.
- Another category of contracts was “goods/barter.” These contracts were signed from January 1998 through March 2003 and were primarily for fuel oil and gas oil. Like the cash contracts above, these cargoes were shipped through the Arabian Gulf, Turkey, Jordan, Syria, and possibly Lebanon. The contracts were valued at \$469 million. Because these were barter contracts as payment for goods to be received by specific Iraqi ministries, SOMO received no cash in payment.
- The final category of contracts was “Iraqi Dinars.” These contracts were signed from May 1999 through December 2002. They were all for fuel oil and all were sold to the “North,” probably the Kurds. The income was in dinars and when translated into dollars at prevailing exchange rates only

amounted to about \$2 million. Because this was not hard currency income, it is not counted in the total hard currency income mentioned elsewhere in this section.

SOMO lists its cash, barter, and dinar contracts as being destined for the "North," "West," or "South."

- Based on the buyer's names, shipments to the North almost certainly were mostly destined for Turkey. One of the major purchasers paying with cash was the Asia Company, which bought almost 11 million barrels for \$174 million from May 1999 through January 2003. According to Amir Muhammad Rashid Tikriti Al Ubaydi, Iraq's Oil Minister, Barzani, the leader of the Kurdish Democratic Party, controlled this company. The dinar contracts probably were destined for the Kurds in the three Northern Governorates. Some of the shipments to the North could have found their way to Iran. The total value of private-sector trade with the North was \$538 million.
- Based on the buyers listed, shipments for the West were destined at least for Jordan and Syria. Some of these shipments probably also found their way to Lebanon. The total value of private-sector trade with the West was \$95 million.
- Based on the buyers listed, shipments for the South were destined for export by small vessels through the Arabian Gulf, with most probably destined for the UAE and other nearby bunkering markets. Some probably wound up in India and perhaps other destinations. The total value of private-sector trade with the South was \$359 million (see inset).

According to a number of Iraqi officials, the money earned from private sector border trade was primarily deposited into accounts in Lebanon and Jordan controlled by the CBI (see Figure 24).

- The accounts were kept in US dollars, except for one account in Euros that was closed after one month.
- One account was maintained in the Rafidian Bank, Mosul, Iraq branch. This account handled earnings from the private-sector trade through the North.

- The "SOMO Office" in Basrah handled earnings from private sales through the South. ISG does not know if this means there was a corresponding Rafidian Bank account to handle these earnings in the South.

#### **Role of the SOMO**

***Iraq's SOMO is the state-run monopoly that controls all of Iraq's crude oil exports.*** It is overseen by the Iraqi MoO and functions as the Ministry's marketing arm. ***SOMO maintained all records for sales under the UN OFF program; cash border sales, sales through the Protocol agreements, and oil allocation (vouchers) arrangements.***

- According to the procedures agenda approved by the UNSCR 986, SOMO was responsible for the marketing process of Iraqi oil and was eventually permitted to sell as much oil as it could. However, these sales contracts were only allowed to companies registered with the UN as approved buyers of Iraq's crude oil. These companies were only to make payments to Iraq into the UN supervised escrow account in the Banque Nationale de Paris in New York.

***According to SOMO officials, Saddam demanded that Iraq keep the price of its oil as low as possible in order to leave room for oil traders to pay Iraq the illegal surcharges.*** A sales director at SOMO stated that they were instructed by the government to get the lowest price. Under normal circumstances, SOMO would have sought the highest price for Iraq's oil, its only legal source of real revenue.

***Among the companies listed in SOMO's records as having paid illegal surcharges are some of the world's largest refineries and oil trading companies.*** SOMO maintained detailed financial records listing invoices and collections for each contract. These companies, when questioned about surcharge payments, deny they were the parties that made them.

- For example, according to SOMO records, one of the most active purchasers of Iraqi crude was a Swiss-based company named Glencore. It paid \$3,222,780 in illegal surcharges during the period of the program. The company denies any inappropriate dealings with the Iraqi government outside of the UN OFF program.

Determining who paid surcharges, and for what

2000	2001	2002	2003	Total
\$375	\$687	\$399	\$50	\$1,512

Figure 21. Iraq's estimated earnings from OFF import kickbacks (million US \$).

Ministry of Oil (MoO)	Ministry of Housing	Ministry of Education
Ministry of Water & Sanitation	The Electricity Board	Ministry of Telecommunications
Ministry of Health	Ministry of Trade	Ministry of Agriculture

Figure 22. Iraqi ministries involved in OFF kickbacks.

1991 to 1997	1998	1999	2000	2001	2002	2003	Total
\$30 each year	\$28	\$234	\$391	\$203	\$50	\$85	\$1,202

Figure 23. Iraq's estimated earnings from private-sector oil sales (million US \$).

Bank	Currency	Amount
Ahli Bank-Jordan	US\$	\$287,120,131.61
Rafidian "Filfel" (Mosul)	US\$	\$146,648,012.00
Jordan Bank-Jordan	Euros converted to US\$	\$47,026,041.80
Ahli Bank-Jordan	US\$	\$42,035,812.95
Iraqi Embassies	US\$	\$930,000.00
Fransa Bank-Lebanon	US\$	\$48,000.00
<b>Total US\$</b>		<b>\$523,807,998.36</b>

Figure 24. Total amounts received in Iraqi bank accounts under private sector "cash sales".<sup>a</sup>

<sup>a</sup>This SOMO information is different by less than \$1 million from the SOMO data base information cited above. The reason for the discrepancy is unknown.

amounts for each oil transaction will take some time. Iraqi oil shipments passed through many parties before being delivered to end recipients, the large oil refineries and companies outside Iraq. *The parties or oil agents that first bought the oil only to turn around and resell it for profits could have been anyone from small-inexperienced oil dealers and companies, or even businessmen and companies being bribed or rewarded for various reasons by the Iraqi government.*

- According to SOMO records and senior MoO officials, oil surcharges were deposited into Iraq's bank accounts. Only designated, trusted Oil Minis-

try employees withdrew the cash and brought it to Baghdad on a regular basis.

- An estimated \$2 billion is believed to be left from the illicit funds deposited in foreign Iraqi bank accounts.
- As of February 2004, over \$750 million had been recovered from these accounts and returned to Iraq, according to the US Treasury Department.

Saddam directed SOMO to set up accounts at the National Bank of Jordan, also known as the Ahli

Bank of Jordan. SOMO created separate accounts both for surcharge payments and for Protocol-generated revenue. Three surcharge accounts were created, one each for the deposits of US dollars, Francs, and eventually Euros. The two required signatories on these accounts were SOMO employees.

Funds from SOMO accounts had to be released by a SOMO order. Payments from accounts holding the credit portion of earnings from the Protocol with Syria (at Syrian Commercial Bank) and the credit portion of earnings from the Protocol with Turkey (the TPIC account on behalf of SOMO at the Halk Bank) required authorizations from various ministries and the Presidential Office (Diwan). When SOMO received the appropriate approvals, it generated a letter directing the banks to make payments.

- SOMO had at least thirteen accounts that were used to receive and/or hold the 10 percent fee amounts received from the various ministries.
- The MoO had no authority over these accounts and they were located in Jordan, Syria, Lebanon, and the UAE.

#### **SOMO's Relationship to the MoO**

*While SOMO's role was to sell Iraq's oil and handle some of the funds derived from those sales, the MoO's role was primarily to procure goods and services needed by the oil sector.* As part of this effort the MoO would collect the 10 percent fee on import contracts.

- A former Oil Ministry official in charge of contracting for maintenance equipment and spare parts stated they would accept a low bid and require another 10 percent be added to the contract. Iraqi officials believed 10 percent could be easily hidden from the UN. For example, if the bid were for \$1 million, the supplier would be told to make it \$1.1 million. This scheme was quite effective for generating illicit revenue.
- The MoO has bank accounts at several different locations and in several different countries. SOMO's 13 accounts were separate from the MoO. According to a high-level source at the MoO, the Ministry had only basic information relative to the SOMO accounts, such as the name of the financial

institution, the account holder's name, and the name of the person who had signatory authority on the account.

- The source stated that the MoO had this information so that they could transfer funds to the accounts when oil was sold. *According to a source at the Ministry, the MoO is currently trying to recover funds from some of these accounts, particularly in Jordan, and return the money to Baghdad.*

Iraq's MoO currently has two active bank accounts at the Jordan National Bank, Queen Nor Branch, Amman, Jordan. These are the same accounts that the MoO has used for the last several years. The first account is a joint account held in the name of the MoO and Jordan Petroleum Refinery Co., Ltd. Its balance on 30 November 2003 was approximately \$78.4 million. The second account is called the Ministry personal current account. Its balance on the same date was \$3.9 million.

- The source of these funds was from the sale of crude oil and oil products to Jordan under the Trade Protocols.
- The Oil Ministry claims that the funds in these accounts were to be used to purchase engineering and chemical materials necessary to keep Iraq's oil industry operating at a minimum production level.

#### **Official Oil Accounts**

SOMO held a variety of bank accounts to manage and control Iraq's legal and illegal oil revenues. These accounts have been categorized as non-surcharge accounts (including Protocol revenues), oil surcharge accounts, and cash sales accounts. Figure 25 shows the bank accounts that SOMO opened for non-surcharge purposes.

- The first five SOMO accounts are individually named accounts at the Ahli Bank in Jordan. For more detail on those names, see Figure 26.
- The fifth account listed at the Ahli Bank in the name of Ali Rijab & Yakhdan was a Protocol trade account set up to receive payments related to the Iraq-Jordanian Protocol and was opened just a few months before the start of OIF. This trade account allowed 60 percent of oil proceeds to remain in the trade account and 40 percent of the proceeds to be

SOMO Account Balances Outside of Iraq				
Country	Account Name	Bank Name	Account Type	Balance in US \$
Jordan	Saddam Zibin, Ali Rijab & Yakdhan Hassan Abrihim	Ahli Bank, Jordan	Cash Account	5,247,427
Jordan	Saddam Zibin, Ali Rijab & Yakdhan Hassan Abrihim	Ahli Bank, Jordan	Cash Account	33,190
Jordan	Saddam Zibin, Ali Rijab & Yakdhan Hassan Abrihim	Ahli Bank, Jordan	Cash Account	5,138
Jordan	Saddam Zibin, Ali Rijab & Yakdhan Hassan Abrihim	Ahli Bank, Jordan	Cash Account	991,544
Jordan	Ali Rijab & Yakdhan	Ahli Bank, Jordan	Trade Account	2,987,054
Lebanon	SOMO	Fransabank, Lebanon	Cash Account	241,052
Lebanon	SOMO	Fransabank, Lebanon	Cash Account	46,583
Lebanon	SOMO	Fransabank, Lebanon	Cash Account	41,010,787
Egypt	SOMO	National Bank of Egypt	Trade Account	19,710,881
Syria	SOMO	Commercial Bank of Syria	Trade Account	790,361,517
Syria	SOMO	Iraqi Embassy in Syria	Cash Account	1,223,401
unknown	SOMO	Syrian Lebanon Commercial Bank	Cash Account	251,949,039
Turkey	TPIC	Halk Bank, Ankara	Trade Account	195,697,846
Russia	SOMO	Iraqi Embassy, Moscow	Cash Account	1,342,975
Vietnam	SOMO	Iraqi Embassy, Hanoi	Cash Account	406,805
Malaysia	SOMO	Iraqi Embassy, Kuala Lumpur	Cash Account	250,000
Switzerland	SOMO	Iraqi Embassy, Geneva	Cash Account	710,000
<b>TOTAL</b>				<b>1,312,182,052</b>

Figure 25. SOMO accounts balances outside of Iraq (data provided by SOMO in January 2004).

<b>Saddam Zibin</b>	A cousin of Saddam Husayn and the head of SOMO from 1995 or 1996 until the start of the war. According to one source, Zibin recently fled to Jordan and is believed to still be there.
<b>Yakdan Hasan Ibrahim al-Karkhi</b>	The former SOMO finance Manager. He was most recently employed at the CPA in the Ministry of Oil around June of 2003. He left Baghdad for Germany in September of 2003 for medical reasons and did not return to Baghdad. He is reportedly now residing in Jordan
<b>Ali Rajab Hassan</b>	Employed, as of January 2004, at the MoO and resided at the SOMO compound.

Figure 26. Key individuals involved in Iraqi oil accounts in Jordan.



utilized elsewhere. The signature authority on this account was Ali Rijab and Yakdhan Hassan Abrihim.

- There are two different cash accounts listed at the Sardar Bank in Lebanon, both with the name "Rodolphe" listed as the bank point of contact.
- SOMO established another account at the National Bank of Egypt that was used as a Protocol trade account, similar to the one set up for Syria. Again, a 60/40 split allowed 60 percent of oil proceeds to remain in the trade account and 40 percent of the proceeds to be deposited into Ahli Bank account in Jordan.
- The Commercial Bank of Syria cash account received the 40 percent of the oil proceeds. The bank was instructed that when the account balance exceeded \$1 million, it was to instantly transfer the extra amount to the Syrian Lebanon Commercial Bank account.
- The Turkish Petroleum International Company (TIPIC) is a trading arm of the Turkish National Oil Company and the SOMO equivalent in Turkey. SOMO funds were deposited at the Halk Bank located in Ankara Turkey.
- The account was actually in the name of TPIC "in the favor" of SOMO. Currently SOMO is requesting to have funds still held at the Halk Bank released.
- The SOMO amounts listed at the Iraqi Embassies were received directly from oil contract holders. These payments were sometimes delivered directly to the Embassies and other times deposited first into an Ahli Bank account.

As noted in Figure 25, the accounts at the Ahli Bank in Jordan are in the names of Saddam Zibin, Yakdan Hasan Abrihim al-Karkhi, and Ali Rijab Hassan. The accounts all have the same prefix of 501333 and suffix range from 02 to 12. Senior sources at SOMO were not sure of the reason for this.

Figure 27 shows the SOMO non-surcharge accounts through TPIC maintained at the Halk Bank in Turkey. The cumulated interest earned for these accounts, according to SOMO, was \$7,678,946.70. Seven of

these accounts (shown in green) remain open. The current Iraqi Embassy in Turkey has been in contact with the TPIC representatives about the current account balance of SOMO with TPIC. The embassy was informed that TPIC believes that the amount due to SOMO is only \$100 million. A source at SOMO stated that TPIC must have allowed unauthorized withdrawals from these accounts.

In the eighth phase of the UN OFF program, Iraq began to impose a 10-cent per barrel illicit surcharge on all oil sales contracts to foreign entities with the exception of Syria (see the Oil Surcharge section). A summary of the surcharge amounts due collected, and left outstanding for phases eight through twelve are displayed in the chart below (see Figure 28).

These oil surcharge payments were deposited into several accounts at banks located in Jordan and Lebanon. Names of these banks included the Jordanian National Bank (Ahli Bank), the Sardar Bank, and the Fransabank in Lebanon (see Figure 29). Escrow accounts were opened in the name of SOMO however these other numbered accounts were opened by Director General of SOMO, Rafid Abd al-Halim or his Deputy and the Director of Finance or his Deputy for the deposit of surcharges.

- The various accounts at the Ahli Bank were created to receive cash, which flowed in from surcharges, the Protocol accounts, and from payments received through border trade cash sales.
- The amounts listed for the CBI and the Rafidian Bank are accounts that were still open in early 2004.
- The two al-Wasel & Babel accounts were for US Dollars and Euros. They were only open for one or two months before being closed out. Al-Wasel & Babel is a partially state owned oil and banking enterprise in the UAE 51 percent of which is state owned while UAE investors own the other 49 percent. This business was used to move goods outside of the UN MOU and is still in operation.
- Three accounts are shown at the Fransabank in Lebanon. They were Euro accounts, however, the balances have been converted to US Dollars for this chart.
- Two of these accounts were set up to receive oil surcharge amounts while the third account (marked

Date Opened	Amount Deposited on Opening Date	Amounts in SOMO Accounts Still Open at the Halk Bank
10/11/2000	7,276,493	
11/14/2000	6,000,000	6,573,267
11/30/2000	7,000,000	
01/02/2001	10,000,000	
01/18/2001	10,000,000	
02/06/2001	5,000,000	5,394,637
02/27/2001	10,000,000	
02/26/2001	15,000,000	
03/30/2001	16,000,000	18,286,958
04/18/2001	10,000,000	
04/26/2001	13,000,000	
05/18/2001	15,000,000	15,815,025
11/22/2001	30,000,000	30,656,975
07/15/2002	50,000,000	50,386,807
12/13/2002	30,000,000	30,000,000
<b>Total Remaining (according to SOMO)</b>		<b>157,113,671</b>

Figure 27. SOMO bank accounts at the Halk Bank in Turkey.

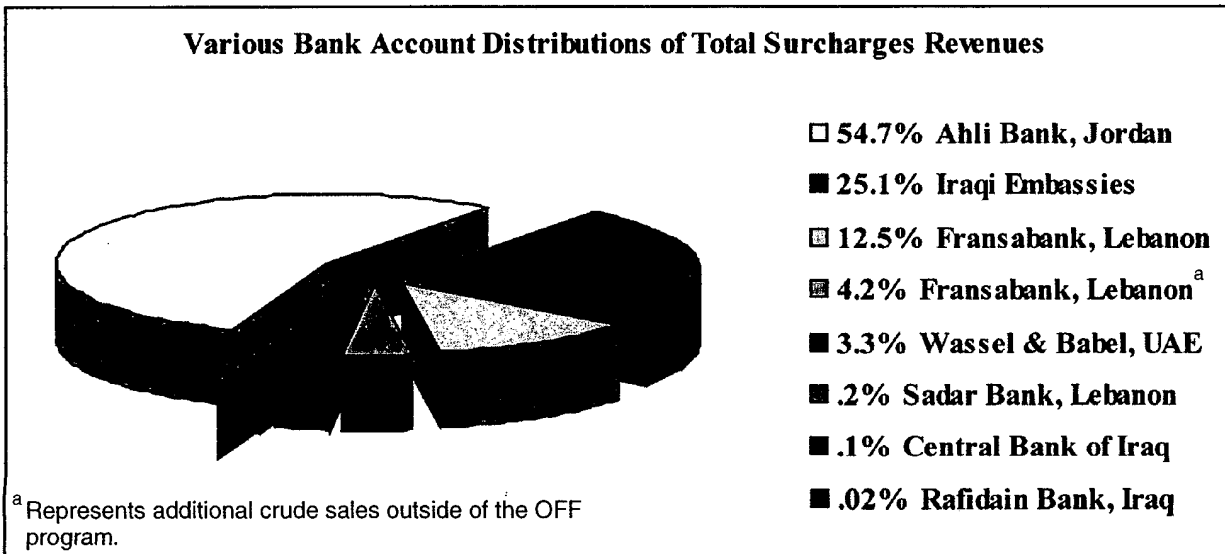
Phase #	Quantity Exported in Thousands of Barrels	Amount Due in Thousands of Dollars US	Amount Collected in Thousands of Dollars US	Uncollected Amount in Thousands of Dollars US
8	185,618	18,562	11,197	7,365
9	291,996	81,588	72,187	9,401
10	301,188	85,699	82,712	3,528
11	288,943	64,059	53,959	10,100
12	89,331	13,400	8,515	4,885
<b>Total</b>	<b>1,097,076</b>	<b>263,308</b>	<b>228,028</b>	<b>35,279</b>

Figure 28. Summary of amounts collected/received under surcharge accounts.

<b>Bank</b>	<b>Account Name</b>	<b>Amount in \$US</b>
Ahli Bank – Jordan	Saddam Zibin & Yakdhan	65,537
Ahli Bank – Jordan	Saddam Zibin & Yakdhan	88,562,718
Ahli Bank – Jordan	Saddam Zibin & Yakdhan	726,389
Ahli Bank – Jordan	Saddam Zibin & Yakdhan	684,887
Ahli Bank – Jordan	Saddam Zibin & Yakdhan	25,260,332
Ahli Bank – Jordan	Saddam Zibin & Yakdhan	17,786,725
Fransabank - Lebanon	SOMO	26,441,309
Fransabank - Lebanon	SOMO	3,983,518
Sardar Bank – Lebanon	SOMO	520,778
Central Bank of Iraq (CBI)	SOMO	260,000
Rafidian Bank – Baghdad	SOMO	60,000
Iraqi Embassies	SOMO	60,963,548
Iraqi Embassies	SOMO	110,323
Al-Wasel & Babel - UAE	SOMO	1,092,345
Al-Wasel & Babel - UAE	SOMO	6,872,870
Fransabank – Lebanon <sup>a</sup>		10,098,394
<b>TOTAL</b>		<b>243,489,676</b>

<sup>a</sup>Represents additional crude sales outside of the OFF Program.

**Figure 29.** Total amounts received under surcharge accounts, September 2000-March 2003.



**Figure 30.** Bank account distributions of surcharge revenues.

with an \*) shows the total proceeds received by Iraq for the sale of crude oil outside of the UN MOU and not just for the surcharge amounts.

Figure 30 is a graphic representation of the data in the chart above. It illustrates how the surcharge revenues were distributed among the associated SOMO bank accounts.

Figure 31 lists the Iraqi bank accounts, which were established to receive cash payments from illegal border sales of crude oil.

- Sources at SOMO explained that the account at the Jordan bank was set up for Euros and was closed after just one month. The balance of this account was shifted over to the Ahli Bank accounts.
- The Rafidian "Filfel"/Iraq account represents a SOMO account at the Rafidian Bank branch office located in Mosul which collected surcharge amounts from the border sales of oil to the areas to the north. The SOMO office in Basra handled the areas to the south.

Figure 32 depicts the allocation of the cash sales revenue in the various banks.

### **Banking and the Transfer of Financial Assets for Procurement**

*Iraq manipulated its national banking structure to finance the illicit procurement of dual-use goods and WMD-related goods, as well as other military goods and services prohibited by the UN.* Through its national banking system, Iraq established international accounts to finance its illegal procurement network. Iraq's international accounts, mainly located in Jordan, Lebanon and Syria, were instrumental in Iraq's ability to successfully transfer billions of dollars of its illicitly earned oil revenues from its various global accounts to international suppliers, front companies, domestic government and business entities, and foreign governments (see Annex G: Iraq's Banking System for more details on the origins of the Iraqi banking system).

### **CBI**

The CBI was responsible for issuing and storing currency of the government, protecting against counterfeit currency and disbursing funds based on directives

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### **Statements by 'Isam Rashid al-Huwaysh, Former Director of the CBI**

Custodial debriefings revealed that:

- *The CBI funded government departments through payments to the Ministry of Finance. The Presidential Diwan was the only department that received money directly from the CBI.*
  - *The CBI distributed cash only on the instruction of the Minister of Finance to the Rafidian and Rashid Banks. The Diwan transferred money to their accounts. On instruction from the Minister of Finance, Treasury Bonds were issued to cover cash taken from the CBI.*
- 

from the Minister of Finance. Individuals and companies doing business with the government of Iraq would have to go through the CBI, which handled all official government transactions and funds. The CBI is composed of three domestic branches, including its headquarters in Baghdad as well as one office in Basra and one office in Mosul. The Governor of the CBI before OIF was Isam Rashid al-Huwaysh.

*According to a senior Iraqi financial official, the CBI established overseas accounts in 24 Lebanese banks, seven Jordanian banks, and one Belarusian bank to deposit cash from the ten percent system of kickbacks from foreign suppliers of goods and foodstuffs.* CBI did not maintain overseas accounts in other countries because senior bank officers feared that such accounts would be frozen by the United States. The financial official said that other Iraqi government ministries also maintained overseas accounts of funds provided from the CBI overseas accounts. CBI did not maintain any overseas holdings in real estate, stocks, bonds, or diamonds.

### **CBI's Role in Licensing Money Exchangers**

Prior to OIF, the Exchange Department of the CBI was responsible for licensing the approximately 250 licensed money exchangers in the business of converting currency of one country into the currency of another country. Money exchangers were required to obtain a license from the MoT, and present it to the CBI in order to register as a money exchanger. Some money exchangers mark their currency for identification purposes and to assist in the prevention of counterfeiting.

<b>Total amounts received in Iraqi bank accounts from Border Trade "cash sales"</b>			
<b>Country</b>	<b>Account Name</b>	<b>Bank Name</b>	<b>Balance \$US</b>
<b>Jordan</b>	Saddam Zibin, Ali Rijab & Yakdhan Hassan Abrihim	Ahli Bank, Jordan	287,120,131
<b>Jordan</b>	Saddam Zibin, Ali Rijab & Yakdhan Hassan Abrihim	Ahli Bank, Jordan	42,035,812
<b>Jordan</b>	SOMO	Jordan Bank	60,992,256
<b>Lebanon</b>	SOMO	Fransa Bank, Lebanon	48,000
<b>Iraqi Embassies</b>	SOMO	Iraqi Embassies	930,000
<b>Iraq</b>	SOMO	Rafidian "Filfel" /Iraq	146,648,012
<b>TOTAL</b>			<b>537,774,212</b>

Figure 31. Total amounts received in Iraqi bank accounts from border trade "cash sales" as of January 2004.

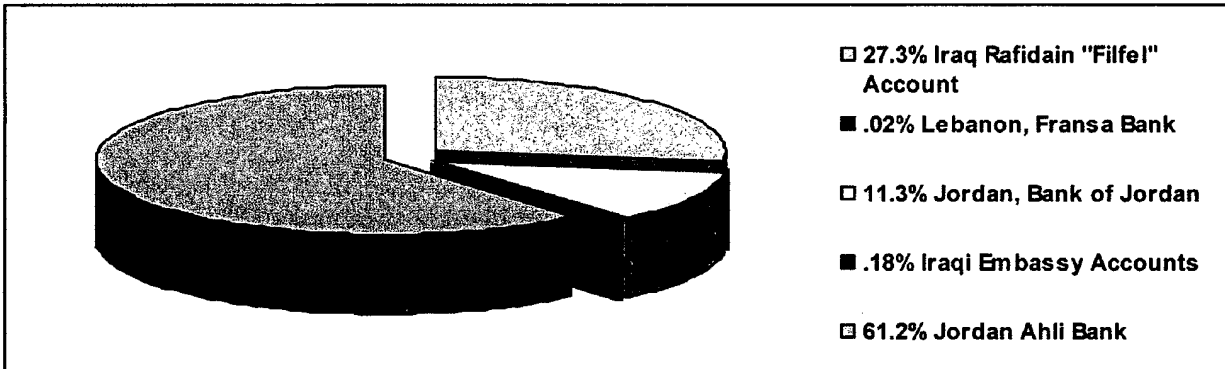


Figure 32. Total amounts received in Iraqi bank accounts from border trade "cash sales."

### CBI's Role in Tracking Foreign Accounts for Iraq

The CBI Investment Department maintained a book that contained all foreign accounts opened by the bank, including the numbered or bridge accounts opened in Lebanon and Jordan. *The bridge accounts concealed the fact that foreign companies were making payments to Iraq.* Under this system, illicit foreign payments appeared to be going to an account opened in a personal or numbered account. Then the foreign banks immediately transferred proceeds from the bridge account to a CBI account.

CBI maintained accounts in foreign countries specifically for the transfer and distribution of funds to third parties. The Investment Department of the CBI did not conduct normal banking activity after the United Nations imposed sanctions on Iraq in 1990 because

its access to overseas accounts, and investment opportunities in particular were tightly limited and controlled. However, the Foreign Accounts section of the Investment Department still maintained vigilance over the CBI accounts that had been frozen around the world in order to track the accrual of interest in these accounts.

- This section also maintained the hidden overseas accounts in Lebanon and Jordan, which the former Regime used for earnings from the ten percent contract kickback scheme and oil surcharges payments. An Investment Department officer of the CBI was directly responsible for transferring foreign currency funds from the CBI's hidden over-

seas accounts in Lebanon and Jordan to separate accounts held by the former Regime leadership and the IIS in overseas banks.

In late 1999, the state-owned Rafidian Bank took over the CBI's role in managing Iraqi government funds abroad, mostly through Rafidian's Amman branch.

*The Central Bank of Iraq did not possess any authority for auditing the foreign currency account activities of overseas assets of the Rasheed Bank, the Rafidian Bank, or the Iraqi government ministries.* In 1994, the Cabinet of Ministers decided to give the Rasheed and Rafidian Banks as well as Iraqi government ministries the authority to open their own overseas accounts independent of CBI controls or authority. As a result, the CBI was no longer able to determine the foreign currency holdings of these institutions.

When directed by the EAC, CBI would transfer foreign currency funds from its overseas accounts in Jordanian and Lebanese banks into ministries' accounts, often those held at the Rafidian Bank in Amman, Jordan or Beirut, Lebanon. In theory, the EAC would only direct CBI to transfer funds into another government bank or ministry overseas account to fund an import purchase. The EAC transfer of funds' request, however, only indicated the recipient Iraqi organization, the amount, and the bank account number to which the funds were sent. CBI officials had no means for establishing the end use or final destination of the transferred funds.

- CBI did not transfer any funds into personal accounts from its overseas accounts. Any transfer of government funds into personal accounts would have been possible only if conducted through the overseas branches of the Rafidian and Rasheed banks or other government ministries' accounts.

CBI Governor al-Huwaysh wrote several letters to the cabinet ministers requesting increased controls, or at least auditing capability, over foreign currency transactions conducted by the Rafidian and Rasheed banks and government ministries. In early March 2003, with the imminent threat of war, the cabinet ordered government ministries with overseas accounts to transfer all their foreign currency funds to CBI accounts in overseas banks. This was done in order to provide greater security for government funds that had been

dispersed in these various overseas accounts, but not yet utilized.

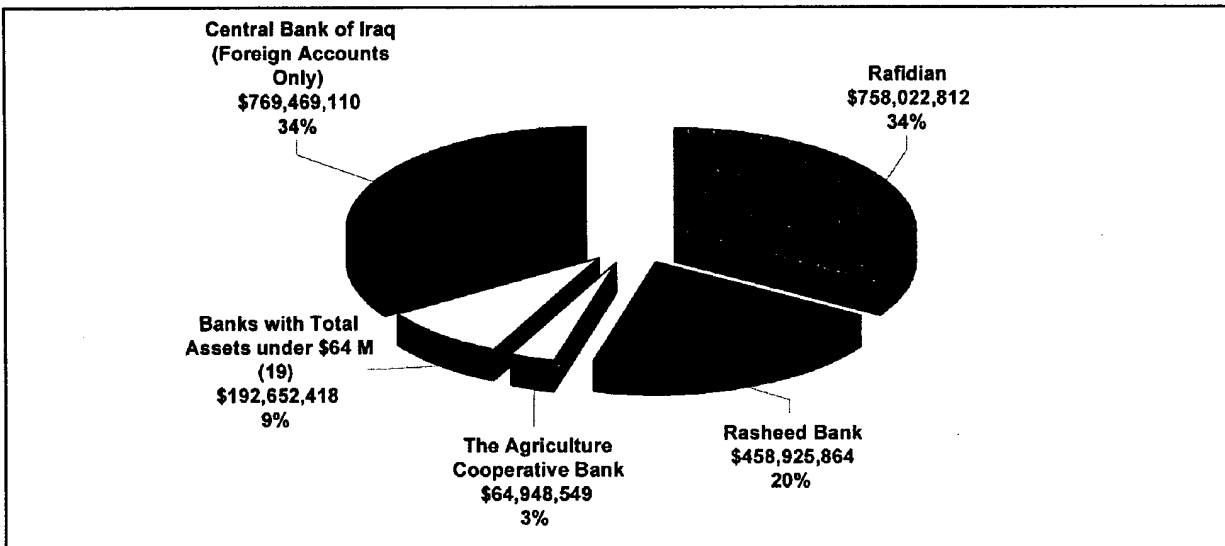
- In early 2003, Saddam convened a meeting during which he ordered the removal of \$1 billion from the CBI in order to avoid the risk of all the money being destroyed in one location in the event of an allied attack. Present at the meeting were the Minister of Finance, the Minister of Trade, the Director of the MIC, the Presidential Secretary, the Chief of the Presidential Diwan, and the Governor of the CBI.
- Two weeks before the outbreak of the war in March 2003, Saddam formed a committee that was responsible for the distribution of funds. The committee consisted of the Minister of Finance, the Chief of the Presidential Diwan, the Presidential Secretary and Saddam's son, Qusay Saddam Husayn al-Tikriti. The group visited the CBI and inspected the boxes that contained the \$1 billion. The money was stored in 50-kilogram boxes that contained either \$100 notes or 500 notes.
- According to multiple Iraqi officials, including CBI Director Huwaysh, Qusay, along with SSO Director Hani 'Abd al-Latif Tilfa al-Tikriti, and approximately 50 other people, appeared at the CBI on 19 March 2003 and removed the boxes of money. The money was then distributed to different ministries, including the MoT, which received eight boxes of money. After the war, the MoT boxes were turned in to the proper authorities through 'Adnan al-Adhamiya, head of the MoT Legal Department. Overall, all the money was recovered except for about \$130 million.

#### **Iraqi Bank Holdings**

The following chart (see Figure 33) summarizes the total assets accumulated by Iraqi's banks before OIF (for more details, see Annex G: Iraq's Banking System).

#### **Funding of the Ministries**

Prior to the sanctions resulting from the August 1990 invasion of Kuwait, the Iraqi government would finance its international trade and operations using letters of credit, secured or non-secured and recoverable or non-recoverable, in accordance with international



**Figure 33.** Total assets in Iraq's banks for 2003.

banking laws and regulations. The imposition of the sanctions forced the Iraqis to seek alternative methods to avoid having their assets frozen in accounts in the name of their government or ministries. The two primary methods used to circumvent the sanctions were to pay cash to intermediaries and the use of nominee named letters of credit.

The Finance Minister authorized individuals to take currency out of Iraq. This was against the law for both Iraqi citizens and non-citizens without the consent of the Finance Minister. The Finance Ministry would receive an order from Saddam, authorizing an individual to take a certain amount of currency outside of Iraq. The Finance Minister would then arrange with Iraqi customs for that individual to be allowed safe passage through the border, with the currency. Typically, the funds authorized were not very large. Funds ranged between \$2,000 and \$3,000, occasionally as high as \$5,000. Those authorized to take the currency abroad were friends of Saddam and supporters of the Iraqi cause.

At the beginning of 2000, each ministry and governmental agency established accounts with banks in Syria, Jordan and Lebanon, in the names of selected employees within each of their respective organizations. The Iraqi government used its Rafidain and Rasheed banks in these countries because of their direct links to Baghdad. After MIC contracted for the

procurement of goods or materials they would send instructions to the bank to transfer the amount of the contract value into an account for the supplier or middleman. The recipient would be credited with the funds, but the funds would not actually be released until after delivery of the products.

#### **The Use of Foreign Banks**

Before the 1991 Gulf War, the Regime had funds in accounts in the US, Europe, Turkey and Japan. After 1991, the Regime shifted its assets into accounts in Jordan, Lebanon, Belarus, Egypt and Syria. An agreement was drafted with Sudan but never completed. Accounts appeared in the names of the CBI and the SOMO.

The CBI's Investment Department Director General, Asrar 'Abd al-Husayn was responsible for management of these overseas accounts and maintained signatory power of the accounts, up to a limit of \$1 million. CBI Governor Isam Rashid al-Huwaysh had final responsibility and supervisory authority over these accounts. There were no restrictions on the amounts al-Huwaysh could transfer or withdraw from the accounts. The CBI Investment Department retained information on account numbers and account activities at its office in Baghdad on computer discs,

and the overseas banks forwarded account statement to the Investment Department on a monthly basis. CBI's paper records of these accounts were burned, either during OIF or afterwards when the bank offices were looted. CBI did not maintain records of other ministries' overseas accounts or records of Regime leaders' personal overseas accounts.

Since 1993, as a result of the financial obligations and economic strains of two consecutive wars and the freezing of its accounts in Western Europe and the United States, CBI had virtually no foreign currency in overseas accounts or its own vault in Baghdad. CBI then began increasing the number of its overseas accounts in Jordan and Lebanon after Iraq accepted and implemented the UN OFF Program and oil exports started to flow in December 1996. CBI only began accumulating large amounts of foreign currency in these accounts in 2001 after the introduction of a formal system of illegal kickbacks from foreign suppliers in 2000, according to a senior Iraqi financial officer.

Prior to 2001, the amount in these accounts was minimal. CBI selected Jordanian and Lebanese Banks for the establishment of overseas accounts based upon prior relations with the bank or based upon competitive bids tendered by various banks that sent representatives to Baghdad seeking the Regime's banking business. When selecting a new bank, CBI would consult international banking records and consider the additional level of interest the foreign bank would offer above the international bank interest rate. Usually, this interest rate would be between 0.5 and 0.8 percent above the international bank rate, usually the London rate.

According to a senior Iraqi finance officer, when CBI planned to open a new account, the bank would send two investment department officials to either Jordan or Lebanon with an official letter. When the Regime requested CBI draw upon the accounts to transfer foreign currency cash to Baghdad, CBI would send a delegation of three CBI officials, one with account signatory power, to the foreign bank with an official letter from the CBI. It usually took a week to ten days for the banks to prepare the cash, since the banks usually did not maintain large amounts of foreign currency cash on the premises. Then, the cash, the amounts of which usually ranged between \$5-10 million, was delivered to the Iraqi Embassy and put in diplomatic pouches for transport back to Baghdad by vehicle. CBI governor al-Huwaysh himself once car-

ried \$10 million in his vehicle on his return trip from Beirut to Baghdad.

#### **Use of Banks in Lebanon**

16 Lebanese banks were used to hide Iraqi cash, which was physically trucked to Baghdad by the IIS when accounts reached a predetermined level, according to a high-ranking Iraqi official. A committee consisting of the Ministers of Trade, Treasury, Commerce, the governor of the CBI and the Diwan secretary sent CBI officials abroad to collect this cash, according to the former head of the Diwan.

#### **Use of Banks in Jordan**

Much of Iraq's money in Jordan was held in private accounts operated by the Iraqi Embassy in Amman or the Iraqi Trading Office. It was standard practice to have two signatories for the accounts as a security measure to prevent theft. Double-signatory Iraqi accounts in Jordan could only be government accounts. Of particular interest was the Jordanian Branch of the Rafidian Bank, which was established purely for use of the Iraqi government; the United Bank for Investment was also important, because of its establishment for use by Saddam's family. Transactions were never made by telex or electronic transfer, because it was feared these would be detected by the US or UK. Instead, those wishing to buy oil, or other commodities such as sheep, outside of the OFF program would pay cash to an account at Rafidian Bank in Amman. Further cash transfers would then be made to other banks, including the Hong Kong and Shanghai Banking Corporation (HSBC) in Amman, where Regime money remained. Transfers of cash to other countries would be hand-carried using the diplomatic bag to avoid the need to send money electronically. Money was sent to Europe in order to procure goods for Iraq, but was never sent there for secrecy, as the controls over the financial system made it too difficult.

According to a former high-ranking Iraqi government official, when Jordanian officials approved a transaction, the Jordanian Ministry of Industry and Trade notified the Central Bank of Jordan to verify the availability of funds. Jordanian suppliers were then required to post a performance bond and the Iraqi importers were required to obtain a letter of credit from the Rafidian Bank. The Letter of Credit required specification of payment terms according to the Iraqi-Jordanian Protocol. After the receipt of goods, the



Iraqi importer would verify acceptance so payment could be released.

In order to make payments to Iraq for the cash, an arrangement was negotiated annually between the Central Banks of Iraq and Jordan. There were written instructions concerning the process for transferring funds to Iraq. In order to transfer funds, the Rafidian Bank served as an intermediary between the Central Bank of Jordan and the CBI. Jordan was a unique case; trading with Iraq was ongoing since the early 1980s so the trade credits Iraq earned from this Protocol were controlled by the Central Bank. Funds were dispersed by the Central Bank of Jordan by order of the CBI or by specific Protocol designed for payment for goods and services. This Protocol included automatic payments to Jordan for Iraqi air travel and Iraqi telephone calls as well as salaries for the employees of the Iraqi embassy in Jordan.

According to a high-ranking Jordanian banking official, the CBI had no accounts with the Central Bank of Jordan and the only relationship between the two was through the implementation of the bilateral oil for goods barter Protocol. The CBI worked diligently with the MoT and Industry and the Customs Directorate to ensure proper valuation of Protocol shipments, because over-valuation had been a problem.

#### **Use of Banks in Syria**

The Syrian connection became much more widely used after the February 1999 ascension of King Abdullah Bin Hussein in Jordan and the June 2000 ascension of Syrian President Bashar Assad. King Abdullah's government began to create more problems for the Iraqi Regime with regard to importing products from Jordan. Consequently, Iraq turned to Damascus who offered a much friendlier atmosphere for goods not sanctioned by the UN.

The Commercial Bank of Syria was the repository of funds used by the Iraqi government to purchase goods and materials both prohibited and allowed under UN sanctions. The fair market value of oil and oil products would be deposited by Syrian buyers into an account in the Commercial Bank of Syria. Each ministry in the Iraqi government had use of these funds; however, there were quotas set for the amounts they would be able to use. The top four ministries with access to these funds in descending order included the MoO, the MoT, the Ministry of Industry (MoI) and the MIC. The orders to disburse funds through this account would come from the Iraqi Minister of Oil. It is estimated that there could be \$500 million held in

this account.

#### **Use of Banks in Turkey**

SOMO and the Turkish Petroleum International Company (TIPC) had an agreement to maintain a 70 percent account in the Halk Bank in Turkey and interest bearing accounts.

#### **Use of Banks in Egypt**

A high-ranking official in Iraqi Banking stated that this trade agreement began around 2001 and continued through 2002. SOMO set up bank accounts at the Al Ahli Bank in Egypt through which payment was made for the purchase of oil from Iraq. SOMO officials had signatory authority over the accounts. This trade agreement was set up by the MoT and Oil and was not within the guidelines of the UN OFF program.

Some Egyptian government officials helped the government of Iraq to obtain hard currency illegally via the UN OFF program. It is unclear whom in the Egyptian Government was providing the assistance and who was aware of this activity. Under this illicit system, the Egyptian government officials would sign a contract with the Government of Iraq to purchase a certain amount of approved humanitarian goods for a set price under the UN OFF Program. The contract would specify that the goods shipped would be first-quality merchandise. In actuality, the goods shipped would be second-quality goods. When the UN paid the Egyptian Government officials for the first-quality goods, the Egyptian Government officials would distribute the funds for the second-quality products, take a small margin of profit for them, and convert the remaining money into US dollars or gold bullion and deposit the money into the Rafidian Bank or directly into the CBI. When this hard currency was received in Baghdad, the Iraqi government would pack bundles of US one hundred dollar bills into bags and boxes and distribute them to the Iraqi embassies abroad. However, after the arrest of the Iraqi IIS Chief of Station in Amman, the Iraqi government moved their primary transit point to Damascus out of fear that the couriers would be arrested while crossing the Jordanian border.

#### **Use of Banks in Belarus**

The CBI used Infobank in Belarus to hide Regime

assets in employee-named accounts. These accounts held funds accumulated through the kickback of funds from import contracts under the UN OFF program. Huwaysh, former Director of the MIC, estimated that there was \$1 million in this account and the Iraqi MIC had \$1.5 million for procurement of Belarusian goods in this account. However, that actual total was \$7.5 million (see Iraq's Illicit Revenue section).

#### **Regime Attempts To Recover Funds Prior to OIF**

A high-ranking government official stated that Saddam ordered all funds located in foreign banks brought back to Iraq in 2001. *ISG judges that Saddam took this action to prevent his assets from being frozen or seized by the international community.* This order indicates that Saddam knew he might come under international pressure in 2001, possibly as a reaction to the Al-Samud missile project or the illicit profiteering from the OFF program.

- A committee was formed to accomplish the transfer of these Iraqi funds. The committee consisted of the Finance and Trade Ministers, the Chief of the Presidential Diwan, and the Governor of the CBI.
- The role of the Diwan Chief was mainly to provide funds to those individuals, known as "couriers", selected by the Finance and Trade Ministers and CBI Governor to travel to retrieve the funds. Most couriers were trusted employees of their respective government entities.
- At the committee's second meeting, the Governor of the CBI stated that Iraq had already brought back to Iraq up to \$200 million worth of gold. The gold was purchased through an unidentified bank in Beirut and secured in CBI vaults.

#### **The Role of Cash Transactions**

The CBI provided foreign currency in cash to Saddam through an official funding mechanism established to release cash from CBI reserves to the Presidential Office. The Presidential Office did not have a fixed budget, and CBI often received messages requesting foreign currency for release to the Presidential Office. The amounts ranged from thousands of US dollars up to \$1 million, which were always paid in cash in foreign currency. The Presidential Office was the only entity that would ever request money in cash from the CBI, but the requests never exceeded \$1 million. The

Presidential Office stated that the cash was used for overseas travel, for government business, and medical reasons. The CBI Credit Department accounted for the cash sent to the Presidential Office in the same way that it accounted for funds used by Iraqi ministries. The ministries, however, never received foreign currency cash. If the ministries needed Iraqi dinars for domestic purposes, they would obtain it from their respective Rafidian bank accounts.

Saddam seldom interfered in the affairs or business of the CBI. As a standard practice, CBI intra-governmental relations focused on the Cabinet of Ministers, the Ministry of Finance, and the Presidential Office Staff. The authorization for CBI to release cash to the Presidential Office usually came from either the Presidential Office Chief of Staff or the Vice Chairman of the Cabinet of Ministers. Some notable exceptions were Saddam's post-1993 annual special requests for cash and his last request for cash on 19 March 2003, when he authorized Qusay to withdraw \$1 billion from the CBI.

#### **Iraq's Gold Reserves**

The CBI vaults contained four tons of gold reserves as of early June 2003. The value of these gold reserves was insignificant in comparison to the bank's level of cash reserves. CBI began accumulating these gold reserves in 2001 by purchasing gold in relatively small quantities on a frequent basis from Lebanese banks in which the former Iraqi Regime had large foreign currency deposits. As a standard purchase procedure, the respective Lebanese banks supplying the gold would deliver it to the Iraqi Embassy in Beirut for shipment to CBI vaults in Baghdad via diplomatic pouch. The CBI bought gold in amounts ranging from 100 to 500 kilograms per purchase. This amount of gold could be shipped easily by diplomatic pouch. Also, CBI bought gold in small quantities in order to avoid raising the market level of gold in Lebanon and to avoid scrutiny by the US. The Regime did not remove any of the gold from CBI vaults during the war with coalition forces.

- The CBI Investment Department Director General Asrar 'Abd al-Husayn was directly responsible for management of the gold purchases using cash from the overseas accounts in Lebanon. CBI Governor Dr. Isam Rashid al-Huwaysh, however, retained final responsibility for supervision of the gold purchase program.

- The Regime implemented the gold purchase in 2001 upon the recommendation of al-Huwaysh and against the opposition of Minister of Finance Hikmat Mizban Ibrahim al-Azzawi. Al-Huwaysh was concerned that Saddam and his sons could easily remove cash reserves whenever they wanted or could easily use the cash reserves in purchasing weapons from foreign suppliers.
- Gold, on the other hand, was heavy and could not be easily removed, ensuring that the CBI would retain these reserves, even if the Regime decided to remove the cash reserves. Al-Huwaysh, however, could not use this argument to convince Saddam to begin a gold purchase program, and he instead argued that the gold reserves could not be destroyed in the event of bombing and fire at the bank during a war.
- Saddam accepted this latter argument and authorized the gold purchased beginning in 2001. Prior to the outbreak war with coalition forces, the Regime did not have any plan for dispersing the gold upon commencement of hostilities.

The Rafidian Bank central office in Baghdad had an unknown but relatively small quantity of gold in its vault as of 19 March 2003. Under the former Regime, Iraqis were not allowed to sell their gold overseas, but many people attempted to smuggle their personal gold out of Iraq to take advantage of the higher prices in overseas markets and to secure foreign currency. When these smugglers were caught, the government confiscated the gold and put it in the vault of the Rafidian Bank. Iraqi ministries did not retain any gold.

## Executing Illicit Procurement in Iraq: Ministries, Commissions, and Front Companies

### Overview

*Saddam used his complete control over the Iraqi Government to facilitate his illicit procurement programs. Almost every Ministry in the Regime assisted with procurement in some way. Directed by Saddam, the Ministries of Foreign Affairs, Oil, and Trade helped the former Regime orchestrate its primary foreign objective of ending UN sanctions* (see Annex H: UN Security Council Resolutions Applicable to Iraq).

- The MFA curried favors at the UN. Among other techniques and tactics used by the MFA, it bestowed oil allocations to nationals of the UNSC permanent members to influence and divide the council in order to erode sanctions. For additional details on the MFA role in influencing the UNSC, see the RSI chapter.
- The MoT established bilateral trade Protocols that were used to hide prohibited trade. The ministry used commercial attaches to pay for illicit procurement.
- The MoD developed requirements, hosted and conducted foreign visits, and procured conventional military goods, the export of which breached UN sanctions.
- The banking system established foreign accounts to hold illicit hard currency until it could be used for procurement or smuggled into Baghdad.
- The Ministry of Higher Education and Scientific Research (MHESR) conducted dual-use research; procured and developed technical expertise in WMD-related fields and procured key technologies through university systems.

Saddam, however, relied on three organizations in particular for the procurement of prohibited materials

to include potentially-WMD related or dual-use items (see Annex I: Suspected Iraqi Dual-Use Procurement Transactions):

- The MIC, headed by Huwaysh since 1997, and its associated front companies led Iraqi efforts to obtain prohibited military hardware and dual-use goods.
- The IIS was directed by Saddam to assist the MIC with procurement in 1998.
- The Iraqi Atomic Energy Commission (IEAC) pursued its own illicit procurement goals, occasionally with MIC assistance.

### Ministry of Foreign Affairs

*Directed by Saddam, the Ministries of Foreign Affairs, Oil, and Trade helped the former Regime orchestrate its primary foreign objective of ending UN sanctions.* To pursue those objectives, the MFA implemented a foreign economic strategy first aimed at ending UN sanctions (established since 1990) and subsequently eliminating the UN's OFF program. Another important MFA mission focused on supporting the Regime's illicit procurement mechanism. In particular, *the MFA played a critical supporting role in facilitating Iraq's procurement of military goods, prohibited dual-use items, transporting cash and other valuable goods earned by illicit oil revenue, and forming and implementing a diplomatic strategy to end UN sanctions and the subsequent UN OFF program by nefarious means.* The MFA facilitated, established, and maintained foreign government and business contacts and provided Iraqi officials involved in illegal international trade with financial and political sanctuaries.

The MFA also assisted the implementation of financial transactions and provided physical sanctuaries and political/diplomatic/commercial covers for other Iraqi intelligence officials involved in procurement activities across Iraq's borders. According to a former Charge d'affaires at the Iraqi interests section in Syria, it was common practice for embassies to forward foreign cash from the CBI overseas accounts in

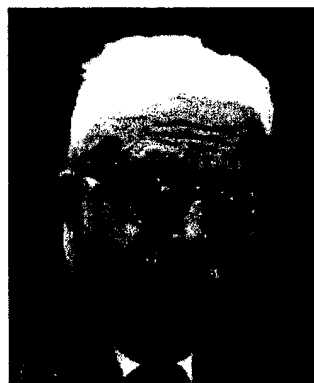
Lebanon, to its vault in Baghdad via diplomatic pouch and courier system.

- He specifically mentions the Iraqi embassy in Beirut, Lebanon and the Iraqi interests section at the Algerian embassy in Damascus, Syria, undertaking such activity.
- The Iraqi embassy in Beirut would transfer cash to Damascus by diplomatic-plated vehicles.
- The Iraqi Embassy in Moscow assisted, among other deals, a Russian company called Alfa Echo in signing contracts for importing oil from Iraq.

Moreover, the MFA possessed an indigenous intelligence capability, its Research and News Analyzing Office (RNA) that kept senior Iraqi leadership, such as the President, Deputy Prime Minister and Foreign Minister informed about global events. The MFA managed this office and had branches in many of its key embassies. It is not certain whether personnel in the MFA's Research and News Analyzing Office were IIS agents or actual MFA officials. Nonetheless, the RNA focused primarily on collecting information of economic and political consequence to Iraq by means of open sources and other news reporting. MFA's RNA paid special attention to political, military and economic developments in the Middle East (special attention to Israel), global oil production and market developments, Eastern Europe, and the United States.

Acting as Iraq's plenipotentiary, Tariq Aziz (see Figure 34) often facilitated business meetings between foreigners and Iraqi officials. Foreign business representatives and government officials would contact him in order to gain access to key Iraqi officials that were in charge of approving oil and arms contracts.

- On 27 December 2002, the president of the Russian company Russneft, Michail Gutserviev, informed Aziz and the former Oil Minister Amir Rashid that he planned to travel with a five-man delegation to Iraq via private plane to negotiate with the Iraqi Oil Minister for oil and gas contracts. The Russian business delegation was supposed to fly into Iraq in a Tupolev 134 (flight number AKT 135/136) and expected to stay in Iraq on January 13-15, 2003.
- In 2002, Baghdad sent a scientific delegation to Belarus and China in order to stay current on all aspects of nuclear physics and to procure a Chinese fiber optics communication system.



**Figure 34.** Tariq Aziz—  
Iraq's plenipotentiary.

### **MFA-IIS Connections**

The MFA also supported IIS operations by offering its agents political and economic cover to conduct economic and political espionage. Besides providing traditional covers for IIS agents, the MFA cooperated closely with the IIS on other functions. A former IIS officer also stated that all MFA diplomatic couriers were IIS officers and were controlled by the IIS's Internal Security (M6) Directorate. Moreover, at Iraqi consulates and embassies where IIS officer presence was absent, MFA personnel filled in as their representatives. While we do not know the full extent of MFA's role in assisting the IIS in conducting illicit activity, we have found other indicators of the breadth and nature of the IIS' activities from captured documents.

- According to one document on MFA letterhead, the MFA transferred two known IIS agents to its embassy in Belarus under pseudonyms in June 2002. Another document in the same file, an IIS "Ministerial" Order, acknowledged the transfer, the agents' job descriptions, their salaries, as well as sent copies of IIS order to other directorates.
- One month prior to OIF, at least seven IIS officers were reassigned to the MFA to cover up their true positions in the government. They were given new identities and positions. This activity was similar to giving agents cover stories operating outside of Iraq, according to one former IIS agent.
- Outside of Iraq, Iraqi embassies provided the IIS with the only means of secure communications outside of the diplomatic courier services. Iraqi embassies transmitted ciphered faxes to foreign posts. However, the majority of posts had manual codebooks while major posts like Washington, Paris, Moscow and South African were given machines

necessary to accommodate the large amount of incoming faxes. The IIS personnel deciphered all faxes, according to a former IIS officer.

#### **MFA's UN Sanctions Counter-Strategy**

*The MFA formulated and implemented a strategy aimed at ending the UN sanctions and breaching its subsequent UN OFF program by diplomatic and economic means. Iraq pursued its related goals of ending UN sanctions and the UN OFF program by enlisting the help of three permanent UNSC members: Russia, France and China.* Iraq believed it managed to varying degrees of success to influence these permanent UNSC members from strictly enforcing previously agreed UN resolutions and from initiating additional resolutions that further debilitated the Iraqi economy. By offering permanent and non-permanent Security Council members economic "carrots and sticks," Iraq believed it managed to partially influence voting at the UNSC. Iraq's economic "carrots" included offering companies from those countries lucrative oil, reconstruction, agricultural and commercial goods, and weapon systems contracts. In contrast, the Iraqi "sticks" included not only redirecting those contracts to other more "pro-Iraqi" companies, but held the threat of forfeiture of foreign debts – totaling between approximately \$116-250 billion. Saddam expressed confidence that France and Russia would support Iraq's efforts to further erode the UN sanctions Regime.

- According to one source, using "semi-diplomatic cover," the IIS attempted to recruit agents from the UN headquarters in New York to provide information or influence public opinion and their national policy toward Iraq.
- Besides attempting to co-opt certain permanent UNSC members, under cover of MFA sponsored international conferences, Iraq tried to recruit sympathetic eastern European politicians by publicly lauding their pro-Iraqi sentiments and support in the UN.

**Iraqi-Russian Relations.** Saddam's Regime needed both Moscow's political clout in the UN and its economic expertise and resources to sustain his Regime from the 1990s until OIF Numerous trips taken by then Iraqi Deputy Prime Minister Tariq Aziz to Moscow served as a good indicator of the Russians' opinion of Iraq's dependence on Russia.

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#### **Smart Sanctions**

*In early July 2001, the US and the UK withdrew their joint-proposal to revamp the UN existing sanctions Regime, called "Smart Sanctions," because of Russian, Chinese, and French opposition. The US/UK proposal attempted to restructure two key elements of the existing sanctions Regime: illicit procurement of weapons and dual-use goods and illicit generation of revenue from Iraqi oil sales outside the UN's OFF program. In contrast, the Russian draft resolution proposed to reduce the current percentage to the Compensation fund another 5 percent to 20 percent of total value of Iraqi oil exports – and increase the total amount in Iraq's escrow account to \$600 million to pay other expenses in accordance with UNSCR 1175(1998) and 1284 (1999) (see Annex H: UNSCR Applicable to Iraq). The UN estimated that each 5 percent reduction in payments to the United Nations Compensation Commission (UNCC) added about \$275 million in Iraq's coffers per each UN OFF six-month phase.*

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- According to news reports, in July 2001, Tariq Aziz expressed gratitude to Russia for its efforts to pass UNSCR 1360 which continued the UN's OFF program for a tenth phase. Moreover, Iraq promised to economically reward Russia's support by placing it at the head of the list for receiving UN contracts under the UN OFF program.

**Iraqi-Chinese Relations.** ISG judges throughout the 1990s, the PRC consistently advocated lifting Iraqi sanctions while privately advising Baghdad to strengthen cooperation with the UN. In October 2000, Baghdad continued to seek Chinese support for the removal of UN imposed economic sanctions. By November 2000, Chinese Vice Premiere Qian Qichen stated that China would support Iraq's efforts to end the sanctions, and work for an early resolution to the Iraqi issue according to press reporting.

- According to diplomatic reporting, Chinese Premier Zhu Rongji and Vice Premier Qian Qichen met with Iraqi Deputy Prime Minister Tariq Aziz on 27-28 January 2002. Softening Beijing's earlier stance for ending sanctions, Premier Zhu Rongji reportedly told Aziz that China was willing to continue its efforts toward an early solution to the Iraqi issue and that it had been advocating that the sanctions issue be settled at an early date. China also hoped

that Iraq would strengthen its cooperation with the UN and improve relations with its neighbors.

- Iraq indirectly threatened to end trade relations with China if Beijing agreed to the goods review list (see Annex H: UN Security Council Resolutions Applicable to Iraq).

**Iraqi-France Relations.** Unlike the relatively predictable relationships with China and Russia, the Iraqi-French relationship was more tumultuous. Saddam recognized the important role that France played on the international stage, and in particular in the UNSC. Consequently, Saddam ordered the MFA and other ministries to improve relations with France, according to recovered documents. The documents revealed that the IIS developed a strategy to improve Iraqi-Franco relations that encompassed inviting French delegations to Baghdad; giving economic favors to key French diplomats or individuals that have access to key French leaders; increasing Iraqi embassy staff in Paris; and assessing possibilities for financially supporting one of the candidates in an upcoming French presidential election.

Moreover, the IIS paper targeted a number of French individuals that the Iraqi's thought had close relations to French President Chirac, including, according to the Iraqi assessment, the official spokesperson of President Chirac's re-election campaign, two reported "counselors" of President Chirac, and two well-known French businessmen. In May 2002, IIS correspondence addressed to Saddam stated that a MFA (quite possibly an IIS officer under diplomatic cover) met with French parliamentarian to discuss Iraq-Franco relations. The French politician assured the Iraqi that France would use its veto in the UNSC against any American decision to attack Iraq, according to the IIS memo.

From Baghdad's perspective, the MFA concluded that the primary motive for French continued support and cooperation with Iraq in the UN was economic. According to Tariq Aziz, French oil companies wanted to secure two large oil contracts; Russian companies not only wanted to secure (or lock in) oil contracts, but also sought other commercial contracts covering agricultural, electricity, machinery, food, and automobiles and trucks products.

- France competed with Russian agricultural products for Iraqi contracts.

- In May 2002, a representative from a French water purification company requested projects for his company in Iraq.

#### **MFA and Iraq's Bilateral Protocols**

Concurrent with Iraq's overarching strategy to break UN sanctions, the MFA, with the approval of Saddam, attempted to mitigate the economic effects of UN sanctions and at the same time to by-pass the scrutiny of the UN's OFF program by arranging various types of economic bilateral agreements. These countries, in particular, Syria, Turkey, and Jordan (see Figure 35), were willing to enter into such agreements.

Geographic proximity, cultural affinity, and a historical and interdependent economic relationship with Iraq explain why Turkey, Jordan, and Syria reached formal Protocols with Iraq outside the UN OFF program and in contravention of UN resolutions. Iraq would sell oil and oil products to these countries in exchange for cash and goods. Kuwait, Saudi Arabia, and Iran did not enter into any economic arrangements with Iraq, but Iran had reportedly assisted Iraq's oil smuggling operations in the Arabian Gulf region throughout the 1990s and up to OIF.

#### **Ministry of Trade**

*The MoT coordinated economic activities between other Iraqi government ministries as well as foreign companies and foreign ministries.* The MoT accomplished these tasks by consolidating the import requirements from all ministries, obtaining approval expenditures by the MoF, and negotiating overseas trade agreements. The MoT generally accomplished trade for Iraq through:

- Legitimate channels under the auspices of the UN sanctions Regime and the UN OFF.
- Cooperative preferential trade protocol agreements with Syria, Jordan, Turkey, and Egypt.
- Common trade agreements, albeit in contravention of UN sanctions, with other partners.

In addition to these traditional procurement roles, the *MoT provided a limited role in the procurement of illicit goods such as military weaponry or WMD*

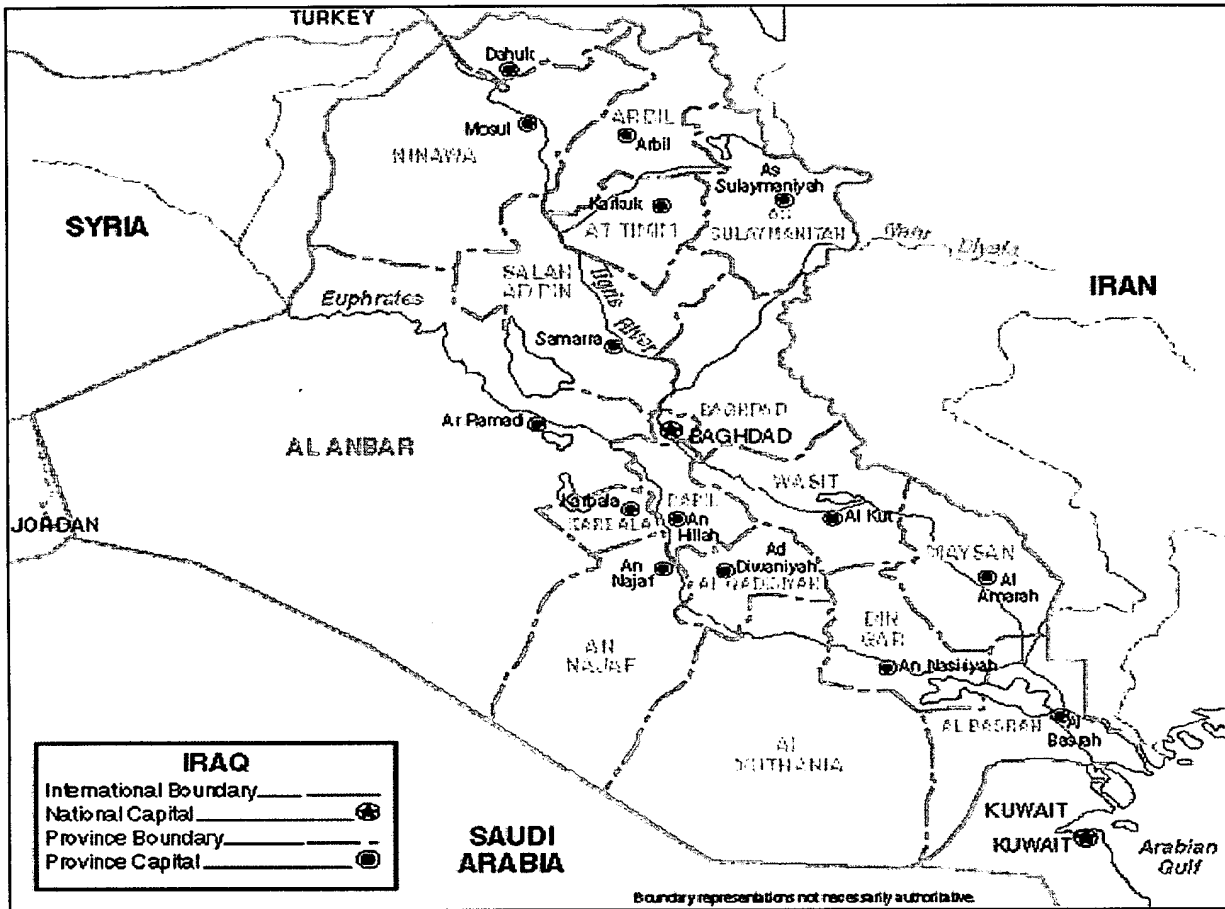


Figure 35. Iraq and surrounding countries.

**technologies for the Regime.** To supplement this procurement activity, the MIC and MoD used their own methods to procure communications systems, ammunition, security equipment, and computers. Abd al-Tawab Mullah Huwaysh, Director of the MIC, however, stated that the MIC was able to import the raw materials it needed and did not need to use any other ministry’s funds to purchase goods and services abroad.

Nevertheless, the importance of the MoT in illicit procurement should not be dismissed. The MoT’s trade deals with willing countries and foreign companies provided Iraqi military and security entities, such as the MoD, SRG, IIS, and the Diwan, with the access and connections needed to ultimately procure dual-use and sanctioned goods and services. In contravention of UN sanctions and resolutions, the MoT provided “cover” contracts for ammunition, communication systems, and other military materiel for the MoD, SRG, IIS, and the Diwan.

**MoT’s Role in Procurement**

For the most part, the MoT procured legitimate civilian goods both legally under UN OFF, as well as illicitly through bilateral trade protocols and other unregulated trade agreements. The MoT played one of its most important roles in the execution of the UN OFF Program, including:

- Coordinating other ministries’ import requirements into a “Distribution Plan.” After UN approval, this consolidated plan served as the basic import schedule for goods and services imported under each six month UN OFF phase.
- A few non-ministerial organizations, including the MIC and Iraqi Atomic Energy Commission (IAEC), were not permitted to purchase items under UN OFF. These Ministries or departments relied on the MoT to procure common goods for them via UN OFF.



Muhammad Mahdi Al Salih, the former Minister of Trade, claimed the MoT supported the Iraqi military through the OFF program only with legitimate civilian items. Typical goods procured by the MoT for the MIC and MoD via OFF included: stationery, office computers, generators, civilian trucks, water tankers, fuel tankers, and building materials. For example, Al Salih recalled that the MoT had purchased 100,000 uniforms for the Iraqi police and vehicles for the SSO. Al Salih, however, later admitted to importing ammunition, communication systems, and other military items for MoD, IIS, SRG, and the Diwan outside the UN framework.

The MoT also played an important role in executing the Jordanian trade protocol. Under this agreement, the MoT gathered and forwarded all Iraqi contracts to Jordan for approval. These records were, however, inadvertently destroyed with the rest of the MoT building in the opening hours of OIF. Both the MoT and MoO shared responsibility for negotiating the bilateral Protocol agreements with Syria, Turkey, and Jordan. The MoO, however, was the prime negotiator in the case of Syria and Turkey, and controlled the trade under these Protocols.

- The MoT purchased goods under the Syria and Turkey trade Protocols, particularly for military and security services that did not have their own allocation of funds under the agreement.
- Captured documents reveal the MoT paid for "goods and services" through these protocols for the Directorate of General Security, General Police Directorate, Military Intelligence Division, MoD and SSO.
- There are no indications of the nature of the items procured by the MoT for these organizations other than a reference to MoD contracts with the General Company for Grain Manufacturing, which suggest that the MoT was procuring for food.

According to Al Salih, in addition to the UN OFF and the trade protocols, *the MoT coordinated trade outside of UN sanctions with a number of other countries, including UAE, Qatar, Oman, Algeria, Tunisia, Yemen, and Sudan.* These were essentially frameworks for cooperation and free trade that allowed for the import and export of domestically produced products without license or tax.

### **Facilitating Illicit Procurement With Cover Contracts**

There is some debate among Iraqi sources regarding the MoT's role in providing false cover contracts for sensitive imports. *According to one former official, the MoT provided "cover" contracts for military-related goods, such as communications equipment, computers, and military clothing* obtained via the Jordan, Syrian, and Turkish trade Protocols. Considering the political sensitivity surrounding these agreements, none of Iraq's neighbors wanted to be scrutinized by the international community for doing business with the Iraqi military, either for civilian (dual-use) or overtly military goods. False cover contracts would have been easier to hide in the flow of trade occurring over Iraq's borders with Syria, Jordan, and Turkey.

- This source is corroborated by annotations on captured tables of Syrian and Turkish trade contracts, which reveal that every entry listing the MoT as the sponsoring government agency was concealing the MIC and MoD as the true end users for the goods.
- Captured records also show that MoT contracted with the Syrian firm SES International (a known provider of military and dual-use goods to Iraq) for \$11.3 million of goods from December 2000, over 80 percent of which was for goods and services for two MIC manufacturing companies.
- Muhammad Mahdi Al Salih, the former Minister of Trade, recalled that the MoT had conducted business with SES, but only for civilian goods, including deformed bars and timber under UN OFF, and for Mitsubishi pickups under the Syrian trade Protocol. He denied that the MoT ever procured goods for MIC manufacturing companies.
- The former head of the MIC, Huwaysh, who did not believe that the MoT had ever procured goods for these two companies, later corroborated Al Salih's denial.

### **Facilitating Illicit Trade Through Commercial Attaches**

According to Al Salih, the MoT's commercial attache (CA) program began in 1983. CA's were eventually posted in Jordan, Syria, Turkey, Egypt, Sudan, Algeria, Moscow, Belarus, and China. In many of these

offices, there was only a single employee, but the office in Jordan ultimately employed four individuals, headed by a Commercial Counselor and included a CA and a dedicated accountant. According to a former high-ranking Iraqi Government official, these individuals were managed and paid for by the MoT, but reportedly acted independently and were not required to report back to the MoT.

CAs worked from Iraq's embassies abroad and served as special trade ambassadors working in Iraq's interest. Common roles for CAs included:

- Working in the Iraqi Embassy to register foreign companies for trade with Iraq.
- Checking to see whether foreign companies should be blacklisted for dealings with Israel.
- Facilitating trade with foreign suppliers.
- According to reporting, some IIS officers worked under cover as CA. ISG assesses that it is possible the MoT was not aware of this IIS presence in its ranks.
- According to Al Salih, CA in the trade protocol states (Jordan, Syria, and Turkey) were aware of the bank accounts used to transfer protocol cash profits (30 to 40 percent of all contracts) into Iraq.
- CAs in Jordan, and to a lesser extent, Syria and Turkey, also followed up on all Iraqi Government financial transactions from the trade Protocols.

In the mid-1990s, the Jordan desk was the most important CA for Iraq. The Amman Commercial Counselor and his deputy were responsible for facilitating all UN OFF contracts, the trade protocol business (the Syria and Turkey protocols did not exist until after 1999), and any additional private trade from the military and security service entities. Facilitating these contracts focused on opening letters of credit in Jordanian banks and following up with payment when receipt of the goods was confirmed in Baghdad. The CA accountant followed contract implementation, tax collection, and tracked any fees.

- As an example, captured documentation details that individuals at the CA's office in Amman opened letters of credit for the payment of \$2.275 million to a Lebanese company in 2000.

- Supporting documentation shows that this was for BMP-2 IFV 30-mm cannon barrel-manufacturing technology from the Former Federal Republic of Yugoslavia (FRY).
- There is no indication, however, from the documentation that the CA staff was aware of the exact nature of the contract.
- In the late 1990s the importance of the CA's office in Jordan declined. A year before OIF, the MIC removed cash from the CA's office in Jordan because of weak activity, and appointed a military representative to represent its interests.

According to the former Minister of Trade, the MIC, and SOMO arranged contracts with Syria directly through the CA in Syria and the Commercial Bank in Syria. It is more likely, however, that the CA in Syria had a less active role with MIC and SOMO, particularly in the payments process, because business in Syria was conducted through payment on supply rather than letters of credit.

- Supporting intelligence shows in one case that SOMO authorized the 5th Syrian Commercial Bank in Damascus to transfer funds directly to a Syrian middleman working for the Syrian-based SES with no mention of the CA.
- In May 2002 Iraq's Al-Basha'ir Trading Company instructed the Syrian firm where and how to distribute funds received from Iraq's Oil Ministry (probably on behalf of Iraqi military).

As with the Syrian Protocol, the January 2000 Turkish Protocol operated on a payment on supply basis, and therefore probably did not involve the CA in Turkey.

**Jordanian Case Study**

Commercial attaches worked on behalf of the MIC to make purchases and transfer money for payment in foreign countries. The timeline in Figure 36 shows the events related to a purchase of and payment transfer for materials from Jordan, according to translated documents.

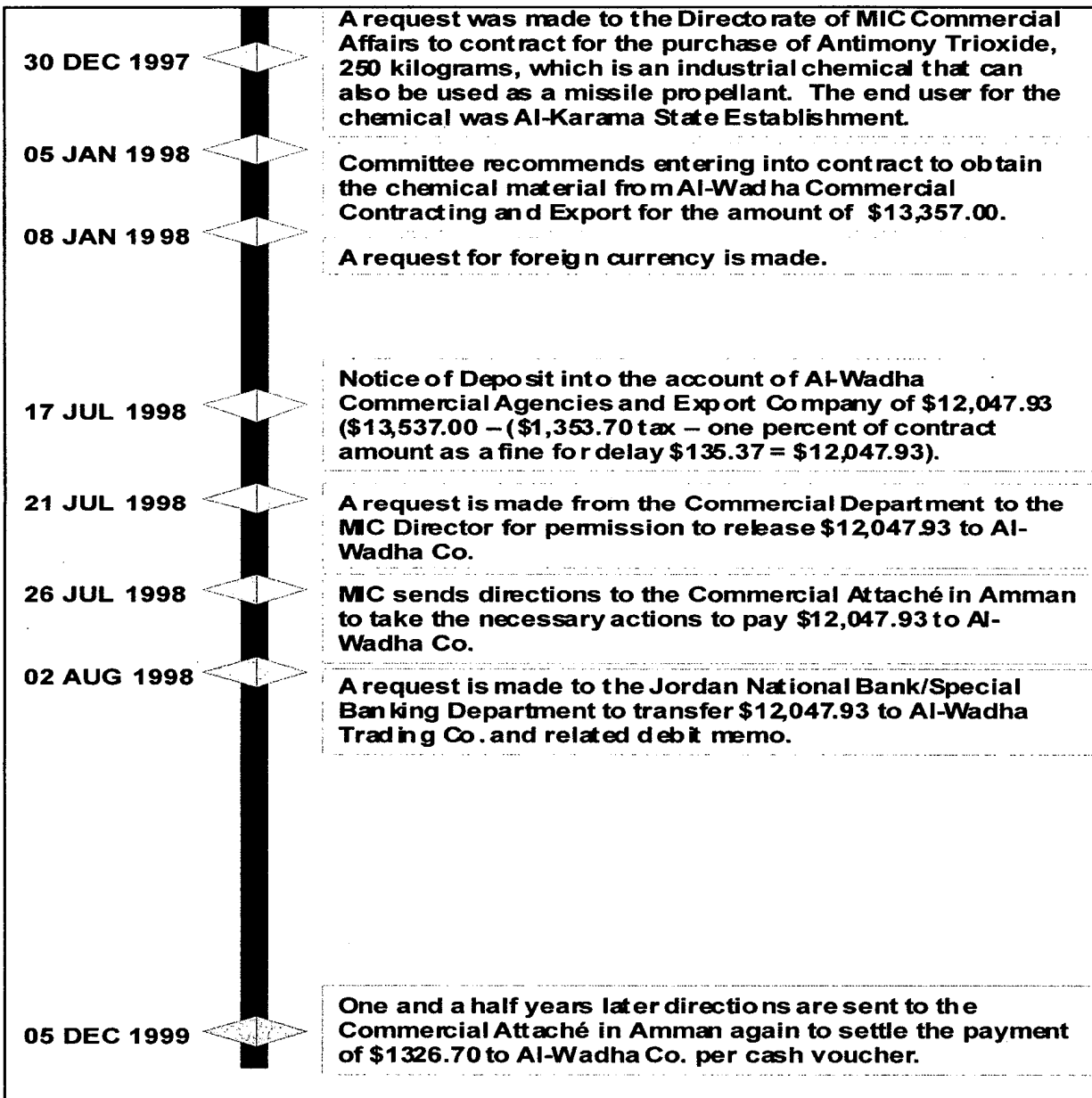


Figure 36. Timeline to support Jordan CA case study.

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### **MoD's Procurement Leadership at the Onset of Operation Iraqi Freedom**

**Minister of Defense: Staff Gen. Sultan Hashim Ahmad Al Ta'i.** As the Minister of Defense, he approved all MoD procurement proposals submitted by the Chief of Staff. Sultan was also a member of the "Committee of Three" which had oversight and control over the Iraqi defense budget.

**Chief of Staff: Staff. Gen. Ibrahim Ahmad 'Abd-al-Sattar Muhammad.** Ibrahim was directly responsible for MoD procurement activities. He could reject, but not grant final approval on MoD procurement decisions.

**Director of Weapons and Supplies: Staff Maj. Gen. Taleb 'Uwayn al-Juma'a Al Tikriti.** Taleb was responsible for coordinating MoD weapons procurement via the MIC from 1999 to 2003.

**Director of Armaments and Supplies: Brig. Nabil Rahman.** Nabil was responsible for the procurement of products such as military uniforms, supplies, and other consumable items used to support military operations.

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### **Ministry of Defense**

UN sanctions after Operation Desert Storm severely hindered the MoD's overt procurement of weapons, ammunition, and other military goods. *The Regime, however, did not abandon conventional military procurement, developing instead an illicit procurement program based on supplemental budgeting, the MIC, and the use of other ministries to conceal the procurement of dual-use goods.*

- The Presidential Diwan, Presidential Secretary, and Saddam Husayn developed a supplemental process to fund numerous programs outside of the state budget, including the MoD's illicit conventional procurement.
- Saddam empowered the MIC to pursue his continuing illicit procurement, using front companies and trade intermediaries to avoid international scrutiny.
- As the UN OFF program opened additional trade opportunities, non-security ministries would purchase dual-use items and redirect them to the MoD.

- This mutually supporting relationship between the MoD, MIC, and Saddam's illicit funding mechanism also supported the procurement needs of the RG and SRG.

### **MoD Procurement Leadership**

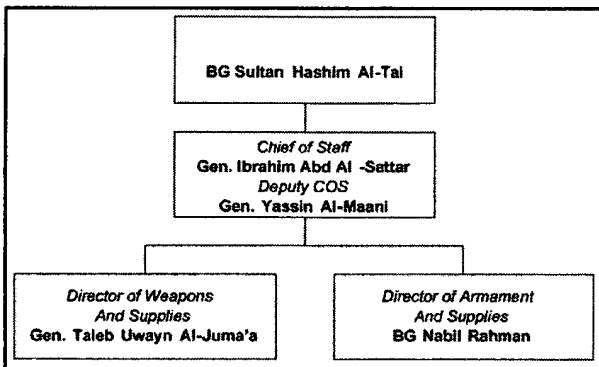
*The Minister of Defense reviewed all MoD procurement and, in coordination with the Presidential Diwan, could approve MoD procurement requirements up to \$2 million.* The MoD Chief of Staff (CoS) and subordinate supply directors processed and coordinated procurement requirements for approval at higher levels, but could not approve MoD procurement. For procurement requirements greater than \$2 million, the Minister of Defense was required to participate in a more deliberative process involving the MIC, Presidential Secretary, and the President. The MoD did not have final approval authority for these high cost procurement programs.

### **MoD Procurement Directorates**

According to Sultan Hashim Ahmad Al-Ta'i, the former MoD, the Ministry of Defense was divided into directorates, the two largest being the Directorate of Armament and the Directorate of Weapons and Supplies. These two Directorates were the MoD's primary procurement organizations (see Figure 37).

**Directorate of Armament and Supplies.** *According to Al-Ta'i, the Directorate of Armament and Supplies procured non-weapons related supplies necessary for the military to carry out its missions.* These consumable items included, but were not limited to, office supplies, military rations, and military uniforms.

**Directorate of Weapons and Supplies.** According to Al-Ta'i and Abid Hamid Mahmud al-Tikriti, the former presidential secretary, *the Directorate of Weapons and Supplies had two key procurement-related roles: acquiring weapons and ammunition and supporting foreign procurement delegations.* Prior to 1990, the Directorate of Weapons and Supplies directly procured weapons and materials for the MoD from both domestic and foreign sources. After the imposition of UN sanctions with UNSCR 661 in 1990, the directorate was no longer able to obtain weapons abroad and depended on the MIC to execute foreign procurement.



**Figure 37.** Ministry of Defense leadership hierarchy (from 1997 to 2003).

- According to Al-Ta'i, *the MIC was responsible for 95 to 99 percent of MoD procurement.* Data from the Syrian trade protocols; however, indicate that this percentage was probably closer to 70 percent. In any case, the MIC negotiated contracts, identified foreign and domestic sources for prohibited items (often via its front companies), and arranged the delivery of goods for the MoD.
- After 1997, Al-Ta'i dealt directly with the head of the MIC, Abd al-Tawab Mullah Huwaysh, and his two deputies, Dagher Muhammad Mahmud and Muzahim Sa'ab Al-Hasan, on substantive procurement issues.
- The Directorate of Weapons and Supplies coordinated with the MIC on MoD procurement projects via regular meetings. These meetings addressed a range of day-to-day procurement issues, including the mechanics of requesting and delivering items, financing procurement contracts, addressing complaints over late deliveries, and adjudicating problems related to poor quality equipment.

According to Al-Ta'i, *the Directorate of Weapons and Supplies participated in several MIC-coordinated defense procurement delegations each year, providing expertise in weapons pricing and how foreign systems could best improve Iraq's defense capabilities.*

- When Iraq hosted these delegations, the MIC handled, negotiated, and signed procurement contracts on behalf of the MoD.

- Taleb Uwayn Al-Juma'a, the Chief of the Directorate of Weapons and Supplies, usually served as the MoD delegate for these visits. When accompanying the MIC abroad Uwayn was subordinated to the MIC leadership.
- The only time MoD procurement was not coordinated by the MIC was when the Minister of Defense or his Chief of Staff headed the Iraqi delegations.
- Uwayn developed some overseas procurement contacts from MIC sponsored travel to Yugoslavia and Russia. Uwayn also traveled to Syria two or three times, on one occasion with Huwaysh.

#### **Budgeting and Financing Military Procurement**

As with the other Iraqi ministries, the MoD operated two budgetary processes: one deliberate and the other supplemental. The formal MoD budget was small, preplanned, and approved via a deliberative process involving multiple ministries and commissions. The MoD's formal budget was used to purchase non-sanctioned items and fund the basic operation of the force.

- According to data from a captured general government budget document, containing only operating expenditures, Iraqi defense spending was \$124.7 million in 2002. This figure, however, does not represent true Iraqi defense spending, as the former Regime did not list defense spending in its general budget during the 1990-2003 sanctions Regime.

In sharp contrast to the MoD's formal budget, *the supplemental MoD budget was controlled by Saddam and was used for illicit procurement of prohibited items.*

- Typically, Iraqi military units identified requirements and forwarded them up the chain of the command to the directorate head.
- The director reviewed and forward procurement requirements to the Chief or Deputy Chief of Staff who would review the procurement recommendations and forward them to them to the Minister of Defense, Al-Ta'i.

Although other Iraqi ministries were required to work within their formal budgets, Al-Ta'i could request more money from the Presidential Diwan. On some occasions, however, the MoD supplemental budget requests were routed through Saddam's secretary, Abid Hamid Mahmud, who could make decisions more rapidly than the Diwan.

- Although Mahmud has stated that he had no role in MoD procurement, we judge that he played a role in high-priority procurement for the MoD, based on his position and statements by another high-level Iraqi military officer. This officer asserted that a September 2002 supplemental request for Internet satellite communications for the MoD was routed through the Presidential Secretary. The Secretariat subsequently arranged for the purchase through a Syrian company.

Ultimately, Saddam personally approved the funding for classified MoD, MIC, and IIS projects; informed the governmental bodies of his approval via Mahmud, and used Mahmud to distribute supplemental funding for the projects.

#### **MoD Procurement Process**

After 1991, MoD procurement depended on the nature of the item required. If the UN prohibited the goods, the illicit procurement process accomplished the procurement. If the items were dual-use goods, they were procured via the channels described elsewhere in the chapter.

**Illicit Procurement for the MoD.** After the UN imposed sanctions in 1990, member states were prohibited from exporting conventional military goods to Iraq. As a result, Saddam tasked the MIC to obtain prohibited materials and equipment on behalf of the MoD. According to al-Sattar, the former MoD CoS, *the Minister of Defense coordinated all foreign illicit procurement directly with the MIC.*

- The MIC and MoD negotiated specific weapons procurement requirements at a "Coordination Conference" held every three months at the MIC headquarters in Baghdad.

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#### **Dual-Use Goods Defined**

*"Dual-Use Goods" are items that might be of use to the military, but were not specially or originally designed or modified for military use. The term "goods" includes equipment, chemicals, materials, components (including spare parts), technology, and software.*

*The term "dual-use goods" can be contrasted with "military goods" that were specially or originally designed for use by the military.*

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#### **UN Sanctions on the Procurement of Conventional Military Goods**

*All member states of the United Nations were prohibited from exporting conventional military goods to Iraq by UNSCR 661, 670, and 687. Some countries, however, failed to abide by these international agreements and permitted their nationals to participate in the sale of conventional military goods to Iraq. Some nationals involved in this illicit arms trade were associated with, or in some cases directly related to, their national leaders. For more detailed information see and Annex H, UN Security Council Resolutions Applicable to Iraq and Annex J: The Procurement of Conventional Military Goods in Breach of UN Sanctions*

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According to a former high-ranking MIC official, a Special Committee for Procurement for the MIC, MoD, and SRG was established in mid-2002 (see Figure 38). The Special Committee reviewed and recommended security-related procurement requirements, which were then approved by Huwaysh, and ultimately passed to Qusay for approval.

- The committee's first task was to develop Iraq's air defense system.
- ISG has found very little corroborating evidence of the existence of this committee. Even if it coordinated significant procurement in the nine months before the regime was removed, it is likely Saddam still retained the final approval on expensive or politically sensitive procurement projects.

Name	Parent Organization	Role
Qusay Husayn	Diwan	Oversight/Liaison between committee and Saddam
Abd Al-Tawab Mullah Huwaysh	MIC	Head
MG Taleb Uwayn Al-Juma'a	MoD	Member
Mahmoud Rashid Ismail Al-Ani	SRG	Member
Hadi Tarish Zabun	MIC	Technology/Economics Analyst
Dagher Mohammed Mahmud	MIC	Member

Figure 38. The MIC-MoD Special Committee for Procurement.

#### Dual-Use Goods Procurement for the MoD.

For routine procurement requirements, the Diwan reviewed the Minister of Defense's requisitions and identified an appropriate ministry to prepare the contract to purchase the items domestically or through foreign sources.

- **Most Iraqi ministries served as false end-users for MoD dual-use goods procurement.** For example, the Building Ministry purchased engineering equipment and heavy machinery, the Health Ministry procured medical equipment, and the Transportation Ministry obtained trucks for the MoD.
- When possible, the MoD initiated contracts in coordination with the MIC. For example, if the MoD needed vehicles it would go directly to the MIC vehicle supplier.
- Once the items were purchased and the delivery made, the purchasing ministry would notify the MoD that its equipment had arrived. The MoD would then arrange to deliver the shipment to its subordinate units.

**The MoD reimbursed these other government ministries, via the Diwan, with money from the general MoD budget—concealing the source of the money.** The MoD, through SOMO, also helped the MoD by funding purchases via the UN OFF program or with illicit oil revenue schemes.

#### Procurement for the Republican Guard and Special Republican Guard

The RG and SRG requested weapons systems and other military goods via the MoD. The MoD and MIC, in turn, used their *associated front companies and trade networks to procure conventional military equipment for the RG and SRG from foreign sources.* Qusay Husayn, as the "Honorable Supervisor" of the RG and SRG, ensured they received the most modern military equipment in the Iraqi Army (see *Iraq's Security Services Annex* for additional information on the RG and SRG).

**RG and SRG Procurement Leadership and Budget.** From 1996 until the fall of the Regime, Mahmud Rashid Ismail Al-Ani served as the Director of Electrical and Mechanical Engineering in the RG and the chief procurement adviser to both the RG and SRG. He reported directly to the RG Chief of Staff, General Saif Al-Din Al-Rawi.

- Al-Ani also monitored the manufacture of supplies for the RG. Consequently, he attended a monthly meeting at the MIC with the Commander and Directors of the RG.
- Qusay reportedly respected Al-Ani's technical expertise as evidenced by choosing him to represent the RG in overseas delegations.
- Al-Ani also enjoyed a close relationship with Abd al-Tawab Mullah Huwaysh, the head of the MIC, most likely because they were related.

From 2000 onwards, the RG's annual budget was derived from the national military budget. Although the mandated budget at the MoD-level fluctuated yearly, the RG budget never exceeded 40 percent of the overall Iraqi Armed Forces budget. The SRG budget never exceeded 10 percent of the overall RG budget. The RG budget was Qusay's responsibility, but the Office of the Secretariat submitted requisitions to the Chief of Staff's office to obtain funds for the RG.

**RG and SRG Procurement Process.** According to Kamal Mustafa, the former RG Secretary, RG commanders met with the RG Headquarters staff twice per fiscal year to prepare a requisition list for equipment shortages and spare parts. This list was then forwarded to the Office of the Secretariat, via the Office of the RG Chief of Staff for action. The SRG sent its shortage list directly to the Secretariat for inclusion in the overall RG requirements list. The Director of the Office of the Secretariat managed the flow of resources for the RG and SRG. He also coordinated budgetary matters between the RG and the rest of the Iraqi military community. After the Office of the Secretariat approved the procurement requirements, the MoD Directorate of Weapons and Supplies, led by Staff Major General Taleb Uwayn Juma'h, obtained the items in accordance with standard MoD procedures.

- *According to a former high-ranking MIC official, the RG and SRG had their own additional procurement channels after 1999 and had wide authority to procure items on their own.* Qusay's prominent role in the RG organizations gave them a predisposition for obtaining illicit goods via Syria, according to one source.
- *Between 2000 and 2002, the Iraqi Government purchased thousands of supply and personnel transport vehicles for the RG and SRG by the Ministry of Transportation and Communication (MoTC).* Turkey, Russia, France, Germany, and South Korea supplied these vehicles, according to a former senior Iraqi cabinet minister.

*According to captured documents and other evidence the MoD, MIC, and its associated front companies obtained conventional goods for the RG and*

*SRG from Russia, Syria, and Belarus.* (For more details on these breaches of UN sanctions see Annex J: The Procurement of Conventional Military Goods in Breach of United Nations Sanctions). The RG and SRG most likely used their operational budgets to purchase common military supplies and consumable materials. As with the rest of the MoD, the RG and SRG also benefited from other ministries purchasing dual-use goods on their behalf.

After the requested equipment was delivered to Iraq, the MoD Directorate of Weapons and Supplies sent the Office of the Secretariat an official letter notifying that the equipment was available. Once the goods were delivered to the RG and deemed acceptable, the Secretariat authorized the MoO to pay the appropriate ministry or commission.

### **Military Industrialization Commission**

*By the late 1990s, Iraq was eagerly trying to acquire foreign military by goods and technical expertise for its conventional military and missile programs using a network of Iraqi front companies, some with close relationships to high-ranking foreign government officials.* The billions of dollars of revenue generated by the various protocols, illicit surcharges, and oil smuggling schemes drove the explosive growth in military imports. This allowed MIC to smuggle millions of dollars worth of military equipment into Iraq in contravention of UN sanctions.

### **Procurement Leadership in the MIC**

*From its founding in 1987, the MIC was directly subordinate to the office of the presidency. It eventually consisted of 10 research companies, 36 manufacturing companies, eight training centers, two stand-alone units; three front companies and the headquarters office* (see Figure 39). The headquarters, located in Baghdad had two deputies and nine directorates: administrative and financial, commerce, research and development, projects, technical, internal monitoring, legal, training and procurement, and the National Monitoring Directorate. The Minister's office consisted of the secretary's office, the secret correspondence office, the special correspondence



office handling mail between MIC and the ministries and between the headquarters' directorates and the individual companies.

### **MIC: Beneficiary of Illicit Funds**

Revenues from oil protocols with Jordan, Syria, and Turkey increased the MIC budget by approximately 6,400 percent between 1996 and 2003. During this period, MIC Director and Deputy Prime Minister, Abd al-Tawab Mullah Huwaysh (see Figure 40), transformed the MIC into a more efficient and profitable bureaucracy.

- According to a high-level MIC official, the MIC budget grew from \$7.8 million in 1996 to \$350 million in 2002 to \$500 million in 2003. The MIC covered its operating costs through internal ministry-to-ministry sales of goods and services, including a 3 percent surcharge on items imported for the MoD by Al-Basha'ir—a MIC front company.
- According to the same official, the MIC also had a hard currency budget of approximately \$365 million, of which \$300 million came from illicit oil trade with Syria, Jordan and Turkey. The remainder of the hard currency budget came from the Presidency, sales to foreign companies in Iraq, profits from the Arab Company for Detergent Chemicals (ARADET), and foreign investment (see Figure 41 below for more detail).

The MIC budgeting process started at the company level every June and continued through September. Companies gathered their plans for production, procurement, and salaries for the upcoming year and submitted them to the Directorate of Administration and Finance in the MIC headquarters. The Directorate of Administration and Finance compared the figure with the historical figures and tried to reduce the size of the budget. Then the Technical, Project, Trade, and Research Directorates were asked to review and comment on the company figures.

When the Directorate of Administration and Finance had processed the companies' budgets, the 21 directors-general of MIC discussed them during budget meetings. These budget meetings were conducted much like court proceedings, and the group made decisions on each proposed budget. The budget figures were adjusted accordingly, and a final budget for each company was issued.

The company budgets for the 51 subordinate MIC companies, for MIC headquarters, and for the eight MIC training centers were consolidated into one budget. *Unlike other ministries, the MIC did not have to submit its budget to the Finance Ministry, but it did send a summary report to the Secretary of the CoM.* The summary report did not contain detailed figures or descriptions. Abd al-Tawab Mullah Huwaysh had the discretionary authority to reallocate funds within the budget, as he felt necessary.

### **MIC Banking and Financing**

The MIC had its own bank accounts—two each in Jordan, Lebanon and Baghdad—that it used to store hard currency. *Rather than having the purse strings controlled by many people in the organization, there were actually only three men most responsible for the transfer of funds from the Iraqi Government to the supplying companies: Jasim Ahmad Hasan, Muhammad Salih Abd al-Rahim, and Hashim Karim 'Abbas, of whom were all members of the MIC's Commercial Directorate.* The Commercial Directorate was concerned mainly with payment and payment methods, and with delivery of the contracted items after MIC and the supplier signed contracts. The MIC could authorize payments for small contract amounts, but for larger amounts Huwaysh sought permission from Presidential secretary Abid Hamid or through the Presidential Diwan.

- According to captured documents, Hasan and 'Abbas are listed on hundreds of bank accounts throughout Jordan.
- Captured documents also include bank statements and correspondence directing MIC to release funds to suppliers.
- According to two sources in the Commercial Directorate, their department was funded with a monthly budget of approximately \$2 million.

Funds originated at the Presidential Palace and were authorized to be transferred by Saddam. On behalf of Saddam Husayn, Ahmad Husayn Khudayir al-Samarra'i, President of the Diwan, authorized the funds to be sent to the CBI. The Governor of CBI, Isam Rashid al-Huwaysh (no relation to Abd al-Tawab Mullah Huwaysh), forwarded the funds to the MIC accounts at the Rafidian Bank in Baghdad. Abd

<b>Research Companies</b>	
Al-Milad Company	Al-Quds Company
Al-Bit'tani Company	Al-Khawarizmi Company
Ibn Sina	Al-Raya
Al-Kindi Company	Al-Basel Company
Al-Fatih Company	Al-Razi Company
<b>Manufacturing Companies</b>	
Jaber Bin Hayyan Company	Al-Hadhr Company
Salah Al-Deen	Al-Zahf Al-Kabeer
Al-Karama	Al-Iz Company
Ibn Firnas	Al-Salam Company
Al-Mansour	Al-Nida
Al-Numan	7 <sup>th</sup> April Company
Al-Yarmouk	Al-Sumoud
Al-Majid	Al-Faw
Al-Waleed	Al-Radhwan
Al-Ubur	The Tareq Company
The Saddam Company	Al-Shaheed
The Hitteen Company	Um Al-Ma'arek
Al-Rashid	Al-Qa'Qa
The Badr Company	Sinharib Company
Al-Nida	The Sa'd Company
Hamorabi Company	The Tabuk Company
Abu Al-Rushd	Al-Nasr Al-Atheem
Bin Majed	Al-Hareth
<b>Stand Alone Centers</b>	
28 Nissan Unit	404 Unit
<b>Front Companies</b>	
Al-Basha'ir	Al-Mafakher
ARMOS	

Figure 39. Structure of the MIC.

Name	Time Frame	Title
Husayn Kamil	1987-1995	Director
Abd al-Tawab Mullah Huwaysh	1997-2003	Director
Muzahim Sa'ab al-Hasan al-Nasiri	1997	First Deputy Minister
Daghir Muhammad Mahmud	2001-2003	Second Deputy Minister
Hazim 'Abd al-Razzaq al-Ayyubi	1997-2000	Second Deputy Minister
Muyassar Shallah	2000-2001	Second Deputy Minister
Dr. Hadi Tarish Zabun	1997-2003	General Director of Research and Development Directorate
Sa'dun al-Dulami		Chief of Staff
Jasim Ahmad Hasan	2001-2003	General Director of the Commercial Directorate
Raja Hasan al-Khazraji		Manager, Commercial Directorate
Hashim Karim 'Abbas		Accountant & Signatory
Muhammad Salih Abd al-Rahim		Commercial Director & Signatory

Figure 40. MIC leadership.

al-Tawab Mullah Huwaysh controlled the Rafidian accounts. He determined how much was to be sent to each foreign bank account based on project funding, and ordered transfers of exact amounts to specific banks and account numbers. Huwaysh was responsible for authorizing each transfer to each account in Jordan and Lebanon. Following the transfers, al-Rahim, 'Abbas, and Hasan then controlled the funds in the Jordan and Lebanon bank accounts.

All of these accounts were related to Iraqi trade contracts, for the payment of foreign suppliers to the Iraqi government. When a contract was signed with a supplier, a bank letter-of-credit was opened on behalf of the supplier. The goods were delivered to a company owned by MIC or working for the MIC. The goods were inspected, and then Huwaysh was notified. Huwaysh then notified the Commercial Department at MIC, and then the Commercial Department sent a memo to 'Abbas, al-Rahim, and Hasan. The three of them then sent a memo to the Jordan or Lebanon bank to release the funds in the form of a letter of credit to the supplier.

The MIC used accounts in the Al-Itihad and Al-Ahay banks in Beirut. According to a high-level official with the MIC, approximately one month prior to OIF, Huwaysh dispatched Hasan and Munir Mamduh Awad al-Qubaysi, Director of Al-Basha'ir, to Beirut

on a mission to recover MIC funds still held in Beirut banks. Their instructions were to travel to Beirut, secure the funds, transfer them to the Iraqi embassy in Damascus and then return to Baghdad. Huwaysh had ordered a review of outstanding contracts more than a year old and as a result was able to identify \$100 to \$150 million in these banks that had not been disbursed.

- According to two sources in the Commercial Directorate, prior to the war there was a meeting in Baghdad with members of the Commercial Section and the Legal Section of the MIC. They claim that Hasan and al-Rahim were ordered to remove \$47 million from the banks in Lebanon and Jordan.
- They attempted to withdraw funds from the Jordan National Bank but were informed that they did not have that amount of funds available because of unauthorized withdrawals from suppliers.
- One of the two sources in the Commercial Directorate stated that Hasan and Ali Jum'a Husayn Khalaf canceled approximately 60 lines of credit and were able to withdraw \$6 million in currency from the Jordan National Bank, which they then took to the Iraqi Embassy in Syria.

The information provided by these two sources contradicts Huwaysh's statement that in early April 2003, he traveled to Syria to determine why Hasan and al-Qubaysi had not returned to Baghdad. According to Huwaysh, he had not been able to determine what had happened to the two gentlemen or the funds.

#### **Items Procured by the MIC via Front Companies**

Iraq's MIC had two primary avenues for procuring materials and manufacturing equipment outside of UN OFF channels. *One avenue involved the use of import committees and the other a straightforward contracting process to purchase items from foreign suppliers.* The MIC obtained large amounts of imported materials and production equipment through a process described by a senior Iraqi:

- During the annual budget formulation process, managers of MIC facilities identified imported products that their enterprises needed to support their production plans for the following year. After the MIC approved the annual budget at the beginning of each calendar year, the managers prepared tenders for the required imports. The MIC then distributed the tenders at the annual Baghdad Trade Fair and advertised them in Iraqi trade papers.
- The MIC received bids on the tenders from potential suppliers indicating price, terms; for example, 'X' offered to provide some equipment for \$1 million. Bids on the tenders from potential suppliers were submitted to a MIC import committee. Originally there was just one import committee, but the volume of imports grew in later years to the point where a second import committee was established to handle the volume. The import committees met every night at the Baghdad International Trade Fair site.
- The import committees would then take the original tenders and subject them to a rebidding process. For example, company 'Y' could offer to supply the same equipment as company 'X,' but for \$500,000 less than its competitor's bid, a large saving compared to the original price. Through this process, the import committees saved the MIC millions of dollars. The committees issued quarterly reports on the amounts of money saved. Huwaysh was very proud of this bidding process and often gave the committee members bonuses based on the amount of money saved.

- The MIC issued a contract when the import committee accepted a bid on the goods. We speculate that the contracted companies were then responsible for obtaining the goods—importing them from Jordan, Syria, Turkey, or elsewhere as necessary—and delivering them to the MIC customer.
- Engineers from the MIC Technical Directorate always headed the import committees. Other members of the committees included representatives from the MIC Commercial, Administration and Finance, and Legal Directorates, along with an IIS representative from MIC security.

#### **Items Procured via the MIC's Link to Iraqi Intelligence**

*The other procurement avenue operated through the MIC "Special Office" and enlisted the IIS to locate suppliers of particularly sensitive or obviously military items, such as weapons and ammunition* (for more details see the IIS procurement section of this chapter and the RSI IIS annex). Items purchased through the Special Office were then shipped to Iraq via third countries using front companies as buyers. MIC procurement companies played a key role in these import activities, as did several front companies with ties to top Syrian leaders. During the annual budget formulation process, managers of MIC facilities identified imported products that their enterprises needed to support their production plans for the following year.

*The MIC and the IIS formed a special channel for importing sensitive goods and services—dual-use or related to weapons and munitions manufacturing—particularly those that required the assistance of foreign government officials.* A source within the MIC Commercial Directorate of stated that the IIS was "involved in everything." The IIS was the final authority on MIC contracts due to its direct relationship with Saddam.

In November 1997, Saddam approved a MIC proposal to enlist the IIS to develop new procurement, technology transfer, and technical assistance channels to supplement the existing MIC Commercial Directorate channels, according to a source with direct access.

- Huwaysh formed the MIC-IIS relationship to support Iraq's missile program after Saddam instructed him to improve Iraq's missile capabilities.

- Ties flourished after the death of IIS Director Rafi' Dahham al-Tikriti in October 1999 and the subsequent appointment of Tahir Jalil Habbush al-Tikriti as IIS Director. A Joint MIC—IIS nomination group initially directed the joint effort.

Dr. Hadi Tarish Zabun, the head of the MIC Research and Development Office, led the MIC end of this second procurement channel. *Senior MIC officials have described Dr. Zabun as very capable and powerful. Dr. Zabun is clearly one of the key figures in the Iraqi clandestine procurement story.*

- Dr. Zabun's office handled all of the secret, special contracts with Russia, Belarus, Yugoslavia, Ukraine, and Bulgaria.
- Dr. Zabun attended all meetings related to these contracts, and managing these contracts became a huge task for the Special Office.

According to an Iraqi official, the IIS's procurement activities operated through the IIS Scientific and Technical Information Office, designated M4/4/5. . . The Research and Development Office cooperated closely with M4/4/5 to find sellers of the sensitive materials and equipment sought by the MIC.

- Dr. Zabun coordinated MIC—IIS business dealings, with much of the coordination occurring directly between the Director of M4/4/5 and Dr. Zabun.
- M4/4/5 desk officers worked closely with IIS officers in overseas stations to find the suppliers. Desk officers had specific country responsibilities.
- Directives and other communications with the IIS stations in embassies abroad were transported via diplomatic pouch.

An Iraqi official described the coordination process (see Figure 42).

- MIC requirements—for information, materials, technology, or technical assistance—were sent upward from MIC manufacturing establishments to Huwaysh.

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***Dr. Hadi Tarish Zabun: The MIC's Procurement Expert***

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*MIC Director Huwaysh considered Dr. Hadi Tarish Zabun as his right-hand man for conducting foreign procurement deals. Dr. Zabun was the acting Director General of the Al Milad Company (MIC's largest domestic research and development company) prior to taking over the MIC Directorate of Research and Development and the MIC Special Office. He also served as Huwaysh's expert on the missile industry.*

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- Huwaysh then sent an official "Secret, Confidential, and Immediate" communication through Zabun to IIS Director al-Tikriti. Dr. Zabun strictly controlled all communications on MIC-IIS dealings. A special IIS courier element actually carried the correspondence back and forth.
- The request then descended through the IIS M4 Directorate chain-of-command to the director, who sent it to the appropriate desk officer for action.
- The desk officer then made arrangements with the field stations, issued tenders, and so on.

When the field officer located potential sellers or received bids, the Director of M4/4/5 would work with Dr. Zabun to broker a meeting between principles in MIC and the desk officer and others involved in the procurement effort.

- Typical participants in these meeting included Dr. Zabun, the M4/4/5 director, their deputies, the M4/4/5 desk officer who was involved in setting up the transaction, personnel from the MIC establishment seeking the procurement, the heads of the MIC Commercial and Finance Directorates, and often Munir Mamduh Awad al-Qubaysi, head of the MIC procurement company Al-Basha'ir.
- This group probably considered the terms of the proposed deal and discussed methods of transport and payment for the goods.
- Huwaysh probably made the final decision on most major procurement actions.

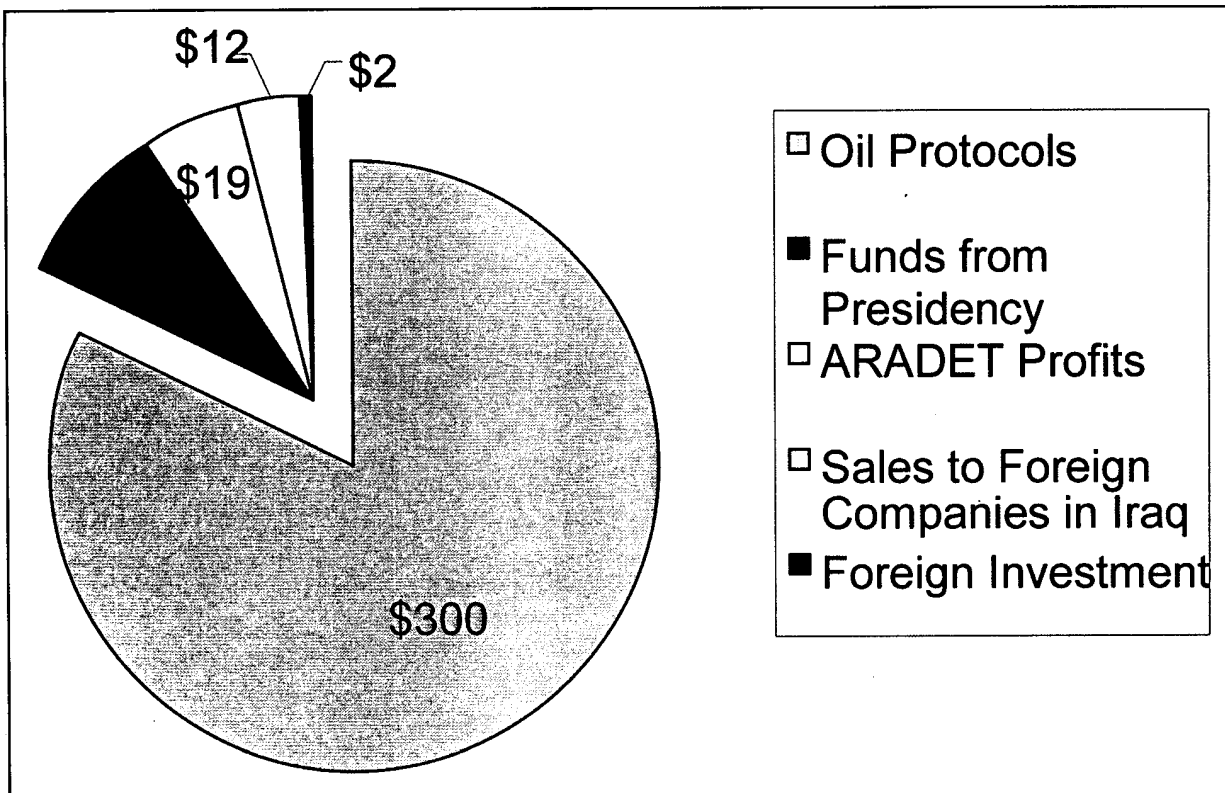


Figure 41. MIC hard currency budget (million US \$) in 2002.

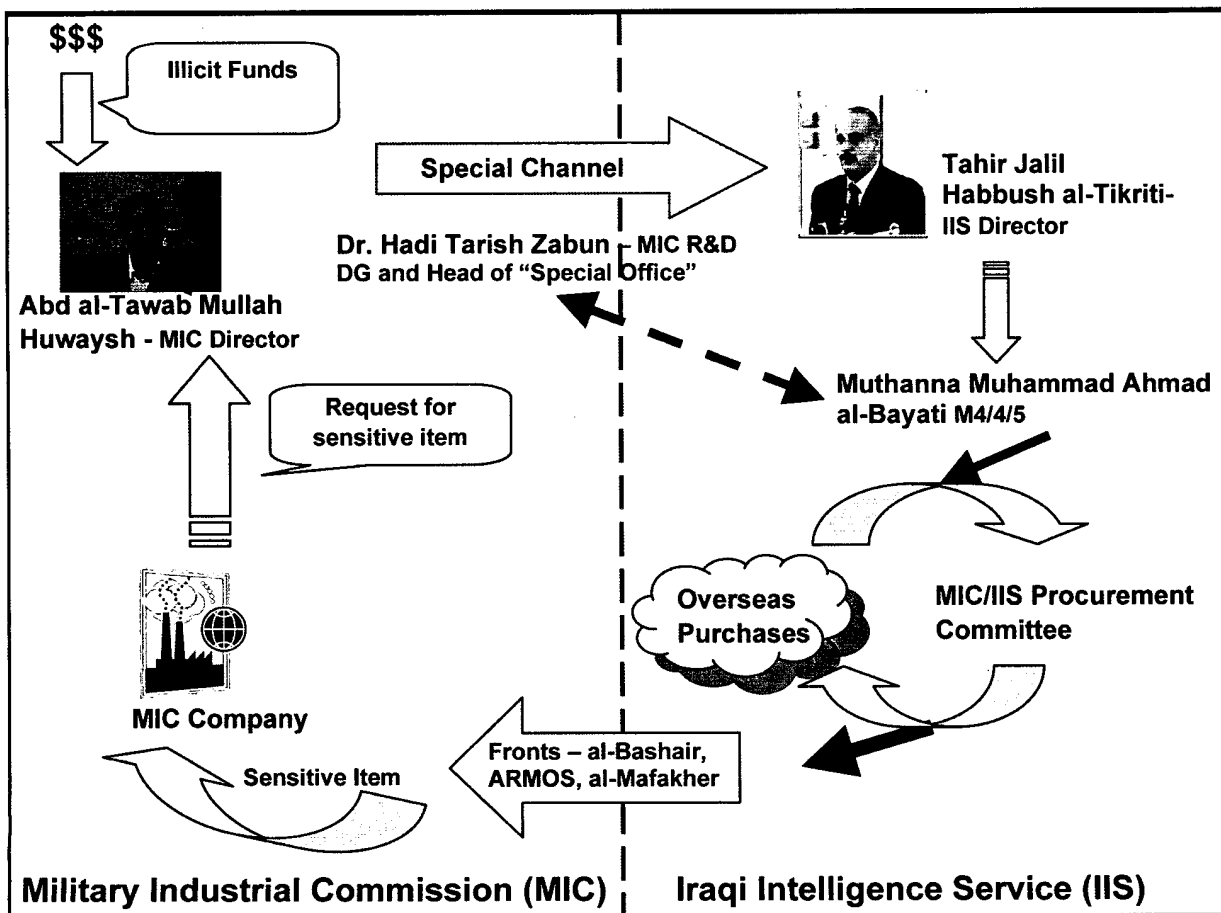


Figure 42. MIC-IIS special procurement cycle.

### **MIC Front Companies**

*The MIC used front companies to accomplish those business transactions it could not conduct amid UN scrutiny. Front companies handled the tasks of smuggling oil, funneling UN OFF revenues, and importing weapons and dual-use materials sanctioned by the UN.* The MIC formed many of these companies in 1991 to bypass UN sanctions and spread the transfer of funds through a wider variety of companies to avoid international attention (for a full list see Annex K: Suspected Front Companies Associated With Iraq).

- The MIC operated three primary procurement front companies that were critical to Iraq's clandestine import activities: Al-Basha'ir, Al-Mafakher, and ARMOS.
- These companies also had a close association with the IIS and used connections that the IIS had in foreign countries to procure goods.
- The IIS was also heavily involved in the operation of these companies by having IIS personnel in middle and upper management and in security operations.

*The most important of these companies was Al-Basha'ir, which was formed by Husayn Kamil and managed by Munir Mamduh Awad al-Qubaysi.* The companies ARMOS and Al-Mafakher were created later by the head of MIC, Abd al-Tawab Mullah Huwaysh, to help facilitate competition among MIC front companies in importing banned goods and to improve productivity. Apparently, Huwaysh deemed these companies to be so important to MIC that around 1998 he moved responsibilities for the companies from one of his deputies to the Commercial Directorate. This allowed him to exert greater control over the operation of the companies, according to a former Regime official.

- There was a large network of international companies and banks with which these front companies traded. Some were merely banks or holding companies, primarily in Syria and Jordan that purchased items from the manufacturer and acted as cutouts before sending the items to Iraq under false documents.

*The networks of these companies still exist through their former employees, even as the old offices now stand empty.* The owners and employees of former front companies may be seeking to become a part of the post-Saddam Iraqi business community.

**Bidding Process With MIC Committees.** According to a former civil engineer, the MIC bidding process began when a MIC facility generated a requirement, called a tender. There were two kinds of tenders, regular or invitation.

- Regular tenders were open and could be bid upon by any contractor or private company approved by MIC security, including foreign contractors.
- Invitation tenders were issued when specialty items were required that could only be supplied by specific companies. In addition to MIC security approval, it is most likely the IIS and/or MFA also vetted these companies. The invitation tenders were issued directly to company agents in Iraq and Jordan, not to the foreign companies directly.
- This approval process was a result of Iraqi officials' concerns over foreign companies with hidden connections to Israel. According to captured documents, the MIC blacklisted a Bulgarian company because a Russian-Israeli businessman owned it.

Interested foreign and domestic supply companies then offered bids for the tenders through the MIC legal department. The MIC Procurement Committee, an informal seven-member panel, selected the best bid based on the offered price and the preference rating of the particular supply company. After a tender was awarded to a specific supplier, the MIC facility that originated the tender passed the contract to a MIC trading company such as Al-Basha'ir, ARMOS, or Al-Mafakher. These companies worked through the approved supplier to conduct the actual procurement.

**The Al-Basha'ir Trading Company.** The MIC established the Al-Basha'ir front company in 1991. The company's names has been discovered on hundreds of contracts for weapons and dual-use materials, as well as legitimate day-to-day goods and supplies. The company traded in items such as construction materials, foodstuffs, and power generators to cover

its real activity, which was coordinating with neighboring countries to facilitate the purchase of illicit military equipment. The company was headed by Munir Mamduh Awad al-Qubaysi, a former 15-year employee of the IIS. Because of his connections, relations between Al-Basha'ir and the IIS were especially close from the time he became Director of the company in the late 1990s.

- **Contrary to some sources, Al-Basha'ir was owned and operated by the MIC.** Al-Qubaysi's history with the IIS and the fact that many other members of the Al-Basha'ir staff were also IIS officers, led many to assume Al-Basha'ir was an IIS front company.
- The last chairman of Al-Basha'ir's board of directors was the head of the MIC's Administration and Finance Directorate, Raja Hasan Ali Al-Khazraji.

**ISG judges that several Regime members exerted varying degrees of influence over the Al-Basha'ir procurement process.** There is, however, conflicting reporting of who was in control of Al-Basha'ir procurement. Several sources have stated that it was the MIC Director, Abd al-Tawab Mullah Huwaysh. Reportedly, Qusay Saddam Husayn al-Tikriti and a committee comprised of senior officials of the SSO met with Al-Basha'ir trustees to direct the procurement of prohibited materials and to authorize payments.

- Trustees included al-Qubaysi, Jasim Ahmad Hasan, and Muhammad Salih Abd al-Rahim. Qusay and his advisers would tell the Al-Basha'ir trustees what items they wanted purchased about twice a month.
- Qusay made all final decisions on procurement and expenditures.
- Prior to Qusay, Husayn Kamil, Saddam Husayn's, son-in-law held this position.

Al-Basha'ir participated in the bidding process for the MIC by splitting the company into foreign and domestic sections. The split allowed Al-Basha'ir to increase its ability to communicate within the company and its offices abroad and for the import of military and security-related equipment. One set of

documents would show the actual items to be procured and then the Al-Basha'ir trustees would prepare a second set of procurement documents with benign end-use items to conceal the true nature of the illicit activity.

- For example, Al-Basha'ir described spare tank parts as air conditioning systems. Al-Basha'ir would then prepare the bank transfers for the seemingly innocuous items.
- One set of papers for the actual items were either given to the SSO, or in some cases taken to the homes of some of the Al-Basha'ir officials.
- The company would offer small contracts to the Iraqi companies, while large contracts would be based on a recommendation from the director of the IIS, 'Uday Husayn, Qusay, Vice President Taha Yasin Ramadan al-Jizrawi, or Saddam.

**Al-Qubaysi was largely responsible for Al-Basha'ir's success, according to an Iraqi official with direct access to the information. He ran the company well and maintained a close relationship with the IIS.**

As a result of this relationship, Al-Basha'ir could use its IIS liaison, Majid Ibrahim Sulayman, to facilitate purchases with IIS field stations around the world.

**Al-Qubaysi also had a close relationship to the Shalish family and with other prominent personalities in Syria, and he opened the connection with the SES International in Syria.**

Dr. Asif Shalish was head of the Syrian firm SES, while his uncle, Dhu Al-Himma 'Isa Shalish, owned the company and is the Chief of Presidential Security for his cousin, President Bashar al-Asad. Close relations with the Syrians allowed Al-Basha'ir to garner the bulk of the trade through Syria, which became the primary route for Iraq's illicit imports over the last years before the war.

- The SES and Lama companies are two of the major holding companies for Al-Basha'ir goods in Syria.
- Fifty-four percent of all MIC purchases through the Syrian Protocol were through Al-Basha'ir, according to captured SOMO documents.



The IIS used the Al-Basha'ir front company to facilitate a deal with the Bulgarian JEFF Company to obtain T-72 tank parts and Igla MANPADS, according to a former MIC senior executive. The goods were either flown to Baghdad under the guise of a humanitarian mission or they were delivered via Syria. If coming via Syria, illicit military goods typically arrived via the Latakia Port and then were then trucked to Iraq in SES company vehicles.

***Information from contracts found and data derived from the records of the SOMO indicates that the Al-Basha'ir Company was also a major broker in Iraqi oil smuggling (see Figure 43).***

- The Jordanian branch of Al-Basha'ir signed contracts for the export of oil and oil products from Iraq, according to SOMO records.
- SOMO records indicate Al-Basha'ir signed 198 oil contracts from November 1999 through March 2003. The contracts were for fuel oil, usually at \$30 per ton, and gas oil, usually at \$80 per ton. Almost all were for export by ship through the Arabian Gulf, although the destination of two contracts was listed as "North," which usually meant Turkey.
- The value of the contracts totaled \$15.4 million. This is the amount to be paid to SOMO. We do not have information about the amount of money Al-Basha'ir earned from the trade.

ARMOS Trading Company. ARMOS, a joint Iraqi MIC—Russian venture, was initially proposed by a Russian general named Anatoliy Ivanovich Makros. Makros, a former Soviet delegation leader in the 1980s, MIC, and IIS founded ARMOS in 1998. Makros' original scheme was to bring Russian technical experts into Iraq with cooperation from MIC and IIS through ARMOS. Despite the Russian ties, however, MIC officials dominated the company (see Figures 44 and 45).

- Dr. Hadi Tarish Zabun, head of the MIC Special Office, was chairman of the ARMOS Board of Directors.
- Siham Khayri al-Din Hassan, a Romanian-educated economist who had worked in the MIC Commercial Directorate, was the manager of ARMOS.

- Munir Mamduh Awad al-Qubaysi, manager of Al-Basha'ir, was also on the board of directors, along with a representative of the IIS M23 Directorate (MIC Security). (see the IIS procurement section of this chapter and the RSI IIS annex.)

ARMOS had a much smaller staff than Al-Basha'ir. But despite its size, the company achieved good results, according to an Iraqi official with direct access to the information. ARMOS conducted approximately 5 percent of the amount of business of Al-Basha'ir, but five times more than Al-Mafakher. In comparison to al-Qubaysi, however, Hassan wielded relatively little power.

- ARMOS served as the conduit for many Russian contracts, including contracts for aircraft engines for the Iraqi Air Force, according to another official.
- Captured documents show that ARMOS was involved in a deal to import MI-8 helicopter engines from Russia through Syria in 2001.

Captured documents detail an agreement in 2002 between Iraq and Russian experts, Mr. Shakhlov and Mr. Yusubov for the procurement of Russian missile technology and equipment in which ARMOS acted as a liaison between them. The documents also mention how the Iraqis used the Russian organization for victims of nuclear disasters as a cover for the operation. ***The use of a charitable organization in this transaction highlights the variety of methods used by the Iraqi front companies to conceal their activities.*** The contract reads, "as for the second party (the Russian Nuclear Disaster Victims Fund Institution) blockade imposed on Iraq will not be considered a forceful circumstance."

- The value of the contracts was for a total of \$600,000.
- Some \$100,000 for the Russian Standard Military Specifications system.
- Another \$500,000 for the Schematic Diagram System.

***According to Huwaysh, although the company was organized primarily to do business with Russia, in 2002 the MIC granted ARMOS access to other potential markets, including Bulgaria and Ukraine.*** This new access was similar to that of Al-Basha'ir.

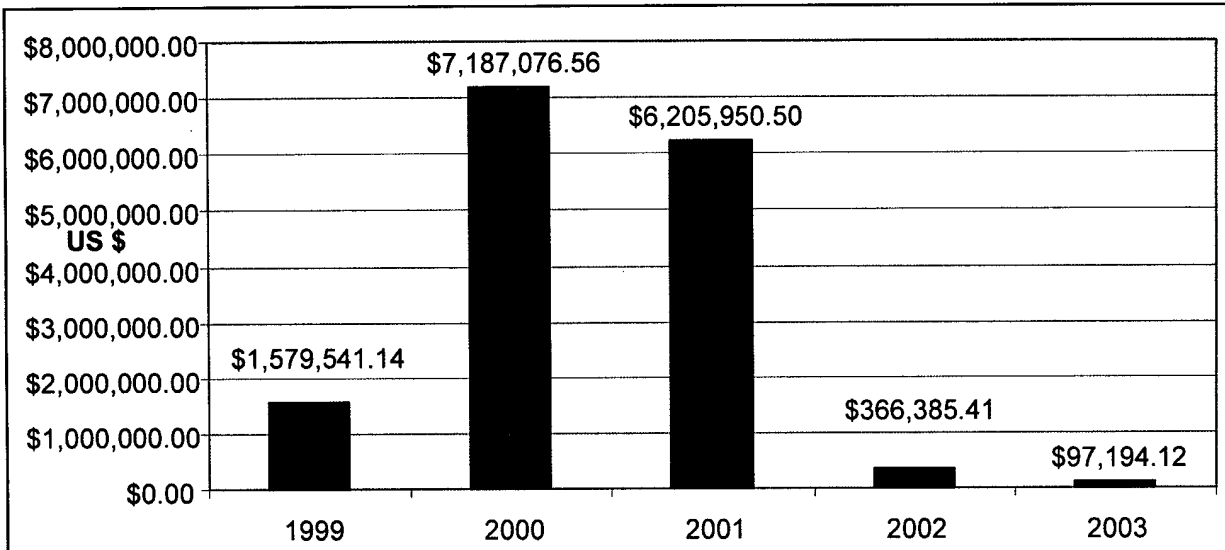


Figure 43. Value of Jordanian Al Bashair oil export contracts, 1999-2003.

<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p style="display: flex; justify-content: space-between; align-items: center;"> <span>ARMOS TRADING Co. LTD.</span> <span style="font-size: 2em; font-weight: bold;">ARMOS</span> <span>شركة آرموس التجارية المحدودة</span> </p> </div> <p>No. _____ Date. _____</p> <p style="text-align: right;">السود ٤٩٨١ التاريخ: ٢٠٠٢/١٠/١٥</p> <p style="text-align: right;">إلى /مجموعة ماس الاقتصادية ع/عمون</p> <p>أشرفكم برسائلكم المؤرخة ٢٠٠٢/٨/٢٠ يرجى التفضل بتقديم عرض سعر للمواد الكيميائية المبينة في القائمة المرفقة طيباً آميناً إن تيسرت لإجابته بالسرعة الممكنة وإن تيسرت عرضكم أسعاراً تنافسية شكراً وتقديراً لكم إحسان/تالسة</p> <p style="text-align: right;">د. سحان الدين خيري المدير العام</p>	<p>In the Name of God, Most Gracious, Most Merciful <b>ARMOS TRADING Co LTD</b></p> <p>Number: 2461 Date: 15 Oct 02. To: MAS Economic Group Subject: Bids</p> <p>With reference to your letter No. 4983, dated 20 Aug 02, kindly present your bid "price offer" for the chemical materials that appear in the enclosed list. We hope that we'll get a swift reply, and as fast as possible. A competitive bid "price offer" will be appreciated.</p> <p>We're grateful for your co-operation, which is quite appreciated.</p> <p>enc. / a list</p> <p>Dr. Siham-al-Din Khayri Al-'Ali</p>
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Figure 44. (a) Letter from the MIC front company ARMOS to MAS referencing chemicals and (b) translation (enclosed list of chemicals are shown in Figure 45).

## CHEMICALS

- 1- Liquid fuel type mixed Amine-02 (T1-02)  
B.P.:103C, F.P.: -72C,  
Density at 20 C:0.835-0.855 gm/cm  
Viscosity at 20 C:1.04 mm m2/sec,  
Vapor Pressure at 20C:33mm Hg  
Xylidin by weights:48-51.5%  
Tri Ethyl Amine by weight is:48-52%  
Water content by weight is less than 0.45%  
Qty: 100 Tons  
Price: USD 8716.00/Ton
- 2- Liquid fuel type U.D.M.H., form  $N_2H_2(CH_3)_2$   
Unsymmetrical Di Methyl Hydrazine  
Conc: 99%, B.P. 63.3C, F.P.: -57.6C  
Density: 0.790 gm/cm  
Qty: 50 Tons  
Price: USD 27200.00/Ton
- 3- Liquid fuel type D.E.T.A., form  $H_2N(CH_2)_2 N(CH_2)_2 NH_2$   
Di Ethylene Tri Amine  
Conc: 99%, B.P.: 206.7C, F.P.: -35C  
Density: 0.950-0.954 gm/cm  
Qty: 150 Tons  
Price: USD 11900.00/Ton
- 4- Hydrogen Peroxide  $H_2O_2$   
Conc: 98%  
Qty: 50 Tons  
Price USD 70000.00/Ton
- 5- Hydrazin as a fuel (liquid)  
Qty: 15 Tons per year (Hydrazin 97%)  
Price: USD 116000.00/Ton

Figure 45. Chemicals for liquid propellant for sale by the MAS Economic Group to MIC.

- In May 2002, ARMOS was offered Bulgarian electro-chemical gun-barrel machining (ECM) from a Cypriot gray arms broker, Green Shield.

**Al-Mafakher for Commercial Agencies and Export Company.** The MIC established the Al-Mafakher for Commercial Agencies and Export Company, Ltd in 2001. Adil Nafik, a former Al-Basha'ir Deputy Director, managed Al-Mafakher. According to a former MIC employee, the company was considered ineffective, mainly because of its inefficient staff and the fact that it was a newly established business.

- Al-Mafakher was much smaller than Al-Basha'ir—with just six employees—and conducted only 1 percent of Al-Basha'ir's business.
- Al-Mafakher had investment abroad, including a 50-percent share in Elba House in Jordan and a 25-percent stake in a Tunisian company, possibly named Parabolica, which manufactured leaf springs for automobiles.

#### **Iraqi Intelligence Service**

*Saddam used the IIS to undertake the most sensitive procurement missions. Consequently, the IIS facilitated the import of restricted dual-use and military goods into Iraq through Syria, Jordan, Belarus, and Turkey.* The IIS had representatives in most of Iraq's embassies in these foreign countries using a variety of official covers. One type of cover was the "commercial attaches" that were sent to make contacts with foreign businesses, set up front companies, and facilitate the banking process and transfers of funds as determined and approved by the senior officials within the government (see MoT Section, Facilitating Illicit Trade through Commercial Attaches). In June 2002, two IIS employees were transferred to the MFA and sent to work at the Iraqi Embassy in Belarus under the cover title of "attache," according to a letter written between the IIS and MFA.

- From 1994-1997, the IIS M19 Directorate of Commercial Projects used front companies to import prohibited items, according to reporting.
- A general order by Saddam in 1998 to collect technology with military applications led to the

formation of a committee consisting of the Presidential Secretary Abid Hamid Mahmud al-Tikriti, IIS Director Tahir Jalil Habbush al-Tikriti, MIC Director Abd al-Tawab Mullah Huwaysh, and the head of the Directorate of General Military Intelligence. This committee tasked Habbush to procure technologies when Huwaysh deemed the items to be of a sensitive nature.

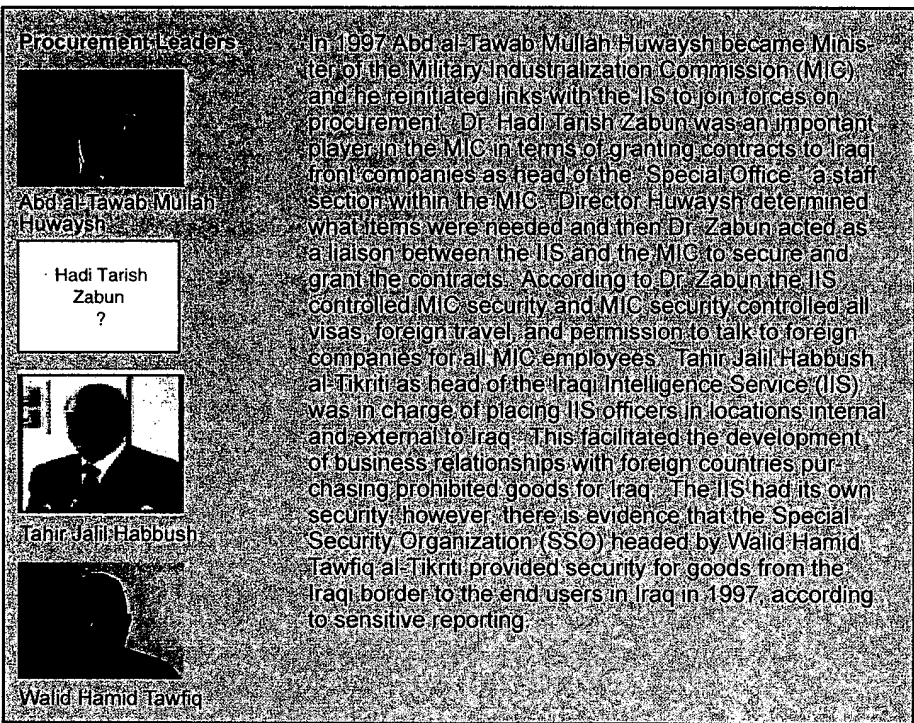
- In 1998, after Saddam Husayn issued a general order for the use of IIS in developing new procurement relationships, the IIS dissolved M19 and transferred procurement efforts to the M4 Directorate of Foreign Intelligence who had more direct access, infrastructure, and developed relationships with foreign countries, according to multiples sources.

#### **IIS Procurement Leadership and Mission**

IIS Procurement under the direction of Tahir Jalil Habbush al-Tikriti (see Figure 46) was part of a collaborative effort headed by the MIC to obtain equipment, materials, and expertise for Iraq despite UN sanctions. In 1997, Saddam approved a MIC proposal to enlist IIS to develop new procurement, technology transfer, and technical assistance channels outside of Iraq. Within the IIS, primary procurement activities took place in the Scientific and Technical Information Office (M4/4/5).

- Prior to 1998, the IIS M-19 Directorate had both a Domestic Branch that dealt with Iraqi companies and a Foreign Branch that dealt with foreign trade, according to a former IIS officer with direct access. The Foreign Branch was headed by Sadak Shaban.
- In accordance with a 1997 mandate from Saddam to improve Iraq's missile capabilities, the MIC and IIS formed a joint effort to accomplish this goal, according to a senior MIC official. The participants included head of the IIS Scientific Intelligence Section and the head of the IIS, al-Tikriti.

*The IIS officers stationed outside of Iraq were in a good position to carry out the mission of the MIC and IIS procurement without drawing the attention of the international community.* IIS officers generally reported back to the Scientific and Technical



**Figure 46. IIS procurement leadership.**

Intelligence Section, designated M4/4/5. Dr. Zabun's "Special Office" cooperated closely with M4/4/5 to find sellers of the sensitive materials and equipment sought by MIC. M4/4/5 desk officers worked closely with IIS officers in overseas stations to find the suppliers. Desk officers had specific country responsibilities.

- After reorganizing the M19 Directorate into the M4/8 Division in 1998, the IIS operated several front companies in Syria, according to a former high-ranking IIS officer. The Director of M4/8 was Hasan al-'Ani.
- Dr. Zabun coordinated the entire MIC—IIS business dealings, with much of the coordination occurring directly between the Director of M4/4/5 and Dr. Zabun.
- For example, one officer was responsible for all Syrian and Bulgarian procurement; another was responsible for Russian and Yugoslav procurement, while others handled actions with North Korea, Egypt, and elsewhere. Directives and other communications with the IIS stations in embassies abroad were transported via diplomatic pouch.

- The IIS, along with an Armenian-Iraqi named Ohanes Artin Dosh, established a front company in Switzerland with several subsidiaries, according to a high-ranking Iraqi official with direct access. Jaraco SA, a firm operated by Esfandiar and Bahman Bakhtiar was another IIS Front Company. The Iraqi Government gave the Bakhtiars 150,000 Swiss francs to establish this company. An unwritten agreement allocated equal shares of Jaraco to the IIS and to the Bakhtiars.

*In some instances the sensitivity of the relationship between Iraq and the foreign country was such that it was easier for the company to set up a branch within Iraq to broker deals rather than for Iraq to operate within the foreign country.* Most reporting suggests that IIS did place officers in foreign countries to operate companies; however, one former IIS officer with direct access stated that the IIS dealt with foreign companies through branches located in Iraq and exploited the employees of these companies.

- According to a high-level MIC official, Neptun Trading Company had an office in Baghdad up until OIF. An alleged Russian military intelligence

officer suggested Neptune would be a good company for the IIS to cooperate with to supply the Iraqi army with Russian items. Colonel Yevgeniy Turskiy, a Russian Military Attache to Iraq directed the company in Baghdad. A source from the DMI Section 6 stated that Neptun was run by Russian intelligence and was a cover company run out of the Russian Embassy in Baghdad.

**IIS M16 Directorate of Special Logistics.** The IIS M16 Directorate of Criminology has been a major concern to ISG because of its work with poisons and toxins. ISG does not know the full scope of M16's activities, and we do not know the degree to which the Technical Consultation Company's procurement efforts contributed to these activities. There is conflicting evidence that suggests M16 did procure banned items for its labs through illicit channels. The Director of M16, Nu'man Muhammad al-Tikriti, and other reports suggest that M16 was only involved in research and development and that it did not possess prohibited chemicals after 1997, according to multiple sources.

- In late 2001 or early 2002, IIS M16 Officer Khalid 'Alawi met the director of M4/4/5 to discuss procuring goods, including equipment used to analyze chemical materials. M4 was unable to obtain the equipment, and it was never delivered to M16.

#### **IIS Procurement Cooperation with Foreign Intelligence Services**

*IIS also used its connections within foreign government intelligence services to facilitate the transfer of illicit goods into Iraq.* Before the end of 2000, the Iraqi and Syrian Ministers of Transportation met to establish the Iraqi Organizing Office in the Syrian port of Tartus to facilitate the shipment of goods to Iraq via land, according to a former IIS officer with direct access. The operating manager was an IIS officer from the M5 Syria Directorate. The predecessor of the Iraqi Organizing Office was the Al-Noras Company operated by Muhammad Talad al-'Isa and a Syrian intelligence officer. Iraq used this arrangement to deliver heavy equipment transport vehicles, but ISG did not detect any weapons shipments.

- In 1999, secret exchanges occurred after Iraq sent intelligence delegates from the IIS, represented by Abid Hamid Mahmud al-Tikriti, the MIC, and the Presidential Bureau to Syria. The discussions

yielded an agreement that Syria would facilitate the transportation of material coming to Iraq by changing shipping documents to make the military equipment look like ordinary civil items, as well as changing end-user certificates to the Syrian Ministry of Defense.

- Iraq had contracts with a Belarusian company—Belmetalenergo (BME)—and a joint Russian-Belarusian firm—Electric-Gaz-Com (EGC)—to import missile technology, parts and expertise. All contracted goods with Belarus were sent through Syria. The SES International would implement contracts for transportation of the goods to Iraq under the protection of Syrian intelligence for a fee of 10 percent of the contract price.

#### **Items Procured by the IIS**

*In accordance with Saddam's instructions to MIC Director Abd al-Tawab Mullah Huwaysh, the MIC-IIS relationship was formed to support to Iraq's various missile programs.* Although missile programs may have been the reason for the cooperative effort, the IIS also procured for the telecommunications industry, scientific research and development community, and the military. The following are examples of IIS deals that involved the procurement of such items:

- In February 2003, Saddam ordered Al-Basha'ir Head Munir Mamduh Awad al-Qubaysi, Al-Milad Company Director General Sa'ad Abbass, and IIS M4/4/5 procurement officer for Syria and Bulgaria Majid Ibrahim Salman al-Jabburi to travel to Damascus, Syria to negotiate the purchase of SA-11 and Igla surface-to-air missiles, according to a source with good access. This team negotiated with 'Abd al-Qadir Nurallah, manager of the Nurallah Company, to purchase the missiles from a Bulgarian firm, to provide end-user certificates, and to ship the weapons to Iraq.
- In mid-2001, the Technology Transfer Department of the IIS procured between 10 and 20 gyros and 20 accelerometers from a Chinese firm for use in the Al-Samud ballistic missile, according to a former high-ranking official in the MIC. At approximately the end of 2001, the IIS also arranged for Mr. Shokovan from China to teach a course on laser and night-vision technology.

- The IIS completely controlled all procurement from North Korea, according to a senior MIC official. Iraq signed a contract with North Korea to add an infrared-homing capability to the Volga missile to provide jamming resistance in 1999. Iraq also sought to improve the accuracy of its Al-Samud and Al-Fat'h ballistic missiles by obtaining inertial navigation systems, gyros, and accelerometers from North Korea. The IIS also completely controlled procurement via a Russian and Ukrainian company named Yulis that supplied small arms, Kornet anti-tank guided missiles, and night-vision equipment between 1999 and 2000.
- Iraq sought assistance from the Russian company Technomash in developing a test bench for missile engines, missile guidance and control systems, and aerodynamic structures. The ARMOS Company signed a contract with a company in Poland to obtain Volga missile engines. The IIS completely controlled this transaction, which sought approximately 250 Volga engines.
- The IIS facilitated a visit by a delegation from the South Korean company Armitel, and contracts were signed to procure fiber-optic equipment for military communications between 1997 and OIF, according to a former MIC senior executive. The contracts were valued at \$75 million, and Iraq received more than 30 containers during two shipments, the first via Syria and the second via Lebanon. Middle companies in Syria and the UAE covered these contracts.
- From 2000 until OIF, the IIS used the MIC Al-Basha'ir front company to facilitate a deal with the Bulgarian JEFF Company to obtain T-72 tank parts and Igla MANPADS, according to a former MIC senior executive.

### **IIS Front Companies**

*The IIS ran a number of front companies that were used to procure specialized items for its own use and for other security elements.* The primary IIS Directorate handling these transactions was the M4/8 Directorate, previously known as the M19 Directorate. As of 1994, M4/8 was organized into three different sections, the domestic section, the foreign section, and the trading section (for more information on the IIS structure see the RSI IIS annex).

*The Domestic Section, also known as Section One, was primarily responsible for creating front companies inside Iraq and facilitating trade with these companies to import/export oil, batteries, copper and food products.* Section One also maintained front companies in the restaurant and retail businesses on behalf of the IIS Directorate of Counterintelligence (M-5). These M-5 front companies included the Al-Zaytun and Al-Amhassi restaurants (see Figure 47). Although M-5 owned these business establishments, they were leased to Iraqi nationals who were not associated with the Iraqi Government. Section One managed a total of eight companies within the trade, travel, and hauling industries, but as of June 2003, Al-Dala and Al-Yarmuk travel companies were the only front companies still operating in Baghdad.

The Foreign Section, also known as Section Two, conducted covert trade with overseas companies. Sadiq Sha'ban was the director of this section from 1994 to 1995 Salih Faraj was director in 1995, Sadiq Sha'bi from 1995 to 1997, and Husayn al-Ani from 1997 to 2003.

The Trading Section, also known as Section Three, dealt with the import and export computers, electronic equipment, listening devices, copper, and industrial products for use within the IIS and other government agencies. Starting in 1995, this section, while it was housed within the Projects Department, operated directly under the management of the IIS General Director. According to a former high-level official at the IIS, Walid Hadi, who served as the section's director from 1989 until 2003, basically became a figurehead from 1995.

In 1997, M-19 Director Mana 'Abdallah Rashid ordered a halt to all the activities of Section Two, because of the failure of one of the sections companies to deliver spare parts, tires, batteries, electronic equipment, and vehicles to the Office of the Presidency. During this same period, Hassan Khushnaw, the manager of a Section One front company, Al-Wadi Al-Akhad Trading, was caught attempting to smuggle copper out of Iraq. Khusnaw was subsequently arrested and jailed, along with the previous director of M-19, Sami Hanna. These incidents resulted in the permanent closure of the companies, except for Al-Yarmuk and Al-Dala. Sections One and Two were removed from M-19 and placed within the Counterespionage Directorate (M-5) and Directorate of Secret Service (M-4), respectively (see Figure 48). Section Three remained under the IIS Director's office.

Name of the IIS Front Company	Management
General Trade	
The Mudiaf Company	Hikmat Isma'il al-Ani
Al-Wadi Al-Akhab Company	Zukar 'Aziz
Al-Mansurah Company	Muhammad Yansim Al-Dayh
Al-Awabi Company	Awajadi Isma'il
Al-Nid	Ghalib 'Abd Al-Nasir
	Al-Wasel & Babel
Travel	
Al-Yarmuk	Yusif Narmus
Al-Dala	Kadum Al-Dulaymi
Al-Huda Religious Tourism Company	
Restaurants	
Al-Zaytun	Al-Amhassi
Transportation	
Al-Riyadh	Walid Khalid
IIS Companies in Syria	
	Al-Riat
	Al-Manuria
	Al-Enbuah

Figure 47. IIS front companies.

Directors of M-4/8 (M-19) Special Project Department	
1989-1990	'Abid Sattar al-Janah
1990-1991	Khalaf Al-Duylami
1991-1992	Sami Hanna
1992-1994	Mudafar 'Abd al-Karim
1996-1997	Bashir Khalifa

Figure 48. Special Project Department M-4/8 (M19) directors.



- The term "Trade Office" was used internally, but when dealing with the outside world, the name "Technical Consultation Company" was used.
- The Trade Office fell organizationally under Khudayir al-Mashadani, the head of the Special Office, MI, but Walid Hadi reported directly to Tahir Jalil Habbush al-Tikriti, the head of the IIS, according to an Iraqi official.

The M4/8 directorate operated several front companies in Syria. To manage these companies, the directorate was broken down into three sections, including commercial, accounting, and liaison sections. The liaison section coordinated activities between the commercial and the accounting offices. Some of the cover companies operated by the directorate included Al-Riat, Al-Manuria, and Al-Enbuah.

*The IIS used companies that had contact with the outside world as a means of collecting foreign contact intelligence.* The organization owned and operated a front company called Al-Huda Religious Tourism Company. Al-Huda was also known as the Al-Dhilal Religious Tourism Company, and was established after the conclusion of the Iran-Iraq war and subsequent exchange of prisoners.

- The company's ostensible purpose was to transport religious tourists to holy places in Iraq, such as Samara, Karbala and Najaf.
- The IIS created the company as a way to gain access to the Iranian tourists once they were within Iraq and collected information through casual illicitation.
- All of the employees of the company were IIS employees.

### Special Security Organization

*ISG has found little evidence that the SSO was used to procure WMD materials, prohibited or dual-use goods.* This finding is consistent with the SSO's mission of domestic only operations and inherent primary mission of securing Regime sites and leaders and monitoring the citizenry to ensure loyalty. The SSO associated laboratory, the Food Examination and

Analysis Laboratory (FEAL), conducted food stuff testing but there is no evidence to date that FEAL used illicit channels to procure equipment for Iraq.

- Amir Ibrahim Jasim al-Tikriti, a member of the SSO and a relative of Saddam, was sent to Poland in 2000 to work on his doctorate in mathematics. Although there he procured Volga engines and batteries on behalf of the IIS for Iraq, according to claims. The same source stated that this procurement relationship was largely a result of Amir's relationship to Saddam and not because of his SSO affiliation.
- After Abd al-Tawab Mullah Huwaysh became MIC Director in 1997, he decided that the SSO had no technical expertise and therefore had no procurement role with the MIC.

### SSO Procurement Leadership and Mission

*Although the SSO, under the direct supervision of Qusay Saddam Husayn al-Tikriti, may have played a small role in procurement outside of the country, it is more likely that the SSO's role in the procurement process was limited to securing illicit shipments once inside Iraq.* Senior members of the Regime, such as Abid Hamid Mahmud al-Tikriti, the former presidential secretary, were probably aware of this role for the SSO, but were most likely not directly involved in the process. SSO officials were also in charge of monitoring those involved in the procurement process, like the RG and SRG, to ensure their loyalty to the Regime was maintained.

- According to authorization and shipping documents, between 1993 and March 2003, the State Company for Marketing Drugs and Medical Appliances, Kimadia, shipped dual-use chemicals and culture media to Iraq's SSO. The items were supplied to SSO's Walid Khalid.

### Iraqi Atomic Energy Commission

According to multiple Iraqi sources, the IAEC was responsible for the development and retention of nuclear expertise in Iraq. The IAEC most likely relied on its own procurement department for acquiring materials and technology.

- A foreign intelligence service revealed in 2002 that the IAEC was pursuing procurement contracts from a South African company for HF communications systems and 16,000 channel receivers.
- Captured documents dated 2002 show direct negotiations with several Indian institutions for medical and chemical technology transfers.
- Other documents dated 2002 reveal contracts to obtain vacuum furnaces manufactured in Russia.
- Improvement of the IAEC's nonnuclear technical and manufacturing capabilities.
- Budget increases that resulted in ten-fold salary increases and new recruiting efforts for IAEC scientists.

Documentary evidence and debriefings, however, reveal that the IAEC also used the MIC, MIC front companies, and the IIS to procure foreign materials and technologies.

- Internal memoranda dated January 1995 reveal that the IAEC was reviewing procurement contracts with the Al-Basha'ir Company, the Latif Company, and the Al Jubayl Office. These contracts were based on oil bartering—common practice before the UN OFF Program was accepted in 1996.
- In July 1996, MIC, Al-Basha'ir Company, Ministry of Industry, and IAEC were passing correspondence regarding overdue debts to Al-Basha'ir totaling \$14.2 million.
- According to a former Iraqi scientist, the IAEC asked the MIC to obtain \$3.5 million worth of computer cards in 1998.

In January 2002, according to a detained senior MIC official, Saddam directed the MIC to assist the IAEC with foreign procurement. On a few occasions the IAEC used MIC to procure goods, ostensibly as part of the IAEC modernization project. At this time, Saddam Husayn also directed the IAEC to begin a multi-year procurement project called the IAEC Modernization Program. This program, which was still functioning up to the Coalition invasion in 2003, strove to revitalize the IAEC capabilities. The chief improvements under the program included:

- Creation of new machine tools workshop at Tuwaitha outfitted with new generic machine tools, including CNC machines (see Figure 49).
- The Iraqi Land Transportation General Company (ILTC), which controlled all surface transport in and out of Iraq with the exception of fuel transport and railways.
- The Iraqi-Syrian Land Transportation Company had offices near customs points at Tartus port in Syria to assist in the movement of goods into Iraq. This

The IAEC's procurement relationship with the IIS dates back to the late 1990s. The IIS procurement channel was reportedly reserved for sensitive foreign technical information and items prohibited by the UN sanctions. March 2002 IIS internal documents describe the creation of a committee to obtain resources for the IAEC.

#### Ministry of Transport and Communication

*The Ministry of Transportation and Communication (MoTC) also facilitated and participated in the procurement of prohibited items for the former Regime. The MoTC transshipped sensitive commodities into Iraq using a range of deceptive practices designed to foil international monitoring efforts. The MoTC also served as a benign cover end user for the acquisition of dual-use items for the MoD and other Iraqi security services. The MoTC procured prohibited fiber-optic materials to improve the Iraqi telecommunications infrastructure. **By evaluating these contributions, we judge that the MoTC played a small but important role in Iraq's illicit procurement programs.***

#### Mission and Key Procurement Companies under the MoTC

The MoTC was responsible for all internal movement of commercial goods in and out of Iraq. The MoTC accomplished this mission through 14 state-owned enterprises known as "General Companies". Three of these stand out as playing key parts in facilitating illicit procurement for Iraq.

- The Iraqi Land Transportation General Company (ILTC), which controlled all surface transport in and out of Iraq with the exception of fuel transport and railways.
- The Iraqi-Syrian Land Transportation Company had offices near customs points at Tartus port in Syria to assist in the movement of goods into Iraq. This

ILTC subordinate company seems to have been established to handle the increased transactions resulting from the Syrian Trade Protocol.

- The Iraqi-Jordanian Land Transportation Company, an OFF shipping company run by MoTC, had an office in Aqaba, Jordan, and performed a similar role as the Syrian Land Transportation Company. ISG also suspects that the Iraqi-Jordanian Land Transportation Company was probably set up to accommodate trade from the Jordan Protocol.

### **Ministry of Higher Education and Scientific Research**

*Throughout the 1990s, Saddam Husayn used the Ministry of Higher Education and Scientific Research (MHESR), through its universities and research programs to retain, preserve, and protect Iraq's indigenous scientific and WMD-related capabilities, including its research projects and knowledge base.* The MHESR had close working ties with MIC, which supported the ministry by coordinating, directing, and implementing the Regime's critical research and development activities, according to former MIC director Huwaysh. ISG also has uncovered one case where Iraq used the cover of its student exchange program to procure goods.

### **University Collaboration With MIC**

The MIC maintained close working ties with the MHESR, links that entailed financial support for academic research and the provision of academic experts for MIC projects. These ties shaped MHESR academic priorities, provided an opportunity for MIC to directly commission academic research, and facilitated an exchange of personnel between the two entities.

The MHESR Research and Development Directorate, headed by Hasin Salih (and later by Al-Jabburi) developed a close working relationship with the MIC Research and Development Directorate (headed by Dr. Hadi Tarish Zabun) and the MIC General Director for Teaching. Salih was responsible for all research and development activities and would frequently meet with the Research and Development Directors from all the ministries to discuss work and research prob-

lems. The MIC's interests were considered particularly important in the selection of research projects at the universities.

- According to one source, prior to OIF, approximately 700 to 800 academics were regularly sent to work at the MIC or its companies for a few hours per week.
- The MIC Director claimed that he increased the number of contracted university instructors working with the MIC from a handful in 1997 to 3,300 by 2002.
- Twenty professors assisted the Al-Samud factory. They worked to solve technical problems and provide training for staff members at the factory. According to one source, however, many Iraqis considered the overall effort of limited value.
- MIC missile experts also worked closely with the universities, in some cases supervising students with graduate research and in other cases teaching students at the universities.

*Huwaysh involved himself in each phase of MIC-sponsored projects with the MHESR, including project applications, planning, development, and implementation.* Huwaysh reviewed and approved all project proposals submitted by university deans, department heads or faculty advisers within Iraq. After receiving Huwaysh's approval, the company and the university staff would discuss and agree to the parameters of the project. Then MIC opened the project up to a normal bidding process, inviting different institutions, including foreign nationals from Jordan and Syria, to tender bids for the project proposals. After scrutinizing incoming bids, university department heads conducted and then submitted a feasibility assessment of the proposal to the MIC. The MIC chose the final bidder; the contract price would be discussed when the contract had been finalized.

- MIC closely monitored its research projects. MIC leadership biannually held "conferences" where university staff conducting MIC-sponsored research briefed the MIC leadership on the progress of their work. These conferences afforded the MIC opportunities to monitor progress on research projects, identify problems, and offer solutions to the researchers.

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### **MIC Research Support at Universities**

*Documentary evidence reveals that MIC and its companies divided their research projects among Iraq's major universities.*

- *Baghdad University and Mustansiriyah University provided general multi-discipline support to MIC projects.*
- *Mosul University provided support to the MIC in the areas of remote sensing and chemistry.*
- *In another case, Basrah University provided support in polymer chemistry.*

*Other examples of specific projects sponsored by MIC companies include:*

- *The Al Rashid State Establishment financed polymer research on thermal insulators for the Sahn Saddam ("Saddam's Arrow") missile.*
  - *The Al Huttin Company subsidized research on replacing brass shell casings with polyethylene.*
  - *The Al Huttin Company also funded research on heating rate problems in induction furnaces.*
  - *The Al Shahid Company financed research focusing on energy loss from the safety dump of copper from the furnace.*
  - *The Al Qa' Qa'a Company sponsored nitrocellulose research.*
  - *The Al Samud company paid for research on an inexpensive method to produce spherical iron molds.*
- 

### **Exploitation of Academic Exchanges for Procurement**

*Iraq's academic exchange program—for both students and professors—was used to facilitate the transfer of dual-use technology, using home universities as false end users to illicitly acquire goods in support of Iraq's WMD programs. By sending students and professors abroad, Iraq may also have been using both students and professors to transfer, support and advance Iraq's intellectual and WMD "infrastructure."*

- In 2000, Amir Ibrahim Jasim al-Tikriti, a member of the SSO, was sent to Poland to continue his mathematics doctorate on the assumption that he would return to the SSO upon completion of his studies. During that time in Poland, we judge that the IIS recruited or tasked al-Tikriti to facilitate the purchase of Volga missile engines for the Iraq's Al-Samud II missile program. ISG has corroborating evidence that the MIC trading company ARMOS signed the contract(s) with a Polish firm for the Volga engines, and that the IIS controlled the entire acquisition.
- According to reporting, approximately 250 Volga engines were purchased from a stock of old missiles and sent back to Iraq possibly with complicity of the Iraqi Embassy in Warsaw. Al-Karamah purchased the engines and originally stored them at the Samud factory, and then moved them to Ibn Al-Haytham.

### **Ministry of Agriculture**

*Throughout the 1990s, the Ministry of Agriculture (MoA) procured controlled items outside UN sanctions and then later outside the UN OFF Program for special projects as well as legitimate agricultural projects.* The Iraqi front company Al-Eman Commercial Investments owned by Sattam Hamid Farhan al-Gaaod had a special relationship with the Agricultural Supplies Committee of the MoA. According to an Iraqi businessman, Al-Eman Commercial Investments from 1990 to 2003 supplied MoA with seeds, pesticide, veterinarian medicine, harvesters, tractors, water pumps and spare parts of machinery.

- Before OIF, Al-Eman periodically sent shipments from Jordan to Iraq via the Iraqi Embassy. Jordan allowed the shipment of one container a month under diplomatic cover that did not require inspection.
- In 1995, Al-Eman purchased a kit of reagents worth \$5,000 from the Swiss firm Elisa for an organization named Al-IBAA, a special unit in the Iraqi MoA. Al-IBAA was connected to Saddam, had a special research facility and was granted an unlimited budget. Al-IBAA was able to obtain any equipment and support within Iraq that it needed and paid cash for all its orders.

- According to a high-level Iraqi civilian official with direct access, the MoA took control of one of the food testing labs, which was used to test Saddam Husayn's food. Equipment for the lab was purchased through the Iraqi-Jordanian Protocol. Dr. Sabah of the Veterinary College was instrumental in these purchases (see Figure 50).

*The MoA also used the MIC to obtain goods that were deemed especially difficult to procure given the restrictions of UN sanctions.* At the same time, the MIC would occasionally identify the MoA as a false end user to obtain restricted dual-use goods.

- Between 1992 and 1998, the MIC was responsible for all chemical procurement in Iraq. The MIC brought active ingredients into the country using false bills of lading, formulated the product, and then distributed the final product to the appropriate ministry. For example, the MIC smuggled insecticides—probably Malathion and Parathion—into Iraq, formulated them at Al-Tariq, and subsequently provided them to the MoA.
- In late 2002, the MIC and IIS directed Iraqi businessman, Sattan Al Ka'awd (who may also be known as Sattam Al-Gaaod), to approach a Croatian engineer, Miroslav, and other Croatians to purchase restricted precursor chemicals from Croatia. According to an Iraqi businessman with direct access, Al Ka'awad was tasked for this activity due to his close working relationship in the past with the Iraqi Government. The end user of the chemicals was reportedly the MoA but the actual recipient was said to be involved in CW activities, according to the same source.

### Ministry of Interior

*ISG has not discovered evidence that the Ministry of Interior (MoI) was involved in the procurement of WMD materials, prohibited items, or dual-use goods.* This finding is consistent with the MoI internally focused mission. In addition, prior to OIF, the MoD not the MoI administratively controlled security groups that may have been involved in illicit procurement activities.

### Front Company Conglomerates: Al-Eman and Al-Handal

*In addition to the major front companies already mentioned in this report, the Iraqi Government and its citizens set up hundreds of other front companies both within the country and around the world for the purpose of smuggling prohibited items into the country. We now know of over 230 of these front companies, many of which were created for a single transaction and never used again.* There were, however, several major front companies that participated in the majority of this illicit business, some of which were government-sponsored and one large conglomerate, Al-Eman, which was privately owned.

The term "Iraqi front company" has become pervasive in terms of Iraq's procurement networks. One definition of an Iraqi front company is an Iraqi company or Iraqi controlled company, operating either within Iraq or abroad that knowingly partakes in international commerce with the intent to acquire goods or services for an Iraqi client using deceptive trade practices. Deceptive practices could include misleading or colluding with suppliers, intermediaries, or others involved in the acquisition, shipping, or payment processes. This would include such actions as misrepresenting the origin or final destination of goods, or misidentifying the goods, the end user, or end use. Complicating matters, many of these companies were involved in legitimate trade, with illicit activity playing a less significant role. The association of the IIS with a company also suggested Iraqi influence and front activity.

The assumption and general appearance was that many Iraqi companies involved in international trade, as a norm, were aware of deceptive trade channels and took advantage of them in dealing with both routine and sensitive acquisitions. *However, the government's association and influence with trade companies varied. Some companies may not have had a choice, but others found it in their financial interest to get involved, and therefore approached and competed for government contracts.*

*Al-Eman, directed by Sattam Hamid Farhan Al-Gaaod (see Figure 51) had its start in the early 1990s, and up until OIF, was the largest network of*

Machine type	Model	Country of Origin	Cost (USD)
CNC Milling Machines	2 x MCV- 600E	Taiwan – Chen Ho Company	160,020
Surface smoothing	1 x KGC-84MSI	Taiwan	83,717
Wire cutting machine	1 x A300	Taiwan	155,228
Spark machine	1 x M50F	Taiwan	86,427
CNC Milling Machines	2 x MCV-1200	Taiwan – Chen Ho Company	225,000
CNC Copy Milling Machine	1 x VTC-1400 CTC	Taiwan	395,000
Lathe Machine	1 x MT52S	Taiwan	90,000
Lathe Machine	1 x MT52L	Taiwan	95,000
Vertical Lathe Machine	1 x VL-12	Taiwan	268,926
Plasma Cutting Machine	1 x 315A ROSSA	Bulgaria	165,400
3D Measuring Tool	1 x 3D DEA10	Italy	115,000
Sorting Machine	1 x MI-400	Unknown	Unknown
Lathe Machine	TNC-30NL	Unknown	Unknown
Punching Machine	Unknown	Taiwan	67,000
Laser Pointed Drill	Unknown	Spain	67,000

**Figure 49.** Machinery purchased by the MIC for the IAEC after 2001.

Stage 1	Plans for production. Technical department determines requirements. Commercial department ensures adequate funding.
Stage 2	Funding approved by Technical Department and Commercial Department. Deputy Minister approval.
Stage 3	Minister receives funding and notifies the companies involved in the procurement of goods.
Stage 4	Companies receive Ministry requirements. Three types of companies (international or Arabic companies, and Iraqi companies).
Stage 5	Companies make bid proposals that satisfy the technical and commercial requirements.
Stage 6	A selection committee determines the award of the contract.

**Figure 50.** The MoA used the following process to fill requirements for goods and services.

***Iraqi front companies with a number of subsidiaries operating in Baghdad, Iraq, Dubai in the UAE, and Amman, Jordan.*** Al-Eman companies have been observed for the last 10 years as they procured dual-use and military goods for the Iraqi Government, and were heavily involved in the UN OFF kickback scheme. Al-Gaaod used his relationships with Saddam and 'Uday Saddam Husayn al-Tikriti, and Husayn Kamil to both acquire contracts for supplying the various ministries with sanctioned materials, smuggling oil, and he used those relationships to intimidate others.

- Al-Eman is essentially a family-run business, with strong family ties linking most of the subsidiary firms.
- The accountants in Al-Eman are key figures with the best overall knowledge of the company's activities.
- Al-Eman did considerable business with Syria through the "Syrian Protocol," an arrangement of false purchases and kickbacks that laundered funds for Iraqi purchases.

The Al-Eman Group was also involved in the OFF kickback scheme through the Jordan National Bank and embassy commercial attaches. Upon completion of services under UN OFF, the Banque Nationale de Paris deposited payments in the National Bank of Jordan, which provided banking services to Al-Eman. The National Bank of Jordan automatically deducted a 10-percent performance/kickback from the UN OFF payment. The National Bank of Jordan then deposited the kickback amount into accounts controlled by the Iraqi Regime. ***The CAs in the Iraq embassies played a key role in orchestrating procurement and financial activity.*** The attaches arranged collection and transferred kickbacks, and Al-Eman worked very closely with them.

#### **The Al-Eman Network**

Dozens of companies were included in the Al-Eman network, most of which were either owned or operated by members of the Al-Gaaod family. The following table (see Figure 52) is a sampling of some of the Al-Eman companies and their role in acquiring materials for the Iraqi government:

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#### ***Al-Gaaod's Ties to Iraqi Leadership***

***Al-Gaaod was one of Saddam's most trusted confidants in conducting clandestine business transactions, often traveling abroad using an Ecuadorian passport. Just prior to March 2003, he traveled to Sweden and Ukraine on behalf of Qusay.***

- *Al-Gaaod also had a close partnership with 'Uday and Husayn Kamil, and was a key player in the MIC.*
- *He assisted As'ad Al Ubaydi Hamudi, the brother of Dr. Nazar Al 'Ubaydi Hamudi, a scientist involved in producing chemical weapons, in obtaining contracts with the Al Qa'qa' a General Company, The Atomic Energy Company, the Al-Karamah State Establishment the Al Basil General Company, the Al Muthanna State Establishment and over 25 other companies within the MIC from 1992 until 2002.*
- *Al-Gaaod, Dr. Nazar, and Assad are all linked to the Al Abud network described in the CW section of this report.*

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**Key Al-Eman Owners: Sattam Hamid Farhan Al-Gaaod and His Family.** Extended family plays a key role in Al-Eman operations. As of March 2003, three of Sattam Hamid Farhan Al-Gaaod's cousins ran subsidiary or affiliated companies in the network.

- Jalal Al-Gaaod owns the subsidiary Sajaya.
- Talal Al-Gaaod functions in a public relations role for the family.
- Hamid Al-Gaaod is owner of the Al-Yanbu Company.

The Iraqi Regime arrested both Talal and Hamid Al-Gaaod in 1996 as a result of unspecified financial and contractual problems related to deals with the MoA. As of late 2001, Sattam Hamid Farhan Al-Gaaod's brother, Abd al-Salam Farhan Al-Gaaod was running a firm called Al-Arab Agencies. This company was used for shipping, operating primarily out of Basrah. Al-Arab handled many of the firm's transport requirements and petroleum exports via the Gulf.



**Figure 51.** Sattam Hamid Farhan Al-Gaaod.

Company	Role in Acquisition
Al-Eman Commercial Investments	Purchased a kit of reagents worth \$5,000 from the Swiss firm Elisa for an organization named Elba, a special unit in the Iraqi Ministry of Agriculture. Elba was directly connected with Saddam Husayn, had a special research facility, and was granted an "unlimited" budget. Its stated research areas were the breeding of animals such as cows and sheep and certain types of crops. Al-Eman supplied Samarra Drug Industries (SDI) with many of the products used to manufacture pharmaceuticals.
Al-Wadha Company (Aka Al-Anmar Company)	In 1998 was involved in the sale of antimony trioxide, reportedly for the Ababil 100 missile project. The company sought X-Ray equipment in August 1999 that could be used in missile-related non-destructive testing.
Al-Doha General Trading Company	Owned by Na'im al-Gaaod.
Al-Gheif Company for Trading Agencies	Owned by Mufid Khalif 'Umar al-Gaaod. Ahmad Khalif 'Umar al-Gaaod was the general manager.
Al-Salafa General Trading Co, Ltd.	Owned by Mufid Khalif 'Umar al-Gaaod.
Al-Enas Commercial Agencies Co., Ltd.	Owned by Aftan Farhan al-Gaaod. Sattam Hamid Farhan al-Gaaod retains 50 percent control over the company.
Technical Oilfield Services and Supply Company (TOSSCO)	TOSSCO has offices in Amman, Baghdad and Paris. It has been involved in the procurement of machine tools, electronic equipment, computer equipment, and other industrial goods in violation of sanctions. Sattam Hamid Farhan al-Gaaod retains 100 percent control over the company.
Al-Bairaq Commercial Investment Establishment	Run by Sami Smarat. Sattam Hamid Farhan al-Gaaod retains 100 percent control over the company.
Al-Arab Agencies for Shipping	Run by Abd al-Salam Farhan al-Gaaod, Sattam Hamid Farhan al-Gaaod's brother.

**Figure 52.** The Al-Eman Network.



- Another of Sattam's brothers, Najib Al-Gaod, was involved in the procurement of spare parts for Russian-made tanks as late as 2001. According to captured documents, Najib Al-Gaod's company, Al-Talh Office Co. provided an offer to the MIC for 12 T-72 tank engines, dated 1 February 2000 for a net price of 900,000 Euros.
- The same documents also included an offer dated 1 February 2001 for spare parts of T-55 tanks.
- The company letterhead stated that it had offices in Moscow, Yugoslavia, and Jordan.

Although Sattam Hamid Farhan Al-Gaod has admitted to an Iraqi who was interviewed by ISG that he would smuggle oil out of Iraq and foodstuffs into Iraq in violation of the UN OFF agreement, he has stated that he believed this to be legitimate business. According to the interviewee, it was unnecessary to alter the packaging of the goods to conceal the true nature of the contents, because it was only food. ISG judges that Al-Gaod's statements have routinely been designed to overly downplay his role in the former Regime.

#### **Sattam Al-Gaod's Relationship With the IIS.**

Al-Gaod has denied being involved in the IIS, while other sources have claimed that he was an active member at least since 1993.

- His brothers, Abd al-Salam Farhan Al-Gaod, Abd al-Salam Farhan al-Gaod, Abd al-Salam Farhan al-Gaod, and Najib Hamid Farhan al-Gaod were all members of the IIS.
- Sattam Hamid Farhan Al-Gaod was able to use his connections with the IIS to import items prohibited by the UN, including chemicals.

*The IIS frequently used businessmen with international connections to import goods, including nonmilitary goods, into Iraq.* Al-Gaod associates suspected he had IIS links based on a number of factors.

- A high-level government official observed that Al-Gaod must have had government contacts to avoid Regime interference. He believed Al-Gaod was in the IIS because he was not a Ba'ath Party member and was not in the government, yet he was a "powerful man."

- The source asserted that, generally, IIS connections allowed Iraqi businesses to contact the best suppliers in other countries to obtain sanctioned items.

#### **Al-Handal General Trading Company**

*Closely tied to Saddam's family and to the IIS, the firm Al-Handal Trading received preferential treatment in the issuance of Iraqi procurement tenders. The head of the firm, Wadi al-Handal, has established several subsidiary companies under the firm to facilitate acquisition of sensitive goods for Iraq.* All of the Al-Handal connections are based in Baghdad.

The Al-Handal General Trading Company was established originally in Dubai to import car parts and accessories into Iraq, but in the wake of the Gulf war, Wadi al-Handal quickly recognized that broadening his business line could make enormous profits. Wadi established several subsidiary companies under Al-Handal (see Figure 53). The company used two primary means to move proscribed equipment into Iraq. The first was using ships leaving Dubai, and smaller items were carried on board in personal luggage and off-loaded in Basrah. Al-Handal had at least one vessel berthed in Alhamriya Port, Dubai. Wadi's preferred method was to use his brother in Amman, Sabah al-Handal, who owned a plastic pipe company. Equipment would be delivered to Sabah's company, be labeled as plastic pipe or related equipment, and then shipped onward into Iraq overland.

- Al-Huda is the main holding company for Al-Handal General Trading.
- Al-Huda is the mechanism Wadi used to establish and control other front companies, and much of the firm's acquisition business was conducted through Al-Huda.

There are at least three different front companies in Iraq that use the name Al-Huda. Al-Huda Religious Tourism Company is an unrelated, well-known IIS front that oversees and monitors tourists coming into Baghdad to visit holy sites. Another Al-Huda company was owned by 'Uday Saddam Husayn al-Tikriti. According to a cooperative source, the company, however, *Al-Huda Industrial Holdings, owned by Wadi al-Handal, made use of the similar-*

Al-Huda-related companies in Dubai and elsewhere in the UAE	
Company	Role in Acquisition
Al-Handal General Trading Company	
Al-Handal Auto Spare Parts Trading Company	Established originally in Dubai to import car parts and accessories into Iraq.
Al-Huda Industrial Holdings	The main holding company for Al-Handal General Trading and it is the mechanism Wadi used to establish and control other front companies. Managed by Hardan Al-Handal, Wadi's brother.
Al-Thuraya Industrial Holding Company	
Al-Jawhara Al-Khalijeya Trading Company	
Dien Prof Russian Industrial Holding Company	
Sensorika International Company	
Nawat Trading Company	
Mamoot Trading	
Nautel Engineering	

Figure 53. Al-Huda-related companies in the UAE.

*ity in the names to the company's benefit. Reportedly, al-Handal used these "IIS ties" to intimidate competitors in Baghdad and may also have used the perception that he was associated with the IIS while competing with other companies for contracts.*

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## Supplying Iraq With Prohibited Commodities

### Overview

*Despite UN sanctions, many countries and companies engaged in prohibited procurement with the Iraqi regime throughout the 1990s, largely because of the profitability of such trade.*

- Private companies from Jordan, India, France, Italy, Romania, and Turkey seem to have engaged in possible WMD-related trade with Iraq.
- The Governments of Syria, Belarus, North Korea, former Federal Republic of Yugoslavia, Yemen, and possibly Russia directly supported or endorsed private company efforts to aid Iraq with conventional arms procurement, in breach of UN sanctions.
- In addition, companies based out of the following 14 countries supported Iraq's conventional arms procurement programs: Jordan, the People's Republic of China, India, South Korea, Bulgaria, Ukraine, Cyprus, Egypt, Lebanon, Georgia, France, Poland, Romania, and Taiwan.
- The number of countries and companies supporting Saddam's schemes to undermine UN sanctions increased dramatically over time from 1995 to 2003 (see figure 54).
- A few neighboring countries such as Jordan, Syria, Turkey, Egypt, and Yemen, entered into bilateral trade agreements with Iraq. These agreements provided an avenue for increasing trade coordination and eventually led to sanctions violations.

The countries supporting Iraq's illicit procurement changed over time. These changes reflected trends based on Saddam Husayn's ability to generate hard currency to buy items and the willingness of the international community to criticize those countries selling prohibited goods to the Regime. The following sections addressing each country have been grouped according to when evidence indicates they began supporting Saddam's illicit procurement programs.

## Procurement Suppliers During the Decline Phase, 1991 to 1996

ISG has identified entities from three countries that began supporting Iraq with illicit procurement during the post-Gulf war "decline" phase in the Regime: Romania, Ukraine, and Jordan. Romania and Ukraine had just emerged from the Soviet bloc with an excess of military hardware and expertise and a need for hard currency. Jordan, which profited primarily from allowing transshipment, argued that Iraq was a major trading partner before 1991 and trade with Iraq was a necessity.

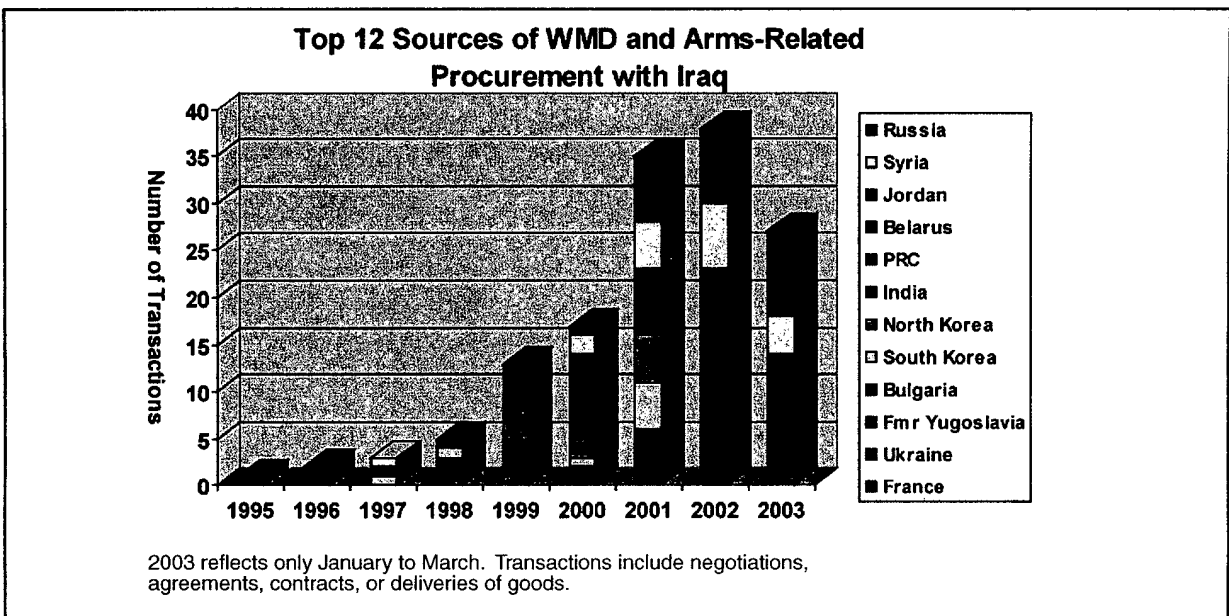
### Romania

According to a high-level official of the former Iraqi regime, trade between Iraq and Romania flourished during the Ceausescu era (1965 to 1989). The IIS had an active presence in Romania throughout this period and MIC engineers were active in procurement programs directed from the Iraqi Embassy in Bucharest.

- In the mid-1990s, reporting indicated that the Iraqi MFA and MIC were both interested in changes to Romanian export controls over nuclear, biological, and chemical weapons and their associated technologies.

According to documents identified by UNSCOM in Operation Tea Cup, Iraq reestablished a procurement relationship with the Romanian firm Aerofina in February 1994. The Iraqis and Romanians conducted two to three delegation visits between Bucharest and Baghdad to discuss sending Romanian missile experts to Iraq to assist with design and guidance control problems in the Al Fat'h missile, later called the al Samud, and to obtain missile parts and related raw materials.

- By August 1994, several procurement contracts had reportedly been signed.
- In November 1995, the Iraqis sent a letter to Aerofina requesting that the missile repair part shipments be temporarily stopped due to concerns over the quality of the goods.



**Figure 54.** Top 12 sources of WMD and arms-related procurement transactions with Iraq.

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### **UNSCOM's Operation Tea Cup (1995 to 1998)**

From 1995 to 1998, UNSCOM inspectors conducted "Operation Teacup," a sting operation designed to reveal Iraq's efforts to procure prohibited military and WM-related goods.

- *The operation was launched after the defection of Saddam's son-in-law, Husayn Kamil, in 1995. Thousands of WMD-related documents were captured by the UN at Husayn Kamil's chicken farm, including the al Samud contracts (see the Husayn Kamil and The Saga of the "Chicken Farm" Documents insets in the Regime Strategic Intent chapter.)*
- *As a result of this sting mission, the UN videotaped Iraqi buyers (including Dr. Hashim Halil Ibrahim Al 'Azawi) negotiating with Romanians for prohibited gyroscopes.*

- 
- As a result of UNSCOM's operation (see inset), the Romanian Government acknowledged in 1998 that Aerofina sold Iraq weapons parts in 1994 via *an intermediary company in Jordan.*

According to a source with good access, a *Romanian source provided analytical equipment and testing for SG-4 tank gyroscopes and gyroscopes intended for missile applications to Iraq in the late 1990s.* This equipment may have been used to ascertain the quality of illicitly imported gyroscopes because Iraq could not manufacture them domestically. The name of the Romanian supplier was not specified.

In March 1998, Iraqi intelligence conducted an operation to smuggle weapons and military equipment from Romania in violation of UN sanctions, according to a reliable source. Walid al-Rawi, an IIS agent stationed in Romania, was sending pictures of tanks and military equipment available for sale from Romania back to Baghdad. An Iraqi diplomatic pouch was used to transfer the photographs. There is no further information concerning the type, number, or source of the conventional military goods purchased.

- Al-Rawi used Qatar and Dubai in the United Arab Emirates (UAE) as transshipment points for the

illicit goods. Bribes were used to circumvent customs inspections at ports.

Al-Rawi obtained financing for the military goods by requesting money from Baghdad. If approved, the cash was reportedly sent to Romania via Geneva.

*According to captured documents, Romania's Uzinexport SA was contracting in October 2001 to provide Iraq with equipment, machinery and materials linked to a magnet production line for an Iraqi V-belt drive project.* This company worked with a mix of Iraqi front companies and intermediaries that were representing the MIC, the Iraqi lead for the project. The magnets— assembled by the Iraqis with Romanian help— could have been suitable for systems used to spin gas centrifuge rotors for the enrichment of uranium. Although there is no evidence that the magnets were employed in the production of gas centrifuges, the capability to indigenously produce magnets would have allowed Iraq to maintain knowledge and skill-sets in this area.

- The various front companies and trade intermediaries involved in the project included the Jordanian branch of the Iraqi firm Al-Sirat, the Jaber Ibn Hayan General Company, the Aa'ly El-Phrates company, and the Ali Al-Furat Trading Company. Jordan may have been used as a transshipment point for the magnet technology.
- Captured documents indicate that the total sum of the contract awarded to Uzinexport for the V-belt project was \$4,607,546. This was paid though a combination of cash, letters of credit, oil, and raw materials.

### **Ukraine**

Ukraine was one of the first countries involved in illicit military-related procurement with Iraq after the first Gulf war. *Iraqi delegation visits to Ukraine were first evident in 1995. These visits were reciprocated in Iraq from 1998 to 2003. The highest-levels of the Ukrainian Government were reportedly complicit in this illicit trade as demonstrated by negotiations conducted in regard to the sale of a Kolchuga anti-aircraft radar system to Iraq in 2000.* In addi-

tion, Ukrainian state and private exporting companies independently facilitated the transfer of prohibited technologies and equipment, mainly in the missile field, to the embargoed Regime.

According to IIS memos to the Iraqi Embassy in Kiev, Ukraine, was an important political ally for Iraq. After the initial business contacts in the mid-1990s, the government of Iraq embarked in a diplomatic exchange with Ukraine in 2001. ISG judges that Saddam's goal with this relationship was to gain access to Ukraine's significant military production facilities, including a large portion of the former Soviet space and rocket industry.

- The recovered IIS memos further indicated that the former MIC Director Huwaysh visited Ukraine in 2002 hoping to develop a closer industrial partnership.
- By 2001, the commercial exchange between the two countries reached \$140 million. Captured documents indicate that Iraq strove to make "sure that the Ukrainian share from the oil for food program [got] bigger" to encourage further trade between the two countries.

ISG has recovered further documentation disclosing representatives from Ukrainian firms visited Iraq to coordinate the supply of prohibited goods from the early 1990s until on the onset of OIF. Information supplied by an Iraqi scientist indicates that Iraqi delegations visited Ukraine in 1995.

- By 1998, the Iraqi Al-Karamah State Establishment hosted numerous visits from Ukrainian suppliers seeking contracts assisting Iraq with its missile program.
- Mr. Yuri Orshansky, from the Ukrainian Company MontElect, led the Ukrainian visits. Orshansky's relationship with Iraq began in September 1993 when he arrived in Baghdad accompanied by Dr. Yuri Ayzenberg from the Ukrainian firm Khartron, a known company with missile guidance system design capability. Within 2 months, an Iraqi delegation reciprocated the visit to Ukraine.

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#### ***Professor Yuri Orshansky and the MontElect Company***

*Yuri Orshansky, a professor of electronics and director of the Ukrainian MontElect Company, was the key facilitator between Saddam's Regime and Ukraine.*

- *He was a member of the Iraqi Ukrainian Committee for Economic and Trade Cooperation.*
- *In December 2000, he was made an honorary consul for Iraq in Kharkov.*
- *For his efforts, Orshansky was awarded 1.5 million barrels of oil by Taha Yasin Ramadan. From 1998 to 2000, he also received more than 6 million barrels from Saddam via the secret oil voucher system. Iraq's State Oil Marketing Organization (SOMO) estimated that Orshansky earned about \$1.85 million in profit from these gifts (refer to the Known Oil Recipients, Annex B).*

*Between 1993 and 1995 Orshansky traveled to Iraq at least six times. During this period, Iraq sent at least four delegations to Ukraine.*

*Orshansky continued to visit Iraq in 1998 to 2003 and, through his company MontElect, he transferred a range of equipment and materials to the Al-Karamah State Establishment including:*

- *Engines for surface-to-air Volga 20DCY missiles in 2001.*
- *300 liquid fuel motors to be used in al Samud I missiles.*
- *According to a former Iraqi government official, Iraq also signed a contract for Orshansky to design and build a plant to produce tiethylamine (TEA) and xlidene—the two components of TEGA-02 (missile fuel).*

- 
- While in Ukraine, Orshansky, Ayzenberg, and General Naim (the head of Iraq's Scud missile guidance program) executed a "protocol" amounting to an outline of future cooperation between the parties for missile-related technologies.

- The technology included guidance components for surface-to-air missiles, assistance in the development of batteries for the latest antiaircraft missiles, providing equipment for missile research and possibly assisting in the establishment of a college for training of missile expertise.
- Cooperation was initiated by Iraq requesting quotes on a test stand for rocket motors, a series of gyroscopes and accelerometers for missile-guidance systems and high precision machine tools for manufacturing missile components.

In 2000, Ukraine-Iraq relationship became public-knowledge when the Ukrainian Government was implicated in selling Iraq a Kolchuga antiaircraft radar system. President Leonid Kuchma was accused of personally approving the Kolchuga sale, worth \$100 million, via a Jordanian intermediary.

- Evidence of Ukrainian Government complicity in the sale to Iraq was based on a secret 90-second audio recording made 10 July 2000 by Mykola Melnychenko, a former counter-surveillance expert in a department of the Ukrainian Security Service (SBU), according to press reports. The recorded conversation involved President Kuchma, Valery Malev, the head of Ukspectsexport, a state export agency, and Leonid Derkach, the former SBU Chairman. Kuchma allegedly authorized Derkach to export 4 Kolchuga radar systems to Iraq via Jordan. Kuchma also gave Malev permission to bypass export controls for the deal.
- Initially, Ukrainian Government denied the allegations but then changed its position on the issue several times. First, it denied that the meeting had ever taken place. Later it admitted that the meeting had taken place and that President Kuchma had authorized the sale, but argued that the sale had not been completed. (No Kolchugas have been found in Iraq.)
- It is interesting to note that the Government of Ukraine lifted export restrictions on Kolchuga radars four days after Kuchma authorized the sale to Iraq. After this deal, Ukraine and Iraq signed a trade and technical cooperation agreement in October 2000. Ukraine parliament ratified the agreement in November 2001.

The Iraqi IIS, MIC, and the associated MIC front companies also acquired military-related goods from Ukraine. According to information obtained in an interview with the former MIC Director 'Abd al-Tawab Mullah Huwaysh:

- In 2001, the IIS purchased five motors for unmanned aerial vehicles (UAVs) from the Ukrainian company Orliiss for the MIC and Ibn Fernas. The Orliiss company representative was by a female physician named Olga Vladimirovna. The motors were allegedly transported from Ukraine to Iraq via Iraqi diplomatic pouch.
- In another instance an "Olga" (most likely Ms. Vladimirovna from Orliiss) was known to have assisted the MIC with a carbon fiber filament winding and insulating material project. She was also the point of contact, in late 2002, for a contract with an unspecified Ukrainian supplier for missile engines and gyroscopes, but none of these items were ever delivered. The MIC only received some models of the gyroscopes.

Figures 55 and 56 further illustrate the activity between the MIC, and the MIC front companies such as ARMOS, and Ukrainian military supply companies in 2002.

In addition to gyroscopes and motors, Iraq sought missile fuel from private Ukrainian companies. Huwaysh stated that Iraq approached Ukraine for diethylene triamine (DETA) and AZ-11 (a mixture of 89 percent DETA and 11 percent UDMH). The MIC intended to use the fuel for the HY-2 missile system. Iraq reportedly had approximately 40 HY-2 missiles but only had sufficient fuel for 15 of them. Iraq, however, never received either the AZ-11 or its components.

By 2003, recovered documents and intelligence indicate that the ARMOS Trading Company was playing a greater role an intermediary between Iraq and Ukraine. ARMOS was a joint venture with a Russian company established by MIC to import technology and assist in the acquisition of materials and equipment for MIC and other Iraqi ministries.



14.04.2002

ARMOS TRADING CO  
DR. SUHAM EL-DEEN KILOURI ALL  
DIRECTOR

DEAR DR. SUHAM,

IN ACCORDANCE WITH OUR OFFER NO. 53/2 OF 18.10.2001 FOR SUPPLY OF OPTICAL DEVICES, I WOULD LIKE TO REMIND YOU THAT THE PRICES, LISTED IN THE OFFER, DO NOT INCLUDE THE PAYMENT FOR THE SERVICES OF SYRIAN COMPANY, THAT SHALL BE NOMINATED BY THE CUSTOMER.

THE ABOVE SERVICES SHALL INCLUDE THE FOLLOWING:

- TRANSPORTATION OF THE GOODS FROM SYRIAN PORT TO BAGHDAD;
- COVERING CONTRACT WITH SYRIAN COMPANY;
- CERTIFICATE OF END USER, ISSUED IN STRICT ACCORDANCE WITH THE INTERNATIONAL REGULATIONS.

(KINDLY BE INFORMED, THAT THE END USER CERTIFICATE AND THE COVERING CONTRACT ARE NECESSARY CONDITIONS FOR EXPORT OF SUCH GOODS FROM UKRAINE)

ALL RISKS AND EXPENSES AND FULL RESPONSIBILITY FOR CARRYING OUT OF THE OBLIGATIONS OF THE ABOVE-MENTIONED SYRIAN COMPANY SHALL BE BORNE BY THE CUSTOMER. THE CONTRACTOR IS READY TO PAY 3% OF THE TOTAL CONTRACT AMOUNT FOR THE ABOVE-MENTIONED SERVICES, AND BEARS NO RESPONSIBILITY FOR THEIR CARRYING OUT.

BEST REGARDS



SERGEY SEMENOV,  
AUTHORIZED REPRESENTATIVE  
OF **MONTELECT GROUP**

*Figure 55. A document, dated April 2002, showing trade between ARMOS Trading and MontElect, signed by Sergey Semenov from MontElect.*

OS TRADING CO.  
DR. SUHAM EL-DIBIN KHAURI ALI  
DIRECTOR

08.02.2002  
REF.: DELIVERIES IN FRAMES OF IRACI-SYRIAN PROTOCOL

DEAR DR. SUHAM,

MAY I USE THIS OPPORTUNITY TO EXPRESS YOU MY HIGHEST CONSIDERATION.

I HAVE TO INFORM YOU, THAT OUR NEGOTIATIONS WITH SYRIAN COMPANY, WHICH CAN SECURE THE TRANSPORTATION OF GOODS UNDER OUR CONTRACTS, SHOWED THAT THE PRICE OF SUCH TRANSPORTATION IS VERY HIGH, AND CARRYING OUT OF SUCH DELIVERIES WOULD BRING LOSSES TO OUR COMPANIES. SO WE KINDLY ASK YOU EITHER TO INCREASE THE PRICES FOR ALL THE DELIVERIES UNDER OUR CONTRACTS FOR 20%, OR IF IT IS IMPOSSIBLE TO INCREASE THE PRICES, TO CHANGE THE BASIS OF DELIVERIES FOR C.I.F. TARTUS.

BEST REGARDS,  
*Semenov*  
DR. SERGEY SEMENOV,  
AUTHORIZED REPRESENTATIVE

Figure 56. A recovered document signed by Semenov (tied to MontElect in Figure 55) discussing the Syrian Protocol with ARMOS in August 2002.

- ARMOS specialized in bringing both Russian and Ukrainian experts into Iraq and represented Russia and Ukraine during business transactions, mainly for the financing of military goods transactions (See the MIC Front Company section for further details on ARMOS).
- Documents indicate that ARMOS and MontElect were involved in offers of military equipment for Al-Karamah in January 2003. Signatures on the recovered documents implicate ARMOS, Al-Karamah, Sa'ad General Company, the Trade Office of the MIC, and Dr. Sergey Semenov of MontElect. The documents also revealed the use of Syrian transportation companies and use of the Iraqi-Syrian Protocol to facilitate the transaction. Iraq made two payments of \$405,000 for the equipment.

#### **Jordan**

Jordanian companies performed a variety of essential roles from 1991 through 1999 that aided and abetted Iraq's procurement mechanism: transportation hub, financial haven, one of several illicit revenue sources, and overall illicit trade facilitator (see the Trade Protocol section). Firms from Jordan facilitated the transshipment of prohibited military equipment and materials to the Iraqi Regime. Iraqi front companies conducted the vast majority of this illicit trade. This trade included the following:

- Captured documents reveal that a company called Mechanical Engineers and Contractors shipped missile parts to Iraq. Payment was made through the Jordan Investment and Finance Bank according to the guidelines established by the Iraq-Jordan Trade Protocol.
- A high-level former Iraqi government official stated that during 2002, compressors used in nitric acid production and Russian missile control systems destined for MIC front companies were shipped through Jordan.
- A \$50 million contract was signed for the Iraqi Electricity Commission in 2002, for the purchase of Russian-made cables designed to withstand explosions.

Multiple sources indicate that the former Iraqi Regime also received offers from Jordanian companies for items such as global positioning system (GPS) equipment, metrological balloons, gyroscopes, video gun sights, electronic countermeasures equipment, and communications equipment.

- In February 2003, Iraq's Abu Dhabi Company sought to purchase a large quantity of field telephones and some frequency hopping radios from Jordan.
- In February 2003, Iraq's Orckid General Trading Company sought details of solid-state gyroscopes available through a Jordanian company. High performance gyroscopes can be used in UAVs, avionics and platform stabilization.
- The Iraqi firm Al-Rabaya for Trading in Baghdad contracted with a Jordanian firm, for US manufactured GPS equipment. The parties of the contract were identified as Munir Mamduh Awad al-Qubaysi, Managing Director of Iraq's Al-Basha'ir Trading Company, and Dr. Sa'di 'Abass Khadir, Director General of the Al-Milad General Company, companies run by the MIC.

*The Al-Eman Investment Group employed many private subsidiaries to procure goods through Jordan for Iraq.* An Iraqi businessman with direct access to the information affirmed that both the UN OFF program and the trade Protocol were used as mechanisms for conducting illicit trade. Al-Eman's Vice President, Karim Salih, also acquired Al-Samud missile engine parts for the MIC.

- Iraqi businessmen stated that the Al-Eman Establishment conducted business with many Iraqi ministries and was a critical component of the Iraqi illicit procurement apparatus.
- According to an Iraqi businessman with extensive Regime contacts, a Jordanian company, with offices in Amman and Baghdad, delivered engine spares for turboprop trainer aircraft owned by the Iraqi military. This Middle Eastern firm also dealt with the Iraqi Ministry of Information and the MoT, and had extensive contacts with the Iraqi CA in the Iraqi

Embassy to Jordan in Amman. The firm did not manufacture goods; it simply acted as a broker for Iraq.

- The MIC procured banned items with the assistance of the Iraqi CA in Jordan. In 2000, a former high-ranking Iraqi official stated that a payment of \$2.275 million was made to a Lebanese company for BMP-2 (armored vehicle) 30-mm cannon barrel-manufacturing technology. This technology originated with an arms firm called Yugoimport-FDSP, a firm based in the former Federal Republic of Yugoslavia known for violating UN sanctions on Iraq.

**Methods Used To Hide Illicit Procurement via Jordan.** According to a high-level source from the Al-Eman network, the Jordanian Government aided Iraqi efforts to conceal its illicit trade activity through its decision announced in October 2000 to terminate an inspection agreement with Lloyd's Registry. This agreement, in force since 1993, permitted Lloyd's to inspect only non-OFF goods coming through the Port of Aqaba. All OFF goods were monitored at all points of entry. Lloyd's, however, was not required to report illicit cargo (see Ministry of Transport section).

- An Iraqi customs official with direct access believed that the IIS operated several front company offices at the Turaybil checkpoint on the Iraq-Jordan border. These included Al-Etimad and Al-Bashair. Any goods destined for these companies received special treatment at the border.

A Jordanian businessman with extensive business contacts with the former Iraqi Regime asserted that official Jordanian approval was required for all trade with Iraq. Individual shipments had to be approved by the Jordanian security committee; the goods were sometimes photographed. Fawaz Zurequat, a possible Jordanian intelligence officer, who may have been imprisoned after 1999 because of his involvement with trading with Iraq, was a key Jordanian contact in this process.

- An Iraqi customs official believed that the trade with Jordan was very useful for acquiring prohibited goods, particularly vehicles and computers. The Iraqi Directorate of Military Intelligence (DMI) had two shipments per week through Turaybil after 2000—Iraqi customs officials were not permitted to check these goods.

**Transport Routes for Procurement via Jordan.** Iraq had formal agreements with Jordan during the 1990s. Jordan was the primary route through which Iraqi material moved. The IIS had a presence at key Jordanian transport nodes.

- Abdul Karim Jassem (Abu Lika) was the IIS representative at Al-Aqaba Port for three years until OIF.
- Turaybil on the border of Iraq and Jordan was the main entry point for illicit trade. A former high-ranking government official asserted that the IIS, DMI, and the Directorate of General Security had large offices there and enjoyed close liaison relationships with their Jordanian intelligence counterparts. Maj. Gen. Jihad Bannawi was head of the IIS section at Turaybil.
- Al-Eman had its own shipping division to transport goods to Iraq. It shipped goods through the Jordanian, Syrian, and Turkish official border checkpoints according to an Iraqi businessman, the supplier shipped goods through Aqaba Port or Amman airport.

**Financing Procurement via Jordan.** After 1999, the most important Jordanian contribution in assisting Iraq's illicit procurement apparatus was access to Jordan's financial and banking systems. An Iraqi businessman assessed that before 1996, 95 percent of Iraqi trade was conducted through Jordanian Government-run banks. After 1996, Jordanian banks handled only 30 percent of that trade, mostly from Russia. Document exploitation reveals that the Central Bank of Iraq (CBI) and the Iraqi SOMO provided the funds to Jordanian banks, which were spent by MIC, Iraqi front companies, Iraqi intelligence organs, and the commercial and military attachés present in the Iraqi Embassy in Jordan.

The MIC maintained bank accounts in Jordan for the purpose of making foreign purchases. A senior executive in the MIC confirmed that the MIC Minister, Abd-al Tawab Mullah Huwaysh, directed the opening of accounts in Jordan. These accounts were in the name of the Iraqi CA in Jordan, Selman Kadurm Abd Ghidau, and an unidentified accountant. The accounts were at five different Jordanian banks, but most of the money was deposited at the Al-Ahli (or Jordan National Bank) (see the Revenue section and the Banking section).

### **Procurement Suppliers During the Recovery Phase, 1996 to 1998**

After the onset of limited trade under the OFF program, during the "recovery" phase, the Regime was better suited to offer either oil or cash for its procurement needs. ISG has identified companies in the following seven additional countries willing to engage in unsanctioned trade with Saddam during this phase: Syria, Turkey, South Korea, China, France, the former Federal Republic of Yugoslavia, and Bulgaria. Syria began to emerge as a primary transshipment and procurement facilitation partner, although Turkey served as a transshipment point, presumably focusing on consumer goods via its trade Protocol with Iraq. South Korean private firms traded in high technology items such as computer and communications equipment. Companies from China and France began negotiating for key equipment sales in this period. The former Federal Republic of Yugoslavia and Bulgarian firms may have been willing to risk international scrutiny from trading with Iraq due to the lure of high profits, lack of effective government oversight, and government corruption in the wake of the collapse of the Warsaw Pact.

#### **Syria**

*Syria was Iraq's primary conduit for illicit imports from late 2000 until OIF.* Under the auspices of the Iraq-Syria Protocol, Iraqi ministries and other entities would sign contracts with Syrian companies for goods

and services prohibited by the UN OFF program. SOMO databases show that *Iraq signed contracts worth \$1.2 billion, with payment dates from October 2000 through April 2003.* These contracts relate to Iraq's imports financed from SOMO accounts under the Iraq-Syria Trade Protocol. The funds most likely came from the protocol credit account controlled by SOMO.

Military and security entities openly contracted with Syrian companies under the auspices of the Iraq-Syria Trade Protocol, according to the SOMO database.

- The MIC, MoD, and the Presidential Diwan (the latter acting on behalf of the IIS, RG, and Military Intelligence Division) contracted for \$284 million worth of goods—24 percent of the total procurement noted.
- Of this \$284 million, 60 percent (\$169 million) was signed with one company, SES International. When all Iraqi procurement entities are included, SES signed contracts worth a total of \$187 million. Although the SOMO database does not include specific information about the goods contracted for, the beneficiary companies listed include MIC research centers and manufacturing companies.
- *The MoT and the MoTC imported goods for the MoD and the security forces according to the SOMO database.* The MoT imported goods valued at \$2.9 million and the MoTC imported goods valued at \$8 million for the MoD. The MoT and MoTC contracted for an additional \$9.9 million in goods for Iraq's Military Intelligence Division, General Security Division, and General Police Division.
- The MoT often acted on behalf of other entities, including security and research entities such as the MIC and the IAEC, according to a former senior Iraqi government official. The MoT accounted for 25 percent of the imports from Syria listed in the SOMO database. It is possible some of the MoT transactions not specifically mentioned as being on behalf of MoD or security forces aforementioned also were destined for Iraqi security, industrial, and research facilities. How much of these other MoT

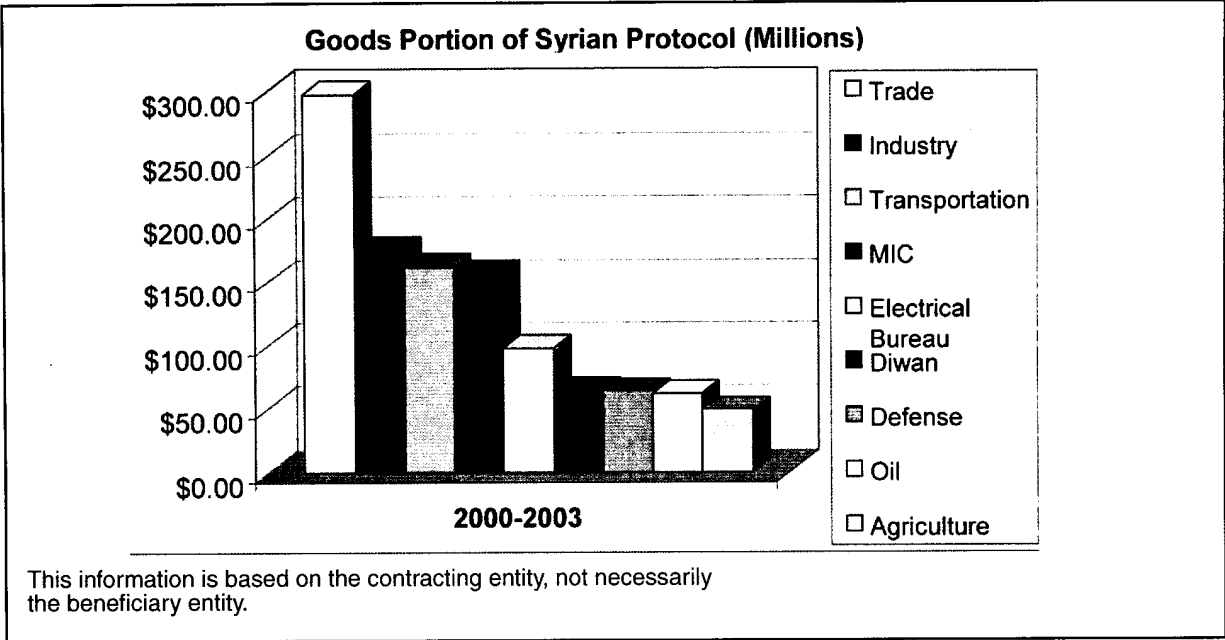


Figure 57. Allocation of the goods portion of the Syrian Protocol, 2000-2003.

imports may have been destined for these end users is not known. The SOMO database does not mention any MIC transactions that were not explicitly contracted for by MIC (see Figure 57).

*Most of Iraq's military imports transited Syria by several trading companies, including some headed by high-ranking Syrian government officials, who competed for business with Iraq.* Syrian traders were often paid under the auspices of the Syrian protocol, a government-to-government agreement, according to multiple sources. According to a captured letter dated 2 March 2002 and written on the letterhead of a MIC front company, Al-Basha'ir, a former MIC Deputy Director stated that the North Korean Tosong Trading Company would "be financed according to the Iraqi-Syrian Protocol...through SES International."

- The Central Bank of Syria was the repository of funds used by Iraq to purchase goods and materials both prohibited and allowed under UN sanctions.

- According to the MIC Director Abd al-Tawab Mullah Huwaysh, Syrian traders who imported weapons and materials for Iraq worked extensively with MIC front companies. The Syrian traders were also required to share their profits with the other traders. The owner of the Syrian trading company SES, for example, frequently complained that he had to give up too much of his profits to the other traders.
- Dhu al-Himma Shalish, head of Syrian Presidential Security and a relative of Syrian President Bashar al-Asad, owned the SES International, and were heavily involved in the Iraqi weapons trade, according to a source with direct access.
- Dhu al-Himma's nephew Assif Shalish managed SES and its subordinates.

***SES International reportedly was the primary facilitator for the transshipment of weapons and munitions, as well as many other goods purchased outside of UN channels, through Syria to Iraq.*** ISG judges that this close relationship may have been based, in part, on Dr. Shalish's personal friendship with the former Presidential secretary, 'Abd Hamid Mahmud al-Tikriti. According to captured SOMO records, half of the goods paid for by the MIC through the goods component of the Syrian protocol between March 2000 and 2003 went through SES.

- According to those deals recorded in the SOMO records, SES transactions during this period amounted to \$86.4 million.
- According to an interviewee, SES officials did not participate in any negotiations between Baghdad and the supplier and were not privy to the details of the contracts signed between these entities.
- Dr. Asif Shalish traveled to Baghdad to coordinate shipments of weapons and sometimes received cash payments. At other times, the Iraqis reimbursed Shalish by transferring funds from their overseas accounts to an SES account in Syria.

***Syrian Government Complicity. Syrian front companies had links to high-ranking government Syrian officials because Syria became the primary route for Iraq's illicit imports over the last two years before OIF.***

- Asif Shawkat, the deputy director of Syrian Military Intelligence, was involved in weapons trade with Iraq, according to a high-level Iraqi official. Shawkat is the brother in law of Syrian President al-Asad. Multiple reports indicate that Shawkat's brothers, Mufid Makmud and Muhammad Mahud, managed his smuggling business.
- The Al-Mas Group, one of the Syrian companies that worked with the MIC, is owned by Firas Mustafa Tlas, son of the former Syrian Defense Minister Mustafa Tlas. The Al-Mas Group was composed of six companies that officially handled civilian goods but also dealt in weapons and military technology. In middle to late 2002, Firas Tlas represented his

father in a deal to sell weapons to Iraq, possibly including missiles with a range of 270 km, according to Huwaysh.

- A Syrian named Ramy Makluf, another relative of Bashar al-Asad, reportedly owned the Nurallah Company, another firm that worked with the MIC. Makluf was involved in an effort to procure IGLA man portable air defense systems, Kornet antitank guided missiles, rocket-propelled grenades (RPGs), heavy machine guns, and 20 million machinegun rounds for delivery to Iraq, according to a high-level Iraqi official. The contract for the delivery of these munitions was signed in 2002 with a six-month delivery deadline, but the war intervened before the delivery.

According to captured documents, the Iraqi MIC, and the Ministries of Trade, Defense, Industry, Transportation and Communication, and the Presidential Offices (Diwan) signed contracts with the Syrian front company, SES International Corporation, valued at approximately \$186 million starting from December 2000 to March 2003. This figure differs markedly from the amount reflected in the SOMO records mentioned earlier. This particular document also indicates the degree of regularity under which these transactions occurred between Iraq and the Syrian company. ***SES signed 257 contracts with various Iraqi ministries during the three-year period.*** The document also reflects how the Iraqi ministries signed the contract with SES for a beneficiary company or other government organization.

- For example, the MoD signed one \$185,780 contract with SES for the Presidential Office; the MIC signed another \$1 million contract with SES for the Al-Qadisiyyah State Company.

#### **Turkey**

***Although not a direct source of illicit military goods, Turkey provided Iraq with significant revenue streams that permitted the Iraqi Regime to fund its illicit procurement activities.*** In addition to the UN OFF program, Turkey signed a trade protocol that provided substantial monetary and material resources for Iraqi state institutions and procurement authorities.

Since 1991, *Iraqi-Turkish trade revolved primarily around the Turkish import of Iraqi oil products outside the UN OFF Program.* Iraqi oil sales to Turkey were substantial. For instance, in March 2002, Iraq exported between 40,000 and 80,000 barrels of oil per day (bbl/d) to Turkey using approximately 450 to 500 Turkish trucks to transport the oil and oil products in spare fuel tanks. In February 2003, in the prelude to the war, this trade came to a halt. Illicit trade between Iraq and Turkey was built on the foundations of pre-Operation Desert Storm trade—Turkey had traditionally been one of Iraq's biggest trading partners. This was formalized by a trade agreement signed by the two governments in 1993 and their other trade agreement, the Iraq-Turkey Trade Protocol, in 2000.

*Turkey was a secondary conduit for illicit purchases of civilian goods from 2000 until OIF.* Under the auspices of the Iraq-Turkey Trade Protocol, Iraqi ministries and other entities would sign contracts with Turkish companies for goods and services prohibited by the UN's OFF program. Information from a SOMO database shows that *Iraq signed contracts worth almost \$304 million, with payment dates from April 2000 through April 2003.* These contracts reflect Iraq's imports financed from SOMO accounts under the Iraq-Turkey trade Protocol. The funds most likely came from the protocol credit account controlled by SOMO. The CBI controlled the funds from the protocol cash account. ISG does not know if there were other expenditures for imports through Turkey from other SOMO or non-SOMO accounts (see Figure 58).

The MIC was the only military or security entity that openly contracted with Turkish companies under the auspices of the Iraq-Turkey trade Protocol, according to the SOMO database.

- *The MIC contracted for \$28 million worth of goods—9 percent of the total procurement noted.*
- Of this \$28 million, 137 contracts were signed with at least 24 different companies. The single largest Turkish supplier seems to be Ozgin Cinko Bakirve Metal Mamulleri, Imalat Sanayi, although the name

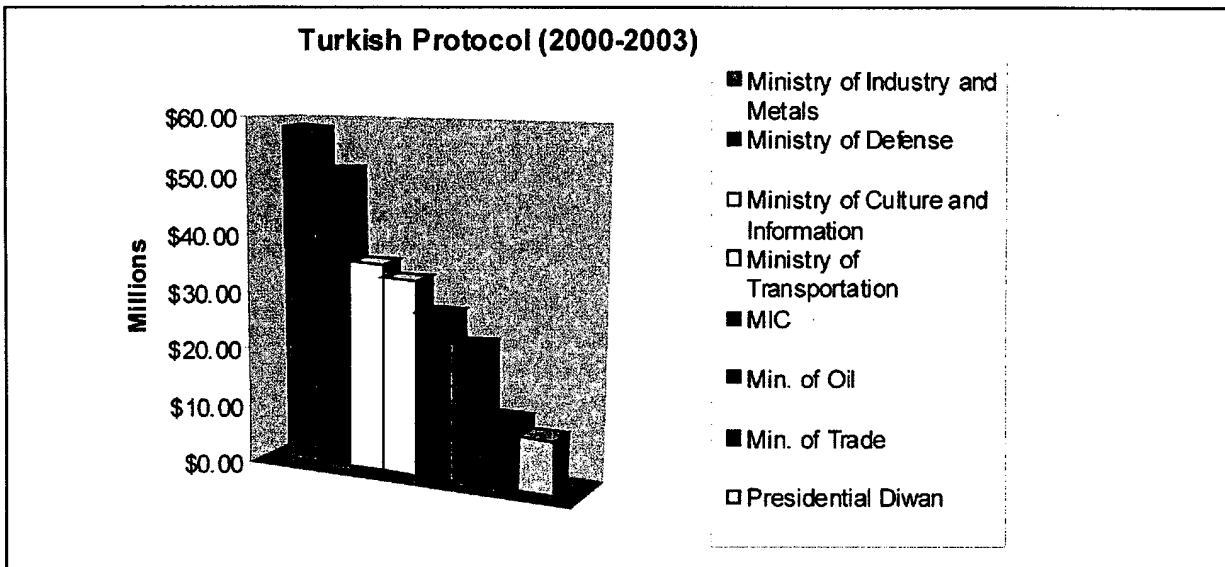
was listed in seven different ways. This company accounted for a total of 30 contracts with MIC worth over \$10 million—36 percent of MIC's total contract value. Although the SOMO database does not include specific information about the goods contracted for, the beneficiary companies listed include MIC research centers and manufacturing companies.

- *In contrast to Iraq's arrangement with Syria, the MoD did not import goods from Turkey under its own name. It did, however, import goods through the Ministries of Trade and Transport, according to the SOMO database.* The MoT imported goods valued at \$2.7 million (10 percent of its total contracts) and the MoTC imported goods valued at \$48.9 million (59 percent of its total contracts) for MoD. Therefore, MoD's share of total contracts was \$51.6 million or 17 percent of the total contract value.
- Because the MoT sometimes acted on behalf of other entities, it is possible some of the MoT transactions not specifically mentioned as being on behalf of the MoD as mentioned above also were destined for Iraqi security, industrial, and research facilities. How much of these other MoT imports may have been destined for these end users is not known.

In addition to the Turkish demand for cheap Iraqi oil and oil products, the *Turkish government also tolerated, if not welcomed, the flourishing, mainly illicit trade conducted in the northern Iraqi free trade zone.* Turkey and Iraq engaged in direct military trade for common military use materials. For example, documentary sources reveal that in 1997 the IIS, the GMID, and the Iraqi Military Attaché in Ankara dealt with the Turkish firm Sigma Gida IAS SAN VE TIC Ltd for the sale to Iraq of fireproof military clothing; 150,000 meters of material were purchased for \$27 per meter. In lieu of cash, Iraq paid in oil.

The Iraq-Turkey Trade Protocol also allowed Iraq to procure goods prohibited by the UN sanctions, although most of those goods were for nonmilitary uses. The Iraqi Finance Minister approved cash allo-





**Figure 58.** Allocation of the goods portion of the Turkish Protocol, 2000-2003.

cations to ministries from the Turkish trade protocol. According to captured documents, the Iraqi MoT procured 10,000 small generators, Mitsubishi pickup trucks, and assorted construction materials during 2002 through the Syrian SES International with money accrued by trade covered from the Turkish trade Protocol.

**Methods Iraq and Turkey used to Hide Illicit Procurement.** Turkey did not undertake any active measures to hide its illicit trade with Iraq. Indeed, this trade was conducted in a semi-transparent fashion. Multiple open sources frequently reported the illicit trade between Turkey and Iraq. The illicit oil trade and most of the protocol trade was conducted through the Habur bridge (or gate) near Zakho on the Iraq-Turkey border. Both secret and open sources describe this flow of trade.

**Financial Flows Between Iraq and Turkey.** High-level sources affirm that both Iraq and Turkey agreed to open a trade account denominated in US dollars in the name of TPIC (Turkish Petroleum International

Company), but run for the benefit of SOMO, at the Turkiye Halk Bankasi A.S. (also known as Halkbank), a Turkish state-owned bank. This indicates a fair degree of complicity in illicit activity between Iraq and Turkish state institutions. According to the 16 January 2000 Protocol, 70 percent of the value of the crude imported by Turkey under the Protocol would be deposited in Halkbank. The remaining 30 percent would be deposited directly by the crude purchaser to accounts at the Saradar Bank in Lebanon or the Ahli Bank in Jordan that were designated by SOMO. Tekfen, a Turkish oil company, was the only company to deposit money into the Ahli Bank. Other Turkish oil companies paid into the Saradar Bank.

According to open sources, since 2000 the UN OFF program, the trade protocol and other illicit Turkish oil importation, generated over \$1 billion per year for Iraq. This revenue, however, pales in comparison to the \$2.5 billion in bilateral trade that took place in 1990. SOMO documents state \$710.3 million was collected from the Turkish Protocol from contracts signed between July 2000 and February 2003. According to SOMO documents, it is estimated SOMO collected \$538.4 million in barter goods and

cash through private sector trade outside the Protocol between November 1997 and March 2003. We lack information about earnings prior to these periods.

Former Regime personnel indicate that the SOMO account at Halkbank was used exclusively for Iraq to pay Turkish companies for the sale of goods and services delivered to Iraq. The goods included oil sector equipment, industrial equipment and raw materials, communications and transport goods, and building materials. The total amount deposited in the account at Halkbank was \$499,232,952. The total withdrawn equaled \$302,305,033, leaving a balance before OIF of \$196,927,919.

### South Korea

*Illicit trade between South Korean companies and Iraq was largely limited to contracts signed for high technologies, such as military computer equipment, sophisticated communications and radar systems.*

Although the South Korean Government was keen to promote South Korean companies to gain advantage in the international marketplace, *there is no evidence to suggest that the South Korean Government was complicit in the transfer of prohibited goods.*

- The earliest evidence detailing a military procurement deal with a South Korean firm was a 1998 negotiation between a Korean company and the Al-Basha'ir Company, trading petroleum products for six patrol boats.
- The evidence shows that from 2000 to 2001, South Korean companies provided technical components, software and expertise in the field of computerization and communications—assisting Iraq in its indigenous production of military computers and, thus, overall improvement of its conventional military power.
- As early as December 2002, delegates from the Iraqi Salah Al Din Public Company met with representatives of South Korean defense companies to finalize issues surrounding several contracts which had already been signed by both sides.

*As with other suppliers, Iraq used a network of front companies and intermediaries to conceal its activity with South Korean companies. These companies refused to directly supply Iraq resulting in their use of third party intermediaries from India, Jordan, and Syria to facilitate trade.*

- In 2000, the MIC signed a contract with a South Korean company for technical expertise in establishing an indigenous computer design and production facility in Iraq. The contract included South Korean technical assistance for the production of computers for military purposes and the manufacture of circuit boards. The contract for South Korean technical expertise was signed for \$14.4 million.
- In 2000, the IIS technology transfer division used two front companies (the Iraqi company Galala and an Indian front company, United Commodities) to procure computers, technical expertise, and training on computer design and production. Upon completion of this training, the MIC established an indigenous computer design and production line. This example illustrates the use of multiple front companies to hide the IIS role in the transaction.
- Exploited documentation illustrated that the MIC Commercial Department, through Dr. Hadi Tarish Zabun, Director General of Scientific Research facilitated “special contracts” for computers for a radar system and fiber optics for the communications system in 2001.
- In 2000, the Iraqi company Al-Ezz represented MIC in negotiations with a South Korean company named LG Innotech, which specialized in optical fiber and digital exchanges. According to captured documents, LG Innotech agreed to provide the MIC a total of 530 notebook-type hardened CPU systems specially designed for military use. The Iraqi Regime planned to integrate the \$11.35 million of CPUs into its air defense systems and artillery fire control mechanisms. According to the same document, LG Innotech ultimately fulfilled more than 80 percent of the contract. This contract also used a third party and negotiated in parallel with the LG Innotech military CPU contract.

Most of the illegal transactions involving prohibited goods between companies from South Korea and Iraq began in the summer of 2001, following a MIC visit to Seoul. The May to June 2001 visit was designed to develop contacts with South Korean firms for Iraqi companies. Subsequent meetings, reflected in recovered Salah Al-Din General Company documentation, reveal the following agreements:

- An agreement with the Shinsung Company to acquire production plans and technology transfers of crystal units, filters, and oscillators.
- An agreement with Salah Al-Din and the Korean company UNIMO Technology Co. Limited to acquire portables and mobile radio technology transfers and to upgrade the existing production facilities in Salah Al-Din Company for hybrid circuits.
- An agreement between Salah Al-Din and Techmate Corporation of Korea for production and technology transfer of hand generators, coils and transformers, hand crank generator (GN-720) cable tester, image still picture transmission equipment, and coastal radar.
- An agreement with Armitel in South Korea for the technology transfer for the local manufacturing (assembly & test) of STM -1 optical transmission system (AOM-1155) with Salah Al-Din.

Another element of illicit trade with South Korean companies focused on procuring fiber optics telecommunication technology with potential military applications.

- In 2001, the MIC's Commercial Department signed a contract for fiber optics with the South Korean company Armitel. Payment, however, was not made because the equipment provided did not meet Iraqi specifications.
- The IIS coordinated with one of its agents to bring a delegation of experts from a South Korean company called Armitel. Their senior expert, Dr. Lee, visited Baghdad and as a result, signed many contracts with the Iraqi MoTC, specifically in the

field of fiber-optic communications and military communications. These contracts were valued at \$75 million.

- The MoTC and Armitel executed a portion of these contracts, delivering two shipments of more than 30 containers. Delivery was conducted through Lebanon using Syrian and UAE trade intermediaries. The first contract was delivered through Syria and the second through Lebanon. These contracts were covered through Syrian and UAE middle companies.

### **People's Republic of China**

Although China stated publicly on multiple occasions its position that Iraq should fully comply with all UN Security Council resolutions and cooperate with the Security Council and the Secretary General, firms in China supplied the former Iraqi Regime with limited but critical items, including gyroscopes, accelerometers, graphite, and telecommunications through connections established by MIC, its front companies, and the IIS. *There is no evidence to suggest the Chinese Government complicity in supplying prohibited goods to Iraq It is likely that newly privatized state-owned companies were willing to circumvent export controls and official UN monitoring to supply prohibited goods.* In supplying prohibited goods, Chinese companies would frequently employ third countries and intermediaries to transship commodities into Iraq. *The Chinese-Iraqi procurement relationship was both politically problematic and economically pragmatic in nature, but it ultimately provided Iraq with prohibited items, mainly telecommunication equipments, and items with ballistic missile applications. This relationship allowed Iraq to improve its indigenous missile capabilities.*

Multiple sources clearly demonstrate that Iraq's procurement goal with Chinese firms was to overcome weakness in missile inertial guidance capabilities caused by a lack of technical expertise and components. Iraq had limited capabilities in indigenous manufacturing gyroscopes and accurate accelerometers, compounded by the inability to purchase high precision machinery and equipment. Chinese com-

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### *Chinese Assistance in Iraqi Telecommunications*

*One area of robust cooperation between Chinese firms and Iraq was telecommunications. These technologies had both military and civilian uses. Saddam's Regime used Chinese circuits and fiber optics to connect static command, control, and communication (C3) bases. UN sanctions impeded rehabilitation of the telecommunications sector. This equipment was sanctioned because of the nature of modern communications systems, which could be used both for civil or military purposes. These obstacles were overcome by the Iraqi Regime by acquiring materials for cash and procuring materials illicitly, outside the purview of the UN.*

*One Chinese company, illicitly provided transmission equipment and switches to Iraq from 1999 to 2002 for projects that were not approved under the UN OFF Program. Reporting indicates that throughout 2000, Huawei, along with two other Chinese companies, participated in extensive work in and around Baghdad that included the provision and installation of telecommunication switches, more than 100,000 lines, and the installation of fiber-optic cable.*

*In early January 2001, the Chinese company pulled out of a \$35 million mobile phone contract in Iraq, citing difficulty it would face sourcing key components from a US firm. The company, which had been negotiating for two years on a Baghdad ground station module network, cited US Government pressure as the reason for its decision. Iraqi telecom official retaliated by putting all other contracts with this company on hold and cutting off contact with the firm. The company, however, in 2002 used Indian firms as intermediaries to illicitly supply fiber-optic transmission equipment for Iraqi telecommunications projects.*

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*Other companies were also present in Iraq. A summary of their activity is given below:*

- *A Chinese company was one of the more aggressive firms selling equipment to Iraq outside the UN OFF Program, including major fiber-optic transmission projects.*
- *Another company agreed to provide switches to Iraq as part of a large switching project for Baghdad prior to Operation Iraqi Freedom. Working with a second Chinese firm, this company participated in a bid for a project in Iraq not sanctioned by the UN. In late 2002 this company submitted a bid for a large switching system for Iraq.*
- *Reporting indicated that a Chinese company, working through a second Chinese company, had supplied switches to Iraq. This company's switches were used for both unsanctioned and sanctioned projects in Iraq. This company illicitly supplied the switches for the Jordan Project, a fiber-optic network in Baghdad that was completed in late 2000. This company might have been involved in supplying switches with more capabilities than specified in an UN approved project.*

panies willingly supplied these types of items to the Iraqi Regime.

- In the fall of 2000, Iraq sought 200 gyros, suitable for use in Russian and Chinese cruise missiles, and machine tools with missile applications from NORINCO, a Chinese military supplier that has

been sanctioned many times by the United States, twice in 2004. (No delivery established.)

- Contracts were initiated in 2000 between Al-Rawa and a Chinese firm, for test equipment associated with inertial guidance systems, including a one-

axis turntable for testing gyroscopes. (No delivery established.)

- In mid-2001, Abd al-Wahab, an IIS officer stationed at the Iraqi Embassy in China, procured 10 to 20 gyroscopes and 10 to 20 accelerometers from an unknown Chinese company for approximately \$180,000. The gyroscopes and accelerometers were intended for the guidance and control system of the al Samud II and Al-Fat'h missiles.

Iraq also sought dual-use items with potential ballistic missile applications from Chinese firms. Iraq sought items such as fuel for propellants and graphite, a key component in reentry vehicle nose tips, directional vanes, and engine nozzle throats. Iraq's need for graphite-related products was heightened following severe damage inflicted during Operation Desert Fox to the Shahiyat Missile Facility, a known graphite production facility. Although this site was reconstructed, Western intelligence assessed that Iraq could not indigenously produce the quality of graphite necessary for ballistic missile components making it dependent on imports. Recovered documents from 2001 indicated a drive to acquire Chinese graphite-related products such as electrodes, powder, and missile-related fuel:

- Al-Najah Company, working through an Indian intermediary, purchased supplies of Chinese missile-grade graphite during August and September 2001.
- In January 2003, Al-Merbab General Trading Company and Al-Ramig sought a supply of chemicals, both of which have applications in liquid rocket propellants, from Chinese companies (see inset). The Chinese companies, however, refused to sell chemicals to the Middle East because of its potential weapons application.

From the Iraqi perspective, MIC and IIS attempts to illicitly acquire goods from Chinese firms were problematic. *MIC and Chinese suppliers conducted many committee meetings and had other contracts, but most meetings never ended in any signed contracts.* According to a high-ranking official in the MIC of unknown reliability, Chinese firms used its

military and dual-use contracts with the MIC as leverage in its attempts to obtain discount-priced Iraqi oil.

- Documents recovered indicate that an Iraqi delegation was sent to China to reestablish a partnership with NORINCO, a Chinese arms manufacturer. NORINCO agreed to continue dealing with Iraq despite a debit of \$3,067,951,841.47 but NORINCO specified that Beijing would not be informed of the deal. Iraq promised to repay NORINCO with crude oil and petroleum products, using the Iraqi front company Al-Basha'ir.
- These strained negotiations sometimes resulted in the use of alternative foreign suppliers. This was evident in procurement attempts to acquire gyroscopes from Chinese firms where MIC companies sought alternative suppliers in Belarus.

Although the Chinese Government promoted Chinese companies in commercial activity following defense reforms in 1998, ISG has found no evidence to suggest Beijing's direct involvement in illicit trade with Iraq. *Indeed, we suspect that some contracts that were abruptly stopped may have been a result of Beijing's direct intervention.* A delegation from a Chinese firm to Iraq in December 2000, suspended contract talks possibly according to Beijing's questioning of its activities with Iraq. Most transactions, however, were orchestrated through newly privatized state-owned companies competing in a bloated and highly competitive, newly founded commercial system where they were able to participate in illegal trade with little oversight.

*As with other suppliers, Iraq procured illicit goods from Chinese companies behind a network of front companies and trade intermediaries.* Turkish, Syrian, Indian, and Jordanian intermediaries were used in the procurement process for both seeking quotations of goods and in assisting delivery of prohibited goods. In all likelihood, the various trade protocols provided a legitimate trade cover under which these illicit transactions took place.

- As in many other cases, the Syrian-based SES International Corporation was used as an intermediary between Chinese companies and Iraq. In

October 2001, Syrian technicians were dispatched to China on Iraq's behalf to contact influential Chinese air defense companies. Follow-on meetings were to be held in Beijing and Damascus. An Indian affiliated, UAE-based firm was also used as an intermediary to facilitate trade in graphite and ballistic missile-related goods from Chinese firms.

- In conjunction with the use of brokers and intermediaries, the IIS *employed Chinese personnel as IIS agents to obtain prohibited goods and build relations between entities*. In one case, the IIS tasked Professor Xu Guan, a member of the Chinese high committee for electronic warfare to collect information on laser-tracking systems, laser guidance systems and information on cooperation between Iran and China. The IIS also stationed its own officers at the Iraqi Embassy in China to manage the Iraqi-Chinese relationship and facilitate trade.

#### France

The French-Iraqi procurement relationship existed within a larger bi-lateral political relationship, which was turbulent and problematic throughout the 1990s up until OIF. From Saddam Husayn's perspective, the relationship was built on Iraq's hopes to influence a permanent membership on the UN Security Council against the United State and UK (see the Ministry of Foreign Affairs section).

- Illustrating Iraq's persistent efforts to curry favor in Paris, France, was one of the top three countries with companies or individuals receiving secret oil vouchers (see the Oil Voucher section). Iraq also awarded numerous short-term contracts under the UN OFF program to companies in France totaling \$1.78 million, approximately 14 percent of the oil allocated under the UN OFF Program.
- In 2001, Tariq Aziz characterized the French approach to UN sanctions as adhering to the letter of sanctions but not the spirit. This was demonstrated by the presence of French CAs in Baghdad, working to promote the interests of French companies while assisting them in avoiding UN sanctions.

Behind this political maneuvering, ISG has found evidence that French companies, after 1998, sought

and formed procurement relationships with Saddam's Regime. These relationships could have been renewed partnerships developed before 1991 when France was a major conventional arms supplier for the Iraqi Regime. These procurement transactions included offers and contracts for conventional weapons systems and negotiations for possible WMD-related mobile laboratories.

Recovered documents dated December 1998 and September 1999 indicate that the French company Lura supplied a tank carrier to the Iraqi MoD. A French expert, "Mr. Claude," arrived in Iraq in September 1999 to provide training and offer technical expertise on the carrier.

By 1999, recovered documents show that multiple French firms displayed a willingness to supply parts for Iraqi conventional military items, mainly related to aircraft.

- Documents from the Al-Hadhar Trade Company, dated November 1999, describe a delegation of French companies that had participated in an International Exhibition in Baghdad. One of the companies was willing to collaborate and supply spare parts for the French Mirage aircraft.
- IIS documents dated from December 1999 to January 2000 show that the Deputy General Manager of a French company called SOFEMA planned to visit Iraq on 15 January 2000 on behalf of a number of French military companies to "seek possible trading between the two countries." An accompanying top secret document from the GMID, M6 Section, corroborates this meeting and further ties the purpose to Iraqi air defense capabilities.
- Another recovered letter, dated September 1999, illustrated the approval of a meeting by the GMID M6 Section with the Head of the Iraqi-French Friendship Society, Mr. William Libras. Libras offered to supply Iraq with western manufactured helicopters. This was followed with a letter indicating contact between Al-Hadhar Trade and the French suppliers stating that the French companies "have the ability to update the aircraft and add any system you request."

ISG uncovered further conventional military trade in November 2002 when a French electronic warfare/radar expert named "Mr. Cloud" (possibly Mr. Claude from the section above) met with representatives of the Al Kindi Research Facility. According to captured documents, the purpose of the visit was to facilitate military-related microwave, direction finding, and passive radar technology transfer. The recovered documents include military-related technology transfers and Iraqi contractual agreements with foreign manufacturers.

Beginning in late December 2002, the MIC initiated efforts to acquire replacement parts for the Roland II Surface to air missile system, valves for Iraq's air defense system, and various other high technology items with military and battlefield applications. These efforts were underway with Majda Khasem Al-Khalil (a Lebanese female) who in turn met with the French Thompson Company representatives. ISG found evidence of coordination on this procurement up until 23 days before OIF.

#### **Former Federal Republic of Yugoslavia**

*According to captured documents, Iraq and FRY cooperated extensively both militarily and economically when the Milosevic Regime was in power. This cooperation ceased when a democratic government took power.* For example, talks were held between Iraq and the former Yugoslavia on military and economic cooperation from 25 February to 2 March 1999. The Iraqi side was represented by the Minister of Defense, Sultan Hashim Ahmad al-Tai. Maj. Gen. Jovan Cekovic, the Director General of the Yugoslav company, Yugoimport, headed the Yugoslav side. The documents detail the Protocol resulting from the meetings.

- The two countries expressed their readiness to re-establish and continue the military-economic cooperation, which they considered one of the most co-operative bilateral endeavors.
- According to the documents, the two sides agreed to foster greater cooperation among all services of each country's military forces.

- During the meetings, Iraq informed the Yugoslavians that because of the current economic situation in the country, it is not able to provide funds for the future cooperation. To remedy this problem, the Iraqi side proposed the supply of crude oil and its product instead of currency as a viable solution.
- The two sides then agreed that the next session of the Joint Committee for Military and Technical Cooperation was to be held in Belgrade in April 1999.

*A source that was a senior executive in the MIC stated that the former Federal Republic of Yugoslavia cooperated closely and extensively with the IAEC, the MIC, and the MoD.* Representatives from Yugoimport Federal Directorate for Supply and Procurement (FDSP), a Yugoslav company, signed numerous business contracts with Iraq. Their Baghdad representative was Colonel Krista Grujovic. During the start of business with Iraq, which was sometime around early 1998, Yugoimport opened accounts in Amman, Jordan, for Yugoslav Federal under the trade name Yugoimport FDSP. However, after a period of time their name was changed to MIKA (also known as MEGA), a Lebanese company. Yugoimport FDSP was then effectively eliminated from all bank records and other documents.

- Reportedly, Mahud Muhammad Muzaffar was in charge of the Yugoslav procurement connection and was universally liked within the MIC. The Iraqi Government sent him under diplomatic cover to work as a scientific advisor at the Iraqi embassy in Belgrade. When Yugoslav companies spoke to Muzaffar about doing business with Iraq, he would connect their company contacts to MIC representatives.
- Yugoslav Federal was a military institution under the management of the Yugoslav Ministry of Defense. It was responsible for overseeing several Yugoslav military production companies.
- Yugoslav Federal signed the foreign trade contracts on behalf of these military production companies in exchange for a certain percentage of the profits.

- Yugoslav Federal also supplied materials and expertise directly to Iraq from the Yugoslav production companies.

A senior executive at the MIC stated that the financial transfers between Yugoslavia and Iraq were under the supervision of the Belarusian Infobank. Infobank also issued security bonds for the advance payment portions of the contracts.

- The contracts were signed pursuant to the Iraqi-Syrian Protocol where the payments were made through a third party, usually a Syrian-based company.
- This Syrian company would pay the contract amount to the Belarusian bank in exchange for a 10- to 12-percent cut of the value of the contract.

According to the senior executive of the MIC mentioned above, the former Yugoslavian Government was represented commercially through the use of experts and ex-military personnel to assist in the transfer of technology and technical expertise for new military projects. The coordination was under the direct supervision of the MIC Director, Abd al-Tawab Mullah Huwaysh, Dr. Hadi Tarish Zabun, head of special procurement at the MIC, and the Iraqi Deputy Minister of Defense. This source also stated that the President of Yugoslavia opened accounts in Amman, Jordan, under the Lebanese cover company MEGA.

In October 2002, Stabilization Forces (SFOR), Bosnia and Herzegovina, conducted an inspection of the ORAO Aviation Company, in Bijeljina, Bosnia and Herzegovina. Over 60 computer hard drives and a large number of documents were seized. *Among the captured documents was a five-page memorandum that documents the discussions and agreements between ORAO, Al-Salafa, and the Iraqi Ministry of Defense concerning the illegal shipment of R13-300 and R25-300 jet engines for the MiG-21.*

- Included in the memorandum is an agenda for the enlargement of existing capacities for overhaul of R13-300 and R25-300 jet engines.

- The agenda also included a realization of an old agreement for overhaul of the engines in the former Federal Republic of Yugoslavia. The time limit for the delivery and assembly of equipment was to be up to nine months.

- Other documents captured indicated that the MIC front company Al-Basha'ir was also involved in the deal, as well as Yugoimport. According to a contract between the two companies, the total amount of the deal was worth \$8.5 million.

Al-Basha'ir was to be responsible for transporting the equipment from Syria to Baghdad for a total price of \$300,000.

As of May 2000, 45 overhauled engines had been delivered; however, captured documents detail a dispute between ORAO and Iraq's Ministry of Defense over the price and delivery of 19 remaining engines.

Al-Salafa is an Iraqi company that is a part of the Al-Eman network of front companies.

### **Bulgaria**

*Although the procurement relationship began in 1998, from 2000 until the start of OIF, the MIC conducted business with the Bulgarian JEFF Company, a company that the IIS recommended the MIC use.* The JEFF Company's headquarters was located in Sofia, Bulgaria. According to a senior executive in the MIC, the Bulgarian government was aware of the dealings between the JEFF Company and Iraq. ISG cannot confirm this claim. The MIC used the Al-Basha'ir Company to coordinate contracts with JEFF. To establish a contract, JEFF personnel would travel to Iraq to meet with the Al-Basha'ir Company or vice versa. Al-Basha'ir would then deliver the contract to the Commercial Department of the MIC where an arrangement for the contractual payment would be made.

*Reportedly, Bulgarian companies exported numerous military items to Iraq after 2000 in violation of UN sanctions (see figure 59).*



Description	Quantity	Price	Total Price
Kornet – Type E 9M 133 w/ tandem warheads	175	32,400	5,670,000
Launcher units	10	125,985	1,259,850
Thermal Imagers Sight 1PN79-1 (TIS)	5	114,000	570,000
System Test Unit 9Y42-1	2	139,740	279,480
System Test Unit 9B679-1	1	135,390	135,390
Field Simulators 9P163-1KBM	1	92,800	92,800
Missiles 9M133F1 HE with Fuel-Air HE	25	32,400	810,000
Launch unit for combat vehicles	10	7,200	72,000
Teaching expenses		30,000	30,000

Figure 59. JEFF Company contracts, 2002.

- The MIC had contracts with the JEFF Company for engines and maintenance parts for the T-72 tank and Igla manportable air defense systems (MAN-PADS).
- The Bulgarian company ELMET provided components for Iraq's UAV programs.
- Captured documents detail the illegal procurement of missiles with tandem warheads, launcher units, thermal imagers, test units, and simulators. The deal was brokered between Al-Basha'ir, SES International in Syria, and the JEFF Corporation in Bulgaria for 175 Kornet antitank guided missiles (ATGMs). The contract specified that Al-Basha'ir was acting on behalf of the MIC of Iraq. Delivery of the ATGMs was to take place in March of 2003, but it is unclear whether the delivery actually took place.

*In 1998, Bulgarian companies contracted with Iraq to provide numerous dual-use items such as ammonium perchlorate, aluminum powder, phenolic resin, carbon fiber, and machine tools.* Recovered Iraqi documentation stated that the end use for these goods was for the Al Fat'h missile.

- Ammonium perchlorate is an oxidizer that makes up over 50 percent of the propellant weight of a modern solid propellant. Aluminum powder is

mixed with the ammonium perchlorate and it acts as a fuel in the solid propellant. These two chemicals make up the bulk of the propellant mass. These basic items were used in the Iraqi Badr 2000 missile system, which was destroyed by UNSCOM. But the Ababil and the Ab'our missile system used these items in their propellant.

- Phenolic resin is a very special high-temperature resin used by Iraq to bind and hold in place the carbon fibers.
- The carbon fiber with the phenolic resin could be used in making lighter weight motor cases, nose tips, or nozzle throats. These areas experience high heat and using a light material lessens the overall weight of the missile, extending its range.
- Prior to 1991, the Iraqis had made missile parts from carbon fiber and had expressed a desire to UNMOVIC to again use carbon fibers. Carbon fibers could also be used in the fabrication of high-strength centrifuges for the enrichment of uranium. For these reasons both UNMOVIC and IAEA placed carbon fiber on their watch lists as a controlled material.

Machine Type	Model	Quantity
Rotating double step compressor Atlas-Copko	Type-Zr5-52	2
Bullet-Shear 1600-Ton	Type SCK 1600	1
Heavy duty vertical milling machine with cross table	Stanko 65A6 OF-11	1
Single column jig/grinder	SKOE-630 X 1000/PS2	1
Thread grinding machine	MIC GSU315-1X1000	1
Centerless grinding	Type 3E-184B	1
Centerless grinding	Type 3E-183	1
Universal optical profile grinding	Dobeli UPFS 150/195 CNC	1
CNC vertical machine center	RV 501	2
Column drilling M/C	PM -28	5
	PMP-40	5
	PMC-40	5
Double action press	KG 5530-100t	1
	KG 5532-160t	1
	KG 5535-315t	1
Six spindle automatic machine	Type ASH-160	2
Universal cutting M/C	Type FUW-250V	1
Radial drilling M/C	Type 553	1
	Type 554	1
Round M/C		1
Column drilling M/C	PK 031	1
Eccentric press 25 Ton	PE 25 A	1
Eccentric press 63 Ton	PE 63 A	1
Eccentric press 100 Ton	PE 100 A	1
Six spindle automatic M/C	AS-32	1
Hydro copy lathe	Stanko IE 713	2
Centerless grinding M/C	3M182	1
	3A184	1
Six spindle automatic M/C	Ash-160	2
Universal cutting machine	FSS-400V-2PS	1
Single action, single crank stamping press 160 ton	Stanko Type K 18-232-02	1
Hydraulic press 100 ton	PHM-160A	1
Planner type double column milling and boring	6M6 10FI	1
Double column vertical boring machine	1525	1
Cutting planning M/C	FLP1000	1
Die casting	Raper Werk ND 14-10-500	1

Figure 60. Dual-use equipment imported by Iraq from Bulgaria.

*In 2001 Iraq used the Syrian Protocol to purchase numerous machine tools from Bulgaria.* Some of these machines are numerically controlled (CNC) or are capable of being adapted for CNC. Such equipment was controlled under the Goods Review List (GRL) and would have needed to be approved by the UN before being exported to Iraq.

*All of these dual-use machines could be used for the production of civilian goods. However, many of these machine tools can be used in producing conventional military items, CW, or nuclear programs,* particularly the shaping of materials such as polytetrafluorethylene (PTFE) or metals.

- For example, rocket motor cases or propellant tanks start as a large sheet of metal that needs to be cut, shaped, rolled, drilled, milled, and welded to form the correct shape.
- CNC machines allow the operator to program exact instructions into the computer so it can precisely reproduce a pattern a thousand times over to the same specifications. This is critical for both missile and nuclear components. Figure 60 details these transactions.

### **Procurement Suppliers in the Transition and Miscalculation Phases, 1998 to 2003**

For the final two phases in Saddam's Regime, "Transition" and "Miscalculation," ISG has identified eight new procurement partners. From the supply side, companies from Russia, North Korea, Poland, India, Belarus, Taiwan, and Egypt have become key trading partners in military or dual-use goods. Like Syria and Turkey in earlier phases, Yemen has become a transshipment facilitator for Saddam's procurement programs.

- This increase continues the trend observed in the previous phase. This increasing trend most likely occurred because of a lack of international condemnation, poor oversight of supplying companies by their governments, poor export controls, and the high profits to be had from Saddam's illicit revenue.
- *ISG also observes an interesting trend over time as Saddam's international supporters shifted in the 1998 time-period from former-Soviet and Arab states to some of the world's leading powers, including members of the UNSC.*

#### **Russia**

*Although the Russian Government has denied being involved in supplying weapons to Iraq, there is a significant amount of captured documentation showing contracts between Iraq and Russian companies.* In fact, because Russian companies offered so many military items, the MIC and a Russian general named Anatoliy Ivanovich Makros established a joint front company called ARMOS in 1998 just to handle the large volume of Russian business (see also the ARMOS section). The Russian-Iraqi trade was also assisted through bribes to Russian customs officials, according to a former Iraqi diplomat.

This former Iraqi diplomat further described how Iraq's embassy personnel smuggled illicit goods on weekly charter flights from Moscow, through Damascus, to Baghdad from 2001 until OIF. These prohibited goods included high-technology military items such as radar jammers, global positioning system

jammers, night-vision devices, and small missile components. Some flights were not inspected, even though they were reported to the UN. Cash and equipment were reportedly also smuggled into or out of Iraq in bimonthly diplomatic courier runs to Moscow.

In early 2003, the Russian company, Rosoboronexport, offered to sell and deliver several weapons systems to Iraq. Rosoboronexport had Igla-S shoulder-fired SAMs and Kornet anti-tank missiles available for immediate sale to Iraq, and was prepared to sell larger medium-to-long range advanced (SA-11 and SA-15) air defense systems and T-90 tanks, according to the trip report and a high-level source in the former Iraqi Government.

- ISG has recovered documents detailing two trips related to these sales. The first round of negotiations with Rosoboronexport and other Russian companies occurred from 27 January 2003 to 6 February 2003, while the second trip took place from 12 February 2003 until 21 February 2003.
- The Iraqi delegation requested air defense equipment, antitank weapons, and night vision devices. Iraq also desired to upgrade existing air defense equipment (SA-6 and SA-8) and radars.
- According to the trip report, four contracts were signed between Rosoboronexport and four Iraqi companies: Hittin, Al-Karamah, Al-Milad, and Al-'Ubur.

***According to Iraqi documents, Rosoboronexport executives demanded that they be permitted to ship the weapons through a third country with false end-user certificates. The Russian side emphasized that Rosoboronexport is a government agency and it cannot be involved with directly supplying Iraq with weapons. Other Russian officials offered to send equipment and technical experts to Iraq under the cover of OFF contracts. Before returning to Baghdad, the Iraqi delegation stopped in Damascus to obtain false end-user certificates from the Syrian Ministry of Defense for the first items to be shipped, the MANPADS and antitank missiles.***

- Although some of the equipment was shipped, we do not know how much of the equipment was actually received in Iraq before Operation Iraqi Freedom.
- ISG has recovered documents detailing two trips related to these sales. The first round of negotiations with Rosoboronexport and other Russian companies occurred from 27 January 2003 to 6 February 2003, while the second trip took place from 12 February 2003 until 21 February 2003.
- The Iraqi delegation requested air defense equipment, anti-tank weapons, and night-vision devices. Iraq also desired to upgrade existing air defense equipment (SA-6 and SA-8) and radars.
- According to the trip report, four contracts were signed between Rosoboronexport and four Iraqi companies: Hutteen, Al-Karamah, Al-Milad, and Al-'Abur.

***Many of the contracts signed with Russian companies, were for technical assistance, according to an Iraqi official with direct access to the information.*** These offers included contracts with TECHNO-MASH employees for technical assistance in developing guidance and control systems, aerodynamic structures, and a test bench for missile engines. Iraq also signed a contract for the transfer of technology for the manufacture of laser rods to be used in laser range finders. The Mansur Factory in Iraq was to be the main recipient of this technology. Other contracts with Russian companies are detailed in the following:

- The Russian Company, Systemtech was run by a Russian missile scientist named Alexander Degtyarev. Most of the dealings with this company were connected with missile guidance and control, and contracts were valued at around \$20 million.
- According to captured documents, in November 2002, the Umm Al-Ma'arik General Company negotiated two draft contracts with the Russian company Uliss, in support of the "Saddam The Lion" Tank Project. They notified the Commercial Directorate of the MIC that contract number 2002/AM/8 had been concluded. On 10 February 2003, MIC Deputy Director Dagher Muhammad Mahmud approved the contract.

Date	Item	Price	Source Company
3 December 2001	25 100mm barrels for KS-19 anti-aircraft guns	\$206,250	Russian Materials Institute (CRIM)
3 December 2001	50 hammered barrels, 125 mm	\$572,000	Russian Materials Institute (CRIM)
3 December 2001	4 210mm barrels, Type FA-10	\$177,606	Russian Materials Institute (CRIM)
3 December 2001	Electro-chemical treatment site for manufacturing 122mm, 125mm, and 155mm barrels	\$825,000	Russian Materials Institute (CRIM)
1 January 2002	Modifications to the MIG-21 radar	\$864,740	EGC/Systemtech/ Dr. Dikariov
November 2002	Saddam Lion Tank Project, including molds, furnaces, cleaning and testing equipment	\$975,000	Uliss Co.
24 November 2002	Electronics for P-18 radar modifications	\$114,217	EGC/Systemtech/ Dr. Dikariov
2 December 2002	Air defense engine spare parts	\$2,707,000	Fond Rosky Project
1 January 2003	Missile guidance electronics	\$855,681	EGC/Systemtech/ Dr. Dikariov
4 January 2003	Night vision devices (NVDs)	\$180,000	Uliss Co.
13 January 2003	NVDs	\$255,000	Uliss Co.
16 February 2003	UAV components & technology		Uliss Co.
17 February 2003	Missile guidance electronics	\$5,262,791	EGC/Systemtech/ Dr. Dikariov
20 February 2003	Missile components	\$182,137	EGC/Systemtech/ Dr. Dikariov
24 February 2003	Light ammo production line		Balcom
25 March 2003	GPS jammers	\$500,000	Unknown
<b>Dual-Use Items purchased from Russian Companies</b>			
10 February 2003	Welding machinery	\$57,000	Uliss Co.
13 July 2003	Laboratory equipment	N/A	EGC/Systemtech/ Dr. Dikariov

Figure 61. Military goods Iraq acquired from Russian sources.

- According to captured documents, four contracts with Russian firms were signed in December 2001. These are detailed in figure 61. A 25 January 2003 letter from the MIC front company Al-Basha'ir complained to the Minister of the MIC that these deliveries had not been completed as of January 2003.

### North Korea

From 1999 through 2002, Iraq pursued an illicit procurement relationship with North Korea for military equipment and long-range missile technology. *The quantity and type of contracts entered between North Korea and Iraq clearly demonstrates Saddam's intent to rebuild his conventional military force, missile-delivery system capabilities, and indigenous missile production capacity.* There is no evidence, however, to confirm that North Korea delivered longer-range missiles, such as Scud or Scud-variants.

*North Korean and Iraqi procurement relations began in 1999 when the MIC requested permission from the Presidential Secretary to initiate negotiations with North Korea.* In a recovered memo the Secretary approved the plan and directed the MIC to coordinate negotiations with both the IIS and MoD. Recovered documents further suggest that orders for negotiations were also passed from Saddam directly to the Technology Transfer Office at the IIS. Related documents from this time period reveal that the North Koreans understood the limitations imposed by the UN but were willing "to cooperate with Iraq on the items it specified."

The Director of the MIC formally invited a North Korean delegation to visit Iraq in late 1999. The Director of North Korea's Defense Industry Department of the Korean Worker's Party eventually visited Baghdad in October 2000, working through a Jordanian intermediary. *Multiple sources suggest Iraq's initial procurement goal with North Korea was to obtain long-range missile technology.*

- August 1999 correspondence between the IIS Director and a North Korean company called the Changwang Group (variant Chang Kwang or Chang Gwang), a known company associated with

weapons-related sales, discussed the supply of "technology for SSMs with a range of 1,300 km and land-to-sea missiles with a range of 300 km." The Changwang Group proposed a multitiered sale of weapons and equipment and "special technology" for the manufacture and upgrade of jamming systems, air defense radar, early warning radars, and the Volga and SAM-2 missiles.

- In a recovered transcript of a telephone conversation prior to the October 2000 meeting, senior officials at the MIC and the IIS noted topics for discussion with the North Korean delegation would be the development of SSMs. The Iraqi delegation at the meeting included SSM Commander Najam Abd'Allah Mohammad. Ensuing discussions during the meeting focused on the transfer of military equipment including a short-range "Tochka-like" ballistic missile that the North Korean firm said could be purchased from Russia.
- A captured MoD memo dated 12 October 2000 summarized the October 2000 meetings, stating that SSM Commander Najam Abd'Allah Mohammad had discussed Tochka, Scud, and No Dong missiles with a range of 1,500 km.
- Muzahim Sa'b Hasan al-Nasiri, a Senior MIC Deputy and a main player in procurement negotiations with North Korea, in interviews has adamantly denied the discussion of longer-range missiles with the North Koreans.

Documentary evidence shows that, by mid-2001, Iraq had signed \$10 million of military-related procurement contracts with North Korean companies.

- The contracts from late 2000 included a deal with the Al-Harith Company, believed to be associated with Iraqi air defense development, and the Al-Karamah State Establishment, known to procure technology for missile guidance development, to improve Iraqi SSM guidance and control technology, and to upgrade the Iraqi Volga missile homing head by adding infrared sensors.

- The missile contracts in 2001 were designed to improve Iraqi missile systems using North Korean parts. These contracts were signed with the Al-Kamarah State Establishment, the Al-Harith Company, and the Hutteen Company, which is associated with the development of Iraqi heavy weaponry. Fifteen percent of this contract was reportedly completed and was paid for through a Syrian company to the North Korean Embassy in Damascus.
- According to documentary evidence, Muzahim Sa'b Hasan al-Tikriti visited North Korea in September 2001 to discuss procurement projects for the Al-Samud missile control system, radio relays for communications, and improvements to Iraqi antiaircraft systems. The trip resulted in four signed contracts with the Al-Karamah State Establishment for potentiometers (missile guidance and control-related technology), missile prelaunch alignment equipment, batteries, and test stands for servos and jet vanes. Ultimately, North Korea backed away from these agreements, informing the Iraqis that they would study the issue. ISG judges that this equipment was intended for use in the al Samud-2 ballistic missile program.

***As the Iraqi-North Korean procurement relationship matured, it broadened from missile-related projects to a range of other prohibited military equipment and manufacturing technologies.*** Recovered documents from November 2001 describe numerous contracts between Hesong Trading Corporation, based in Pyongyang, and the Al-Karamah, Al-Harith, and Hutten Companies. These contracts included deals for:

- Ammunition, communications, potentiometers for short-range surface-to-surface missiles, powder for ammunition, and light naval boats.
- Laser range finders and fire-control systems for artillery, tank laser range finders, and thermal image survey systems.

This series of contracts also specified numerous technology transfers from North Korea to Iraq to allow Saddam to design and implement laser head riding for anti-tank missile applications and to manufacture:

- PG-7 rockets (an Egyptian variant of the Russian RPG-7).
- Night-vision devices.
- Six-barrel 30-mm guns.
- Laser rangefinders for guns.
- Thermo image survey systems and rifling tools for 122-mm and 155-mm barrels.
- Ammunition, jigs, fixtures, dies, parts, liquid-propellant rocket structures, liquid propellant rocket aerodynamics computations, guidance, and control systems.

***As with its other suppliers, Iraq used its accustomed methods to obtain illicit goods from North Korea. In short, North Korea's illicit procurement relationship with Iraq was concealed behind a network of front companies, trade intermediaries, and diplomatic communications.***

- The North Korean side of the relationship was represented by the Defense Industry Department of the Korean Worker's Party through the Changwang Trading Company. The Tosong Technology Trading Corporation and Hesong Company were also used to broker the negotiations.
- The Syrian-based SES International was used as an intermediary in this trading process. Many transactions from North Korea would be orchestrated by the North Korean embassy in Damascus, which would then endorse the shipment to an Iraqi agent in Syria for transshipment to Iraq.
- These intermediaries worked on a commission basis and assisted in facilitating delivery into Iraq for profit.
- Recovered documentation concerning the North Korean negotiations stated that all communications should be sent via the Iraqi embassy in Damascus. Secure communications also took place through the Economic Section of the North Korean Embassy in Damascus.

**Transportation Routes From North Korea to Iraq**  
ISG has found evidence suggesting that North Korea planned to pass goods through Syria to Iraq. Captured documents reveal North Korean ships planned to use Syrian ports to deliver goods destined for Iraq. Occasionally, North Korea would insist on the use of aircraft to Syria to expedite delivery and reduce the risk of discovery of the illicit goods.

**Payment Methods for North Korean Contracts**  
Recovered contracts and records of negotiations identify the use of financial routing via Beirut, Lebanon and Damascus, Syria to conceal Iraq as the end user of the goods. A recovered letter from the Al-Basha'ir to the Tosong Technology Trading Corporation, dated 2 March 2002 dictated that 'contracts' would be financed according to the Iraqi-Syrian Protocol. This bilateral trade Protocol used both cash and - credit to pay for commodities via Syria.

#### **Poland**

A Polish based front company engaged in illicit trade with Iraq played a limited, but important role in Saddam's efforts to develop Iraq's missile programs. *Equipment supplied by this Polish based front company between 2001 and 2003, such as SA-2 (surface-to-air) Volga missile engines and guidance systems, were necessary for the al Samud-2 missile program.*

*Iraq acquired Polish SA-2 Volga missile engines for their al Samud II missiles.* The Volga engines were the main propulsion system used in the liquid-propellant al Samud II missile, a weapon that exceeded the 150-km-range limit established by UNSCR 687 (1991). While there is some confusion regarding the exact number of Volga missile engines procured by Iraq, ISG estimates that Iraq obtained about 280 missile engines from Poland during this period. *ISG has found no evidence that the engines were ever fitted to active missile systems.*

- Iraq signed four contracts to acquire Volga SA-2 engines between January 2001 and August 2002.

- These engines were to be procured for the Al-Karamah State Establishment, through the ARMOS Trading Company (an Iraqi-Russian procurement organ) and a company located in Poland called Ewex, a front company supported by the IIS.
- Iraq paid approximately \$1.3 million for 96 engines.
- Ewex used Polish scrap dealers and middlemen to gather Volga rocket components from scrap yards in Poland operated by the Polish military property agency.

Former Regime officials corroborate that ARMOS also signed a contract or contracts with the Iraqis to obtain Volga engines from individuals in Poland. The Volga engines were removed from missiles that had been decommissioned. The Volga missile engine procurement was entirely controlled by the IIS, according to debriefs of high-level former Regime officials.

- The MIC was also involved in contracting with Ewex for Volga engines. A high-level official stated that Iraq purchased approximately 200 Volga engines. Many of the Volga engines acquired in this way arrived damaged.

As mentioned in the Higher Education section, Amir Ibrahim Jasim al-Tikriti, a doctorate student in Poland linked to the IIS and SSO, facilitated the *procurement of at least 50 more SA-2 engines and as many gyroscopes, missile sensors and acid batteries for missiles from a Polish front company called Ewex* in early 2003. Al-Tikriti was the cofounder of Ewex and was supervised by Husan 'Abd al-Latif, an IIS officer working with the Energy Department of the IIS Scientific and Technical Information Office in Baghdad.

#### **Methods Used To Hide Transshipment to Iraq**

According to documentary evidence, dated Jun 2001, the Iraqi Government and the Ewex Company attempted to conceal the illicit procurement of missile engines from the international community. *According to open sources, Polish authorities arrested Ewex company officials in 2003 on suspicion of illegal arms deliveries to Baghdad.* Documents recovered



by Polish police included Ewex contracts with the well-known Iraqi front company called Al-Bashair, shipping documents, extracts from the Polish trade register, payment orders, and letters from Ewex directly to its Iraqi business partners.

A high-level former Regime official stated that MIC Special Office Director Hadi Tarish Zabun, IIS Scientific and Technical Information Branch Officer Hadi 'Awda Sabhan, and Al-Karamah State Establishment Director General Dr. Muzhir Sadiq Saba' al-Tamimi met to discuss how to conceal this particular illicit transaction from the UN. Al-Tamimi had previously led the Iraqi long-range missile program. The documents regarding the deal were eventually transferred for safekeeping to Ayyab Qattan Talib, an officer from the IIS M23 directorate that oversees military industry security.

***The parties to the transshipment of Volga missiles included personnel from the Iraqi embassy in Warsaw, Iraqi intelligence officers, and Iraqi businessmen.*** These parties clandestinely transported Volga missile engines through Syria, according to a high-level official in the former Regime. Ewex representative, Amir Ibrahim Jasim al-Tikriti during April 2002, requested an extension of the shipping time for illicit transfers because shipments would have had to proceed via many channels, particularly by circuitous transport routes, in order to conceal the contents from prying UN inspectors or foreign intelligence agencies. In 2002, three shipments of engines and spare parts were transferred; the third shipment arrived in Tartus, Syria, and was moved to Baghdad by the Al-Karamah State Establishment. The third shipment contained 32 Volga engines and 750 related materials. In addition, the MIC contracted to deliver Volga engines to Iraq, from Poland, via Jordan as insurance against the interdiction of Syria-bound shipments. According to multiple sources, Polish missile parts also entered Iraq at the Al-Walid border crossing (see also the border crossings map).

#### **Polish-Iraqi Procurement Financial Flows**

Numerous contracts, memoranda, and references detail the transfer of payments for the Volga missiles. In one contract, original date unknown, Ewex

transferred \$500,080 for the purchase of an unspecified number of Volga missile engines, which were delivered in June 2001. Raja Hasan Al-Khazraji, General Manager of the Commercial Affairs Department, wrote requesting the release of funds for final contractual payments. There are also letters written by Dr. Zabun to settle payment without deductions for damaged materials on condition that compensation will be included in future contracts. A contract also stipulates that ARMOS Trading Company received a commission of \$3,750.

Dr. al-Tamimi, wrote a memorandum concerning contract number 2/2001, in which he requests that the MIC transfer \$315,840, equaling 25 percent of the total contract price for 96 engines to account number 500090, National Bank of Jordan, Special Banking Section. The authorized person in control of the account was Abd al-Jabbar Jadi 'Umar. There is also a MIC memorandum authorizing the payment of \$200,690 to Ewex via account number 501133/12, which equals 25 percent of the total contract price for the 61 engines received at Syrian ports. Dr. Zabun approved a contract dated July 2001 with Ewex for 96 engines with the same value and terms as a previous contract for 38 engines.

Other correspondence exists between the Commercial Affairs Department General Manager, Raja Hasan Ali, the MIC and Al-Karamah discussing charging late penalties and compensation for damaged items. Further correspondence rejects the charges and authorizes full payment of the contracted amount of \$1,263,360 million to Ewex for Volga engines shipped through Syria. Bank accounts used at the Jordan National Bank (Special Banking) to pay for SA-2 Volga missile imports up until at least June 2001, include 501083/14 and 12429.

#### **India**

***ISG judges that the Government of India was not directly involved in supplying Iraq with military or dual-use items, but several Indian companies were active in illicit trade, particularly, NEC Engineering Pvt. Ltd.*** When Indian authorities discovered the

## Minute of Meeting

5

Meeting has been held on 29th/may/2000  
between the two parties

1st party: AL-Rasheed Company Represented by  
Deputy D.G. MR. SAAD & ENG. ASIR

2nd party: NEC Company Represented by MR.  
SIDDHARTH HANS - Commercial  
Manager.


Agreed upon the following

1. 2nd party (NEC Company) will supply  
the 1st party Carbon fibres - grade A  
specification: CF12K, QTY = 40 Kg

price = 295 \$ per Kg.

total price = 11800 \$ only.

2. 2nd party shall deliver the QTY mentioned  
in par. 1 above within 14 days.

  
ASIR  
29/5/2000

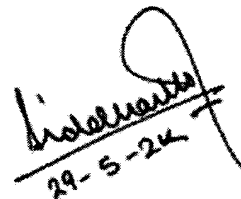
  
Siddharth Hans  
29-5-2000

Figure 62. Contract between NEC and Al-Rashid Company.

company's activities in 2001, New Delhi launched an investigation to stop the NEC's trade with the Iraqi Regime. Despite the investigation, NEC continued to sell prohibited materials to Iraq and looked for ways to conceal its activities.

***NEC was involved in numerous business agreements with Iraq that were contracted outside the UN OFF program.*** Several of these contracts with Iraq violated UN sanctions because the material or technology was in direct support of a military system, such as the Iraqi missile program.

Al-Najah was the primary front company in Iraq used by the MIC manufacturing company, Al-Rashid, to import from NEC. In March 2002, Muntasir 'Awni, Managing Director of Al-Najah Company, submitted several inquiries to Siddharth Hans. Hans has been identified as holding positions with companies in India, including director of NEC Chemicals and, at other times, several positions with NEC Engineers Pvt, Ltd. In each position, Hans has supported only Iraqi projects and inquiries for clients under Al-Najah. Among other things, the inquiries covered:

- A Teflon coating machine.
- Laser range-finding equipment.
- Precision machinery.
- Block and cylinder material.

Prior to the 1991 Gulf war, Iraq had experimented with the use of carbon fibers to provide high strength and light weight for some of its missile components. Al-Rashid was instrumental in missile development prior to the Gulf war and in the years that followed. In May of 2000 NEC contracted with the Al-Rashid General, Co., to provide 40 kg of "Grade A" carbon fibers. Carbon fibers, while dual-use material, have extensive use in missiles and nuclear equipment. Figure 62 is an excerpt from captured documents regarding this contract.

NEC engineers provided Iraq with crucial infrastructure development for its missile program and other programs. For example, NEC designed and built an

ammonium perchlorate (AP) production plant for Iraq. AP is an essential ingredient for modern solid propellant production. It is the oxidizer for a solid propellant and constitutes over half of the propellant's weight.

- NEC imported solid-propellant ingredients for Iraqi surface-to-surface missiles, in addition to other materials.

The excerpt from captured documents in figure 63 details some of the contracts undertaken between the Iraqi front company, Al-Basha'ir, with India's NEC, on behalf of MIC companies Al-Rashid and 7 Nissan General Company.

***When the Indian Government became aware of NEC's activities in 2001, New Delhi launched an investigation regarding the company's illicit business with Iraq.*** Both Hans Raj Shiv and his son Siddharth Hans were implicated in the investigation, which expanded overseas by September 2002. The Indian Government impounded the passports of NEC representatives. Siddharth Hans was taken into Indian custody when he returned to India in mid-June 2003. Pending further court hearings, Siddharth was released from custody in early July 2003.

- In August 2002, NEC was considering changing the name on Iraqi contracts from NEC to Nippon Industrial Equipment or Euro Projects International Limited. These changes were probably in reaction to the Indian Government's ongoing investigation of NEC.

Other Indian companies involved in supplying Iraq with prohibited items include the Arab Scientific Bureau (ASB) and Inaya Trading. ASB and Inaya Trading were involved in the procurement of chemicals associated with liquid-propellant missile systems and with chemical production and handling equipment. According to documents recovered during an ISG investigation of the ASB, there were numerous inquiries from Iraq and corresponding offers to supply liquid-propellant missile-associated components. Solicited or offered items included:

**NEC Contracts :**

No.	Contract No.	Client	Items	Contract Period		
				Delivery	Starting	Ending
1.	50/1/2000	Al-Bashair for 7 Nissan General Company	Piezo Crystal 50 000 Pcs & Spark Electric Detonator	2 Months	19.01.2001	19.03.2001
2.a	14/1/2000	Al-Bashair for Al-Tahadi General Company	Motor Work Shop	7 Months	31.08.2000	31.03.2001
2.b	13/1/2000	Al-Bashair for Al-Tahadi General Company	Van with Equipment	7 Months	03.05.2000	03.12.2000
3.	39/1/2000	Al-Bashair for Al-Rasheed	Project	* 8 ½ Months	14.12.2000	29.08.2001
* His Excellency ordered to give us extra time (1 ½) month as we informed by Mr. Rajaa and Mr. Shahaab, Now contract priod up to : 15.10.2001						
4.	ATC Contract					
5.	4/1/2001	Jabber Ibn Hayyan	Chemicals	5 Months	17.04.2001	17.09.2001

**Figure 63.** Selected contracts between NEC and Iraqi companies.

- Some 50 to 100 tons of 98 to 99 percent nitric acid.
- Hydrofluoric acid.
- One hundred nitric acid pumps for 99.99 percent nitric acid.
- Unsymmetric dimethylhydrazine (UDMH), a liquid fuel use for improved performance in liquid rocket propellants.
- Diethylene triamine (DETA), a liquid fuel used in liquid propellant missiles.
- Other chemicals sought by Iraq included hydrazine, hydrogen peroxide, xylidene, and triethylamine, which are chemicals commonly used for fuels and oxidizers by liquid-propellant missiles.

**Belarus**

*Belarus was the largest supplier of sophisticated high-technology conventional weapons to Iraq from 2001 until the fall of the Regime. Complicity in this illicit trade was exhibited at the highest levels of the Belarusian Government.* Belarusian state establishments and companies implemented cooperation agreements with Iraq to transfer technology, equipment, and expertise to the embargoed Regime.

- *The Iraqis constantly worked to improve the illicit trade relationship with Belarus despite the absence of a formal trade agreement between the two countries.* The illicit trade relationship allowed Iraq to obtain high-technology military equipment. Belarus was relatively advanced in military research and development including air defense and electronic warfare.

- Belarus acquired hard currency and a market for its post-Soviet defense industry, according to a detainee.
- The intelligence services of both countries helped to facilitate this trade, according to a cooperative source with good access. A detainee debrief affirms that Belarusian aid in radars, laser technology, metallurgy, and electronic warfare systems were the key areas of cooperation.

In 2001 and 2002, two MIC delegations visited Belarus to discuss Belarusian assistance in upgrading Iraqi defense capabilities, particularly air defense and electronic warfare systems. Former MIC Director, Huwaysh, led the Iraqi delegations. The Iraqi delegations also included the former Director of Al-Kindi Dr Sa'ad Da'ud Shamma', the former Director of the Al-Milad air defense company, Brigadier General Husayn, and several high-ranking Iraqi air defense officials. Huwaysh, however, was the overall manager of the relationship between Iraq (especially MIC) and Belarus according to a detainee debrief.

***A former high-ranking Iraqi government official says that diplomatic relations between Belarus and Iraq were so strong that an Iraqi-Belarusian Joint Committee was formed to promote illicit trade.*** The committee was cochaired by the Iraqi Minister of Finance, Hikmat Mizban Ibrahim al-Azzawi, and Vladimir Zamitalin of the Belarusian Presidential Office. Indeed, the President of Belarus, Aleksandr Lukashenko, consistently supported the political positions and defense needs of Iraq. In a September 2002 meeting, President Lukashenko met MIC and MFA officials to discuss military cooperation. ***During the meeting, President Lukashenko expressed his willingness to support Iraq and to send air defense experts to help Iraq fight the United States.***

#### **Key Belarusian Individuals Linked to Illicit Trade With Iraq**

The following Belarusian individuals were instrumental in driving forward the illicit trade with Iraq:

- ***Vladimir Zamitalin.*** Ex-deputy to the head of the Presidential Bureau and former head of the Belarusian side of the combined Iraqi-Belarusian Com-

mittee for Commercial and Economic Cooperation. He was in charge of the special military cooperation with Iraq and functioned as a secret envoy between President Lukashenko and Saddam.

- ***Leonid Kozek.*** Ex-deputy to the head of the Presidential Bureau and member of the Iraqi-Belarusian cooperation committee.
- ***Nikolai Ivanenko.*** Current deputy to the head of the Presidential Bureau and last head of the Belarusian side of the combined Iraqi-Belarusian committee for economic cooperation. He had a role in the special military cooperation with Iraq, and is a relative of President Lukashenko. He visited Iraq twice and met with Saddam, carrying a written letter to Saddam from President Lukashenko.
- ***Vitali Kharlap.*** Belarusian Minister of Industry.
- ***Professor Kandrinko.*** Director of the communications department at a Belarusian concern called AGAT. He played a successful role in negotiations with Salah Al-Din state company and concluded many contracts concerning the manufacture of communication sets.
- ***Professor Kleshko.*** A scientist who led the department of telemetric systems for surface-to-surface missiles and had many contracts with the MIC.
- ***General Petr Rokoshevskiy.*** Deputy for arming and training in the Belarusian MoD. Rokoshevskiy had a role in activating military cooperation with Iraq. This involved working with the Iraqi MoD, SRG, and the MIC for supplying rocket propelled grenades (RPG-7), munitions, and laser-directed Konkurs antitank rounds. He played a major role in signing a contract with the Iraqi MoD and the MIC for training 20 officer engineers of the SRG in using the S-300 PMU-1 (SA-20) air defense system at the Belarusian military academy. Rokoshevskiy was also involved in signing contracts for supplying engines for T-72 and T-55 tanks, MiG-29 fighter jets, and BMP-1 mechanized infantry fighting vehicles.

### **Materials, Equipment and Services Provided by Belarus**

Belarus exported a range of military goods to Iraq. This illicit trade was organized and executed by a number of Belarusian companies. Captured documents reveal that in December 2002, *Balmorals Ventures Ltd.* implemented contract 148/2002 with the Al-Kindi General Company to deliver electronic components to the value of \$70,367. This price included the cost of delivery to Syria and onward shipment to Baghdad. The goods could have been components for a radar jamming system.

*Viktor Shevtsov was the director of Infobank and of another Belarusian company involved in illicit trade with Iraq named BelarusianMetalEnergo (BME).* Infobank helped finance deals with Iraq and, according to Huwaysh, may have been run by Belarusian intelligence. BME was involved in supplying castings and machinery for T-72 tanks, and modernizing SA-2 air defense missiles and associated radar systems. BME had many multimillion dollar contracts with Iraq and worked closely with Infobank to finance illicit trade. Shevtsov organized, at his own personal expense, trips on-board Belarusian airlines from Minsk to Baghdad. These flights transported experts and directors of Belarusian companies connected to Iraq as well as technical and military equipment destined for Iraqi ministries.

*Alexander Degtyarev was also a major player in the illicit trade business with Iraq.* Degtyarev was a Russian scientist whose specialty was missile guidance and control. Shevtsov introduced Degtyarev to the Iraqi MIC. Degtyarev owned the Belarusian companies named *Systemtech* and *ElectricGazCom (EGC)*, which had contracts with Infobank and Iraq to supply radars plus control and guidance systems for SA-2 missiles. The latter equipment was transported through Syria and paid for through Syrian banking institutions. Degtyarev was a regular visitor to Iraq, traveling there every two weeks according to a high-level MIC official and a mid-level former Iraqi civil servant with direct access to the information.

A high-level MIC official stated that EGC signed contracts with the Iraqi Al-Karamah State Establishment to build a facility for the manufacturing and testing of control and guidance systems for surface-to-surface missiles such as al-Samud. This trade also included the sale of gyroscopes and accelerometer testing stages. In addition, EGC signed contracts with the Al-Batani State Company for the technology transfer of manufacturing systems for an Iraqi satellite research project.

*A former Iraqi official revealed that President Alexander Lukashenko as a vehicle for illicit trade with Iraq promoted a joint Belarusian-Iraqi company.* Lukashenko was anxious that illicit trade should continue on a regular basis and requested that a firm called Belarus Afta be established in Baghdad as a clearinghouse for illicit military trade.

- Radar technology and air defense were the most crucial export commodities to Iraq from Belarus. Captured documents and a mid-level Iraqi military officer with direct access to the information affirm that there was joint Belarus-Iraqi development of an improved P-18 (Mod Spoon Rest) early warning radar between November 2000 and March 2003. This radar was employed at Al-Habbaniyah Air Defense Center against Coalition aircraft during OIF.
- Systemtech provided assistance in the fields of research, testing, and project implementation. Dr Raskovka was the senior Systemtech official helping the Iraqis, visiting Iraq every 3 to 4 months for 3 years. The Iraqis wanted to purchase an S-300 air defense system. Contracts were signed and training undertaken, but the pure logistic problems of supplying the system without alerting the international community were insurmountable.

Other interviewees revealed that Belarus provided numerous supplies of illicit goods to Iraq. These included equipment for T-72 and T-55 tanks; Volga, Pechora (SA-3) and other air defense missile systems;

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## **IAEC—MIC Cooperation for the Procurement of CNC Machines**

Based on interviews with Fadil Al Janabi, former head of the IAEC, and 'Abd-al-Tawab Al Mullah Huwaysh, former Minister of Military Industrialization, it is evident that the MIC procured CNC machines for the IAEC as part of a "special project" for modernizing Iraq's scientific infrastructure in 2001.

- According to interviews with Fadil Al Janabi, presidential secretary 'Abd Hamid Mahmud Al Khatab Al Nasiri was approached in 2001 with a proposal for a modernization program that included procurement of new machinery and equipment, enabling the IAEC to create molds and manufacture specialty parts in-house. Al Janabi wanted to procure these CNC machines through the MIC to bypass foreign supplier's reluctance to sell manufacturing equipment to the IAEC.
- Huwaysh recalled that in 2001, Al Janabi and Khalid Ibrahim Sa'aid contacted him with a presidential order to assist the IAEC with a "special project." The MIC was not to be involved with establishing technical specifications or providing funding, but was to serve as a functional link.
- During this initial meeting, which was also attended by Munir Al Kubaysi, Director General of MIC's Al-Basha'ir Company, Huwaysh claimed he was informed that he did not need to know what was being procured. He further remembered the relative high cost of the machines, costing approximately half the budget of the entire special IAEC modernization project.

IAEC scientists and employees, in contrast, have claimed that CNC machines procured from Taiwan were not high precision and were the same as those used at the Al Badr General Company.

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- A source with access stated that the most precise machines were capable of 5-micron accuracy, but none of the machines were five to six axes because this would have "broken sanctions and all of the machines were declared to inspectors." The IAEC employee stated that these high-precision machines were installed at Tuwaitha and information regarding these machines was provided to the UN and IAEA in the declaration given in December 2002.
- ISG has found Iraqi documents that corroborate this assertion, showing that the IAEC had prepared UN forms (OMV Form 22.5/ MOD.2) for eight CNC machines, all of which were identified as three-axes machines. The descriptions in the declarations are consistent with the statements of the mid-level managers.

It is important to note, however, that these IAEC sources referred to the MIC manufacturing company Al Badr and not Al-Basha'ir, the MIC front company involved in negotiations with Huwaysh. In the interchange between the IAEC and the MIC, Al Janabi was explicitly ordered that all transactions and communications on this procurement project were to go through Munir Al Kubaysi and Al-Basha'ir. **ISG judges it is probable that this "special project" procurement was carried out by Al-Basha'ir as a separate classified channel for IAEC precision machinery.** This assessment supports Huwaysh's claim of the sensitivity surrounding the "classified" nature of the IAEC modernization project in 2001.

Mi-17 helicopters; spares and repairs for MiG-23, -25 and -29 plus Sukhoi 25 jets; laser guidance systems; fiber optics; infrared spare parts; GPS jammers; and radios.

Even during the prelude to OIF, the illicit Belarusian military trade with Iraq did not stop as shown by captured documents. Belarus provided PN-5 and PN-7 night-vision devices for Iraq through the Al-Basha'ir front company. **Three months before the onset of the**

*conflict, President Lukashenko instructed the Belarusian Ministry of Defense to allow Iraq to purchase any goods from Belarusian military supplies.*

#### **Payments From Iraq to Belarus**

The main revenue stream for funding illicit trade with Iraq came from the Iraq-Syria Trade Protocol. The amount of illicit military trade between Belarus and Iraq was significant according to captured documents, with Belarusian Governments receiving nearly \$114 million in payments from Iraq.

According to a detainee, the critical financial element in the illicit trade process between Belarus and Iraq was Infobank. Belarus demanded to be paid 75 percent of the contract price in hard currency before delivery of any goods. Iraq did not agree to this. Therefore, Infobank agreed to provide bridging funds, including the 75 percent up-front fee, to finance illicit deals between Belarus and Iraq for a fee of 15 percent of any contract. According to a high-level Regime source with direct access, kickbacks paid to Iraq by Belarusian companies for exports to Iraq under the UN OFF Program were kept at the Infobank to fund future illicit Iraqi imports from Belarus. A senior former executive in the Iraqi MIC believes that Infobank had a total of \$7 million of Iraqi money in its accounts before OIF. Infobank also financed illicit military trade between Iraq and Yugoimport-FDSP of Serbia, paying equivalent up-front fees, according to a former senior executive in the MIC.

#### **Taiwan**

*Although a limited supplier of prohibited goods to Iraq, companies from Taiwan negotiated for conventionally military goods and provided critical CNC machines to the Regime from 2001 to 2003. These machines provided Iraq with a means to improve its military-related production.*

The earliest evidence of Iraq's procurement relationship with Taiwan dates back to January 2001, when Iraq sought military equipment and dual-use goods from companies in Taiwan. In an apparent attempt

to circumvent UN sanctions, Dr. Kahalid Sulaiman of the Iraq-based company ETIK for General Trading Limited approached the Taiwanese arms brokerage firm, Epron International Limited, seeking 150 engines for T-72 and T-55 tanks, 200 engines for the T-62 tank, and 100 engines for the BMP-1 and BMP-2 armored personnel carriers. The engines were to be in complete and new condition.

Although Epron's prices were higher than other sources, ETIK learned that it did business without the need for official papers. The deal was originally structured as cash only; however, under-the-table transaction with the payments made in advance occurred, and an agreement was eventually reached for half the payment for the engines to be in cash, and the other half in oil.

- ISG has found no evidence that these engines were delivered to Iraq.

There is limited information on the supply of CNC machines to Iraq, but *during UNSCOM's tenure, UN inspectors confirmed Iraq had obtained CNC machines manufactured by companies in Taiwan.*

- During an inspection in 1998 of the Al Rasheed General Company's Tho Al-Fekar Plant at the Taji Metals Complex, UNSCOM inspectors found four new Hartford vertical machining centers, with one machine installed and being used on Ababil-50 motor bulkheads. The four machines, made by the She Hong Machinery Company Limited, were three-axis vertical machining center with an indexing fourth axis and a 20-tool carousel.
- The inspectors considered these modern, standard quality CNC machines suitable for good quality aerospace and missile-related applications. Later in 1998, another inspection at the Tho Al Fekar Mechanical Plant reported another four Hartford CNC machines milling Ababil-50 rocket nozzles. The team identified that three of these machines possessed a computer-controlled turntable.
- ISG cannot confirm that these CNC machines were purchased directly from sources in Taiwan. It is equally likely that these machines were obtained from unknown third parties.



In 2001, the IAEC and MIC were working to obtain CNC machines to modernize Iraq's scientific infrastructure. By 2002, documentary evidence shows Iraqi front companies soliciting bids and contracting for CNC machines from companies in Taiwan. ***The CNC machines procured from Taiwan by Iraq consisted of three or more axes, suggesting potential use in weapons production.***

- In early May 2002, the Baghdad-based Iraqi firm, Aldarf Company, represented by Ali Albakri, sought tilting rotary tables for two machining centers. She Hong Industrial Company, one of Taiwan's largest manufacturers of machine tools, acknowledged the Iraqi company's need for accessories and stated that rotary tables manufactured by Taiwan's Golden Sun industrial Company Limited, Taichung could be added to both machines that Iraq already possessed.
- Recovered correspondence from the Al-Basha'ir Company revealed a deposit of \$900,000 into the account of Mr. 'Abd al Razzaq Al Falahi and Brothers to execute a contract for importing machine tools from Taiwan. This money was then transferred into the account of She Hong Industrial Company.
- In July 2002, Iraq asked a Jordanian company to seek a new quote from a company in Taiwan for a gun-drilling machine, earlier quoted at a price of \$146,000.
- January 2003 bids for CNC wire-cutting machines from Taiwan were also revealed in documentation from the Al Badr State Company, a subsidiary of the MIC.

Iraq took active measures to ensure that illicit trade for machine tools from Taiwan was concealed. Recovered correspondence from Al-Basha'ir expressed that the wording of the contract conducted by Mr. 'Abd al Razzaq Al Falahi should not make reference to Al-Basha'ir and that monies should be deposited in a static account for all transactions. Correspondence from a MIC-run company also indicated that bids from companies in Taiwan were under the auspices of the Iraqi and Syrian agreements, implying that goods obtained from Taiwan would be transshipped through

front companies operating out of Syria or that Syrian front companies would act as intermediaries and facilitate delivery of the procured equipment.

#### **Egypt**

***Since 1990, illicit procurement activity between Iraq and Egypt provided Baghdad with a limited amount of materials that the Regime found difficult to acquire outside UN sanctions.*** Materials that Iraq acquired through its relations with Egypt, outside UN sanctions and resolutions, included nitric acid, stainless steel and aluminum alloys.

Egyptian and Iraqi procurement relations began in the early 1980s when Baghdad provided Cairo with \$12 million in 1981 in return for assistance with production and storage of chemical weapons agents. At this time Baghdad also entered into a series of contracts with the Government of Egypt to procure the two-stage Badr-2000 missile and to provide the technological infrastructure to build the missile indigenously, before it attempted to extend the range of its Scud-B/8K-14 missiles.

Following Operation Desert Storm and UN sanctions, procurement from Egypt was limited. Nevertheless, Iraq used its ties with Egypt to procure key items that were difficult to procure elsewhere.

- The MIC, through its front company Al-Husan, had a \$5 million contract with an Egyptian firm for stainless steel, forged steel, and aluminum in 2003.

Trade in nitric acid, a precursor in the manufacture of solid propellant also flourished following the destruction of the Al Qa'Qa State Company Nitric Plant in December 1998, during Operation Desert Fox.

- A senior official from the MIC stated that Iraq had a secret agreement with Egypt during 2001 to 2002 to have nitric acid shipped from Egypt through Syria to Iraq. It is unclear how many tons of nitric acid Iraq received from this secret agreement.

**Many transactions for prohibited goods were orchestrated through a trade protocol sponsored by the Iraqi MoO.** The second Deputy Director for the MIC, Dagher Mahmoud, was responsible for monitoring these transactions.

- A source with direct access estimated that there was approximately \$50 million in the trade protocol account. Goods and materials were occasionally procured on a cash basis from Egypt, but the majority of the protocol was based on oil transshipped through Jordan.
- M-23 officers from Balad, Iraq often accompanied MIC personnel to Egypt and between 2000 and 2003. M-23 was responsible for the physical security of MIC facilities and personnel. Abd al-Hamid Sulayman Al Nasiri, the Director of M-23, personally went to Egypt under the auspices of the IAEC about six months before OIF.

**According to a senior Iraqi official from the MIC, the Egyptian state was involved in illicit trade with Iraq. Known Syrian procurement agents for Iraqi front companies also assisted in some of these transactions.** It is also apparent that the Syria-Iraq Trade Protocol facilitated illicit trade from Egypt. Individual brokers and Iraqi foreign nationals in Egypt may have also initiated illicit trade, motivated by the lure of corporate and individual profits.

- Nitric acid supplies were reportedly the responsibility of the Dr. Asif Shalish, Director of the Syrian SES International, who dealt regularly with Iraqi procurement companies. All payments of the nitric acid were handled under the Syrian protocol and the head of Al-Basha'ir, Munir Mamduh Awad al-Qubaysi.

ISG, however, judges that the most likely transshipment routes through Jordan and Syria were based on the ties to the trade protocols.

## Yemen

**Improving bilateral relations between Sana'a and Baghdad in the late 1990s resulted in direct Yemeni participation in Iraq's illicit procurement schemes.**

After 2000, Yemen became a state trade intermediary for Iraq, providing Baghdad with "end-user" cover for military goods prohibited by UN sanctions and resolutions. **There is no evidence, however, that Yemen was complicit in the procurement of WMD-related commodities.**

Throughout the 1990s, Yemeni President Ali 'Abdallah Salih publicly supported UN sanctions against Iraq, but he remained concerned about the humanitarian impact on Iraq's citizens. Starting in February 1997, senior members of the Yemeni Government privately argued that Yemen should unilaterally abrogate the UN sanctions on Iraq. They contended that lifting the embargo would help to provide the Iraqi people with much-needed humanitarian assistance and enhance regional stability. By 1999, President Salih was beginning to publicly criticize the United States and the UK for the imposition of no fly zones over Iraqi airspace and the UN embargo.

## Opening Conventional Trade With Yemen for Oil and Cash

In addition to increasingly pro-Iraqi rhetoric, Yemen and Iraq also **built closer trade ties in 1999**. Through regularly scheduled Iraqi-Yemeni Joint Committee meetings, Iraq and Yemen had signed trade agreements and Memoranda of Understanding aimed at strengthening bilateral ties, sparking economic growth, and exchanging energy experts in the field of natural gas and petroleum exploration. The two countries also signed a customs treaty, whereby no duties would be paid on the transfer of goods between Iraq and Yemen. **Although these agreements were within the guidelines set forth by UNSCR 986, they provided an avenue for increasing trade coordination and eventually led to sanctions violations.**

- The Iraq Government signed a \$9 million deal in November 2000 with the Yemeni Hayal Sa'id group of companies to provide Iraq with food and medical-related goods in exchange for hard currency derived from Iraqi oil sales.
- On 29 September 2000, President Salih authorized one of the first commercial airline flights to Baghdad. Salih had rejected earlier calls by Yemeni

opposition parties for this action out of fear of a US government reaction. After a Royal Jordanian Airlines flight landed in Baghdad on 27 September, however, Salih decided he could deflect Western criticism by claiming the flight was on a humanitarian mission. It was expected that Yemen would allow additional flights to Baghdad in the future.

By November 2000, another session of the Yemeni Iraqi Joint Committee, led by 'Abd-Al-'Aziz Al-Kumaym, was held in Baghdad. The meetings again centered on improving bilateral relations, but mainly dealt with increasing economic activity between the two countries. The joint committee reached agreement in a number of areas, including the purchase of Iraqi oil at below market prices for cash using unnamed Yemeni businessmen instead of the Yemeni Government. *This kind of transaction was very profitable for Yemen, but violated UN sanctions.* In addition to the profits earned by this trade, Saddam's Regime also agreed:

- To provide 60 scholarships for Yemeni students to study at Baghdad University.
- To the exchange of experts to take place in the fields of agriculture and telecommunications.

#### **Yemen Emerges as an Intermediary for Iraqi Illicit Imports**

*Several high-ranking Iraqi, Yemeni, and Syrian Government officials met to discuss the establishment of an illicit trade protocol between February and July 2001.* The purpose of these particular meetings centered on formulating and implementing a plan that would allow Iraq to acquire Russian-manufactured military spares through a complicated supply chain and front company network. The main participants in the meetings were the Iraqi Ministry of Defense General Secretary, the Yemeni Ambassador, and Firas Tlas, the son of the former Syrian Defense Minister Lt. Gen. Mustafa Tlas. A Yemeni businessman named Sharar Abed Al-Haq brokered the illicit Yemeni business transactions.

- Lt. Gen. Mustafa Tlas, while absent from the meeting, provided a letter, which stated that he recently met Dimitrof Mikhail, president of Russian Company of Iron Export. Dimitrof, a former senior Russian intelligence official, had agreed to supply spare parts without requesting the identity of the end user.
- Al-Haq agreed to transport military supplies from Yemen to Iraq using the illicit trade networks.
- According to the letters, Iraq provided Al-Haq a list of requirements, signed by the Iraq Defense General Secretary. *This list included spares for the following: MiG-17, MiG-21, MiG-23, MiG-25, MiG-29, Su-22, Iskandri missiles with a range of 290 kilometers, updated parachutes, L-39 combat capable trainers, Bell 214st helicopters, T-55 and T-72 tanks, armored cars, BMP-1 and BMP-2 armored personnel carriers, and other cars and trucks.* The total value of the contract was \$7,287,213. The contract outlined a transportation scheme to take the prohibited items from Singapore to Sana'a, Yemen to Damascus, Syria, to Baghdad with payment to be made through the International Bank of Yemen.

*According to recovered documents, President Salih called his brother, the Yemeni Air Force Commander, after this meeting and told him to provide Iraq with spare parts even if they needed to take them from Yemeni stocks.* He also ordered his brother to acquire more materials from Russia.

- Reportedly, in early December 2001, the Iraqi Air Force had received spare parts for MiG-29 fighter aircraft, mainly through Tartus, Syria. No further information is available as to the origin of the aircraft parts. It is likely that these items were purchased via the Russian/Yemen/Syria supply chain.

## Importing Prohibited Commodities

### Overview

Iraq under Saddam Husayn used various methods to acquire and import items prohibited under UN sanctions. *Numerous Iraqi and foreign trade intermediaries disguised illicit items, hid the identity of the end user, obtained false end-user certificates, and/or changed the final destination of the commodity to get it to the region.* For a cut of the profits, these trade intermediaries moved, and in many cases *smuggled, the prohibited items to* land, sea, and air border entry points along the Iraqi border.

- Companies in Syria, Jordan, Lebanon, Turkey, UAE, and Yemen assisted Saddam with the acquisition of prohibited items through deceptive trade practices. In the case of Syria and Yemen, this included support from agencies or personnel within the government itself.
- Numerous ministries in Saddam's Regime facilitated the smuggling of illicit goods through Iraq's borders, ports, and airports. The IIS and MIC, however, were directly responsible for skirting UN monitoring and importing prohibited items for Saddam.

## Deceptive Trade Practices Supporting Illicit Procurement

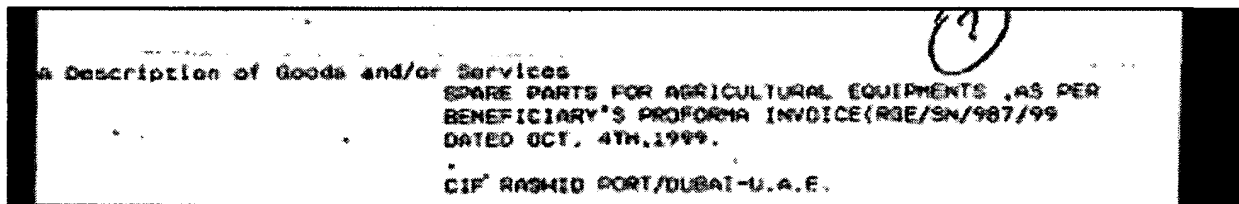
### Use of Trade Intermediaries

Trade intermediaries were a specific subcategory of front company that *served as middle-men or agents for illicit procurement between the Iraq clients and international suppliers.* On the surface they were transport-related businesses such as freight or shipping companies that disguised the routing, destination, or purpose of acquired goods. They were either foreign or domestic companies and charged a percentage of the contract fee for their services. There were three types of Iraqi trade intermediaries:

- Companies in full collusion with the former Regime (often these were owned or operated by the Regime).
- Intermediaries willing to overlook ambiguous or partially completed trade documents if the profit margin was sufficient.
- Companies that were unaware of the Iraqi involvement in the contract because of falsified paperwork or Iraqi deception.

The conditions for illicit trade via intermediaries was set by the reestablishment of normal trade under the 1996 UN OFF Program and the bilateral trade protocols with Jordan, Syria, and Turkey. *These protocols provided effective cover for illicit trade to occur, establishing legitimate linkages between trading companies, and making it more difficult to monitor compliance with UN sanctions.*

- Iraqi trade companies established branch offices in neighboring countries or to call on the support of affiliated/sister companies operating abroad. Sometimes these branch offices/sister companies represented the primary office for soliciting offers from foreign suppliers. *These relationships gave the appearance that commercial business was being conducted with business clients in the neighboring country, rather than Iraq.*



**Figure 64.** A bill of lading from October 1999 for T-72 and T-55 tank engines described as “spare parts for agricultural equipments.”

Iraqi trade intermediaries generally used several approaches to hide the illicit nature of their cargo. These approaches were used singly or in combination (depending on the sensitivity of the commodities) to get the items into a neighboring country where it could be easily smuggled into Iraq.

- Disguising the nature of the item.
- Hiding the ultimate end user.
- Changing the final destination.
- Nondisclosure. Alternatively, any of these three bits of information could simply be not provided or written illegibly on the shipping documents. Although against common trade practices, this ambiguity could provide sufficient deniability for those suppliers in the acquisition chain.

**Disguising the Nature of Prohibited Goods**

*The Iraqi Regime skirted UN restrictions by using cover contracts under the trade Protocols or outright incorrect descriptions of items in transit.* The MIC was known to use this method to purchase military equipment using funds from the UN OFF program. Military-use items would also be incorrectly described in the paperwork as dual-use items. *ISG has uncovered numerous examples of Iraqi efforts to disguise the nature of illicit imports to skirt the UN sanctions Regime:*

- Captured Iraqi documents verify that NEC provided restricted items to Iraq, although we have not found any evidence that NEC provided Iraq with chemicals that could be used to produce CBW agents.
- In 1999, the MIC imported Georgian T-55 and T-72 tank engines under cover contracts for agricultural equipment, according to documents corroborated by a high-level MIC official (see figure 64).
- Translated correspondence between the Iraqi front company Al-Rawa'a Trading Company and Al-Karamah detailed November 2000 plans to alter shipping documents for agricultural towing batteries (military use) to describe them as batteries for ambulances. Muhammad Talib Muhammad, director of Al-Rawa'a, was concerned because, if the batteries were discovered during inspection upon arrival in Iraq, it could create a “crisis.” The purpose of altering the documents was clearly to describe the batteries dual use rather than military use, thereby making it easier to bring them into the country.
- In February 2003, the Russian state arms export company, Rosoboronexport, and other Russian companies planned to sell advanced antiaircraft and antitank missile systems to Iraq, according to a document signed by the head of MIC security recovered at the IIS Headquarters in Baghdad. The Iraqis and Russians planned to ship the prohibited goods using UN OFF cover contracts to disguise the items as illumination devices, water pumps, and assorted agricultural equipment. We do not know if this equipment was shipped to Iraq before the start of Operation Iraqi Freedom.

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### **International Commodity Deception:**

#### ***The Spherical Aluminum Powder Case Study***

*The lure of high profits brought unscrupulous trade intermediaries to Iraq to offer their “services.” Iraq’s Al Badr Bureau Trading and Engineering Firm sought bids on spherical aluminum powder, a key component for solid rocket propellant, through a Pakistani trade intermediary. After three attempts to purchase the powder failed, the intermediary’s managing director sought other means to obtain the powder for Al Badr. Throughout the trade negotiations, both Amanatullah and Dr. Farhan Ghazar, the Al Badr representative, were aware the powder was a prohibited military item.*

- *In late April 2002, the Pakistani intermediary proposed shipping the powder to Iraq through Pakistan and then Syria using “falsified shipping documents” listing a different material in the shipping containers. He requested Dr. Ghazar’s assistance to create these false invoices.*
- *By mid-May, he had identified an unnamed British manufacturer that was prepared to ship the powder to Karachi and passed the company’s end-user certificate to Dr. Ghazar, as a metallurgist, who should have no trouble falsifying the document.*

- *The Pakistani intermediary and Ghazar also sought possible nonmilitary end uses for the powder that could be listed on the British certificate.*
- *After completing the planning for the illicit shipment, he and Dr. Ghazar sought to assure his Iraqi clients that his Pakistani company was fully prepared to handle this sensitive project and any future requests for other Iraqi customers.*

*Throughout the summer and fall of 2002, the Pakistani intermediary continued to try to close the contract for spherical aluminum powder with Iraq. He made a trip to Iraq with samples in July and mailed samples to Dr. Ghazar in October 2002. Had Iraq agreed to the shipment in November 2002, the Pakistani intermediary’s own delivery estimates would have had the powder delivered to Pakistan from a British firm no earlier than February 2003. Therefore, it is unlikely Iraq was able to obtain the aluminum powder before OIF. Nevertheless, this case illustrates the methods used by Iraq and its illicit trade intermediaries to evade UN sanctions and international monitoring.*

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### **Concealing the Identity of Commodities**

*In addition to disguising the identity of the item, trade intermediaries employed many techniques to hide the identity of the end user of the commodities.*

*A common practice used by Middle Eastern trade intermediaries representing Iraq’s interests would routinely approach suppliers about requirements for “unidentified clients.” The international suppliers would either settle for incomplete end-user statements (part of the formal international trade documentation requirements) or accept false end-user statements from neighboring countries sympathetic to Iraq.*

- *After 1997, many of the illicit goods imported by MIC came through Syria using false end-user certificates provided by high-ranking Syrian officials.*

*The former Syrian Minister of Defense, Mustafa Tlas, routinely signed false end-user certificates for weapons dealers, generally for a fee of 12 to 15 percent of the total contract amount.*

- *Documents from the Al-Basha’ir front company illustrate this method of deception. According to the documents, the Indian NEC Company complained to Al-Basha’ir in 2000 that the majority of the items requested by the MIC were seized before reaching Iraq, “despite the fact that most of it had documents with clauses mentioning the requirement of not shipping it to Iraq, Iran, North Korea, or Cuba.”*

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***Circumvention of UN Sanctions Importing Missile-Related Materials in 1998***

*To avoid UN inspectors' possible detection of sanctioned materials, Iraqi officials would instead find alternate methods to get what they needed. The Al Fat' h missile project illustrates how the Iraqis managed to avoid UN detection. Documents captured at the MIC Headquarters reveal the MIC's March 1998 plan to purchase dual-use materials, including: ammonium perchlorate, aluminum powder, carbon fiber, and phenolic resin for use in the Al Fat' h missile project. After discovery of these materials by the UN, Iraqi officials were instructed to submit a form B-1 by Richard Butler, Chairman of UNSCOM. This form detailed Iraq's plans to use 20 tons of ammonium perchlorate and 3 tons aluminum powder to manufacture composite solid propellant for the Al Fat' h motor. It also described a need for 350 kilograms of carbon fiber to insulate parts of the Al Fat' h motor. The materials were to be shipped through Jordan by the Iraqi company Al 'Ayan, with Al Wadha Commercial Agencies Company, possibly a subsidiary of Al-Eman, acting as an intermediary.*

*A letter, classified "Top Secret" by the Iraqi Government, from Al 'Ayan Trading Company to the MIC summarized the inability to ship the ammonium perchlorate, aluminum powder, carbon fiber, and phenolic resin because of the UN restrictions on Jordan in shipping those materials for the missile program. Al 'Ayan suggested the following solution:*

- *Advise the beneficiary to contact the supplier to publicize the "cancellation" of the contract with Al 'Ayan.*
- *All related communications and inquiries would remain strictly at the commission (possibly the MIC) office and not at the project site.*
- *Al 'Ayan would divert the shipment routing to avoid entering Jordan.*
- *Al 'Ayan would change the type of commodity on the bill of lading, alter the beneficiary's name at intended port of entry, and change the port name.*
- *The contract duration would be amended to add one month for delivery.*

*The contract would increase in value by 20 percent of the actual sum to compensate Al 'Ayan for aiding Iraq in acquisition of prohibited materials.*

### Disguising the Commodity's Destination

Perhaps the most basic method for Iraq to skirt international scrutiny was to simply *list a neighboring country as the final destination, when in fact the commodities were only held there until they could be smuggled to Iraq by Saddam's agents*. Because of the high amount of ordinary trade occurring under the bilateral trade protocols, and government complicity, Syria and Jordan were the most common transit countries used as false destinations for prohibited commodities bound for Iraq. The UAE also served as a transit location and, according to reporting, profiteers in Iran even took part in transiting Russian goods into Iraq. The MIC paid these transit services with the profits of oil sales under the trade protocols.

- According to a report, the Al Raya Company, an IIS front company, requested weapons from Syrian or Jordanian arms dealers. The merchant would acquire the goods in Syria or Jordan and move them into Iraq through the Jordanian Free Commercial Zone. This free trade zone was controlled by the Jordanian Ministry of Finance and Jordanian Intelligence Service and it served as an effective conduit for importing prohibited items through Jordan to Iraq. This report corroborates other reporting on the role of Jordan prior to 1999.
- After 1999, the MIC's Al-Basha'ir Company served as a primary conduit for handling illicit shipments via Syria. At the MIC's request, Syrian trade companies obtained specific items for Iraq, primarily from suppliers in Russia, Bulgaria, Ukraine, and other Eastern European countries. When delivered to Syria, Al-Basha'ir took delivery of the commodities under the oversight and assistance of Syrian government officials. These officials normally received a 12.5-percent mark-up as a kickback to ensure goods moved from Syria to Iraq without disruption. Al-Basha'ir then smuggled the items into Iraq and delivered them to MIC.
- In another case, seized documents reveal that in 2000 the Indian NEC Company delivered "100 explosive capsule units for the RPG-7" to the Al-Basha'ir Company in Iraq by leasing "a private plane which delivered the shipment directly to Syria with great difficulty."

### Use of Illicit Smuggling and Transportation Networks

*Iraq has been at the center of various trade routes for centuries.* Historically, this trade involved illicit activity, or smuggling, to escape taxes or to evade governmental oversight. Despite the imposition of sanctions by the United Nations in 1990, *Iraq managed to circumvent UN sanctions through long-established business relationships with its neighbors, cross-state tribal connections, and use of ancient smuggling routes. Contemporary smuggling methods used by Iraqi trade companies used the entire spectrum of smuggling methods: disguising illicit shipments as legitimate cargo; hiding illicit goods in legitimate shipments; avoiding customs inspections; and for high priority, low-volume shipments, using Iraqi diplomatic couriers.*

Captured documents indicate that there were approximately 500 official and unofficial border crossing points between Iraq and Syria, Jordan, Saudi Arabia, Kuwait, and Iran. According to the documents, there were also other border checkpoints between Iraq and Turkey and between Iran under Kurdish control. Despite the number of possible crossings, almost all goods entered Iraq at just five major border crossings and the port of Umm Qasr.

- Only goods supplied under the UN OFF Program were subject to UN inspection at the four permitted border points; Turaybil/Al-Karamah on the Jordanian-Iraqi border, Tanf/Al Qaim on the Syrian-Iraqi border, Habur Bridge/Zakho on the Turkish-Iraqi border, Ar'ar on the Saudi-Iraqi border and the port of Umm Qasr on the Gulf.

*A mid-level Iraqi official asserted that Iraq signed a formal transport agreement in the 1990s. These agreements ensured that before 1999 Jordan was the primary conduit of illicit trade with Iraq. The change in the Iraqi-Jordanian relationship was promoted by a combination of improvement in Iraqi-Syrian relations, and Jordanian concern over increased political scrutiny in the United States.*



Syria's two primary transportation companies, SES International (previously known as Lama Trading Company) run by its General Manager, Asif Al-Shalish, and the Nurallah Transportation Company, had significant ties to the Iraqi MIC.

### Smuggling by Air

A former Iraqi diplomat described how several times per month Iraqi diplomatic personnel would smuggle large quantities of money and prohibited equipment from Russia to Iraq. From 2001 until the fall of Baghdad, goods were smuggled out of Russia by Iraqi Embassy personnel. *Equipment smuggled by this method included high-technology items such as radar jammers, GPS jammers, night-vision devices, avionics, and missile components of various types.* A charter flight flew from Moscow to Baghdad every Monday, with a return flight on Wednesday. The flight was not inspected by the UN and was used to smuggle cash and other goods, which Iraq was not allowed to procure under UN sanctions, into Baghdad. Cash and equipment were smuggled two or three times a month by diplomatic courier, usually disguised as diplomatic mail. Bribes were paid to Russian customs officials to facilitate these illicit shipments.

- A former Iraqi MFA employee who worked as a diplomatic courier and had direct access to information reports that the Iraqi ambassador to Russia personally delivered GPS jammers to the Iraqi Embassy in Damascus during April 2003. The ambassador used a private jet for transport, with the GPS jammers concealed as diplomatic mail. The jammers were transferred to Al Qaim border checkpoint.

A senior executive in the MIC provided information detailing how direct frequent flights between Minsk and Baghdad were instituted in the summer of 2000. Belarus established a joint airline with Iraq that employed four Boeing-747s to transfer unspecified illicit items, experts, and officials direct to Baghdad under the cover of humanitarian aid missions.

Amman airport was also used as an air transshipment point. An Iraqi businessman declared that, a Jordanian company procuring illicit goods on behalf of Iraq shipped prohibited goods to Amman airport for onward transfer to Iraq.

### Smuggling by Land

Iraq deployed many state institutions whose mission was to facilitate illicit trade by land. According to an Iraqi customs inspector with direct access, the IIS, the SSO, and the MIC used the border checkpoint system as a method of obtaining prohibited goods.

One such Border Check Point (BCP) facility was located at Turaybil. The activity at that BCP was representative of the smuggling infrastructure used to ship illicit goods into Iraq at other BCPs. Turaybil was part of the MoTC border checkpoint system that facilitated the movement of a large amount of contraband goods into Iraq. The Iraqi customs service was forbidden to inspect IIS shipments.

- Turaybil contained an IIS office, an ILTC office, an SSO office, and a Directorate of Military Intelligence office, according to information relayed by an Iraqi customs inspector with direct access. The "Orient Company" was often listed as the sender of equipment, with Iraqi front companies, including Al-Basha'ir, Al-Faris, Hatteem and Al-Faw, served as the consignees. The "Orient Company" was the most common cover name for illicit IIS-assisted shipments into Iraq—the company did not exist.
- The volume of traffic at the Turaybil border crossing meant that it would not be possible to adequately inspect traffic entering Iraq.

According to a captured document, days before OIF, the JEFF Corporation of Bulgaria offered and was prepared to export 500 Iglá MANPADS missiles, 50 grip stocks, and two inspection platforms to Iraq. There is no evidence that the contract was fulfilled. The Iraqi front company named Al-Basha'ir, however, subcontracted the Nurallah Transportation Company of Damascus to ship the embargoed goods from a Lebanese port to Al-Basha'ir warehouses, and then on to Baghdad. The goods would take a total of three

months to reach Baghdad from Bulgaria via the sea and multiple shipments by truck. An Iraqi businessman has confirmed that illicit equipment arriving in Damascus from Minsk, Belarus, was transferred to Baghdad via Syrian roads and railways.

Open sources detail how the Habur bridge or gate near Zakho on the border with Turkey was also a scene of illicit smuggling. The large volume of traffic across Habur bridge (see Figure 65) hindered the adequate monitoring of cargo. Recent open sources point to the fact that UN monitors were able to inspect only one in every 200 trucks that crossed into Iraq via this route.

Other sources suggest that Iraq may have also received goods smuggled in by truck from Dubai via Saudi Arabia. Illicit trade between Iraq and Iran was also problematic. Smuggling occurred on the road linking the Iraqi city of Al-Basrah and the Iranian city of Khorramshahr. Iran exported foodstuffs, luxury goods, and especially cement and asphalt along the 40-kilometer highway. A former employee of the MIC declared that the smuggling was under the protection of both the Iraqi SSO and the Iranian Revolutionary Guard Corps.

There are a dozen official entry points into Iraq from the neighboring countries (see figure 66) of Jordan, Syria, Turkey, Iran, Kuwait, and Saudi Arabia, three air entry points at Baghdad, Basra, and Mosul and two main ports at Umm Qasr and Al-Basrah. As indicated on the map, the UN monitored only five border crossings. The primary reason for the UN's oversight centered on the UN OFF Program. UNSCOM weapons inspectors seldom visited Iraq's border control points because they were based in Baghdad. The UN contracted two private companies from 1996 to 2003 (Lloyds Register and later a Swiss company called Cotecna) to authenticate and certify the arrival of humanitarian supplies under the UN OFF Program at three land border points. (A fourth was added just prior to OIF and the port of Umm Qasr (see figure 67).

This left at least two major border crossings and Baghdad's airport completely unmonitored. Even at the monitored crossings, cargo not approved by the UN could freely enter Iraq because UN monitors only

dealt with UN OFF cargo. Any non-UN cargo could freely enter Iraq at either monitored or unmonitored entry points.

### **Smuggling by Sea**

During the sanction years, traders used a pool of private dhows, barges, and tankers to smuggle oil out and commodities into and out of Iraq's southern ports with relative ease. It is possible that easily concealed military and dual-use items could have been transported by this method.

### **Smuggling via Jordanian Ports**

The port of Aqaba in Jordan served as a maritime transshipment point. Beginning in the mid-1990s, Lloyds Register provided monitoring of goods arriving at Aqaba, but Jordan terminated the contract in 2000. The IIS had a representative in Aqaba, overseeing illicit trade including shipments made by a Middle Eastern firm.

From 1996 to March 2001, Mohammed Al-Khatib, a Jordanian businessman, became the most prominent intermediary for the Indian company NEC. Al-Khatib runs the Jordanian transport companies named MK-2000, Jordan Oil Services, and the Jordan Establishment for Transit, all located at the same Jordanian address. Al-Khatib facilitated the shipping of illicit goods to Iraq. Contraband was shipped by Pacific International Lines Ltd and Orgam Logistics PTE Ltd from India (Bombay and Madras) to Aqaba in Jordan. In all the deals:

- Al-Khatib was identified as the consignee.
- All voyages involved transshipment, at least one via Dubai.
- Goods were unloaded at Aqaba port by Al-Khatib and reloaded onto Al-Khatib company trucks for onward transit to Iraq.
- All payments by Iraq were made to Al-Khatib with Al-Khatib paying other players in the logistics and supply chain.
- Iraq submitted tenders to NEC through Al-Khatib.



**Figure 65.** A truck holding area near Habur Bridge BCP showing the high volume of border traffic into Iraq.

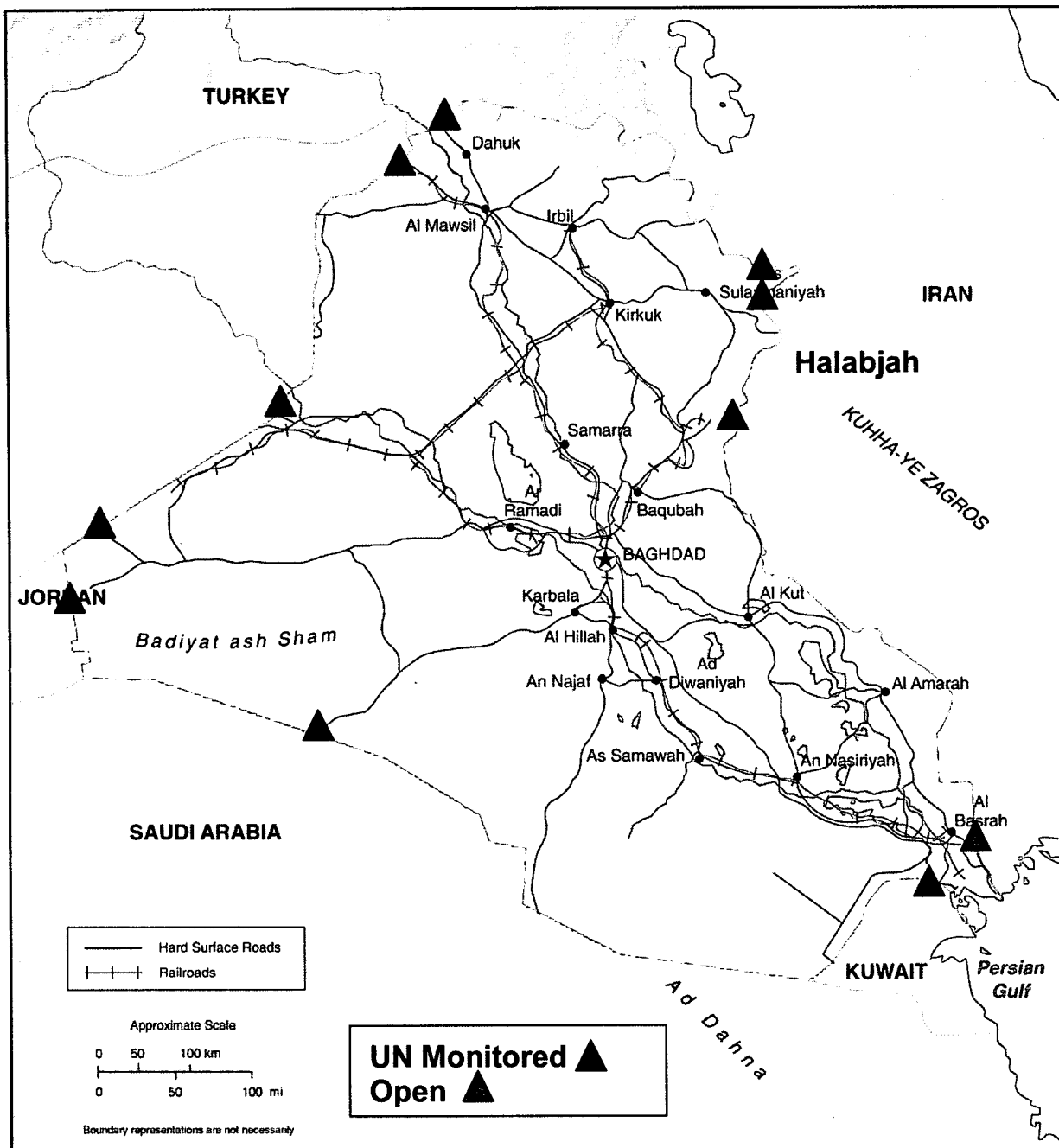


Figure 66. Map detailing Iraqi border crossings, including those monitored by the UN.

### Smuggling via Syrian Ports

Open sources reveal that a draft trade and security agreement existed between Iraq and Syria that covered a variety of economic and political arrangements. These included the opening of the Syrian ports of Al-Latakia and Tartus for Iraqi imports. It took approximately two weeks to deliver cargo to Al-Latakia or Tartus from Black Sea ports, according to a senior executive in the MIC.

Sources asserted that a heavy pontoon bridge set provided by the Ukrainian arms export firm Ukroboronservice to Syria was ultimately supplied to the Iraqi RG. It was initially delivered from Mykolayev on the Black Sea coast to Beirut in Lebanon on the MV Nicolas A, arriving in early October 2002. The equipment was imported by the Syrian firm SES International, probably covered by a Syrian end-user certificate. A delivery verification certificate signed by Syria's Customs Department, verified by SES, indicated that the shipment had reached Syria by mid-October. Sources further revealed that elements of the heavy pontoon bridge set had been delivered to RG forces at Fort Rashidiyah, near Baghdad by early November. Other elements were deployed to a river-crossing training site between late October and early November of 2002.

### Smuggling via the Arabian Gulf

The Iraqi Regime frequently employed smugglers who used oil smuggling routes through the northern Arabian Gulf. The Iranian Revolutionary Guard Corps Navy facilitated this illicit trade by providing safe passage through the northern Persian Gulf for Iraqi oil smugglers in return for a fee. This arrangement allowed oil smugglers a safe passage through Iran's northern territorial waters, but smugglers remained subject to being interdicted by Iranian authorities farther south (see figure 68).

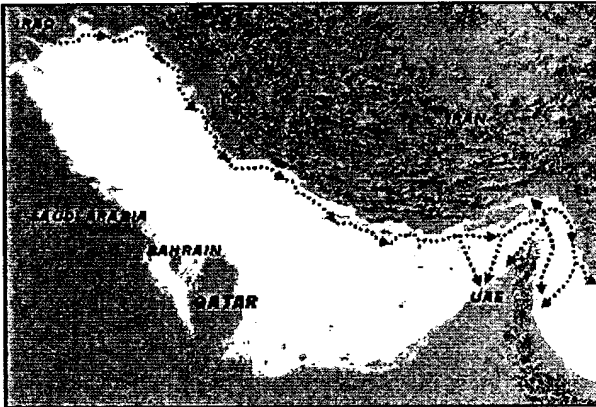
By calculating the \$50 per metric ton of oil fee, the Maritime Interdiction Force (MIF) estimated in 2000 that Iran was taking about 25 percent of the profit from smuggled Iraqi oil (see figure 69). These high profits resulted from the difference between the market price for crude oil and the low prices Saddam was willing to charge to earn revenue that was not tracked by the UN.



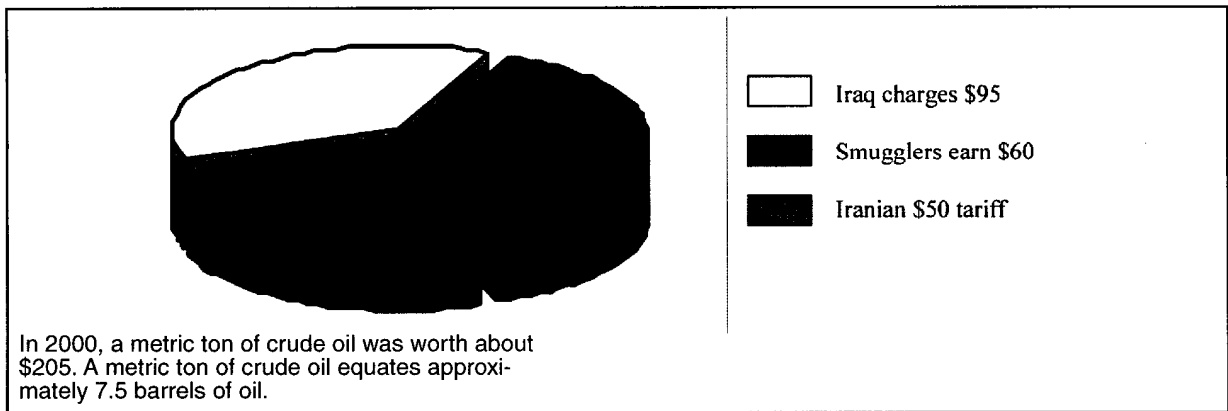
**Figure 67.** The port of Umm Qasr monitored by UN inspectors, 1991-2003.

The chart illustrates the facilitation role Iran played in Iraqi oil smuggling. On two occasions in 1998, Iran took actions to stop oil smugglers from using its territorial waters. The figure compiled by the MIF, clearly indicates the impact this action had on the volume of prohibited trade in the Gulf.

Iran and the UAE were the most frequent destinations for Iraqi smuggled oil. The MIF also found that the majority of the smuggling vessels were owned by entities from these countries.



**Figure 68.** Primary oil smuggling routes within Iranian territorial waters as identified by the Maritime Interdiction Force.



**Figure 69.** By share breakdown of the sale price for a metric ton of smuggled Iraqi crude oil in 2000.

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**Annex A**  
**Translations of Iraq's Bilateral**  
**Trade Protocols**

This annex contains translations and copies of the Jordan (partial), Syria, and Turkey trade Protocol agreements with Iraq. Iraq and Egypt participated in a relatively short-lived Protocol that earned Iraq about \$33 million in late 2001 and early 2002. We do not have access to documents outlining this agreement.

**Jordan-Iraq Trade Protocol**

Oil sales to Jordan under the Protocol began as early as 1983. Terms were negotiated annually, including 1991, and every year thereafter during sanctions. There actually were two Protocols: an Oil Protocol and a Trade Protocol. ISG does not have a copy of the Trade Protocol. We do, however, have copies of three Oil Protocol documents for 2003. They were negotiated from 19 to 21 November 2002. Engineer Mohamed Batayna, Ministry of Energy and Mineral Resources signed the first document for the Iraqi side by Amir Rashid Muhammad al-Ubaydi, Iraqi Minister of Oil and for the Jordanian side.



**An ISG Translation of the 2003 Iraq-Jordan Trade Protocol Agreement (part 1/2003)**

By the Name of God, the merciful, the compassionate

**Agreement Record**  
**Number (1 / 2003)**  
**Regarding preparation for crude Oil and its derivatives**  
**From Iraq to Jordan for 2003**

During the visit of the Minister of Energy and Minerals of Jordan to Baghdad from the period of 19<sup>th</sup> to the 21<sup>st</sup> of November of 2002, a meeting took place between the Iraqi Minister of Oil and the Minister of Energy and Minerals of Jordan, wherein they studied the preparation related to the Iraqi crude oil and its derivatives to Jordan through 2003, and both agree on the following:

**Firstly:**

- A. President Saddam Husayn (May God protect him), authorized a grant of \$300 million to the people of Jordan. The grant will be from the value of oil and its derivatives that Jordan imports during 2003.
- B. The grant will be deducted from the value of crude oil in the amount of \$25 million monthly.
- C. If the total value that is mentioned in paragraph (A) drops down to \$600 million in year 2003, the grant will drop by 50% of the total dropped value, and the annual deduction will be adjusted in November and December of 2003.
- D. The grant should not be less than \$200 million.

**Secondly:**

There will be \$45 million allocated for the commercial exchange agreement, (which is \$3.75 million monthly) from the total value of derivatives that is utilized by Jordan for local consumption during 2003. Also, on the grounds of the same agreement, \$15 million shall be allocated from the total value of liquid gas that Jordan imports from Iraq for local consumption in 2003. These amounts shall be used for financing exports related to improving, supplementing, necessity, and spares from the Jordanian Oil Refinery Company, for the benefit of the Iraqi, Ministry of Oil. The above mention materials and the materials produced in Jordan shall be paid via the Jordanian Oil Refinery Company.

**Thirdly:**

All dues from crude oil that is imported from Iraq to Jordan in 2003 shall be paid in cash, and the funds shall be utilized for the same goals that are mentioned in the second paragraph and via the Jordanian Oil Refinery Company.

**Fourthly:**

Shall agree on the equality of oil and derivatives prices as mentioned in the agreement record number (2/2003), between the Ministry of Oil, Oil Marketing Company and the Ministry Of Energy and Minerals in Baghdad dated November 21, 2002.

Written and signed in Baghdad on Ramadan 16, 1423 H  
Corresponding, November 21, 2002

[Signature]

From the Iraqi side  
Dr. Aamir Mohamed Rasheed  
Minister of Oil

[Signature]

From the Jordanian side  
Engineer, Mohamed Batayna  
Ministry of Energy and  
Minerals

**An ISG Translation of the 2003 Iraq-Jordan Trade Protocol Agreement (part 2/2003)**

Agreement Record  
Number (2/2003)

During the meetings that convened at the Oil Marketing Company in Baghdad between November 19<sup>th</sup> 21<sup>st</sup> of 2002, concerning the Iraqi and Jordanian study related to the supply of crude oil and its derivatives from Iraq to Jordan for the local consumption for year 2003, have concluded the following:

**Firstly: Quantities and daily average:**

**A. Crude oil:**

The two parties agree that the Iraqi side shall supply a total quantity of crude oil in 2003 estimated to be 4.04 million tons, (plus or minus 10%) to be distributed in the months of the year, in accordance with the following daily average (ton/day):

Month	Quantity (ton/day)	Month	Quantity (ton/day)
January	12,000	July	12,000
February	12,000	August	11,000
March	12,000	September	11,000
April	12,000	October	11,000
May	4,000	November	12,000
June	12,000	December	12,000

**B. Derivatives:**

The two parties agree that the Iraqi side shall supply quantities of derivatives to Jordan through 2003, as follows:

- Fuel oil 520 thousand tons plus/minus 10%
- Gas oil [al solar] 250 thousand tons plus/minus 10%
- Liquid gas 95 thousand tons plus/minus 10%

The average daily supply shall be in accordance with this chart for the months of the year:

Month	Fuel Oil Tons/Day	Gas Oil [al Solar] Ton/Day	Liquid Gas Ton/Day
January	1000	600	450
February	1000	600	450
March	1000	600	350
April	1200	600	250
May	3200	700	250
June	3200	700	200
July	1400	700	100
August	1000	700	100
September	1000	700	100
October	1000	700	300
November	1000	800	350
December	1000	800	350

And a follow up on supplying crude oil and derivative quantities as indicated on the mentioned charts and its transfer, receiving shall be pursued in coordination with the two sides. In addition, the two sides shall audit the total quantities and the daily average, according to actual needs and in conformity with the operation conditions with the two sides. If the Jordanian Side wishes to change the average daily quota, the Iraqi side shall be notified 15 days prior to the new day of the daily quota.

C. The supply of the liquid gas shall be 25% propane, and 75% butane for the quantity of 350 tons per day, any additional supplies will be on the basis of flexibility in specifications to 40% propane and 60% butane.

D. The fuel oil shall be supplied with no less than 60 degrees of ignition.

**Secondly:**

**Prices and other conditions:**

**A. Crude Oil**

1. Between January 1st, 2003 and December 31, 2003, the price of crude oil shall be in accordance with the pricing formula demonstrated below:

The light, Basra crude oil price shall be paid in USD per barrel, the price is for a tank load from station (T1) in Iraq that will be equal to the light Basra crude oil that is announced for Europe, from the delivery of the Arab Gulf for the month that the load occur, minus \$0.95 per barrel, from December 31, 2002, a review on the amount will occur if changes ensue on transportation fare.

In case the actual price is higher than \$20 per barrel, the Jordanian side will be granted a deduction of 40% for the increase for the light Basra crude oil that is announced in Europe.

2. The Jordanian side shall be granted a special reduction as we agree in the report number (5/2002) dated November 21, 2001.

3. The payment of the prepared crude oil shall be paid within a month (30 days) after the load is completed.

4. The Ministry of Energy and Minerals shall establish a letter of credit from the Jordanian Central Bank, which shall have a paragraph implying acceptance of the shipping documentation in case its value exceeds the monthly value as stated in this credit.

**B. Derivatives:**

The prices of derivatives mentioned above which will be supplied to Jordan from January 1<sup>st</sup>, 2003 to December 31, 2003 shall be as follows:

**1. Fuel oil:**

The price per metric ton of fuel oil that is loaded monthly on tankers in Iraq's storage by dollar shall be the average monthly of the fuel oil FOB, Italian base according to the published bulletin of PLATTS market of Europe( 3.5% fuel oil) for the loading month with a deduction of \$2.5 per ton.

**2. Gas oil (Alsolar):**

The price of one barrel of gas oil that is loaded monthly in (C&F) Al-Zarqua in dollars, for the monthly average prices for gas oil (FOB) at the Arab Gulf which published at the PLATTS market bulletin of Europe with deduction of two dollars per one barrel.

The same equation shall be applied, and the special condition for gas oil will pertain for kerosene if it is supplied to Jordan during the period of January 1<sup>st</sup>, 2003 to December 31, 2003.

**3. Liquid gas:**

**A. Loaded on tankers from the refinery of Bayji/Kirkuk:**

The price shall be in dollars and will be the monthly average of prices published at the bulletin of PLATT's LP Gas Wire for the metric ton of propane and butane gas for midwest, with the percentages of 75% butane and 25% propane, minus ten dollars per one unit of metric ton.

**B. Delivery at Al-Zarqua refinery/Erbid/Amman:**

One metric ton is equal to the mentioned price before deduction, as indicated in paragraph (A), plus 40 dollars per metric ton.

**Benzene for automobiles:**

If there is a need to import regular benzene from Al-Zarqua refinery, the supply shall be according to product availability in accordance with the pricing equation below:

The price of one barrel from regular benzene for vehicles on a basis of (C&F) Al-Zarqua is equal to the monthly average of the price of benzene for vehicles published in the bulletin of Argus Asia Products Report, titled FOB the Arab Gulf, minus \$2 for every barrel and payment shall be made in cash.

**Thirdly: Transportation fare:**

The Jordanian Oil Refinery Company shall pay the transportation costs of gas, liquid oil, and other expenditures for sold quantities on the basis of (C&F) base on notice from the Oil Marketing Company, and it will be deducted from the total value of the product, as much as \$15 per ton for the gas oil and in the amount of \$50 per ton for the liquid gas and \$17 per ton for benzene as transportation fees.

The Iraqi side shall continue to carry the liquid gas in case it wasn't possible to transport the quantity demanded. The Jordanian Oil Refinery Company can transport some of the quota based on its ability.

**Fourthly: Crude oil:**

The two sides agree that the Iraqi side shall supply the total quantities of the crude oil to Jordan with the same specification that were previously agreed upon, (except the adhesiveness specification for oil SN500, the minimum stickiness shall be 9.5 centimeter stock at 100 degree Celsius), this will be through 2003, estimated 17,140 tons plus or minus 10% distributed with according to the specifications and the month of the year as follows:

	Quantity (Tons/Year)	Quantity (Tons/Month)
SN100	40	One Quota
SN150	3000	250
SN500	9500	792
BS150	4600	383

And the price of these materials during the period of January 1<sup>st</sup>, 2003 and December 31, 2003 are as follows:

	C&F Al-Zarquaa Price (Dollar per Ton)
SN100	307
SN150	295
SN500	305
BS150	410

**Fifthly:**

The weight and measurements shall rely on shipment documentation at the loading location for the purpose of calculating quantities for all sorts of derivatives and contracts (FOB and C&F). The transportation contracts shall have a text that imply that the transporter shall carry the burden of value for the decrease for more than 0.5% for all oil products, except benzene, the percentage of decrease shall be more than 0.7%.

**An ISG Translation of the 2003 Iraq-Jordan Trade Protocol Agreement (part 3/2003)**

**Agreement report  
Number (3/2003)**

**Raw Oil and its production's transportation**

During the meetings held in the Ministry of Oil in Baghdad from the 19<sup>th</sup> to the 21<sup>st</sup> of November 2002 between the Iraqi side and the Jordanian side (enclosed are the attendee's list) concerning the agreement of transporting raw oil and its derivatives to Jordan, both parties have agreed to:

**First the crude oil**

Starting 2/1/2003 the Iraqis will continue to deliver 28% of Jordan's needed crude oil which quantities and daily average have been decided in the agreement of (2/2003) dated and signed on 11/21/2002.

- A. Based on the 7/2002 agreement which was signed by both parties for the period between the 1<sup>st</sup> and the 31<sup>st</sup> of January 2003, the shipping cost will be ten Jordanian Dinars per ton minus 200 Jordanian Fils towards safety, transportation arrangement and road maintenance for the oil tankers during the bidding execution period. Additional seven Fils will be applied for each kilometer/ton in the case of any change of shipping or delivery distance.
- B. Shipping costs will be determined starting 2/1/2003 through the relegation of the tender's decision for shipping the crude oil that was issued by the Jordanian Ministry of Energy and Minerals.
- C. The Jordanian side will furnish the Iraqi one with a list of the transportation companies detailing the quantities of the crude oil for the entire period, when forwarding tender # 2 for the year 2002 which covers the period between 2/1/2003 and 1/31/2004 to the Jordanian transporting companies.
- D. Arrangements and communication will be maintained regarding road maintenance between the crude oil shipping stations in (T1) and the Iraqi-Jordanian border, in order to follow up and implement the plan in the shortest possible period and to improve the crude oil's tanker line.

**Secondly: oil derivatives**

The Iraqi side will continue to ship the needs of Jordan's oil production for 2003. Quantities and daily and monthly averages were decided based on agreement number 2/2002 signed by both parties, on 11/21/2002 as follow:

1) Heating Oil

a) Shipping cost per ton from 1/1/2003 through 1/31/2003 will be as follows:

<u>From</u>	<u>To</u>	<u>Jordanian Dinar/Ton</u>
Bayji	Al Zarqaa	13.054
	Al Aqabah	17.640
Al Dowrah	Al Zarqaa	11.604
	Al Aqabah	17.0227

b) Shipping cost to and from different locations will be set starting 2/1/2003 in Jordanian Dinar per ton according to the following formula:

$$\frac{\text{Cost according to (A-1) of the minute \# (7/2002) X shipping cost of the crude oil applied starting 2/1/2003}}{9.80}$$

2) Crude, Liquid and Gas Oil (Solar)

The Iraqi side will continue to ship Jordan's actual need for 2003 according to agreement (2/2003) signed on 11/21/2002 in Baghdad.

**Thirdly:**

The Iraqi side will commit to the predetermined regulation number (42) of 2002 and the decisions issued by the Jordanian Cabinet of Ministers when dealing with the maximum dimensions, total weight, and engine capacity of the crude oil tankers.

According to the Minister's Cabinet decision number 1626 dated 6/25/2002, the maximum total weight should not exceed five tons per truck (tanker), excluding the liquid gas tankers.

**Fourthly:**

The Oil Production Distributor Company will be in charge of shipping the above mentioned crude oil and all of its derivatives for the benefit of the Jordanian side.

The Distribution Company will continue to authorize the Iraqi Jordanian Land Transportation Company to operate the transportation and to receive its dues according to the rules in regard to the crude oil and the fuel oil only. The Jordanian party will be notified in a timely fashion in case of any changes.

**Fifthly:**

The monthly quantity of crude oil and its derivatives needed to be shipped will be decided in a letter, fax or telex issued by the Ministry of Energy and Mineral Resources and directed to the Oil Marketing Company. Copies will be sent to the Oil Production Distribution Company and the Technical Department of the Ministry of Oil.

In case of a program change, the other party will be notified prior to any changes, while the Iraqi side is gradually reaching the needed quantity by increasing or decreasing within maximum of ten days from the notification date, in order to avoid the overloading up trucks waiting to offload in Jordan, and to make available the needed number of containers. Follow up of the situation in the trucker lots will be taken care of by the Ministry of Energy and Minerals Resources, or by the Jordanian Oil Refining Company.

**Sixthly:**

Transporting the imported quantities will be managed by the Oil Production Distribution Company according to agreement number (2/2003) which indicated change in the quantity needed to be transported not to exceed plus or minus 10%.

**Seventhly:**

Loading locations in Jordan will be switched in coordination with the Oil Production Distribution Company.

**Eighthly:**

Periodical meetings will be conducted by a coordinated committee from both parties to follow up with the transportation plan.

**Ninthly:**

The entity that is authorized by the Oil Production Distributor Company will ship the crude and raw oil, and then submit its inquiry in accordance with the Ministry's instructions to the Energy and Mineral Resources Ministry.

**Tenthly:**

The entity/entities responsible for shipping the crude oil and its derivatives shall pay the difference between the shipped and received quantities in the receiving locations, according to the shipping documentations, taking into consideration the 7% allowance for the benzenes and 5% for the crude oil and other production.

**Eleventh:**

Coordination between the Jordanian Refinery Company and the Oil Production Distribution Company will be directed to overcome any problems concerning the tanker's accumulation and to avoid any future oil transportation problems regarding the oil production. Concerning crude oil, an arrangement will be made through the Ministry of Energy and Mineral Resources.

**Twelfth:**

Status of the Iraqi tankers will be followed by the Oil Production Distributing Company in order to ensure its safety.

**Thirteenth:**

The Oil Production Distribution Company will identify and direct the tankers to the offload locations. Any tanker not in its specified location as stated on the shipping policy (issued by the shipping center and endorsed by the Oil Production and Distribution Company) shall not be offloaded by the Jordanian Refining Company, in addition the Oil Production and Distribution Company must be notified.

**Fourteenth:**

- A. Based on its ability, the Oil Production Distributing Company will ship the Jordanian Refining Company's needs for liquid and gas oil (Solar) directly from Iraq to Al Aqabah.
- B. The Jordanian Refining Company shall pay any discrepancies in shipping cost from Al Zarqaa and Al Aqabah to the authorized entities by the Oil Production and Distribution Company as follows:
  - Gas Oil (Solar)           (10) Dollar/Ton
  - Liquid Gas               (18) Dollar/Ton

**Fifteenth:**

Based on the Jordanian request, the Oil Production and Distributing Company offered to ship the extra quantities of the liquid gas imported through Al Aqabah port to its storage locations in Al Zarqaa, Amman, and Irbid using its own tankers according to a separate agreement to be signed between the Oil Production and Distribution Company and the Jordanian Refining Company Ltd., similar to the agreements signed in earlier years.

**Sixteenth:**

The Distribution Company or its authorities will ship the oil derivatives, request the Jordanian Oil Refining Company according to its regulation to pay the shipping cost and receive all dues directly.

**Seventeenth:**

The Oil Production and Distribution Company will be exempted from all applicable fees existing in the Kingdom of Jordan.

**Eighteenth:**

This agreement is expandable to include any additional needed periods pending an acceptance by both parties.

Written and signed in Baghdad on Ramadan 16<sup>th</sup> 1423  
November 21<sup>st</sup> 2002

[Signature]  
By Jordanian side  
Engineer Azmy Khrisat  
General Trustee  
Ministry of Energy and  
Mineral Resources

[Signature]  
By Iraqi side  
Saddam Zaban Hasan  
Deputy  
Oil Ministry

**[List of attendees**

**Jordanian Side**

1. Engineer Azmy Khrisat
2. Mr. Ezzuddeen Kanakryyah
3. Engineer Abdul Kareim Alawein
4. Engineer Wijdan Al Rabady
5. Mr. Hazim Rahahlah

**Iraqi Side**

1. Mr. Saddam Zaban Hasan
2. Mr. Thamir Abbas Ghadban
3. Mr. Sameer Mikhail Asaad
4. Mr. Fadil Muhammad Baqir



### **Syria-Iraq Trade Protocol**

The Iraq-Syria Trade Protocol was negotiated from 27 to 29 May 2000 in Baghdad. The primary participants were the SOMO and the Iraqi State Oil Marketing Organization. The document (See Figures 1 and 2) was signed for Iraq by Saddam Zayn Hasan, Authorized Director of SOMO, and for Syria by Dr. Daood Haidar, Chief of the Syrian Oil Marketing Office.

### **Turkey-Iraq Trade Protocol**

The main details of the Turkey-Iraq Protocol were agreed to at meetings between Iraqi and Turkish delegations in early 2000. Minutes of meetings were signed on 16 January 2000 (Mosul), 29 February 2000 (Baghdad), and 16 May 2000 (location unknown). The 16 January document (See Figure 3) was signed for Iraq by Amir Rashid Muhammad al-Ubaydi, Minister of Oil, Republic of Iraq, and for Turkey by Kursad Tuzmen, Undersecretary for Foreign Trade, Republic of Turkey. It was decided that a joint team of experts from the two sides would meet every three months to review the progress of the implementation of the trade Protocol.

[Page 1]

Agreement Report

Figure 1. The Iraq-Syria Trade Protocol Agreement.

During the visit of the Syrian commercial delegate to Baghdad during the period of 27-05-2000 to 29-05 2000, in the interest of improving the trade exchange between the two countries, an agreement was reached between the oil marketing Co. - Iraqi Oil Ministry, and the Oil Marketing office in Syria for the following:

First:

The Oil Marketing Co. (seller) will supply and the Oil Marketing Office will purchase the following materials:

- 1- The crude oil and essential oils for the interest of the Al Hums refinery.
- 2- Gas oil (GO) and liquid gas (LPG) for the interest of The Fuel Distribution Co. (Damascus Fuel).
- 3- Fuel Oil (F.O.) for the interest of the northern area electric organization - Halab (Al Radhwaniyah Station).

Second:

All contracts and settlements have to take place according to this report in American dollars.

Third

Cost of all materials should be paid referenced above first as follows:

- 40% of the income to be paid in American dollars, in cash, and to be registered as income to an account that the Oil marketing Co. will designate in Syria.
- 60% of the income to be paid in American dollars to a bank account, under the name of the The Oil Marketing Co., at the Syrian Commerce Bank, and will be run by it to cover Iraqi purchases of merchandise and services from the Syrian general production sector as indicated in appendix (1) of this report, according to issued notifications from the Oil Marketing Co.
- This account will be under bank interest control according to an agreement with the mentioned bank.
- An agreement will be completed about the details of both accounts later.

Fourth:

Agreed that the seller will supply the buyer with both materials of oil gas and oil fuel beginning in June 2000 as follows:

Signature  
Signature

[Page 2]

A- Quantities:

- 1- Gas Oil, (1000) metric tons daily with possibility to increase to (3500) metric tons daily.
- 2- Fuel oil (1000) metric tons daily with possibility to increase to (3500) metric tons daily.
- 3- Provision of the above two materials according to the two attached specifications (Attachment No. 2 and Attachment No. 3).

B- Prices:

- 1- Gas Oil (75) seventy five American dollars per one metric ton loaded on tanker at the loading zone.
- 2- Fuel oil (20) twenty American dollars per one metric ton loaded on tanker at the loading zone.

C- Except for crude oil, the liquid gas and essential oils will be agreed on for its quantity and price at a later date.

C- The payment:

The payment will be according to the quantity loaded in the loading zone and according to what is the fixed shipping policy for each tanker.

The seller issues a quality and quantity certificate and a commercial (trade) bill for the supplied quantities twice monthly for payment purposes. First issuance will be in the middle of the month in which it was loaded, and the second time at the end of the month in which it was loaded.

The buyer will pay in full within the period of (15) days from the date of the commercial (trade) bill to both accounts mentioned in the third item above.

d- Four samples of the materials will be taken from each shipment. Two of them will be kept at the loading zone, and the other two will be delivered to the transporter for the purpose of sanitization by the buyer.

Signature  
Signature

Page 3

Fifth:

A- The Buyer ensures the proper tankers are available to load and transport the crude oil and oil derivatives, and to impose all the valid rules and regulations at the loading zones to ensure the proper running of the loading and transportation operations.

B- The seller is responsible for the cost of replacement of shortages resulting from accidents within the Iraqi boarder.

Sixth:

The Iraqi Oil Derivatives Distribution Co. presented its willingness to transport the oil derivatives totally or partially to the Syrian government according to the contract signed between the Iraqi Oil Derivatives Distribution Co., and the Syrian Oil Marketing Office.

Seventh:

Validation of this report will begin immediately from the time that both parties are informed and will stay effective for one year, and will be renewed automatically unless either party notifies the other party of not having interest to renew.

In the event of non-renewal, all responsibilities and rights will remain in effect according to the settlement in this report.

Signed and released in Baghdad on date of 25 Suffar 1421 A.H., equivalent to 29 March 2000 A.D.

Signature

Signature

Saddam Zain Hassan

Haidar

Authorized director

Oil Marketing Office

Oil Marketing Co. - Oil Ministry

Dr. Daood

Chief of

*Figure 1. The Iraq-Syria  
Trade Protocol Agreement  
(continued).*

- \* The oil sector needs:
- The textile materials
- Industrial Equipment
- Transportation and communication
- Building materials and supplies
- Any substantial materials and other services requested by Iraqi side.

{Signature}

**Figure 2. Iraq-Syria Trade Protocol Annexes:**  
 Appendix 1 (top left),  
 Appendix 2 (top right),  
 Appendix 3 (bottom).

(2) ملحق رقم  
 GAS OIL / BAJJI  
 BAJJI REFINERIES

	<u>GUARANTEED</u>	
SPECIFIC GRAVITY AT 15.6 DEG C	0.840	MAX
API GRAVITY AT 15.6 DEG C	37	MIN
FLASH POINT (P.M.), °C	54	MIN
VISCOSITY AT 37.8°C (CST)	5	MAX
POUR POINT, DEG. C	-9	MAX
RAMMBOYTON CARBON, PER. WT%	0.3	MAX
SULPHUR CONTENT WT%	1.4	MAX
CETANE INDEX (CALCULATED)	50	MIN
DIESEL INDEX	55	MIN
COLOR (ASTM)	2	MAX

(3) ملحق رقم

STRAIGHT DIESEL FUEL OIL FROM  
 (BAJJI REFINERY)

<u>STRAIGHT DIESEL FUEL OIL</u>	<u>GUARANTEED</u>	
SPECIFIC GRAVITY AT 15.6 C DEG.	0.9529	MAX
API GRAVITY	17	MIN
FLASH POINT (P.M.), C DEG.	65	MIN
SULPHUR CONTENT, WT%	4	MAX
VISCOSITY AT 50 C DEG., (CST)	180	MAX
WATER AND SEDIMENT, VOL%	0.5	MAX
POUR POINT, DEG. C	21	MAX
ASH PERCENT, (WT%)	0.1	MAX

Figure 3. The Iraq-Turkey Trade Protocol Agreement.

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MINUTES OF MEETING

Upon the invitation of H.E Amor M. Rashid ,Minister of Oil of the Republic of Iraq , a Turkish Delegation headed by H.E Kursad Tuzmen , Undersecretary for Foreign Trade of the Republic of Turkey visited Mosul / Iraq during the period of 14-16 January, 2000 .

The lists of the two delegations are attached as Annex I and II respectively .

The meetings were conducted in an atmosphere of mutual understanding reflecting the close and friendly relations between the two countries .

The results of the deliberations are as follows ;

1- The two sides with the aim to expand bilateral commercial relations on a balanced and mutually beneficial basis, decided to establish a new trade arrangement within the framework of border trade.

2- In order to provide smooth functioning of the new trade arrangement and to follow-up the implementation a "Joint Team" consisting of Turkish and Iraqi experts will convene every three months .

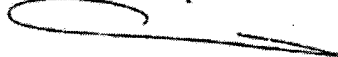
3- The first session of the "Joint Team" will be held on the occasion of the visit of an Iraqi Delegation to Turkey in the nearest possible time.

4- The Turkish side proposed to hold the 12th session of the Iraqi-Turkish Joint Economic Committee Meeting at Ministerial level in early March 2000, with the aim to examine the possibilities of developing existing economic and commercial relations between the two countries.

The new arrangement (outlined in Annex III) agreed upon between the two sides on details of border trade exchange constitutes an integral part of this "Minutes of Meeting".

Done and signed in Mosul on 16th January 2000

For the Iraqi side



Amer M. Rashid  
Minister of Oil  
Republic of Iraq

For the Turkish side



Kursad Tuzmen  
Undersecretary for Foreign Trade  
Republic of Turkey



Figure 3. The Iraq-Turkey Trade Protocol Agreement (continued).

CONFIDENTIAL	
ANNEX I	
LIST OF THE IRAQI SIDE	
H.F. Amer M. Rashid	Minister of Oil
Saddam Z. Hasan	Exc. Director General-SOMO
Ali Septi	Division Head, Foreign Ministry
Fakhri Rashaan	D.G. Ext. Economic Relations, Ministry of Trade
Rafid A.H. Jassim	D.G. Northern Oil Company, Ministry of Oil
Dr. Faleh H.M. Al-Khayat	D.G. of Planning, Ministry of Oil
A. Bari M. Shawket	D.G. Technical Directorate, Ministry of Oil
Ali R. Hasan	Expert, SOMO
Mubdar Al-Khudair	Expert, SOMO
Yaqdhan H. Ibrahim	Expert, SOMO

Regime Finance and Procurement

**Figure 3.** The Iraq-Turkey Trade Protocol Agreement (continued).

CONFIDENTIAL	
ANNEX II	
LIST OF THE TURKISH SIDE	
H.E. Kursad Tuzmen	Undersecretary for Foreign Trade (UFT)
H.E. Selim Karaosmanoglu	Ambassador of Turkey to Iraq
Tevfik Mengü	Deputy Director General, UFT
Osman Durak	Deputy Director General, Ministry of Foreign Affairs
Seyket Ilgac	Commercial Counsellor, the Embassy of the Republic of Turkey
Oktay Ustundag	Head of Department, UFT
Serhat Cok	Head of Department, UFT
Fahri Onen	Expert, UFT
Erdal Ahiska	Director General, TPIC
Fikret Yeletaysi	Head of Department, TUPRAS

Figure 3. The Iraq-Turkey Trade Protocol Agreement (continued).

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Annex III

Arrangement to enhance border trade between Iraq and Turkey

The following items were agreed between the two sides for the implementation of the programme of exporting Iraqi crude oil to Turkey by road tankers during the year 2000 and in turn, to enhance Turkish exports to Iraq.

1- Quantity of crude oil and purchasers :

In addition to the existing working contracts of TEKFEN and UMUT with the Iraqi side, the Turkish side decided to permit the import of the following quantities of Iraqi Crude Oil during the year 2000 under this arrangement :

Firm Name	Quantity ( million ton )
OZ ORTADOGU	0.5
KOC	0.5
TEKFEN	0.75
TPIC	1.0
TOTAL	2.75

All additional quantity of crude oil to be imported from Iraq under this arrangement will only be done through TPIC.

2- Cash / Counter trade ratio :

Both sides agreed that (40) % of the value of crude oil supplied under future contracts, including the quantity of 2.75 million tons mentioned in paragraph 1 above, to be signed according to this arrangement shall be deposited under the control of SOMO in a "U.S. Dirs " account in a reputable first class Turkish Bank to be agreed upon between the two sides.



Figure 3. The Iraq-Turkey Trade Protocol Agreement (continued).

CONFIDENTIAL.

SOMO and the Bank shall agree on details of the financial arrangements .

This account shall be utilized exclusively by SOMO to pay amounts due to Turkish companies for the supply of commodities and services delivered and rendered to the Iraqi organizations .

The remaining ( 30 )% shall be transferred to a Bank nominated by SOMO outside Turkey .

SOMO shall stipulate the above mentioned payment terms in its future crude oil contracts under this arrangement .

3- Iraq's requirements :

An indicative list of requirements of Iraq to be implemented under this arrangement was handed over to the Turkish side . A copy of which is attached herewith.

The realization of the exportation of the commodities to Iraq within this arrangement will be subject to the approval of the two sides.

4- Follow-up:

A joint team comprising experts from the two sides will meet every (3) three months to review the progress of the implementation of this arrangement and to discuss the ways and means of overcoming any obstacle that may arise for the purpose of increasing crude oil exportation to Turkey and in turn , Turkish exports to Iraq .

Figure 3. The Iraq-Turkey Trade Protocol Agreement (continued).

#### MINUTES OF MEETING

As decided during the meetings realized between Turkish and Iraqi delegations on January 14-16, 2000 in Mosul, the technical meetings regarding the Border Trade Arrangement between Turkey and Iraq were held on the occasion of the 12<sup>th</sup> Session of the Turkish-Iraqi Joint Economic Committee.

The results of the deliberations are as follows;

1. The Turkish side expressed that the account within the Border Trade Arrangement between Turkey and Iraq could be opened with the Türkiye Halk Bankası A.Ş. which is a government owned first class bank. The Iraqi side agreed with the proposal.

2. The account will be opened as US \$ interest bearing account to be advised by SOMO.

SOMO and the Bank shall agree on the details acceptable to SOMO.

3. Terms and conditions of the account will be in pursuance to the relevant articles agreed on by the two sides in the "Minutes of Meeting" signed in Mosul/Iraq on January 16, 2000.

4. 70 % of the value of the crude oil to be imported by Turkey within the Border Trade Arrangement will be credited in the account mentioned in Article 1 above.

5. 30 % will be deposited directly by the crude oil purchaser to a bank account designated by SOMO outside Turkey.

6. The Iraqi side expressed that the account mentioned in Article 1 should be given immunity by the Turkish authorities from any attachment, garnishment, execution and confiscation and all the necessary measures should be taken to ensure that.

The Turkish side pointed out that the aforementioned account would be operated and granted immunity and to take all necessary measures to such immunity within the existing legal framework of banking system in Turkey.

7. The payments from the account mentioned in Article (1) above against claims arising from actual deliveries of Turkish exports to Iraq, shall be realized on the basis of "First Come First Served" upon instruction from SOMO.

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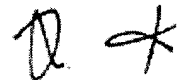


Figure 3. The Iraq-Turkey Trade Protocol Agreement (continued).

8. In order to ensure the smooth functioning of the Border Trade Arrangement between Turkey and Iraq, as decided in the Minutes of Meeting signed on January 16, 2000 in Mosul /Iraq, the Joint Team will meet every three months from the date of signing of this Minutes of Meeting.

During its review, the Joint Team will give special emphasis on the revenues that will have been generated within the system, the amounts paid against actual deliveries upon instruction of SOMO during previous period, the outstanding claims on the Iraqi side to the Turkish exporters, which should not exceed 25 % of the revenues generated in the previous period, and the expected revenues over the following period.

The outstanding claims accumulated during the previous period will be paid to the Turkish exporters from the revenue to be generated in the following period.

The Joint Team will also specify necessary measures with the aim to ensure the eventual compatibility of the total revenues with the remaining claims of the Turkish exporters stemming from actual deliveries and dues incurred over the recent periods on the account at the end of the year.

The two sides will take necessary measures upon the advice of the Joint Team.

9. The Iraqi side will notify the concerned authorities of Turkey on the total value of the contract and nature of the goods to be subject to the contract

10. The realization of the exportation of the commodities to Iraq within this arrangement will be subject to the approval of the two sides.

Done and signed in Baghdad on February 29<sup>th</sup>, 2000 in two copies in the English language, both texts being equally authentic.

Fakhriddin M. Rashan

Kürşad Tüzmen

Vice-Chairman of the Iraqi Side  
In the Joint Iraqi-Turkish Committee

Undersecretary for Foreign Trade

29.2.2000

29.2.2000


**Figure 3. The Iraq-Turkey Trade Protocol Agreement (continued).**

**WORKING PAPER**

Both Sides agreed on the followings concerning the importation to be realized from Turkey by Iraq within the framework of Border Trade Arrangement set in accordance with the articles of the Minutes of Meetings realized between January 14-16, 2000 in Mosul and February 27-29, 2000 in Baghdad.

1. The account shall be opened with the Türkiye Halk Bankası A.Ş. in the name of the Turkish Petroleum International Company (TPIC) under the control of the State Oil Marketing Organization (SOMO). Within this context, TPIC submitted a letter of undertaking enclosed herewith addressed to SOMO and the Türkiye Halk Bankası A.Ş.

2. The account shall be opened as US \$ interest bearing account. The money deposited in the account belongs to SOMO. The interest rate will be the rate announced by the Türkiye Halk Bankası A.Ş. and declared to the Central Bank of the Turkish Republic for either time deposit and/or demand account.

3. The account shall be operated and granted immunity within the existing legal framework of banking system in Turkey.

4. The payments from the account to the Turkish exporters shall be made in US \$ upon the instruction letter of TPIC and such payment shall not be effected unless document enclosed to this letter bears the authorized signatures of the two persons to be nominated by SOMO to TPIC.

5. The aforementioned enclosed document signed by the two persons nominated by SOMO will be returned to TPIC following the necessary procedure is to be completed by the Türkiye Halk Bankası A.Ş.

6. SOMO shall provide TPIC with the names of the two persons who are duly authorized by SOMO to instruct TPIC to make payments from the account.

7. TPIC shall inform and provide SOMO with a weekly statement of the account that is going to be issued by the Türkiye Halk Bankası A.Ş. indicating the full details of the movement of the account.

For TPIC



Erdal AHISKA

For SOMO


  
SADDAM  
Saddam Z. HASAN

For the Turkish Side



Tevfik MENGÜ  
16.5.2000  
Silopi

For the Iraqi Side

  
Fakhriddin M. RASHAN  
16.5.2000

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## Annex B Known Oil Voucher Recipients

This annex contains the 13 secret lists maintained by Vice President Taha Yasin Ramadan al-Jizrawi and the Minister for Oil, Amir Rashid Muhammad al-Ubaydi.

- A high-level SOMO official provided ISG with both English and Arabic versions of these lists on 16 June 2004. The lists reproduced here are the original SOMO translations in English.
- The 13 lists coincide with the 13 six-month phases of the UN OFF Program. Saddam's oil allocations were distributed in six-month cycles, in synchronization with the UN OFF phases.

These lists contain the following information:

- The estimated profit earned by allocation holders during that period in US dollars per barrel. This figure is SOMO's estimation based on the price differential between Iraq's prices and the market price for crude.
- The allocation holder (including their nationality) and the name of the company lifting the oil on their behalf.
- The quantity of oil allocated for each individual, company, or organization.
- The quantity of oil lifted by that allocation holder during that period.

It is important to note that, in many cases, the individual, company, or organization named on the SOMO lists never converted their allocations into finalized contracts (signed by SOMO). These contracts were required to draw the vouchers to actually lift the oil. In other cases, voucher recipients never lifted all the oil designated in their vouchers, while others, on occasion, lifted more than their share. It is also important to note that, in many cases, receiving an oil voucher and lifting the oil was a legitimate transaction under the Oil For Food Program.

The former Regime imposed a 10-cent per barrel surcharge on the oil allocations starting in the middle of the eighth UN OFF phase (September 2000). Recipients were instructed to deposit the surcharges in specific bank accounts held by Iraq in Jordan and Lebanon or to deliver the cash to one of Iraq's Embassies. SOMO was directed to refuse allocation contracts to anyone not willing to pay the surcharge. Many individuals, companies, and organizations refused to pay this surcharge. As a result, the ninth phase list reflects only the names of recipients who agreed to the surcharge and actually lifted oil.

After the ninth phase, Saddam instructed SOMO not to sign any voucher contracts for individuals, companies, or organizations until they paid their past due surcharges. These unused allocations are evident in the phase 10 to 13 lists. This arrangement persisted through April 2003 when OIF commenced.

Oil Allocation Recipient List

CRUDE OIL ALLOCATIONS DURING 1ST PHASE OF MOU

- TOTAL QUANTITIES LIFTED ABOUT 118.3 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.15 PER BBL

SER.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY.	LIFTED QTY.
				MM BBLs	MM BBLs
1	M0101,49	COASTAL PETROLEUM (AMERICAN)	COASTAL PETROLEUM (AMERICAN)	11.350	11.829
2	M0102	TUPRAS (TURKISH)	TUPRAS (TURKISH)	13.500	13.903
3	M0103	TRAFIGURA (DUTCH)	TRAFIGURA (DUTCH)	3.960	3.861
4	M0104	OIL ENERGY (ITALIAN)	OIL ENERGY (ITALIAN)	1.800	1.228
5	M0105	CHIMIMPORT (BULGARIAN)	CHIMIMPORT (BULGARIAN)	2.700	1.911
6	M0106	OMV (AUSTRIAN)	OMV (AUSTRIAN)	2.700	2.777
7	M0107, 16	BAY OIL (AMERICAN)	BAY OIL (AMERICAN)	3.350	1.978
8	M0108	SHELL (BRITISH-DUTCH)	SHELL (BRITISH-DUTCH)	5.400	4.382
9	M0109,28,33,51	TOTAL (FRENCH)	TOTAL (FRENCH)	7.120	-6.137
10	M0110, 39	SOCAP INTL. (FRENCH)	SOCAP INTL. (FRENCH)	5.300	5.462
11	M0111	MITSUBISHI (JAPANESE)	MITSUBISHI (JAPANESE)	3.600	3.691
12	M0112, 47	REPSOL YPF (SPANISH)	REPSOL YPF (SPANISH)	4.600	4.993
13	M0113, 45	NAFTA MOSCOW (RUSSIAN)	NAFTA MOSCOW (RUSSIAN)	3.510	3.534
14	M0114	LUKOIL (RUSSIAN)	LUKOIL (RUSSIAN)	3.660	3.062
15	M0115, 46	ZARUBEZHNEFT (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	4.530	5.485
16	M0117, 32	AGIP PETROLI (ITALIAN)	AGIP PETROLI (ITALIAN)	2.800	2.800
17	M0118, 31, 44	CHEVRON (AMERICAN)	CHEVRON (AMERICAN)	3.350	3.249
18	M0119	MOBIL EXPORT (AMERICAN)	MOBIL EXPORT (AMERICAN)	3.600	3.754
19	M0120, 35	BP (BRITISH)	BP (BRITISH)	3.800	3.852
20	M0121, 24	ALFA-ECO (RUSSIAN)	ALFA-ECO (RUSSIAN)	7.200	7.204
21	M0122	TEXACO (AMERICAN)	TEXACO (AMERICAN)	3.600	1.802
22	M0123	MACHINOIMPORT (RUSSIAN)	MACHINOIMPORT (RUSSIAN)	3.060	2.907
23	M0125, 38, 48	ROSNEFT (RUSSIAN)	ROSNEFT (RUSSIAN)	5.560	4.359
24	M0126	RAOMES (RUSSIAN)	RAOMES (RUSSIAN)	1.980	2.064
25	M0127	MOLMINERALIMPEX	MOLMINERALIMPEX (BULGARIAN)	1.000	1.000
26	M0129	DELTA (TURKISH)	DELTA (TURKISH)	1.800	0.955
27	M0130	INDIANOIL CORP. (INDIAN)	INDIANOIL CORP. (INDIAN)	7.200	3.636
28	M0134	PETROFINA (BELGIUM)	PETROFINA (BELGIUM)	0.990	0.993
29	M0136	ERDEM (TURKISH)	ERDEM (TURKISH)	0.900	0.940
30	M0137	CYPRUS PETROLEUM	CYPRUS PETROLEUM	0.900	0.815
31	M0140	COSMO (JAPANESE)	COSMO (JAPANESE)	0.900	0.911
32	M0141	PETROGAL (PORTUGUESE)	PETROGAL (PORTUGUESE)	0.990	0.974
33	M0142	IDEMITSU (JAPANESE)	IDEMITSU (JAPANESE)	0.900	0.916
34	M0143	TATNEFT (RUSSIAN)	TATNEFT (RUSSIAN)	0.900	0.895
35	M0150	NIPPON OIL (JAPANESE)	NIPPON OIL (JAPANESE)	0.900	NIL
<b>GRAND TOTAL</b>				<b>128.770</b>	<b>118.259</b>

Oil Allocation Recipient List (continued)

CRUDE OIL ALLOCATIONS DURING 2ND PHASE OF MOU

- TOTAL QUANTITIES LIFTED ABOUT 125.9 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.20 PER BBL

SR.	CONTRACT N°	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY. MM BBLs	LIFTED QTY. MM BBLs
1	M/02/01	COASTAL PETROLEUM (AMERICAN)	COASTAL PETROLEUM (AMERICAN)	10.800	10.732
2	M/02/02	PHOENIX INTL. (AMERICAN)	PHOENIX INTL. (AMERICAN)	2.700	2.631
3	M/02/03	TUPRAS (TURKISH)	TUPRAS (TURKISH)	13.600	13.527
4	M/02/04	BAY OIL (AMERICAN)	BAY OIL (AMERICAN)	3.800	3.695
5	M/02/05, 34	ZARUBEZHNEFT (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	6.700	6.546
6	M/02/06	ALFA-ECO (RUSSIAN)	ALFA-ECO (RUSSIAN)	7.200	7.462
7	M/02/07	DELTA (TURKISH)	DELTA (TURKISH)	1.800	1.888
8	M/02/08	MOBIL EXPORT (AMERICAN)	MOBIL EXPORT (AMERICAN)	3.600	2.765
9	M/02/09	CHEVRON (AMERICAN)	CHEVRON (AMERICAN)	3.600	3.566
10	M/02/10	TOTAL INTL. (FRENCH)	TOTAL INTL. (FRENCH)	8.120	6.116
11	M/02/11	SOCAP INTL. (FRENCH)	SOCAP INTL. (FRENCH)	5.400	3.461
12	M/02/12	OMV (AUSTRIAN)	OMV (AUSTRIAN)	1.800	1.837
13	M/02/13	AGIP PETROLI (ITALIAN)	AGIP PETROLI (ITALIAN)	2.700	2.703
14	M/02/14	TRAFIGURA (DUTCH)	TRAFIGURA (DUTCH)	3.960	4.006
15	M/02/15	REPSOL YPF (SPANISH)	REPSOL YPF (SPANISH)	5.400	5.420
16	M/02/16	SAMIR (MOROCCAN)	SAMIR (MOROCCAN)	4.400	4.533
17	M/02/17	TATNEFT (RUSSIAN)	TATNEFT (RUSSIAN)	3.000	2.975
18	M/02/18	NAFTA MOSCOW (RUSSIAN)	NAFTA MOSCOW (RUSSIAN)	2.800	2.636
19	M/02/19	RAOMES (RUSSIAN)	RAOMES (RUSSIAN)	1.000	1.047
20	M/02/20, 35	ROSNEFT (RUSSIAN)	ROSNEFT (RUSSIAN)	6.000	5.437
21	M/02/21	LUKOIL (RUSSIAN)	LUKOIL (RUSSIAN)	5.500	5.440
22	M/02/22	VEBA (GERMAN)	VEBA (GERMAN)	1.800	1.891
23	M/02/23	INDIAN OIL CORP. (INDIAN)	INDIAN OIL CORP. (INDIAN)	6.710	6.749
24	M/02/24	SONATRACH (ALGERIAN)	SONATRACH (ALGERIAN)	1.800	1.837
25	M/02/25	MACHINOIMPORT (RUSSIAN)	MACHINOIMPORT (RUSSIAN)	1.000	1.050
26	M/02/26	ONACO IN FAVOUR OF RUSSIAN COMMUNIST PARTY	ONACO (RUSSIAN)	3.600	3.687
27	M/02/27, 32	SIDANCO IN FAVOUR OF RUSSIAN LIBERAL DEMOCRATIC PARTY	SIDANCO	3.600	3.689
28	M/02/28	SINOCHEN (CHINESE)	SINOCHEN (CHINESE)	2.000	1.950
29	M/02/29	SIRECOX (SPANISH)	SIRECOX (SPANISH)	1.800	1.868
30	M/02/30	ADDAX (SWISS)	ADDAX (SWISS)	1.800	1.786
31	M/02/31	FORTUN OIL (BRITISH)	FORTUN OIL (BRITISH)	1.800	1.762
33	M/02/33	INTL. PETROLEUM SALES (INDONESIAN)	INTL. PETROLEUM SALES (INDONESIAN)	1.800	1.460
<b>GRAND TOTAL</b>				<b>129.090</b>	<b>125.914</b>

INDIVIDUALS AND ENTITIES WHO WERE ASSIGNED QUANTITIES BUT DID NOT SIGN CONTRACTS OR LIFT SAID QUANTITIES

1	----	PETRONAS (MALAYSIAN)	1.800	NIL
2	----	PETROBRAS (BRAZILIAN)	3.600	NIL
3	----	OIL ENERGY (ITALIAN)	1.260	NIL
3	----	NIPPON OIL (JAPANESE)	1.800	NIL
4	----	MITSUBISHI (JAPANESE)	1.800	NIL
5	----	IDEMITSU (JAPANESE)	1.800	NIL
6	----	HYUNDAI (KOREAN)	1.800	NIL
7	----	COSTERINI (ITALIAN)	1.800	NIL
8	----	ENGINE OIL (SOUTH AFRICAN)	1.800	NIL

Regime Finance and Procurement



Oil Allocation Recipient List (continued)

CRUDE OIL ALLOCATIONS DURING 3RD PHASE OF MOU

- TOTAL QUANTITIES LIFTED ABOUT 182.6 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.20 PER BBL

SER.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY MM BBLs	LIFTED QTY MM BBLs
1	M/03/01	NAFTA MOSCOW (RUSSIAN)	NAFTA MOSCOW (RUSSIAN)	0.600	0.625
2	M/03/02, 37, 53	ALFA-ECO (RUSSIAN)	ALFA-ECO (RUSSIAN)	10.200	10.079
3	M/03/03	ROSNEFT (RUSSIAN)	ROSNEFT (RUSSIAN)	2.700	2.798
4	M/03/04	TUCRAS (TURKISH)	TUCRAS (TURKISH)	10.800	10.148
5	M/03/05	SIRICOX (SPANISH)	SIRICOX (SPANISH)	2.000	1.988
6	M/03/06	CHEVRON (AMERICAN)	CHEVRON (AMERICAN)	2.700	2.716
7	M/03/07	MOBIL EXPORT (AMERICAN)	MOBIL EXPORT (AMERICAN)	2.700	2.679
8	M/03/08	AGIP PETROLI (ITALIAN)	AGIP PETROLI (ITALIAN)	2.700	2.681
9	M/03/09	SAMIR (MOROCCAN)	SAMIR (MOROCCAN)	2.700	2.776
10	M/03/10, 52	REPSOL YPF (SPANISH)	REPSOL YPF (SPANISH)	4.700	3.978
11	M/03/11, 41	OMV (AUSTRIAN)	OMV (AUSTRIAN)	4.600	4.815
12	M/03/12	COASTAL PETROLEUM (AMERICAN)	COASTAL PETROLEUM (AMERICAN)	7.200	7.192
13	M/03/13	SONATRACH (ALGERIAN)	SONATRACH (ALGERIAN)	3.600	3.712
14	M/03/14, 46, 50	ZARUBEZHNEFT (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	14.800	14.908
15	M/03/16, 39	SOCAP INTL. (FRENCH)	SOCAP INTL. (FRENCH)	12.650	11.974
16	M/03/16, 40	TOTAL INTL. (FRENCH)	TOTAL INTL. (FRENCH)	14.220	14.187
17	M/03/17	IES (ITALIAN)	IES (ITALIAN)	1.260	1.243
18	M/03/18	INTL. PETROLEUM SALES (INDONESIAN)	INTL. PETROLEUM SALES (INDONESIAN)	3.600	1.854
19	M/03/19	RAOMES (RUSSIAN)	RAOMES (RUSSIAN)	1.240	1.234
20	M/03/20, 47	INDIAN OIL CORP (INDIAN)	INDIAN OIL CORP (INDIAN)	6.600	4.981
21	M/03/21, 48	ZANGAS (RUSSIAN)	ZANGAS (RUSSIAN)	6.600	6.663
22	M/03/22	ERDEM (TURKISH)	ERDEM (TURKISH)	1.800	1.887
23	M/03/23	MACHINIMPORT (RUSSIAN)	MACHINIMPORT (RUSSIAN)	3.930	3.853
24	M/03/24	DELTA (TURKISH)	DELTA (TURKISH)	1.800	1.680
25	M/03/25	SIDANCO (RUSSIAN)	SIDANCO (RUSSIAN)	7.200	7.004
26	M/03/26	LUKOIL (RUSSIAN)	LUKOIL (RUSSIAN)	6.240	9.683
27	M/03/27	SIBNEFT (RUSSIAN)	SIBNEFT (RUSSIAN)	1.800	1.800
28	M/03/28, 38	RUSSIAN COMMUNIST PARTY	ONACO (RUSSIAN)	13.000	12.793
29	M/03/29, 42	SINOCHEN (CHINESE)	SINOCHEN (CHINESE)	7.400	7.596
30	M/03/30	TATNEFT (RUSSIAN)	TATNEFT (RUSSIAN)	2.700	2.708
31	M/03/31, 49	FORTUN OIL (BRITISH)	FORTUN OIL (BRITISH)	6.600	6.383
32	M/03/32	MR ROBERTO FRERIGONI (ITALIAN)	COGEP (ITALIAN)	1.800	1.852
33	M/03/33	TRAFIGURA (DUTCH)	TRAFIGURA (DUTCH)	3.960	3.903
34	M/03/34	MR MICHEL KRÄMER (FRENCH)	ADDAX (SWISS)	1.800	1.889
35	M/03/35	MONTELECT (UKRAINIAN)	MONTELECT (UKRAINIAN)	1.800	CANCELLED
36	M/03/36	ROSBULNEFT (RUSSIAN)	ROSBULNEFT (RUSSIAN)	3.000	3.125
37	M/03/43, 51	API OIL (ITALIAN)	API OIL (ITALIAN)	2.000	1.969
38	M/03/44	CEPSA (SPANISH)	CEPSA (SPANISH)	1.000	1.028
39	M/03/46	PETRAMIX (SLOVAKIAN)	PETRAMIX (SLOVAKIAN)	1.000	1.003
<b>GRAND TOTAL</b>				<b>188.900</b>	<b>182.575</b>
INDIVIDUALS AND ENTITIES WHO WERE ASSIGNED QUANTITIES BUT DID NOT SIGN CONTRACTS OR LIFT SAID QUANTITIES					
1	---	PETRONAS (MALAYSIAN)		1.800	NIL

Oil Allocation Recipient List (continued)

CRUDE OIL ALLOCATIONS DURING 4TH PHASE OF MOU

- TOTAL QUANTITIES LIFTED ABOUT 308.1 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.40 PER BBL

SR.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY. MM BBLs	LIFTED QTY. MM BBLs
1	M/04/01	ZARUBEZHNEFT (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	18.000	18.235
2	M/04/02	REPSOL YPF (SPANISH)	REPSOL YPF (SPANISH)	6.000	5.935
3	M/04/03	TOTAL INTL. (FRENCH)	TOTAL INTL. (FRENCH)	18.000	16.451
4	M/04/04	SOCAP INTL. (FRENCH)	SOCAP INTL. (FRENCH)	18.000	16.385
5	M/04/05	OMV (AUSTRIAN)	OMV (AUSTRIAN)	4.000	3.548
6	M/04/06	TUPRAS (TURKEY)	TUPRAS (TURKEY)	10.800	10.963
7	M/04/07	SIRECOX (SPANISH)	SIRECOX (SPANISH)	1.920	1.913
8	M/04/08, 16	MR BODAVIE (FRENCH)	VITOL	6.000	6.069
9	M/04/09	FALOIL (UAE)	FALOIL (UAE)	1.800	0.000
10	M/04/10	SONATRACH (ALGERIAN)	SONATRACH (ALGERIAN)	10.000	8.844
11	M/04/11	AGIP PETROLI (ITALIANO)	AGIP PETROLI (ITALIANO)	5.400	4.838
12	M/04/12	IES (ITALIAN)	IES (ITALIAN)	2.000	1.880
13	M/04/13	SAMIR (MAROCCAN)	SAMIR (MAROCCAN)	4.000	3.868
14	M/04/14	SINOCHEN (CHINESE)	SINOCHEN (CHINESE)	18.000	16.545
15	M/04/15	ALFA-ECO (RUSSIAN)	ALFA-ECO (RUSSIAN)	10.000	9.978
17	M/04/17	PETROFINA (BULGIUM)	PETROFINA (BULGIUM)	2.700	2.734
18	M/04/18	SON OF RUSSIAN AMBASSADOR IN BAGHDAD	RAOMES (RUSSIAN)	6.000	5.445
19	M/04/19	MACHINOIMPORT (RUSSIAN)	MACHINOIMPORT (RUSSIAN)	7.600	7.182
20	M/04/20	LUK OIL (RUSSIAN)	LUK OIL (RUSSIAN)	18.000	16.438
21	M/04/21	ZAN GAS (RUSSIAN)	ZAN GAS (RUSSIAN)	4.000	3.971
22	M/04/22	CEPSA (SPANISH)	CEPSA (SPANISH)	1.000	1.014
23	M/04/23	NAFTA MOSCOW (RUSSIAN)	NAFTA MOSCOW (RUSSIAN)	4.000	3.988
24	M/04/24	ROSNEFT (RUSSIAN)	ROSNEFT (RUSSIAN)	4.000	4.076
25	M/04/25	PEACE & UNITY PART (RUSSIA)	ROSBULNEFT (RUSSIAN)	5.000	2.976
26	M/04/26	TATNEFT (RUSSIAN)	TATNEFT (RUSSIAN)	8.000	7.023
27	M/04/27	PETROGAL (PORTUGUESE)	PETROGAL (PORTUGUESE)	1.800	1.842
28	M/04/28	COASTAL PETROLEUM (AMERICAN)	COASTAL PETROLEUM (AMER)	7.200	6.105
29	M/04/29	MR SAMIR VINCENT (AMERICAN)	PHOENIX INTL. (AMERICAN)	1.800	1.791
30	M/04/30	MR PATRIK MORJAN (DUTCH)	TRAFIGURA (DUTCH)	7.000	6.275
31	M/04/31	MR MICHEL KRAMER (FRENCH)	ADDAX (SWISS)	2.000	1.999
32	M/04/32	COGEP (ITALIAN)	COGEP (ITALIAN)	4.000	3.878
33	M/04/33	FORTUN OIL (BRITISH)	FORTUN OIL (BRITISH)	9.000	8.406
34	M/04/34	API OIL (ITALIAN)	API OIL (ITALIAN)	3.600	2.844
35	M/04/35	ONACO (RUSSIAN)	ONACO (RUSSIAN)	8.000	6.854
36	M/04/36	MONTIELCT (UKRAINIAN)	MONTIELCT (UKRAINIAN)	1.800	CANCELLED
37	M/04/37	SIDANCO (RUSSIAN)	SIDANCO (RUSSIAN)	8.000	7.007
38	M/04/38	SIBNEFT (RUSSIAN)	SIBNEFT (RUSSIAN)	4.000	4.038

Regime Finance and Procurement

Oil Allocation Recipient  
List (continued)

CRUDE OIL ALLOCATIONS DURING 5TH PHASE OF MOU

- TOTAL QUANTITIES LIFTED ABOUT 356 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.20 PER BBL

SER.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY. MM BBLs	LIFTED QTY. MM BBLs
1	M/05/01	ASMOS LTD. (KENYA)	ASMOS LTD. (KENYA)	2,000	1,948
2	M/05/02	MR MOHAMMED ALIUNI (LIBYAN)	GULF ERDOLEHANDS (AUSTRIAN)	1,800	1,846
3	M/05/03	TATNEFT (RUSSIAN)	TATNEFT (RUSSIAN)	10,000	9,834
4	M/05/04	TUPRAS (TURKISH)	TUPRAS (TURKISH)	16,000	16,112
5	M/05/05	REPSOL YPF (SPANISH)	REPSOL YPF (SPANISH)	6,000	5,862
6	M/05/06	API OIL (ITALIAN)	API OIL (ITALIAN)	3,000	2,927
7	M/05/07	ALFA-ECO (RUSSIAN)	ALFA-ECO (RUSSIAN)	14,400	14,391
8	M/05/08	TOTAL INTL. (FRENCH)	TOTAL INTL. (FRENCH)	18,600	18,431
9	M/05/09	SOCAP INTL. (FRENCH)	SOCAP INTL. (FRENCH)	20,000	20,079
10	M/05/10	TRAFIGURA (DUTCH)	TRAFIGURA (DUTCH)	7,000	6,124
11	M/05/11	MACHINOIMPORT (RUSSIAN)	MACHINOIMPORT (RUSSIAN)	7,000	7,100
12	M/05/12	ZARUBECHNEFT (INCL. QTY. OF CONTRACT NOTED HEREON BELOW)	ZARUBECHNEFT (RUSSIAN)	24,350	24,552
13	M/05/13	AGIP PETROLI (ITALIAN)	AGIP PETROLI (ITALIAN)	6,800	6,715
14	M/05/14	PETRONAS (MALAYSIAN)	PETRONAS (MALAYSIAN)	3,900	3,705
15	M/05/15	PETROVIETNAM	PETROVIETNAM	6,000	6,011
16	M/05/16	TYUMEN (RUSSIAN)	TYUMEN (RUSSIAN)	6,500	6,579
17	M/05/17	PETROFINA (BELGIUM)	PETROFINA (BELGIUM)	3,000	3,008
18	M/05/18	ONACO (RUSSIAN)	ONACO (RUSSIAN)	7,200	6,177
19	M/05/19	SIDANCO (RUSSIAN)	SIDANCO (RUSSIAN)	7,200	7,062
20	M/05/20	SONATRACH (ALGERIAN)	SONATRACH (ALGERIAN)	10,000	10,032
21	M/05/21	SAMIR (MOROCCAN)	SAMIR (MOROCCAN)	6,000	5,777
22	M/05/22	SIBNEFT (RUSSIAN)	SIBNEFT (RUSSIAN)	2,300	2,276
23	M/05/23	LUK OIL (RUSSIAN)	LUK OIL (RUSSIAN)	16,000	15,858
24	M/05/23	RUSSIAN PEACE & UNITY PARTY	LUK OIL (ADDITIONAL QTY. OVER & ABOVE THE CONTRACT)	3,000	2,874
25	M/05/24	NAFTA MOSCOW (RUSSIAN)	NAFTA MOSCOW (RUSSIAN)	3,600	3,651
26	M/05/25	ZAN GAS (RUSSIAN)	ZAN GAS (RUSSIAN)	5,000	4,968
27	M/05/26	OMV (AUSTRIAN)	OMV (AUSTRIAN)	4,000	3,975
28	M/05/27	ROSNEFT (RUSSIAN)	ROSNEFT (RUSSIAN)	3,600	3,562
29	M/05/28	RAOMES (RUSSIAN)	RAOMES (RUSSIAN)	4,000	3,984
30	M/05/29	COASTAL PETROLEUM (AMERICAN)	COASTAL PETROLEUM (AMERICAN)	3,600	3,705
31	M/05/30	SIRECOX (SPANISH)	SIRECOX (SPANISH)	2,000	1,981
32	M/05/31	LUBNA (SPANISH)	LUBNA (SPANISH)	3,000	2,992
33	M/05/32	OILEXCO (CANADIAN)	OILEXCO (CANADIAN)	1,800	1,887
34	M/05/33	ADDAX (SWISS)	ADDAX (SWISS)	2,000	1,864
35	M/05/34	MR ROBERTO FRIGIONI (ITALIAN)	COGEP (ITALIAN)	4,000	3,981
36	M/05/35	IES (ITALIAN)	IES (ITALIAN)	1,800	1,839
37	M/05/36	MR BODAVIE (FRENCH)	VITOL	3,500	3,521

**Oil Allocation Recipient List (continued)**

38	M/05/37	CRESCENT (UAE)	CRESCENT (UAE)	1.800	1.880
39	M/05/38	INDIAN OIL CORP. (INDIAN)	INDIAN OIL CORP. (INDIAN)	4.000	3.927
40	M/05/39	MR LUTFI DOGAN (TURKISH)	SETA (TURKISH)	1.800	1.874
41	M/05/40	CHINA NATIONAL OIL (CHINESE)	CHINA NATIONAL OIL (CHINESE)	12.500	12.449
42	M/05/41	MR JOAN (CHINESE)	PORTUN OIL (HONGKONG)	5.000	4.982
43	M/05/42	SINOCHEM (CHINESE)	SINOCHEM (CHINESE)	13.900	13.816
44	M/05/43	MR ORCHANESKI - (UKRAINIAN)	HARICO LTD. (SWISS)	2.000	1.983
45	M/05/44	MR SALVATORI NICOTRA	IPS (ITALIAN)	3.000	2.774
46	M/05/45	MR ZEYAD ALHADI (IRAQI IMMIGRANT)	VOLCAN (SWISS)	1.800	1.766
47	M/05/46	MR MOHAMMED ISLAN (TURKISH)	EMIN DIS TECARET (TURKISH)	3.000	1.972
48	M/05/47	BIAD AL TAHER (IRAQI IMMIGRANT)	BULA RESOURCES (IRISH)	2.000	1.961
49	M/05/48	ERDEM HOLDING (TURKISH)	ERDEM HOLDING (TURKISH)	1.800	1.802
50	M/05/49	LOYOIL (UAE)	LOYOIL (UAE)	1.800	1.750
51	M/05/50	RUSSIAN LIBERAL PARTY (MR GURNOVSKI)	NAFTA MOSCOW (RUSSIAN)	7.000	6.925
52	M/05/51	MR AWAD AMMORA (SYRIAN)	AWAD AMMORA & PARTENAR LTD. (SYRIAN)	1.500	1.565
53	M/05/52	MR BASHAR NOURI (SYRIAN)	NOURI FOR TRADING (SYRIAN)	1.500	1.678
54	M/05/53,70	MAULANA M. A. MANNAN (BANGLADESH)	LUKOIL (SWISS BRANCH)	6.000	6.047
55	M/05/54	RANGEROIL LTD. (CANADIAN)	RANGEROIL LTD. (CANADIAN)	1.800	1.797
56	M/05/55	DELTA (TURKISH)	DELTA (TURKISH)	1.800	1.795
57	M/05/56	RUSSIAN COMMUNIST PARTY (ADDITIONAL)	RAOMES (RUSSIAN)	7.000	6.964
58	M/05/57	IBEX ENERGY (FRENCH)	IBEX ENERGY (FRENCH)	1.800	1.886
59	M/05/58	PETRADE (MAROCCAN)	PETRADE (MAROCCAN)	2.000	1.985
60	M/05/59	SOYUZ (RUSSIAN)	SOYUZ (RUSSIAN)	1.800	CANCELLED
61	M/05/60	HELLNIC PETROLEUM- (GREEK)	HELLNIC PETROLEUM- (GREEK)	3.000	2.959
62	M/05/61	MR. SIFAN - I.L.N.	AFRICAN MIDDLE EAST (PANAMA)	1.800	0.000
63	M/05/62	MOCOB SERVICES (SOUTH AFRICAN)	MOCOB SERVICES (SOUTH AFRICAN)	2.000	1.913
64	M/05/63	RUSSIAN COMMUNIST PARTY	ACTEC (RUSSIAN)	7.000	6.846
65	M/05/64	TRADE TEAR (MALAYSIAN)	TRADE TEAR (MALAYSIAN)	3.600	3.558
66	M/05/65	PEACE & UNITY PART (RUSSIA)	ROSBULNEFT (RUSSIAN)	3.000	CANCELLED
67	M/05/66	THE IRAQI-FRENCH FRIENDSHIP SOCIETY	AREDIO PETROLEUM (FRENCH)	1.800	1.822
68	M/05/67	AVIN OIL (GREEK)	AVIN OIL (GREEK)	1.800	0.000
69	M/05/68	NAMIBIAN GOV.	KALLAHARI (NAMIBIAN)	2.000	2.057
70	M/05/69	NAMIBIAN GOV.	MILLENIUM (NAMIBIAN)	2.000	2.013
71	M/05/71	NAMIBIAN GOV.	MILLENIUM (NAMIBIAN)	1.800	1.853
72	M/05/72	IRAQIAN-BULGARIAN CO.	VASSILINI BROTHERS (BULGARIAN)	2.000	2.039
<b>GRAND TOTAL</b>				<b>366.650</b>	<b>355.908</b>
INDIVIDUALS AND ENTITIES WHO WERE ASSIGNED QUANTITIES BUT DIDN'T SIGN CONTRACTS OR LIFT SAID QUANTITIES					
NIL					

Regime Finance and Procurement

Oil Allocation Recipient List (continued)

CRUDE OIL ALLOCATIONS DURING 6TH PHASE OF MOU

- TOTAL QUANTITIES LIFTED ABOUT 388.6 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.15 PER BBL

SEQ.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY MM BBLs	LIFTED QTY MM BBLs
1	M/06/01	TOTAL INTL. (FRENCH)	TOTAL INTL. (FRENCH)	14.000	14.070
2	M/06/02	SOCOA INTL. (FRENCH)	SOCOA INTL. (FRENCH)	14.000	13.936
3	M/06/03	CHINA OIL (CHINESE)	CHINA OIL (CHINESE)	13.000	13.023
4	M/06/04	SINOCHEM (CHINESE)	SINOCHEM (CHINESE)	13.100	12.937
5	M/06/05	PETRONAS (MALAYSIAN)	PETRONAS (MALAYSIAN)	3.600	3.482
6	M/06/06	OMV (AUSTRIAN)	OMV (AUSTRIAN)	6.000	5.924
7	M/06/07	TUPRAS (TURKISH)	TUPRAS (TURKISH)	11.400	11.394
8	M/06/08	HELLENIC PETROLEUM (GREEK)	HELLENIC PETROLEUM (GREEK)	3.000	2.949
9	M/06/09	REPSOL YPF (SPANISH)	REPSOL YPF (SPANISH)	4.000	3.973
10	M/06/10	SONATRACH (ALGERIAN)	SONATRACH (ALGERIAN)	12.000	12.027
11	M/06/11	SAMIR (MORACCAN)	SAMIR (MORACCAN)	5.000	4.966
12	M/06/12	PETROFINA (BULGARIAN)	PETROFINA (BULGARIAN)	2.000	1.998
13	M/06/13	TATNEFT (RUSSIAN)	TATNEFT (RUSSIAN)	9.000	8.892
14	M/06/14	API OIL (ITALIAN)	API OIL (ITALIAN)	2.200	2.160
15	M/06/15	ZANGAS (RUSSIAN)	ZANGAS (RUSSIAN)	8.000	7.913
16	M/06/16	INDIAN OIL CORP. (INDIAN)	INDIAN OIL CORP. (INDIAN)	5.000	4.886
17	M/06/17	RUSSIAN FOREIGN MINISTRY	ALFA-ECO (RUSSIAN)	13.000	12.821
18	M/06/18	ZARUBEZHNEFT (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	21.000	21.134
19	M/06/19	PETROVIETNAM	PETROVIETNAM	11.000	10.944
20	M/06/20	NAFTA MOSCOW	NAFTA MOSCOW	5.000	4.832
21	M/06/21	MACHINIMPORT (RUSSIAN)	MACHINIMPORT (RUSSIAN)	10.000	10.037
22	M/06/22	LUK OIL (RUSSIAN)	LUK OIL (RUSSIAN)	7.000	6.962
23	M/06/23	TRANSNAFTA	TRANSNAFTA	3.000	2.990
24	M/06/24	SON OF RUSSIAN AMBASSADOR IN BAGHDAD	RAOMES (RUSSIAN)	4.000	3.966
25	M/06/25	MR. GIRIMOVSKI (RUSSIAN)	NAFTA MOSCOW	10.000	9.813
26	M/06/26	MR. BASIM QADISH	LUBNA (SPANISH)	3.000	2.958
27	M/06/27	MR. OSCAR WYATT (AMERICAN)	COASTAL PETROLEUM (AMERICAN)	3.600	3.449
28	M/06/28	MOCOH (SOUTH AFRICAN)	MOCOH (SOUTH AFRICAN)	3.000	2.983
29	M/06/29	MR. MOHAMMED OTHMAN SAIED (KENYA)	ASMOS LTD (KENYA)	2.000	1.901
30	M/06/30	KALLAHARI (NAMIBIAN)	KALLAHARI (NAMIBIAN)	4.000	3.806
31	M/06/31	GAMOCO (GAMBIA)	GAMOCO (GAMBIA)	4.000	3.868
32	M/06/32	MR. ROBERTO FRIBIGNI (ITALIAN)	COGEP (ITALIAN)	4.000	3.979
33	M/06/33	LUTFI DOGAN (TURKISH)	SETA (TURKISH)	1.800	1.826
34	M/06/34	MR. MOHAMMED INCAN (TURKISH)	EMIN HIS TEKARET (TURKISH)	3.000	2.996
35	M/06/35	MR. ZEN AL-ABDEEN ERDEM (TURKISH)	ERDEM (TURKISH)	1.800	1.825
36	M/06/36	DELTA (TURKISH)	DELTA (TURKISH)	1.800	1.840
37	M/06/37	MR. MICHEL KRAMER (FRENCH)	ADDAX (SWISS)	1.800	1.798
38	M/06/38	RIAD AL-TARER (IRAQI IMMIGRANT)	BULA RESOURCES (IRISH)	2.000	1.934
39	M/06/39	MR. SALVATORE NICOTRA	IPS (ITALIAN)	3.000	2.948
40	M/06/40	MR. BODAVIE (FRENCH)	VITOL (SWISS)	5.000	4.967

**Oil Allocation Recipient List (continued)**

41	M/06/41	ONACO (RUSSIAN)	ONACO (RUSSIAN)	4.000	4.002
42	M/06/42	MR FATYO AHMED SHARIF (IRAQI IMMIGRANT)	TRADE YEAR (MALAYSIAN)	3.600	3.588
43	M/06/43	ETAP (TUNISIA)	ETAP (TUNISIA)	0.800	0.813
44	M/06/44	MAULANA M. A. WANNAN (BANGLADESH)	LUR/OIL (RUSSIAN)	8.200	8.206
45	M/06/45	SIRECOX (SPANISH)	SIRECOX (SPANISH)	2.000	2.015
46	M/06/46	MR GOTZARIV -MEMBER OF DUMA	SLAVNEFT (RUSSIAN)	2.000	1.943
47	M/06/47	MR PATRIK MUGAN-TRAFIGURA	TRAFIGURA (DUTCH)	7.000	6.926
48	M/06/48	MR BANDI JAFFAR (IRAQI IMMIGRANT)	CRESCENT (UAE)	1.400	1.389
49	M/06/49	IES (ITALIAN)	IES (ITALIAN)	0.600	0.603
50	M/06/50	AGIP PETROLI (ITALIAN)	AGIP PETROLI (ITALIAN)	5.000	5.039
51	M/06/51	RUSSIAN FOREIGN MINISTRY	TYUMEN (RUSSIAN)	4.000	3.982
52	M/06/52	ABD AL KARIM ALIRYANI (YEMEN)	ZSA (YEMEN)	3.200	3.129
53	M/06/53	BULGARIAN SOCIALIST PARTY	VASSILY BROTHERS (BULGARIAN)	2.000	1.998
54	M/06/54	THE RUSSIAN PRESIDENTIAL OFFICE	ROSNEFT (RUSSIAN)	5.000	4.973
55	M/06/55	RUSSIAN COMMUNIST PARTY	ACTEC (RUSSIAN)	16.000	16.086
56	M/06/56	MR GOTZARIV -MEMBER OF DUMA	SIDANCO (RUSSIAN)	4.000	3.997
57	M/06/57	PETROBRAS (BRAZILIAN)	PETROBRAS (BRAZILIAN)	7.000	7.170
58	M/06/58	MR JOAN (CHINESE)	CHINA OIL (CHINESE)	6.000	5.906
59	M/06/59	MR AHMED MANT SAEED AL UTAYBAH	LOYOIL (UAE)	1.800	1.764
60	M/06/60	THE LIBERAL PARTY (BELARUS)	BELMETALENERGO (BELARUS)	2.000	1.869
61	M/06/61	YUKOS (RUSSIAN)	YUKOS (RUSSIAN)	2.000	1.896
62	M/06/62	MR LAYTH SHUBAYLAT (JORDANIAN)	PETROGAS (SWISS)	3.000	2.847
63	M/06/63	MR ABDUL LA ALSALLAWI (MOROCCAN)	PETRADE (MOROCCAN)	2.000	1.988
64	M/06/64	UKRAINE COMMUNIST PARTY	HYPERBORY (UKRAINIAN)	2.000	2.001
65	M/06/65	MR ORCHANISKI (UKRAINIAN)	VAVILLON (UKRAINIAN)	2.000	2.003
66	M/06/66	MR ALIAS ALFARZALI (LABANIES)	GENMAR (SWISS)	2.600	2.621
67	M/06/67	UNIPEC (CHINESE)	UNIPEC (CHINESE)	2.000	2.013
68	M/06/68	MR MOHAMMED AL BONTI (LIBYIAN)	GULF BROCKBERANDS (AUSTRIAN)	1.800	1.794
69	M/06/69	IRAQI FRENCH FRIENDSHIP SOCIETY	AREDIO (FRENCH)	1.800	1.803
70	M/06/70	MS HAMIDA NA'ANA	GENMAR (SWISS)	1.800	1.831
71	M/06/71	RUSSIAN PEACE & UNITY PARTY	LEK OIL (RUSSIAN)	3.000	2.963
72	M/06/72	GASPROM (RUSSIAN)	GASPROM (RUSSIAN)	6.000	5.980
73	M/06/73	SAMASU (SUDANES)	SAMASU (SUDANES)	5.000	4.931
74	M/06/74	MR CHARLES PASCUA (FRENCH)	GENMAR (SWISS)	4.000	4.015
75	M/06/75	INCOME COMPANY (EGYPTION)	INCOM COMPANY (EGYPTION)	3.500	3.573
76	M/06/76	TEKFIN (TURKISH)	TEKFIN (TURKISH)	3.600	3.623
77	M/06/77	ZHUHAI ZHEN RONG	ZHUHAI ZHEN RONG	2.000	1.978
78	M/06/78	MR. SIFAN -U.N.	AFRICAN MIDDLE EAST (PANAMA)	2.000	2.010
79	M/06/79	MR MOHAMMED ALBUNI (LIBYIAN)	ARCHARD ENERGY (CYPRUS)	1.000	0.998
80	M/06/80	MOJAHEDIE KHALQ (IRANIAN)	CENTURY MARKETING (BRITISH)	2.000	1.989
<b>GRAND TOTAL</b>				<b>391.800</b>	<b>389.692</b>
INDIVIDUALS AND ENTITIES WHO WERE ASSIGNED QUANTITIES BUT DID NOT SIGN CONTRACTS OR LIFT SAID QUANTITIES					
NIL					

Regime Finance and Procurement

Oil Allocation Recipient List (continued)

CRUDE OIL ALLOCATIONS DURING 7TH PHASE OF MOU

- TOTAL QUANTITIES LIFTED ABOUT 380 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.15 PER BBL

SER.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY. MM BBLs	LIFTED QTY. MM BBLs
1	M/07/01	SOCAP INTL. (FRENCH)	SOCAP INTL. (FRENCH)	14.600	14.604
2	M/07/02	TOTAL INTL. (FRENCH)	TOTAL INTL. (FRENCH)	14.500	14.611
3	M/07/03	TUPRAS (TURKISH)	TUPRAS (TURKISH)	12.500	12.608
4	M/07/04	CHINA OIL (CHINESE)	CHINA OIL (CHINESE)	14.500	14.306
5	M/07/05	SINOCHEN (CHINESE)	SINOCHEN (CHINESE)	14.600	14.546
6	M/07/06	SONATRACH (ALGERIAN)	SONATRACH (ALGERIAN)	9.000	8.947
7	M/07/07	ZARUBEZHNEFT (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	23.000	23.093
8	M/07/08	PETRONAS (MALAYSIAN)	PETRONAS (MALAYSIAN)	2.500	1.972
9	M/07/09	IES (ITALIAN)	IES (ITALIAN)	0.600	0.597
10	M/07/10	AGIP PETROLI (ITALIAN)	AGIP PETROLI (ITALIAN)	8.200	8.141
11	M/07/11	PETROVIETNAM	PETROVIETNAM	10.500	10.427
12	M/07/12	TATNEFT (RUSSIAN)	TATNEFT (RUSSIAN)	9.000	9.166
13	M/07/13	LUKOIL (RUSSIAN)	LUKOIL (RUSSIAN)	4.500	4.495
14	M/07/14	ZAN GAS (RUSSIAN)	ZAN GAS (RUSSIAN)	6.000	6.049
15	M/07/15	PETROBRAS (BRAZILIAN)	PETROBRAS (BRAZILIAN)	4.500	4.405
16	M/07/16	SAMIR (MAROCCAN)	SAMIR (MAROCCAN)	6.000	6.078
17	M/07/17	REPSOL YPF (SPANISH)	REPSOL YPF (SPANISH)	6.500	6.111
18	M/07/18	COASTAL PETROLEUM (AMERICAN)	COASTAL PETROLEUM (AMERICAN)	2.400	2.387
19	M/07/19	MR BASIM QAQISH	LUBNA (SPANISH)	2.000	2.019
20	M/07/20	MACHINOI PORT (RUSSIAN)	MACHINOI PORT (RUSSIAN)	12.500	12.358
21	M/07/21	NAFTA MOSCOW	NAFTA MOSCOW	2.000	1.988
22	M/07/22	OMV (AUSTRIAN)	OMV (AUSTRIAN)	5.650	5.648
23	M/07/23	RUSSIAN FOREIGN MINISTRY	ALFA-ECO (RUSSIAN)	13.000	12.980
24	M/07/24	MR AHMED HANI SAIED AL UTAYBAH	LOYOIL (UAE)	1.200	0.677
25	M/07/25	INCOME COMPANY (EGYPTIAN)	INCOME COMPANY (EGYPTIAN)	2.000	2.008
26	M/07/26	MOGOSH SERVICES (SOUTH AFRICAN)	MOGOSH SERVICES (SOUTH AFRICAN)	0.800	0.833
27	M/07/27	MR MOHAMMED OTHMAN SAEED (KENYA)	ASMOS LTD (KENYA)	1.200	1.000
28	M/07/28	UNIPEC (CHINESE)	UNIPEC (CHINESE)	3.670	3.666
29	M/07/29	NAMIBIAN GOV.	MILENIUM (NAMIBIAN)	1.200	1.200
30	M/07/30	MR BODAMIE (FRENCH)	VITOL	1.500	1.556
31	M/07/31	MR ABDULLA ALSALAWI (MAROCCAN)	PETRADE (MAROCCAN)	1.200	1.221
32	M/07/32	EXPANSION EXTERIOR (SPANISH)	EXPANSION EXTERIOR (SPANISH)	1.500	1.500
33	M/07/33	MR SALVATORI NICOTRA (ITALIAN)	IFS (ITALIAN)	1.500	1.500
34	M/07/34	MR ROBERTO FRIMDONI (ITALIAN)	COGEP (ITALIAN)	2.000	2.000
35	M/07/35	SIRGUTNEFTGAS (RUSSIAN)	SIRGUTNEFTGAS (RUSSIAN)	4.000	3.966
36	M/07/36	MR NADIL ALHASHIMI (MAROCCAN)	PETRADE (MAROCCAN)	1.200	1.192

**Oil Allocation Recipient List (continued)**

37	M/07/37	HELLINIC PETROLEUM (GREEK)	HELLINIC PETROLEUM (GREEK)	4.000	4.034
38	M/07/38	DELTA (TURKISH)	DELTA (TURKISH)	1.200	1.200
39	M/07/39	CRESCENT (UAE)	CRESCENT (UAE)	0.900	0.900
40	M/07/40	IRAQI FRENCH FRIENDSHIP SOCIETY	AREADIO (FRENCH)	1.200	1.196
41	M/07/41	PETROFINA (BELGIUM)	PETROFINA (BELGIUM)	3.500	3.500
42	M/07/42	ADDAX (FRENCH)	ADDAX (FRENCH)	1.200	1.196
43	M/07/43	SAMASU (SUDANES)	SAMASU (SUDANES)	3.000	2.892
44	M/07/44	TRANSNEFT (RUSSIAN)	TRANSNEFT (RUSSIAN)	2.000	2.022
45	M/07/45	ONACO (RUSSIAN)	ONACO (RUSSIAN)	3.000	2.992
46	M/07/46	API OIL (ITALIAN)	API OIL (ITALIAN)	2.500	2.169
47	M/07/47	ETAP (TUNISIA)	ETAP (TUNISIA)	0.800	0.812
48	M/07/48	RUSSIAN COMMUNIST PARTY - MR ZIER-BECK	ACTEC (RUSSIAN)	14.500	14.741
49	M/07/49	ROSNEFT (RUSSIAN)	ROSNEFT (RUSSIAN)	3.000	3.018
50	M/07/50	MR ZEN AL ABDEEN ERDEM (TURKISH)	ERDEM (TURKISH)	1.800	1.819
51	M/07/51	ITALTECH (ITALIAN) - MR FU'AD SERHAN	ITALTECH (ITALIAN)	1.500	1.481
52	M/07/52	THIA RICE MERCHANT - CHAYAPORN	CHAYAPORN RICE CO (THAILAND)	3.000	2.947
53	M/07/53	MR MOHAMMED ISLAN (TURKISH)	EMIN DIS TECARET (TURKISH)	1.500	1.539
54	M/07/54	THE LIBERAL DEMOC. PARTY (BELARUS)	LADA OMC (BELARUS)	1.200	1.200
55	M/07/55	RIAD AL TAHIR (IRAQI IMMIGRANT)	BERINGO (BRITISH)	1.000	0.980
56	M/07/56	PETROPLUS (DUTCH)	PETROPLUS (DUTCH)	1.500	1.555
57	M/07/57	MR GHASSAN ZAKARIYA (SYRIAN)	FORTUM OIL & GAS (FINNISH)	0.500	0.492
58	M/07/58	RUSSIAN FOREIGN MINISTRY	TYUMEN (RUSSIAN)	3.000	3.053
59	M/07/59	MR FAYIQ AHMED SHARIF (IRAQI IMMIGRANT)	MASTEK (MALAYSIAN)	2.500	2.432
60	M/07/60	TEKFIN (TURKISH)	TEKFIN (TURKISH)	2.500	2.518
61	M/07/61	MR LUTFI DOGAN (TURKISH)	BETA (TURKISH)	0.800	0.774
62	M/07/62	MR JOAN (CHINESE)	PURICH INTL. (HONGKONG)	2.500	2.426
63	M/07/63	ZHURAI ZHEN RONG (CHINESE)	ZHURAI ZHEN RONG (CHINESE)	2.500	2.479
64	M/07/64	MR ABU AL ABBAS	VILMA OIL COUNSELLANT (SPANISH)	1.200	1.200
65	M/07/65	MR SAMIR VINCENT (AMERICAN)	PHOENIX INTL. (AMERICAN)	1.200	1.201
66	M/07/66	MR JAVIER ROBERT (SPANISH)	MERO (SWISS)	1.800	1.795
67	M/07/67	RUSSIAN ACADEMY POLITICS	ZERICH GMBH (RUSSIAN)	1.500	1.509
68	M/07/68	INDONESIAN OIL COMPANY	PERTA COMPANY (INDONESIAN)	3.000	2.983
69	M/07/69	MR LAYTH SHUBAYLAT (JORDANIAN)	PETROGAS (SWISS)	2.000	1.933
70	M/07/70	BASHNEFT (RUSSIAN)	BASHNEFT (RUSSIAN)	5.000	4.944
71	M/07/71	RUSSIAN PEACE & UNITY PARTY	ZERICH GMBH (RUSSIAN)	2.000	2.002
72	M/07/72	MAULANA M. A. MANNAN (BANGLADESH)	LUK OIL	3.000	3.002
73	M/07/73	GASPROM (RUSSIAN)	GASPROM (RUSSIAN)	5.000	5.036
74	M/07/74	BELMETALENERGO (BELARUS)	BELMETALENERGO (BELARUS)	5.000	4.910
75	M/07/75	UKRAINE COMMUNIST PARTY	ZERICH GMBH (RUSSIAN)	1.500	1.475
76	M/07/76	MR ORCHANISKI (UKRAINIAN)	VAVILLON (UKRAINIAN)	1.500	1.485

Regime Finance and Procurement



**Oil Allocation Recipient  
List (continued)**

77	M/07/77	NORENCO (CHINESE)	NORENCO (CHINESE)	1.500	1.500
78	M/07/79	LIKART TRADING LTD (CYPRUS)	LIKART TRADING LTD (CYPRUS)	1.800	1.809
79	M/07/79	THAI PETROLEUM COMPANY (THAILAND)	THAI PETROLEUM COMPANY (THAI)	1.000	0.982
80	M/07/80	JEWAN OIL (UAE)	JEWAN OIL (UAE)	1.500	1.482
81	M/07/81	GHOPIKIN UNIVERSITY	ZARUBEZHNEFT (RUSSIAN)	1.500	1.339
82	M/07/82	INDIAN OIL CORP. (INDIAN)	INDIAN OIL CORP. (INDIAN)	8.500	8.447
83	M/07/83	MR BURHAN ALCHALABI (IRAQI/EMIGRANT)	FORTUM OIL & GAS (FINNISH)	4.000	3.936
84	M/07/84	MEDEX (TUNISIA)	MEDEX (TUNISIA)	1.200	1.029
85	M/07/85	GARTHAGO (TUNISIA)	GARTHAGO (TUNISIA)	1.200	1.174
86	M/07/86	EAST SIBERIAN OIL & GAS CO.	EAST SIBERIAN OIL & GAS CO.	1.000	0.961
87	M/07/87	MR ALIAS ALFARZALI (LEBANIES)	GENMAR (SWISS)	1.000	1.019
88	M/07/88	MR SIFAN- U.N.	AFRICAN MIDDLE EAST (PANAMA)	1.500	1.489
89	M/07/89	OMAN OIL & GAS MINISTRY	OMAN REFINERY CO.	2.000	1.894
90	M/07/90	RUSSIAN LIBERAL PARTY (MR GRINOVSKI)	TYUMEN (RUSSIAN)	6.500	6.481
91	M/07/91	HYSON (NIGERIAN)	HYSON (NIGERIAN)	1.200	0.959
92	M/07/92	MR CHARLES PASCUA (FRENCH)	GENMAR (SWISS)	3.000	3.057
93	M/07/93	MR SHAFRANIK (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	1.500	1.501
94	M/07/94	MR ALI BALLOT (LEBANIES)	AMPOSTA OIL (SPANISH)	1.000	0.995
95	M/07/95	MOJAHEDIE KHALIQ (IRANIAN)	CENTURY MARKETING (BRITISH)	6.000	5.822
96	M/07/95	YUGOPETROL (YUOSLAVIAN)	EUROL INTL. (BERMUDA)	8.000	7.374
97	M/07/97	HUNGARIAN INTEREST PARTY	ROMPETROL (ROMANIAN)	1.200	1.101
98	M/07/98	PDVSA TRADING (VENEZUELAN)	PDVSA TRADING (VENEZUELAN)	2.000	2.028
99	M/07/99	SON OF RUSSIAN AMBASSADOR IN BAGHDAD	RAOMES (RUSSIAN)	1.500	1.549
100	M/07/100	MRS HAMIDA NA'ANA	GENMAR (SWISS)	1.000	0.993
101	M/07/101	VIENAPCO (VIETNAM)	VIENAPCO (VIETNAM)	1.200	1.197
<b>GRAND TOTAL</b>				<b>383.620</b>	<b>379.794</b>
<b>INDIVIDUALS AND ENTITIES WHO WERE ASSIGNED QUANTITIES BUT DID NOT SIGN CONTRACTS OR LIFT SAID QUANTITIES</b>					
1	---	ROMANIAN COMMUNIST PARTY		---	---

**Oil Allocation Recipient List (continued)**

**CRUDE OIL ALLOCATIONS DURING 8TH PHASE OF MOU**

- TOTAL QUANTITIES LIFTED ABOUT 345 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.65 PER BBL

SER.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY. MM BBLs	LIFTED QTY. MM BBLs
1	M/08/01	MS JO JOY (THAILAND)	BO SONGBOON INTERTRADE (THAILAND)	0.500	0.500
2	M/08/02	ZARUBEZHNEFT (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	15.000	15.067
3	M/08/03	TATNEFT (RUSSIAN)	TATNEFT (RUSSIAN)	5.000	4.979
4	M/08/04	GASPROM (RUSSIAN)	GASPROM (RUSSIAN)	5.000	4.993
5	M/08/05	RUSSIAN COMMUNIST PARTY	ACTEC (RUSSIAN)	16.000	12.576
6	M/08/06	SONATRACH (ALGERIAN)	SONATRACH (ALGERIAN)	10.000	9.775
7	M/08/07	SAMIR (MOROCCAN)	SAMIR (MOROCCAN)	6.000	6.011
8	M/08/08	TUPRAS (TURKISH)	TUPRAS (TURKISH)	9.000	8.995
9	M/08/09	SOCAP INTL. (FRENCH)	SOCAP INTL. (FRENCH)	7.900	7.838
10	M/08/10	TOTAL INTL. (FRENCH)	TOTAL INTL. (FRENCH)	6.000	6.945
11	M/08/11	PETROFINA (BELGIAN)	PETROFINA (BELGIAN)	3.500	3.481
12	M/08/12	SINOCHEM (CHINESE)	SINOCHEM (CHINESE)	9.000	8.857
13	M/08/13	CHINA OIL (CHINESE)	CHINA OIL (CHINESE)	11.000	10.899
14	M/08/14	UNIPEC (CHINESE)	UNIPEC (CHINESE)	4.000	3.950
15	M/08/15	NERENCO-CHINA WAMBAO (CHINESE)	CHINA WAMBAO (CHINESE)	4.000	3.040
16	M/08/16	ZHUHAI ZHEN RONG (CHINESE)	ZHUHAI ZHEN RONG (CHINESE)	2.000	1.992
17	M/08/17	PETRONAS (MALAYSIAN)	PETRONAS (MALAYSIAN)	3.000	2.974
18	M/08/18	PERTA OIL (INDONESIAN)	PERTA OIL (INDONESIAN)	3.000	3.034
19	M/08/19	AGIP PETROLI (ITALIAN)	AGIP PETROLI (ITALIAN)	6.000	5.956
20	M/08/20	OMV (AUSTRIAN)	OMV (AUSTRIAN)	4.000	4.019
21	M/08/21	IES (ITALIAN)	IES (ITALIAN)	1.000	0.902
22	M/08/22	PETROVIETNAM	PETROVIETNAM	8.500	8.290
23	M/08/23	PTI (THAILAND)	PTI (THAILAND)	2.600	1.972
24	M/08/24	ALFA-ECO	ALFA-ECO	10.000	10.002
25	M/08/25	TYUMEN (RUSSIAN)	TYUMEN (RUSSIAN)	4.000	4.000
26	M/08/26	SLAVNEFT (RUSSIAN)	SLAVNEFT (RUSSIAN)	5.000	5.001
27	M/08/27	ROSNEFT (RUSSIAN)	ROSNEFT (RUSSIAN)	3.000	3.022
28	M/08/28	NAFTA (RUSSIAN)	NAFTA (RUSSIAN)	4.000	3.949
29	M/08/29	REPSOL YPF (SPANISH)	REPSOL YPF (SPANISH)	4.900	5.042
30	M/08/30	PETROBRAS (BRAZILIAN)	PETROBRAS (BRAZILIAN)	5.000	3.699
31	M/08/31	OMAN OIL & GAS MINISTRY	OMAN REFINERY CO.	2.000	1.191
32	M/08/32	PDVSA TRADING (VENEZUELAN)	PDVSA TRADING (VENEZUELAN)	2.000	1.976
33	M/08/33	THIA RICE MERCHANT - CHAIYAPORN	CHAIYAPORN RICE CO. (THAILAND)	3.000	2.911
34	M/08/34	MR BODAVIE (FRENCH)	VITOL	1.500	1.521
35	M/08/35	MR FAHWAZ ZURAYQAT- MR GEORGE GALLOWAY	AREDCO (FRENCH)	4.000	3.436
36	M/08/36	RIAD AL TAHER (IRAQI IMMIGRANT)	PERENCO (BRITISH)	1.000	1.048
37	M/08/37	MACHINOIMPORT (RUSSIAN)	MACHINOIMPORT (RUSSIAN)	6.000	5.991
38	M/08/38	ZAN GAS (RUSSIAN)	ZAN GAS (RUSSIAN)	6.000	5.997
39	M/08/39	INDIAN OIL CORP. (INDIAN)	INDIAN OIL CORP. (INDIAN)	6.000	3.914
40	M/08/40	MR GIRINOVSKI (RUSSIAN)	TYUMEN (RUSSIAN)	9.000	7.017

**Regime Finance and Procurement**

**Oil Allocation Recipient  
List (continued)**

41	M/08/41	BELMETALENERGO (BELARUS)	BELMETALENERGO (BELARUS)	6.500	4.725
42	M/08/42	ONACO (RUSSIAN)	ONACO (RUSSIAN)	4.000	3.975
43	M/08/43	TRANSNEFT	TRANSNEFT	2.000	1.962
44	M/08/44	ETAP (TUNISIAN)	ETAP (TUNISIAN)	0.800	0.806
45	M/08/45	API (ITALIAN)	API (ITALIAN)	0.900	0.898
46	M/08/46	SIRECOX (SPANISH)	EXPANSION EXTERIOR (SPANISH)	1.500	1.494
47	M/08/47	DELTA (TURKISH)	DELTA (TURKISH)	1.500	1.500
48	M/08/48	HELLINIC PETROLEUM (GREEK)	HELLINIC PETROLEUM (GREEK)	2.000	0.984
49	M/08/49	BASHNEFT (RUSSIAN)	BASHNEFT (RUSSIAN)	2.000	1.987
50	M/08/50	TEKFIN (TURKISH)	TEKFIN (TURKISH)	2.500	2.494
51	M/08/51	COGEP (ITALIAN)	COGEP (ITALIAN)	2.200	2.168
52	M/08/52	IPS (ITALIAN)	IPS (ITALIAN)	1.500	1.489
53	M/08/53	ASMOS (KENYA)	ASMOS (KENYA)	1.500	0.500
54	M/08/54	MOCOH SERVICES (SOUTH AFRICAN)	MOCOH SERVICES (SOUTH AFRICAN)	1.000	0.946
55	M/08/55	JEWAN OIL (UAE)	JEWAN OIL (UAE)	2.000	2.000
56	M/08/56	IRAQI FRENCH FRIENDSHIP SOCIETY	AREDIO (FRENCH)	1.500	1.500
57	M/08/57	MR MICHEL KRAMER (FRENCH)	ADDAX (SWISS)	1.500	1.199
58	M/08/58	HYSON (NIGERIAN)	HYSON (NIGERIAN)	1.500	1.445
59	M/08/59	MR JOAN (CHINESE)	ZHUPAI ZHEN RONG (CHINESE)	3.000	2.917
60	M/08/60	MR FAYIQ AHMED SHARIF (MALAYSIAN)	MASTEK (MALAYSIAN)	3.000	2.926
61	M/08/61	MR ABDULLAH BADAWI	TRADEYEAR (MALAYSIAN)	2.000	1.949
62	M/08/62	BETMAL OIL (MALAYSIAN)	BETMAL OIL (MALAYSIAN)	2.000	1.978
63	M/08/63	PRESIDENT SUKARNO'S DAUGHTER	RAMADA (INDONESIAN)	2.000	0.000
64	M/08/64	JAVA ATLANTIC OIL (INDONESIAN)	JAVA ATLANTIC OIL (INDONESIAN)	2.000	1.980
65	M/08/65	MR FAKHRI DA'WAR (JORDANIAN)	ARECIO (FRENCH)	1.000	1.000
66	M/08/66	PETROVIETNAM	PETROVIETNAM	7.500	7.500
67	M/08/67	MR SULTAN BIN ZAYID AL NUHAYYAN (UAE)	FINAR PETROLEUM (LIECHTENSTEN)	2.000	1.955
68	M/08/68	MR ABDULLAH ALIRYANI (YEMEN)	RAYMAN TRADING CO. (YEMEN)	1.500	1.447
69	M/08/69	MR AHMED HANI SAIED AL UTAYBAR (UAE)	BENZOL (UAE)	2.000	2.004
70	M/08/70	MRS HAMIDA NA'ANA	RAYMAN TRADING CO. (YEMEN)	1.000	1.000
71	M/08/71	ERDEM (TURKISH)	ERDEM (TURKISH)	2.500	2.515
72	M/08/72	COASTAL PETROLEUM (AMERICAN)	COASTAL PETROLEUM (AMERICAN)	2.500	2.489
73	M/08/73	PHOENIX INTL. (AMERICAN)	PHOENIX INTL. (AMERICAN)	1.500	1.500
74	M/08/74	MR LUTFI DOGAN (TURKISH)	SETA (TURKISH)	1.000	0.971
75	M/08/75	MR MOHAMMED ELAN (TURKISH)	EMIN DİN TECAKET (TURKISH)	1.500	0.523
76	M/08/76	MR BASIM GAGISH	LUBNA (SPANISH)	2.000	1.982
77	M/08/77	OIL & GAS SERVICES CO. (PAKISTAN)	OIL & GAS SERVICES CO. (PAKISTAN)	1.500	1.022
78	M/08/78	PETROPLUS (DUTCH)	PETROPLUS (DUTCH)	1.500	1.529
79	M/08/79	GARTHAGO (TUNISIAN)	GARTHAGO (TUNISIAN)	1.500	1.497
80	M/08/80	MEDEX (TUNISIAN)	MEDEX (TUNISIAN)	1.500	0.000
81	M/08/81	MAULANA M. A. MANNAN (BANGLADESH)	LUK OIL (RUSSIAN)	3.000	3.069
82	M/08/82	MR SHAFRANIK (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	3.000	3.049
83	M/08/83	MR ORCHANISKI (UKRAINIAN)	ZERICH GMBH (RUSSIAN)	1.500	1.429
84	M/08/84	THE LIBERAL DEMOC. PARTY (BELARUS)	LADA OMC (BELARUS)	1.500	1.500
85	M/08/85	MR ISAKOV (RUSSIAN PRESIDENTIAL OFFICE)	ROSNEFTIMPEX (RUSSIAN)	14.000	14.009

**Oil Allocation Recipient List (continued)**

86	M/08/86	GHOPKIN UNIVERSITY	ZARUBEZHNEFT (RUSSIAN)	2.000	1.993
87	M/08/87	UKRAINE COMMUNIST PARTY	ZERICH GMBH (RUSSIAN)	1.500	1.413
88	M/08/88	UKRAINE SOCIALIST PARTY	ZERICH GMBH (RUSSIAN)	1.000	1.001
89	M/08/89	MR TUZMAN (TURKISH)	KCK (TURKISH)	1.800	0.000
90	M/08/90	MR ION CRISTIAN NICULAE (ROMANIAN)	DELTA SERVICES (SWISS)	1.500	0.000
91	M/08/91	MR LAVTH SHUBAYLAT (JORDANIAN)	PETROGAS (SWISS)	3.000	2.888
92	M/08/92	MR MOHAMMED ALHUNI	KENTFORD (CYPRUS)	2.000	1.924
93	M/08/93	ABDULATHIM MUNAF	FAL OIL CO. (UAE)	2.000	0.000
94	M/08/94	MR ABU AL ABBAS	DELTA SERVICES (SWISS)	1.500	0.000
95	M/08/95	MOJAHEDIE KHALQ (IRANIAN)	MARBEL RESOURCES (BRITISH)	5.000	5.551
96	M/08/96	MR SIFAN . U.N.	AFRICAN MIDDLE EAST PETROLEUM (PANAMA)	1.500	0.952
97	M/08/97	MEDCO DOTA (INDONESIAN)	MEDCO DOTA (INDONESIAN)	2.000	2.018
98	M/08/98	UNICHEM CO (INDONESIAN)	UNICHEM CO (INDONESIAN)	2.000	0.800
99	M/08/99	MR ALIAS ALFARZALI (LEBANES)	GENMAR (SWISS)	1.000	0.954
100	M/08/100	MR GHASSAN ZAKARIYA (SYRIAN)	CAMTECH MANUFACTURING (UAE)	0.500	0.500
101	M/08/101	GHOPKIN UNIVERSITY	ZERICH GMBH (RUSSIAN)	2.000	2.126
102	M/08/102	RUSSIAN PEACE & UNITY PARTY	ZERICH GMBH (RUSSIAN)	3.000	2.908
103	M/08/103	COMMUNIST PARTY (BELARUS)	ACTEC (RUSSIAN)	1.500	1.500
104	M/08/104	SLOVAKIAN COMMUNIST PARTY	ACTEC (RUSSIAN)	1.500	1.472
105	M/08/105	SON OF RUSSIAN AMBASSADOR IN BAGHDAD	RAONES (RUSSIAN)	2.000	2.081
106	M/08/106	MR STROYEV (RUSSIAN)	OIL INDUSTRIAL	3.000	CANCELLED
107	M/08/107	MR FU'AD SERHAN (BRAZILIAN)	BESLER CO. (TURKISH)	1.500	CANCELLED
108	M/08/108	HUNGARIAN INTEREST PARTY	DELTA SERVICES (SWISS)	1.500	0.000
109	M/08/109	NORWEST GROUP (RUSSIAN)	NORWEST GROUP (RUSSIAN)	2.000	CANCELLED
110	M/08/110	MR ALI BALLOT (LEBANES)	CAMTECH MANUFACTURING (UAE)	1.500	0.000
111	M/08/111	MR NADIL ALHASHIMI (MOROCCAN)	DELTA SERVICES (SWISS)	1.500	1.575
112	M/08/112	MR MOHAMMED AL BASRI (MOROCCAN)	DELTA SERVICES (SWISS)	1.500	0.999
113	M/08/113	MR CHARLES PASCUA (FRENCH)	GENMAR (SWISS)	4.000	3.670
114	M/08/114	MR JAVIER ROBERT (SPANISH)	AMPOSTA CO. (SPANISH)	1.500	0.000
115	M/08/115	NIS YUGO PETROL - SOCIALIST & RADICAL PARTIES (YUGOSLAVIA)	EUROL INTL LTD (LECHTENSTEN)	8.000	2.845
116	M/08/116	NIS YUGO PETROL - SOCIALIST & RADICAL PARTIES (YUGOSLAVIA)	ITALTECH CO. (ITALIAN)	8.000	3.184
117	M/08/117	DR SHAKER AL KHAFAJI	MIX OIL LTD (CYPRUS)	5.000	CANCELLED
118	M/08/118	JSC NAFTOGAS (UKRAINIAN)	JSC NAFTOGAS (UKRAINIAN)	2.000	0.000
119	M/08/119	ABDULATHIM MANAF (EGYPTIAN)	QUANTUM CO (MALAYSIAN)	2.000	CANCELLED
120	M/08/120	YUGOSLAVIAN JUL PARTY	BENTONEFALI (CYPRUS)	3.000	0.000
121	M/08/121	MR GEORGE TARKHANIAN (LEBANES)	QUEBERCO CO. (SPANISH)	1.000	0.000
<b>GRAND TOTAL</b>				<b>410.700</b>	<b>344.707</b>
<b>INDIVIDUALS AND ENTITIES WHO WERE ASSIGNED QUANTITIES BUT DID NOT SIGN CONTRACTS OR LEFT SAID QUANTITIES</b>					
1	---	SIRGUTNEFTGAS (RUSSIAN)		1.000	NIL
2	----	MR TAWFIQ ABD AL RAHIM (YEMENI)		1.500	NIL
3	----	MR BIHAM SING (INDIAN)		1.500	NIL
4	----	ROMANIAN COMMUNIST PARTY		1.500	NIL

Regime Finance and Procurement

**Oil Allocation Recipient List (continued)**

**CRUDE OIL ALLOCATIONS DURING 9TH PHASE OF MOU  
TOTAL QUANTITIES LIFTED ABOUT 354 MM BBLs  
ESTIMATED PROFIT MARGIN IS US \$0.85 PER BBL**

DUE TO THE SPECIAL NATURE OF THIS PHASE AS THE FORMER REGIME HAD IMPOSED SURCHARGE ON THE CONTRACTS, & SINCE MANY EXISTING CUSTOMERS REFUSED TO PAY SAID SURCHARGE, SOMO WAS INSTRUCTED TO SIGN CONTRACTS WITH ANY COMPANY WILLING TO PAY THE SURCHARGE, THEREFORE THERE WAS NO ALLOCATION LIST DURING THIS PHASE.

SER.	CONTRACT NO.	CONTRACTED COMPANY	LIFTED QTY. MM BBLs
1	M/09/01	ALCON PETROLEUM (SWISS)	21.171
2	M/09/02	ERDEM HOLDING (TURKISH)	4.003
3	M/09/03	MR NADIM SHAGOUR - QUANTUM HOLDING (MALAYSIAN)	1.910
4	M/09/04	FRNAR PETROLEUM (LIECHTENSTIEN)	22.633
5	M/09/05	ROSNEFT (RUSSIAN)	CANCELLED
6	M/09/06	MR SANDY MAJALI-MONTICA BTY LTD (SOUTH AFRICAN)	1.859
7	M/09/07	ITALTECH (ITALIAN)	37.390
8	M/09/08	BELMETALENERGO (BELARUS)	6.715
9	M/09/09	UKRAINIAN DEMOCRATIC PARTY- CDC CO. (UKRAINIAN)	NOT PERFORMED
10	M/09/10	GENERAL ANATOLI MACROS (DEFENSE)-SIDANCO (RUSSIAN)	CANCELLED
11	M/09/11	MR AHMED MANI SAEED AL UTAYBAH-BENZOL (UAE)	NOT PERFORMED
12	M/09/12	MR EMAD AL JALADAH- AL FARIS CO. (EGYPTIAN)	NOT PERFORMED
13	M/09/13	AWAD AMNORA & PARTENAR LTD. (SYRIAN)	1.962
14	M/09/14	MR GHASSAN ZAKARIYA (SYRIAN)- QUANTUM HOLDING (MALAYSIAN)	NOT PERFORMED
15	M/09/15	ALHODA CO. (UAE)	4.135
16	M/09/16	AFRICAN PETROLEUM - (NAMIBIA)	NOT PERFORMED
17	M/09/17	DELTA PETROLEUM (TURKISH)	4.008
18	M/09/18	MR FAYIQ AHMED SHARIF (IRAQI IMMIGRANT)- MASTEK (MALAYSIAN)	38.256
19	M/09/19	ZARUBEZHNEFTGAS IN FAVOUR OF CE OF RUSSIAN ENTITIES (MR HASSAN)	2.016
20	M/09/20	NOURI FOR TRADING (SYRIAN)	1.998
21	M/09/21	SAMASU (SUDANES)	NOT PERFORMED
22	M/09/22	MACHINCIMPORT (RUSSIAN)	2.997
23	M/09/23	MR FAYMAZ ZUKAYGAT- MR GEORGE GALLOWAY-ARCADIS PETROLEUM (FRENCH)	1.014
24	M/09/24	MR HAMAD BIN-ALI AL THANI (QATAR)- BETOIL (GREEK)	NOT PERFORMED
25	M/09/25	RUSSIAN PRESIDENTIAL OFFICE- ROSNEFTIMPEX (RUSSIAN)	11.428
26	M/09/26	MRS HAMIDA NA'ANA - AFRICAN PETROLEUM LTD (NAMIBIA)	NOT PERFORMED
27	M/09/27	MR ABU AL ABBAS - ZARUBEZHNEFTGAS JOINT STOCK CO. (RUSSIAN)	NOT PERFORMED
28	M/09/28	MR OSCAR WYATT (AMERICAN)- MEDNAFTA PETROLEUM (CYPRUS)	8.023
29	M/09/29	ROMPETROL (ROMANIAN)	2.960
30	M/09/30	SIR ABD AL GHANI ALIRYANI (YEMEN)- SHAHER TRADING CO. (YEMENES)	0.916
31	M/09/31	OILEXCO - (CANADIAN)	CANCELLED
32	M/09/32	MR AHMED MANI SAEED AL UTAYBAH-EMROOIL (UAE)	3.984
33	M/09/33	MR SALVATORI NICOTRA (ITALIAN)- IPS (ITALIAN)	NOT PERFORMED
34	M/09/34	J.V.BELFARM (BELARUS)	1.982
35	M/09/35	ALCON PETROLEUM (LIECHTENSTIEN)	6.738
36	M/09/36	MEDIA CONSULTING - (SWISS)	2.011

**Oil Allocation Recipient List (continued)**

37	M/09/37	MR HAMAD BIN JABOR AL THANI (QATAR)- EMROOIL (GREEK)	5.954
38	M/09/38	B.B ENERGY (LEBANIES)	2.021
39	M/09/39	MR CLAUDE CASPERT (FRENCH)- E.O.T.G. CO. (FRENCH)	3.971
40	M/09/40	MCCOH SERVICES - (SOUTH AFRICAN)	1.918
41	M/09/41	PETMAL CO. (MALAYSIAN)	CANCELLED
42	M/09/42	AVINOIL- (GREEK)	1.740
43	M/09/43	CASPIAN INVESTMENT- (KALMYKIA- RUSSIAN)	NOT PERFORMED
44	M/09/44	GLENCOR - (SWISS)	12.407
45	M/09/45	MOACO TRADING LTD (CYPRUS)	2.016
46	M/09/46	MR DATO MAJID KHAN - (MALAYSIAN)- JAWALA CORP. (MALAYSIA)	2.052
47	M/09/47	ARA SERVICES (PAKISTANIAN)	1.000
48	M/09/48	IPLON INTERNATIONAL (SWISS)	0.999
49	M/09/49	LIBERAL DEMOCRATIC PARTY (BELARUS)- LADA OMC	1.983
50	M/09/50	MR SAMIR VINCENT (AMERICAN)- PHOENIX INTL (AMERICAN)	2.013
51	M/09/51	FAL OIL CO. (UAE)	4.044
52	M/09/52	GULF PETROLEUM LTD (QATAR)	NOT PERFORMED
53	M/09/53	NATIONAL OIL WELL (QATAR)	NOT PERFORMED
54	M/09/54	MR NATORA SINGH (INDIAN)- MASFIELD AG (SWISS)	1.936
55	M/09/55	BULF DRILLING & OIL SERVICES- (ROMANIAN)	1.963
56	M/09/56	MR MOHAMMED ALHUNI (LIBYAN)- KTG KENTFORD (CYPRUS)	2.005
57	M/09/57	FEDERALNY TORGOVY DOM OIL (UKRAINIAN)	1.000
58	M/09/58	LAKIA SARI IMPORT EXPORT	CANCELLED
59	M/09/59	MR GOTZARIV (RUSSIAN)- SLAVNEFT (RUSSIAN)	5.237
60	M/09/60	MR LAYTH SHUBAYLAT (JORDANIAN)- PETROGAS (SWISS)	8.626
61	M/09/61	SHAHER FOR TRADING - (YEMENIES)	NOT PERFORMED
62	M/09/62	MRS JO JOY - BONGBOON INTERTRADE LTD (THAILAND)	NOT PERFORMED
63	M/09/63	AFRO EASTERN - (IRISH)	NOT PERFORMED
64	M/09/64	TANKER OIL & GAS- (FRENCH)	1.999
65	M/09/65	MR ROBERTO FRIMIGONI (ITALIAN)- COGEP (ITALIAN)	1.002
66	M/09/66	MR LUTFI DOGAN- SETA (TURKISH)	0.976
67	M/09/67	COAST OIL DREV. EST. (UAE)	NOT PERFORMED
68	M/09/68	GULFERDOLEHANDIS (AUSTRIAN)	NOT PERFORMED
69	M/09/69	MIDDLE EAST PETROLEUM - MEPCOM (JORDANIAN)	CANCELLED
70	M/09/70	MR AHMED AL BASHEER-ALRASHEED FOR INTL COOPERATION (JORDANIAN)	2.012
71	M/09/71	DELTA SERVICES- (SWISS)	2.058
72	M/09/72	JEWAN OIL - (UAE)	4.070
73	M/09/73	INCOME - (EGYPTIAN)	1.966
74	M/09/74	ARAKBUL OIL LTD. (BULGARIAN)	CANCELLED
75	M/09/75	MR KHALFA BIN HAMAD AL THANI (QATAR)- PETROLINA OIL LTD (JORDANIAN)	NOT PERFORMED
76	M/09/76	MOJAHEDIE KHALQ (IRANIAN)- MARBEL RESOURCES (BRITISH)	3.538
77	M/09/77	ZAN GAS (RUSSIAN)	3.889
78	M/09/78	OIL AND GAS SERVICES GROUP- (PAKISTANIAN)	2.561
79	M/09/79	PETROLINE PZC (UAE)	2.014
80	M/09/80	CAMPAC OIL LTD (NIGERIA)	2.002
81	M/09/81	IBEX ENERGY (FRENCH)	2.376
82	M/09/82	ZARUBEZHNEFT (RUSSIAN)	15.126
83	M/09/83	MR GEORGE TARKHIANIAN (LEBANIES)- CONSULT TRADE CO. (AUSTRIAN)	2.006
84	M/09/84	SINOCHEN (CHINESE)	2.564
85	M/09/85	FADI OIL INTL (LEBANIES)	1.967
86	M/09/86	PEACE AND UNITY PARTY (RUSSIAN)- ZERICH MOSCOW (SWISS REGISTER)	3.988
87	M/09/87	ENERGY RESOURCES - (UKRAINIAN)	1.928
88	M/09/88	PLANET PETROLEUM - (LEBANIES)	CANCELLED
89	M/09/89	OIL AND GAS SERVICES GROUP- (PAKISTANIAN) IN FAVOUR OF ASIA TRADING CO (IRAQ)	2.022
90	M/09/90	MARBEL ARCH (CYPRUS)	CANCELLED

**Oil Allocation Recipient List (continued)**

91	M/09/91	BC INTL (PVT) LTD. - (PAKISTANIAN)	1.915
92	M/09/92	THIRD TRADING IMPEX SARL - (ROMANIAN)	CANCELLED
93	M/09/93	NRG OILS - (ITALIAN)	1.050
94	M/09/94	TATNEFT (RUSSIAN)	NOT PERFORMED
95	M/09/95	RIAD AL TAHER (IRAQI IMMIGRANT) - BULA RESOURCES PLC (IRISH)	1.030
96	M/09/96	ITALIAN OIL SOCIETY - (ITALIAN)	NOT PERFORMED
97	M/09/97	MR BODAVIE (FRENCH) - VITOL (SWISS)	1.986
98	M/09/98	MR AKABADOV (RUSSIAN) - ROSNEFT GAS EXPORT (RUSSIAN)	NOT PERFORMED
99	M/09/99	GRAND RESOURCES FOR INTL. TRADING - (JORDANIAN)	CANCELLED
100	M/09/100	CHAIYAPORN RICE CO. LTD. - (THAILAND)	1.978
101	M/09/101	ALFA-ECO IN FAVOUR OF RUSSIAN FOREIGN MINISTRY	2.061
102	M/09/102	TYUMEN IN FAVOUR OF RUSSIAN FOREIGN MINISTRY	2.006
103	M/09/103	PILSON INVEST. ANC (PANAMA)	NOT PERFORMED
104	M/09/104	SGD CO (TURKISH)	CANCELLED
105	M/09/105	MR BASIM QAQISH - LUBNA TRADING S.A. (SPANISH)	2.003
106	M/09/106	UNI FUEL - (UAE)	0.961
107	M/09/107	MR JAMIL HARON (MALAYSIA) - ATLANTIC OFFSHORE SUPPLIES (MALAYSIAN)	NOT PERFORMED
108	M/09/108	NKT OVERSEAS PETROLEUM LTD. - (CYPRUS)	CANCELLED
109	M/09/109	MR SHAKIR AL KHAFAJI - OMNI OIL CO. (SOUTH AFRICAN)	CANCELLED
110	M/09/110	MR FU'AD SARHAN (BRAZILIAN) - HASH RO SHIPPING OIL SARL (ROMANIAN)	CANCELLED
111	M/09/111	HIU LTD - (UKRAINIAN)	4.989
112	M/09/112	TREVOR TRADING LTD (CYPRUS) IN FAVOUR ARAB MARINE PETROLEUM TRANSPORTATION CO	1.002
113	M/09/113	CHINA OIL (CHINESE)	2.789
114	M/09/114	ZAZ ENERGY LTD. (NIGERIAN)	NOT PERFORMED
115	M/09/115	MAULANA M. A. MANNAN (BANGLADESH) - JO GRAIN LTD. (JORDANIAN)	4.027
116	M/09/116	DR KHALID JAMAL ABD AL NASIR - INCOME (EGYPTIAN)	3.842
117	M/09/117	SONS OF CONGOLESE PRESIDENT - FEU STAR (SINGAPORE)	NOT PERFORMED
118	M/09/118	MR FARWAZ ZURAYQAT - MIDDLE EAST SEMI CONDUCTORS CO. (JORDANIAN)	0.991
119	M/09/119	MR GIRINOVSKI (RUSSIAN) - MACHINGIMPORT (RUSSIAN)	NOT PERFORMED
120	M/09/120	MR NATORA SINGH - INDIAN CONGRESS PARTY - MASFIELD AG (SWISS)	NOT PERFORMED
121	M/09/121	MR MAKRAM HAKIM - MOKTI GAS CORPORATION (INDONESIAN)	NOT PERFORMED
122	M/09/122	CHINA WAMBAO - (CHINESE)	2.016
123	M/09/123	ZHUKAI ZHEN RONG CO - (CHINESE)	1.979
124	M/09/124	SHANFERI GROUP OF OIL - (OMAN)	CANCELLED
125	M/09/125	PADI OIL INTL. (LEBANES)	NOT PERFORMED
126	M/09/126	PTSC - (VIETNAM)	2.083
127	M/09/127	GHASSAN SHALLAH CO - (SYRIAN)	NOT PERFORMED
128	M/09/128	MR ABDULLAH AL HORANI (PALESTINE) - NATIONAL OIL WELL MAINTENANCE (QATARI)	NOT PERFORMED
129	M/09/129	MR MOHAMMED HELMI (EGYPTIAN) - SBUL MANAGEMENT S.A. (SWISS)	NOT PERFORMED
130	M/09/130	CONCERN REGINE OF UKRAINA	CANCELLED
131	M/09/131	MR SERGI JORVALOV (RUSSIAN) - ERIK EMBORG (DANISH)	2.258
132	M/09/132	ASMOS OIL LTD (KENYA)	CANCELLED
133	M/09/133	VENEZUELIAN TRADING OIL	CANCELLED
GRAND TOTAL			353.727

Oil Allocation Recipient List (continued)

CRUDE OIL ALLOCATIONS DURING 10TH PHASE OF MOU

- TOTAL QUANTITIES LIFTED ABOUT 273 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.45 PER BBL

SER.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY. MM BBLs	LIFTED QTY. MM BBLs
1	M/1001	ZARUBEZHNEFT (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	10,000	10,241
2	M/1002	MR CLAUDE CASPERT (FRENCH)	E.O.T.C. (FRENCH)	2,000	2,006
3	M/1003	ALCON PETROLEUM (SWISS)	ALCON PETROLEUM (SWISS)	8,000	8,036
4	M/1004	MR AWAD AMMORA (SYRIAN)	AWAD AMMORA & PARTNERS CO.	4,000	3,895
5	M/1005	TATNEFT (RUSSIAN)	TATNEFT (RUSSIAN)	5,000	4,894
6	M/1006	MR BASHAR NOURI (SYRIAN)	NOURI FOR TRADING (SYRIAN)	4,000	4,036
7	M/1007	MR AGABABOV (RUSSIAN)	ROSNEDTGASEXPORT	4,000	4,006
8	M/1008	IBEX ENERGY (FRENCH)	IBEX ENERGY (FRENCH)	5,000	3,070
9	M/1009	FENAR PETROLEUM (SWISS)	FENAR PETROLEUM (SWISS)	3,000	3,049
10	M/1010	CHINA OIL (CHINESE)	CHINA OIL (CHINESE)	4,000	4,047
11	M/1011	MACHINOIMPORT (RUSSIAN)	MACHINOIMPORT (RUSSIAN)	5,000	5,088
12	M/1012	NORENCO (CHINESE)	CHINA WAMBAO (CHINESE)	4,000	4,005
13	M/1013	MR OSCAR WYATT (AMERICAN)	NAFTA PETROLEUM (CYPRUS)	10,000	8,085
14	M/1014	PETROVIETNAM	PETROVIETNAM	4,000	3,861
15	M/1015	MR ISAKOV (RUSSIAN)	ROSNFTIMPEX (RUSSIAN)	16,000	15,819
16	M/1016	MOJAHEDE KHALQ (IRANIAN)	MARBEL (BRITISH)	6,000	5,955
17	M/1017	ALCON PETROLEUM (SWISS)	ALCON PETROLEUM (SWISS)	5,000	4,994
18	M/1018	MR EMAD SAID AL JALADA (EGYPTIAN)	ALEX OIL (SWISS)	4,000	3,890
19	M/1019	MR GIRINOVSKI (RUSSIAN)	MACHINOIMPORT (RUSSIAN)	4,000	4,070
20	M/1020	MR GHASSAN SHALLAH (SYRIAN)	GHASSAN SHALLAH CO. (SYRIAN)	4,000	3,846
21	M/1021	MR AHMED AL BASHIER (JORDANIAN)	AL BASHIER FOR INTL. COOPERATION (JORDANIAN)	2,000	2,064
22	M/1022	DR TEMAM SHEHAB (SYRIAN)	ALHODA CO (UAE)	1,000	1,060
23	M/1023	MR TATRINCO - TATERSTAN (RUSSIAN)	ROSNFTIMPEX (RUSSIAN)	1,000	1,000
24	M/1024	DR SHAKIR AL KHAFAJI THE RUSSIAN COMMITTEE FOR SOLIDARITY WITH IRAQ (MR RUBASIEV)	OMNI OIL CO. (SOUTH AFRICAN)	2,000	2,079
25	M/1025	MR LAYTH SHUBAYLAT (JORDANIAN)	HYPERBOREY CO-UKRAINIAN	2,000	1,940
26	M/1026	MR GOTZARIY -RUSSIAN	INGOMED - PANAMA	3,000	3,002
27	M/1027	MR ABU AL ABBAS	SLAYNEFT (RUSSIAN)	5,000	5,859
28	M/1028	MR FU'AD SERHAN (BRAZILIAN)	AWAD AMMORA & PARTNERS CO.	2,000	2,049
29	M/1029	MR ABDULLAH ALHORANI- PALESTINE	BESLER CO (TURKISH)	2,000	CANCELLED
30	M/1030	TEKFIN (TURKISH)	NATIONAL OIL WELL (QATAR)	2,000	2,030
31	M/1031	MR SALIM ALTOUM (SYRIAN)	TEKFIN (TURKISH)	2,000	1,862
32	M/1032	MR MOHAMMED BAAYO (ALGERIAN)	ALTOUM TRADING - SYRIAN	1,000	1,002
33	M/1033	MRS HAMIDA NA'ANA (SYRIAN)	ENERGY INVEST. (ALGERIAN)	1,000	1,047
34	M/1034	MR MOHAMMED SALIH KORANI (JORDANIAN)	DEVON PETROLEUM (PANAMA)	2,000	1,943
35	M/1035	PETROVIETNAM	JALOL CO. (JORDANIAN)	1,000	0,950
36	M/1036	MR LUTFI DOGAN (TURKISH)	PETROVIETNAM	2,000	1,860
37	M/1037	MR PAVWAZ ZURAYGAT, MR GEORGE GALLOWAY	SETA CO. (TURKISH)	1,000	1,002
38	M/1038	MR SHAPRANIK (RUSSIAN)	RED SEA EAST SEMI CONDUCTORS CO. (JORDANIAN)	3,000	2,920
39	M/1039	CHAD'S FOREIGN MINISTRY	SOVUZ OIL & GAS (RUSSIAN)	7,000	7,028
40	M/1040	NAFTOGAS - UKRAINIAN	HAMID EST. FOR TRADING	1,000	1,047
41	M/1041	MR BASIM QAGISH (JORDANIAN)	NAFTOGAS - UKRAINIAN	2,000	2,064
42	M/1042	SINOCHEN (CHINESE)	CHASE STAR (HONG KONG)	1,000	1,000
43	M/1043	SINOCHEN (CHINESE)	LUBNA TRADING (SPANISH)	1,000	2,009
44	M/1044	KALMNEFTEGAZ (KALMYKIA- RUSSIAN)	SINOCHEN (CHINESE)	6,000	6,118
45	M/1045	KALMNEFTEGAZ (KALMYKIA- RUSSIAN)	KALMNEFTEGAZ (KALMYKIA- RUSSIAN)	2,000	2,016
46	M/1046	MR PU'AD AL HAJ (LEBANESE)	ARAFNEAL SHIPPING & CARGO AGENCIES (LEBANON)	1,000	CANCELLED
47	M/1047	KOSTONKA PARTY, AVANA (YUGOSLAVIAN)	BROMIC EXPORT IMPORT (YUGOSLAVIAN)	1,000	0,991
48	M/1048	THE ROMANIAN LABOR PARTY	AFRICAN MIDDLE EAST CO- PANAMA	1,000	1,004
49	M/1049	MR SIFAN - U.N.	PETROLINE (UAE)	1,000	1,038
50	M/1050	MR AD AL TAHER (IRAQI IMMIGRANT)	PERENCO (BRITISH)	1,000	1,048

Regime Finance and Procurement



**Oil Allocation Recipient List (continued)**

51	M/10/51	VZMASH IMPEX (UKRAINIAN)	VZMASH IMPEX (UKRAINIAN)	1,000	1,048
52	M/10/52	UNICONSULT MIDDLE EAST (SYRIAN)	UNICONSULT MIDDLE EAST (SYRIAN)	2,000	2,001
53	M/10/53	CASPIAN INVEST (KALMIKYA- RUSSIAN)	CASPIAN INVEST (KALMIKYA- RUSSIAN)	2,000	CANCELLED
54	M/10/54	OIL SERVICES (VIETNAM)	OIL SERVICES (VIETNAM)	1,000	1,000
55	M/10/55	ASIA TRADING CO (IRAQI)	OIL & GAS SERVICES GROUP (PAKISTAN)	2,000	2,049
56	M/10/56	MR ADNAN ALJANABI (IRAQI)	AL HILAL COMPANY (LEBANON)	1,000	0,990
57	M/10/57	INDIAN CONGRESS PARTY	MASFIELD AG (SWISS)	1,000	1,001
58	M/10/58	MR WAFI TAWFIQ ALSAYIGH (PALESTINE)	NATIONAL OIL WELL (QATAR)	2,000	2,050
59	M/10/59	MR JAVIER ROBERT (SPANISH)	ALCON PETROLEUM (SWISS)	2,000	2,003
60	M/10/60	MR FULLONI (ITALIAN)	PETROLINE (UAE)	2,000	2,049
61	M/10/61	UNITY PARTY (RUSSIAN)	EMERCOM (RUSSIAN)	20,000	15,360
62	M/10/62	MR GHASSAN ZAKARIYA (SYRIAN)	DEVON PETROLEUM (PANAMA)	2,000	2,049
63	M/10/63	ALFA ECO (RUSSIAN)	ALFA ECO (RUSSIAN)	2,000	2,039
64	M/10/64	MR MOHAMMED OTHMAN BAROUD (KENYA)	ASMOS LTD (KENYA)	1,000	1,000
65	M/10/65	MR ZEN AL ABDEEN EROEM (TURKISH)	ERDEM HOLDING (TURKISH)	3,000	3,129
66	M/10/66	MR BASAM MASHKUR MACEYTHAN (JORDANIAN)	CELA PETROLEUM PRODUCTS (SWISS)	2,000	2,002
67	M/10/67	MR GIRINOVSKI (RUSSIAN)	LUK OIL-ASIA (RUSSIAN)	4,000	3,742
68	M/10/68	THE IRAQI AUSTRIAN SOCIETY (AUSTRIAN)	AL HODA CO. (UAE)	1,000	1,023
69	M/10/69	MR STROYEV (RUSSIAN)	ORAL OIL INVESTMENT (RUSSIAN)	2,000	1,821
70	M/10/70	MR SALVATORI NICOTRA (ITALIAN)	IES (ITALIAN)	2,000	2,002
71	M/10/71	MR SHAKIR BIN ZAYD (JORDANIAN)	AREDIO PETROLEUM (FRENCH)	2,000	1,928
72	M/10/72	MRS MECAWATI (INDONESIAN)	B T MEDCO (INDONESIAN)	2,000	1,905
73	M/10/73	UKRAINIAN COMMUNIST PARTY	IVES - (UKRAINIAN)	1,000	1,034
74	M/10/74	CHAIYAPORN CO. (THAILAND)	CHAIYAPORN CO. (THAILAND)	1,000	1,060
75	M/10/75	PEACE AND UNITY PARTY (RUSSIAN)	ZERICH (RUSSIAN)	3,000	2,957
76	M/10/76	MR MOHAMMED SHITA (EGYPTIAN)	INCOME CO. (EGYPTIAN)	2,000	2,085
77	M/10/77	MR ALI BALLOT (LEBANES)	PRIMACOSA (CYPRUS)	1,000	1,002
78	M/10/78	MR BODAVIE (FRENCH)	VITOL	1,000	0,966
79	M/10/79	KALMNEFTEGAZ (KALMIKYA- RUSSIAN)	KALMNEFTEGAZ (KALMIKYA- RUSSIAN)	2,000	2,020
80	M/10/80	FATHER BENJAMIN (ITALIAN)	ZERYA MANAGEMENT (SWISS)	2,000	2,055
81	M/10/81	YUGOSLAVIAN JUL PARTY	PETROLINE (UAE)	2,000	1,840
82	M/10/82	MR BERNARD GIYEH (FRENCH)	AREDIO PETROLEUM (FRENCH)	2,000	1,998
83	M/10/83	RUSSIAN COMMUNIST PARTY	ACTEC CO. (RUSSIAN)	12,000	11,924
84	M/10/84	MR ALIAS ALFARZALI (LEBANES)	AREDIO PETROLEUM (FRENCH)	2,000	2,049
85	M/10/85	MR LUTFI DOGAN (TURKISH)	DEVON PETROLEUM (PANAMA)	1,000	0,892
86	M/10/86	IRAQI FRENCH FRIENDSHIP SOCIETY (MR YGNER)	AREDIO PETROLEUM (FRENCH)	2,000	2,014
87	M/10/87	MEDEX (TUNISIAN)	MEDEX (TUNISIAN)	1,000	1,040
88	M/10/88	MR JEHAD KARAM (LEBANES)	PRIMACOSA (CYPRUS)	1,000	1,035
89	M/10/89	MR NILSON SHAVEZ (BRAZILIAN)	NATIONAL OIL WELL (QATAR)	2,000	NOT PERFORMED
90	M/10/90	MR SAIB NAHAS (SYRIAN)	AL HODATHER CO. (IRANIAN)	2,000	NOT PERFORMED
91	M/10/91	MR ZIYAD ABU ALRAGHIB (JORDANIAN)	B.C. INTERNATIONAL (PAKISTAN)	1,000	1,070
92	M/10/92	MR ALI TU'MAH (LEBANES)	PETROLINE (UAE)	1,000	NOT PERFORMED
93	M/10/93	MR FIFAD SERHAN (BRAZILIAN)	OIL & GAS GROUP (PAKISTAN)	2,000	1,785
94	M/10/94	MR MOHAMMED SALAH (EGYPTIAN)	ARAB TRADE DEVELOPMENT (EGYPTIAN)	3,000	2,989
95	M/10/95	MR JAN MIRAMI (FRENCH)	FENAR PETROLEUM (SWISS)	2,000	2,027
96	M/10/96	MR ROBERTO FRIMBONI (ITALIAN)	COGEP (ITALIAN)	2,000	2,038
97	M/10/97	MR MOHAMMED HELMI (EGYPTIAN)	B.C. INTERNATIONAL (PAKISTAN)	1,000	1,050
98	M/10/98	AL AQOAD SONS (SYRIAN)	AL AQOAD CO (SYRIAN)	2,000	NOT PERFORMED
99	M/10/99	MR MICHEL KRAMER (FRENCH)	PETROLINE (UAE)	2,000	NOT PERFORMED
100	M/10/100	MR HRAS MUSTAFA TALAS (SYRIAN)	ALHODA CO (UAE)	2,000	2,063
<b>GRAND TOTAL</b>				<b>257,000</b>	<b>271,039</b>

**Oil Allocation Recipient List (continued)**

INDIVIDUALS AND ENTITIES WHO WERE ASSIGNED QUANTITIES BUT DID NOT SIGN CONTRACTS OR LIFT SAID QUANTITIES				
1	---	MR REGICOV (RUSSIAN)	3,000	NIL
2	---	MR MOHAMMED AMMAR NUFAL (SYRIAN)	2,000	NIL
3	---	LIBERAL DEMOCRATIC PARTY (BELARUS)	2,000	NIL
4	---	BELARUS COMMUNIST PARTY	1,000	NIL
5	---	MR ORCHANISKI (UKRAINIAN)	1,000	NIL
6	---	SOCIALIST PARTY (UKRAINIAN)	1,000	NIL
7	---	YUGOPETROL (YUGOSLAVIA)	2,000	NIL
8	---	YUGOSLAVIAN RADICAL PARTY	2,000	NIL
9	---	MR AHMED MANI SAIED AL UTAYBAN (UAE)	2,000	NIL
10	---	MR SULTAN BIN KHALIFA AL NUHAYYAN (UAE)	2,000	NIL
11	---	MR FAKHRI QA'WAR (JORDANIAN)	1,000	NIL
12	---	MR SAMIR VINCENT (AMERICAN - SAUDI BORN)	1,000	NIL
13	---	MR NAJIL AL HASHIMI (MOROCCAN)	1,000	NIL
14	---	MR MOHAMMED AL BASRI (MOROCCAN)	1,000	NIL
15	---	HUNGARIAN INTEREST PARTY	1,000	NIL
16	---	SLOVAKIAN COMMUNIST PARTY	1,000	NIL
17	---	ZARUBEZHNEFTGAS (RUSSIAN)	1,000	NIL
18	---	MR RAYDI AHMED MENEH YILDIRIM (IRAKI) - MASTER (MALAYSIAN)	8,000	NIL
19	---	ZHUNAI ZHEN RONG (CHINESE)	2,000	NIL
20	---	FEDERALNY TORGOVY DOM OIL (UKRAINIAN)	1,500	NIL
21	---	GASPROM CO (RUSSIAN)	5,000	NIL
22	---	BELMETALENERGO (BELARUS)	2,000	NIL
23	---	ROMPETROL (ROMANIAN)	1,000	NIL
24	---	RYAP CO (TUNISIAN)	1,000	NIL
25	---	GARTHAGO (TUNISIA)	1,000	NIL
26	---	PERTA CO (INDONESIAN)	2,000	NIL
27	---	INDIAN OIL CORP. (INDIAN)	2,000	NIL
28	---	PDVSA (VENEZUELAN)	4,000	NIL
29	---	TUPRAS (TURKISH)	4,000	NIL
30	---	HYSON CO (NIGERIAN)	1,000	NIL
31	---	SAYBOLT (DUTCH)	1,000	NIL
32	---	ITALTECH CO (ITALIAN)	4,000	NIL
33	---	KAMPAC (NIGERIAN)	1,000	NIL
34	---	DR KHALID JAMAL ABD AL NASIR (EGYPTIAN)	1,800	NIL
35	---	VINAFOOD (VIETNAM)	1,000	NIL
36	---	MR ABDUL ATHEEM MANAF (EGYPTIAN)	1,000	NIL
37	---	MR MOHAMMED AMIN RAYIS (INDONESIAN)	2,000	NIL
38	---	MR BIHAM SING (INDIAN)	1,000	NIL
39	---	MR SALIM NUHAS (JORDAN)	1,000	NIL
40	---	MR SHUKRI GHANIM (LIBYA)	1,000	NIL

ALTHOUGH QUANTITIES OF CRUDE OIL WERE ALLOCATED TO THE INDIVIDUALS/ENTITIES, NO CONTRACTS WERE SIGNED ACCORDING TO INSTRUCTIONS FROM THE FORMER REGIME, AS THEY DIDN'T PAY SURCHARGE DUE FOR THEIR PREVIOUS CONTRACTS.

**Oil Allocation Recipient List (continued)**

**CRUDE OIL ALLOCATIONS DURING 11TH PHASE OF MOU**

- TOTAL QUANTITIES LIFTED ABOUT 250 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.15 PER BBL

SER.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATE D QTY. MM BBLs	LIFTED QTY. MM BBLs
1	M/11/01	MR MOHAMMED SALHI (JORDAN)	JALOL CO. (JORDAN)	1,000	0,373
2	M/11/02	SINOCHEM (CHINESE)	SINOCHEM (CHINESE)	4,200	4,063
3	M/11/03	KALMNEFTGAZ (KALMYKIA - RUSSIAN)	KALMNEFTGAZ (KALMYKIA - RUSSIAN)	1,500	1,568
4	M/11/04	MR FARWAZ ZURAYQAT - MR GEORGE GALLOWAY	MIDDLE EAST SEMI CONDUCTORS CO. (JORDANIAN)	3,000	2,351
5	M/11/05	MR ISAKOV (RUSSIAN)	RUSSIAN ENGINEERING CO.	16,000	15,131
6	M/11/06	CHINA OIL (CHINESE)	CHINA OIL (CHINESE)	4,000	4,050
7	M/11/07	MR TATRINCO - (RUSSIAN)	RUSSIAN ENGINEERING CO.	1,000	1,000
8	M/11/08	AL SHANFERI GROUP (OMAN)	AL SHANFERI GROUP (OMAN)	1,000	1,006
9	M/11/09	CONCERN REGION OF UKRAINIA	CONCERN REGION OF UKRAINIA	1,000	CANCELLED
10	M/11/10	MR FARWAZ ZURAYQAT (JORDAN)	MIDDLE EAST SEMI CONDUCTORS CO. (JORDANIAN)	1,000	1,019
11	M/11/11	ERDEM CO. (TURKISH)	ERDEM CO. (TURKISH)	4,000	2,002
12	M/11/12	MR MAJID KHAN - JAWALA O. (MALAYSIAN)	JAWALA O. (MALAYSIAN)	2,000	2,008
13	M/11/13	IRADI UKRAINIAN HOUSE	IRI CO. (UKRAINIAN)	3,000	2,980
14	M/11/14	CHAIYAPORN CO. (THAILAND)	CHAIYAPORN CO. (THAILAND)	1,000	1,000
15	M/11/15	UNITY PARTY - EMERGENCY MINISTRY (RUSSIA)	EMERCOM CO. (RUSSIAN)	19,100	18,413
16	M/11/16	MR SHAHER ABDULHAQ (YEMENIS)	SHAHER TRADING CO. (YEMEN)	1,500	1,344
17	M/11/17	MACHINOIMPORT (RUSSIA)	MACHINOIMPORT (RUSSIA)	3,000	3,043
18	M/11/18	ZHURAI ZHEN RONG (CHINESE)	ZHURAI ZHEN RONG (CHINESE)	1,500	1,645
19	M/11/19	ZANGAS (RUSSIAN)	ZANGAS (RUSSIAN)	3,000	2,031
20	M/11/20	ALHODA CO. (UAE)	ALHODA CO. (UAE)	3,000	3,012
21	M/11/21	MR AGABAEV (RUSSIAN)	ROSNEFTGAS EXPORT (RUSSIAN)	3,000	3,100
22	M/11/22	MR LAYTH SHUBAYLAT (JORDANIAN)	INCOMED TRADING - PANAMA	3,000	3,033
23	M/11/23	FEDERALNY TORGOVY DOM OIL (UKRAINIAN)	FEDERALNY TORGOVY DOM OIL	1,000	0,999
24	M/11/24	MR JEHAD MEKRAM (LEBANIS)	PRIMACOSA (CYPRUS)	1,000	1,012
25	M/11/25	RELIANCE CO. (INDIAN)	ALCON PETROLEUM (SWISS)	4,000	4,048
26	M/11/26	MR CLAUDE CASPERT (FRENCH)	E.D.T.C. CO (FRENCH)	1,500	1,546
27	M/11/27	MR ALI BALLOT (LEBANIS)	PRIMACOSA (CYPRUS)	1,500	NOT FOR LIFTED
28	M/11/28	MR GHASSAN SHALLAH (SYRIAN)	GHASSAN SHALLAH CO. (SYRIAN)	3,000	3,016
29	M/11/29	TATNEFT (RUSSIAN)	TATNEFT (RUSSIAN)	3,500	3,464
30	M/11/30	MR DASHAR NOURI (SYRIAN)	NOURI FOR TRADING CO.	2,000	2,049
31	M/11/31	ALFA-ECO (RUSSIAN)	ALFA-ECO (RUSSIAN)	10,000	9,342
32	M/11/32	AL AQQAD BONS (SYRIAN)	AL AQQAD BONS CO. (SYRIAN)	3,500	2,060
33	M/11/33	MR AHMED ALBASHEER - (JORDANIAN)	ALBASHEER FOR INTL. COOPERATION (JORDAN)	2,000	2,084
34	M/11/34	INDONESIAN PRESIDANT	PT MEDCO DOTA CO.	2,000	1,874
35	M/11/35	RUSSIAN FOREIGN MINISTRY	TYUMEN (RUSSIAN)	2,000	2,095
36	M/11/36	OIL SERVICES CO. (VIETNAM)	OIL SERVICES CO. (VIETNAM)	1,000	0,939
37	M/11/37	MR MOHAMMED BAAYO (ALGERIAN)	ENERGY INVESTMENT & TRADE (ALGERIAN)	2,000	2,084
38	M/11/38	MR MAKRAM HAKIM - (INDONESIAN)	WOKTI GAS CORPORATION - SOASCO (INDONESIAN)	1,000	1,025

**Oil Allocation Recipient List (continued)**

39	M/1140	RUSSIAN COMMUNIST PARTY	ACTEC CO. (RUSSIAN)	9.000	5.663
40	M/1140	DR TEMAM SHEHAB (SYRIAN)	ALHODA CO (UAE)	1.000	1.049
41	M/1141	MR FAYSAL DARNIAH (LEBANESE)	FADI INTERNATIONAL CO. (LEBANESE)	1.000	NOT PERFORMED
42	M/1142	MR SALIM ALTOUN - (SYRIAN)	ALTOUN TRADING CO. (TRADING)	2.500	NOT PERFORMED
43	M/1143	ALCON CO. (LIECHTENSTIEN)	ALCON CO. (LIECHTENSTIEN)	4.000	4.002
44	M/1144	MOJAHEDIE KHALQ (IRANIAN)	CENTURY MARKETING (BRITISH)	5.000	5.028
45	M/1145	SLOVAKIAN COMMUNIST PARTY	ACTEC CO. (RUSSIAN)	1.000	1.048
46	M/1146	KHAD AL FAHER (IRAQI IMMIGRANT)	DEVON PETROLEUM	1.000	1.000
47	M/1147	THE FRIENDSHIP ROAD OF SOCIAL DEMOCRATIC PARTY (GREEK)	UKRAINIAN COMMERCIAL HOME	5.500	3.392
48	M/1148	INCOME CO. (EGYPTIAN)	INCOME CO. (EGYPTIAN)	1.500	1.565
49	M/1149	DEPUTY PRIME MINISTER OF KALMYZIA (RUSSIAN)	KALMNEFTGAS (RUSSIAN)	1.500	1.496
50	M/1150	MR ABU AL ABBAS	AYYAD AMBORA & PARTNERS CO. (SYRIAN)	1.500	1.500
51	M/1151	MR STROYEV (RUSSIAN)	URAL OIL INVEST. CORP (RUSSIAN)	1.500	1.262
52	M/1152	MR MOHAMMED SALAH (EGYPTIAN)	ARAB TRADE DEVELOPMENT (EGYPTIAN)	2.000	2.044
53	M/1153	SON OF LEBANESE PRESIDENT (MR LAHHUD)	FADI OIL (LEBANESE)	1.500	0.618
54	M/1154	PALESTINIAN ECONOMIC EST.	PETROLINA LTD (JORDAN)	4.000	3.688
55	M/1155	MR OSCAR WYATT (AMERICAN)	MEDNAFTA PETROLEUM (CYPRUS)	8.100	8.095
56	M/1156	AVIN OIL (GREEK)	AVIN OIL (GREEK)	1.000	0.895
57	M/1157	YUGOSLAVIAN RADICAL PARTY	PETKIN LTD CO. (CYPRUS)	4.000	4.056
58	M/1158	MR JOAN (CHINESE)	CHASE STAR CO. (HONG KONG)	2.000	1.963
59	M/1159	MR SHAFRANK (RUSSIAN)	SOYUZ NEFGAS (RUSSIAN)	8.000	8.069
60	M/1160	ZAZ ENERGY CO. (NIGERIA)	ZAZ ENERGY CO. (NIGERIA)	1.500	NOT PERFORMED
61	M/1161	MULLAHA M. A. MANNAN (BANGLADESH)	JORDAN GRAIN CO. (JORDAN)	4.000	1.800
62	M/1162	PETROVIETNAM	PETROVIETNAM	2.000	1.995
63	M/1163	MR BASIM QAQISH (JORDANIAN)	LUBNA TRADING CO. (SPANISH)	1.500	1.500
64	M/1164	MR ALIAS ALFARZALI (LEBANESE)	AREDIO PETROLEUM (FRENCH)	1.500	1.500
65	M/1165	FENAR PETROLEUM (LIECHTENSTIEN)	FENAR PETROLEUM (LIECHTENSTIEN)	5.000	4.764
66	M/1166	MR BERNARD GIYEH (FRENCH)	AREDIO PETROLEUM (FRENCH)	1.500	NOT PERFORMED
67	M/1167	MR JAVIER ROBERT (SPANISH)	FENAR PETROLEUM (LIECHTENSTIEN)	1.500	1.673
68	M/1168	MR MOHAMMED ANMAR NUFAL (SYRIAN)	UNCONSULT MIDDLE EAST CO. (SYRIAN)	1.500	NOT PERFORMED
69	M/1169	BELMETALENERGO (BELARUS)	BELMETALENERGO (BELARUS)	1.500	1.413
71	M/1171	TEKFIN (TURKISH)	TEKFIN (TURKISH)	1.500	1.236
72	M/1172	MR SANDY MAJALI (SOUTH AFRICAN)	NUMBEE MANAGEMENT CO. (SOUTH AFRICAN)	2.000	NOT PERFORMED
73	M/1173	MR LUTFI DOGAN (TURKISH)	SETA CO. (TURKISH)	1.500	NOT PERFORMED
74	M/1174	MR EMAD SAID AL JALADA (EGYPTIAN)	ALEX OIL (SWISS)	3.000	0.875
75	M/1175	UKRAINIAN COMMUNIST PARTY	IVES - (UKRAINIAN)	1.500	1.470
76	M/1176	UNITED ARAB CO. (IRAQI-EGYPTIAN)	ALEX OIL (SWISS)	2.000	2.680
77	M/1177	VASHMASH IMPEX (UKRAINIAN)	VASHMASH IMPEX (UKRAINIAN)	1.000	1.000
78	M/1178	GLOBAL CO. FOR TRADE & INVEST. (IRACI-LEBANESE)	GLOBAL CO. FOR TRADE & INVEST. (IRACI-LEBANESE)	1.000	NOT PERFORMED
79	M/1179	MR GIRINOYSKI (RUSSIAN)	MACHINIMPORT (RUSSIAN)	5.500	5.281
80	M/1180	IRAQI FRENCH FRIENDSHIP SOCIETY (MR MOJEB)	AREDIO PETROLEUM (FRENCH)	1.500	1.376
81	M/1181	MR ZIYAD ABU ALRAGHIB (JORDANIAN)	B.C. INTERNATIONAL (PAKISTAN)	1.500	0.850
82	M/1182	MR JAN MIRAMI (FRENCH)	AREDIO PETROLEUM (FRENCH)	1.500	NOT PERFORMED

Regime Finance and Procurement

**Oil Allocation Recipient List (continued)**

83	M/1/83	MR MOSINKO - UKRAINIAN SOCIALIST PARTY	IVES - (UKRAINIAN)	1,000	0.899
84	M/1/84	PETROVIETNAM DRILLING MUD CO.	PETROVIETNAM DRILLING MUD CO.	1,000	0.732
85	M/1/85	OIL & GAS SERVICES GROUP (PAKISTAN)	OIL & GAS SERVICES GROUP (PAKISTAN)	1,500	NOT PERFORMED
86	M/1/86	NORENCO (CHINESE)	CHINA WAMBAG (CHINESE)	4,000	3.982
87	M/1/87	ASIA TRADING CO (IRAQ)	OIL & GAS SERVICES GROUP (PAKISTAN)	3,000	2.013
88	M/1/88	MR AWAD AMMORA (SYRIAN)	AWAD AMMORA & PARTNERS CO. (SYRIAN)	1,000	0.985
89	M/1/89	STROY TRANSGAS (RUSSIAN)	KALMNEFTGAS (RUSSIAN)	2,000	2.077
90	M/1/90	VINAFCO (VIETNAM)	THE NOHE AN PETRO TRADING (VIETNAM)	2,000	1.492
91	M/1/91	MEDEX CO. (TUNISIA)	MEDEX CO. (TUNISIA)	1,000	NOT PERFORMED
92	M/1/92	MR MOHAMMED HELMI (EGYPTIAN)	BC INTERNATIONAL CO. (PAKISTAN)	1,000	1.028
93	M/1/93	MINISTRY OF ENERGY & MINERAL RESOURCES (JORDAN)	ALHODA CO. (UAE)	2,000	1.902
94	M/1/94	IBEX CO. (FRENCH)	JORDAN GRAIN CO. (JORDAN)	2,000	1.635
95	M/1/95	MR FU'AD SERHAN (BRAZILIAN)	OIL & GAS SERVICES GROUP (PAKISTAN)	2,000	1.934
96	M/1/96	DR SHAKIR AL KHAFAJI (AMERICAN)	OMNI OIL (SOUTH AFRICAN)	1,500	NOT PERFORMED
97	M/1/97	GASPROM (RUSSIAN)	GASPROM (RUSSIAN)	2,000	NOT PERFORMED
98	M/1/98	MR FIRAS MUSTAFA TALAS (SYRIAN)	SHAHER TRADING CO. (YEMEN)	1,500	NOT PERFORMED
99	M/1/99	UKHTA NEFT (RUSSIAN)	UKHTA NEFT (RUSSIAN)	2,000	1.942
100	M/1/100	MRS HAMIDA NA'ANA	DEVON PETROLEUM LTD. (PANAMA)	1,500	1.500
101	M/1/101	MR SHAKIR BIN-ZAID (JORDAN)	AREDIO PETROLEUM (FRENCH)	1,500	0.275
102	M/1/102	MR MOHAMMED TAYSEER QUBA AND (PAL ESTINE)	ZAN GAS (RUSSIAN)	1,500	1.550
103	M/1/103	MR GOTZARIY - (RUSSIAN)	SLAVNEFT CO. (RUSSIAN)	4,000	3.972
104	M/1/104	DR KHALID JAMAL ABO AL NASIR (EGYPTIAN)	FADI OIL (LEBANIES)	3,000	1.995
105	M/1/105	COMMUNIST PARTY (BELARUS)	OIL COMPANY SIBERIA LTD. (RUSSIAN)	1,500	1.435
106	M/1/106	THE NILE & EUPHRATES CO (HEADQUARTERS EGYPTIAN)	ALTOUN TRADING CO. (SYRIAN)	1,000	NOT PERFORMED
107	M/1/107	MR NADIL ALHASHIM (MOROCCAN)	OIL & GAS SERVICES GROUP (PAKISTAN)	1,000	0.797
108	M/1/108	MYANMAR FORESTS MINISTER	MYANMAR TIMBER ENTERPRISE	2,000	NOT PERFORMED
109	M/1/109	NAFTOGAS (UKRAINIAN)	NAFTOGAS (UKRAINIAN)	1,500	1.650
110	M/1/110	MR FAKHRI QAWAR (JORDANIAN)	AREDIO PETROLEUM (FRENCH)	1,500	1.025
111	M/1/111	THE ROMANIAN LABOR PARTY	PETROLINE (UAE)	1,500	1.522
112	M/1/112	MR ABDULLAH ALHORANI- PALESTINE	INCOMED TRADING CORP. (PANAMA)	1,000	0.966
113	M/1/113	NATIONAL ASSEMBLY FOR ALZAWAYA (ALGERIAN)	ZERYA MANAGEMENT SERVICES (SWISS)	2,000	0.999
114	M/1/114	MR ABDULLAH ALHORANI- PALESTINE	BC INTERNATIONAL CO. (PAKISTAN)	1,000	1.016
115	M/1/115	ZARUBEZHNEFT (RUSSIAN)	ZARUBEZHNEFT (RUSSIAN)	7,000	5.146
116	M/1/116	MR SALVATORI NICOTRA (ITALIAN)	IPS (ITALIAN)	1,500	1.500
117	M/1/117	MR GEORGE TARKHANIAN (LEBANIES)	ALTOUN TRADING CO. (SYRIAN)	1,000	NOT PERFORMED
118	M/1/118	MR DE SUZA (PORTUGUESE)	JORDAN GRAIN CO. (JORDAN)	5,000	1.578
119	M/1/119	OZBA CO. (TURKISH)	OZBA CO. (TURKISH)	1,500	NOT PERFORMED
120	M/1/120	MR MOHAMMED BARKINDO (NEGIRIAN)	HYSON CO. (NEGIRIAN)	2,000	1.018
121	M/1/121	MR APTEL AL JILAWI SYOS STRATEG (HEAD) (EMIGRANT)	PETKIN LTD CO. (CYPRUS)	2,000	2.025
122	M/1/122	PEACE & UNITY PARTY (RUSSIAN)	ZERICH CO. (RUSSIAN)	2,000	CANCELLED
123	M/1/124	MR BASAM MASHHUR HADEYTHAM (JORDANIAN)	LEXOIL (SOUTH AFRICAN)	1,000	1.047

**Oil Allocation Recipient List (continued)**

124	NY11123	MR NIKOLAI REZOV MEMBER OF OILMA (RUSSIAN)	CONSULT TRADE (AUSTRIAN)	3,000	NOT PERFORMED
125	NY11124	MR ROBERTO FRANGONI (ITALIAN)	COGEP (ITALIAN)	1,500	1,017
126	NY11125	MR SERGI RODASOV - OHS RUSSIAN COMMITTEE FOR SOLIDARITY WITH IRAQ	CONSULT TRADE (AUSTRIAN)	1,500	NOT PERFORMED
127	NY11131	MR MOHAMMED AL BASHI (MOROCCAN)	OIL & GAS SERVICES GROUP (PAKISTAN)	1,000	NOT PERFORMED
128	NY11133	MR BRAZIL (THE 8 OCTOBER MOVEMENT) BRAZIL	OIL & GAS SERVICES GROUP (PAKISTAN)	1,500	NOT PERFORMED
129	NY11138	YUGOSLAVIAN JUL PARTY	EVANA EXPORT IMPORT (YUGOSLAVIAN)	1,500	CANCELLED
130	NY11137	MRS EDABILLA A. HUNGARIAN INTEREST PARTY	SRONG EXPORT EXPORT (YUGOSLAVIAN)	1,000	NOT PERFORMED
<b>GRAND TOTAL</b>				<b>323,500</b>	<b>249,571</b>

INDIVIDUALS AND ENTITIES WHO WERE ASSIGNED QUANTITIES BUT DIDN'T SIGN CONTRACTS OR LOST SAID QUANTITIES					
1	----	MR FILLINI (ITALIAN)		1,500	NIL
2	----	MR MOHAMMED OTMAN SAIED (KENYA)		1,000	NIL
3	----	MR SIFAN - U.N.		1,500	NIL
4	----	MR SAMR VINCENT (AMERICAN - IRAQI BORN)	ALTHOUGH QUANTITIES OF CRUDE OIL WERE ALLOCATED TO THE INDIVIDUALS/ENTITIES, NO CONTRACTS WERE SIGNED ACCORDING TO INSTRUCTIONS FROM THE FORMER REGIME AS THEY DIDN'T PAY SURCHARGE DUE FOR THEIR PREVIOUS CONTRACTS.	1,000	NIL
5	----	MR MOHAMMED AL HONI (LIBYA)		1,500	NIL
6	----	MR BODAVIE (FRENCH)		1,500	NIL
7	----	MR CHASSAN ZAKARIYA (SYRIAN)		1,500	NIL
10	----	YUGOSLAVIAN SOCIALIST PARTY		4,000	NIL
11	----	MR MOHAMMED ASLAN (TURKISH)		1,500	NIL
12	----	DEMOCRATIC PARTY (SERBIA)		1,500	NIL
13	----	MR YASO HINER ORAFI (SIAM) (INDONESIAN) - MINISTER MALAYSIAN.		3,000	NIL
14	----	PTSC (VIETNAM)		4,000	NIL
15	----	INDIAN CONGRESS PARTY		1,000	NIL
16	----	MR. HAMAD BIN-ALI AL THANI (QATAR)		4,000	NIL
17	----	MR. FISA BIN KHALIFA AL NUHAYYAN (UAE)		2,000	NIL
18	----	MRS TUJAN AL FAYSAL (JORDANIAN)		1,000	NIL
19	----	FATHER BENJAMIN (ITALIAN)		1,500	NIL
20	----	CHAD'S FOREIGN MINISTER	2,000	NIL	
21	----	ARAB MARINE PETROLEUM TRANSPORTATION CO. (AMPTC)	1,000	NIL	
22	----	MR BIHAM SING (INDIAN)	1,000	NIL	
23	----	MR ABDUL ATHEEM MANAF (EGYPTIAN)	1,000	NIL	
24	----	ARMENIAN FOREIGN MINISTRY	1,500	NIL	
25	----	MR HANS KOGLER (AUSTRIAN)	1,000	NIL	
26	----	LEAD CONTRACTING & TRADING CO. (SYRIAN)	1,500	NIL	
27	----	THE CHECHAN ADMINISTRATION (RUSSIAN)	1,000	NIL	

**Regime Finance and Procurement**

**Oil Allocation Recipient List (continued)**

**CRUDE OIL ALLOCATIONS DURING 12TH PHASE OF MOU**

- TOTAL QUANTITIES LIFTED ABOUT 193 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.20 PER BBL

SR.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY. MM BBLs	LIFTED QTY. MM BBLs
1	M/12/01	MACHINO IMPORT (RUSSIAN)	MACHINO IMPORT (RUSSIAN)	10.000	8.800
2	M/12/02	MR. MOHAMMED SALAH (EGYPTIAN)	ARAB TRADING DEVELOPMENT CO. (EGYPTIAN)	2.000	NOT PERFORMED
3	M/12/03	ZAN GAS (RUSSIAN)	ZAN GAS (RUSSIAN)	2.000	NOT PERFORMED
4	M/12/04	MR ROBERTO FRINGONI (ITALIAN)	COGEP (ITALIAN)	1.500	0.463
5	M/12/05	MR AGABABOV (RUSSIAN)	ROSNEFT GAS EXPORT (RUSSIAN)	2.500	2.354
6	M/12/06	ZHUHAI ZHEN RONG CO. (CHINESE)	ZHUHAI ZHEN RONG CO. (CHINESE)	1.500	1.435
7	M/12/07	MR AHMED AL BASHIR (JORDANIAN)	ALRAHMEED FOR INTL. COOPERATION (JORDANIAN)	1.000	NOT PERFORMED
8	M/12/08	NORENCO (CHINESE)	CHINA WAMBAC (CHINESE)	3.000	0.959
9	M/12/09	MR MOHAMMED SALIH HORANI (JORDANIAN)	JALOL CO. (JORDANIAN)	1.000	NOT PERFORMED
10	M/12/10	MRS MEGAWATI (INDONESIAN)	B T MEDCO (INDONESIAN)	1.000	NOT PERFORMED
11	M/12/11	MR ABDOU MAJID AL ATTAR (ALGERIAN)	ENERGY INVESTMENT (ALGERIAN)	2.000	1.827
12	M/12/12	ALSHANFARI GROUP OF COMPANIES (OMAN)	ALSHANFARI GROUP OF COMPANIES (OMAN)	1.000	1.036
13	M/12/13	BELMETAL ENERGCO CO. (BELARUS)	BELMETAL ENERGCO CO. (BELARUS)	1.500	NOT PERFORMED
14	M/12/14	MR GEORGE GALLOWAY	MIDDLE EAST SEMI CONDUCTORS CO. (JORDANIAN)	3.000	1.400
15	M/12/15	MR SHAFRANK (RUSSIAN)	SOYUZ NEFTGAS (RUSSIAN)	5.000	1.812
16	M/12/16	MR FAYWAZ ZDRAYGAT	MIDDLE EAST SEMI CONDUCTORS CO. (JORDANIAN)	1.000	NOT PERFORMED
17	M/12/17	MR TATRINCO (RUSSIAN)	RUSSIAN ENGINEERING CO.	1.000	1.128
18	M/12/18	AWAD AMMORA (SYRIAN)	AWAD AMMORA & PARTNERS CO. (SYRIAN)	8.200	8.254
19	M/12/19	MR OSCAR WYATT (AMERICAN)	MEDNAFTA (CYPRUS)	4.000	2.054
20	M/12/20	MR ABU AL ABBAS	AWAD AMMORA & PARTNERS CO. (SYRIAN)	3.000	2.923
21	M/12/21	STROY TRANSGAS (RUSSIAN)	KALMNEFTGAS (RUSSIAN)	2.000	NOT PERFORMED
22	M/12/22	AVINOIL (GREEK)	AVINOIL (GREEK)	2.000	0.894
23	M/12/23	MR SOKOLOV, TRACI UKRAINIAN HOUSE	HILU LTD (UKRAINIAN)	3.000	1.000
24	M/12/24	PETROVIETNAM	PETROVIETNAM	2.000	1.969
25	M/12/25	PRESIDENT OF KALMEYKYA REPUBLIC (RUSSIAN)	KALMNEFTGAS (RUSSIAN)	1.500	1.563
26	M/12/26	CHINA OIL (CHINESE)	CHINA OIL (CHINESE)	3.000	2.969
27	M/12/27	RUSSIAN COMMUNIST PARTY	ACTEC CO. (RUSSIAN)	12.000	NOT PERFORMED
28	M/12/28	MR BASHAR NOURI (SYRIAN)	NOURI FOR TRADING (SYRIAN)	1.500	1.495
29	M/12/29	ZARNEST SERVICE (RUSSIAN)	ZARNEST SERVICE (RUSSIAN)	5.500	6.675
30	M/12/30	MR JOAN (CHINESE)	CHASE STAR (HONG KONG)	2.000	1.542
31	M/12/31	COMMUNIST PARTY (BELARUS)	OIL COMPANY SIBERIA (RUSSIAN)	1.500	0.500
32	M/12/32	AL DOLAYMI GROUP (QATAR)	NATIONAL OIL WELL (QATAR)	2.000	2.016
33	M/12/33	SLOVAKIAN COMMUNIST PARTY	ACTEC CO. (RUSSIAN)	11.000	NOT PERFORMED
34	M/12/34	MRS TUJAN AL FAYSAL (JORDANIAN)	MIDDLE EAST SEMI CONDUCTORS CO. (JORDANIAN)	2.000	NOT PERFORMED
35	M/12/35	ALCON PETROLEUM (LIETENSTIEN)	ALCON PETROLEUM (LIETENSTIEN)	5.000	5.025
36	M/12/36	ALHODA INTL. CO. (UAE)	ALHODA INTL. CO. (UAE)	9.450	9.481
37	M/12/37	MR STROYEV (RUSSIAN)	URAL INVEST OIL CORP. (RUSSIAN)	1.000	NOT PERFORMED
38	M/12/38	SINOCHEM (CHINESE)	SINOCHEM (CHINESE)	18.500	18.714

**Oil Allocation Recipient List (continued)**

39	M/12/39	FENAR PETROLEUM (LIECHTENSTEN)	FENAR PETROLEUM (LIECHTENSTEN)	10,000	9,449
40	M/12/40	MR. BISA BIN KHALIFA AL NUHAYYAN (UAE)	IPA CO. (UAE)	3,500	1,003
41	M/12/41	MR BASIM QAQISH (JORDANIAN)	LUBNA CO. (SPANISH)	1,600	1,634
42	M/12/42	VINAFOOD (VIETNAM)	VINAFOOD (VIETNAM)	2,000	NOT PERFORMED
43	M/12/43	BELFARM CO. (BELARUS)	BELFARM CO. (BELARUS)	2,000	NOT PERFORMED
44	M/12/44	MR MOHAMMED SHITTA (EGYPTIAN)	INCOME CO. (EGYPTIAN)	2,000	2,073
45	M/12/45	FAMECIL CO. (LEBANES)	FAMECIL CO. (LEBANES)	1,000	NOT PERFORMED
46	M/12/46	MR HRMAD BEN ALI ALJABUR AL FHAM (QATAR)	BC INTERNATIONAL (PAKISTAN)	2,000	NOT PERFORMED
47	M/12/47	MR KOCAL - BELARUSIAN PRESIDENTIAL OFFICE	FOSDIK (BRITISH VIRGIN ISLAND)	1,000	NOT PERFORMED
48	M/12/48	MR SALVATORI NICOTRA (ITALIAN)	IPS (ITALIAN)	1,500	1,518
49	M/12/49	DEPUTY PRIME MINISTER OF KALMYKIA (RUSSIAN)	KALMNEFTGAS (RUSSIAN)	1,500	NOT PERFORMED
50	M/12/50	MR EMAD ALJALADA (EGYPTIAN)	ALEXOL (SWISS)	2,000	NOT PERFORMED
51	M/12/51	MR AGASADOV (RUSSIAN- ADDITIONAL QUANTITY)	NEPETGAS EXPORT (RUSSIAN)	2,000	1,496
52	M/12/52	UNITED ARAB CO. (IRAQI-EGYPTIAN)	ALEXOL (SWISS)	2,000	NOT PERFORMED
53	M/12/53	RUSSIAN UNITY PARTY	EVERCOM CO. (RUSSIAN)	12,000	8,328
54	M/12/54	MR MAJID KHAN (MALAYSIAN)	JAWALA CO. (MALAYSIAN)	1,500	1,542
55	M/12/55	TUPRAS (TURKISH)	TUPRAS (TURKISH)	7,000	7,319
56	M/12/56	MR WAFI TAWFIQ ALSAIGH-PALESTINE	BC INTERNATIONAL (PAKISTAN)	1,000	1,050
57	M/12/57	TEKFIN (TURKISH)	TEKFIN (TURKISH)	1,500	NOT PERFORMED
58	M/12/58	CHAIYAPORN RICE CO. (THAILAND)	CHAIYAPORN RICE CO. (THAILAND)	1,000	NOT PERFORMED
59	M/12/59	MR GHUKAS TLESHANYAN- ARMENIAN NATIONAL ASSEMBLY	STAF LTD (ARMENIA)	2,000	NOT PERFORMED
60	M/12/60	MR HANAD BIN AD ALJABUR ALTHANI (QATAR)	INCOME CO. (PANAMA)	2,000	1,919
61	M/12/61	ERDEM HOLDING CO. (TURKISH)	ERDEM HOLDING CO. (TURKISH)	4,000	NOT PERFORMED
62	M/12/62	MR CLAUDE CASPERT (FRENCH)	E.O.T.C. (FRENCH)	1,000	1,018
63	M/12/63	MAULANA M. A. HANNAN (BANGLADESH)	JORDAN GRAIN (JORDANIAN)	3,000	0,728
64	M/12/64	OIL SERVICES COMPANY (VIETNAM)	OIL SERVICES COMPANY (VIETNAM)	1,000	NOT PERFORMED
65	M/12/65	MAULANA M. A. HANNAN BANGLADESH- ADDITIONAL	JORDAN GRAIN (JORDANIAN)	2,000	NOT PERFORMED
66	M/12/66	NIGERIAN AMBASSADOR IN IRAQ	ZAZ ENERGY CO. (NIGERIA)	1,000	NOT PERFORMED
67	M/12/67	ERDEM HOLDING CO. (TURKISH- ADDITIONAL QTY)	ERDEM HOLDING CO. (TURKISH)	2,000	NOT PERFORMED
68	M/12/68	HUAKEN CO. (CHINESE)	HUAKEN CO. (CHINESE)	2,000	0,989
69	M/12/69	MR IZAKOV (RUSSIAN)	RUSSIAN ENGINEERING CO.	12,500	7,243
70	M/12/70,72	MR MICHEL KRAMER (FRENCH)	BC INVEST (SWISS)	3,000	0,615
71	M/12/71	MR NILSON CHAVEZ (BRAZILIAN)	BC INVEST (SWISS)	1,500	NOT PERFORMED
72	M/12/73	MR FU'AD SERHAN (BRAZILIAN)	BC INVEST (SWISS)	1,500	NOT PERFORMED
73	M/12/74	MR GHASSAN SHALLAH (SYRIAN)	GHASSAN SHALLAH CO. (SYRIAN)	2,000	2,002
74	M/12/75	KHRIZOLIT CO. (RUSSIAN)	KHRIZOLIT CO. (RUSSIAN)	1,000	NOT PERFORMED
75	M/12/76	MOJAHEDI KHALQ (IRANIAN)	CENTURY MARKETING (BRITISH)	5,000	NOT PERFORMED
76	M/12/77	MR MAJAH WAKIM (LEBANES)	PLANET PETROLEUM CO. (LEBANES)	1,500	NOT PERFORMED
77	M/12/78	MR SANDY MAJALI (SOUTH AFRICAN)	SVLIME MANAGEMENT LTD. (SOUTH AFRICAN)	4,000	4,002
78	M/12/79	MR OSAMA MA'AROUF (LEBANES)	PLANET PETROLEUM CO. (LEBANES)	1,500	NOT PERFORMED
79	M/12/80	MR MARIO ANDERINI (ITALIAN)	HITRAK GROUP (ITALIAN)	2,000	NOT PERFORMED
80	M/12/81	RELIANCE PETROLEUM (INDIAN)	RELIANCE PETROLEUM (INDIAN)	3,000	0,943

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**Oil Allocation Recipient List (continued)**

81	M/12/82	MR MAHMUD MAJID AL MA SARAMI (EGYPTIAN)	COAST OIL CO. (UAE)	3,000	NOT PERFORMED
82	M/12/83	UKRAINIAN COMMUNIST PARTY	IVES LTD. CO. (UKRAINIAN)	1,500	NOT PERFORMED
83	M/12/84	DR KHALID JAMAL ABD AL NASR (EGYPTIAN)	INCOME CO. (EGYPTIAN)	2,000	NOT PERFORMED
84	M/12/85	GASPROM CO. (RUSSIAN)	ZARNEST SERVICE (RUSSIAN)	3,500	3,216
85	M/12/86	DRILLING MUD CO. (VIETNAM)	DRILLING MUD CO. (VIETNAM)	1,000	CANCELLED
86	M/12/87	MR GEORGE TARKHANIAN (LEBANES)	LIA OIL (SWISS)	11,000	NOT PERFORMED
87	M/12/88	WEST PETROL CO. (ITALIAN)	WEST PETROL CO. (ITALIAN)	2,000	NOT PERFORMED
88	M/12/89	TRANSENERGO CO. (UKRAINIAN)	TRANSENERGO CO. (UKRAINIAN)	1,000	NOT PERFORMED
89	M/12/90	DR SHAHR AL KHAFAJI (AMERICAN)	OMNI OIL CO. (SOUTH AFRICAN)	2,000	NOT PERFORMED
90	M/12/91	MR BASHIR HASSAN AL BASHIR (SUDAN)	PETROLEUM PRODUCTS CO. (SUDANES)	2,000	NOT PERFORMED
91	M/12/92	AGIP PETROLI (ITALIAN)	AGIP PETROLI (ITALIAN)	1,700	1,726
92	M/12/93	ENERGY RESOURCES CO. (UKRAINIAN)	ENERGY RESOURCES CO. (UKRAINIAN)	1,000	1,000
93	M/12/94	TOTAL INTL. (FRENCH)	TOTAL INTL. (FRENCH)	7,000	6,933
94	M/12/95	OILPLUS CO. (SUDANES)	OILPLUS CO. (SUDANES)	2,000	NOT PERFORMED
95	M/12/96	IBEX OIL (FRENCH)	JORDAN GRAIN (JORDANIAN)	7,000	NOT PERFORMED
96	M/12/97	NAPEX A.G. (LIECHTENSTIEN)	NAPEX A.G. (LIECHTENSTIEN)	3,000	NOT PERFORMED
97	M/12/98	ALI MUSALLAM EST. (BAHRAIN)	ALI MESLAM EST. (BAHRAIN)	3,000	NOT PERFORMED
98	M/12/99	ROSNEFTIMPEX (RUSSIAN)	ROSNEFTIMPEX (RUSSIAN)	2,500	1,489
99	M/12/100	OMV (AUSTRIAN)	OMV (AUSTRIAN)	1,000	1,003
100	M/12/101	REPSOL YPF (SPANISH)	REPSOL YPF (SPANISH)	5,000	5,010
101	M/12/102	FILIPPINO PRODUCERS GROUP (PHILIPPINE)	GRUPO FILIPINO (PHILIPPINE)	1,000	0,993
102	M/12/103	CONTINENTAL OIL LTD. (CYPRUS)	CONTINENTAL OIL LTD. (CYPRUS)	3,000	1,991
103	M/12/104	MALAWI GOVERNMENT	PETROLINK CO. (MALAWI)	3,000	NOT PERFORMED
104	M/12/105	TRANSNEFT (SUBSIDIARY TO GASPROM) (RUSSIAN)	TRANSNEFT (SUBSIDIARY TO GASPROM) (RUSSIAN)	2,000	NOT PERFORMED
105	M/12/106	MR DE SUZA (PORTUGUESE)	IES (ITALIAN)	5,000	2,568
106	M/12/107	MR SALIM SHAYDOB (TUNISIAN)	MYADOR TRADING CO. (TUNISIAN)	2,000	NOT PERFORMED
107	M/12/108	AIG GROUP OF COMPANIES (NIGERIAN)	AIG GROUP OF COMPANIES (NIGERIAN)	1,000	0,992
108	M/12/109	MR VELLOVIN HEAD OF RUSSIAN PRESIDENTIAL OFFICE	IMPEXOIL CO. (RUSSIAN)	3,000	3,038
109	M/12/110	ELHAMI BASHANDI EST. (EGYPTIAN)	ELHAMI BASHANDI EST. (EGYPTIAN)	2,000	NOT PERFORMED
110	M/12/111	CEPSA (SPANISH)	CEPSA (SPANISH)	2,000	2,094
111	M/12/112	MR MOHAMMED HELMI (EGYPTIAN)	ANTIMINA CO. (JORDANIAN)	1,000	1,000
112	M/12/113	HILLENIC PETROLEUM (GREEK)	HILLENIC PETROLEUM (GREEK)	1,000	0,850
113	M/12/114	OILEXCO (CANADA)	OILEXCO (CANADA)	2,000	NOT PERFORMED
114	M/12/115	MINISTRY OF ENERGY & MINERAL RES. (JORDAN)	DAT OIL (CYPRUS)	1,500	NOT PERFORMED
115	M/12/116	MR MOHAMMED MA'MUN AL SAB' (SYRIAN)	MOHAMMED MA'MUN AL SAB' CO. (SYRIAN)	2,000	NOT PERFORMED
116	M/12/117	API OIL (ITALIAN)	API OIL (ITALIAN)	2,000	1,996
117	M/12/118	MR BASAM MATHKUR HADEYTHAN (JORDANIAN)	DELTA PETROLEUM (TURKISH)	1,000	NOT PERFORMED
118	M/12/119	RUSSIAN FOREIGN MINISTRY	ALFA-ECO (RUSSIAN)	20,000	7,801
119	M/12/120	MR ALIAS ALPARZALI (LEBANES)	AREOIO PETROLEUM (FRENCH)	1,500	1,000
120	M/12/121	MR WAMIDH HUSSIAN MAJALI (JORDANIAN)	DAT OIL (CYPRUS)	1,000	NOT PERFORMED
121	M/12/122	IRAQI FRENCH FRIENDSHIP SOCIETY (MR MONEH)	AREOIO PETROLEUM (FRENCH)	1,500	0,929
122	M/12/123	UKHTANEFT CO. (RUSSIAN)	UKHTANEFT CO. (RUSSIAN)	1,500	NOT PERFORMED
123	M/12/124	PART OF MR HAMAD BIN ALI ALJABUR ALTHAN ALLOCATION (QATAR)	INCOMED CO. (PANAMA)	1,000	1,008
124	M/12/125	VEBA OIL & SUPPLY TRADING CO. (GERMANY)	VEBA OIL & SUPPLY TRADING CO. (GERMANY)	1,000	NOT PERFORMED
125	M/12/126	MOCOM SERVICES CO. (SOUTH AFRICAN)	MOCOM SERVICES CO. (SOUTH AFRICAN)	2,000	NOT PERFORMED
126	M/12/127	BULGARIAN SOCIALIST PARTY	MACHINO EXPORT BULGARIAN CO.	3,000	NOT PERFORMED

**Oil Allocation Recipient List (continued)**

127	M/12/129	MR MOHAMMED BEN RAHID AL MULLA (UAE)	MILLENNIUM CO. (UAE)	2,000	
128	M/12/129	MR GEORGE TARKHMANIAN (LEBANES)-ADDITIONAL CITY.	IBN SINA CO. (JORDANIAN)	1,000	NOT FILED
129	M/12/130	GLOBAL CO. FOR TRADE & INVEST. (IRAQI-LEBANES)	GLOBAL CO. FOR TRADE & INVEST. (IRAQI-LEBANES)	1,000	NOT FILED
130	M/12/131	MR ZIYAD ABU AL RAGHIB (JORDANIAN)	DAT OIL (CYPRUS)	2,000	NOT FILED
131	M/12/132	ASRES TECHNOLOGY RESOURCES LTD. (U.S.A)	ASRES TECHNOLOGY RESOURCES LTD. (U.S.A)	2,000	NOT FILED
132	M/12/133	ARAB TRADERS EST. (JORDANIAN)	ARAB TRADERS EST. (JORDANIAN)	2,000	NOT FILED
133	M/12/134	POPULAR FRONT FOR LIBERATION OF PALESTINE	AWAD AMMORA & PATNERS (SYRIAN)	2,000	2,051
134	M/12/135	SPANISH PUBLIC PARTY- MR JAVIER ROBERT	AREDCO PETROLEUM (FRENCH)	1,500	0.403
135	M/12/136	MR GHASSAN ZAKARIYA (SYRIAN)	KHRIZOLIT CO. (RUSSIAN)	3,000	NOT FILED
136	M/12/137	MR SHAKIR BIN ZAYD (JORDANIAN)	AREDCO PETROLEUM (FRENCH)	1,500	NOT FILED
137	M/12/141	BC INTERNATIONAL (PAKISTANIES)	BC INTERNATIONAL (PAKISTANIES)	0.500	0.500
<b>GRAND TOTAL</b>				<b>391.550</b>	<b>192.697</b>

INDIVIDUALS AND ENTITIES WHO WERE ASSIGNED QUANTITIES BUT DIDN'T SIGN CONTRACTS OR LIET SAID QUANTITIES					
1	----	MR GEORGE TARKHMANIAN (LEBANES)-ADDITIONAL CITY.		1,500	NIL
2	----	MR DENKOVLOV (RUSSIAN) PRESIDENTSHIP SOCIETY WITH BRAG		2,000	NIL
3	----	MR REZKOV (RUSSIAN)		4,000	NIL
4	----	MR ABDEL ELWALI ZAYD APAYAKH (IRAQI-LEBANES)		1,500	NIL
5	----	MR GIRINGOVSKI (RUSSIAN)		4,000	NIL
6	----	RUSSIAN DEMOCRATIC PARTY		2,000	NIL
7	----	MR BODAYE (FRENCH)		1,500	NIL
8	----	MR BERNARD GIYEM (FRENCH)		1,500	NIL
9	----	MR JAN MIRAMI (FRENCH)		1,500	NIL
10	----	UKRAINIAN DEMOCRATIC SOCIAL PARTY		1,500	NIL
11	----	MR ORCHANISKI (UKRAINIAN)		1,000	NIL
12	----	MRS HANIDA NA'ANA- (SYRIAN)		1,000	NIL
13	----	YUGOSLAVIAN SOCIALIST PARTY		4,000	NIL
14	----	DEMOCRATIC PARTY (SERBIA)		1,500	NIL
15	----	YUGOSLAVIAN RADICAL PARTY		4,000	NIL
16	----	YUGOSLAVIAN JUL PARTY		1,500	NIL
17	----	ROMANIAN LABOR PARTY		1,500	NIL
18	----	MR MAKRAM HAKIM (INDONESIAN)		1,000	NIL
19	----	MR AU BALLOT (LEBANES)		1,500	NIL
20	----	SON OF LEBANES PRESIDENT (MR LAHMUDI)		1,500	NIL
21	----	MR FAKHRI QAWAR (JORDANIAN)		1,500	NIL
22	----	MR AYTHI SHUBAYAT (JORDANIAN)-PROGAS & INCOED		2,500	NIL
23	----	MR ABDULLAH AL HCRANI (PALESTINIAN)		2,000	NIL
24	----	P.L.O. (PALESTINE)		3,000	NIL
25	----	MR MOHAMMED ASLAN (TURKISH)		1,000	NIL
26	----	MR LUTFI DOGAN (TURKISH)		1,500	NIL
27	----	MR NADIL ALHASHIMI (MOROCCAN)		1,000	NIL
28	----	MR MOHAMMED ALBASRI (MOROCCAN)		1,000	NIL
29	----	MR PILLUNI (ITALIAN)		1,500	NIL
30	----	MR MOHAMMED AL HONI (LIBYA)		1,500	NIL
31	----	RIAD ALTAHER (IRAQI IMMIGRANT)		1,000	NIL
32	----	MR SIFAN- U.N.		1,500	NIL
33	----	MR SAMIR VINCENT (AMERICAN -IRACI BORN)		1,000	NIL
34	----	NAFTOGAS (UKRAINIAN)		2,000	NIL
35	----	SHAHAR ABDUL AL HAQ CO. (YEMEN)		1,500	NIL
36	----	ASIA TRADING CO. (IRAC)		2,500	NIL
37	----	MR TAYIB AHMED SHARIF (IRAQI IMMIGRANT) - MASTEX (MALAYSIA)		3,000	NIL
38	----	PTSC (VIETNAM)		4,000	NIL
39	----	SLAVNEFT (RUSSIAN)		2,000	NIL
40	----	TATNEFT (RUSSIAN)		3,000	NIL
41	----	HYSON CO. (NIGERIAN)		1,500	NIL
42	----	OIL & GAS SERVICES GROUP (PAKISTANI)		2,000	NIL

ALTHOUGH QUANTITIES OF CRUDE OIL WERE ALLOCATED TO THE INDIVIDUALS/ENTITIES, NO CONTRACTS WERE SIGNED ACCORDING TO INSTRUCTIONS FROM THE FORMER REGIME, AS THEY DIDN'T PAY SURCHARGE DUE FOR THEIR PREVIOUS CONTRACTS.

**Oil Allocation Recipient  
List (continued)**

43	----	MR FIRAS MUSTAFA TALAS (SYRIAN)	1,000	NIL
44	----	MR PAYSAL DARNIOAH (LEBANIES)	1,000	NIL
45	----	MR ZUHAYER AL KHATIB (LEBANIES)	1,000	NIL
46	----	THE NILFA SULPHATES CO. (EGYPTIAN)	1,000	NIL
47	----	ARAB MARINE PETROLEUM TRANSPORTATION CO. (AMPTC)	1,000	NIL
48	----	HAJA CO. (K.S.A.)	3,000	NIL
49	----	MEDEX CO. (TUNISIAN)	1,000	NIL
50	----	OIL PRODUCTS CO. (SUDANIES)	2,000	NIL
51	----	MYANMAR FORESTS MINISTER	1,500	NIL
52	----	CHAD'S FOREIGN MINISTER	1,000	NIL
53	----	MR ABDUL CADIR BIN MOANATIONAL ASSEMBLY FOR ALZAWAYA (ALGERIAN)	2,000	NIL
54	----	FATHER BENJAMIN (ITALIAN)	1,500	NIL
55	----	INDIAN CONGRESS PARTY	1,000	NIL
56	----	OZBA CO. (TURKISH)	1,000	NIL
57	----	MR MUQADIR SESJIN (TURKISH)	1,000	NIL
58	----	THE CHECHIAN ADMINISTRATION (RUSSIAN)	1,000	NIL
59	----	ARMENIAN FOREIGN MINISTRY	1,500	NIL
60	----	MR HANS KOGLER (AUSTRIAN)	1,000	NIL
61	----	SAMIR CO. (TURKISH)	2,000	NIL
62	----	MUHTASHIM CO. (TURKISH)	2,000	NIL
63	----	MR BHAM SING (INDIAN)	1,000	NIL
64	----	PAKISTANIES GOVERNMENT	2,000	NIL
65	----	NATINA OIL (INDONESIAN)	2,000	NIL
66	----	CONCRETE EST. (BAHRAIN)	2,000	NIL
67	----	KADHIM ALDERAZI	2,000	NIL
68	----	MR LUTFI FAWZI (SYRIAN)	1,000	NIL
69	----	AL WAZIRIN CO., MR HASSAN AL KAYVAL (SYRIAN)	2,000	NIL
70	----	MR AHMED HASSAN (EGYPTIAN)	2,000	NIL
71	----	ALMULTAQA ALDOWALI EST. (EGYPTIAN)	2,000	NIL
72	----	LEAS CONTRACTING & TRADING CO. (SYRIAN)	1,000	NIL
73	----	MR ABDUL ATHEEM MANAF (EGYPTIAN)	1,000	NIL

**Oil Allocation Recipient List (continued)**

**CRUDE OIL ALLOCATIONS DURING 13TH PHASE OF MOU**

- TOTAL QUANTITIES LIFTED ABOUT 148 MM BBLs
- ESTIMATED PROFIT MARGIN IS US \$0.75 PER BBL

SR.	CONTRACT NO.	ALLOCATION HOLDER	CONTRACTED COMPANY	ALLOCATED QTY. MM BBLs	LIFTED QTY. MM BBLs
1	M/13/01	CEPSA CO. (SPANISH)	CEPSA CO. (SPANISH)	4.000	4.028
2	M/13/02	CHINA OIL (CHINESE)	CHINA OIL (CHINESE)	4.000	3.003
3	M/13/03	TUPRAS (TURKISH)	TUPRAS (TURKISH)	7.000	4.987
4	M/13/04	PETROVIETNAM	PETROVIETNAM	8.000	4.083
5	M/13/05	RELIANCE PETROLEUM (INDIAN)	RELIANCE PETROLEUM (INDIAN)	2.000	1.890
6	M/13/06	CHINA WANSDAO MR NORRECO (CHINESE)	CHINA WANSDAO (CHINESE)	3.000	2.000
7	M/13/07	FENAR PETROLEUM (LIECHTENSTEN)	FENAR PETROLEUM (LIECHTENSTEN)	8.000	5.388
8	M/13/08	SINOCHEN (CHINESE)	SINOCHEN (CHINESE)	7.500	7.712
9	M/13/09	ERDEM HOLDING (TURKISH)	ERDEM HOLDING (TURKISH)	7.000	3.989
10	M/13/10	VINAFOOD (VIETNAM)	VINAFOOD (VIETNAM)	2.000	1.532
11	M/13/11	ZARUBEZHNEFT (RUSSIAN)	ZARNEST SERVICE (RUSSIAN)	7.200	6.203
12	M/13/12	MR ROBERTO FRIMIGONI (ITALIAN)	COGEE (ITALIAN)	1.500	1.568
13	M/13/13	MR ZUHAYER AL KHATIB (LEBANES)	LAVANT OVERSEAS (LEBANES)	1.500	NOT PERFORMED
14	M/13/14	MR SALVATORI NICOTRA (ITALIAN)	IPS (ITALIAN)	1.500	1.545
15	M/13/15	ROMANIAN LABOR PARTY	NATIONAL OIL WELL (QATAR)	1.500	0.763
16	M/13/16	MR GHASSAN SHALLAH (SYRIAN)	GHASSAN SHALLAH CO (SYRIAN)	2.000	0.700
17	M/13/17	MR AGABABOV NAFTOGAS EXPORT (RUSSIAN)	NAFTOGAS EXPORT (RUSSIAN)	7.600	6.229
18	M/13/18	ALSHANFRI GROUP O COMPANIES (OMAN)	ALSHANFRI GROUP O COMPANIES (OMAN)	1.000	0.979
19	M/13/19	ALCON PETROLEUM (LIECHTENSTEN)	ALCON PETROLEUM (LIECHTENSTEN)	7.000	7.028
20	M/13/20	ENI SPA- AGIP (ITALIAN)	AGIP (ITALIAN)	1.100	1.135
21	M/13/21	REPSOL YPF (SPANISH)	REPSOL YPF (SPANISH)	2.000	2.087
22	M/13/22	CHAIYAPORN RICE CO. (THAILAND)	CHAIYAPORN CO. (THAILAND)	1.500	NOT PERFORMED
23	M/13/23	MACHINOIMPORT (RUSSIAN)	MACHINOIMPORT (RUSSIAN)	10.000	6.056
24	M/13/24	MR. BIGA BIN KHALIFA AL MUHAYYAN (UAE)	IPA CO. (UAE)	1.500	NOT PERFORMED
25	M/13/25	MR SHAFRANIK (RUSSIAN)	SOYUZ NEFTEGAS (RUSSIAN)	4.000	1.944
26	M/13/26	MRS HAMIDA NA'ANA	DEVON PETROLEUM LTD (PANAMA)	2.000	0.987
27	M/13/27	KHRIZOLIT CO. (RUSSIAN)	KHRIZOLIT CO. (RUSSIAN)	2.000	1.980
28	M/13/28	AL DOLAYMI GROUP (QATAR)	NATIONAL OIL WELL (QATAR)	2.000	1.542
29	M/13/29	MR FAYSAL DARNIQAN (LEBANES)	LAVANT DEVELOPMENT (LEBANES)	1.000	NOT PERFORMED
30	M/13/30	MR FILLUNI (ITALIAN)	IPS (ITALIAN)	1.500	1.499
31	M/13/31	API OIL (ITALIAN)	API OIL (ITALIAN)	2.000	1.022
32	M/13/32	OMV (AUSTRIAN)	OMV (AUSTRIAN)	1.500	1.229
33	M/13/33	HEAD OF RUSSIAN PRESIDENTIAL OFFICE	IMPEXOL (RUSSIAN)	1.350	0.875
34	M/13/34	MR JOAN (CHINESE)	CHASE STAR CO. (HONG KONG)	1.500	NOT PERFORMED
35	M/13/35	RUSSIAN UNITY PARTY - MINISTRY OF EMERGENCY	EMERCOM CO. (RUSSIAN)	8.450	5.143
36	M/13/36	MRS RAHMAWATI SUKARNO (INDONESIAN)	MECCO CO. (INDONESIA)	2.000	NOT PERFORMED
37	M/13/37	MR GHUKAS TIKHANYAN ARMENIAN NATIONAL ASSEMBLY	STAP LTD (ARMENIA)	1.000	NOT PERFORMED
38	M/13/38	YEMENIES GOVERNMENT	DEVON PETROLEUM LTD (PANAMA)	5.000	4.713
39	M/13/39	MR ABOL HAJD AL ATTAR (ALGERIAN)	ENERGY INVEST (ALGERIAN)	4.000	2.024
40	M/13/40	MR ABU AL ABBAS	AWAD AMMORA & PARTNERS (SYRIAN)	2.000	1.903
41	M/13/41	MR SOKOLOV-IRAQI UKRAINIAN HOUSE	HIU LTD (UKRAINIAN)	2.000	1.348
42	M/13/42	IRAN FRENCH FRIENDSHIP SOCIETY (IR VONER)	ARECO PETROLEUM (FRENCH)	0.500	0.500
43	M/13/43	ZAN GAS CO. (RUSSIAN)	ZAN GAS CO. (RUSSIAN)	4.000	1.897
44	M/13/44	BULGARIAN COMMUNIST PARTY	MACHINO EXPORT BULGARIAN CO.	3.000	1.025
45	M/13/45	MR FARWAZ ZURAYQAT	P. DEPT SEMI CONDUCTORS CO. (JORDANIAN)	1.000	NOT PERFORMED

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Regime Finance and Procurement

**Oil Allocation Recipient List (continued)**

47	M/13/47	MR KOZAK - (BELARUS PRESIDENTIAL OFFICE)	BELNEFTTEHM (BELARUS)	6.000	NOT PERFORMED
48	M/13/48	MR FAWAZ ZIRAYDAT MR GEORGE GALLOWAY	MIDDLE EAST SEER CONDUCTORS CO. (JORDANIAN)	2.000	NOT PERFORMED
49	M/13/49	BELMETAL ENERGO CO. (BELARUS)	BELMETAL ENERGO CO. (BELARUS)	2.000	1.993
50	M/13/50	MRS TUJAN AL FAYBAL (JORDANIAN)	MIDDLE EAST SEER CONDUCTORS CO. (JORDANIAN)	1.000	1.000
51	M/13/51	ROSNEFT IMPEX (RUSSIAN)	ROSNEFT IMPEX (RUSSIAN)	3.600	1.535
52	M/13/52	TOTAL INTL. (FRENCH)	TOTAL INTL. (FRENCH)	2.000	2.082
53	M/13/53	CONTINENTAL OIL LTD. (CYPRUS)	CONTINENTAL OIL LTD. (CYPRUS)	3.005	3.012
54	M/13/54	MR DE SUZA (PORTUGUESE)	MEDITERRANEAN OIL SUPPLY (PORTUGUESE)	3.000	1.995
55	M/13/55	UKRAINIAN COMMUNIST PARTY	IVES LTD. (UKRAINIAN)	1.000	0.510
56	M/13/56	MR SHANER ABDUL ALHAQ (YEMEN)	SHAHER TRADING CO. (YEMEN)	3.000	1.029
57	M/13/57	GLOBAL TRADING (LEBANES)	GLOBAL TRADING (LEBANES)	1.000	NOT PERFORMED
58	M/13/58	MR EMAD AL JALADA (EGYPTIAN)	ALEXOIL (SWISS)	6.000	2.860
59	M/13/59	MAULANA M. A. MANNAN (BANGLADESH)	JORDAN GRAIN (JORDANIAN)	3.000	2.058
60	M/13/60	UNITED ARAB CO. (IRAQI-EGYPTIAN)	ALEXOIL (SWISS)	2.000	2.033
61	M/13/61	MR MOHAMMED SALIH HORANI (JORDANIAN)	JALOL CO. (JORDAN)	1.000	NOT PERFORMED
62	M/13/62	MR MOHAMMED SHITTA (EGYPTIAN)	INCOME CO. (EGYPTIAN)	3.000	1.043
63	M/13/63	MR MURTAZA LAKHANI (PAKISTANES)	INCOMED CO. (PANAMA)	1.000	1.022
64	M/13/64	IBEX OIL (FRENCH)	JORDAN GRAIN (JORDANIAN)	7.000	1.725
65	M/13/65	SON OF LEBANES PRESIDENT (MR LAHHUDI)	FADI OIL (LEBANES)	1.500	1.662
66	M/13/66	MR ARTHUR MILLHOLLAND - (CANADIAN)	OILEXCO (CANADIAN)	2.000	NOT PERFORMED
67	M/13/67	MR SALIM SHAYBOD (TUNISIA)	MYADOR TRADING CO. (TUNISIAN)	2.000	NOT PERFORMED
68	M/13/68	MR MOHAMMED MA'MUN AL-SARTI (SYRIAN)	MOHAMMED SABIL INDUSTRY TRADE CO. (SYRIAN)	2.000	NOT PERFORMED
69	M/13/69	MEDEX CO. (TUNISIA)	MEDEX CO. (TUNISIA)	1.000	NOT PERFORMED
70	M/13/70	AVINOIL (GREEK)	AVINOIL (GREEK)	2.000	0.855
71	M/13/71	TEKFIN (TURKISH)	TEKFIN (TURKISH)	2.000	NOT PERFORMED
72	M/13/72	HUAKEN CO. (CHINESE)	HUAKEN CO. (CHINESE)	1.000	NOT PERFORMED
73	M/13/73	MR LUTFI GOGAN (TURKISH)	SETA CO. (TURKISH)	1.000	NOT PERFORMED
74	M/13/74	MR RODAVIE (FRENCH)	VITOL	9.100	8.939
75	M/13/75	SPANISH PUBLIC PARTY, MR JAVIER ROBERT	AREDIO PETROLEUM (FRENCH)	1.500	1.351
76	M/13/76	MR JAN MIRANI (FRENCH)	AREDIO PETROLEUM (FRENCH)	1.000	NOT PERFORMED
77	M/13/77	MR MUQADIR SHS JEN (TURKISH)	MABOIL CO. (TURKISH)	1.000	NOT PERFORMED
78	M/13/78	MR FIRAS MUSTAFA TALAS (SYRIAN)	INCOME CO. (EGYPTIAN)	1.000	0.997
79	M/13/79	TRANSNAFTA CO. (RUSSIAN)	TRANSNAFTA CO. (RUSSIAN)	1.000	NOT PERFORMED
80	M/13/80	AL HAJ AMINO (NIGERIAN)	ZAZ ENERGY (NIGERIAN)	1.000	0.978
81	M/13/81	MR SHAKIR BIN ZAYO (JORDANIAN)	AREDIO PETROLEUM (FRENCH)	1.500	1.050
82	M/13/82	MR HAMAD BIN ALI ALJABUR ALYAHN (QATAR)	AL QHAYATEN INDUSTRIAL TRADING CO. (SYRIAN)	2.000	NOT PERFORMED
83	M/13/83	MR AMKIS QADIR BIN ABDRAHMANATIONAL ASSEMBLY FOR ALZAWAYA (ALGERIAN)	ZYRYA MANAGEMENT CO. (SWISS)	2.000	1.042
84	M/13/84	MR TUZIO BOLIS (ITALIAN)	IPS (ITALIAN)	1.500	0.589
85	M/13/85	MR FUAD SERHAN (BRAZILIAN)	FADI OIL (LEBANES)	1.500	0.500
86	M/13/86	MRS HNRRECA BENETTI (ITALIAN)	FINASI CO. (ITALIAN)	4.000	1.113
87	M/13/87	PEACE & UNITY PART (RUSSIAN)	IMPEXOIL (RUSSIAN)	1.500	1.575
88	M/13/88	MR AWAD AMMORA (SYRIAN)	AWAD AMMORA & PARTNERS (SYRIAN)	2.000	NOT PERFORMED
89	M/13/89	SOCIALIST PARTY (SERBIA)	DAT OIL CO. (CYPRUS)	1.000	NOT PERFORMED
90	M/13/90	THE Nile & EUPHRATES CO. (IRAKI-EGYPTIAN)	ANTIMENA CO. (JORDAN)	1.000	NOT PERFORMED
91	M/13/91	ORTHODOX CHURCH (RUSSIAN)	IMPEXOIL (RUSSIAN)	2.000	NOT PERFORMED
92	M/13/92	MYANMAR FORESTS MINISTER	MYANMAR ENTERPRISE CO.	1.500	NOT PERFORMED
93	M/13/93	FADI OIL (LEBANES)	FADI OIL (LEBANES)	2.000	NOT PERFORMED
94	M/13/94	MR DATO MAJID KHAN (MALAYSIAN)	JAWALA CO. (MALAYSIAN)	2.000	NOT PERFORMED
95	M/13/95	MR GOTZARIV - (RUSSIAN)	RUSNEFT OIL & GAS CO. (RUSSIAN)	5.000	3.098
96	M/13/96	MR ALIAS ALFARZALI (LEBANES)	AREDIO PETROLEUM (FRENCH)	1.000	NOT PERFORMED
97	M/13/97	MR ZYAD ABU ALRACHIB (JORDANIAN)	DAT OIL CO. (CYPRUS)	1.500	NOT PERFORMED
98	M/13/98	NIGERIAN AMBASSADOR IN IRAQ	AIG GROUP (NIGERIA)	2.000	NOT PERFORMED
99	M/13/99	RADICAL PARTY (SERBIA)	DAT OIL CO. (CYPRUS)	1.000	NOT PERFORMED
100	M/13/100	WEST PETROL CO. (ITALIAN)	WEST PETROL CO. (ITALIAN)	2.000	NOT PERFORMED

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WEST PETROL

**Oil Allocation Recipient List (continued)**

101	M/13/101	INDUSTRIAL FUEL & ENERGY CO. (UKRAINIAN)	INDUSTRIAL FUEL & ENERGY CO. (UKRAINIAN)	4,000	NOT PERFORMED
102	M/13/102	MR MITHANA AL HANQI (IRAQI MERCHANT)	LARU LTD CO. (CYPRUS)	2,000	NOT PERFORMED
103	M/13/103	FEDERALNY TOROCHV DOM OIL (UKRAINIAN)	FEDERALNY TOROCHV DOM OIL (UKRAINIAN)	3,000	NOT PERFORMED
104	M/13/104	NRG OIL CO. (ITALIAN)	NRG OIL CO. (ITALIAN)	2,000	NOT PERFORMED
105	M/13/105	ALFA-ECO IN FAVOUR OF RUSSIAN FOREIGN MINISTRY	ALFA-ECO CO. (RUSSIAN)	4,000	NOT PERFORMED
106	M/13/106	ANTIMINA CO. (JORDANIAN)	ANTIMINA CO. (JORDANIAN)	0,500	NOT PERFORMED
108	M/13/108	NAJA CO. (K.S.A.)	KILT OIL CO. (PANAMA)	3,000	NOT PERFORMED
109	M/13/110	MR DASAW MASHBUN HOZEYTHAN (JORDANIAN)	MSYADAH EST. (JORDANIAN)	1,000	NOT PERFORMED
110	M/13/112	MRS CHANTAL DE CREEZ (BELGIUM)	FADI OIL (LEBANES)	1,000	NOT PERFORMED
111	M/13/114	MR FAJHRI QAWAR (JORDANIAN)	AREDIO PETROLEUM (FRENCH)	1,000	NOT PERFORMED
112	M/13/116	DR KHALID JAMAL ABD AL NASR (EGYPTIAN)	CITIC INTL. CO. (EGYPTIAN)	2,000	NOT PERFORMED
113	M/13/118	MR ABULLAH AL MORANI (PALESTINE)	NATIONAL OIL WELL (QATAR)	1,000	NOT PERFORMED
<b>GRAND TOTAL</b>				<b>301 550</b>	<b>148 295</b>

**Oil Allocation Recipient List (continued)**

INDIVIDUALS AND ENTITIES WHO WERE ASSIGNED QUANTITIES BUT DID NOT SIGN CONTRACTS OR LIFE SAID QUANTITIES			
NO.	NAME	QUANTITY	UNIT
1	MR ISAKOV - RUSSIAN PRESIDENTIAL OFFICE	5,000	NIL
2	ACTEC CO. (RUSSIAN) IN FAVOUR OF RUSSIAN COMMUNIST PARTY	3,000	NIL
3	SLAVNEFT (RUSSIAN)	1,500	NIL
4	TATNEFT CO. (RUSSIAN)	2,000	NIL
5	MR SERG. RODASIEV - THE RUSSIAN COMMITTEE FOR SOLIDARITY WITH IRAQ	1,500	NIL
6	MR DERAVILOV - RUSSIAN FRIENDSHIP SOCIETY WITH IRAQ	1,500	NIL
7	MR REZKOV (RUSSIAN)	3,000	NIL
8	MR ADEL AL JILAWI - I.V.M. AVIATION (IRAQI IMMIGRANT)	1,500	NIL
9	UKHTANEFT CO. (RUSSIAN)	1,000	NIL
10	TATNEFT CO. (RUSSIAN)	2,000	NIL
11	DEPUTY PRIME MINISTER OF KALMYKIA (RUSSIAN)	1,500	NIL
12	PRESIDENT OF KALMYKYIA REPUBLIC (RUSSIAN)	1,500	NIL
13	STROY TRANS GAS CO. (RUSSIAN)	2,000	NIL
14	MR STROYEV (RUSSIAN)	1,000	NIL
15	ZHUIHAI ZHEN RONG CO. (CHINESE)	1,500	NIL
16	MR CLAUDE CASPARI (FRENCH)	1,000	NIL
17	MR MICHEL KRAMER (FRENCH)	1,500	NIL
18	MR BERNARD GUYEN (FRENCH)	1,000	NIL
19	MR GHASSAN ZAKARIYA (SYRIAN)	2,000	NIL
20	MR FAYIQ AHMED DHARIF (IRAQI IMMIGRANT) - MASTER (MALAYSIAN)	3,000	NIL
21	PTSC CO. (VIETNAM)	4,000	NIL
22	DRILLING MID CO. (VIETNAM)	1,000	NIL
23	NAFTOGAS CO. (UKRAINIAN)	2,000	NIL
24	UKRAINIAN DEMOCRATIC SOCIAL PARTY - MR PERESLUNKO	1,500	NIL
25	MR ORCHANISKI (UKRAINIAN)	1,000	NIL
26	DEMOCRATIC PARTY (SERBIA)	2,000	NIL
27	JUGOSLAVIAN JUL PARTY	1,500	NIL
28	ARAB MARINE PETROLEUM TRANSPORTATION CO. (AMPTC)	1,000	NIL
29	COMMUNIST PARTY (BELARUS)	1,500	NIL
30	OIL & GAS SERVICES GROUP (PAKISTANIES)	1,500	NIL
31	ASIA TRADING CO. (IRAQ)	2,000	NIL
32	MR MAKRAM HAKIM (INDONESIAN)	2,000	NIL
33	INDIAN CONGRESS PARTY	1,000	NIL
34	SHAMER ABDUL AL HAQ CO. (YEMENIES)	1,000	NIL
35	MR ALI BALLOT (LEBANES)	1,000	NIL
36	MR LAYTH SHUBAYLAT (JORDANIAN) - FIDUCIAS & INCOMED	2,000	NIL
37	MR MOHAMMED ASLAN (TURKISH)	1,000	NIL
38	MR NADR ALHASHIMI (MOROCCAN)	1,500	NIL
39	MR MOHAMMED ALBASSI (MOROCCAN)	1,000	NIL
40	SLOVAKIAN COMMUNIST PARTY - MR JOSEPH SHIFTS	1,000	NIL
41	MR MOHAMMED AL HONN (LIBYAN)	1,500	NIL
42	RSAD AL TAHER (IRAQI IMMIGRANT)	1,000	NIL
43	KYSON CO. (NIGERIAN)	1,500	NIL
44	MR SIFAN - U.K.	1,500	NIL
45	MR SAMIR VINCENT (AMERICAN) (IRAQI BORN)	1,000	NIL
46	ALHODA CO. (UAE)	4,000	NIL
47	GLOBAL TRADE AND INVEST CO.	1,000	NIL
48	MR SANDY MAJALI (SOUTH AFRICAN)	3,000	NIL
49	MOJAMEDE KHALIQ (IRANIAN)	5,000	NIL
50	CHAD'S FOREIGN MINISTER	1,000	NIL
51	MR GEORGE TARKHMANIAN (LEBANES)	1,000	NIL
52	DR SHAMIR AL KHAFATI (AMERICAN)	1,000	NIL
53	MR OSCAR WYATT (AMERICAN) - MEDNAFTA CO. (CYPRUS)	2,000	NIL
54	MA-LAWI GOVERNMENT	2,000	NIL
55	FILIPPINE PRODUCERS GROUP (PHILIPPINE)	1,000	NIL
56	MR SHAVEZ (THE 8 OCTOBER MOVEMENT) - BRAZIL	1,500	NIL
57	MR BASIM QAQISH (JORDANIAN) - LUSNA CO. (SPANISH)	1,500	NIL
58	P.L.O. (PALESTINE) - POLITICAL DEPARTMENT	2,000	NIL
59	MR WAFIA FAWFIQ ALSAYIGH (PALESTINE)	0,500	NIL
60	POPULAR FRONT FOR LIBERATION OF PALESTINE	2,000	NIL
61	MINISTRY OF ENERGY & MINERAL RES. (JORDAN)	1,500	NIL
62	MR NAJAH WAKIM (LEBANES)	1,500	NIL
63	MR OSAMA MA'AROUF (LEBANES)	1,500	NIL
64	MR MAHMUD MAJDI AL MA'ARAWI (EGYPTIAN)	3,000	NIL
65	TOKYO SIXWHEEL (SOUTH AFRICAN)	2,000	NIL
66	ARMENIAN FOREIGN MINISTRY	1,500	NIL
67	MR HANS KOGLER (AUSTRIAN)	1,000	NIL
68	MR BIHAM SING - (INDIAN)	1,000	NIL
69	PAKISTANIES GOVERNMENT	2,000	NIL
70	MR AHMED HASSAN (EGYPTIAN)	1,500	NIL
71	LEAD CONTRACTING & TRADING CO. (SYRIAN)	1,000	NIL

## Annex C Iraq's Budgetary Process

### Key Budgetary Actors

#### Ministry of Finance

*The MOF oversaw the formulation of the general government budget, which was based on the calendar year.*

- The budget process began in June when the MOF, headed by Hikmat Mizban Ibrahim al-Azzawi, Minister of Finance from 1995-2003, requested that other ministries and organizations submit their budget proposals.
- In October or November, each ministry submitted its proposed budget for the next fiscal year to the MoF Budget Office. The Budget Office and the various organizations began discussions at the technical level. The office negotiated with each ministry to arrive at an acceptable budget figure. If they could not reach an agreement, the finance minister met personally with the other minister to reach an accord.
- Budget proposals from each ministry formed the Regime's current spending (operating expenditure) input to the general government budget.

#### Ministry of Planning

*The Ministry of Planning (MoP) also negotiated with each ministry to arrive at an acceptable budget figure for their respective projects.*

- Projects submitted from each ministry formed the Regime's capital spending (infrastructure expenditure) budget input to the general government budget.
- This ministry was responsible for large projects designed to improve production and foster development in various sectors of the economy, particularly within the ministries of industry and agriculture, as well as the MoO and MoD, according to the governor of the CBI.

In the early 1980s, as a result of fluctuations in economic resources and the effects of the war with Iran, Iraq suspended its use of long-term economic planning. In 2001 and 2002, the former Regime restored the use of five-year and ten-year plans, respectively, as long-term planning tools. According to Iraqi press reports, the five-year plan was designed to foster economic development, distribute resources among government projects, and improve the country's production capabilities. The ten-year plan was concerned with long-term economic policy to achieve high economic growth rates. The Planning Commission worked with the EAC to create the ten-year plan and probably worked with the EAC on the five-year plan as well.

- In November 1994, Law No. 24 established the Planning Commission, abolished the MoP and took over all its rights and duties.
- In August 2002, an RCC decree reestablished the MoP (Some details of Law No. 24 continued to apply) and abolished the Planning Commission. The MoP "assumed its tasks, jurisdiction, rights, and obligations." This decree appointed 'Abd al-Mun'im al-Khattab, former head of the Planning Commission since the mid 1990s, as Minister of Planning.

#### Economic Affairs Committee

In late 1995, Saddam re-established the EAC to handle economic issues that would have normally gone to the Presidential Diwan. *The EAC had influence over fiscal and monetary policy issues such as government spending, taxation, importation and interest rates* and met weekly at the MoP. Some issues, presumably sensitive, were handled only by the head of the committee, rather than presenting them to the other committee members.

- Upon approval by the finance and planning ministries, the combined operating and capital/project budgets would go to the EAC—subcommittee of the CoM—for approval.

Members of the EAC were also heads of ministries and organizations within the régime. *The chairman of the EAC was Deputy Prime Minister and Minister of Finance al-Azzawi. The MIC Head, Abd al-Tawab*



**Mullah Huwaysh was the vice chairman of the EAC.**

Other members of the EAC included the:

- Minister of Oil.
- Minister of Trade.
- Minister of Agriculture.
- Minister of Industry and Minerals.
- Minister of Planning.
- Head of the Cooperative Economic Societies.
- Current CBI governor.
- One previous CBI governor.
- Several former finance ministers.

***A sub-committee of the EAC, known as the Foreign Currency Disbursement Committee (FCDC), met weekly, primarily to address the allocation of hard currency earned from Iraq's legal and illegal trade activity.***

- This sub-committee evolved from an ad hoc to a regularly scheduled affair. This probably occurred in 1997 or later when the Regime began to see an increase in its legal and illegal revenues from the implementation of the UN OFF program.
- Minister of Finance al-Azzawi maintained a close relationship with the governor of the CBI, Isam Rashid al-Huwaysh. The Governor provided the Minister with monthly reports on Iraq's hard currency balances.
- The FCDC reviewed contracts and the ministries' demands for hard currency, and also kept track of the country's foreign currency reserves in the CBI. Individual ministries knew how much foreign currency was available to spend only after the revenues earned through Iraq's illegal activities had been allocated by the FCDC. These revenues did not appear in the national budget.

The FCDC included six members:

- Minister of Finance (sub-committee head).
- Minister of Oil.
- Minister of Trade.
- Minister of Industry and Minerals.
- Current CBI Governor.
- One previous CBI Governor.

According to part of a captured budget document, ***some ministries and organizations were not funded through the MoF-led EAC discussions***, and others were only partially funded by this process. ***They received funds directly from the Presidency.*** Specifically, they received all or additional funds either through the chief of the Presidential Diwan, or the Presidential Secretariat. Some of these organizations included the:

- MIC.
- MoD.
- IIS.
- SSO.
- IAEC.

While the MIC and the MoD were partially funded by minister of finance-led EAC budget discussions, the IIS, SSO and the IAEC were not listed in the budget. Saddam probably ordered funds transfers in support of these organizations. The Presidential Diwan and the Presidential Secretariat also were not listed in the budget.

### **Budget Review and Approval**

After review by the EAC, budget recommendations were sent to the CoM for approval, where the budget became law. The RCC rubberstamped the CoM's

decision and issued a presidential decree signed by the president.

**Presidential Diwan Financial Accounts Department**

Any decision in any area that needed Saddam's signature, approval, comment or review had to be routed through one of the Diwan's departments. Fiscal decisions were routed to the Presidential Diwan's Financial Accounts Department.

- This department was responsible for reviewing government budget decisions, ministry requests for budget increases, new financial allocations, and any other financial matters except those for the IIS, SSO, and DGMI.
- Any ministry or organization's financial request outside of the annually allocated budget was to be sent to the president for review and or approval through this directorate.
- The department also managed domestic banking accounts reserved for the payment of employee salaries and Diwan expenditures.

**Budget Execution**

According to the minister of finance, funds were disbursed monthly to the various ministries' accounts in the CBI or Rafidian Bank. These monthly disbursements were approved by the MoF, and in the case of recurring expenses, such as salaries, the disbursement was made yearly. Monthly allocations were a portion of the annual budget for each ministry. Government funds were held by the MoF in accounts at the CBI and Rafidian Bank. Disbursements to other ministries were usually made from funds at the Rafidian and other state-owned banks (See Figures 4 and 5).

- The MoF, however, did not have authority to approve disbursements involving the Presidential Secretariat, the Presidential Diwan, the IIS, the Directorate of General Security (DGS), and certain secret MoD and MIC expenses.

**Role of the National Security Council**

*Those organizations whose budgets were not reviewed by the Presidential Diwan's Financial Accounts Department were presented to the NSC.*

Vice President and RCC Vice-Chairman Izzat Ibrahim al-Duri chaired the NSC with the head of the Presidential Secretariat, Abid Hamid Mahmud al-Tikriti—the Secretary of the NSC. Because both al-Duri and al-Tikriti headed NSC meetings, it is unclear who precisely exercised the most power. However, the Presidential secretary was influential. The NSC met a few times each year, as necessary, to discuss budget, security, and intelligence issues (for additional information on the NSC, see the Security Services Annex). Other members of the NSC included the following:

- Interior Minister.
- Foreign Minister.
- Qusay Saddam Husayn al-Tikriti, head of the RG.
- General Director of the IIS.
- General Director of the SSO.
- General Director of the DGMI.
- DGS.

According to late 1994 documents from the Secretariat of the NSC and addressed to the MoI, directors of the IIS, SSO, DGS, the Military Security Directorate, and the DGMI, met with the NSC to discuss their budgets plans. Meetings were held at the office of the vice-chairman of the RCC.

Documents from late 1994 indicate that the budget process for intelligence and security organizations, such as the IIS, the DGMI, and probably other organizations, involved roughly seven steps:

- The requesting organization sent a note to the NSC Secretariat requesting funds.
- The NSC Secretariat sent a note to the NSC Auditing Division requesting its opinion on the funds requested.

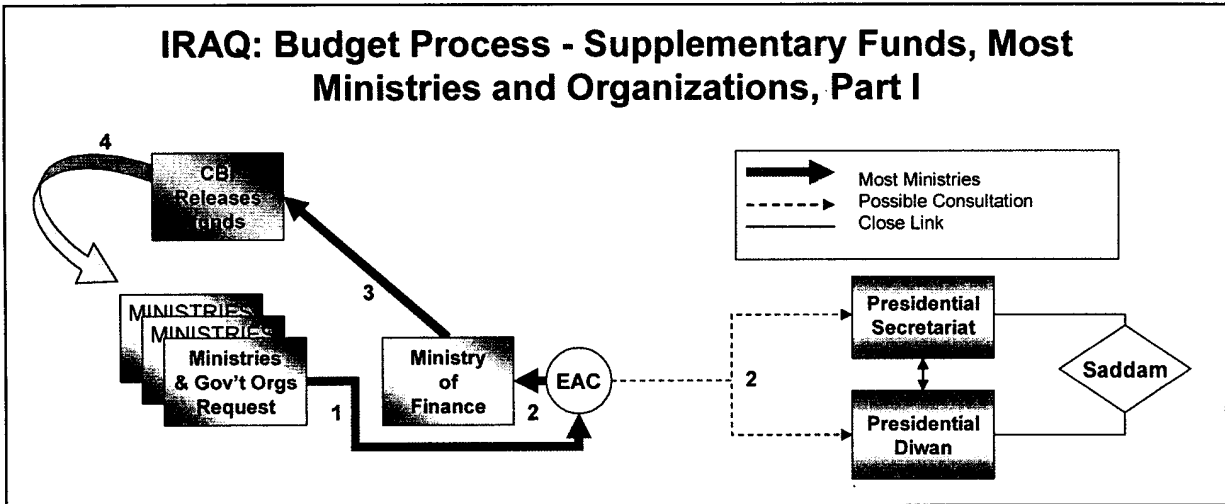


Figure 4. The Iraqi general budget process for most ministries.

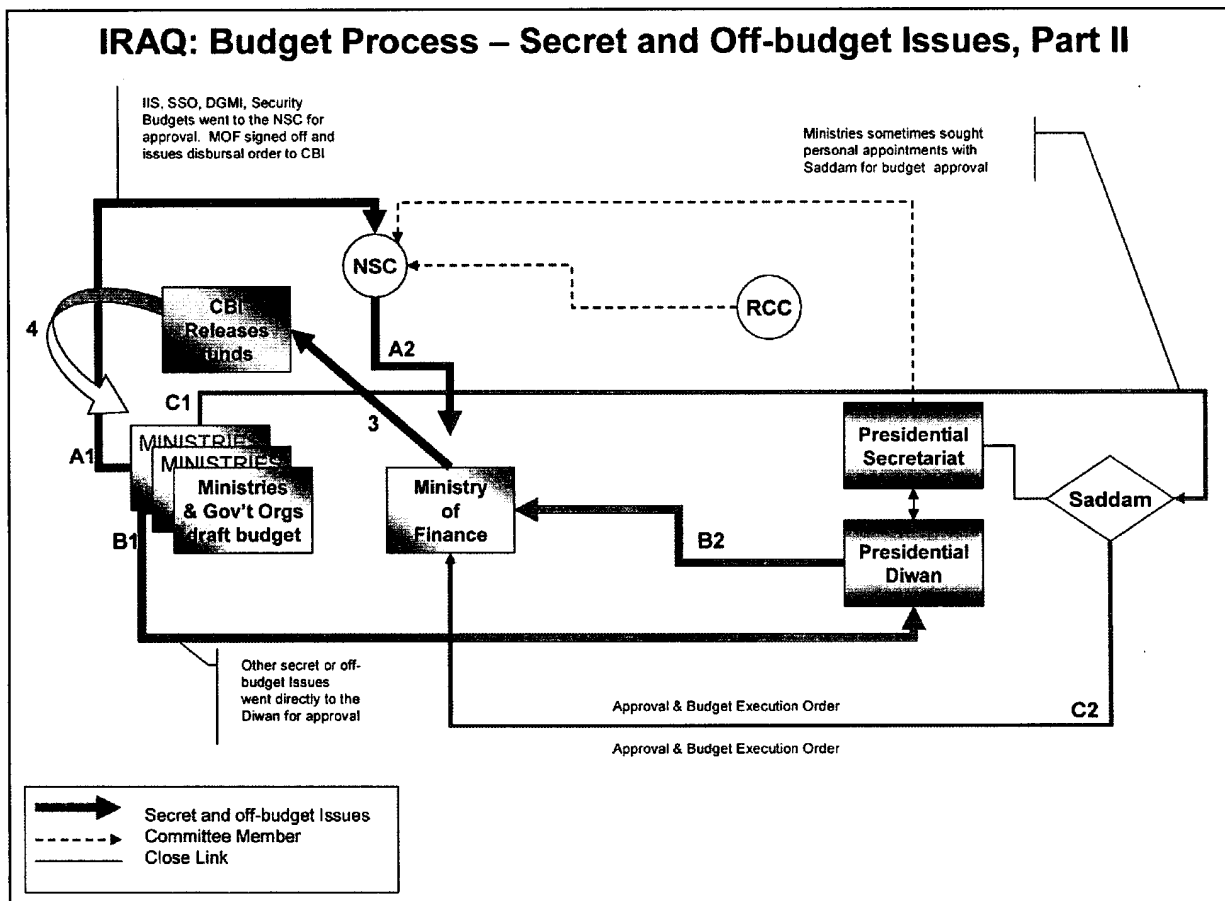


Figure 5. The Iraqi general budget process for secret and off-budget issues.

- The NSC Auditing Division sent a note to the Secretariat, approving the funds transfer. Depending upon the sensitivity of the request, the Auditing Division would suggest adding the requested funds to the organization's budget after receiving approval from Saddam. The NSC Secretariat would send a note to Saddam with the Auditing Division's suggestion. Upon the President's approval, the NSC Secretariat would send a note to the MoF informing it of Saddam's decision.
- The NSC sometimes sent a note within the Secretariat and to the requesting organization about the NSC's decision and to inform the MoF that it should add the funds to the concerned organization's budget.
- Finally, the NSC Secretariat sent a note to the Minister's office in the MoF informing it of the NSC's decision.
- According to the minister of finance, the Presidential Diwan probably also viewed NSC budget proposals before they were sent to the MoF.

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## Annex D Iraq Economic Data (1989-2003)

Under the rule of Saddam, economic data were considered state secrets; thus, reliable data for the era was limited. According to the Economist Intelligence Unit data (see Figure 6), Iraq's GDP stood at roughly \$38 billion in 1989, measured in constant 2003 dollars. From 1990 until Saddam accepted the terms and conditions of UN Resolution 986 in 1996 the GDP in Iraq remained at less than 30 percent of the 1989 value. In the 1996 to 2002 period, the data shows a gradual recovery as GDP increased from \$10.6 billion in 1996 to \$33 billion in 2000 before dropping back to \$29 billion in 2001.

Per capita GDP during the period followed the downward trend seen in overall GDP. GDP per capita went from approximately \$2304 in 1989 to \$938 in 1990. From 1991 until 1996 per capita GDP never rose above \$507. During this period income inequality was a problem as the wealth was concentrated in the hands of Regime loyalists and traders while most Iraqis subsisted on much less income.

In comparison to the estimates in Figure 6, the CBI published a statistical bulletin with GDP data in current prices (Figure 7). The data used in figure 7 were acquired in 2004 at the CBI. It should be noted that the validity or reliability of the data is unknown.

Because of the lack of specific economic data, it is difficult to disaggregate the Iraq GDP into sectors. It is estimated that in 1989 (Figure 8) oil comprised approximately 61 percent of the economy. However, following the invasion of Kuwait and sanctions on the oil exports, this steadily declined until 1996 when the UN OFF program allowed Iraq to resume controlled export of oil using UN approved contracts. The Agricultural sector of the GDP, although larger than some neighboring states, was quite small when compared to oil and services. Iraq's fertile agricultural land covers about one-fifth of its territory and has allowed Iraq to sustain a noteworthy agricultural system that is based mostly on barley and dates.

## Sources of Revenue

Iraq's oil development began in 1901. The Iraq National Oil Company (INOC) was formed in 1964, and with Iraqi oil nationalization between 1972 and 1975, INOC took over from the international oil companies previously running the country's oil industry. In 1987, INOC was dissolved and merged with the MoO. *Before the Gulf War, oil accounted for more than 60 percent of the country's GDP and 95 percent of foreign currency earnings. Following Iraq's invasion of Kuwait in 1990 and the embargo on Iraqi oil exports, Iraqi oil production fell to 10 percent of its prewar level from 3.5 million barrels per day in July 1990 (Figure 9) to around 350,000 barrels per day in July 1991.* UN-approved oil exports began in December 1996 after Iraq finally accepted UNSCR 986 (passed in April 1995). However, Iraq's oil sector continued to suffer from years of poor oil reservoir management; corrosion problems at various oil facilities; deterioration of water injection facilities; lack of spare parts, materials, equipment, and damage to oil storage and pumping facilities.

*Unlike most Gulf States, Iraq has considerable agricultural potential. About 12 percent of its land is arable, of which 4 percent is irrigated. Another 9 percent is suitable for grazing and 3 percent is forested. However, during Saddam's reign, Iraq did not effectively use its agricultural potential.* Under the Ba'ath party, activity in the food and agriculture sectors of the economy continued to decline. Government expenditures on agriculture dropped from 18 percent of total government expenditures in 1976 to less than 10 percent in 1980 and continued to decline during the Iran-Iraq war. Under Saddam, as a result of drought, lack of inputs, poor methods and weak administration, Iraq was unable to achieve agricultural production levels near its potential. Following the first Gulf war, the irrigation systems fell into disrepair and much of the irrigated cropland in central and southern Iraq was badly damaged by salinization. Rapid population growth during the past three decades, coupled with limited arable land and an overall stagnation in agricultural production has steadily increased Iraq's dependence on imports to meet domestic food needs. By 2002, under the UN OFF program, between 80 percent and 100 percent of Iraq's food staples were imported. However, Iraq remained self-sufficient in fruits and vegetables.

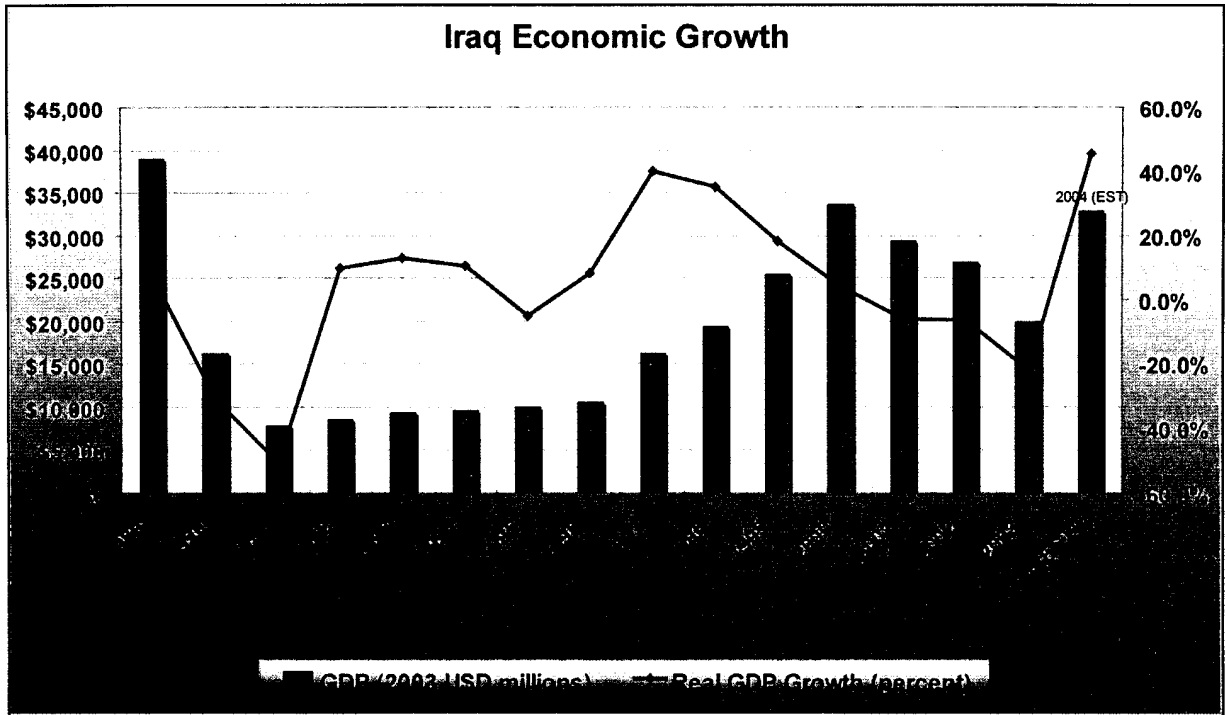


Figure 6. Estimated GDP/real GDP in 2003 USD.

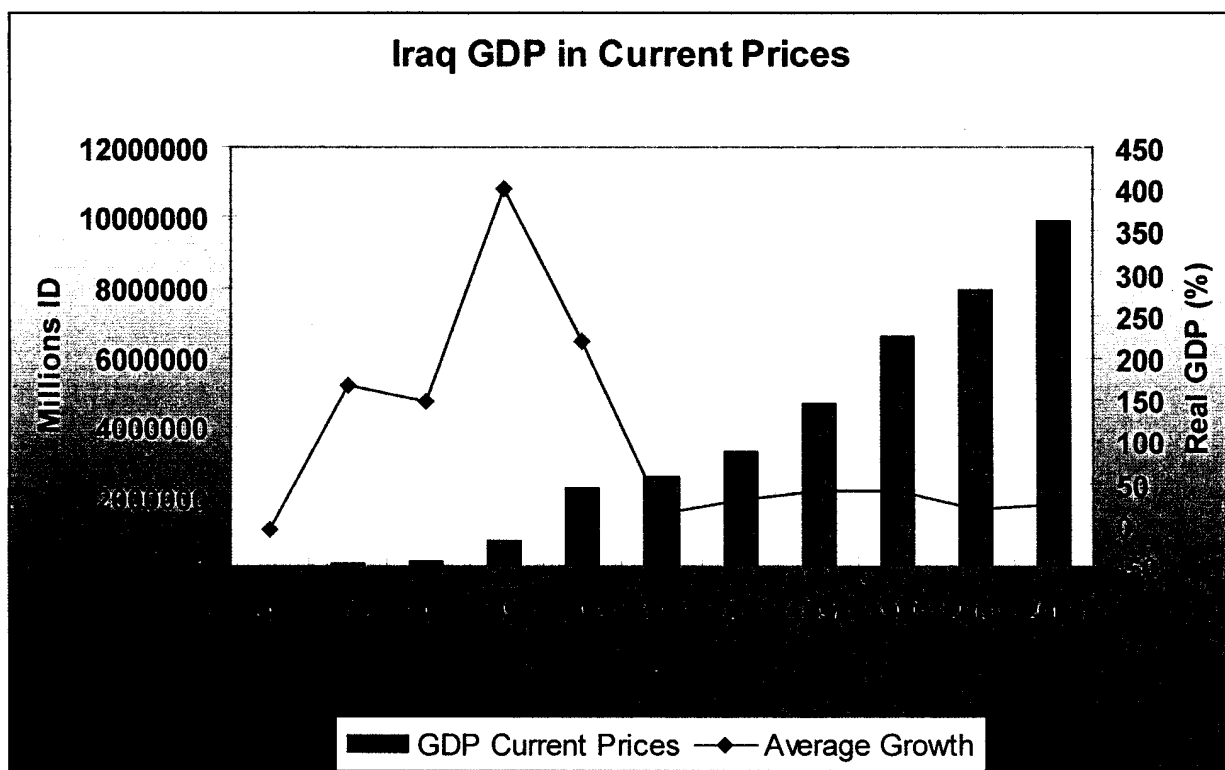


Figure 7. GDP in current prices.

Figure 8. Sectoral composition of Iraq's GDP, 1989.

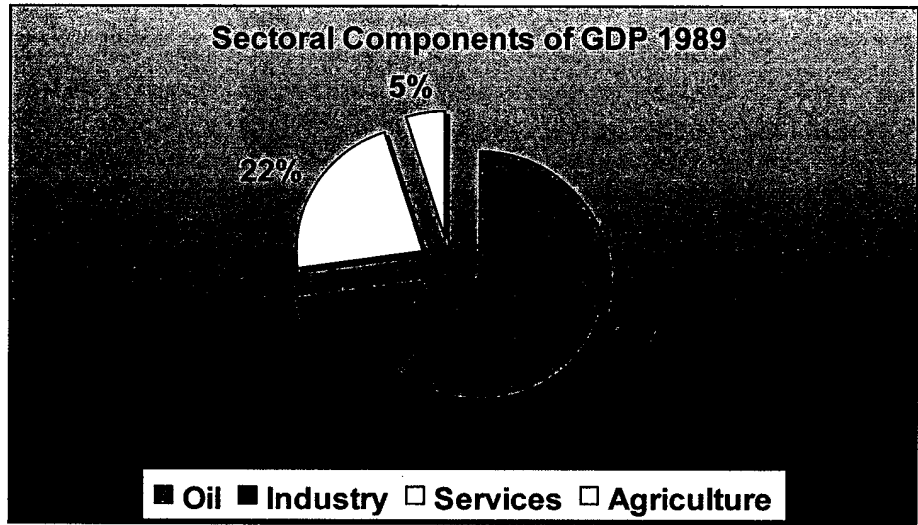
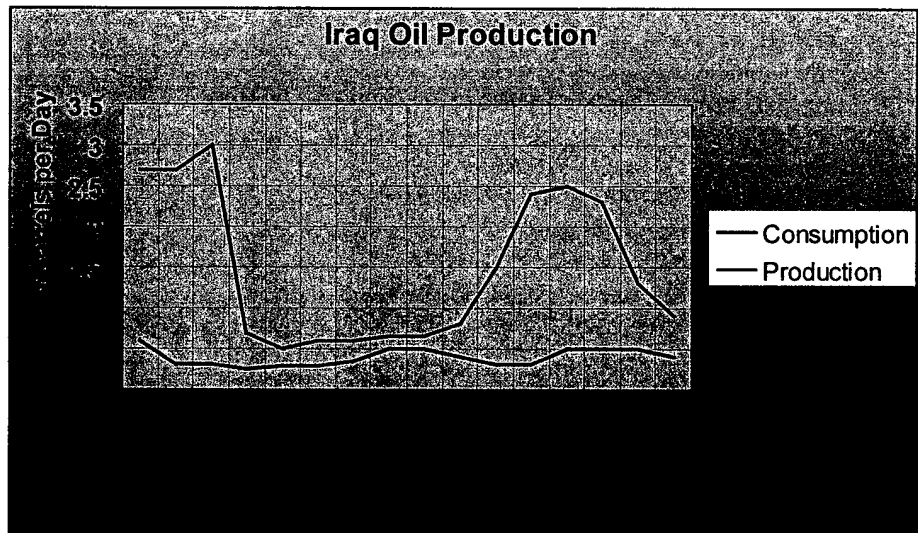


Figure 9. Iraq oil production, 1988-2003.





## **Industrial Diversification and Manufacturing**

Industrial development, diversification and manufacturing have gone through numerous phases in Iraq. In the mid-1970s a strong emphasis was placed on import substitution and the government established food-processing industries in smaller towns throughout the country. However, the main focus of development was on the petroleum sector, and refining, natural gas processing and some part of supplies for the industry developed in Basra and Kirkuk. The cement and building supplies industry also expanded rapidly. By the late 1970s the emphasis in development planning shifted toward heavy industry and diversification away from oil. Iron and steel production was set up with French assistance at Khor al-Zubair and the defense industrial sector received a high priority. However, objectives were ill defined and the economy's concentration on oil was never challenged. Inevitably, as with all other segments of the economy, manufacturing and industrial diversification was scaled down when the Iran-Iraq war began and never recovered.

## **Foreign Debt**

Iraq's indebtedness has been the result primarily of the war with Iran. Iraq traditionally had been free of foreign debt and had accumulated foreign reserves that reached \$35 billion by 1980. These reserves were exhausted in the early stages of the war with Iran. It is estimated that from 1980 to 1989 Iraq's arms purchases alone totaled \$54.7 billion. Following the war, Iraq was faced with the dilemma of paying off short-term debts to western creditors estimated between \$35 to 45 billion at high interest rates. However, the Regime resisted western attempts through the International Monetary Fund (IMF) and World Bank to reschedule the debt primarily because Baghdad believed it could negotiate more favorable terms dealing with countries bilaterally.

Iraq's foreign debt was comprised of western credit provided for military assistance, development finance and export guarantees. This assistance has been

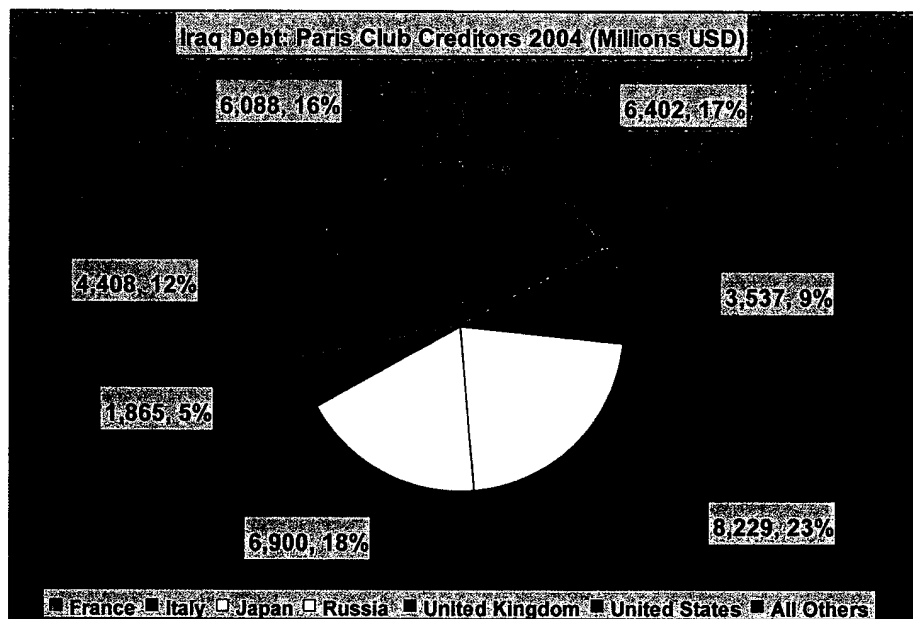
estimated at \$35 billion in principal. The former Soviet Union and Russia also provided loans to Iraq via the Paris Club during the 1980s and 1990s for the development and production of military programs (Figure 10). Gulf States such as Saudi Arabia, Kuwait and the United Arab Emirates provided an additional \$30 to 40 billion in financing to fight Iran (Figure 11). Although the Gulf States considered the financial support provided to Iraq to be a loan, Iraq believed that the Gulf States were required to provide help to Iraq in its fight to prevent the spread of radical Iranian fundamentalism.

In addition to the money borrowed by Iraq during the 1980s, Iraq has had compensation claims made for reparations of damage inflicted during the invasion and occupation of Kuwait during 1990 and 1991. The United Nations Compensation Commission (UNCC) was responsible for processing and collecting such claims as authorized by UNSCR 692. The OFF program provided that 30 percent of Iraq's oil sales would be used to settle compensation claims authorized by the UNCC. This figure was reduced to 25 percent in December 2000 and was set at 5 percent when oil exports resumed after OIF. As of 7 May 2004, claims totaling \$266 billion have been adjudicated and claims worth \$48 billion have been awarded by the UNCC. Additional claims worth \$83 billion need to be resolved.

Another source of potential financial obligations accrued by Iraq since 1990 were contracts signed with countries such as Russia, UAE, Egypt, China, France, and the Netherlands mainly in the energy and telecommunications sectors. Because of UN Sanctions during the period, the contracts were not executed. It is uncertain if these contracts will be honored in the future.

*Iraq's total foreign debt compared to GDP from 1989 until 2003 was not sustainable (Figure 12). Iraq was borrowing much faster than it was producing for over a decade (see Figure 13).*

**Figure 10.** Iraq's Paris Club creditors.



**Figure 11.** Iraq's major creditors (non-Paris Club).

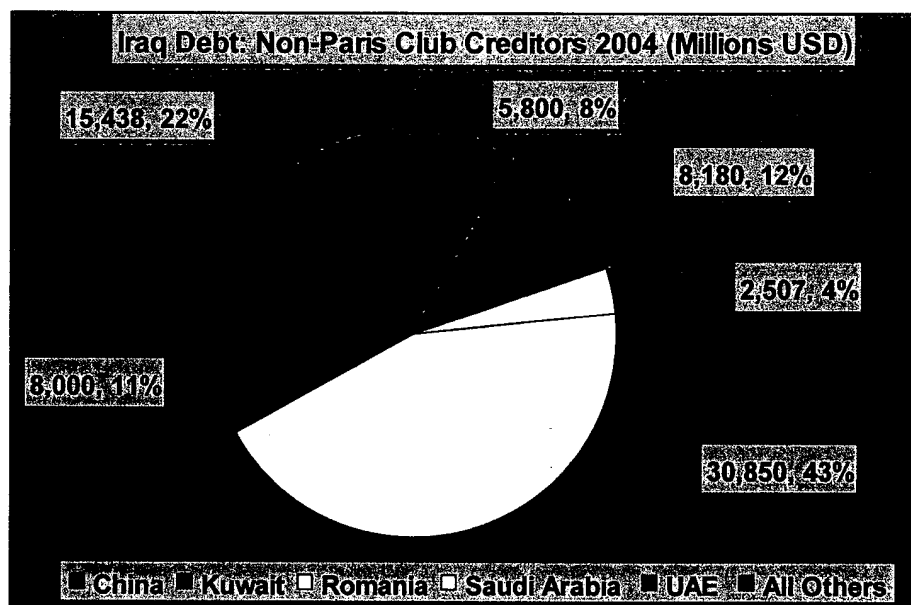


Figure 12. Foreign debt, 1989-2003.

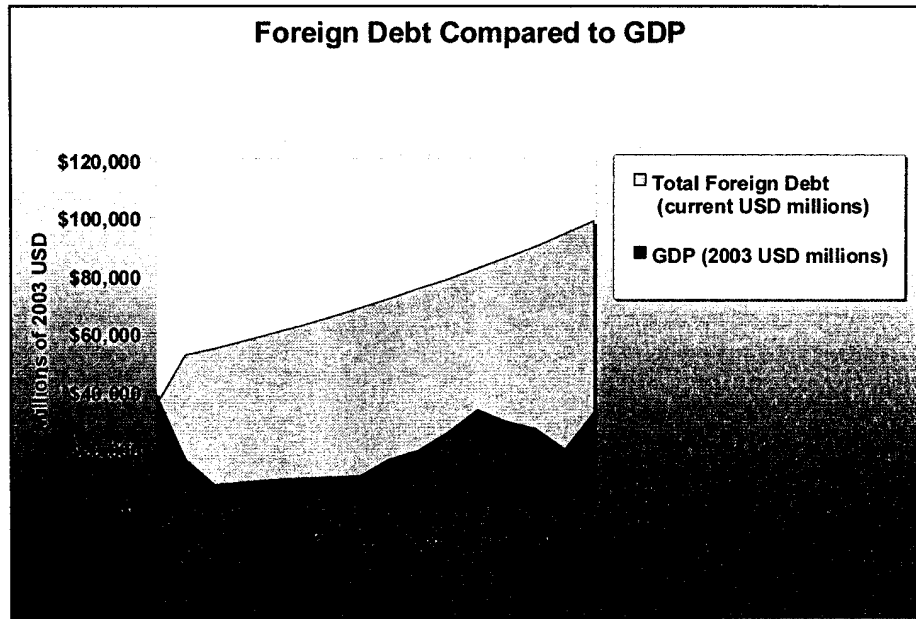
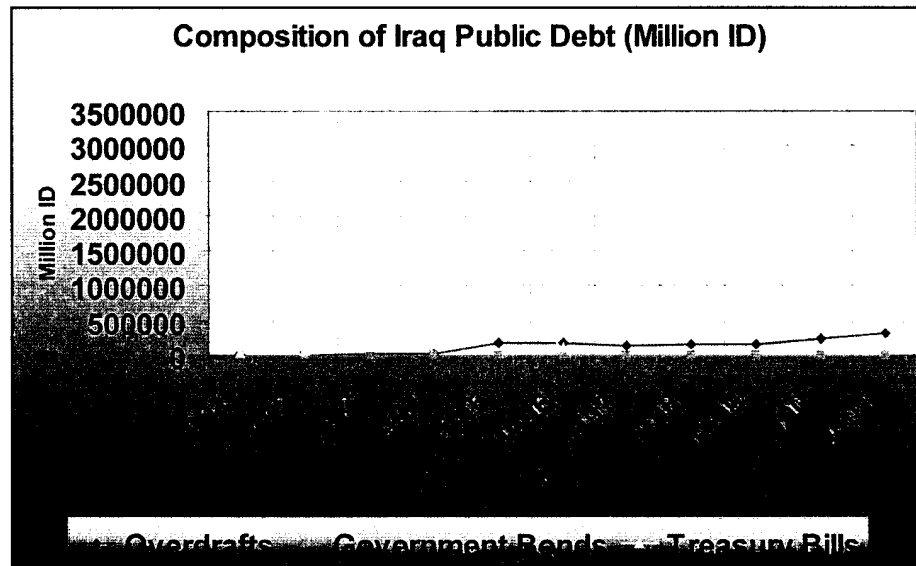


Figure 13. Iraq public debt (Central Bank of Iraq 2004).



## Balance of Payments/Exchange Rates

The Balance of Payments (BoP) is an account of all transactions between one country and all other countries—transactions that are measured in terms of receipts and payments. From the US perspective, a receipt represents any dollars flowing into the country or any transaction that require the exchange of foreign currency into dollars. A payment represents dollars flowing out of the country or any transaction that requires the conversion of dollars into some other currency. The CBI Department of Research and Statistics provided statistics on Iraq's Balance of Payments, which are summarized (Figures 14 and 15).

Exchange rates are important during these transactions because they represent the linkage between one country and its partners in the global economy. Exchange rates affect the relative price of goods being traded (exports and imports), the valuation of assets, and the yield on those assets. The CBI pegged its official rate between \$3 to 3.38 per dinar in the 1970s. The last official exchange rate of \$3.11 per dinar was set in 1982. During the 1970s the official and market rates generally corresponded and by 1980 the country had \$35 billion in foreign exchange reserves. Because of the war with Iran that figure had fallen to \$2 billion by 1987. The currency depreciated rapidly in the unofficial market during the Iraq-Iran war and after the first Gulf War the pace of depreciation increased further. During 1997 to 2003, the exchange rate fluctuated between 1500 -2000ID per \$1 and was fairly steady at about 1950 ID to \$1 in recent years. ***Although the Regime did not alter the official exchange rate after 1983, it acknowledged the rate differential in 1999 by allowing state run banks to exchange hard currency at the rate of 2000 ID to \$1. According to the statistical bulletin published by CBI (Figure 16) the numbers projected by sources in the US are consistent, with numbers reported internally. It is important to note that the validity and reliability of the data provided by CBI has not yet been evaluated.***

## Employment

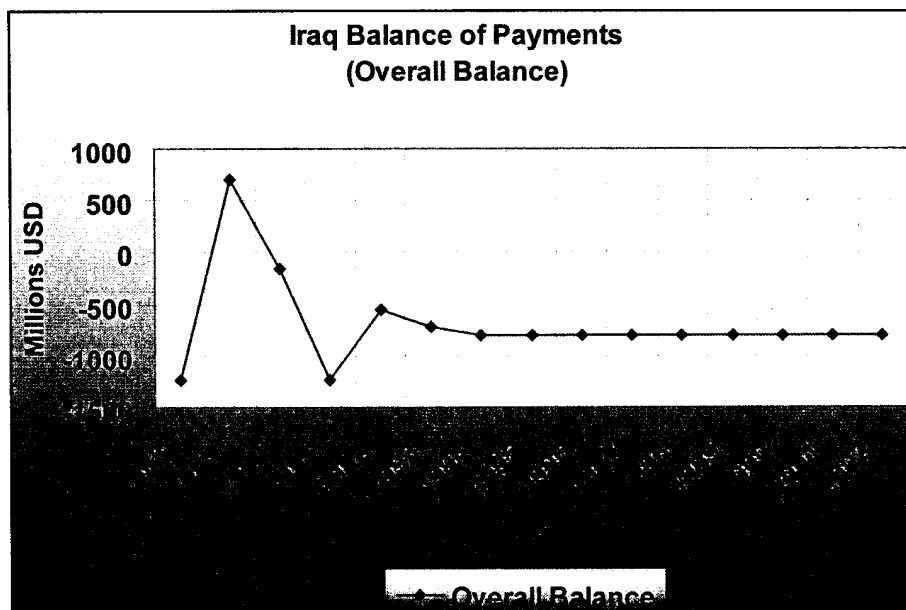
***Iraq's economy suffered from under-employment, an economic affliction that was typical of oil-based economies. Iraq's oil sector historically generated about 60 percent of Iraq's GDP, but only employed two to three percent of Iraq's labor force. Unemployment has risen significantly during the period of 1988-2003. Unemployment in Iraq during 2003 was estimated to be around 28 percent of the labor force.*** Some 40 percent of the employed are estimated to work in the public sector, many in marginalized economic activities, in difficult conditions, and for minimal pay. Women represent about 52 percent of Iraq's population, but constitute only 23 percent of the formal workforce, mostly as middle level professionals in the public and service sectors and in rural areas as seasonal agricultural workers.

***Over the long run, labor markets are affected by demographics, changes in productivity and the rate of growth in potential output. In the short run, these markets will reflect volatility in the level of economic activity. The unemployment rate in Iraq represents the ratio of those actively seeking work and the total number of people in the labor force. Iraq's economy was powered mainly by state run centrally controlled government entities. Although Saddam did encourage privatization during the 1980s, this was not successful because of the continuing conflicts and lack of financing and support for private business owners in Iraq.***

## Social Conditions and Indicators

***Following the war with Iran in 1988, Iraq was ranked 50th out of 130 countries on the 1990 UNDP Human Development Index (HDI). This index measures national achievements in health, education, and per capita GDP. Iraq was close to the top of the "medium human development" category, a reflection of the Government's continued investment in basic social services. By 1995, Iraq had declined to 106th out of 174 countries and by 2000 it had plummeted to 126th, falling behind Bolivia, Egypt, Mongolia and Gabon and close to the bottom of the "medium human development" category.***

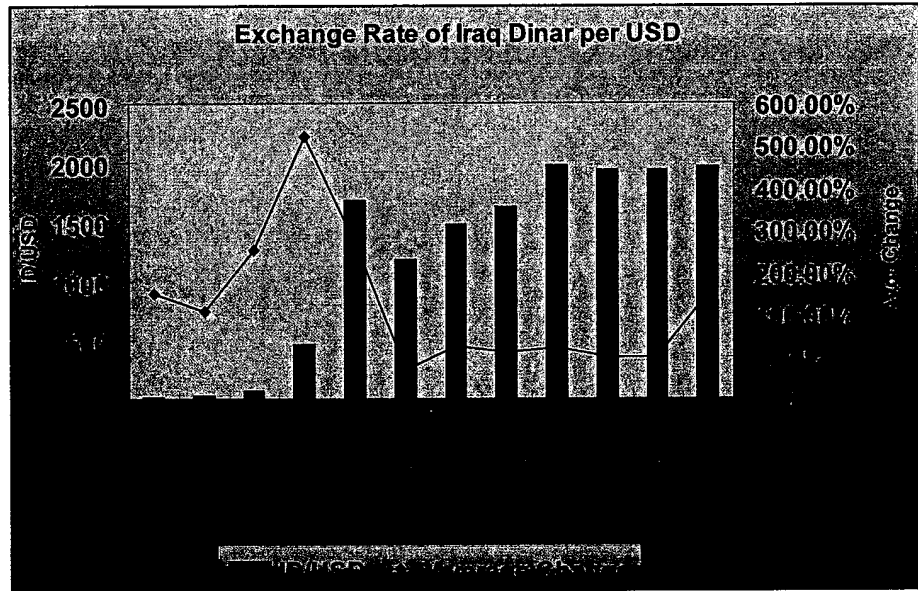
Figure 14. Balance of payments: overall balance.



Iraq Balance of Payments															
Items	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Current Account (net)															
TB+Services+Unrequited Xfers	-3713.4	-2872	-2418.1	-3407	-7076.2	-8451.1	-9128	-10547.3	-10046.1	-10129.7	-12045	-14527.8	-8169	-15410.2	-15762
Trade Balance	2193.9	3231.7	3801.1	-1303.8	-2146	-1623.9	-961.5	-928.4	-178.2	2702.5	2441.6	3969.7	7734.1	1720.1	2493.7
Exports	12387.6	15017.1	13710.1	1730.45	2108	1794.4	1720.4	1963	2764.9	6385.2	7427.8	13067	18742.6	12872.1	10236.2
Imports	10193.7	11785.4	9909	3034.2	4254	3418.3	2681.9	2891.3	2943.1	3682.7	4986.2	9097.4	11008.6	11152	7742.4
Services	-5518.6	5623.5	-5900.8	-2498.2	-5079.5	-6368.1	-8378.1	-9784.8	-10023.5	-11302.9	-12597.7	-14403	-9919	-13633.2	-15760.9
Services Exports (receipts)	646.6	599.6	586.4	221.6	291.5	347.4	197.5	265.4	241.3	371.6	391.8	229.7	229.4	428.8	536.9
Services Imports (payments)	6165.2	6223.1	6487.2	2719.9	5370.9	7335.5	8575.6	10050.2	10264.8	11674.5	12989.5	14632.7	10148.4	14062	16297.8
Unrequited Transfers	-392.8	-480.3	-318.5	395	149.3	160.8	211.7	166	155.7	-1529.3	-1889	-4094.5	-5984.1	-3497.1	-2495.3
Net Capital Account	1870.3	2295.3	3813	2841.2	5903	7274.7	7764.6	7716.7	10147.7	11431.3	12293.7	12161.5	12161.5	12161.5	12906.2
Net Errors and Omissions	616	1272.9	-1551.5	-666.5	610.2	460	559.1	2026.3	-905.9	-2105.8	-1052.9	1562.1	-4796.7	2444.5	2052.1
Overall Balance	-1231.1	696.1	-156.7	-1232.4	-563	-719.6	-804.2	-804.2	-804.2	-804.2	-804.2	-804.2	-804.2	-804.2	-804.2
Change in Net Foreign Accounts	1231.1	-696.1	156.7	1232.4	563	719.6	804.2	804.2	804.2	804.2	804.2	804.2	804.2	804.2	804.2

Figure 15. Balance of payments.

**Figure 16. Exchange rate ID/USD.**



Regime Finance and Procurement

*According to the HDI, an Iraqi born in 1987 could expect to live 65 years while citizens in bordering Jordan had a life expectancy of 67 years. By 1998 an Iraqi was expected to live only 63.8 years while a Jordanian saw an increase in life expectancy 70.4 years in 1998. Compared to Jordan, where the literacy rate rose from 75 percent in 1985 to 88.6 percent in 1998, Iraq's had dropped from 89 percent to 73.5 percent. In 1990, Iraq ranked three places above Jordan on the HDI. In 2000, Iraq placed 34 below Jordan.*

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## Annex E Illicit Earnings Sources and Estimation Methodology

Figure 17 and the subsequent notes describe how ISG derived its estimates for Iraq's various illicit revenue streams.

- The UN was aware of the Jordanian Protocol; consequently, it was not considered illicit. However, it is included in this section in order to document all the revenue streams Iraq possessed through its trade Protocols and oil sales programs.

### Jordan Protocol

Iraq has provided little data on the earnings from the Jordanian Protocol.

- *Data for 1991-95* is an ISG estimate based on accumulated Iraqi debt owed to Jordan over this period of \$1 billion—averaging \$200 million in “income” for each of the five years. To this was added an estimate for the amount of trade to be financed by Jordan under the trade Protocol of \$200 million per year. This provides a total of \$400 million per year.
- *Data for 1996-98* is the Protocol trade figure cited in press and other reporting.
- *Data for 1999-2001* is based on SOMO data for the value of invoices with Jordan under the general trade Protocol as well as a 60 percent credit, 40<sup>th</sup> percent cash arrangement with Jordan's Ministry of Energy and Mineral Resources. SOMO did not provide actual collections for this period so the invoice figure was adjusted downward based on the average difference (70 percent) between invoices and actual collections in 2002 and 2003. Seventy percent of the SOMO invoice figure is used to estimate Iraq's actual collections.
- *Data for 2002-2003* is based on SOMO actual collections under the trade Protocol and 60/40 arrangements.

### Syria Protocol

Data is based on SOMO actual collections. The program did not exist prior to 2000. Any exports to Syria prior to 2000 would be accounted for as private sector trade.

### Turkey Protocol

Data is based on SOMO actual collections. The program did not exist prior to 2000. Any exports to Turkey prior to 2000 would be accounted for as private sector trade.

### Egypt Protocol

Data is based on SOMO actual collections. The program existed only in 2001 and 2002. There is no evidence that oil exports to Egypt occurred except in these years.

### Import Kickbacks

This program did not exist prior to 2000. Iraq has provided little data on earnings from the UN OFF import kickback scheme. Data for 2000-2003 is based on:

- UN data for Iraq's oil earnings per phase.
- The amount of money actually spent on imports by the UN OFF program during its existence after deducting for UN purchases for the Kurdish North (contracts Iraq would not get kickbacks from).
- UN data that over \$16 billion in funds remained unspent when OIF started—more than the \$10 billion in earnings from phases 12 and 13 and indicating those earnings did not result in actual kickbacks received by Iraq.
- An assessment that lags between earnings and contract signings in the UN OFF procurement program resulted in the money earned in phase 7 of the program (prior to the implementation of the kickback scheme) actually being used to sign contracts and obtain kickbacks in phase 8 and later—when the kickback program was in effect.



	Jordan Protocol <sup>a</sup>	Syria Protocol	Turkey Protocol	Egypt Protocol	Import Kickbacks	Oil Surcharge	Private Sector	Total
1991	\$400	\$0	\$0	\$0	\$0	\$0	\$30	\$430
1992	\$400	\$0	\$0	\$0	\$0	\$0	\$30	\$430
1993	\$400	\$0	\$0	\$0	\$0	\$0	\$30	\$430
1994	\$400	\$0	\$0	\$0	\$0	\$0	\$30	\$430
1995	\$400	\$0	\$0	\$0	\$0	\$0	\$30	\$430
1996	\$220	\$0	\$0	\$0	\$0	\$0	\$30	\$250
1997	\$255	\$0	\$0	\$0	\$0	\$0	\$30	\$285
1998	\$255	\$0	\$0	\$0	\$0	\$0	\$28	\$283
1999	\$294	\$0	\$0	\$0	\$0	\$0	\$234	\$528
2000	\$481	\$45	\$51	\$0	\$375	\$4	\$391	\$1,348
2001	\$319	\$1,102	\$300	\$1	\$687	\$150	\$203	\$2,763
2002	\$537	\$1,242	\$329	\$32	\$399	\$74	\$50	\$2,665
2003	\$85	\$425	\$30	\$0	\$50	\$0	\$85	\$675
<b>Total</b>	<b>\$4,446</b>	<b>\$2,814</b>	<b>\$710</b>	<b>\$33</b>	<b>\$1,512</b>	<b>\$229</b>	<b>\$1,202</b>	<b>\$10,947</b>

<sup>a</sup> The UN was aware of the Jordanian Protocol; consequently, it was not considered illicit. However, it is included in this section in order to document all the revenue streams Iraq possessed through its trade Protocols and oil sales programs.

Figure 17. Iraqi illicit earnings by type, 1991-2003 (million US \$).<sup>a</sup>

Phase	Oil Earnings	% Total Earnings	Contracts per Phase	Kickbacks	Year	Kickbacks per Year
7	\$8,302	12.93%	\$3,754	\$375	2000	\$375
8	\$9,564	14.89%	\$4,325	\$433		
9	\$5,638	8.78%	\$2,550	\$255	2001	\$688
10	\$5,350	8.33%	\$2,419	\$242	2002	\$399
11	\$4,589	7.14%	\$2,075	\$208	2003	\$50
<b>Total OFF Earnings</b>		<b>OFF Spending, Baghdad</b>				
\$64,231		\$29,047				

Figure 18. Kickback earnings calculations.

The total value of contracts signed for and delivered by the UN under the UN OFF program was \$31 billion. Based on UN data as of December 2002, 93.7 percent of all contracts were signed by Baghdad. The UN signed the rest for the Kurdish North. Consequently, ISG estimates the value of contracts signed by Baghdad and paid for by the UN over the life of the program amounted to \$29.047 billion.

The earnings from each phase were calculated as a percentage of total UN OFF earnings (See Figure 18). This percent was then applied to total contracts signed by Baghdad and paid for by the UN (\$29.047 billion) to obtain an estimate for actual contracts per phase. Iraq earned roughly 10 percent of the contract value as a kickback so the contract value for each phase was multiplied by 10 percent. The phases, which roughly

account for half a year each, were then allocated to years to obtain the estimate for kickback earnings per year, as follows:

- Phase 7 for 2000.
- Phases 8-9 for 2001.
- Phases 10-11 (minus \$50 million) for 2002.
- The \$50 million from phases 10-11 for 2003.

#### **Oil Surcharges**

Data is based on SOMO actual collections. The program did not exist prior to 2000.

#### **Private Sector**

*Data for 1991-97* is based on an ISG estimate for the value of cash and barter trade conducted by the Iraqi government with private sector entities outside any Protocol or UN OFF program arrangements during the period. The estimate is based on observed oil export trends in 1997-1998 and an assessment of the development of Iraq's illicit trade capabilities. *Data for 1998-2003* is based on SOMO actual collections for cash transactions and the invoice value for barter trade (no cash or credit "collections" were realized from the barter trade).

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## Annex F Iraqi Oil Smuggling

Captured documents recovered shortly after OIF indicate that between 1992 and 2003 Iraq exported crude oil and other oil products to many countries or their nationals, who wittingly breached United Nations sanctions. UNSCR 661 restricted all member states from importing any goods, including oil and its derivatives, originating from Iraq.

### Case Study

The captured documents listed below indicate how Iraq arranged the illicit transshipment of oil with buyers by reference to signed contracts, letters, check payments and telex messages. This study includes summaries of contracts and letters exchanged between companies, banks and individuals in various countries including Iraq, Iran, Cyprus, France, Slovakia and the UAE. Additionally, these documents list some of the foreign companies and agents who were involved in the smuggling activities.

- Some of the Iraqi refineries were still operational after Desert Storm, and in spite of UN sanctions, continued to produce for export tons of gas oil that was primarily used for firing electrical power plants.

Smugglers, using small oil transporters similar to the one in the picture in Figure 19, bribed RG naval units on a regular basis in order to gain free passage through Iranian waters. To avoid Maritime Interdiction Force (MIF) patrols, these vessels would sail to the southern end of the Gulf and dart across the narrow straights from Iranian waters to UAE territory. In the majority of these cases, the vessels would then transfer their cargos of gas oil or fuel oil onto larger tankers; it would then be transported to market. This money making scheme benefited the smugglers, Iraqis, Iranians, and oil recipients alike.

The Al-Basha'ir Company was the largest front company created by the MIC in 1991. The company's name has been discovered on hundreds of contracts

for weapons and dual-use materials, as well as many legitimate day-to-day goods and supplies. In addition to dealing with oil, this company traded in items such as construction materials, foodstuffs, and power generators to cover its real activity, which was coordinating with neighboring countries to facilitate the purchase of illicit military equipment.

- A former employee of more than 15 years of the IIS, Munir Al-Qubaysi, headed Al-Basha'ir. Because of the IIS connections, relations between Al-Basha'ir and the IIS were especially close. In addition to those ties with the IIS, the operation of the company was handled closely by the MIC.

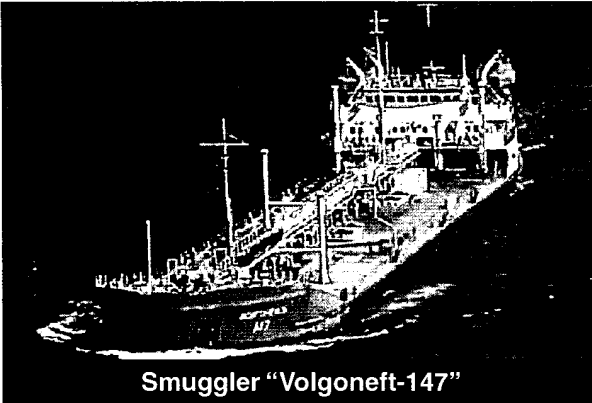
The last chairman of Al-Bashair's board of Directors was the head of the MIC's Administration and Finance Directorate, Raja Hasan Ali Al-Khazraji.

Information from contracts found and data derived from the records of the SOMO indicate that the Al-Basha'ir Company, in addition to being the largest front company, was also a major broker in Iraqi oil smuggling.

The Jordanian Al-Basha'ir Company, the Jordanian branch of Iraq's most important military procurement front company, signed contracts for the export of oil products from Iraq, according to SOMO records (see Figure 20). These records indicate that Al-Basha'ir signed 198 contracts from November 1999 through March 2003. We do not know if contracts were signed before this date. The contracts were for fuel oil, usually sold at \$30 per ton, and gas oil, usually priced at \$80 per ton. Almost all were for export by ship through the Arabian Gulf, although the destination of two contracts was listed as "North," which usually means Turkey.

- The value of the contracts totaled \$15.4 million. This is the amount to be paid to SOMO. We do not have information about the amount of money Al-Basha'ir earned from the trade.

The following inset is a translation of a contract, signed 2 June 1992, between Al-Basha'ir Trading Company and Al Walid Company for Export and Import. The contract states that Al Bashir agrees to sell oil to Al Walid, who was to transport the oil by



Smuggler "Volgoneft-147"

Figure 19. A smuggling tanker.

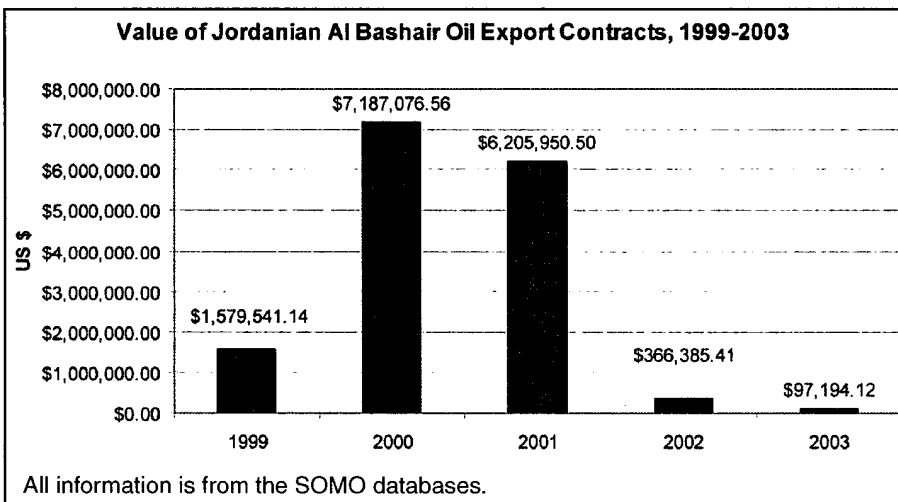


Figure 20. Value of Jordanian Al Bashair oil export contracts (1999-2003).

**ISG Translation of an Oil Sale Contract signed June 1992**

**First Party:** Al-Bashair Trading Company Limited  
Address / Baghdad / Al-'Adl District /Area 645 /Lane 8 /House 39  
Telephone #: 8852379

**Second Party:** Al-Walid Importing & Exporting Company Limited  
Address / Baghdad / Jamilah District /Al-Talibiyah /Safi-al-Din Street  
P. O. Box 5223

In accordance with the second party offer and approved by the first party, it was agreed that the second party would buy the Iraqi gas oil products in order to export it out of Iraq by land through Turkey, according to the following conditions:

1. Name of the Product: Iraqi gas oil
2. Quantity:
  - A) Approximately 132,000 US gallons per day plus or minus 10 percent. This quantity increased according to the availability of the product to 198,000 US gallons per day.
  - B) The total agreed quantity was over 14.5 million US gallons plus or minus 10 percent.
3. Quality: The guaranteed specifications of the product are in accordance with the local marketing specifications in Iraq.
4. Contract time period & implementation date: The contract is valid for 90 days starting on 15 June 1992, which is considered the starting date for carrying out the contract. On the condition of legalizing the contract one week from the contract's signing date, the contract can be renewed to an extra time period according to the approval of the two parties.
5. Freightin:
  - A) Freightin will be by the foreign tank trucks that enter Iraq from the northern zone and are specified by the purchaser who has to inform the seller about them as soon as they enter Iraq.
  - B) Freightin site is Hamam Al-'Alil store in Ninawa governorate or any other suitable site agreed by both parties.
  - C) Freightin should be for the full capacity of the tank truck (tanker). Also safety & security conditions are in store for the capacity of the other tankers in case of emergency, except for the main fuel tanker truck.
6. Final destination:

Turkey, through Iraqi borders.
7. Price:
  - A) 4 American Cents per liter freighted on the tank truck in the freightin store.
  - B) The aforementioned price is fixed for freightin all the mentioned quantity in clause 2 of the contract, in accordance with the mentioned freightin procedures in above-mentioned clause 5.
8. Payment:
  - A) Purchaser has to pay for the freighted product every ten days in cash in US dollars to the bank account of the company (first party) in the Central Bank of Iraq or any other bank account the first party chooses, in accordance with the commercial list issued by the first party.


B) Second party committed to pay the commercial list for the freighted quantities every ten days, within four days from date of issue, unlike the first party which has authority to stop freighting and/or apply delay interests on the second party in accordance to the ruling bank rate.

9. Contract implementation guarantee: The second party has to offer bank guarantee of the sum of 300,000 Iraqi Dinars for the benefit of the first party in order to guarantee the payments and implementation.
10. Implementation conditions:
  - A) The contract valid only during the economic siege of Iraq only, hence the contract's clauses will be reviewed when the economic siege circumstances end.
  - B) The first party will not bear any liabilities or responsibilities or expenses for the sake of transporting the product out of Iraq by the second party.
11. The first party has the right to cancel the contract in case of breaking any condition by the second party without requiring notice or court judgment.
12. Other conditions: Freighting executed in accordance to the general freighting conditions, operational instructions attached to the contract which are considered as an integral part of the contract.
13. All communications & correspondence between the two parties should be in accordance to the official addresses that are mentioned in the contract.
14. This contract must be legalized by the administrative board of the company within (7) days from the date of signing the contract.

Composed in Baghdad on 2 June 1992



First Party  
Al-Bashair Trading Company Limited



Second Party  
Al-Walid Importing & Exporting Company Limited

truck to the Turkish border. Although a valid contract during the duration of the UN sanctions on Iraq, it was to be reconsidered if the sanctions were lifted. The contact was scheduled to permit the shipment of approximately 132,000 US gallons per day (plus or minus 10 percent) and this figure could increase to around 198,000 US gallons per day, depending upon available supplies. The total quantity to be sold was approximately 14.5 million US gallons (plus or minus 10 percent) within a 90-day period, as from 15 June 1992 and might be renewed dependant upon both parties agreement. Monies were to be paid into an account at the CBI.

Figure 21 is a summary of a letter from the Wadi Hajar Trading Company Baghdad to Scrufys Moro Holdings, Pediment Holdings, Ocellus Company, Limassol, Cyprus. This letter refers the signed contract between the Pediment Company and the National Iranian Petroleum Distribution Company. The start date for delivery was specified as 15 December 1993 and the delivery was to the port of Bandar e Mahshahr. The Iraqi side gave guarantees of security.

Figure 22 is a contract between the national Iranian Petroleum Distribution Company Tehran, Iran and Pediment Holdings Tehran (registered in Cyprus) who was represented by a Mrs. Parvin Moeini Jazani. The subject of the contract was the delivery of 100,000 tons of gas oil by pediment Holdings. The place of delivery was given as the Oil Berth Jetty of Bandar e Mahshahr or Siri Island. The contract was signed on 06 December 1993.

The letter shown in Figure 23 is from Max Moini, who coordinated the shipment of oil products. Talks were held with various organizations including the National Iranian Tanker Company, National Iranian Oil Company, the Ministry of Intelligence (Iran) and the Foreign Affairs Ministry.

On 23 November 1993, A. J. Khazamipour, Managing Director of Rashi International, sent a letter (see Figure 24) to Mr. Goran from the Pediment Holding Company. Rashi International, a Dubai-based company and a subsidiary of I.O.S. group of companies, passed on to Goran a "tax" bill from the Iranians for using the "coordinated area" during this operation. The Iranians valued their support at 40 cents per ton plus 10 cents for the "coordination" expenses.

Soon after, A. J. Khazamipour and Rashi International sent another letter dated 29 November 1993 (see Figure 25) to Mr. Goran of Pediment Holding requesting that he pay \$40,000 for a deposit for the project.

A copy of two checks (see Figure 26) made out to Mr. Moini for the "deposit concerning diesel operations." One check is \$40,000 for the deposit and the second for \$6,250 covering the 25-percent commission fees. The signature in the check's signature block resembles the signature of A. J. Khazamipour from the previous letters discovered from a named US company .

Figure 27 is a contract for petroleum products between the seller, Wadi Hajar Trading Company, Ltd., of Baghdad and the buyer, Pediment, Ltd., Limassol, Cyprus. The contract discusses the options of using barges or pipelines. Interestingly, it is specified that the transport of the oil products might be by road tankers. The contract stipulates that the buyer undertakes to issue a letter of guarantee for a value of \$1million.

Figure 28 is a letter addressed to Mr. Muhammad Said Kuba from Pediment Holdings, Ltd., Cyprus. The letter states that Pediment is ready to buy petroleum products via the Iraq-Iran border pass at Zirbatia Mehran by using trucks. Payment for such was to be made by cash to an Amman Bank account.

The recovered contract shown in Figure 29 listed the seller, Al-Basha'ir Trading Company, Ltd., Baghdad, and the buyer, Unipack Paris Company. The contract was signed and dated 27 April 1993. The products mentioned include gas oil, kerosene, gasoline and fuel oil and it is indicated that the transport of the products will be by road tankers and will take place at Basra storages.

Next, Figure 30 shows a letter authorizing the Czech Republic Company, Exim Praha, to procure crude light oil from the Iranian border.

Figure 31 is a telex from a French bank to a bank in Brussels that indicates that Vitol Geneva of Switzerland opened a letter of credit for Unipack of Belgium for an amount of \$12,518,129.



TO : WADI HAJAR TRADING CO  
ATTN : MR. M.S. KUBBA  
FROM : SCRUFY S MORO HOLDINGS, PEDIMENT HOLDINGS, OCCELUS CO  
REF : BARTER

DEAR SIR,

REFERENCE OUR TODAY CONVERSATION WE WOULD LIKE TO INFORM YOU ABOUT OUR PROPOSAL ( SUGESTIONS ) IN FINALAZATION OF THIS DEAL AS YOU CAN SEE FROM THE COPYES WHICH IS WITH YOU PEDIMENT CO. SIGNED CONTRACT WITH N.I.O.C. CO. FROM THE CONDITIONS OF CONTRACT WE HAVE TO START WITH DELIVERY 15.12.1993. TO PORT BANDAR MASHAR. THE BEST WAY IS TO USE BARGAS. OUR SUGESTION IS THAT WE USE A BARGAS. FROM THIS CONTRACT YOU CAN SEE THAT IRANIAN SIDE GAVE US THE WHOLE GUARANTEE FOR SECURITY OF YOUR BARGAS, AND ALSO WE AVE PAYED FOR IT AS YOU CAN SEE FROM THE COPYES OF THE CHECKS. WE WILL START WITH ONE BARGA AS TEST DELIVERY FROM YOUR PORT IN BASRA AREA AND WE ARE READY TO SUPORT VALUE OF THE BARGA WITH BANK GUARANTEE FROM PRIME WORLD BANK.

FROM YOUR SIDE WE NEED INFORMATIONS ABOUT BARGAS , AMOUNT OF BARGAS , CAPACITY OF EACH ONE , CAPACITY OF THE PUMPS PER HOUR IN THE PORT AND ON BARGA, HOW MANY BARGAS IS AVAILABLE , YOUR READINESS FOR STARTING OF THE OPERATION. DURING THE DAY WE WILL LOAD AND ANLOAD THE GOODS ( GASOIL ) AND DURING THE NIGHT WE WILL NAVIGATE.

FOR THE GOODS WE CAN OFFER YOU A BANK GUARANTEE WHICH YOU HAVE A COPY WITH TRANSFERABLE NOTE TO WADI HAJAR TO JORDANIAN FINANCE AND INVESTMENTS BANK AMMAN.

ALSO WE AVE ORGANIZE ONE WESSEL CAPACITY 3000 MT WHICH WILL ENTERIT TO YOUR TERRITORIAL WATER AND LOAD IN SHAT EL ARAB OR CHANGED CAPACITY " FULL FOR EMPTY ". THAT VESSEL WILL NAVIGATE

FROM PLACE OF LOADING TO DUBAI EVERY 3 TO 5 DAYS.

MR. KUBBA , AS YOU CAN SEE OUR GROUP OF COMPANIES WORKED VERY HARD IN ORDER TO FIND A GOOD AND SAVE WAY AND WE BELEIVE THAT WE ARE DONE IT. IN OUR OPINION IS TAHT THE WAY THROUGH N.I.O.P.D.C. IS THE BEST WAY AT THIS MOMENT AND WE BELEIVE THAT YOU WILL DO YOUR BEST TO HELP TO ALL OF US TO FINALIZE IT SUCCESSFULLY.

LOOKING FORWARD TO HEAR FROM YOU PROMPT ANSWER ,  
WE REMAINE .

BRANKO GARIC

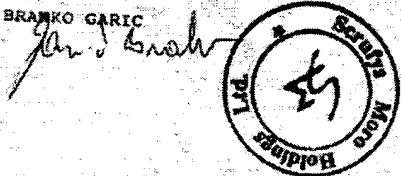


Figure 21. Summary of a letter from the Wadi Hajar Trading Company.

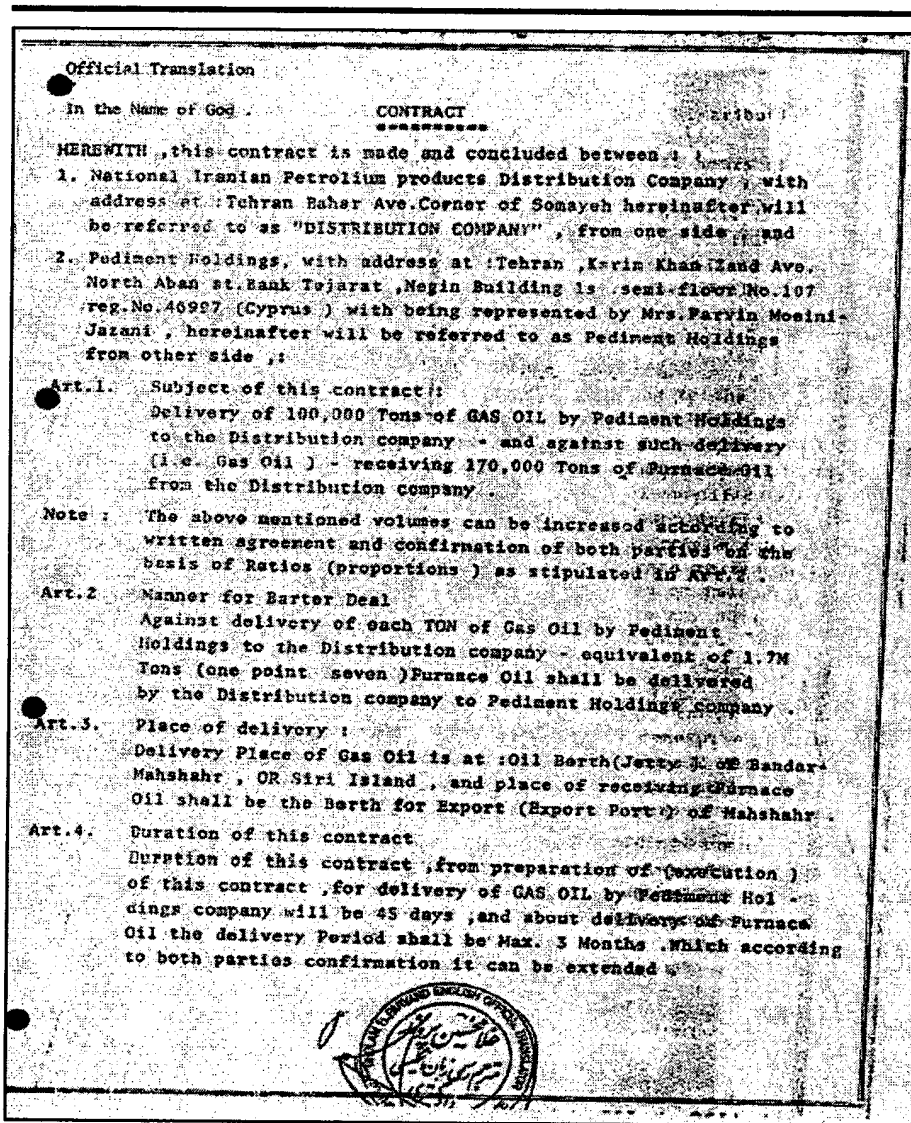


Figure 22. Contract between the National Iranian Petroleum Distribution Company Tehran, Iran and Pediment Holdings Tehran.

pp2.

Note 1 : 1st. Gas Oil consignment shall be delivered to Distribution company on 15th. Dec. (Iranian date .24.9.1372 ) .

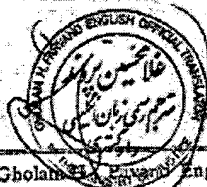
Note 2 : 1st. furnace Oil consignment should be within 72 hours after receipt of 1st. Gas Oil consignment .

Note 3 : Delivery dates for subsequent consignments of Gas Oil in capacities of 25,000 MT. after announcement of Distribution company, shall be Max. 45 days, and subsequent delivery of Furnace Oil shall be within Max. 3 months after delivery of 1st. delivery of Gas Oil .

Art. 5. Particulars of the products  
Specifications of products shall be according to the Standards of Distribution company, and on the basis of attached Technical specifications which shall be considered as an integral parts of this contract. In case either one of the products does Not conform with technical specifications as stated, BOTH parties are entitled by announcing the matter and mentioning the reasons avoid and decline from taking delivery of the products, in which case neither one of the parties will have the right to protest or raise loss claims, and if either one would Institute any such claims to any authorities, it shall be considered as VOID and Invalid .

Note : Specification of Gas Oil, shall be checked by taking sample from vessel carrying gas oil, prior to its receipt - and Specifications of Furnace Oil shall be checked, and determined at Tanks of the Distribution company prior to be delivered to the vessel of Pediment Holdings company .

Note: According to the requisition of Pediment Holdings company, if needed, it is possible to use representative of SGS Inspection company for sample taking and testings, in which case cost incurred and sustained by this services shall be paid by Pediment Holdings company .



Gholam... English Official Translator to the Ministry Of Justice Of Islamic

Figure 22. Contract between the National Iranian Petroleum Distribution Company Tehran, Iran and Pediment Holdings Tehran (continued).

Art. 6. Responsibilities resulted from any problems resulted from stoppage of unloading operations from vessel containing Gas Oil caused by non Iranian factors shall be borne by Pediment Holdings, and in this connection Distribution company shall have no responsibilities.

Note: Distribution Company is responsible, after announcement of the pediment company (Pediment Holdings) take on time actions for unloading vessel carrying as oil, and in case of having un-necessary delays more than common period (on the basis of International tariff and standards) they pay the respective demurrage costs.

Art. 7. In case of occurrence of any disputes in connection to above mentioned products, both parties agreed that by introducing a representative from both parties take action to resolve the possible disputes and problems (rectify them), and if they failed to reach the agreement (i.e. agents from both sides) the case shall be assigned to the Department for Supervision on Export of Oil materials and Technical Inspection Department of OIL Ministry.

Art. 8. This contract constitutes 8 arts. and 7 notes, and it is signed on 6th. Dec. 1993 in two copies which both copies having identical validity and authentication, and it is effective and binding as of 6th. Dec. 93. for BOTH parties concerned.

signed and sealed:

1. National Iranian Petroleum products Distribution company NI O P D C - by its representatives: Mr. Mohammad Ali Yazdan Bakhsh / Mr. Ali Agha-babaei / Mr. Firouz Sohrabi / Positions respectively: Supply Distribution director / Transport Director / Commercial director
2. Pediment Holdings company. Mrs. Parvin Moeini Jazani

Seal of OIL Ministry - above mentioned Distribution co. as affiliate co. of this Ministry. seal of Pediment Holdings co.

Seal of the Ministry of Oil and Gas

Seal of Pediment Holdings Company

Seal of National Iranian Petroleum Products Distribution Company

Figure 22. Contract between the National Iranian Petroleum Distribution Company Tehran, Iran and Pediment Holdings Tehran (continued).

DEAR A.J.,

IEN SUB TELEPHON LAST NIGHT AND JOHN PAA TODAY 23.11.95 I AM PLEASED TO BRING YOUR KIND ATTENTION TO THE FOLLOWINGS:

1. AS ALREADY EXPLAINED TO COORDINATE THE SHIPS PROJECT WE HAD TO TALK WITH OUR PEOPLE IN DIFFERENT ORGANIZATIONS SUCH AS:

- NATIONAL IRANIAN TANKER CO.,
- NATIONAL IRANIAN OIL CO.,
- MINISTRY OF INTELLIGENCE,
- FORIGEN AFFAIRS MINISTAMY.

THESE CO-ORDINATIONS IS ESSENTIAL BECAUSE OF THE POLITICAL ASPECTS / THE PROJECT AND ALSO TO SECURE THE SHIPS OPERATIONS.

WE ARE ALREADY GAVE GRANTEE FOR 70,000 USD WHICH SHUOLD BE PAIED FORS THE SHIPS LOADING, ALSO 30,000 USD IS PAIED TO THE IN ADVANCE. E A.M. CHARGES ARE FOR THEIR INFORMATION AND THEIR TRY TO GET THE LEPTANCE OF THE FIRST BANK MANAGERS.

ALSO FOR THE SECURITY BACK UP DURING THE LOADING THEY ARE LOOKING AT LEAST 0.30 USD/MT IN LACK CARGO WHICH WILL BE PAIED AFTER LO- NO BUT WE MUST GIVE THEM A RELIABLE GRANTEE BEFORE LOADING.

AT THE TIME BEING THEY ARE PUSHING ME FOR THEIR GRANTIES: A FEW WTE AGO I HAD A TELEPHON WITH THEM AND THEY EMPHESIZED THAT "IF WE OF RECIEVE OUR CASH AND GRANTEE WE WILL NOT PRIMITE THE SHIPS TO BE JOB".

BE NOTE THAT NOW THEY ARE SENSITIVE AND THEY MAY MAKE MANY TRUB- IN ME AND THE PROJECT.

SURE THAT YOU UNDERSTAND MY SITUATION YOU WILL TRY YOUR BEST TO

Figure 23. Personal letter from Mr. Max Moini.

رشي العالمية  
**RASHI INTERNATIONAL**  
 SUBSIDIARY OF I.O.S. GROUP OF COMPANIES

DATE: \_\_\_\_\_ OUR REF. NO.: \_\_\_\_\_ YOUR REF. NO.: \_\_\_\_\_

DATE: NOVEMBER 23, 1993  
 OUR REF. NO.: FD3229/1193/AJM

TO: PUDIMENT HOLDING LTD.  
 ATTN: HR. GORAN  
 FAX NO.: 00-337-3-330190

SUBJECT:

ENCLOSED PLEASE FIND A COPY OF A FAX RECEIVED FROM IRAN FOR CHARGES SHOULD BE PAID FOR USING THE COORDINATED AREA AND ALSO THE SUPPORT THEY MAY GIVE US DURING THE OPERATION.

THEY WERE INSISTING FOR 40 CENTS PER TON PLUS 10 CENTS FOR THE COORDINATION. I WROTE A FAX IN 8 PAGES IN PERSI (WILL SHOW IT TO YOU WHEN YOU VISIT DUBAI) I WAS FIGHTING TO BRING THEM DOWN TO 30 CENTS PER TON.

ANYHOW EVERYBODY IS TRYING TO SOME HOW TAKE ADVANTAGE'S. PLEASE STUDY THE CONTENTS AND SEND US YOUR RESPONSE.

VERY TRULY YOURS,  
 FOR RASHI INTERNATIONAL

*A. J. Khazamipour*

A. J. KHAZAMIPOUR  
 MANAGING DIRECTOR


RASHI I.O.S.  
 P.O. BOX 1193  
 TEL: 8714-27111  
 FAX: 8714-271157

BANKER:  
 BANK MELLIRAN  
 DUBAI MAIN BRANCH  
 TEL: 8714-216297  
 FAX: 8714-217096  
 ACCOUNT NO: 38912

APT. NO. 402, 4th FLR. ARAB AFRICA BANK BLDG., ABUJA NASSR SQUARE P.O. BOX: 1818  
 DUBAI, U.A.E. TEL: 8714-271181 (2 LINES) TELEX: 484304ORAS FAX: 8714-271187

Figure 24. Letter from A.J. Khazamipour, Rasi International.

Regime Finance and Procurement


**رشي العالمية**  
**RASHI INTERNATIONAL**  
 SUBSIDIARY OF I.O.S. GROUP OF COMPANIES

DATE: \_\_\_\_\_ OUR REF. NO.: \_\_\_\_\_ YOUR REF. NO.: \_\_\_\_\_

**TOP URGENT**

DATE: NOVEMBER 24, 1993  
 OUR REF. NO.: F09280/1193/AJK

TO: PEDIMENT HOLDING LTD.  
 ATTN: MR. BORAN  
 FAX NO.: 00 3575 340 190

SUBJECT: SHIPMENT PROGRAM  
 \*\*\*\*\*

DEAR MR. BORAN,

I HAVE A FAX ON MY DESK FROM TEHRAN, IT IS IN PERSI, BUT FOLLOWING YOU WILL FIND TRANSLATION OF THE FAX.

"QUOTE":

MR. KHAZAMIPOUR

WE HAD A MEETING WITH ALL MEMBERS INVOLVED IN THE OPERATION OF LIFTING PETROLEUM PRODUCTS SHIP TO SHIP AND ALL AGREED ON FOLLOWING.

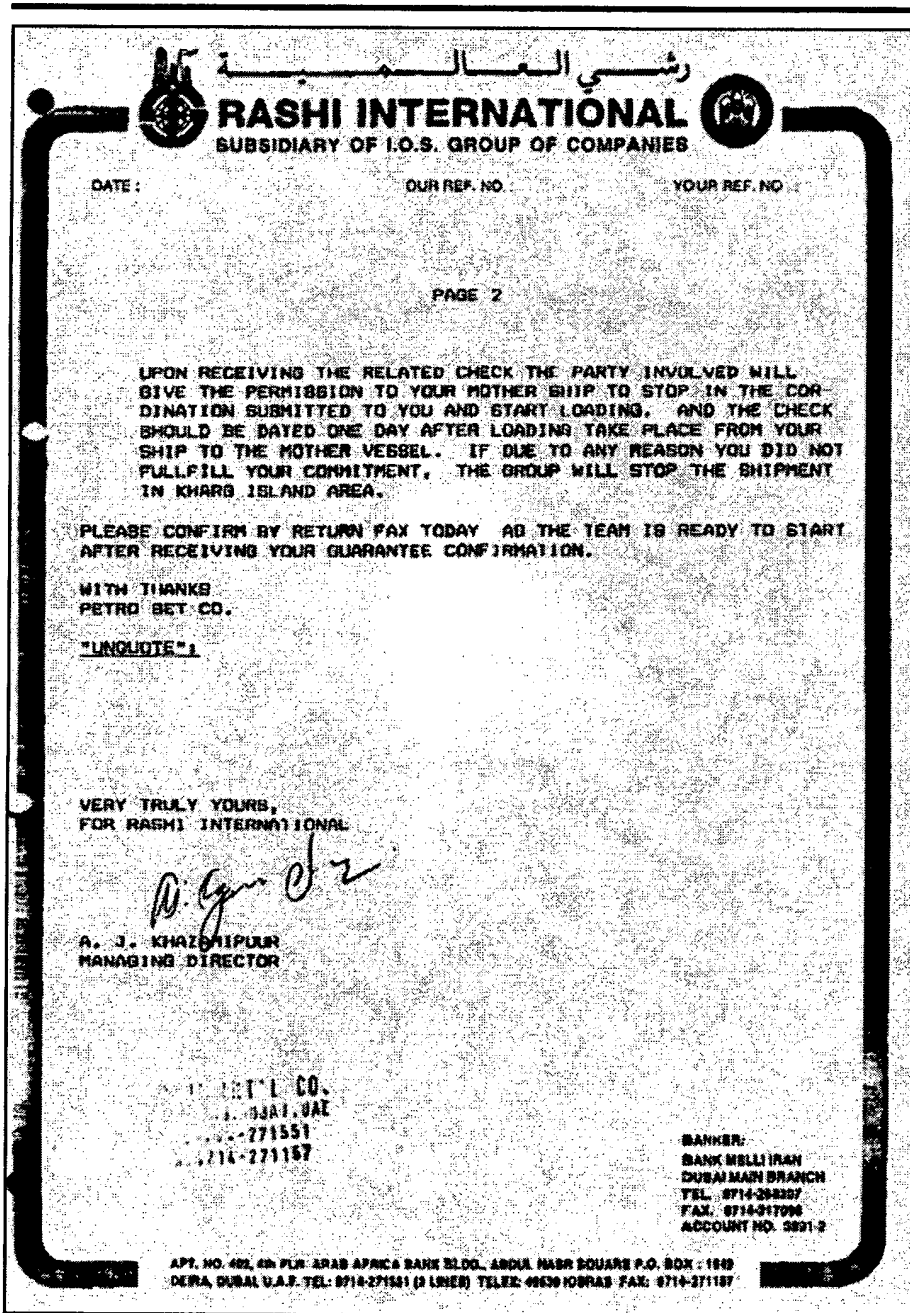
- 1 - IF MR. BORAN WANT US TO START THIS PROJECT YOU SHOULD FIRST SEND US A CHECK FOR US\$ 40,000 AS AGREED. THE CHECK SHOULD BE AS DEPOSIT WITH US "KEPT IN PETRO SET CO." THE CHECK SHOULD BE DATED FOR ONE DAY AFTER SHIPMENT THE MOTHER VESSEL STARTED.
- 2 - REGARDING 25 CENTS/MT COMMISSION, YOU SHOULD GIVE US A GUARANTEE FOR EACH SHIPMENT BEFORE STARTING SHIP TO SHIP LOADING.

FOR EXAMPLE FOR THE 25,000 MT SHIPMENT WHICH YOU WANTED COORDINATION, YOU SHOULD SEND US A GUARANTEE CHECK FOR \$ 0.25 X 25,000 = \$ 6,250 BEFORE STARTING SHIPMENT FROM YOUR SHIP TO MOTHER VESSEL.

BANKER:  
 BANK MELLI IRAN  
 DUBAI MAIN BRANCH  
 TEL. 9714-264207  
 FAX. 9714-217000  
 ACCOUNT NO. \_\_\_\_\_

NOV 29 '93 11:27 RASHI

Figure 25 . Second letter from A.J. Khazamipour, Rashi International.



رشي العالمية  
**RASHI INTERNATIONAL**  
SUBSIDIARY OF I.O.S. GROUP OF COMPANIES

DATE : OUR REF. NO. YOUR REF. NO.

PAGE 2

UPON RECEIVING THE RELATED CHECK THE PARTY INVOLVED WILL GIVE THE PERMISSION TO YOUR MOTHER SHIP TO STOP IN THE COORDINATION SUBMITTED TO YOU AND START LOADING. AND THE CHECK SHOULD BE DATED ONE DAY AFTER LOADING TAKE PLACE FROM YOUR SHIP TO THE MOTHER VESSEL. IF DUE TO ANY REASON YOU DID NOT FULLFILL YOUR COMMITMENT, THE GROUP WILL STOP THE SHIPMENT IN KHARB ISLAND AREA.

PLEASE CONFIRM BY RETURN FAX TODAY AS THE TEAM IS READY TO START AFTER RECEIVING YOUR GUARANTEE CONFIRMATION.

WITH THANKS  
PETRO SET CO.

"UNQUOTE"

VERY TRULY YOURS,  
FOR RASHI INTERNATIONAL

A. J. KHAZAMIPUR  
MANAGING DIRECTOR

PETRO SET CO.  
DUBAI, U.A.E.  
TEL: 271551  
FAX: 271157

BANKER:  
BANK MELLIRAN  
DUBAI MAIN BRANCH  
TEL. 8714-288257  
FAX. 8714-91706  
ACCOUNT NO. 3891-2

APT. NO. 402, 4th FLOOR ARAB AFRICA BANK BLDG., ABDUL NASR SQUARE P.O. BOX - 1849  
DEIRA, DUBAI U.A.E. TEL: 9714-271551 (3 LINES) TELEX: 49536 IOBRAB FAX: 9714-271157

Figure 25 . Second letter from A.J. Khazamipour, Rashi International (continued).



I.O.R. COMPANY, INCORPORATED 1027

1977

PAY TO THE ORDER OF MR. MEHRDAD MOINI \$ 40,000 -

U.S. DOLLARS FORTY THOUSAND ONLY DOLLARS

*Max Moini*

FOR DEPOSIT OF RETIRED OPERATION

⑆001027⑆ ⑆063100277⑆ ⑆601520877⑆

I.O.S. COMPANY, INCORPORATED 1026

1977

PAY TO THE ORDER OF MR. MEHRDAD MOINI \$ 6,250 -

U.S. DOLLARS SIX THOUSAND TWO HUNDRED AND FIFTY ONLY DOLLARS

*Max Moini*

FOR DEPOSIT FOR RETIRED LIFTING OPERATION

⑆001026⑆ ⑆063100277⑆ ⑆601520877⑆

Figure 26. Two checks to Max Moini.

Petroleum Products Contract

This contract is made between WADI HAJAR TRADING COMPANY LTD. hereinafter referred to as "SELLER" and PEDIMENT HOLDINGS hereinafter referred to as "BUYER" where by it is agreed that SELLER shall sell F.O.T. and /or by Barges and /or by pipeline and Buyer shall buy F.O.T. and /or by Barges and /or by pipeline and pay for the following terms and conditions:

1-Products: GASOIL  
KEROSENE  
GASOLINE  
FUELOIL

2-Quality: The guaranteed specification of the petroleum products to be delivered by SELLER to the BUYER shall be as per annexes A,B,C AND D. any change of specs. shall agreed upon by both parties.

3-Quantity: SELLER undertakes to deliver, and BUYER undertakes to receive a quantity of petroleum products as follows:

GASOIL: about 200000 M/TONS  
KEROSENE: about 100000 M/TONS  
GASOLINE: about 50000 M/TONS  
FUELOIL: about 120000 M/TONS

The Buyer will nominate the quantity to be delivered as a trial qty. Further deliveries will be nominated by the Buyer with the specified products, quality and quantity.

4-Validity: A-This contract shall be valid from the date of signature and shall continue until the quantities specified above is delivered and in any case upto (90) days from the date of signature. in case that more than 50 pcte from the contractual quantity is lifted by the Buyer within the ninety days then the validity of the contract will be automatically extended for 45 days.

B-Buyer should commence lifting within one month from the date of signature. Failing to do so, the seller has the right to cancel this contract with no prior notice.

5-Delivery: A-Lifting of the products shall be by road tankers and /or by Barges and/or by pipeline. and shall take place at Border (Mihran point) and/or any other delivery site that may be agreed upon.

Figure 27. Contract for petroleum products.

C-Should there be at any time during the period of the contract an alternative route or mean to deliver the product which is more suitable and economical for both parties other than the route or mean specified above, The two parties agree to consider it with a view to amend the provisions of the contract accordingly.

6-PRICE: The price of the products delivered FOB EX-Iraqi Border and or FOB on barges or and or by pipeline (last pumping station in Iraqi Border) shall be as follows:

GASOIL : (112) U.S.DOLLAR /ONE HUNDRED TWELVE/  
 KEROSENE : (118) U.S.DOLLAR /ONE HUNDRED EIGHTEEN/  
 GASOLINE: (128) U.S.DOLLAR /ONE HUNDRED TWENTY EIGHT/  
 FUEL OIL : (25) U.S.DOLLAR /TWENTY FIVE/

Payment

The Buyer undertakes to issue a letter of guarantee for a value of (1000 000) one million U.S.Dollar in favour of the Seller at a Jordanian Bank acceptable to the Seller. This letter of guarantee should be valid and effective through out the period and validity of the contract.

The Buyer will pay to the Seller within 3 days, after presentation of the Sellers commercial invoices together with weekly certificate of Qty issued by the Seller, the value of the quantity loaded for the prior week by telegraphic transfer to the Seller's account. Failing to do so the Seller shall have the right to present the commercial invoices and the bill of lading or truck vouchers signed by the Buyer representative at delivery site to the Bank and deduct the value of the products delivered from the established Bank guarantee without referring to the Buyer.

All charges related to issuing this letter of guarantee shall be borne by the Buyer.

Figure 27. Contract for petroleum products (continued).

8- Assignment: neither party shall have the right to assign part or all the contract obligations and rights to a third party without the prior written consent of the other party.

9- Force majeure:  
 A- Neither party shall be held responsible for any failure, shortcomings or delays regarding the fulfilment of the contract terms and conditions if that was due to force majeure.  
 B- If by reason of force majeure the fulfilment by either party of any terms and conditions of this contract is delayed for a period not exceeding one month the period of such delay shall be added to the duration of this contract. If however, the period of delay exceeds one month either party shall have the right to terminate this contract by giving a written notice.

10- Arbitration: Any claims or disputes that may arise during the period of this contract shall be settled by mutual agreement between the parties concerned. In case of disagreement matters will be settled by arbitration institution approved by both parties.

11- Addresses: The addresses of the contracting parties are as follows:-  
 A- WADI HAJAR TRADING COMPANY LTD.  
 Baghdad Hay Alwaha  
 M 984 5 30 H 3  
 B- PEDIMENT HOLDINGS - CYPRUS LIMASSOL  
 3 KATSONG DOU STR  
 TEL: 3575-340 523 FAX 3575-340 190  
 3575-340 383 TLX 9605-4851 SCMCY

MADE AND SIGNED IN BAGHDAD ON /7/1993

for WADI HAJAR TRADING COMPANY LTD FOR PEDIMENT HOLDINGS.

Figure 27. Contract for petroleum products (continued).

Baghdad 14th July 1993.

Attn. : Mr MUHAMAD SAID KUBA

Dear Sirs,

Subject: REQUESTS FOR CHEM. MATERIALS

Company PEDIMENT HOLDING LTD., Cyprus-Limaso. is ready to buy from your side the next types and quantities of chemical products:

- |                |                               |
|----------------|-------------------------------|
| 1. HEXAN       | 2.200 MT /USD 1,000.- per ton |
| 2. L.A.B.      | 7.400 MT /USD 650.- per ton   |
| 3. PARAFIN/WAX | 6.000 MT /USD 500.- per ton   |
| <hr/>          |                               |
| TOTAL PRICE    | USD 10,020,000.-              |
4. PARITY: Iraq-Iran border /pass ZIRBATHIA-MEHRAN  
5. TRANSPORT BY TRAKS-  
6. PAYMENT: CASH / Amman Bank ACCOUNT.

B. Mijatovic

*B. Mijatovic*

Figure 28. Letter addressed to Muhammad Said Kuba.

**Petroleum Products Contract**

This contract is made between AL-BASHAIR TRADING COMPANY LTD. (BTC) hereinafter referred to as "SELLER" and UNIPACK-PARIS (UP) hereinafter referred to as "BUYER" where by it is agreed that SELLER shall sell F.O.T. and BUYER shall buy F.O.T. and pay for the under-mentioned quantity of petroleum products according to the following terms and conditions:

1-Products: GASOIL  
KEROSENE  
GASOLINE  
FUELOIL

2-Quality: The guaranteed specification of the petroleum products to be delivered by SELLER to BUYER shall be as per annexes A, B, C AND D. Any change of specs. shall agreed upon by both parties.

3-Quantity: SELLER undertakes to deliver and BUYER undertakes to receive a quantity of petroleum products as follows:

GASOIL: about 200000 M/TONS  
KEROSENE: about 100000 M/TONS  
GASOLINE: about 50000 M/TONS  
FUELOIL: about 120000 M/TONS

4-Validity: A- This contract shall be valid from the date of signature and shall continue until the quantities specified above is delivered and in any case upto (90) days from the date of signature.

B- Buyer should commence lifting within one month from the date of signature. Failure to do so, the seller has the right to cancel this contract with no prior notice.

C- This contract is valid during the present U.N. embargo imposed on Iraq. If this embargo is lifted totally or partially, then the two parties will meet to review and discuss new terms and conditions for the current contract.

5-Delivery: A- Lifting of the products shall be by road tankers, and shall take place at BASRAH storages and/or any other delivery site that may be agreed upon.

B- Lifting shall be carried out in accordance with the operating "procedure supplement" attach herewith which will be considered as an integral part of this contract.

*[Handwritten Signature]*  
*[Handwritten Signature]*

**Figure 29. Contract between al Bashair Trading Company and Unipack Paris.**

C-Should there be at any time during the period of the contract an alternative route or mean to deliver the product which is more suitable and economical for both parties other than the route or mean specified above, the two parties agree to consider it with a view to amend the provisions of the contract accordingly.

4-PRICE: The price of the products delivered FOB EX-warehouse at BASRAH shall be as follows:

GASOIL: (112) U.S. Dollar per M/TONS FOB  
KEROSENE: (118) U.S. Dollar per M/TONS FOB  
GASOLINE: (128) U.S. Dollar per M/TONS FOB  
FUEL OIL: (25) U.S. Dollar per M/TONS FOB

ONE HUNDRED TWELVE/  
ONE HUNDRED EIGHTEEN/  
ONE HUNDRED TWENTY EIGHT/  
TWENTY FIVE/

7-PAYMENT: a-(U.P) will pay in advance to (BTC) an amount in U.S.D

equivalent to the estimated quantity of ten days loading at any depot in Iraq accepted by both parties or by cash transfer to (BTC) account covering the shipments above or by cash transfer to BTC account in AMMAN.

b-(U.P) will pay within seven days the value of the quantities loaded for the prior week and according to the presentation of the Seller's commercial invoices together with weekly certificate of Qty. issued by the Seller.

c-Any goods and commodities delivered as per contract no. 1/MPA/0/93 2/MPA-1/93 should be signed and confirmed by (U.P) representative immediately after the quantity is received and checked by (BTC).

(U.P) should send the invoices to (BTC) in which the total value of these invoices will be accepted by (BTC) as a deposit in favour of (UP) and to be deducted from the value of petroleum products received by (UP) during the final settlement.

d-Letter of Guarantee

Seller shall issue a letter of guarantee for a value of 200 000 U.S. Dollars in favour of the buyer at Rafidien Bank to cover part of the advance payment made by the buyer. This letter of guarantee should be valid and remain effective through out the period and validity of the contract.

Figure 29. Contract between al Bashair Trading Company and Unipack Paris (continued).

assignment, neither party shall have the right to assign part or all the contract obligations and rights to third party without the prior written consent of the other party.

9- Force majeure:  
 A- Neither party shall be held responsible for any failure, shortcomings or delays regarding the fulfilment of the contract terms and conditions if that was due to force majeure.  
 B- If by reason of force majeure the fulfilment by either party of any terms and conditions of this contract is delayed for a period not exceeding one month the period of such delay shall be added to the duration of this contract. If however, the period of delay exceeds one month shall have the right to terminate this contract by giving a written notice.

10- Arbitration: Any claims or disputes that may arise during the period of this contract shall be settled by mutual agreement between the parties concerned. In case of disagreement matters will be settled by arbitration in accordance with the regulations of Baghdad Chamber of Commerce and the Iraqi Laws.

11- Addresses: The addresses of the contracting parties are as follows:  
 A- AL-BASHAIR TRADING CO. LTD  
 SADOON St. ANI DULIDINA  
 Tel : 7170740 - BAGHDAD - IRAQ  
 B- UNIPACK PARIS COMPANY  
 PARIS 67-66 rue amiel 75011  
 TELEX : 211237- Tel : (1) 48 -- 6-70-99  
 done and signed on 27 1993 APRIL - Baghdad

*[Signature]*  
 27-4-1993  
 for : AL BASHAIR TRADING CO. LTD

*[Signature]*  
 FOR UNIPACK PARIS S.A  
 B. HIJATI  
 TECHN. MANAGER

Figure 29. Contract between al Bashair Trading Company and Unipack Paris (continued).

Regime Finance and Procurement



TO WHOM IT MAY BE CONCERN

THIS IS TO AUTHORIZE

(IN FURTHER TEXT MANDATE)

AS A MANDATE OF THE COMPANY EKIM-PRAMA . CZECHREPUBLIC , PO BOX  
76, 10000 PRAHA 10 CZ REPRESENTED BY MR. M. REJFEK MANAGING DIRECTOR  
(IN FURTHER TEXT THE OWNER TO SELL QUANTITY OF THE FOLLOWING  
COMMODITIES

CRUDE OIL LIGHT WITH THE FOLLOWING SPECIFICATION

API - 34.0  
S 1.95% MAX  
POUR POINT - 15 DEGREES

DELIVERED FOB IRAN BORDER IN EQUAL DAILY LOTS

2 . PRICE OF THE GOODS

PRICE TO BY CALCULATED BASED ON DUBAI PLATT LESS DISCOUNT AVERAGE  
ONE DAY OFF THE LOADING AND DAY AFTER LOADING

DISCOUNT NET LESS THAN DUBAI PLATT NET TO THE BUYER

MANDATE WILL HAVE THE RIGHT TO NEGOTIATE SELLING CONDIPIONS OF THE ABOVE  
MENTIONED GOODS MANDATE WILL INFORM THE OWNER ABOUT ANY ACTION .

THE FIANEL DECISION OF SALE BASED ON THE AGREED PROCEDURE WITH THE  
CUSTOMER WILL BE MADE ONLY BY THE OWNER OF THE GOODS .

CONDITIONS OF THE RELATION BETWEEN OWNER OF THE GOODS AND THE  
MANDATE WILL BE AGREED IN A SEPARATE AGREEMENT .

THIS MANDATE IS EXCLUSIVE AND WILL BE IN FORCE TWO YEARS AFTER THE  
DATE BELOW FOR THE SALE OF ABOVE MENTIONED GOODS .

*Figure 30. Letter  
authorizing the Czech  
Republic Company, Exim  
Praha, to procure crude  
light oil.*

\* T E L E X \* HADDADAIRE 1 \* T E L E X \*  
R90 : C.C.V 211237P 168 1902 CRETRAF 680720F PARIS JUNE 17TH 1/5

G.C.V 211237P  
168 1902  
CRETRAF 680720F  
PARIS JUNE 17TH 1993

MSG NR 150708/D

FROM BANQUE TRAD CREDIT LYONNAIS (FRANCE) SA PARIS

TO ASLK-CGER BANK  
RUE DU FOSSE-AUX-LOUPS  
1000 BRUXELLES  
ATTN DOCUMENTARY CREDIT DEPT  
TELEX 26850 CGER SKB

U R G E N T

WE BANQUE TRAD-CREDIT LYONNAIS (FRANCE) SA, PARIS HEREBY OPEN OUR  
IRREVOCABLE DOCUMENTARY LETTER OF CREDIT NO. 14 508

BY ORDER OF:

VITOL S.A.  
ROUTE DE MALAGNOU 40 A  
CH-1211 GENEVA 17

IN FAVOUR OF:

UNIPACK *Secoimist*  
62-66 RUE AMELOT  
75011 PARIS - FRANCE

FOR AN AMOUNT OF : APPROX. USD 12 518 129,-  
(USDOLLARS TWELVE MILLION FIVE HUNDRED EIGHTEEN  
THOUSAND ONE HUNDRED TWENTY NINE APPROXIMATELY)

VALID UNTIL SEPTEMBER 15TH 1993 AT OUR COUNTERS IN PARIS

AND AVAILABLE BY DEFERRED PAYMENT 10 CALENDAR DAYS AFTER BILL OF  
LADING DATE AGAINST PRESENTATION OF THE FOLLOWING DOCUMENTS ISSUED IN  
ONE ORIGINAL AND 5 COPIES UNLESS OTHERWISE STATED:

*2/1*  
SIGNED COMMERCIAL INVOICE STATING WEIGHT IN METRIC TONS AND BARRELS

*2/2* *all bills & invoices*  
FULL SET 3/3 ORIGINAL CLEAN ON BOARD OCEAN BILLS OF LADING  
ISSUED OR ENDORSED TO THE ORDER OF VITOL S.A. - GENEVA MARKED:  
"FREIGHT PAYABLE AS PER CHARTER PARTY" OR "FREIGHT PREPAID"  
EACH ORIGINAL BILL OF LADING TO BE ORIGINALLY SIGNED BY THE MASTER  
AND SHOWING DESTINATION: ROTTERDAM

*2/3*  
CERTIFICATE OF QUALITY ISSUED OR COUNTERSIGNED BY INDEPENDENT  
SURVEYOR (SGS OR SAYBOLT OR INSPECTORATE) SHOWING THAT THE PRODUCT IS

Figure 31. Telex from a French bank to a bank in Brussels.

Figure 32 shows a contract between Unipack of Paris and a Turkish company called Gonen Tasimacilik Gemi. The contract stipulates that Unipack pay an advance of \$150,000 and in return Gonen would supply 60 standard road tankers with a capacity of between 20,000 to 35,000 liters. The Gonen Company is to transport kerosene, mazul, super benzene, crude oil and fuel oil, from Basra in Iraq to Bandar Humayni, Iran. A roundtrip of 250 km.

Next, figure 33 is another Telex from Vitol Geneva, to a French Bank and copied to Unipack of Paris. It details shipments of oil for August and September 1993. Banks in Slovakia and the Union Bank Swiss Geneva are also mentioned.

On 15 October 1993, First Yu Swiss Bank Belgrade sent a letter of guarantee (see Figure 34) to Wadi Hajar Trading Company Baghdad. The letter refers to a contact between Ocellus Company Limited and Wadi Hajar Trading Company concerning the delivery of spare parts for agricultural machines worth \$50,000,000.

Figure 35 is a letter dated 30 December 1993 to a Mr. Jamal Fariz, Manager of the Foreign Exchange Department at the Jordanian Investment and Finance Bank, who speaks of a contract that was concluded between Ocellus Company and a Mr. Hadi Talub Ibraheem, concerning the delivery of spare parts for agricultural machines for the amount of \$50,000,000.

## CONTRACT

Concluded between :

COMPANY : UNIPACK  
62-66 RUE AMELOT, PARIS  
COMPANY : GONEN TASIMACILIK GEMIACT.VE TIC.LTD.  
URAY CAD. TURAN ISH. KAT. 1/101 MERSIN

OBJECT : Both Companies concluded the president contract given subjects on below.

1-GONEN CO. will transport Kerosene, Mazul, Super Benzme, Crude oil, Fuel oil, etc. from Basra/IRAQ to Bander Humayn/IRAN and the roundtrip is approximately 250 km.

For this transaction GONEN CO. will send 60 standart roadtankers of about 20.000 lt. 30.000 lt to IRAQ

+ 35.000 lt.

2-The whole transaction term is at least 6 months after signing the contract, but if it is necessary this term can be extended.

3-Transport freight is US \$ 9,75 (nine Dollar and seventyfive Pence) for all kinds of goods.

Above mentioned price does not cover:

A- Shipment expenses of roadtankers; +

B- Discharge expenses of roadtankers; +

C- Customs expenses; +

D- Insurance; +

E- All kinds of taxes and the other expenses. +

4-The INVARIABLE LOSS or WASTAGE is agreed %8 on total weight. <sup>2</sup>

5-Before the beginning of the transaction, UNIPACK CO. will forward to GONEN CO. US \$ 150.000. in advance. This advance will be paid back by GONEN CO. in equal monthly payments during the 6 months; <sup>100.000</sup>

6-Payment of this transaction will be invoiced by GONEN CO. in every <sup>month</sup> 15 days and the payment will be done by UNIPACK CO. to GONEN CO. at sight of the invoice. All the payments will be done by USD.

7-Monthly transportation programme will be given by UNIPACK CO.

8-UNIPACK CO. will help to organize the accommodation and the comminication of GONEN CO.'s employees.

9-All the visa problems of the drivers and employees of GONEN CO. in IRAQ will solve by UNIPACK CO.

Figure 32. Unipack of Paris contract.

10-If the road tankers wait more than 48 hours at IRAQ or IRAN customs or because of the problems arising from the both governments or the problems of shipping and discharging of the road tankers, UNIPACK CO. will pay to GONEN CO. US \$ 75.00 (seventyfive usd.) for per truck/daily.

11-All the passing easiness of road tankers on the police stations, both customs and check points will be executed by UNIPACK CO.

12-The cleanliness of KEROSENE tankers will be carried out by IRAQ Governments through UNIPACK CO.

13-If the transportation is stopped and road tankers have to return to TURKEY empty because of UNITED NATIONS decisions or any reasons about local situations and political circumstances or the other causes, UNIPACK CO. will pay US \$ 3,000.- (three thousand USD.) to GONEN CO. for per truck as an indemnities.

14-All the taxes which will be charged by IRAQ Governments from the drivers or GONEN CO. will be belong to UNIPACK CO.

15-The present contract will be enter into force by signing both sides for one year and can be prolonged for more longer.  
This contract could be unaladed some of this conditions change if a cantelement agreement will be done between companies .

16-Any dispute arising out of or in connection of this contract shall be finally resolved in amiable by both companies.  
in ultimate case the decision of International Chamber of Paris is final and undisputable.

SIGNATURES :

GONEN CO.  
Represented by YASAR GONEN

UNIPACK CO.  
Represented by MIRKO SISOVIC

Figure 32. Unipack of Paris contract (continued).

\* T E L E X \* HADDADAIRE 1 \* T E L E X \*  
 R148 C.C.V 211237F 189 1825 VIT CH T130632.002 FROM 1/2

\*  
 C.C.V 211237F  
 189 1825  
 /IT CH  
 T130632.002

FROM VITOL GENEVA. PLS REPLY TO NR: 423421

18:26 8 JUL 93

FM VITOL S.A. - GENEVA  
 TO BANQUE TRAD CREDIT LYONNAIS (FRANCE) S.A. - PARIS  
 ATTN LAURENT HEPNER

CC UNIPACK - PARIS  
 ATTN MR SISOVIC

DOCUMENTARY CREDIT NBR 14508 FAVOUR OF UNIPACK

---

SHIPMENT TILL AUGUST 10TH, 1993.  
 VALIDITY TILL SEPTEMBER 3RD 1993.

FURTHER FUNDS ALLOCATION TO BE DONE UNDER ABOVE LC:

A. GONEN TASINACILIK (TRANSPORTEURS TERRESTRES)  
 GEMI ACENTALICI TICARET LTD. STI.  
 BANK: EGE BANK A.S. MERSIN BRANCHE  
 GRAY CADESI NO. 25 MERSIN/TURKEY  
 TLX: 67288 EGBM  
 FAX: 74 321 581  
 TEL: 74 321 580  
 ACCOUNT NO.: USD 949723  
 CORRESPONDANT BANK: AMERICAN EXPRESS BANK  
 LTD., NEW YORK  
 ACCOUNT NO: USD -176032  
 USD 450.000

B. ECO MONITORING A.S. (FOURNITURE POUR RAFFINERIES)  
 VISEOBICNA UVEROVA BANKA A.S.  
 POBOCKA BRATISLAVA SLOVAQUIE  
 USD 2,392.000

C. UNION BANK SWISS (UBS) (FOURNITURE DIVERSES)  
 GENEVE  
 ACCOUNT NUMBER 405 771 60 M USD 3,223.903

ABOVE FUNDS AT THE DISPOSAL OF ABOVE PARTIES UNDER THE FOLLOWING  
 CONDITIONS ALREADY APPLIED TO THE OTHER FUNDS MADE AT THE DISPOSAL OF  
 OTHER THIRD PARTIES:

1. TRANSFER TO THIRD PARTIES SHOULD IN NO CIRCUMSTANCES BE OVER THE  
 CARGO VALUE CLAIMED DULY DOCUMENTED AT YOUR COUNTERS
2. UNIPACK HAS TO PRODUCE A LETTER OF RELEASE FOR EACH SINGLE PAYMENT  
 AT THE TIME THEY CLAIM FOR THE CARGO VALUE AND ACCORDINGLY SO LONG  
 PAYMENT TO THIRD PARTIES ARE NOT OVER CARGO VALUE, UNIPACK IS FREE

Figure 33. Telex from Vitol Geneva to a French bank.



**FIRST YU SWISS BANK**

TO  
WADI HAJAR TRADING COMPANY LTD.,  
Mohammed Said Kubba  
B a g h d a d  
Hay Alwanda M 904

October 15th, 1993

Our ref.: 93/LJNOL

To the attention of Managing Director

Re: Our LETTER OF GUARANTEE No. 2512

Dear Sirs,

We are informed that the Contract has been concluded between OCELLUS COMPANY LIMITED and WADI HAJAR TRADING CO., Ltd concerning delivery of spare parts for agricultural machines in the amount of USD 50,000,000.- ( say: fifty million USA dollars).

In view of the above, we FIRST YU SWISS BANK INC., hereby irrevocably guarantee that if OCELLUS CO., Ltd fail to fulfill their obligation we, FIRST YU SWISS BANK INC., will pay on your first written demand any amount up to the extent of USD 50,000,000.- ( say: fifty million USA dollars ) against presentation of the following documents:

1. 2/3 of Original Clean on Board Bill of Lading or TRUCK VOUCHERS.
2. Commercial Invoice in five copies.
3. The certificate of quality and quantity with the signature of the Buyers representatives placed on the loading place and unloading place of daily and weekly quantities.

This Letter of Guarantee shall be valid until December 31st, 1993.

After the expiry date of this Letter of Guarantee it has to be returned to us as null and void without our previous request. Irrespective of its' return to us we shall consider ourselves completely discharged of all obligations under the same, after the mentioned expiry date.

Yours faithfully,

FIRST YU SWISS BANK  
*[Signature]*

Figure 34. First Yu Swiss Bank Belgrade letter of guarantee.



## FIRST YU SWISS BANK

TO  
JORDAN INVESTMENT & FINANCE BANK  
AMMAN, JORDAN

December 30th, 1993

our ref.: 93/LJMOL

To kind attention of Mr. Jamal Fariz  
Treasure & Manager, Foreign Exchange  
Department

Re: Our LETTER OF GUARANTEE No. 2514

Dear Sirs,

We are informed that the Contract has been concluded between  
OGELLUS COMPANY LIMITED and Mr. Hadi Talub Ibraheem concerning  
delivery of spare parts for agricultural machines in the amount  
of USD. 50,000,000.- ( say: fifty million USA dollars.-).

In view of the above, we FIRST YU SWISS BANK INC., hereby  
irrevocably guarantee that if OGELLUS CO. LTD., fail to fulfill  
their obligation we, FIRST YU SWISS BANK INC., will pay on your  
first written demand any amount up to the extent of USD 50,000,000.-  
( say: fifty million USA dollars ) against presentation of the  
following documents:

1. 2/3 of original Clean on Board Bill of Lading or Truck Vouchers.
2. Commercial Invoice in five copies.
3. The certificate of quality and quantity with the signature of  
the Buyers' representatives placed on the loading place and  
unloading place of daily and weekly quantities.

This Letter of Guarantee shall be valid until June 01st, 1994.  
After the expiry date of this Letter of Guarantee it has to be  
returned to us as null and void without our previous request.  
Irrespective of its' return to us we shall consider ourselves  
completely discharged of all obligation under the same, after  
the mentioned expiry date.

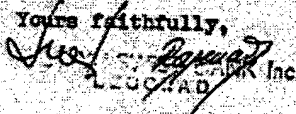
Yours faithfully,  
  
FIRST YU SWISS BANK INC.

Figure 35. Letter dated 30  
December 1993 to  
Mr. Jamal Fariz.



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## Annex G Iraq's Banking System

### Origins of the Iraqi Banking System

In imitation of Egyptian leader Abdul Nasser's nationalist/socialist policies, the Iraqi government of Abd al-Salam 'Arif nationalized all private commercial banks in Iraq in 1965, as well as the branches of foreign commercial banks. The government closed the nationalized banks and moved their customer accounts to the state-owned commercial bank, Rafidian Bank, which was owned by the MoF. As a result, Rafidian Bank had to rapidly expand its branch system to service its expanded customer base, but it did not have the human resources to manage a complex network. In addition, nationalization of the private banks caused the best bank managers to leave the industry and created distrust among foreign investors. The combined effect of these factors caused the effectiveness and service quality of the country's banking system to deteriorate.

In response to Rafidian Bank's inability to service the country's banking needs, in the early 1970s the CBI and the MoF proposed to the government that a new state-owned bank be licensed. As a result, in 1988 Rasheed Bank, also owned by the MoF, was licensed. In addition to serving the private sector, Rasheed Bank and Rafidian Bank soon took over much of the banking business of state-owned enterprises, relieving CBI of that function.

The Ministry of Finance was responsible for overseeing budgets of several ministries as well as the state-operated banking system. *Currently, the six state-owned banks (Rafidian, Rasheed, the Agricultural, the Industrial, the Real Estate, and the Socialist) account for about 93 percent of banking system assets.* There are also 18 private banks with capitalization of \$25 million and deposits of \$107 million.

The 18 private banks were established in an effort to handle local depositors' financial needs and reform as well as modernize the banking sector. These banks remained small, in part because most Iraqis

did not think it was safe to put their money in banks. Figure 36 lists both the state and privately owned banks of Iraq, including branches, establishment date and capital assets remaining after OIF.

### Organization of the CBI

The CBI was composed of five main departments, plus support elements (see Figure 37).

- **Department of Investment.** This department maintained account information for foreign accounts.
- **Department of Accounting.** This department maintained the employee accounts of the CBI.
- **Department of Exchange.** This department licensed money exchangers.

### Iraqi Ministry of Finance's Banking Role

The Iraqi MoF was headed by Hikmat Mizban Ibrahim al-Azzawi from 1995 to 2003. Azawi was responsible for managing the funds for the Iraqi government held in the CBI. All revenue for the government went into accounts in the CBI. Apart from normal budgetary requirements, a major duty for the Finance Minister was to disperse money for Saddam. The Presidential Diwan had special accounts separate from the normal government accounts. Routinely, letters from Saddam would arrive at the MoF ordering the transfer of funds from government accounts to Presidential Diwan accounts located at the CBI.

- The Presidency was also the authorizing authority for transferring money to other ministries. Any order for funds received by the MoF was sent to the Director of the CBI, Isam Rashid al-Huwaysh. Any disputes between al-Huwaysh and al-Azawi were settled by Saddam.
- When hard currency was collected in the CBI, it was allocated to the ministries that needed hard currency to buy things internationally, such as the Ministry of Health. Because hard currency was in such short supply, the ministries that received it had to pay it back in Iraqi Dinars.

BANK'S NAME	BRANCHES	ESTABLISHMENT DATE	PAID UP CAPITAL (THOUSAND \$)
Rafidian Bank	164	1941	2700
Rasheed Bank	170	1988	1300
Industrial Bank	5	1935	300
Agricultural Cooperative Bank	42	1935	400
Estate Bank	16	1948	733
Social Bank	4	1990	667
<b>Total Govt Branches</b>	<b>401</b>		<b>6100</b>
Baghdad Investment Bank	20	1992	1167
Commercial Bank of Iraq	11	1992	1665
Iraqi Islamic Bank	9	1993	365
Iraqi Middle East Investment Bank	11	1993	2160
Basrah Private Bank for Investment	14	1993	667
Investment Bank of Iraq	17	1993	1280
United Bank for Investment	5	1995	1000
Al-Ahli Al-Iraqi Bank	4	1995	500
Credit Bank of Iraq	10	1998	833
Dar Al-Salam Bank Company of Investment	14	1998	800
Babylon Bank	6	1999	833
Economic Investment Bank	14	1999	267
Summer Commercial Bank	6	1999	533
Al-Warka Bank for Investment	3	2000	667
Gulf Commercial Bank	7	2000	880
Al-Baraka Bank for Investment	4	2001	815
Mosul Bank	3	2001	667
Iraqi National Bank	4	1995	500
<b>Total of Private Branches</b>	<b>176</b>		<b>15599</b>
<b>Grand Total</b>	<b>577</b>		<b>21699</b>

Figure 36. Iraqi banking system structure.

DEPARTMENT	INDIVIDUAL
Governor	Isam Rashid al-Huwaysh
Deputy Governors	Abd al-Ahad Butrus
	Isam Ibrahim al-Chalabi
	Abd al-Mun'im Rashid
	Falih Da'ud Salman
	Ahmad Salman
Department of Investment	Asrar 'Abd al-Husayn (Director General)
	Hasan Kazal
	Munir 'Umran
	Muna 'Abd al-Wahid
	Talib Mahdi
Department of Credits and Foreign Payment (Letters of Credit)	* Mahmud 'Abd al-Nun'im (Director General)
	Tariq Admun
	Rashid Hamid
	Fawziya
	Sa'di Farman
	Abd al-Sahib
	Muhsin Hagir
Department of Agreements and Loans	Ahmad Salman (Director General)
	Hasan al-Hadri
	Kamil 'Abdu 'Abbas
	Fakhri 'Abd al-Latif
	Qasim 'Abd al-Rasul
	Hazim Majim al-Ani
Department of Research and Statistics	Samira al-Khazraji (Director General)
	Najla Sabri
	Hazima Magtuf
Department of Issuing	'Abd al-Majid Sagar (Director General)
Department of Administration	Lu'ay Sadiq (Director General)
Department of Foreign Exchange	Sadiq al-Shimari (Director General)
Dar Al-Nahrayn Department for Printing Money	Walid Hamid 'Abd al-Ghani (Director General)
Department of Accounting	Hasib Kadum
Mosul Branch	
Basrah Branch	
Training Institute	Dr. Muhsin Hasan (Director General)
Computer Section	Safwan 'Abd al-Latif
Law Section	In'am Yasin

Figure 37. Department, department directors, and branches within CBI as of 1 July 2002.

The CBI did not make extra payments directly to any ministries or to the Diwan, including the IIS and the MIC. Payments were made to the MOF accounts at the Rasheed and Rafidian Banks, and then distributed. At the end of the month, the CBI would send an account of what was sent to the Rasheed and Rafidian Banks to the MoF. After two or three days the MoF would instruct the CBI to print Iraqi Treasury Bonds as an accounting procedure to balance the books. Iraq did not have a more formal economic or rigorous monetary policy.

### **State-Owned Banks**

Iraqi had two state-owned commercial banks: the Rafidian and the Rasheed. *Both the Rafidian Bank and the Rasheed Bank accounted for about \$1.8 billion in assets, or about 86 percent of the total assets in Iraq's banking system.*

#### **Rafidian Bank**

The Rafidian Bank was owned by the Ministry of Finance and was founded in 1941. It was the largest, oldest, and most important commercial bank in Iraq. It handled much of the Regime's foreign assets. The central branch of Rafidian bank was located in Baghdad. The chairman and General Manager was Diya' al-Khayyun. In addition to the Baghdad Headquarters, there was a main branch in Basrah; and over 164 smaller branches located throughout Iraq. There were eight overseas branches in Bahrain, Egypt, Jordan (2), Lebanon, United Arab Emirates, Yemen, and Great Britain.

*Rafidian Bank was primarily a conduit for transferring money out of Iraq.* Several branches were involved in passing illicit revenue from oil and cigarette smuggling around the Middle East. In the February to April 2002 timeframe, Mufid 'Aziz (Director of Rafidian Bank) and 'Abd al-Huwaysh all-Mukhtar (Regional Director of the Rafidian Bank) withdrew \$50 million from accounts at the Commercial Bank of Syria.

#### **Rasheed Bank**

The Rasheed Bank was Iraq's second largest commercial bank with 170 domestic branches. It was government-owned and established in 1988. It operated outside Iraq through correspondents. The Rasheed Bank was established to provide competition for Rafidian, primarily in Iraq.

#### **Specialized Credit Banks**

Iraq also used four specialized state-owned banks: the Agricultural Bank, the Industrial Bank, the Real Estate Bank, and the Socialist Bank, all which collectively account for about seven percent of the total assets in the banking system. These four banks were established to increase the flow of financial support to certain sectors of Iraq's economy such as agriculture, industry, business creation, and real estate. They played virtually no role in Iraq's illegal financial transactions during sanctions.

#### **Privately Owned Banks**

In the face of decreasing foreign currency reserves held in country and an increasing illiquid domestic banking system, the CBI and MoF in approximately 1992 successfully petitioned the government to allow the licensing of new private commercial banks. By February 2003, there were approximately 18 private commercial banks. These private banks offered superior service, were more computerized, and were faster growing than the state-owned banks. By early 2003, the private banks held the majority of private-sector accounts and deposits, although the government ministries and state-owned enterprises still banked primarily with state-owned banks.

Private banks were set up with capital from individuals. Under Iraqi banking laws, no one individual was allowed to own more than a five-percent share holding in a private bank. The quality of management of the private banks was better than the government-managed banks. The private banks were able to offer better salaries, and attract the best candidates from the banking sector.

According to a senior Iraqi Government official, in order to evade controls under international sanctions, the government of Saddam used private commercial

banks for some transactions in the belief that private banks would not be as closely monitored by the UN as the state owned banks and the CBI.

### **Middle East Bank**

Uday Saddam Husayn al-Tikriti owned shares in the Middle East Bank. The Middle East Bank is one of the largest private banks in Iraq. Uday also controlled the appointees and directors of the bank.

### **Islamic Bank**

The Islamic Bank was unconventionally established. Formed by the Humayim family, the bank was established on a decree from the RCC, which was contrary to Iraqi banking rules and regulations. Money of Ba'ath Party Members and supporters of the Regime was deposited into this bank.

### **The Role Played by the Hawala System**

The hawala system was the most common informal payment system used in Iraq under Saddam. The Iraqi Regime encouraged its citizens in Iraq and abroad to open accounts in foreign currencies at Iraqi banks in order to track funds that were traditionally transferred through informal payments arrangements. The reliability of the ancient hawala system came from trust and the extensive use of personal connections and family-tribal relationships. In its simplest terms, an individual desiring to transfer money exchanged cash for a hawala note, often coded or secretly marked to foil potential counterfeiters. This note would then be transferred to the other party via mail or courier. The party on the other end of the transaction then presented the note to an associated exchanger in their country, who converted the hawala note back into the appropriate cash specified in the note, minus a handling fee. In modern times, the use of e-mail, faxes, and telephones have made these private cash transfers almost instantaneous and nearly impossible to trace or regulate.

Before OIF, there was no regulation of the hawala system in Iraq and the use of them was outlawed. Regardless, illegal hawalas were often used by the average Iraqi individual or company to transfer funds from expatriate communities to the homeland. The

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### **The Hawala**

*The term "hawala" means "transfer" or "wire" in Arabic banking terms. The word hawala comes from the Arabic root hwl, meaning to "change" or "transform." In common Arabic usage, hawala are performed in three different ways—two of which are legal:*

- *Hawalas through Iraqi banks are synonymous with bank money transfers. Bank hawalas are legal.*
  - *Illegal hawala transfers are based on an ancient informal banking system used throughout South Asia and the Middle East to transfer money across distances past legal and financial barriers. In modern times, unlicensed money exchangers use this process, coupled with modern telecommunications to discreetly transfer money.*
  - *Hawalas made using the old process via licensed money exchangers are considered legal. Not all money exchangers perform hawalas.*
- 

illicit system is reliable and efficient and is preferred because it is faster and less expensive than bank hawalas.

- The speed is due to the lack of paperwork and bureaucracy, while the cost effectiveness is due to not having to deal with a bank's artificial, higher exchange rates. However, the anonymity and lack of traceable documentation make this system vulnerable to abuse by individuals and groups transferring funds to finance illegal activities.
- For example, in order to import goods, a letter of credit was normally needed from a bank in Jordan. To get this, the Jordanian bank would need some cash. Because it was illegal to transfer cash out of Iraq through the normal banking system, the illegal hawala system was used to move the money.
- The hawala system was positive for the economy because it reduced the liquid cash within the economy and helped counter the effects of inflation. Hawalas were eventually legalized and regulated by Saddam in an attempt to reduce smuggling and help stimulate the economy.

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## Annex H UN Security Council Resolutions Applicable to Iraq

The following information from the Office of the Spokesman for the United Nations UNSG summarizes the Chapter VII resolutions applicable to Iraq between 1990 and 2003. Emphasis has been added.

**UNSCR 661 (1990)** of 6 August 1990 imposed economic sanctions on Iraq, including a ***full trade embargo barring all imports from and exports to Iraq, excepting only medical supplies, foodstuffs, and other items of humanitarian need***, as determined by the Security Council sanctions committee, which was also established by UNSCR 661. The sanctions committee was chaired at the beginning of 2004 by the Ambassador of Romania, with the delegations of the Philippines and Pakistan providing vice chairmen.

**UNSCR 687 (1991)** of 3 April 1991, the cease-fire resolution, declared that ***the full trade embargo against Iraq would remain in place***, pending periodic reviews every 60 days (para. 21) and every 120 days (para. 28) of Iraqi compliance with the obligations imposed under UNSCR 687.

**UNSCR 712 (1991)** of 19 September 1991 allowed for a partial lifting of the embargo, which would have enabled Iraq to sell some oil to use the proceeds for humanitarian purposes. In return, Iraq would have been subject to strict UN monitoring of the contracts and distribution of humanitarian goods bought with the oil revenues.

**UNSCR 986 (1995)** of 14 April 1995 ***enables Iraq to sell up to \$1 billion of oil every 90 days and use the proceeds for humanitarian supplies to the country***. On 20 May 1996, the UN and the Government of Iraq concluded the MoU that codified the practical arrangements for the implementation of the UN OFF agreement. The sanctions committee subsequently adopted on 8 August 1996 the Procedures for the implementation of UNSCR 986. On 9 December 1996, the UNSG reported to the Security Council (S/1996/1015) that all the steps necessary to ensure the effective implementation of UNSCR 986 had been concluded. As a result, ***UNSCR 986 went into effect at 00.01 hours Eastern Standard Time on 10 December 1996***. The first food shipment arrived in Iraq on 20 March 1997.

**UNSCR 1051 (1996)** of 27 March 1996 established the export/import monitoring system for Iraq. ***Iraq and countries exporting to Iraq must notify UNSCOM and the IAEA regarding the supply of "dual-use" items to Iraq. Such items are subject to inspection upon their arrival in Iraq as well as at the site where the items will be used.***

**UNSCR 1111 (1997)** of 4 June 1997 decided that the provisions of UNSCR 986, except those contained in paragraphs 4, 11 and 12, shall remain in force for another period of 180 days beginning at 00.01 hours, Eastern Daylight Time, on 8 June 1997. Further decided to conduct a thorough review of all aspects of the implementation of this resolution 90 days after the entry into force of paragraph 1 and again prior to the end of the 180 day period, on receipt of the reports referred to in paragraphs 3 and 4, and expressed its intention, prior to the end of the 180 day period, to consider favorably renewal of the provisions of this resolution, provided that the reports referred to in paragraphs 3 and 4 indicate that those provisions are being satisfactorily implemented.

**UNSCR 1115 (1997)** of 21 June 1997 decided not to conduct the reviews provided for in paragraphs 21 and 28 of UNSCR 687 (1991) until after the Special Commission submits its next consolidated progress report due on 11 October 1997, after which time those reviews will resume in accordance with UNSCR 687.

**UNSCR 1129 (1997)** of 12 September 1997 decided that the provisions of UNSCR 1111 should remain in force, except that States are authorized to permit the import of petroleum and petroleum products originating in Iraq, including financial and other essential transactions directly relating thereto, sufficient to produce a sum not exceeding a total of one billion United States dollars within a period of 120 days from 00.01 hours, Eastern Daylight Time, on 8 June 1997 and, thereafter, a sum not exceeding a total of one billion United States dollars within a period of 60 days from 00.01 hours, Eastern Daylight Time, on 4 October 1997; and decided further that the provisions of paragraph 1 shall apply only to the period of implementation of UNSCR 1111.

**UNSCR 1134 (1997)** dated 23 October 1997 expressed the firm intention, if Iraq does not comply with paragraphs 2 and 3 of UNSCR 1115, to adopt measures which would oblige all States to ***prevent***



*without delay the entry into or transit through their territories of all Iraqi officials and members of the Iraqi armed forces who are responsible for or participate in the instances of non-compliance* of paragraphs 2 and 3 of UNSCR 1115. It decided not to conduct the reviews provided for in paragraphs 21 and 28 of UNSCR 687 until after the next consolidated progress report of the Special Commission, due on 11 April 1998, after which those reviews will resume in accordance with UNSCR 687, beginning on 26 April 1998.

**UNSCR 1137 (1997)** dated 12 November 1997 *imposed travel restrictions on all Iraqi officials and members of the Iraqi armed forces who were responsible for or participated in the instances of non-compliance* including the denial of entry to Iraq to Special Commission officials on the grounds of their nationality and the denial of entry to sites designated by the Special Commission for inspection to Special Commission inspectors on the grounds of their nationality. The resolution decided that the review provided in paragraphs 21 and 28 of UNSCR 687 shall resume in April 1998 in accordance with paragraph 8 of UNSCR 1134, provided that the Government of Iraq shall have rescinded its decision of 29 October 1997 to impose conditions on cooperation with the Special Commission.

By **UNSCR 1143 (1997)** of 4 December 1997 the Security Council decided that the provisions of UNSCR 986, except those contained in paragraphs 4, 11 and 12, shall remain in force for another period of 180 days beginning at 00.01 hours, Eastern Standard Time, on 5 December 1997.

By **UNSCR 1153 (1998)** of 20 February 1998 the Security Council decided that the provisions of UNSCR 986, except those contained in paragraphs 4, 11 and 12, shall remain in force for a new period of 180 days beginning at 00.01 hours, Eastern Standard Time, on the day after the President of the Council has informed the members of the Council that he has received the report of the UNSG requested in paragraph 5 of UNSCR 1153, on which date the provisions of UNSCR 1143, if still in force, shall terminate, except as regards sums already produced pursuant to that resolution prior to that date.

- Also by **UNSCR 1153**, the Security Council decided that the authorization given to States by paragraph 1 of UNSCR 986 shall permit the import of petroleum and petroleum products originating in Iraq, including financial and other essential transactions directly relating thereto, sufficient to produce a sum, in the 180-day period referred to in paragraph 1 of UNSCR 1153, not exceeding a total of 5.256 billion United States dollars, of which the amounts recommended by the UNSG for the food/nutrition and health sectors should be allocated on a priority basis, and of which between 682 million United States dollars and 788 million United States dollars shall be used for the purpose referred to in paragraph 8 (b) of UNSCR 986, except that if less than 5.256 billion United States dollars worth of petroleum or petroleum products is sold during the 180 days period, particular attention will be paid to meeting the urgent humanitarian needs in the food/nutrition and health sectors and the UNSG may provide a proportionately smaller amount for the purpose referred to in paragraph 8 (b) of UNSCR 986.

By **UNSCR 1158 (1998)** of 25 March 1998 the Security Council decided that the provisions of UNSCR 1143 shall remain in force, subject to the provisions of UNSCR 1153, except that States are authorized to permit the import of petroleum and petroleum products originating in Iraq, including financial and other essential transactions directly relating thereto, sufficient to produce a sum not exceeding a total of 1.4 billion United States dollars within the period of 90 days from 00.01 hours, Eastern Standard Time, on 5 March 1998.

**UNSCR 1175 (1998)** of 19 June 1998 authorized States, subject to the provisions of paragraph 2 of the resolution, to permit, notwithstanding the provisions of paragraph 3 (c) of UNSCR 661, the export to Iraq of the necessary parts and equipment to enable Iraq to increase the export of petroleum and petroleum products, in quantities sufficient to produce the sum established in paragraph 2 of UNSCR 1153.

- By the same resolution, the Committee established by UNSCR 661, or a panel of experts appointed by that Committee may approve contracts for the parts and equipment and up to a total of 300 million United States dollars may be used for that purpose.

- UNSCR 1175 also noted that the distribution plan approved by the UNSG on 29 May 1998, or any new distribution plan agreed by the Government of Iraq and the UNSG, will remain in effect, as required, for each subsequent periodic renewal of the temporary humanitarian arrangements for Iraq and that, for this purpose, the plan will be kept under constant review and amended as necessary through the agreement of the UNSG and the Government of Iraq and in a manner consistent with UNSCR 1153.

**UNSCR 1194 (1998)** of 9 September 1998 decided not to conduct the review scheduled for October 1998 provided for in paragraphs 21 and 28 of UNSCR 687, and not to conduct any further such reviews until Iraq rescinds its above-mentioned decision of 5 August 1998 and the Special Commission and the IAEA report to the Council that they are satisfied that they have been able to exercise the full range of activities provided for in their mandates, including inspections.

- By UNSCR 1194, the Security Council also reaffirmed its intention to act in accordance with the relevant provisions of UNSCR 687 on the duration of the prohibitions referred to in that resolution and notes that by its failure so far to comply with its relevant obligations Iraq has delayed the moment when the Council can do so.

By **UNSCR 1210 (1998)** of 24 November 1998, the Security Council decided that the provisions of UNSCR 986, except those contained in paragraphs 4, 11 and 12, shall remain in force for a new period of 180 days beginning at 00.01 hours, Eastern Standard Time, on 26 November 1998. The resolution also decided that paragraph 2 of UNSCR 1153 shall remain in force and shall apply to the above-mentioned 180-day period.

In January 1999, the Security Council decided to establish three panels on disarmament, humanitarian issues and prisoners of war and Kuwaiti property to discuss options that would lead to the full implementation of all relevant Security Council resolutions concerning Iraq. Ambassador Amorim (Brazil) chaired all three panels. He submitted the panels' reports in the spring of 1999 (S/1999/356), and the Council considered the recommendations contained therein.

**UNSCR 1242 (1999)** of 21 May 1999, extended the UN OFF program for a further 180 days starting on 25 May 1999.

**UNSCR 1266 (1999)** of 4 October 1999 decided that paragraph 2 of UNSCR 1153, as extended by UNSCR 1242, shall be modified to the extent necessary to authorize States to permit the import of petroleum and petroleum products originating in Iraq, including financial and other essential transactions directly related thereto, sufficient to produce an additional sum, beyond that provided for by UNSCR 1242, equivalent to the total shortfall of revenues authorized but not generated under UNSCR 1210 and 1153, 3.04 billion United States dollars, within the period of 180 days from 00.01 hours, eastern standard time, on 25 May 1999.

**UNSCR 1281 (1999)** of 10 December 1999, extended the UN OFF program for a further 180 days starting on 12 December 1999 (phase VII).

On 17 December 1999, after several months of intensive consultations, the Security Council adopted **UNSCR 1284 (1999)**, stressing the need for a comprehensive approach to the full implementation of all relevant Security Council resolutions and Iraq compliance with these resolutions. The resolution *established the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) to undertake the responsibilities of the former UNSCOM, which was charged with monitoring the elimination of weapons of mass destruction in Iraq.* The resolution also *removed the ceiling on Iraqi oil exports* and provided for additional specific arrangements for facilitating humanitarian supplies to Iraq, including the conditional suspension of the sanctions Regime.

On 8 June 2000, the Security Council unanimously adopted **UNSCR 1302 (2000)** by which it extended the UN OFF program for a further 180-day period beginning 9 June 2000. The Council repeatedly extended the program for 180-day periods over the following years.

Then, on 14 May 2002, the Security Council unanimously adopted **UNSCR 1409 (2002)**, which *adopted a revised Goods Review List of military-related goods* or commodities, which was to enter into effect on 30 May 2002. From that date onward, *States are*

*authorized to sell or supply any commodities not included on the Goods Review List*, while the Council would regularly conduct thorough reviews of the Goods Review List.

On 28 March 2003, the Security Council unanimously adopted **UNSCR 1472 (2003)**, making technical and temporary adjustments to the UN OFF program on an interim and exceptional basis, so as to ensure the implementation of approved contracts concluded by the Government of Iraq for the relief of the Iraqi people.

- The resolution authorizes the UNSG and representatives designated by him to *establish alternative locations, inside and outside Iraq, for the delivery, inspection and authenticated confirmation of humanitarian supplies* and equipment under the program.
- It also authorizes him, among other things, to review as a matter of urgency the approved funded and non-funded contracts concluded by the Iraqi Government and to *contact suppliers of those contracts and, when necessary, to require them to delay, accelerate or divert shipments*. It also allows him to negotiate and execute new contracts for essential medical items.

On 25 April 2003, the Council unanimously adopted **UNSCR 1476 (2003)**, extending the provisions of UNSCR 1472 until 3 June 2003.

The Security Council *formally ended all sanctions, except those related to the sale or supply to Iraq of arms and related material*, other than those required by the occupying powers to serve the purposes of Security Council resolutions, in **UNSCR 1483 (2003)**, which was adopted on 22 May 2003 by a vote of 14-0 with one country not participating in the vote.

- The resolution states that, with the exception of the arms prohibitions noted above, all other sanctions established by UNSCR 661 and subsequent resolutions *“shall no longer apply.”*
- It also requests that the UNSG will continue the exercise of his responsibilities under UNSCRs 1472 and 1476 for a period of six months, and will *terminate within this time period, in the most cost effective manner, the ongoing operations of the UN OFF Program.*

## Annex I Suspected WMD-Related Dual-Use Goods and Procurement Transactions

The following is a list of procurement transactions, contracts, attempted transactions, or contract tenders of products of suspected dual-use goods. The section below lists terms used by ISG throughout the report and this particular annex, as well as summarizes specific UNSCR affecting member states' obligations in exporting dual-use and military goods to Iraq.

- **Permitted Goods:** UNSCR 661 limited exports to Iraq to medical supplies, foodstuffs, and other items relating to humanitarian needs, but the UN nonetheless required that all dual-use goods requested by Iraq be reviewed and approved by the UN Sanctions Committee prior to the exportation of such humanitarian goods. Regarding the importation of foodstuffs and medicines, the Iraqis notified the Sanctions Committee.
- **Dual-Use Goods were subject to UN approval:** From 1990 through 1996, UN member states were allowed a free hand in interpreting what goods they considered to be suitable for export to Iraq. In 1996, UNSCR 1051 (1996) established an import/export monitoring system for Iraq. Under UNSCR 1051, Iraq and countries exporting to Iraq were obliged to notify the UN of any "dual-use" items as described by the 1051 List. This list of dual-use goods was subsequently modified by UNSCR 1409 (passed in 2002) that became the basis of the Good's Review List (GRL). From 30 May 02, the date of UNSCR 1409, member states were permitted to sell dual-use goods not included on the GRL with the approval of the Sanctions Committee, while exports of goods described by the GRL had to be submitted to the UN for their consideration and approval.
- **Prohibited Military Goods:** UNSCR 661 and 687 prohibited UN member states from exporting military goods to Iraq. Therefore, any goods "specially designed" or "modified" for military use were banned for export to Iraq (prohibited). "Goods"

included equipment, component parts, technology, and software (including software used for the development and production of military goods).

The goods described below appear to be dual-use as specified by the 1051 or the GRL, and consequently could have been of use to Iraq for the development, production or use of WMD. *However, without full technical specifications of the items or knowledge of whether UN approval was granted for these exports, ISG cannot determine whether UN sanctions were actually breached with the procurement transactions summarized below. Investigating possible breaches of sanctions relating to the export of dual-use goods is outside the scope of ISG.*

### Chemical Dual-Use Related Procurement

#### Possible Violations of UN Sanctions by French Companies

##### 2002—French Company Carbone Lorraine Supplied the MIC with Chemical Warfare Raw Materials

As of August 2002 the former Iraqi Regime and the French company Carbone Lorraine had been cooperating for many years in the procurement of high-tech industrial equipment, some of which had WMD applications.

##### 2001—Attempt To Procure Mobile Laboratory Trucks

A French firm known for violating UN sanctions submitted a request for bids to a South Korean and a German company for 20 mobile laboratory trucks in August 2001. The end-user for the trucks was pur-

ported to be the Iraqi General Company for Water and Sewage.

### **Possible Violations of UN Sanctions by Indian Companies**

#### **1999—NEC Company Assists Iraq in the Purchase of Chemical Equipment and Precursors**

Reportedly, the Indian company NEC and the Iraqi company Al-Basha'ir combined resources in 1999 to set up a front company called Technology Trading S.A. (TTSA). TTSA appeared to conduct research on herbicides, pesticides and other agriculture-related issues. Baghdad could have directed TTSA to research and development of chemical dual-use programs for the Iraqi government.

- Iraq used TTSA and NEC to purchase chemical laboratory equipment and precursors from India.
- These items were shipped by land via the Syrian and Jordanian borders using false cargo manifests and bribes to preclude customs inspections.

### **Biological Dual-Use Related Procurement**

#### **Sales of Biomedical Equipment Technology and Services by Swiss Companies**

#### **1995—Purchase of Reagents by an Iraqi Front Company**

Reportedly, an Iraqi front company called Al-Eman purchased a kit of reagents worth \$5,000 from the Swiss firm Elisa on behalf of an organization named El Ibaa in 1995. El Ibaa was a special unit in the Iraqi MoA.

- El Ibaa was directly connected with Saddam, had a special research facility, and was granted an "unlimited" budget.

- Its stated research areas were the breeding of animals such as cows and sheep and certain types of crops.

### **Possible Breaches of UN Sanctions by Austrian Companies**

#### **2001—Negotiations To Procure Autoclaves**

AGMEST and the Al Rafad Scientific Bureau for Promoting Drugs and Medical Appliances, both located in Baghdad, negotiated a contract for the Iraqi Ministry of Health for autoclaves from an Austrian firm in early 2001.

- Two of the autoclaves were reportedly intended for the Vaccine and Serum Institute in Baghdad, a probable reference to the Amiriyah Serum and Vaccine Institute (ASVI).
- In July 2002, Sabah N.M. Ali of AGMEST in Baghdad, Iraq, Firas Kadhum of the Iraqi Al Rafah Scientific Bureau for Promoting Drugs and Medical Appliances, and an official from a Jordanian firm negotiated a contract for autoclaves, sterilizers, and vacuum pumps from the Austrian company with the end user being SDI.

### **Possible Breaches of UN Sanctions by German Companies**

#### **2001—Attempts To Acquire Biotechnology and Biological Weapons-Related Technology and Expertise**

The Amman, Jordan office of the Iraqi front company Winter International forwarded offers for dual-use laboratory equipment from a German firm to the Winter International office in Baghdad, in March 2001. The end-user of this equipment was purported to be the Iraqi MoI. The equipment offered included:

- An electrophoresis system including a special atomizer with rubber bellows for producing reagent mists. This system can be used for recombinant DNA process-cloning and many other molecular biology applications.
- A refrigerated ultracentrifuge, a microcentrifuge, a low temperature freezer (between -30 and -80 degrees Celsius), and an automatic DNA-analysis system with mono-laser. This equipment is on the UN dual-use monitoring lists and would have required verification.
- A moisture purging vacuum pump and electroporator. This equipment is used for plasmid cloning.

#### **2002—Attempts To Procure a DNA Synthesizer**

From August 2002 through February 2003 representatives from a Jordanian trading company with links to Iraq attempted to purchase a DNA synthesizer from a German based company. This equipment was restricted under the UN GRL.

- An official claiming to be the managing director of the Jordanian firm Al Theker forwarded the information to Iraq. The report stated that it appeared that the Jordanian firm's official was forwarding information back to the Baghdad-based Wateera Company.

#### **Possible Breaches of UN Sanctions by Danish Companies**

##### **2001—Procurement of Precise Atomizer Nozzles**

Although Iraq was able to indigenously produce most of what it required for its biological agent programs, they were not able to create or fabricate all of the necessary equipment for CW and BW weapons programs. It was also important for Iraq to procure the appropriate spray dryers in order to obtain Bacillus Anthracis spores in a dried form. It is well known that the persistency of the spores in this form is much longer and more stable than in the liquid form.

- It was known for certain that Iraq was able to make most of the mechanical components for spray

dryers. What was in question was their ability to manufacture the very precise atomizer nozzles required to produce particles in the optimum size range.

- It is believed that Iraq obtained two very capable spray dryers from the Danish company, Niro Atomizer Inc. One of these Niro spray dryers was installed in Al Hakam in the Bacillus Thuringiensis (BT) production line and was used in the production of BT in the 1-3 micron size range.
- It is believed that this spray dryer was destroyed with the rest of Al Hakam; however, it cannot be confirmed that the critical atomizer nozzle was also destroyed.
- If the atomizer nozzle from Al-Hakam was retained, Iraq may have been able to reverse engineer it, although the precision required would have been a challenge for the Iraqis.

#### **Possible Breaches of UN Sanctions by Italian Companies**

##### **2002—Attempt To Procure Biotechnology and Bio Weapons Related Technology and Expertise**

In January 2002, the Al-Mazd Group for Medical and Engineering Systems and Technology (AGMEST) in Baghdad requested a quotation for 10 freeze dryers through the Iraqi Ministry of Health from an Italian firm.

##### **2002—Attempt To Procure Dual-Use Autoclaves**

In March 2002 the Iraqi firm Al Mutasem Engineering used a Jordanian intermediary company, to contact an Italian firm and receive a price quote for dual-use autoclaves.

- Autoclaves are commonly used in laboratories to sterilize equipment. They are not a vital part of a BW program as there are other means to sterilize equipment.

## **Possible Breaches of UN Sanctions by Turkish Companies**

### **2002—Procurement of CBW Protective Equipment**

A Turkish firm sold and transferred atropine auto-injectors to the Iraqi government starting in August 2002. The company also provided coordination in response to Iraqi requests for chemical protective equipment, unspecified laboratory chemicals and biological growth media.

- In December 2002, the same firm continued to work with the Iraqi government on a new order for atropine autoinjectors and was also working to fill Iraqi orders for additional CBW protective equipment; specifically 600 microbial decontamination systems, 600 CBW protective kits including protective masks and garments, and 10 sterilizers.

## **Possible Breaches of UN Sanctions by Indian Companies**

### **2002—Attempt To Procure Biotechnology Equipment**

According to reports, an Indian export company provided a quotation for a dry powder injection-filling project at the Al-Anaam Pharmaceutical Company packaging plant in Baghdad.

### **2002—Attempt To Procure Biotechnology technology**

According to reporting, in late 2002, Iraq's State Company for Vegetable Oil issued tender no. 649/2002 to several different Iraqi trading firms in an attempt to procure detergent production facilities that included high-capacity spray drying equipment and cyclone filters. An Indian firm was the only supplier to present Iraq's State Company for Vegetable Oil with an offer.

### **2003—Attempt To Procure Dual-Use Drugs**

In January 2003, an Indian firm offered to deliver 10

metric tons of bulk Ciprofloxacin to the Iraqi State Company for Manufacturing of Drugs and Medical Appliances, Kimadia's Samarra Drug Industries.

- Ciprofloxacin is a widely used antibiotic that could also be used to treat Anthrax infection. It was specifically added to the UN Goods Review List (GRL), pursuant to UNSCR 1454.
- Iraq's procurement and stockpiling of Ciprofloxacin would have facilitated the country's employment of BW against coalition forces, Iraq's neighbors, and/or its own citizens.
- There is insufficient data available to confirm the completion of this deal.

### **2003—Transfer of Hormone Tablet Production Manufacturing Technology**

An Indian firm working through representatives of the Syrian Group Company (SGC) Baghdad offices, provided an offer for a hormone tablet facility to Iraq in late January 2003. The client for the facility was identified as "M/S Al-Amin" which is very likely the Al-Anaam Pharmaceutical Company.

## **Nuclear Dual-Use Related Procurement**

## **Possible Breaches of UN Sanctions by Belarusian Companies**

### **2001—Contract for Ferrite Materials Including Magnets**

The MIC company Al-Tahadi had a contract with the Belarusian company, Balmorals Ventures, for ferrite materials, including permanent ferrite magnets.

- Some of the equipment was received from this contract, to include, a press machine and a mixer.

- The MIC initiated direct contact with the Belarussian company and therefore neither Al-Sirat nor Al-Najah were involved in this procurement attempt.

### **Possible Breaches of UN Sanctions by Romanian Companies**

#### **2000—Production Lines of Anisotropic and Isotropic Cast AlNiCo Magnets**

The MIC company Al-Tahadi had two contracts for production lines for magnets. The first contract was signed in approximately 2000 with a Romanian company, Uzinimportexport, for production lines of both anisotropic and isotropic cast AlNiCo magnets.

- The contract was worked through the private front company Al-Sirat.
- Al-Tahadi received other offers for this production line. For example, an Indian company, NEC bid on the contract through the front company Al-Najah, but the Romanian company had a better price.
- Al-Tahadi did not receive equipment or materials from this contract.
- The contract included an output capacity of one ton of magnets per year, raw materials for two years, training for two years, and equipment. The equipment included a 25kg induction furnace, electric furnaces for heat-treating, facilities for producing

molds, facilities for measurements and magnetization, and magnetic annealing furnaces.

Al-Tahadi did not have a plan for acquiring the raw materials after the two year contract expired because these materials were readily available. The AlNiCo production lines did not include the sintering process. The magnets specified in the contract were ring magnets, cubicle magnets and cylindrical magnets with a mass of 0.5 to 500 grams.

#### **Delivery Systems Procurement**

For a listing of Iraq's illicit procurement of missile delivery systems commodities, see the Delivery Systems Procurement Chapter.



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## Annex J The Procurement of Conventional Military Goods in Breach of UN Sanctions

Before the 1991 Gulf war, Iraq indigenously produced ammunition, small arms, gun barrels, and other basic military items. The war, however, destroyed Iraq's military industrial base leaving Saddam's Regime with critical shortages of military spare parts, ammunition, and other materiel. United Nations Security Council Resolution (UNSCR) 661 frustrated Saddam's attempts to reconstitute his military capacity following Desert Storm, because UNSCR 661 prohibited UN members from exporting conventional military goods and related technologies to Iraq.

**Many individuals, foreign companies, and some countries knowingly violated UN sanctions. In some cases, governments failed to comply with or enforce sanctions out of recalcitrance of international norms or inability or negligence to monitor the commercial activities of certain individuals and firms willing to conduct illicit business with Saddam's Regime. Governments not only included UN members, but also permanent members of the UNSC.**

Iraqi efforts to obtain military goods and related technologies in the mid-1990s until OIF in March 2003 can be divided into several categories: raw materials; consumables; and military goods. Iraq sought materials such as steel, aluminum and titanium to supply its military manufacturing industry. Under Saddam, Iraq constantly needed spare parts for manufacturing and for military equipment. As with any military organization, the Iraqi military always required consumables such as batteries, tires, and ammunition. **We judge that Iraq's most pressing requirement, however, was for military equipment.**

- For potential suppliers, the sale of military equipment offered the strongest profit margins.
- Since the beginning of sanctions in 1990, Saddam successfully acquired a wide range of military goods or their component parts for SAM systems, main battle tanks, anti-tank guided missiles (ATGM), combat aircraft, GPS jammers, and night-vision equipment.

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### *The United Nations Sanctions on Iraq*

*The UNSC passed numerous resolutions from 1990 to 2003 prohibiting member states to export, military goods and technology to Saddam's Regime, placing financial constraints on UN members conducting business with Iraq, establishing WMD and military restrictions on Iraq, and the formulation and implementation of the UN OFF program. UNSC passed two UNSCR, 661 (1990) and 687 (1991) that specifically prohibited the export of military goods to Iraq by UN members. Paragraph 24 of UNSCR 687 reads:*

*In accordance with UNSCR 661 and subsequent related resolutions and until a further decision is taken by the Security Council, all States shall continue to prevent the sale or supply or promotion or facilitation of such sale or supply, to Iraq by their nationals or from their territories or using their flag vessel or aircraft, of; arms and related material of all types, specifically including the sale or transfer through other means of all forms of conventional military equipment including paramilitary forces and spare parts and components and their means of production for such equipment.*

*These restrictions included prohibitions on the licensing of military technology and other transfer arrangements used in the production, utilization, or stockpiling of military items. These UNSCR also prohibited the use of personnel or materials for training or technical support services relating to the design, development, manufacture, use, maintenance, or support of military goods.*

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- Throughout this investigation, ISG has exploited information from captured documents from various Iraqi ministries and agencies and debriefings of both detainees and willing sources from the former Iraqi Regime. Examples found by ISG, provided below, represent only a small cross section of the total illicit dealings with Iraq. However, a full investigation of all violations of UNSCR vis-à-vis Iraq is outside the scope of ISG's investigation.

## **Possible Breaches of UN Sanctions by Ukrainian Companies**

### **Summary of Ukrainian involvement 1995-2003:**

Documents obtained by ISG indicate that Iraqi delegations visited Ukraine in 1995, and Ukrainian groups visited Iraq between 1998 and 2003. During these visits, both parties discussed missile deals. Another source indicates that in 2001 and 2002 Ukrainian delegates provided Unmanned Aerial Vehicle (UAV) components to Iraq. In addition, ISG recovered papers that indicate Ukrainian companies had offered to supply other military equipment to Iraq.

### **1995-2003: Ukrainian and Iraqi Delegation Visits**

Information supplied by an Iraqi scientist, indicates that Iraqis visited Ukraine in 1995 and that the Al-Karamah State Establishment hosted many visits from Ukrainian suppliers who were negotiating for contracts from 1998 to 2003.

- An Iraqi scientist stated that Ukrainian suppliers were the most frequent visitor to Iraq assisting Iraq with its missile program. The Ukrainians visited many times led by a Mr. Orshansky. Orshansky usually brought 50 to 60 people from multiple Ukrainian companies dealing with a range of issues including civil power projects as well as missile and other military technologies. The Ukrainians wanted to sign a contract to supply theory, design, and equipment, but the deal was never completed due to the defection of Husayn Kamil from Iraq in 1995.

### **2001-2002: Ukrainian Company May Have Supplied Military Goods to Iraq**

A source indicates that a Ukrainian company supplied components for UAV.

- In 2001 and 2002, the Ukrainian company, Orlliss, provided UAV components, such as engines and gyroscopes, to the Iraqi Government. The individual from Orlliss who handled these transactions was Olga Vladimirovna, Director of the Orlliss Company. Vladimirovna provided her business card to several individuals at the Ibn Firnas Company.

## **2003: Papers Indicate Ukraine Company Supplied Military Goods**

Recovered papers indicate that a Ukrainian company was offering to supply military equipment in early 2003.

- Recovered documents indicate that the Al-Karamah State Establishment purchased equipment through ARMOS Trading Company in Baghdad from the Mont Elect Company, Ukraine before January 2003. Two payments were made of \$405,000.00 for the equipment. Signatures on the document included representatives from: ARMOS; Al-Karamah State Establishment; Sa'ad General Company; Al-Karamah; Dr. Sergei Semonov, for the Mont-elect Establishment, and the Trade Office of the MIC.

## **Possible Breaches of UN Sanctions by Cypriot Companies**

### **1997: Cypriot Company Offered T-72 Tanks, Anti-Aircraft Missile Systems, and Sniper Rifles**

Recovered documents refer to a Cypriot company's offer of military goods; including tanks, anti-tank weapons, and anti-aircraft weapons systems.

- A letter dated 23 August 1997 from a Cypriot company F and F Dawn, Ltd. (located in Limassol, with offices also in Paris) shows that the General Manager, Ahmad Fayiz Al Mirabi, offered military goods to the Al-Basha'ir Company and Mr. Munir Mamduh.
- A second letter, marked 'Top Secret', from the Office of Army Chief of Staff Major Colonel Aziz Ahmad Husayn to the GMID, dated 21 September 1997, refers to an offer to sell Baghdad "tanks (142 T-72 with a possible total of 300), bombers, missiles (Tow-2 /anti-tank), anti-aircraft missiles system (Stinger) and Barrett USA semi-auto sniper rifles."

**Possible Breaches of UN Sanctions by French Companies**

**Summary of French involvement 1998-2003:** Some French businessmen sought business with Iraq during this period. In one instance, a French businessman brought a tank carrier to a weapons convention in Baghdad, and in another instance, a French electronic warfare expert visited Iraq. In addition, the MIC attempted to acquire components for the French-manufactured Roland missile system.

**1998-1999: Tank Carrier Imported to Iraq**

A letter from Aqra General Trade Company Baghdad dated 18 November 1998 requests an entry visa and reads, "Find attached herein a copy of the passport of Jean Claude, a French citizen and the manager of the French company Lura. Mr. Claude will bring a tank carrier model to the MOD that will be supplied to Baghdad by the end of this month. Kindly facilitate the procedures to issue him an entry visa to Iraq, considering that our company will bear his stay expenses in Baghdad."

- A second letter from Aqra General Trade Company Baghdad dated 8 December 1998 reads, "Reference to our letter we would like to inform you that the vehicle (Tank Carrier) arrived at Abi Gharib [most likely Abu Ghurayb] Customs Department, kindly notify the competent authorities to give Mr. Jean Claude an entry visa to Iraq ASAP."
- A letter to the Electrical and Mechanical Engineering Directorate from the MoD Armament and Equipping Directorate dated 12 September 1999 reads, "kindly acknowledge that Mr. Jean Claude, Manager of the French Company, Lura visited the country on Saturday, 11/09 to operate the Rescue and Armor Transport Vehicle stored at Modern Vehicles storehouse. Kindly appoint an officer to escort the afore-mentioned with the technicians for three or four days."
- Another letter to the Armament and Equipping Directorate dated 18 September 1999 from the Manager of the Aqra Company, states, "During the visit Mr. Jean Claude, Commercial Manager of the French company, made to Baghdad, it was

agreed, in the presence of the committee formed by the ministry to take over and inspect the vehicle, to send a technical expert to train some specialists how to operate the vehicle. Kindly take the necessary actions to issue entry visas for Jean Claude, the Commercial manager and Philippe Robert, the Technical Expert."

**1999-2000: Deputy General Manager of French Company Visits Iraq**

Recovered documents include letters dated December 1999 and January 2000 that show that the Deputy General Manager of a French company called SOFEMA planned to visit Iraq on 15 January 2000 on behalf of a number of French Military Companies. Mr. Dominique Salini's 29 December 1999 introduction letter from the al-Hadar Company is included in the textbox below. A subsequent letter to the GMID M6 Section from the head of Air Defense Security dated 3 January 2000 requests an opinion on holding a meeting with a representative from the IIS and Salini.

**2002: Documents Indicate French Experts Visited Iraq and Agreed to Military Technology Transfer**

A recovered document indicates that a French electronic warfare/radar expert met with representatives of the Al Kindi Research Facility in November 2002. The purpose of the meetings was to facilitate military-related microwave, direction finding, and passive radar technology transfer. The translated documents include military-related technology transfers and Iraqi contractual agreements with foreign manufacturers. ISG also acquired two meeting logs among the documents.

- The subject meeting log indicated that on 3 November 2002 an individual identified as a French expert and referred to as Mr. Cloud (possibly Mr. Claude from the prior paragraphs), visited the Al Kindi Electronic Warfare/Radar Research, Development, Test and Evaluation Center. The Log states that the office of Mohammad Fadil financed Mr. Cloud's visits to Iraq. Fadil brought Cloud to Iraq on 2 previous occasions.

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***Letters Dealing With a Planned Visit of Mr. Salini of the French SOFEMA Company to Iraq in Early 2000***

*In the name of God, the Most Merciful, the Most Compassionate  
Republic of Iraq  
Presidency of the Republic  
General Directorate of Military Intelligence  
Air Defense Security System*

*Serial No. /Sect 2/Div 5/  
Date / 11/2000*

*To/General Directorate of Military Intelligence/M4/Sect 6  
Subject/Requesting for your opinion*

- 1. Al Hadar Company "Al Hadhar Company" Letter, numbered 271, dated 29/12/1999, which has been sent by your directorate.*
- 2. Please give us your opinion on holding a meeting between Mr. Dominique Salini, Deputy General Manger Commercial of the French Company SOFEMA, and our representatives.*

*Please review and inform us...with our best regards.*

*Intelligence Major General Head of Air defense Security System  
3/1/2000*

*Call the company representative in Iraq (TC: Handwritten note).*

*Waiting for the company to respond to the new appointment 17/1. (TC: Handwritten note).*

*Letterhead.Al-Hadhar.jpg*

***In the Name of God, Most Merciful, Most Compassionate***

***Serial No.: 271***

***Date: 29/12/1999***

***Sect 6***

***Mr.: NR993 gentlemen (TC: There is a big scratch over the "NR993" and "Sect 6" is written in place of it)***

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*Letters Dealing With a Planned Visit of Mr. Salini of the French SOFEMA Company to Iraq in Early 2000  
(continued)*

*Our Greeting,*

*Mr. Dominique Salini is visiting Iraq. He is the Deputy General Manager Commercial of French Company SOFEMA, which is considered marketing company representing a lot of French military companies. We kindly request a meeting to discuss your needs with him. He will visit Iraq between the period 15/1/2000 to 19/1/2000. Attached is the company catalog for reviewing.*

*With all our respect.*

*Attachment: Company catalog.*

*Deputy Manager*

*'Isam Al 'Aqidi*

*Copy for the branch*

*29/12*

*Bulgaria - Svishtov 5250 – St. T. Milanovich No.10 A – Telefax: 00359631-25577*

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*P.O. Box: 4245, Sabe Abkar - Baghdad*

- At the 3 November 2002 meeting, Cloud was brought in due to his expertise and experience in obtaining equipment in support of the Dawa II. Fadil, Cloud, and Saeed discussed technical issues indicating he could provide solutions through Fadil's office.
- Fadil, Cloud, and Saeed also discussed the technical specifications of Radioson equipment, direction finding equipment, and a land-based station that was tabled in a previous meeting.
- Saeed, Fadil, and Cloud discussed the possibility of obtaining or constructing a base to manufacture microwave parts, passive and active sensors, signal enhancers, and low distortion components. Cloud promised to provide Saeed and Fadil with information regarding these electronic warfare products.
- A second document identified as a technical cooperation memorandum outlines Saeed's meeting with Cloud. The memorandum was presented to the General Manager of the Al Kindi Electronic Warfare/Radar Research Center. The document confirms that a meeting took place as scheduled with Saeed, Fadil, and Cloud.
- Fadil, Saeed, and Cloud agreed to cooperate so Cloud could facilitate the transfer of high frequency (HF), microwave, and passive radar military-related technology to Iraq. A memorandum of "4 November" (probably 2002) requests permission to proceed with the technological transfer process.

#### **2002-2003: Iraq's MIC May Have Attempted To Procure French Roland Missile Parts**

A source related that Iraq attempted to acquire battlefield and air defense technology 25 days before the onset of OIF.

- Beginning in late December 2002, the Iraqi MIC initiated efforts to acquire replacement parts for the Roland II surface to air missile system, valves for Iraq's air defense system, and various other high technology items with military and battlefield applications. These efforts were underway up until 23 days before the onset of hostilities. The MIC

Commercial Section corresponded with Majda Khasem Al-Khalil (a Lebanese female) who in turn met directly with the French Thompson Company regarding the acquisition of the missile parts.

Al-Khalil later provided samples of night vision goggles and protective Kevlar devices to the MIC. The paragraphs below describe the development of this effort as portrayed from the Iraqi side.

- On 25 December 2002, a high level MIC official requested permission to acquire 'hard cables' for Iraq's air defense headquarters. The MIC official supplied Al-Khalil, Sour Debbar, and Dr. Awad Al-Souri as points of contact capable of supplying these materials. Al-Khalil was described as "the Lebanese."
- On 22 February 2003, Ra'ed Ismail Jamil, General Manager of the Salahadin General Company, and a Brigadier General Hassem discussed the purchase of parts for the Roland II system with Al-Khalil. A communication sent the same day by Jamil and Hassem notified the MIC Deputy Minister that, based on his orders, they invited Al-Khalil to reach "clear and final agreements" regarding subjects already discussed and that they had arranged for her safe passage with border control.
- During a meeting with Jamil and Brigadier Hassem, Al-Khalil mentioned that she met with French experts regarding to rehabilitating Iraqi Roland II parts. Al-Khalil had learned from those experts that it was not possible to rehabilitate those parts due to their deteriorated state, but it was possible to provide 50 new parts at the same price to repair the old ones. The 50 new parts met the same technical specifications the Iraqi MIC stated for the old parts. Al-Khalil informed Jamil and Hassem that she provided the French experts with technical questions and designs. The aforementioned experts addressed the questions and designs "thoroughly, clearly, and completely."
- On the evening of 22 February 2003, Al-Khalil promised to have the new components within ready 30 days of the ministry's acceptance of the contract. Al-Khalil further agreed to ship the old Iraqi parts

back to Baghdad without repair. The MIC assumed responsibility for the transportation and movement of the parts through Iraqi customs. The Ministry believed that they could use internal components from the old parts as spare parts in the future.

- Al-Khalil further stated she was ready to import “set valves from either types, 12 sets of each at \$250,000” as requested by the MIC Deputy Minister. Al-Khalil agreed to deliver these items within 10 days of signing of an agreement. She further mentioned that “the French side” was ready to implement this agreement and take care of the documentation process regarding shipping and warranty certification, but that she would need some money to cover this process. Al-Khalil stated she was ready to provide a bond accepted from the Iraqi side towards a down payment and she provided complete specifications for both sets of valves.

### **Possible Breaches of UN Sanctions by North Korean Companies**

**Summary of North Korean involvement 1999-2003:** Starting in 1999, North Koreans visited Iraq to hold talks relating to rocket engines. By 2003, North Korea and Iraq had negotiated and signed contracts for missile components, ammunition, and other goods. North Korea later reciprocated by inviting the Iraqi leadership to Korea. According to documentation, in May 2001 a delegation from North Korea, including specialists in defense, were due to visit Iraq.

### **1999-2001: Planning for Military Procurement Delegation Visits**

Recovered documents indicate that Iraq and North Korea government officials proposed numerous delegation visits in letters written between 1999 and 2000.

- A letter dated 11 August 1999 marked ‘Top Secret and Personal’ from the Presidential Secretary and addressed to the Minister of Military Industries, refers to an invitation and a letter on 2 August 1999. The letter indicates that permission for the MIC and the MoD had been granted to allow a verbal invitation to the North Korean Defense Minister or his deputy to visit Iraq.
- A letter dated 28 February 2000, shows that the North Korean Defense Industry Department of Korean Workers Party officially invited an Iraqi military delegation to visit North Korea. The visit was arranged to show North Korea’s willingness to supply Iraq with military equipment and to allow for discussions between military experts. The letter later states that the North Koreans believed the proposed visit would open good relations between the militaries “against the common enemies.”
- A letter from the Defense Industry Department of Korean Workers Party, dated 30 July 2000, gave compliments to the Iraqi Minister of Military Industries and indicated an appreciation for the invitation of the Korean delegation to Iraq. “On our belief, in the present situation of international circumstance, it will be most preferable that your delegation visit our country first to open the wonderful relationship and to continue the reliable and extensive cooperation in the field of military industries between two ministries. In this great chance together with, we would like to emphasize that our last invitation of your delegation to our country remains still valid and effective.”
- A letter from the Defense Industry Department of Korean Workers Party to the Minister of Military Industries in Iraq (probably the MIC), dated 23 September 2000, accepted Iraq’s invitation and acknowledged that the North Korean side would send a high-ranking delegation, headed by the Deputy Minister, for seven to 10 days starting on about 8 October 2000. The letter indicated that the North Koreans hoped this visit would be a “turning point” for establishing new relations in military fields between the two ministries against “our common enemies.”
- A record of a telephone call dated 5 October 2000 between the Secretary General and Brigadier General Hadi Tarish, from the MIC, with the Staff Brigadier General A’adel Hameed, specified the proposed subjects to be discussed during the North Korean delegation’s visit on 10 October 2000.



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**11 August 1999 Handwritten Document From the Director of the IIS marked Secret/Personal**

1. This organization is preparing for cooperation with Iraq in the fields of furnishing weapons and military equipment, to pass special technology for its manufacture and upgrade as follows:

- a. Jamming systems against enemy aircraft radars, the communication amongst the aircraft, and their communication with ground bases.
- b. Upgrade of radar systems, command systems, and Russian early warning (radars) used in Iraq, among them (P-14, P-18, P-19, K66, H.FINDER).
- c. Development of air defense systems, types (Volga and SAM 2).
- d. Development of automatic firing systems against aircraft launchers.
- e. Development of special radars for missiles, linking it with systems to disrupt enemy missile targeting.
- f. **Pass on technology for surface-to-surface missiles with a range of 1300 kilometers and land-to-sea missiles with a range of 300 kilometers.**
- g. Long-range launcher tubes, caliber 230mm and 122mm, capacity (22) launchers.
- h. Pass on technology to build a mini-submarine.
- i) Repair and maintenance of Eastern made equipment and weapons according to what the Iraqi side has determined.

2. The Korean side is prepared to send a technical delegation to discuss preliminary measures with Iraqi specialists in order to obtain an agreement on the proposals. After that, the Iraqi side is sending a technical delegation to visit Korea to complete discussions and (conduct) a field survey on the specialized factories.

3. Currently, there is a desire from the Iraqi side to cooperate with the Korean side to arrange and prepare a secret visit for the Korean Minister of Defense or his deputy to Iraq for high-level discussions in this area.

4. The Korean side has conveyed through the source that Iraq is not allowed to associate itself with long-range missiles as specified, but it can deal with missile technology as long as it doesn't exceed the range of 150 kilometers, as decreed by Security Council decisions. Whereas, they exhibit their readiness for cooperation in the fields specified by Iraq.

5. In light of what was presented, we propose cooperation with the Korean proposal, in pursuance of the aforementioned plans, especially and forming a working team from MIC, Air Force Command, Air Defense Command and the Intelligence Service to deal with the proposals and negotiate inside and outside of Iraq. The results have been submitted to the President to receive approval of a visit by the Korean Minister of Defense or his deputy.

Note: This note was directed to a North Korean organization called the "Chang Kwang Group"

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The topics included: the upgrade of communications systems, especially HF, the modernization of anti-tank missiles, the possibility of purchasing an assembly line to produce 30mm artillery, the development of SAMs, and air defense systems. The air defense topics described were the modernization of

SAMs, including, "early warning systems, SAM/2 T, and SAM/2 A."

- A captured telephone contact note dated 10 October 2000 confirmed that the first meeting with the North Korean delegation was planned for 11 October 2000 with the MIC Director in attendance. The note

specified that the Iraqi attendees would include staff from the Director, Armament and Accommodations, Staff Brigadier General A'del Hameed, concerned representatives from the Air Force Command-Air Defense Command, Communications Administration, a Navy Representative and a SSM Command Representative.

### 2000: Contracts Negotiated for Iraqi Defense Programs

Information from a former high ranking official who worked in the MIC, corroborated by captured documents, indicates that Iraq and North Korea had negotiated contracts worth \$10 million to support the Iraqi military programs by mid-2001. These contracts included a Volga air-defense missile homing head, ammunition, small machines, and spare parts.

- Between the end of 2000 and the beginning of 2001, North Korea and Iraq reportedly began discussing contracts supporting the Iraqi missile program, particularly for guidance and control systems. While the head of the MIC, Abd Al-Tawab Mullah Huwaysh, handled the negotiations with the North Koreans, orders for the negotiations were passed directly from Saddam via the Technology Transfer Office of the IIS.
- A five-person North Korean delegation, headed by the deputy Minister of Defense, visited Iraq at the end of 2000. A 7-person Iraqi delegation to North Korea reciprocated this visit, lead by the deputy Minister of the MIC, General Muzahim Sa'b Hasan al-Nasiri. Another North Korean delegation traveled to Iraq in the third quarter of 2002.
- The Harith Company and Al-Karamah State Establishment signed the first contract at the end of 2001 for the development of a Volga homing head by adding infrared sensor. Another 3 to 4 Hutteen Company contracts followed for small ammunition, small machines, and spare parts. The total value of these contracts was \$10 million.
- Iraq also proposed that North Korea supply and install guidance and control kits in 50 of Iraq's Al Samud and Al Fat'h missiles. Each kit would

consist of 2 gyros, 3 accelerometers, and an on-board computer. The first installment was for 10 kits. North Korea, however, rejected the proposal in the near term, but agreed to study it further.

- The Syrian companies Lama and SES allegedly facilitated the Iraq-North Korea contracts, charging an additional 10-15 percent commission on the contract value. (See also the Front Company discussion.)

Recovered documents from 2001 corroborate the information given by this source. These documents show that a North Korean company signed four contracts and discussed others with Iraq. This included the supply of missile components, a deal to modify radars and the Volga missile system, the supply of engineers, an agreement for ammunition manufacturing equipment, and the supply of components for ammunition. These contracts were between the Iraqi companies Al-Karamah, Hutteen, and Al Harith and the North Korean Hesong Trading Corporation, based in Pyongyang. The goods were to be shipped to Syria and then onto Baghdad.

- The first contract was for the procurement of components for short-range missiles, associated test equipment, installation in Iraq, and for the training of Iraqi engineers.
- The second contract was for the modification of ABARONA, P-15 radars, and modifications to the Volga System (S-75), including technology transfer and the supply of 20 North Korean engineers.
- The third contract was for an automatic copying machine for the manufacture of 122mm guns, a screw filling machine, and TNT for munitions.
- The fourth contract was for fuses for 57mm anti-aircraft gun ammunition, RPG-7 projectiles, and delay mechanisms for the RPG-7.
- Minutes of a meeting dated 06 September 2001 refer to another contract that has the *names of high ranking official "His Excellency Pak Gyong Chol the 1<sup>st</sup> Deputy Minister of D.I"* and Muzahim S Hasan, the MIC Deputy Minister. The minutes refer

to an earlier *meeting held in Pyongyang 11 June 2001 and to a visit by a delegation to Baghdad Iraq from 2 to 7 September 2001*. They refer to 6 contracts in total and to future long-term cooperation. Supplied goods included: ammunition, communication equipment, short-range S-S missiles, artillery and night vision systems, powder for ammunition, and light naval boats.

- A 31 December 2001 letter from SES International (a Syrian Company) to Tosong Technology Trading Corporation indicates that the North Korean company received a cash payment from Iraq's State Oil Marketing Organization (SOMO). SES took a 10 percent commission for their efforts, according to their agreement with the Al-Basha'ir Company, the MIC's chief procurement front company.
- By 2 March 2002, a letter from Al-Basha'ir Company to Tosong Technology Trading stated that contracts were signed and will be financed according to the Iraqi-Syrian Protocol. The letter also stipulated that Tosong must nominate a Syrian company for this purpose.
- In a 4 April 2002 letter, a Mr. J.B.K from the Tosong Technology Corp's Damascus office suggested to Mr. Muzahim Hassan, the MIC Deputy Minister, that a more suitable transportation method for the contracted goods should be found. He recommended that the goods in question should be moved to Syria by aircraft rather than using ship transportation.

#### **2001: North Korean Delegations Plan To Visit Iraqi Intelligence Organizations**

A recovered letter dated 16 May 2001 from the authorized manager of the Al Maimana General Trading Company to, intelligence agent nr993 of the Directorate of General Military Intelligence, reads, "For the sake of improving the job that our company, is doing with your department, a delegation from North Korea including a large number of the specialized companies in the field of defense will visit the country for the period from 29 May 2001 to 03 June 2001."

#### **2001: North Korean Delegations Visited Iraq**

Evidence supplied by an Iraqi with direct access indicates that the Al-Karamah State Establishment had many foreign suppliers and, in 2001, hosted visitors from North Korea.

- Representatives from a North Korean company reportedly visited Iraq for three days in April or May 2001. The North Korean delegates attended meetings covering a range of subjects, including one meeting focused on rocket engines.
- The North Koreans were interested in technical aspects surrounding Iraq's indigenously produced rocket engines and how Iraqi engineers welded their combustion chambers and nozzle assemblies.
- Iraq's main interest during the discussions was to obtain parts and solutions to missile-related engineering problems.

#### **Possible Breaches of UN Sanctions by Russian Companies**

##### **Summary of the Russian involvement 1999-2003:**

Russian engineers visited Baghdad providing technical assistance for the al Samud missile program. Russian companies prepared equipment for air defense, offered missile launchers, signed a contract for missile gyros, and invited Iraqis to visit Moscow factories. Russians offered to supply military technology for Iraqi rockets and missiles. Meetings were also held in the Iraqi Embassy in Moscow where Russian companies offered to provide technical expertise to improve and to build weapons systems, including tanks.

##### **1999: Russian Missile Technical Support Visit**

A source indicates that seven Russian engineers provided technical assistance to the al-Samud missile program in 1999. The Russians also reportedly supplied machines and parts to Iraq. The MIC arranged and funded the contract that the Iraq Intelligence Service (IIS) oversaw.

- In April 1999, seven Russian engineers spent three months in Baghdad providing technical assistance to Iraq's al-Samud liquid-propellant missile program. The group of engineers included a Russian expert in engines, two experts in guidance and control, an expert in airframes, one who worked on test benches, a lab tester, and one expert in the supply of machines and parts. Each Russian had an individual contract for an unknown amount of money for their technical expertise.
- The visit also included a \$10 million contract for parts and machines such as a flow forming machine, a milling machine, a furnace, and raw materials. These machines and equipment were housed at the Al-Karamah State Establishment.
- The MIC arranged and funded the contract with the Russians. The IIS directorate within the MIC, however, oversaw the contract. IIS officers occasionally attended meetings between the Russians and the Iraqi representatives from the Al-Karamah State Establishment.
- From January to February 2003, a Russian technical team reportedly visited Iraq to train Iraqi technicians on upgrading an air defense system. The Russians conducted the training in Baghdad.
- A second letter dated 16 November 2000 to intelligence agent nr993 of the GMID reads "*Since we have connections with many Russian and French companies that showed its readiness to deal with us in the field of importing equipment of air defense and its spare material*, our company, Al Maymana General Trading Company, Ltd., is happy to present its services to you in the field of importing the materials and the equipment that you need to serve our great Iraq and from a Russian and European origins."
- A third letter dated 3 March 2001, to Intelligence Agent nr993 states, "Our Company, Al Maymana General Trading Company Ltd has done great efforts to provide the armed forces to serve our great Iraq and its leader Saddam Hussein (may God keep him safe). *Through our job, a credible side has proposed the possibility of a Russian Air Defense system, type S-300 PMU (four launching sites with 36-70 missiles) and entering it to the country.*"

**2000-2001: Russian Establishment Offered Military Goods**

According to captured documents, a Russian company offered to prepare military air defense equipment and a written proposal to supply a defense system called the S-300.

- A letter dated 4 September 2000 from the authorized Manager of the Al Maimana General Trading Co. Ltd., to Intelligent Agent nr993 of the GMID reads, "we are enclosing you the offer of the Russian Lemz Establishment which includes the possibility of preparing equipment of air defense (radars, communications equipment, land services equipment etc)."

**2001: Offer to Supply Rockets and Technology**  
Sources and documents suggest that Iraq was actively seeking to obtain the SS-26/Iskander missile from Russia.

- Document exploitation has revealed that Firas Tlas, the son of former Syrian Defense Minister Lieutenant Mustafa Tlas, visited Iraq in July 2001 and discussed a variety of missile systems and components he could supply through Russia. Firas offered to sell Iraq the S-300 SAM and the 270km range SS-26/Iskander-E short-range ballistic missile, or to provide assistance to help Iraq produce the Iskander. Firas claimed that he had previously met with Izakoff, the former Defense Minister of the Soviet Union, who told him that his [Izakoff's] friend owned documents for "TEMPS" missiles called "Sterlite" in the West. Reportedly, Izakoff said the missiles had a range of 1,500 km and were very accurate. Tlas said Izakoff claimed that the missiles were destroyed by Mikhail Gorbachev, but that Izakoff could supply the documents so that Iraq could produce them.

- Huwaysh claimed that Iraq had contacted both Syrian and Russian entities to discuss Iraq acquiring the Iskander missile in 2002. Russia would not export any military hardware without an end-user certificate signed by the issuing government agency, which is the capacity in which Syria would have served.

### **2001: A Russian Company Offers to Supply Services and Missiles**

Documents recovered indicate that a Russian company in which the Russian Government was a principle shareholder (51 percent) offered missile launchers and expertise for the production of military equipment.

- GMID letters mention a Russian Company called Motovilikha Plants Corporation and the Manager, Nikolay Dimitstico. A 13 June 2001 letter informed the Iraqi MoD that the Motovilikha Plants Corporation can export through the Russian Ross Iron Export Organization and that the MoD will receive a bid for the BM-21 missile launcher from them.
- Correspondence between the GMID and MIC also mentions that the delegation from Motovilikha Plants Corporation informed MoD that they could assist Iraq with their expertise in the production of military equipment.
- Correspondence between the GMID and the Military Attaché instruct the GMID to export only through the Ross Iron Export Organization. The Attaché also received a bid on missile launchers (BM 21).
- Captured correspondence reveals that the GMID directed the Military Attaché to contact the Motovilikha Plant Corporation to ascertain if the corporation has a delegation from the Russian Government to handle export of the weapons. The GMID also asked if Motovilikha is prepared to submit a bid for the weapons.
- *The Iraqi Military Delegation, headed by the Assistant of the Army Chief of Staff, transmitted the Gun Directorate requirements to the Motovilikha Delegation.*

- *A GMID investigation of Motovilikha Plants Corporation revealed that the Russian Government owned 51 percent of the shares of this company.*

The Military Industry Organization controlled 21 percent of the shares, specializing in the production of missiles. The company employees owned the remaining shares.

- On 21 April 2000, the factory sent specialists to Iraq to submit price offers for upgrades of the BM-21 missile launchers. A letter from the company lists the following goods as “available for supply:”

- The 152mm gun system;
- The towed 120mm gun with an automatic guidance system;
- The 240mm gun with automatic guidance system; and
- Missiles with high explosive warheads.

The company also informed the Iraqi MoD and IIS that they are upgrading the BM-21 launcher system extending the range from 20 km to 40 km. After upgrading the BM-21, it will become the BM 9A52-2.

### **2001: Supply of Components for Al-Samud Missiles**

Captured documents indicate a proposed Iraqi visit to Moscow to submit a list of required missile components, such as accelerometers, gyros, and control electronics, to Russian companies.

- General Major Muzhair Sadiq Saba signed a 9 March 2002 letter on the subject of Russian companies. The letter refers to the contents of a secret letter dated 19 June 2001, concerning the *import of substances for the Al-Samud missile*. Saba described an individual named Iyad abd al-Qahhar abd al-Salam as “a distinguished industrialist.”
- According to the letter, Abd-Al-Salam was assigned to control unfilled missile requirements, such as acceleration sensors (accelerometers), valves, and controlling electronics. Saba further requests that a list of essential required items be provided, so al-Salam can obtain them during his visit to Moscow.

- The letter also indicates that al-Salam carried out the first stage of manufacturing a digital computer for Al-Karamah and that he received an invitation from a Russian company to visit factories in Moscow to obtain detailed knowledge of other products. The letter is from the Al-Karamah State Establishment and is directed to the deputy of the Minister's Council President and the MIC Minister.

**2002: Russian and Belarusian Companies Supply Missile Test Equipment**

Recovered documents refer to the procurement of missile test equipment from Russia and Belarus.

- A contract from the Al Kindi General Company dated 18 June 2002 is addressed to, "The agreement of the Deputy Prime Minister- the Minister of MIC...to buy the following subjects: checking system of gyroscope with two axes, thermal rooms, and checking vehicles system."
- This signed contract between the Russian System-nikh Company and Al-Karamah State Establishment does not indicate preparation of a checking system of the gyroscope with 3-axis because of the limited investment available from the Al-Karamah and Al-Milad companies. However, the information recorded reads, "it should be known that we have a possibility to get 3 axes information by using 2 axes with adding specified programming with coordinating with Belarus side."

**2001-2003: Proposed Procurement of Missile Tracking and Test Equipment**

Captured documents describe the proposed procurement of military technology from Russia for the manufacture of missiles and the design and manufacture technology for missile telemetry equipment (tracking equipment).

- Iraqi correspondence from Dr. Zabun, the former head of MIC R&D and of the MIC Special Office, to the Deputy Prime Minister and to the MIC Minister proposed the procurement of Russian missile technology and equipment on 28 November 2001.
- One technology description refers to a Russian special "military standard specification." The special offer from a Russian military expert named

"Yosbov" included a study of the development, manufacture, assembly, and use of missiles, with a total cost of \$100,000 for Russian and English languages copies and \$70,000 for Russian language only. The documentation states that, this technology would particularly "contribute in developing [Iraq's] space and missile programs."

- Another desired technology includes a telemetering system which was described as, "*urgently needed for missile program especially Al-Samud and Al-Fat'h missiles.*" Dr. Zabun described this telemetering system as having a frequency range of between 2.1 to 2.4 GHz with 500 usable channels and an output microwave power of 15 watts. Also, Dr. Zabun listed a requirement for a smaller size unit to fit into the missiles. The radio frequency transmission range for the missile package was specified at 200 km.
- There was also an arrangement for supplying 20 "loaded parts," for 20 experiments. These ground parts were to be placed in three data receiving points transmitted to the missile-monitoring center to allow for analysis and missile tracking. This contract included spare parts, accessories, and a transfer of technology allowing for the design and manufacture of the telemetering equipment in Iraq.
- The telemetering system offered three receiving and transmitting stations with accessories in addition to an operating room equipped with computers and programs for displaying and analyzing data. The offer also included a training course conducted by five Russian experts in Iraq for five Iraqi engineers.
- Dr. Zabun anticipated that the Iraqi cadre training would be conducted in two stages, the first in Moscow, for six specialists and for 600 hours, and the second in Iraq for one month under Russian specialist supervision.
- ARMOS, a MIC-run Iraqi-Russian front company, served as liaison between the MIC and the Russian suppliers. The Iraq military attaché in Moscow provided the contracts and related documents to the Russians for signature.
- The contract was hidden behind the guise of the "nuclear disaster victims fund Al-Karamah." *The*

*contract reads "as for the second party (the Russian Nuclear Disaster Victims Fund Institution)—the Russians blockade imposed on Iraq will not be considered 'a forceful circumstance'."*

- The telemetering package total cost was \$500,000. The Iraqis planned to deposit the funding for the contract in the Ahli Bank in Amman, Jordan. A memo from the manager of ARMOS, dated 29 January 2002, states that the chairman of the Russian Nuclear Disaster Victims Fund requested that ARMOS deposit the amount for the 2 contracts into these accounts.

*ISG judges that this telemetering equipment would have provided Iraq with ground-based transmitting and receiving stations and the associated modules for fitting into missiles.* The ground-based stations would have utilized monitoring equipment for the tracking of missiles during flight tests. This telemetering equipment would have had a working operational transmission range of 200 km, despite the UN imposed 150 km range limit for Iraq's indigenously produced missiles.

#### **2002—Russian Company's Sales Contract for Military Helicopter Equipment**

ISG recovered a contract between Al-Basha'ir Company of Iraq and Notr Inc of Russia that negotiated the sale of Russian MI-8MT helicopter equipment. Please see Figure 38 and overleaf for a copy of this contract.

#### **2003: Iraqi MIC Delegation Visits Russia**

Information from a former high-level Iraqi official indicates that an Iraqi joint delegation met with representatives from four or five private Russian companies to discuss how the companies could provide technical expertise to the Iraqi military.

- In January 2003, members of an Iraqi delegation held meetings with representatives from 4 or 5 Russian companies in the trade section office of the Iraqi embassy in Moscow. Dagher Muhamad Mahmud, the MIC Deputy Director, Sulayman Al-Huraymis, Director of the IIS M-23 Directorate, and Dr. Suham, Director of the ARMOS Company participated in the meetings.

- Several Russian company representatives met with Iraqi delegates and discussed providing technical expertise to the MIC. Dagher and Russian representatives discussed using their company's expertise to improve and build weapons such as artillery and tanks. Dagher also discussed financial matters involving the MIC's debt to Russian companies.

#### **2003: Russian Team Visits Iraq To Train Air Defense Technicians**

According to an official from the Iraqi Al Kindi Company, a Russian technical team visited Iraq in January or February 2003 to train technicians on an upgrade to an air defense system. The training was conducted in Baghdad.

#### **Possible Breaches of UN Sanctions by Bulgarian Companies**

##### **Summary of Bulgarian Involvement 1999-2002:**

Bulgarian companies contracted to upgrade Iraqi tanks and invited Iraqis to visit Bulgaria to view military equipment including a fighter jet engine workshop.

##### **1999-2002: Bulgarian Company Supplies Iraq With Military Goods**

Recovered documents indicate that a Bulgarian Company offered to supply Iraq with night vision goggles and parts for Iraqi T-55 tanks and aircraft from 1999 to 2002.

- Letters from the General Manager of SARA-M, Sofia, dated 1999-2002, offered the Brigadier General of GMID various military goods.
- A letter refers to previous meetings, in which the Iraqi side requested tanks and night vision goggles. In this letter, SARA-M attached a factory catalogue translated into Arabic and stated that they hope "that it satisfies, through which they can serve our heroic Army to break down the embargo implemented upon our struggling nation." The SARA-M Company General Manager also stated that he is ready to discuss means of supply, quantity, and price with the GMID.

- In another letter, SARA-M referred to an Iraqi request to supply radiators and tanks air pressures devices, stating that SARA-M can provide 100 radiators and "T- 55 tanks air pressures devices" to stores in Baghdad.
- The SARA-M representative also offered a quotation for Russian-origin aircraft wheels. The wheels were apparently stored in special warehouses in Bulgaria and were ready for deliver to Baghdad.
- In another letter, SARA-M offered to supply Iraq with night vision goggles. It states that the goggles were "for the infantry, chopper pilots, and tank drivers. An offer is made to send Iraq samples to be checked."

**2001: Offer To Supply Military Goods**

Recovered documents show that a Bulgarian company signed contracts to upgrade Iraqi tanks and missiles in 2001, including supplying spare parts and a technology transfer.

- The MIC invited a delegation from the JEFF Bulgarian Company to Iraq to negotiate technical offers on updating tanks and missiles, (several types including Perchora—SA-3) providing spare parts, fighter/helicopter engines, and various other military equipment. In addition, they discussed the transfer of technology related to a number of "important and sensitive projects." *The negotiations ended with signing a number of contracts to the amount of \$50 million.*
- The MIC requested that the JEFF Bulgarian Company submit a formal invitation to visit the helicopter and engine maintenance factories specified in the final contract.
- The JEFF Bulgarian, Co., invited four people to visit Bulgaria to view equipment and jet fighter engine workshops.
- The MIC proposed that Mr. Majid Ibrahim Salman (also called Majid Mohammed Ismail) serve as the Iraqi representative for the technology transfer, negotiating with the company, maintaining an ongoing relationship with experts, and controlling

the operations. The JEFF Bulgarian, Co., agreed to bear all expenses for Salman's accommodations and hospitality. The IIS financed a two-day visit in Syria for Salman. The IIS Deputy Minister signed the instructions on 3 September 2001.

**Federal Republic of Yugoslavia (now called Serbia and Montenegro) Possible Breaches of UN Sanctions Summary of Yugoslav involvement 1999-2002:** Representatives from several Yugoslavian companies reportedly visited Iraq in 1999 and 2001 to discuss missile components and related support sales. In 2001, a Yugoslavian company also offered to provide Iraq with parts for 125mm tank main guns.

**1999: Federal Republic of Yugoslavian (FRY) Delegations Visit Iraq**

Information supplied by an Iraqi Scientist indicates that the Al-Karamah State Establishment hosted FRY delegations in 1999.

- During the summer of 1999, FRY companies visited Iraq twice. Although their visits were mostly about missile engine parts, they discussed "all aspects of supplying the Al-Karamah State Establishment."
- The Yugoslavian delegation included the former Ambassador to Iraq and expert named Georgi Bladagovich of the Infinity Company. Bladagovich had been in Iraq before the start of Desert Storm.

**2001: Iraqi Delegation Visits FRY To Discuss Missile Technology**

According to a high-ranking Al-Kindi official, senior Iraqi military officials and businessmen visited FRY in mid-2001 to discuss Iraq's air defense and missile testing capability.

- The Iraqi Minister of Defense, General Sultan Hashim Ahmad Al-Ta'i, reportedly led the delegation to Serbia. The delegation also included the Director of the Al-Kindi Company in Mosul, Dr Sa'ad Dawould Al Shamma', and several high rank-



ing Iraqi air defense officials.

- The primary purpose of the trip was to discuss Serbian air defense artillery systems used in the war with NATO. Al-Ta'i wanted to acquire thermal tracking capabilities for their Bijoura Radar System. Iraq also reviewed Serbian proposals for purchasing missile testing wind tunnels. During the discussions, the Serbians reportedly committed to provide Iraq with spare parts for existing radar systems in the Iraqi inventory.
- As part of the visit, the Iraqi delegation met with a soldier who was allegedly responsible for shooting down a US F-18 aircraft with the Bijoura system. The Bijoura Project engineer participated in this discussion, noting that a "classical version" of the system downed the aircraft. Afterward, several Iraqi delegates doubted the accuracy of the story.

#### **2001: Offer To Supply 125mm Tank Main Gun Components**

Recovered documents demonstrate a Yugoslav company's offer to supply parts for a 125mm gun. The gun was part of an Iraqi tank called 'Saddam The Lion.'

- A letter dated 8 June 2001, from Col Krsta Grujovic of Yugoimport was sent to the General Manager of the Saddam General Company and reads as follows: "referring to preparation of the parts of 125 mm gun, we would like to point out the following: although we know the availability of technical schemes with you, the producing company intends sending a copy of these schemes for signature from both sides. In order to be approved for delivery purpose and to make sure that there are no mistakes in documents, we will submit these schemes in two weeks. There are some parts available for the producing company and mechanical operations were done until semi-final stage. The producing company intends to provide these parts to gain time and not charging you price difference. The schemes of these parts will be submitted in two weeks."

- A handwritten internal memo, dated 5 July 2001 was attached to the Yugoimport letter. This memo, addressed to the projects department, was signed by Ra'id Sabah, the Manager of Saddam General Company. The memo's heading indicates that the gun parts and technology (schemes and drawings) mentioned are designed for a tank gun, "for the product Saddam the Lion."

#### **2002: A FRY Company Offered Technical Cooperation With Iraq**

Captured documents indicate that a Yugoslavian company offered Iraq missile system maintenance services, air-to-air missiles, and other related military technologies.

- The letter, marked 'Secret,' refers to a Yugoslav company called Cofes and reads, "referring to your letter # Cofes 1096, dated 25 05 2002, concerning the cooperation aspects with the Yugoslav company Cofes and according to the special catalogue attached with your letter mentioned above. We would like to inform you our need to cooperate in the following aspects listed below and would look forward to meet with Cofes company's specialists to discuss with them the aspects listed below and specify the methods of cooperation. Please review and inform us with regards."
- The letter subsequently lists the following equipment:
  - "Missile system maintenance
  - Homing AA missiles
  - Programmable missile targets
  - Navigation
  - Modification of charging the missile with fuel and oxidants facilities for the missile maintaining."

## Possible Belarusian Breaches of UN Sanctions

### Summary of Belarusian Involvement 2000-2003:

Iraqi delegations visited Belarus to negotiate the purchase of air defense systems and electronic warfare technology. Belarusian experts visited Iraqi air defense systems. Belarusian firms agreed to multiple contracts to import missile guidance and control equipment to Baghdad.

### 2000-2001: Two MIC Delegations Visit Belarus

In 2000 and 2001, two MIC delegations visited Belarus, according to an official from the Al-Kindi Company. The purpose of the visit was to upgrade Iraq's air defense and electronic warfare capability.

- Both Iraqi delegations were headed by Abd al-Tawab Mullah Huwaysh, the former MIC Director, Dr. Sa'ad Dawould Al Shamma, the former Director of Al-Kindi, and Brigadier General Hussein, the former Director of the El Milad Company. The delegations also included several high-ranking Air Defense Force officials.
- While in Belarus, the delegations reportedly focused on air defense cooperation, specifically involving the acquisition of an upgraded version of the Russian made P-18 radar, which used digital electronics and sophisticated anti-jamming capabilities. As a result of this trip, Belarus allegedly supplied Iraq with a new model of the P-18 and spare parts. According to the source, Iraq had an older metric version of the radar in their inventory.
- In addition, the MIC delegation sought to acquire two or three Russian made S-300 air defense systems. Once acquired, Iraq planned to create the infrastructure to build an Iraqi version of the system. Part of the plan for infrastructure included sending Iraqi technicians to Belarus for training. At the first delegation meetings, a contract was signed to train Iraqi technicians on the S-300 system.
- The MIC delegation subsequently discussed the acquisition of the Strela Air Defense System, a new system with a 7-11 km range. They reportedly

also discussed acquisition of GPS jamming and Airborne Warning and Control Systems (AWACS) technology. Specific upgrades focused on the El Bijoura air defense radar system and acquisition of new missile guidance systems to increase missile engagement ranges.

### 2002: Contracts To Supply Gyros and Guidance Equipment

Recovered documents show that a Belarusian company representative was contracted to procure missile guidance and control equipment for Iraq in 2002.

- Notes of a meeting state that representatives of a Belarusian entity called EGC conducted technical discussions with Iraq from 10 to 17 February 2002. These negotiations ended with signing an agreement no. 209/2002 totaling \$5,053,971. EGC acknowledged through this agreement that they would supply control and guidance missile system (CGMS) equipment needed by the Al-Karamah State Establishment.
- Additional notes from the 10 to 17 February 2002 meeting refer to another contract with EGC worth \$20,771,700. This agreement was for the supply of laboratory and experimental equipment necessary to "implement scientific research for CGMS and improve quality and production."
- A letter dated 28 February 2002, addressed to the MIC refers to orders to import strategic material and equipment for the Al-Karamah State Establishment. In the letter, Dr. Hadi Tarish Zabun arranged to "*discuss with Alexander Dekteryoff to supply gyroscope and other accessories.*" Dekteryoff was the Belarusian representative for the deal. The letter also mentions two contracts for items delivered through Syria totaling \$5,261,507. The letter specifies the following payment procedures:
  - Payment of "15 percent of the total amount of both contracts" (\$789,226) to the Belarusian Infobank.
  - The remaining amount "shall be paid in cash within ten days after receiving the shipment," according to both contracts.

—The company shall issue a credit letter for 3 percent, to us, through Infobank “good for the duration of the contract, as a good business performance.”

- The same letter also requested that MIC approve and appropriate the amount of \$5,261,507 in cash through the “Iraqi-Syrian agreement” (presumably the Iraq-Syria trade Protocol). After approval, the Syrian agent would pay the Belarusian side in cash in Amman or at another place of their choosing.
- Another letter to the Vice Premier of MIC dated 20 March 2002 refers to additional contracts with Belarusian companies and an Alexander Dekteryoff, PhD.
- Approval was granted for the Al-Karamah State Establishment to carry out a contract with Dekteryoff to import CGMS, according to two agreements. The first agreement was for \$5,053,791. The second agreement was for 207,716 Euro, which was modified in accordance with letter from Dekteryoff’s representative to \$182,137.
- This agreement was considered to be a high priority, expedited contract. According to the letter, “Your Excellency has previously approved to finance the two agreements through the Iraqi-Syria Accord. Due to the important nature of the imported material, it is necessary to expedite the contract, in order for Al-Karamah State Establishment to carry out the programs assigned in an exact and advanced manner (which is considered scientific and technological priority). And making the first payment would expedite the shipment of the goods, as promised by Mr. Dekteryoff.”
- The March 2002 letter also specified payment via the Syrian trade Protocol, “Your Excellency, would you please, approve the payment of 15 percent that’s equal \$785389.24 in cash, from our account in Amman, and appropriate the rest of the remaining amount for the two contracts through the Iraqi-Syrian accord. Furthermore, we will ask the Syrian side to be apprehensive about the contract in order for them to get their share of the deal ASAP.” A

*note in the margins of this letter instructs “immediately make payment of 15 percent and the rest of amount according to the Syrian agreement.”*

- The letter is signed by Raja’ a Hassan Ali, Director General of the Trade Bureau, Dr. Muthher Sadiq Saba’, Director General of Al-Karamah, and Dr. Hadi Tarish Zabun, Director of the Minister’s office.

#### **2002-2003: Belarusian Experts Assist in the Maintenance and Repair of Iraqi Missile Batteries With Russian Cooperation**

Captured documents show that Belarusian experts visited Iraq and assisted with the maintenance and repair of missile batteries. The work was complete in February 2003.

- Correspondence from the GMID dated 30 December 2002 refers to *a number of Belarusian experts who visited Pigura Missile Batteries* of the 145th Missile Brigade. The experts engaged in maintenance and repair operations with the following units in the Iraqi 145th Brigade: 166th Battery, 30th Battery, 31st Battery, and 35th Battery.
- Captured documents reveal a letter, dated after 17 February 2003, from the Iraqi Air Force Command to the Military Attaché in Moscow. The letter directed their Military Attaché in Moscow to inform the Russian IroKlub Company that six of 10 amplifiers they had supplied to Iraq had malfunctioned. ISG judges that these malfunctions may have been the Russian missile equipment that the Belarusians were repairing.
- A letter sent to GMID from the Air Defense Security System *stated that the Belarusian experts left Iraq by land to Syria on 24 February 2003 in accordance to the orders of the Russian Ambassador to leave Iraq before 26 February 2003.*
- Another report refers to the visit of 18 Belarusian experts working at Al-Harith Establishment / MIC. The report stated that the experts formed a repair and maintenance workgroup for artillery batteries.

## Possible Syrian Breaches of UN Sanctions

**Summary of Syrian involvement 2001-2003:** With the assistance of Firas Tlas, the son of the former Syrian Defense Minister, Damascus offered Iraq missile technology and fuels. Firas Tlas and the MAS Economic Group offered Iraq the services of South African engineer, Chinese, and Syrian Engineers in 2002. Firas Tlas made several additional visits to Iraq and signed several military contracts. Syria also offered the services of a French expert who expressed his wish to visit Iraq to provide details about documents. Syria also planned to supply Iraq with spare parts for a 155mm weapon system in March 2003.

### 2001: Correspondence and Meetings Referring to Supplying Military Goods

Documents recovered indicate that Firas Tlas met with former Russian senior officials who offered to supply Iraq with military equipment and technology, including production technology relating to surface-to-surface missiles with a range of 700 km. ISG believes that in this particular case Firas Tlas was acting as a facilitator attempting to supply Iraq with goods of Russian origin, goods from Yemen, and experts from China, South Africa, and Syria.

- A recovered letter, dated 12 May 2001, was sent to the Iraqi MOD from the Chairman of the Board of the MAS Economic Group offering cooperation in supplying military goods through bids and tenders.
- Sources and documents suggest that Iraq was actively seeking to obtain the SS-26/Iskander missile from Russia.
- Document exploitation has revealed that Firas Tlas, the son of former Syrian Defense Minister Lieutenant Mustafa Tlas, visited Iraq in July 2001 and discussed a variety of missile systems and components he could supply through Russia. Firas offered to sell Iraq the S-300 SAM and the 270km range SS-26/Iskander-E short-range ballistic missile, or to provide assistance to help Iraq produce the Iskander. Firas claimed that he had previously met with Izakoff, the former Defense Minister of the Soviet Union, who told him that his [Izakoff's] friend owned documents for "TEMPS" missiles called "Sterlite" in the West. Reportedly, Izakoff said the missiles had a range of 1500km and were very accurate. Tlas said Izakoff claimed that missiles were destroyed by Mikhail Gorbachev, but that Izakoff could supply the documents so that Iraq could produce them.
- Huwaysh claimed that Iraq had contacted both Syrian and Russian entities to discuss Iraq acquiring the Iskander missile in 2002. Russia would not export any military hardware without an end-user certificate signed by the issuing government agency, which is the capacity in which Syria would have served.
- Tlas also mentioned that he met with a Yemeni tradesman called "Shahir 'Abd-al-Haq." During this meeting, the tradesman said the *Iraqi Minister of Defense* sent him to see Tlas to *help import Yemeni spare military parts into Iraq*. These Yemeni contracts included *parts for MiG-21, a PMP pontoon bridge, and Ilyushin 76 military transport aircraft*.
- Tlas clarified that Shahir accompanied him on the plane when he arrived in Iraq on 29 Jun 2001. Tlas was surprised when Shahir was not allowed access to Iraq *and that he met with Tariq 'Aziz, the Deputy Prime Minister, at the airport*. Later Aziz told Tlas that Shahir was not allowed to enter Iraq because he "co-operates with the Israeli intelligence."
- In an internal memo from Major Quays Mahdi of the GMID, referred to his attendance at a 1 August 2001 meeting with a four-person Russian delegation, Mr. Tlas, and representatives of the Iraqi Air Defense, Air Force, and Army Aviation commands. According to this memo, the meeting took place in the Commanding Officer's Club. The Iraqi Directorates represented were: Armaments, Electrical Mechanical Engineering, and Missiles. Staff Chief Marshall Sa'ad of the MoD directed the meeting.
- The Russian delegation at this meeting in August 2001 included Paris Ivanovich, a specialist in the fields of the Volga and Bichora systems, as well as being a representative of a military factory that spe-

cializes in air defense; Georgi Sergeevich Pitrov an specialist in air to air missiles and the Deputy Head of the Ukrainian Government Office called "Log;" Oleg Georgovich Orlov a Czech-based businessman specializing in weapons; and Vadim Borisovich Kaziulin.

- The Russian delegation agreed with the requests to supply equipment to Iraq as specified. Both parties agreed to send six experts to Iraq. The group was to review and decide what the Iraqis required in regard to the maintenance and production workshops associated with tanks, armor and infantry. This group was scheduled to arrive in Iraq 15 days after the meeting. Staff General Khaldun Khattab Umar, the Secretariat of the MoD, was the group's contact.

#### **2002: MAS Economic Group Requests Iraqi Entry Visas for Military Technicians**

A letter from the MAS Economic Group dated 30 January 2002, requested the urgent issue of Iraqi entry visas for 3 Chinese and 2 Syrians who were to work for the MoD. In July 2002, another letter from the MAS Group referred to 3 South African engineers residing in Damascus who were awaiting visas from Baghdad. A letter from Iraqi Staff Major General Talib 'Uwayn Juma'h, the Army Chief of Staff, approved the extension of the Iraqi visas for the three South African experts on 10 August 2002.

#### **2002: Procurement of Military Goods and Services for Iraq**

Documents recovered show that ARMOS requested a bid for rocket fuel from the Syrian MAS Economic Group in 2002. The company Director of MAS was Firas Tlas, the son of former Syrian Defense Minister. Firas was also involved in a Chinese offer in 2002 to help with the Iraqi Air Defense System.

- A letter from Dr. Siham Al Din Khayri Al Ali, the Deputy Director of ARMOS Trading, dated 15 October 2002, requested a bid from the MAS Economic Group for *rocket fuel*. One of the types of fuel listed included one entry for 15 tons of hydrazine at 97-percent purity.

- A recovered letter from Firas Tlas, dated 21 October 2002, *states, "Technicians from the Syria have been dispatched to China to deal with some quite influential companies (companies that have a great influence upon the Chinese government) and that these companies have expressed their desire to co-operate with Iraq for a modernization of the air defense systems."* The letter further states that the meeting should take place, "in either Damascus or in Peking and that they held no objection to the idea of sending a delegation to visit Peking."
- *Another letter from Tlas, also dated 21 October 2002, relays to "Abu Mustafa" that technicians from "our side have been sent to China in order to do business with esteemed powerful companies with the government and that they have complied positively to co-operate with you to develop the Air defense Systems."* Also, that associate meetings should be held in Damascus or Beijing and that there was no objection to sending a delegation invitation letter to visit them. The letter gives regards and a wish to visit Mustafa soon in Baghdad.

#### **2003: MAS Economic Group Facilitates French Military Sales Catalogue Dissemination**

An internal GMID memo from Lt. Col. Imad Salih dated 13 January 2003, refers to a Syrian MAS Economic Group letter with 5 attached CDs and catalogues from a French expert named Eric Joubert. The Syrian Company was facilitating the supply of the French technology. The documents contained information and equipment lists of interest to the GMID directorate and the Iraqi intelligence service. Joubert expressed his wish to visit Iraq to give more details about the CDs and catalogues.

#### **2003: Contract for Supply of Spare Parts for 155mm Weapon Systems**

Recovered documents indicate that a Syrian company agreed to supply Iraq with Syrian Defense establishment components of 155 mm weapon systems.

- A recovered contract dated 20 February 2003 names the legal representatives from the Iraqi Al Sumud and Al-Basha'ir General Companies and a name of the legal representative for the Syrian, SES International . The contract designates that SES will supply the MIC with 100 parts for the 155 mm weapon system. These parts, produced by the Syrian Defense Plants Establishment, cost \$2,574,000.
- The contract specified a guarantee deposit letter from the Al Mawarid Bank, Beirut, Lebanon for \$514,000 as a down payment on the deal. The deposit letter was to be directed to a "Jasim Ahmad Hasan and a Hashim Karim 'Abbas" in regards to the sponsoring of a representative of the SES International Corporation.

#### Possible Breaches of UN Sanctions by Jordanian Companies

##### 2001: Jordanian Company Offers To Supply an Ammunition Production Line

- A letter dated 28 January 2001 from the Al-Basha'ir for Trading Investment Company of Amman, Jordan (Jordanian branch of the Iraqi Al-Basha'ir Company) to the ARMOS Trading Company Baghdad refers to a presentation given by Al Bash'air for the proposed installation of an assembly line, portions of which were manufactured in Yugoslavia (tender no. 2000/56/70).
- Specifications indicate that this proposed technical transfer was for the production of .22 caliber ammunition. The proposal included: a block diagram, "know how" documents, installation, supervision over equipment installation, trial run and performance tests on equipment, and technical assistance. Annual production capacity amounts were estimated as 25 million rounds. This production line cost \$ 9,466,015.

#### Possible Yemeni Breaches of UN Sanctions

##### 2001: Government of Yemen Offers to supply Military Goods to Iraq

Recovered documents refer to the Yemen Ambassador meeting with the Iraqi military to discuss a list of guaranteed military materials. According to the documents, the President of Yemen gave his blessing to support the effort to supply military goods to Iraq.

- *A letter from the Iraqi Defense Minister Sultan Hashem Ahmed dated 23 March 2001 speaks of a meeting with the Republic of Yemen's Ambassador, Mr. Abid Al-Malek Saeed.* The letter states that Yemen had been helping the Iraqi Armed forces through a Yemeni business-man named Mr. Shaher Abid Al Haqq.
- Reference is given to a meeting held 19 February 2001, where the Yemeni side was ready to export military materials from Yemen and Ethiopia to Iraq. *The letter indicates the President of Yemen, Ali Abid Allah Salah, gave his blessing to the deal and that the Iraqis were given guarantees for the spare parts.* These parts were specifically drawn from the stocks of the Yemeni armed forces, air force, army aviation and included armor, trucks, and weapons.
- A follow-up meeting was held on 22 March 2001, which included the Yemeni Ambassador and Mr. Al-Haqq. Al-Haqq and the Ambassador provided the Iraqi military with a list of guaranteed available military materials and prices. Al-Haqq also revealed that he had met with the President Salah who had given his blessing for these efforts and support. The letter indicates that the President Salah, "believes that the support of Iraq with the proposed exports is necessary" and he had made calls to his brother, an Air Force Commander, asking him to present everything possible to Iraq, even if he has to take supplies from the Yemeni Air Force and ask Russia and others for replacement material.

## **Possible Breaches of UN Sanctions by Chinese Companies**

### **Summary of Chinese involvement 2001-2003:**

According to multiple sources, Chinese companies provided Iraq with limited rocket guidance software, missile gyros, and accelerometers. Chinese companies also attempted to sell the former Regime jamming equipment.

### **2001: Chinese Company Attempts To sell Military Goods to Iraq**

According to a former Iraqi government official, Chinese administrators attempted to sell a camera and a jamming system that could be used against infra-red missiles. The deal failed because of both the price and undetermined Iraqi requirements.

- A member of the Chinese High Committee for Electronic Warfare (EW), Professor Xu Govan (phonetic), negotiated with the Iraqi MIC for the sale of 1 CCD Camera and 1 Jamming System for infra-red missiles. Xu was an expert in electro-optics and wanted to sign a memorandum of understanding with MIC specialists to provide EW equipment. A large Chinese company, the CIEC Company, accompanied Xu to the negotiations with the MIC.
- The MIC determined that the jammer failed to meet Iraqi requirements and was too expensive. Xu loaned the CCD Camera to the MIC to test.
- According to the source, Xu was an IIS agent, recruited on 17 May 2001. At recruitment, Xu signed a commitment to work for the IIS, received a \$7,500 recruitment bonus, and began drawing a \$500 per month stipend. The IIS filmed Xu's recruitment. The IIS tasked Xu to collect information on laser tracking systems, laser guidance systems, and information on the cooperation between Iran and China.

### **2001: Iraqi Embassy Officer Coordinates the Procurement of Gyros and Accelerometers**

A former high ranking official in the MIC with direct access to the information supplied information on

Abdul Al-Wahab, an Iraqi IIS officer stationed at the Iraqi Embassy in China who managed the Iraqi-Chinese technology procurement relationship. Al-Wahab reportedly arranged the procurement of gyros and accelerometers from China for Iraq in 2001.

### **2002: IIS and IAEC Import Chinese Missile Software**

According to reporting, Iraq imported rocket guidance software from China, which was labeled as children's software. Directorate M16 of the IIS and the Iraqi Atomic Energy Commission imported the software.

- From 2002, until the beginning of hostilities in 2003, Iraq imported rocket guidance software from China disguised as children's computer software. The software was used to guide the missiles Iraq fired at US Forces in Kuwait during initial hostilities in 2003. Iraq paid for the software with hard currency or oil.

## **Possible Breaches of UN Sanctions by Czech Companies**

### **2001: Offer To Supply GPS Jamming Equipment**

Recovered documents indicate that a Czech Republic Company called Metropol Limited offered portable GPS Jamming Equipment and other military goods to Iraq.

- A Metropol letter dated 24 October 2001 indicates that the company was "in a position to offer the supply of equipment against enemy's cruise missiles and aircraft." The letter offers to supply portable jamming equipment that might be used "against GPS which are used for navigational purposes (and in equipment, such as cruise missiles)."
- In additional captured letters dated 21, 24, and 29 October 2001, Metropol offers Iraq aircraft engines, helicopter engines, and night vision goggles for helicopters. The company also offered to supply Iraq with 82 mm and 120 mm mortars, new and overhauled tank engines (T-72 and T-55), Krasnopol 152/155 mm guided artillery weapons, Iгла

9k38 portable air defense systems (1000 missiles with launching containers), and Kornet E anti-tank systems (1000 missiles and 50 launchers). The Metropol offer also included missile aggregates for Volga air defense systems including batteries, hydraulic systems, servos and engines, spare parts for B-755 engines, parts for the S-75 Volga Launcher, and spare parts for the P-14 Oborona.

#### **Possible Breaches of UN Sanctions by Indian Companies**

##### **2002: Indian Individual Coordinated the Purchase of Missile-Related Materials for Iraq**

According to recovered documents, an Indian and Iraqi national negotiated for the procurement of conventional military goods for Iraq.

- Between November and December 2002, an individual from India and an Iraqi, negotiated the procurement of goods, including turbojet engines for Mig-23 and Mig-29 aircraft, diesel engines for tanks, a radar system, and ammunition.
- The Baghdad office of the Arabic Scientific Bureau and Inaya Trading were also involved in the attempted procurement of dual-use chemicals associated with missile propellant uses. However, the documents do not indicate if contracts were signed or if shipments took place.



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**Annex K  
Suspected Intermediary and  
Front Companies Associated  
With Iraq**

The companies listed in this annex have been reported in the Intelligence Community as front companies involved with the former Iraqi Regime. Because there are different interpretations as to what makes a company a front as opposed to a trade intermediary or manufacturer, this list can be seen as an example

of companies that were involved in supplying the Iraqi government with prohibited conventional weapons and dual-use materials. At least two of the MIC domestic manufacturing companies, Al-Nida and Al-Rashid, have been mistaken for front companies in prior reporting. However, these companies still used known front companies such as the MIC's Al-Basha'ir and Syria's SES as middlemen when procuring materials for production. Other companies that were manufacturers or trading companies may also have been mistaken as front companies.

<b>Company Name</b>	<b>Location</b>
Across Continents Trading Agency	Baghdad, Iraq
Adel Commercial Bureau	Baghdad, Iraq
Al-Abidin Investment Company	UAE
Al-Ahliyah for Trading Agencies and Exports, Ltd.	Baghdad, Iraq
Al-Ali Trading Co.	
Al-Amia (AKA Global) Company	
Al-Anmar Company	Amman, Jordan
Al-Basha'ir Company	Baghdad, Iraq
Al-Bir Company for International Trade	Amman Jordan
Al-Dahma International Trading Establishment	Baghdad, Iraq
Al-Dellah Travel and Tourism Company	
Al-Doha Trading Company	Baghdad, Iraq
Al-Eman	Amman, Jordan
Al-Enbuah	
Al-Faris State Company, Ministry of Industry and Minerals	Baghdad, Iraq
Al-Fattah Corporation	Amman, Jordan
Al-Fitra Trading Company	Baghdad, Iraq
Al-Furat Rent-A-Car	UAE
Al-Ghery International Company	Baghdad, Iraq
Al-Hamra Company	UAE
Al-Handal General Trading Company	Dubai, UAE
Al-Hashimy Trading Company	Baghdad
Al-Hikma Company	Baghdad, Iraq
Al-Huda Export and Import EST	Jordan

Al-Husan	Baghdad, Iraq
Al-Hussaini Company for Trading Agency	Baghdad, Iraq
Al-Jawhara Al-Khaleejeya	
Al-Karamah State Establishment	
Al-Karradah	
Al-Kawther Company	Baghdad, Iraq
Al-Kibba Trading Agencies, Ltd.	Baghdad, Iraq
Al-Maymana Trade Group	UAE
Al-Maeeny Engineering Bureau	Baghdad, Iraq
Al-Mersal Commercial Agencies	Baghdad, Iraq
Al-Mihrab Company	Amman, Jordan
Al-Mufakher	Baghdad, Iraq
Al-Naizak Trading Establishment	UAE
Al-Najah Company	Baghdad, Iraq
Al-Noras	Syria
Al-Rafed Bureau	Baghdad, Iraq
Al-Rawa'a Trading Company	Iraq
Al-Riat	
Al-Riaya Trading Company	UAE
Al-Sabah International	Bangkok, Thailand
Al-Sadera	
Al-Safoh Office General Trading	Baghdad, Iraq
Al-Said Group for Industry and International Trade	Baghdad, Iraq
Al-Saiham Company	Baghdad, Iraq
Al-Salam General Company	
Al-Salman Trading Company	Iraq
Al-Savivem Company	Baghdad, Iraq
Al-Sidra Trading Co.	Baghdad, Iraq
Al-Tuhfa Co. for General Trading, Ltd.	Baghdad, Iraq
Al-Wadhah Co for General Trade, Ltd.	
Al-Yisr Trading Company	UAE
Al-Zaghal Industrial Company	Amman, Jordan
Arabic Computer Systems Company	UAE
Arabic Scientific Bureau	Baghdad, Iraq.
ARMOS Trading Company	Baghdad, Iraq

Atera Manufacturing	Baghdad, Iraq
Daei International Trading Co., Ltd.	Baghdad, Iraq
Dulaymi Company	Doha, Qatar
Elba	Jordan
Elite Scientific Co., Ltd.	Amman, Jordan
General Trading	Baghdad, Iraq
Ghadar Engineering and Contracting Co.	Amman, Jordan
Global Trade and Investment	Lebanon
Haraq General Trading	Mosul, Iraq
Hayar Trading Company	UAE
Hidhab Al-Reef Company for General Trading	Baghdad, Iraq
Hutten General Co.	Baghdad, Iraq
IBT Trading	Baghdad, Iraq
Inaya Company for Trade Agencies, Ltd.	Baghdad, Iraq
International Company for Cleaners Production	Amman, Jordan
International Industrial Development (IID)	Baghdad, Iraq
Irad International Trading Company	UAE
Ishtar Trading	Baghdad, Iraq
Kadhun M. Al-Wakil & Shams Co., Ltd.	Baghdad, Iraq
Khaled el-Wer of the Trading and Agriculture General Company (TAGCO)	Amman, Jordan
Khalid Al-Delaimi Co.	Baghdad, Iraq
Khalifa Bin Jassim Trading Co.	Dubai, UAE
LAMA	Syria
Limo Investments, Ltd	Baghdad, Iraq
Lootah General Trading Company	
Mamad Al-Azawi Engineering	Baghdad, Iraq
Mayamin Trading	Baghdad, Iraq
MEGA	Lebanon
Mesopotamia Trade Co., Ltd	Baghdad
Middle East Trading	Jordan
Millennium	Moscow, Russia
Murgam Trading Company	UAE
Nibal Electronics	
Nile Air Conditioning Company	UAE

Nurallah Company	Damascus, Syria
Orkid General Trading Co.	Baghdad, Iraq
Phoenix International Trading Company Of Lebanon	Beirut, Lebanon
Retired Officers Bureau (ROB)	
Sabah Al Faisal and Partners Co.	Amman, Jordan
Sajaya General Trade Company, Ltd.	Baghdad, Iraq
Samid Land and Maritime Shipping and Transportation Company	UAE
Sawfiya Brothers Company	UAE
SES International Corporation	Damascus, Syria
SIAM Premium Products	China
Tariq Al-Samlama	Baghdad, Iraq
The Abdulla Group	
The Hams Company for Business Engineering Services	Amman, Jordan
The Mesopotamia Company, Ltd.	Baghdad, Iraq
Tigres Trading Company	Baghdad, Iraq
Toros International Trading Co.	Baghdad, Iraq
Trans Dubai Company	Dubai, UAE
Ur Company	UAE
Upper Euphrates Company	UAE
Waliya Opel Indigas Company	UAE
Yasin & Middle East Scientific Group	Jordan
SFOR	Stabilization Forces

**Annex L  
Procurement Acronyms**

<b>Acronym</b>	<b>Meaning</b>
<b>ABS</b>	Scientific Bureau for Drug Information and Medical Appliances
<b>AEST</b>	Albostangy Equipment Services and Trade
<b>AP</b>	ammonium perchlorate
<b>ARADET</b>	Arab Company for Detergent Chemicals
<b>ARC</b>	Arabian Russian Company of Jordan
<b>ARI</b>	acute respiratory infections
<b>ASB</b>	Arabic Scientific Bureau
<b>ATGM</b>	anti-tank guided missile
<b>AWACS</b>	airborne warning and control systems
<b>AZ-11</b>	a type of liquid rocket propellant, composed of 2 components (DETA and UDMH), according to captured documents
<b>bb/d</b>	barrels per day
<b>BCP</b>	Border Control Checkpoints
<b>BME</b>	Belmetalenergo
<b>BOP</b>	Balance of Payments
<b>BW</b>	Biological Weapons
<b>CA</b>	Commercial Attaché
<b>CAEC</b>	Abrasive Import and Export Corporation
<b>CBI</b>	Central Bank of Iraq
<b>CBJ</b>	Central Bank of Jordan
<b>CBS</b>	Central Bank of Syria
<b>CBW</b>	Chemical and biological weapons
<b>CCD</b>	Charge coupled device
<b>CGMS</b>	Control and Guidance Missile System
<b>CIA</b>	Central Intelligence Agency
<b>CNC</b>	Computer numeric controlled machines or devices
<b>CoM</b>	Council of Ministers
<b>CoS</b>	Chief of Staff
<b>CPA</b>	Coalition Provision Authority
<b>CPMIEC</b>	China Precision Machinery Import and Export Corporation
<b>CPU</b>	Central Processing Unit

<b>CW</b>	Chemical weapons
<b>DETA</b>	diethylenetriamine: one of the two components of AZ-11, a type of liquid rocket propellant
<b>DGMI</b>	Directorate of General Military Intelligence
<b>DGS</b>	Directorate of General Security
<b>DIA</b>	Defense Intelligence Agency
<b>Diwan</b>	The Presidential Office
<b>DMI</b>	Directorate of Military Intelligence
<b>DOCEX</b>	Document Exploitation
<b>DPRK</b>	Democratic People's Republic of Korea
<b>EAC</b>	Economic Affairs Committee
<b>ECCM</b>	Electronic Counter-Countermeasure
<b>ECM</b>	Electro-chemical machining
<b>EGC</b>	Electric-Gaz-Com
<b>EMIS</b>	Electromagnetic Isotope Separation
<b>EP</b>	Entry Points
<b>ETGC</b>	External Technology General Corporation
<b>EUC</b>	end-user certificates
<b>EW</b>	Electronic Warfare
<b>FAO</b>	Food and Agriculture Organization
<b>FCDC</b>	Foreign Currency Disbursement Committee
<b>FEAL</b>	Food Examination and Analysis Lab
<b>FRY</b>	Former Federal Republic of Yugoslavia
<b>GDP</b>	Gross Domestic Product
<b>GID</b>	General Intelligence Directorate (Jordan)
<b>GPS</b>	Global Positioning System
<b>GRL</b>	Goods Review List
<b>HDI</b>	Human Development Index
<b>HE</b>	high explosive
<b>HF</b>	High Frequency
<b>HSBC</b>	Hong Kong Shanghai Banking Corporation
<b>HUMINT</b>	Human Intelligence
<b>HVD</b>	High-Value Detainee
<b>IAEA</b>	International Atomic Energy Agency
<b>IAEC</b>	Iraqi Atomic Energy Commission

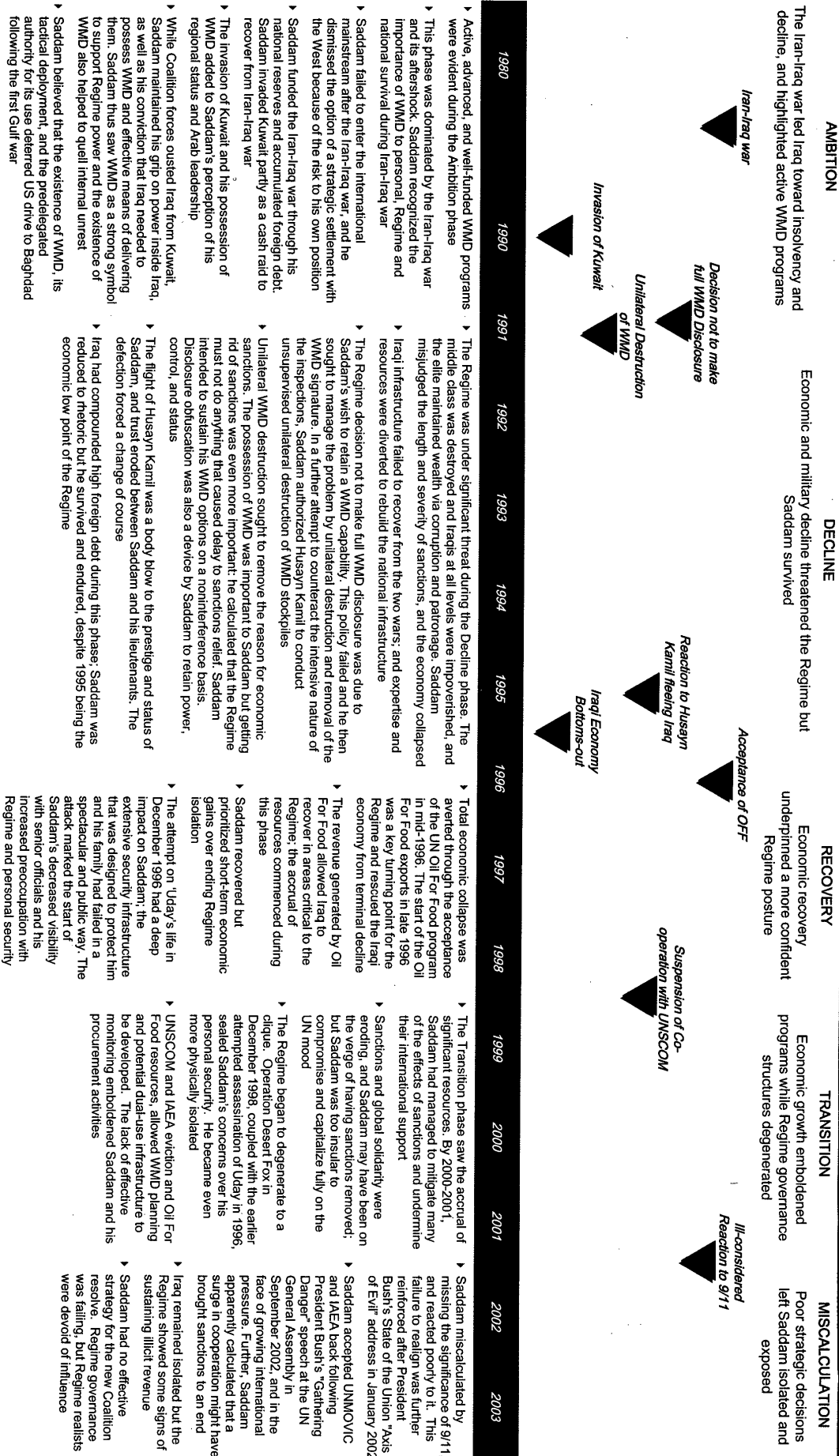
<b>IAF</b>	Iraqi Armed Forces
<b>ID</b>	Iraqi Dinar
<b>IFAT</b>	A Swiss-based, Consen subsidiary established in August 1983
<b>IID</b>	International Industrial Development
<b>IIS</b>	Iraqi Intelligence Service
<b>IIS M19</b>	The primary IIS body handling procurement of specialized items. Redesignated as M4/8 in recent years, and also was known as the Technical Consultation Company or the Trade Office
<b>IIS M23</b>	MIC Security Directorate
<b>IIS M4</b>	Foreign Clandestine Operations branch of the Iraqi Intelligence Service or Directorate of Secret Service
<b>IIS M4/8</b>	Formerly the IIS M19, organized into three different sections, the internal section, the foreign section, and the trading section
<b>IIS Section One</b>	The internal section primarily responsible for creating front companies inside Iraq and facilitating trade with these companies to import/export oil, batteries, copper and food products
<b>ILTC</b>	Iraqi Land Transportation Company
<b>IMF</b>	International Monetary Fund
<b>INOC</b>	Iraq National Oil Company
<b>ISG</b>	Iraq Survey Group
<b>ITU</b>	International Telecommunication Union
<b>JD</b>	Joint Delegation
<b>KGB</b>	Komitet Gosudarstvennoy Bezopasnosti
<b>KOMID</b>	North Korea's Korea Mining Development Corporation. Previously known as the External Technology General Corporation (ETGC)
<b>LU</b>	Launcher units
<b>IIS M-5</b>	The IIS Directorate of Counterintelligence or Counterespionage Directorate
<b>MABOT</b>	Mina al Bakr Offshore Terminal
<b>MANPADS</b>	Man portable Air Defense Systems
<b>MFA</b>	Ministry of Foreign Affairs
<b>MHESR</b>	Ministry of Higher Education and Scientific Research
<b>MIC</b>	Military Industrialization Commission
<b>MoA</b>	Ministry of Agriculture
<b>MoD</b>	Ministry of Defense
<b>MoF</b>	Ministry of Finance
<b>MoH</b>	Ministry of Health



<b>MoI</b>	Ministry of Industry
<b>MoO</b>	Ministry of Oil
<b>MoT</b>	Ministry of Trade
<b>MoTC</b>	Ministry of Transport and Communication
<b>MOU</b>	Memorandum of Understanding
<b>NORINCO</b>	China North Industries Corporation
<b>NSC</b>	National Security Council
<b>NVD</b>	Night Vision Devices
<b>NVG</b>	Night Vision Goggles
<b>OFF</b>	United Nations Oil-for-Food program
<b>OIF</b>	Operation Iraqi Freedom
<b>OIP</b>	Office of the Iraq Program
<b>OMI</b>	Organization of Military Industrialization, synonymous with the MIC, the preferred usage
<b>R&amp;D</b>	Research & Development
<b>RCC</b>	Revolutionary Command Council
<b>RG</b>	Republican Guard
<b>RNA</b>	Research and News Analyzing
<b>RPG</b>	Rocket Propelled Grenade
<b>SAM</b>	Surface-to-Air Missile
<b>SDH</b>	Synchronous Digital Hierarchy
<b>SDI</b>	Samarra Drug Industries
<b>SFOR</b>	Stabilization Forces
<b>SISMI</b>	Italian Intelligence and Military Security Service
<b>SOE</b>	State-Owned Enterprises
<b>SOMO</b>	State Oil Marketing Organization
<b>SRG</b>	Special Republican Guard
<b>SSM</b>	Surface-to-Surface missiles
<b>SSO</b>	Special Security Organization
<b>TAGCO</b>	Trading and Agriculture General Company
<b>TIS</b>	Thermal imagery sight
<b>TOSSCO</b>	Technical Oilfield Services and Supply Company
<b>TPAO</b>	Turkish Petroleum Company

<b>TPIC</b>	Turkish Petroleum International Company, a TPAO subsidiary
<b>TTC</b>	Thermal tracking camera
<b>UAE</b>	United Arab Emirates
<b>UAV</b>	Unmanned Aerial Vehicle
<b>UDMH</b>	One of the two components of AZ-11, a liquid rocket propellant
<b>UHF</b>	Ultra -High Frequency
<b>UN</b>	United Nations
<b>UNCC</b>	United Nations Compensation Commission
<b>UNDP</b>	United Nations Development Program
<b>UNESCO</b>	United Nations Educational Scientific and Cultural Organization
<b>UNICEF</b>	United Nations International Children's Emergency Fund
<b>UNMOVIC</b>	United Nations Monitoring Verification & Inspection Commission
<b>UNOPS</b>	United Nations Operations
<b>UNSC</b>	United Nations Security Council
<b>UNSCOM</b>	United Nations Special Commission
<b>UNSCR</b>	United Nations Security Council Resolution
<b>UNSYG</b>	UN Secretary General
<b>UTL</b>	United Telecommunications Limited
<b>VHF</b>	Very High Frequency
<b>WFP</b>	World Food Program
<b>WHO</b>	World Health Organization
<b>WMD</b>	Weapons of Mass Destruction

## Regime Infection Points: Key Regime Strategic Intent Activities Across the Regime Timeline



# Regime Inflection Points: Key Regime Finance and Procurement Activities Across the Regime Timeline

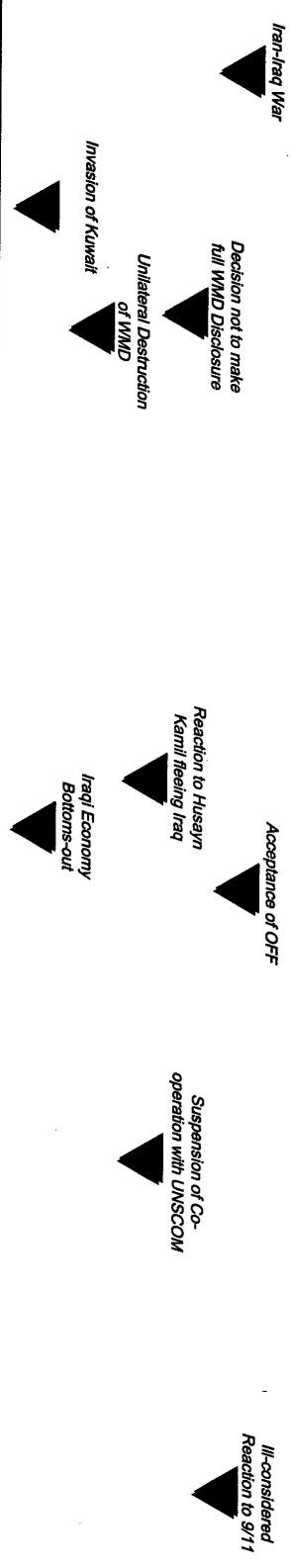
**AMBITON** The Iran-Iraq war led Iraq toward insolvency and decline, and highlighted active WMD programs

**DECLINE** Economic and military decline threatened the Regime but Saddam survived

**RECOVERY** Economic recovery underpinned a more confident Regime posture

**TRANSITION** Economic growth emboldened illicit programs while Regime governance structures degenerated

**MISCALCULATION** Poor strategic decisions left Saddam isolated and exposed



Year	Key Event	Financial Impact / Note
1980	Iran-Iraq War	The Iraqi economy was geared to supporting the Iran-Iraq war. Poor fiscal policy compounded the economic crisis, spurred on by the ongoing war.
1990	Invasion of Kuwait	The Iraq accrued massive foreign debt to finance the Iran-Iraq war and economic recovery. The Iraqi economy was pushed toward catastrophe by Saddam's inability to address or resolve a number of economic realities.
1991	Decision not to make full WMD Disclosure	The possession of WMD was important to the Regime, but the ending of UN sanctions was even more important. Saddam needed economic growth and sanctions relief above all else as the economy hit rock bottom.
1991	Unilateral Destruction of WMD	The poor handling of WMD disclosures hardened the international community against Baghdad. As Saddam stubbornly refused to comply with UN resolutions in the early 1990s, the Iraqi economy crashed to a low point at the end of 1995. From the Iraqi perspective, the UN Security Council Resolutions accelerated this economic downward spiral.
1992	Reaction to Husayn Kamill fleeing Iraq	Iraq economy was gripped by poor management: the Iraqi Dinar declined; bankruptcy became widespread, incompetence and patronage. These factors caused the collapse of the Iraqi middle class.
1993	Iraqi Economy Bottoms-out	Iraq procurement mechanisms partially restricted by foreign compliance coupled with UN monitoring. International pressure increased following WMD disclosures triggered by the flight of Husayn Kamill.
1994	Acceptance of O/F	This period established the groundwork for economic recovery and illicit revenue generation streams.
1995	Suspension of Co-operation with UNSCOM	This period saw the refinement of illicit procurement strategies, techniques and tactics for subsequent Oil For Food phases. A network of trade intermediaries, front companies, and international suppliers was built.
1996	Il-considered Reaction to 9/11	After 1996, the state of the Iraqi economy no longer threatened Saddam's grip on power.
1997		
1998		
1999		
2000		
2001		
2002		
2003		

**Iraq Revenue 1991-2003**

The chart summarizes estimates of Iraq's total illicit revenue. Note:

- Four primary illicit revenue streams:
  - Trade Protocols
  - Oil For Food oil surcharges
  - Oil For Food import kickbacks
  - Oil smuggling

\*2003 revenue reflects only 3 months

Legend for Revenue Streams:

- Jordan Protocol
- Oil For Food Import Kickbacks
- Syria Protocol
- Oil For Food Oil Surcharge
- Turkey Protocol
- Smuggling
- Egypt Protocol

Humanitarian crisis was avoided with the introduction of the UN Oil For Food program

The illicit revenue and procurement effort expanded as Iraq manipulated the Oil For Food program

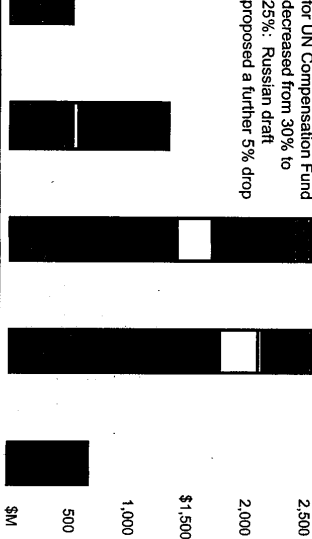
Perverted economy during these phases: Government revenue growth was based on schemes outside of the UN Oil For Food program

After 2000, Iraqi economic growth slowed for a number of reasons, mostly involving oil infrastructure, productivity, and sale of oil

Iraq found it easier to procure and purchase goods, both legally and illicitly

'Sanctions fatigue' or the erosion of political support within the UNSC peaked. This period was characterized by:

- Failure to approve 'Smart Sanctions', following voting divisions among permanent members of the UNSC
- Increased oil allocation quotas to individuals, companies, and agents from permanent UNSC member states
- Percentage of oil revenue for UN Compensation Fund decreased from 30% to 25%. Russian draft proposed a further 5% drop



### Regime Strategy and WMD Timeline Events

Serial #	Issue Area	Date Name	Short Description
1	POL	1980	Iraq invades Iran
2	POL	1981	Israeli Air Force bombs Iraq's Osirak nuclear reactor
3	CW	08-Jun-81	Code name Research Center 922 to produce chemical weapons (CW) agents Mustard, Tabun, Sarin, and VX
4	NUC	1981	Iraq Atomic Energy Commission (IAEC) pursues Laser Isotope Separation (LIS) for uranium enrichment
5	CW	06-Aug-81	CW program reorganized (Project 922) at Al Rashad
6	NUC	Early 1982	IAEC Office of Studies and Development (OSD) established for uranium enrichment R&D (later renamed Office 3000)
7	BW	1983	BW program added to Project 922 mission
8	CW	1983	First media reports of use of Iraqi CW (Mustard) against Iranian forces
9	CW	1984	Media reports of the use of CW (Tabun) against Iranian forces
10	NUC	1984	Al Qaim yellowcake plant commissioned
11	BW	1985	BW program restarted
12	POL	Mid 1985	Iranian F4 attack on Project 922 site (later Al Muthanna State Establishment - 'Al Muthanna')
13	CW	1986	Construction of Fallujah II commenced
14	POL	Oct-86	Iranian SCUDs fired at MSE
15	POL	Nov-86	Iringate scandal in the United States (the covert supplying of missiles to Iran)
16	POL	Late 1986	Iraq deploys significant portion of Roland Air Defense Systems to Al Muthanna
17	BW	1987	Proposal to scale up BW production at MSE denied; program moved to Al Salman
18	NUC	April 1987	Groups 1, 2, 3 formed under Office 3000; Group 1 leaves, becomes Engineering Design Directorate under MIC
19	NUC	April 1987	Al Husayn project formed to study requirements for weapons program
20	BW	Aug-87	Taji Single Cell Protein (SCP) assets relocated to bolster BW at Al Salman
21	POL	19-Aug-87	Lieutenant General Husayn Kamil (HK) appointed head of new Military Industrialization Commission (MIC)
22	NUC	November 1987	Al Husayn project transfers to IAEC and later becomes Group 4 under Office 3000
23	NUC	Late 1987	Iraq begins construction on Electromagnetic Isotope Separation (EMIS) facilities at Tarmiya
24	BW	1988	Initial BW trials (Feb-May)
25	POL	Feb-1988	War of the Cities begins
26	DS	February 1988	Iraq receives last of 29 deliveries of 819 SCUDs from former Soviet Union (FSU)

Regime Strategy and WMD Timeline Events (continued)			
27	POL	Mar-88	CW used against Kurdish city of Halabja
28	NUC	1988	LIS abandoned as a uranium enrichment process
29	POL	Apr-1988	War of the Cities ends
30	BW	Apr-1988	Construction of dedicated BW agent production plant (Al Hakam) begins
31	BW	May 1988	BW broadened with addition of fungal toxins
32	NUC	mid 1988	Iraq begins magnetic-bearing centrifuge program
33	NUC	August 1988	Construction begins on Al Athir nuclear weapons fabrication & assembly facility under Al Husayn project (Group 4)
34	NUC	August 1988	German engineers provide centrifuge design data
35	CW	August 1988	Al Muthanna stops CW agent production and focuses on research
36	POL	08-Aug-88	Iran and Iraq agree to ceasefire
37	NUC	November 1988	Husayn Kamil takes control of combined Iraqi nuclear weapons program
38	BW	November 1988	Al Kindi vaccine production fermentation line moved to Al Hakam
39	BW	1989	First bulk production run of Botulinum toxin at Al Hakam
40	NUC	Jan 1989	Office 3000 officially renamed Petrochemical Project 3 (PC-3) under Ja'far
41	DS	1989	Iraq cancels BADR-2000 Contract with Egypt
42	NUC	Feb-90	Iraq completes one nuclear-related fireset
43	POL	02-Apr-90	Saddam threatens to use binary CW against Israel if Israel attacks Iraq
44	CW	Apr-1990	Manufacture of Al Husayn special chemical warheads commences
45	POL	April 1990	Husayn Kamil gives orders to weaponize BW as quickly as possible
46	CW	Jun-1990	Iraq starts filling Al Husayn special warheads (CW) & R-400 bombs at Al Muthanna
47	NUC	1990	EDC acquires carbon fiber rotors from a German supplier
48	NUC	1990	Iraq arranges for a winding machine and carbon fiber (reaches Jordan July 1992)
49	PROC	17-Jul-90	Saddam accuses neighbors of threatening Iraq via low oil prices
50	PROC	18-Jul-90	Tariq 'Aziz accuses Kuwait of stealing Iraqi oil
51	CW	August 1990	Iraq deploys a range of CW around Iraq before invasion of Kuwait
52	POL	02-Aug-90	Iraq invades Kuwait
53	POL	06-Aug-90	United Nations Security Council Resolution (UNSCR) 661 establishes embargo on Iraq
54	BW	Sep-90	Al Dawrah Foot & Mouth Disease Vaccine (FMDV) plant annexed by BW for agent production and virus R&D
55	BW	Sep-90	Agricultural Water and Resources Center annexed by BW for aflatoxin production

Regime Strategy and WMD Timeline Events (continued)			
56	BW	Nov-1990	Iraq's declared start date for Mirage F-1 drop tank CW spray conversion (for BW)
57	DS	November 1990	MIG-21 Remotely Piloted Vehicle (RPV) Conversion project initiated
58	BW	Dec-1990	1st flight test of Mirage F-1 CW spray drop tank system (for BW)
59	NUC	Jan-91	Work on uranium metal casting initiated at Al Athir
60	BW	Jan-1991	R-400, 400A BW bombs sent to Airstrip 37 and Al 'Aziziyah firing range
61	NUC	Early 1991	Tarmiya EMIS equipment commissioned; Iraq testing a gas centrifuge using carbon fiber rotor
62	NUC	Early 1991	After Kuwait invasion, Iraq resumes work on a 50-machine centrifuge cascade, as part of a "crash" nuclear program
63	DS	12-Jan-91	MIG-21 RPV flight from Al Rashid Air Base
64	CBW	15-Jan-91	MIC orders evacuation to safety of all assets & dangerous materials
65	BW	15-Jan-91	Mirage F1 droptank deployed to Al 'Ubaydi with anthrax spores at airfield out-station
66	BW	15-Jan-91	Iraq deploys 25 BW warheads
67	POL	17-Jan-91	Gulf War (Desert Storm) begins
68	POL	Feb 1991	Sources warn that Iraq will use WMD if territorial integrity threatened
69	POL	28-Feb-91	Gulf War ends
70	POL	March 1991	All but two Iraqi provinces in revolt
71	POL	March 1991	Iraq uses CS and nerve agent-filled bombs on Shi'a in Najaf and Karbala (nerve bombs fail to operate)
72	DS	April 1991	MIG-21 RPV Program discontinued post Desert Storm
73	NUC	Early 1991	Qusay, Husayn Kamil order nuclear documents and equipment hidden
74	BW	01-Apr-91	Single-Cell Protein (SCP) and Bio-pesticide (BT) decided as cover for Hakam
75	POL	03-Apr-91	UNSCR 687 demands disarmament and compensation fund financed by Iraq
76	NUC	April 1991	Centrifuge development ceases after UNSCR 687
77	POL	Mid April 1991	Regime begins denial and deception program
78	POL	April 1991	Husayn Kamil orders retention of 85 SCUD missiles
79	POL	April 1991	Husayn Kamil orders elimination of evidence of offensive BW program, but BW weapons remain in situ at deployment sites
80	POL	18-Apr-91	Iraq responds to UNSCR 687 with incomplete WMD declaration
81	BW	18-Apr-91	Iraq letter to UN Secretary General (UNSG) denies BW program
82	NUC	27-Apr-91	Iraq declares safeguarded material and Al Qaim yellowcake production to UN/IAEA
83	NUC	Late May 1991	PC-3 sites ordered to hand over materials, equipment and documents to the Security Apparatus for the Protection of Military Industrialization Establishments (SAP) prior to inspections to avoid detection

Regime Strategy and WMD Timeline Events (continued)			
84	POL	June 1991	Husayn Kamil orders retention of WMD know-how documentation and small amounts of key WMD materiel
85	CW	09-Jun-91	UNSCOM starts weapons inspections; first CW inspection at MSE (U-2, CW-1)
86	POL	30-Jun-91	Iraqi High Level Committee formed to address retention of proscribed materiel
87	POL	1991	Saddam states: "Sanctions will last no more than 3 years"
88	DS	July 1991	Husayn Kamil orders retention of 2 missiles and some missile parts
89	POL	July 1991	Special Republican Guard (SRG) officers receive orders from Qusay to move/conceal MIC materials
90	DS	06-Jul-91	Iraq completes destruction of declared SCUD-type missiles under UNSCOM supervision
91	NUC	07-Jul-91	IAEA seizure of EMIS components prompts Iraqi admission of large EMIS program
92	POL	1991	Husayn Kamil tells 'Abd Hamid Mahmoud it is unnecessary to declare BW programs and will order scientists to hide evidence at home
93	DS	July 1991	Unilateral missile destruction
94	POL	July 1991	Unexpectedly robust UN inspections lead Iraq to start unilateral destruction, as later claimed by regime
95	NUC	by 1991	Iraq receives nine flow-forming machines from Germany
96	CBW	Mid July 1991	CW and all BW munitions unilaterally destroyed, according to subsequent Iraqi claims
97	POL	Summer 1991	Committee of Special Duties forms under Husayn Kamil or Qusay to covertly obstruct UN inspections
98	BW	02-Aug-91	First UNSCOM BW inspection begins at Al Salman (U-7, BW-1)
99	POL	15-Aug-91	UNSCR 707 demands Full, Final and Complete Declaration (FFCD) as required by UNSCR 687
100	PROC	Sept 1991	Iraq-Jordan Trade Protocol renegotiated and then reviewed annually
101	POL	Sept 1991	UNSCOM begins destruction of declared CW and agent; continues until July 1994
102	NUC	Late 1991	IAEA seizure of documents leads to Iraqi admission of Al Athir existence
103	BW	Sept or Oct 1991	Destruction of bulk agents at Al Hakam (reported to UN in 1995)
104	PROC	01-Sep-91	MIC forms Al Basha'ir front company to obtain items for Ministry of Defense (MoD), IAEC
105	POL	11-Oct-91	UNSCR 715 calls for unconditional acceptance of inspectors and ongoing monitoring/verification
106	BW	November 1991	Decision to dissolve Technical Research Center (TRC): implemented over the following year
107	DS	Dec 1991	Unilateral destruction of remaining 2 missiles completed
108	POL	Feb 1992	Husayn Kamil appointed Supervising Minister, responsible for MIC, Oil, MIM, & head of Economic Committee



Regime Strategy and WMD Timeline Events (continued)			
109	DS	Feb 1992	UNSCOM-28 prevented from destroying prohibited missile equipment and facilities
110	BW	Early 1992	Iraq begins design, construction of 5 cubic meter fermentors at Hakam (2) and Tuwaitha Agricultural and Biological Research Center (TABRC) (1)
111	NUC	March 1992	PC-3 officially dissolved
112	BW	Early 1992	Al Razi Research Center and Ibn-al-Baytar Center formed
113	POL	17-Mar-92	Iraq admits to July - Dec '91 unilateral destruction of CW, missiles
114	DS	Apr 1992	UNSCOM-34 completes destruction of known prohibited missile production equipment and buildings
115	DS	Apr 1992	Creation of Ibn-al-Haytham missile R&D center
116	NUC	Mar-Apr 1992	PC-3 and EDC personnel transferred en masse to MIC and other companies to support rebuilding of Iraq
117	DS	May 1992	Iraq submits first missile FFCD
118	NUC	Apr - June 1992	Al Athir nuclear weapons fabrication & assembly facility destroyed by IAEA
119	BW	01-May-92	Iraq admits it had defensive BW program
120	CW	June 1992	Iraq provides FFCD for CW
121	CW	July 1992	UNSCOM begins destruction of CW facilities
122	OTHER/ NUC	1993	MIC initiates Rail Gun Program at the High Voltage Establishment (later renamed Al Tahadi)
123	POL	13-Jan-93	US, UK, France conduct bombing raids on southern Iraq (targeted missile sites and command and control bases)
124	POL	Feb 1993	Saddam warns strikes on Iraq will result in a precise reaction
125	POL	1993	Husayn Kamil tells WMD scientists that programs will resume and be expanded once inspectors leave
126	DS	1993	Al Samud program initiated
127	CW	20-Oct-93	Former CW facilities split from National Company for Agricultural Chemicals and Medicines
128	POL	November 1993	Iraq accepts UNSCR 715: long-term monitoring
129	BW	1994	1993-1995 Bacillus thuringiensis (dry formulated preparation) produced at Al Hakam
130	POL	Jan 1994	National Monitoring Directorate (NMD) established in response to UNSCR 715
131	PROC	Early 1994	Iraq takes drastic measures (e.g. amputation) to enforce emergency economic measures
132	DS	17-Mar-94	UNSCOM letter limits diameter of Al Samud to 600mm and restricts use of SA-2 in SSM mode
133	CW	01-Jun-94	UNSCOM completes destruction of known CW agents and production facilities

Regime Strategy and WMD Timeline Events (continued)			
134	OTHER/ NUC	1994	Iraqi laser projects moved from IAEC to MIC Laser Research Center
135	NUC	Mid 1994	Iraqi nuclear scientists prohibited from traveling outside Iraq
136	POL	Late 1994	Iraq threatens to stop co-operating unless oil embargo lifted
137	POL	Late 1994	Iraq moves forces to Kuwaiti border
138	POL	13-Oct-94	Russians counsel Iraq to accept Kuwait border
139	POL	21-Oct-94	Iraq, Russia offer joint proposal to recognize Kuwait if sanctions lifted
140	POL	November 1994	Iranian missile attack on MEK facilities in Iraq
141	BW	Early 1995	UNSCOM discovers 42 tons of unaccounted-for BW growth medium; Iraq cannot explain
142	DS	March 1995	Iraq blocks destruction of SCUD engine production equipment
143	BW	07-Apr-95	UNSCOM seminar concludes Iraq has undeclared full scale BW program
144	POL	14-Apr-95	UN passes Oil for Food (OFF) Resolution 986
145	POL	Early 1995	Iraq wants deal: 'Give us a clean report on CW and missiles and we will satisfy UN resolutions on BW'
146	POL	03-May-95	UNSCOM seminar concludes Iraq has not fully disclosed past CW activities
147	DS	June 1995	SCUD engine production equipment destroyed
148	POL	June 1995	Iraqi Foreign Minister demands UNSC lift sanctions
149	OTHER/ NUC	Mid 1995	MIC cancels Rail Gun program at Al Tahadi
150	BW	01-Jul-95	Iraq admits offensive BW program but denies weaponization
151	BW	01-Jul-95	Iraq submits draft BW FFCD based on 1 July admission of BW program
152	BW	01-Jul-95	Russia agrees to provide Iraq with 50 cubic meter fermentation plant
153	POL	17-Jul-95	Saddam demands UNSC lift sanctions
154	BW	04-Aug-95	Iraq submits BW FFCD based on 1 July admission
155	POL	08-Aug-95	Husayn Kamil flees Iraq
156	BW	09-Aug-95	Iraq declares BW FFCD null and void
157	POL	mid-Aug 1995	Kamal Mustafa orders Walid Tawfiq to burn docs at 'Aqarquf
158	BW	17-Aug-95	Iraq declares more complete BW program (still does not declare ricin)
159	POL	20-Aug-95	Iraq reveals 143 boxes of documents to UNSCOM at chicken farm
160	CW	Sep 1995	Saddam orders creation of the Industrial Committee (IC) and Economic Committee (EC)
161	BW	01-Sep-95	Iraq admits more of its BW program (now includes ricin)
162	POL	Sep-Oct 95	Large number of organizational changes in MIC
163	DS	Nov 1995	Iraq submits second missile FFCD
164	PROC	Late 1995	Saddam re-establishes the Economic Affairs Committee (EAC) to influence fiscal and monetary policy

Regime Strategy and WMD Timeline Events (continued)			
165	DS	01-Nov-95	Iraq begins the Al Bay'ah (L-29) RPV program
166	DS	10-Nov-95	UNSCOM intercepts illegal Russian SS-N-18 SLBM gyros in Jordan
167	DS	Dec 1995	Dr. Muzhir is imprisoned (until January 1998)
168	PROC		Iraqi economy bottoms out (GDP drops to 20% of 1989; inflation hits 387%)
169	PROC	1996	Annual MIC budget is \$7.8M
170	CW	1996-1997	Industrial Committee begins work, plans to coordinate indigenous chemical production
171	POL	06-Jan-96	Saddam decrees austerity measures due to inflation caused by sanctions
172	PROC	17-Jan-96	Iraq agrees to discuss UN plan for limited oil sales
173	POL	23-Feb-96	Husayn Kamil and brother are executed following their return to Iraq
174	POL		Iraq signs MOU accepting Oil for Food
175	CW	June 1996	Iraq submits 3rd chemical FFCD
176	BW	15-Jun-96	After series of draft BW FFCD's, Iraq submits first post-Husayn Kamil departure BW FFCD
177	BW	20-Jun-96	Al Hakam BW plant destroyed under UNSCOM supervision
178	DS	July 1996	Iraq submits 3rd missile FFCD
179	DS	1996	Work commences at Ibn Firas to convert L-29 to an RPV
180	POL	1996	WMD scientists ordered to sign agreement to turn over any documentation in their homes
181	NUC	1996	Fadil Al Janabi appointed head of IAEC
182	PROC	1996	Regime procurement with Jordan leads to further sanctions erosion
183	POL	31-Aug-96	Iraqi forces attack Irbil
184	CW	Sep 1996	Twenty fourth meeting of the IC indicates committee was concerned about wasting intellectual capital
185	BW	01-Sep-96	Iraq submits new BW FFCD
186	POL	03-Sep-96	Coalition forces extend No-Fly zones
187	NUC	07-Sep-96	Iraq submits nuclear FFCD
188	OTHER/ NUC	After 1996	Air defense projects were a priority at the IAEC
189	POL	10-Dec-96	OFF is implemented
190	POL	12-Dec-96	Assassination attempt cripples 'Uday Husayn
191	NUC	Through 1990s	Two scientists - one former EMIS and one former centrifuge - retain hidden nuclear documents and components
192	PROC	18-Mar-97	Iraq grants Russia MFN trade status, awards it 20% of initial OFF contracts
193	PROC	22-Mar-97	Iraq establishes a new Iraqi/Russian oil company
194	POL	27-Mar-97	Huwaysh becomes director of MIC; preserving pre-war nuclear competence becomes less important
195	POL	Early 1997	VP Ramadan recognizes OFF activities as opportunity
196	DS	13-Apr-97	First flight of L-29 RPV

<b>Regime Strategy and WMD Timeline Events (continued)</b>			
197	POL	1997	Huwaysh orders MIC employees to sign statements certifying they do not have WMD documents or equipment
198	PROC	1997	Regime procurement with Jordan, South Korea, Syria leads to further sanctions erosion
199	NUC	19-Jul-97	Fireset exhumed from rubble at Al Athir and turned over to inspectors
200	POL	Sept 1997	Iranian aircraft strike MEK facilities in Iraq; Iraq asks UN to act
201	BW	Sept 1997	UN inspectors find documents from July 1995 that show Russia intended to sell Iraq dual-use fermentation equipment
202	BW	01-Sep-97	Iraq submits new BW FFCD
203	CW	Oct 1997	Chemical process equipment purchased before 1991 for CW programs destroyed by UNSCOM
204	POL	10-Oct-97	UNSCOM attempts inspection of a Presidential palace and Iraq denies access
205	POL	15-Oct-97	Iraq protests UN inspection practices
206	DS	24-Oct-97	First Al Samud launch
207	DS	Nov 1997	UNSCOM Executive Chairman Butler to Iraq Government: no SA2 components to be used on Iraqi ballistic missiles
208	PROC	Nov 1997	Saddam approves MIC plan to use IIS to assist procurement
209	POL	03-Nov-97	Iraq awards Russian company contract to develop W Qurna oil field
210	POL	13-Nov-97	UNSCOM suspends inspections in Iraq
211	DS	Nov 1997	L-29 RPV and associated control equipment deployed to Tallil airbase in southern Iraq.
212	POL	20-Nov-97	Russia brokers agreement to resume UN inspections; inspections subsequently resume
213	PROC	Nov 1997	Aziz travels to Syria to re-establish relations
214	PROC	28-Nov-97	Rabi'ah and Al Qa'im border crossings opened with Syria (no UN monitoring)
215	OTHER/ NUC	After 1997	Large laser research contract between MIC and Technology University initiated
216	NUC	By 1998	Many nuclear scientists have migrated to other high priority programs such as air defense, infrastructure repair, rebuilding industrial base
217	CW/DS	Feb 1998	Technical Evaluation Meetings (TEM) conclude Iraq has not fully disclosed CW, missile activities
218	POL	Early 1998	Inner circle views Saddam as increasingly reclusive
219	PROC	06-Feb-98	Iraq rejects UN's proposal to increase oil exports
220	PROC	20-Feb-98	UNSCR 1153 expands Iraqi oil sales to \$5.256B/year
221	POL	23-Feb-98	Memorandum of Understanding (MOU) with UN Secretary General on inspection of Presidential sites
222	BW	March/April 1998	BW Technical Evaluation Meetings conclude Iraq has not fully disclosed BW programs
223	CW	Apr 1998	VX discovered on missile warhead fragments
224	POL	28-Apr-98	UNSC decides to continue sanctions; reinstates 60 day reviews

Regime Strategy and WMD Timeline Events (continued)			
225	POL	1998	Huwaysh becomes Deputy PM/Head of the Ind. Committee: new Husayn Kamil?
226	OTHER/ NUC	1998 Onward	Saddam becomes increasingly interested in the activities of the Iraq Atomic Energy Commission (IAEC) & begins holding regular meetings with IAEC representatives
227	PROC	19-Jun-98	UNSCR 1175 allows \$300M for oil spare parts
228	POL	24-Jun-98	Leak reveals VX lab results; allies condemn Iraq
229	POL	1998	Iraq disappointed when positive IAEA report does not lead to UN resolution
230	CW	Jul 1998	Mosul University accepts DCC (VX stabilizer) tasking
231	BW	July 1998	BW TEM, held in Baghdad at Iraq's request, concludes BW not fully disclosed
232	PROC	05-Jul-98	Iraq and Jordan agree to construct oil pipeline
233	PROC	1998	French refusal to pay surcharge on Iraqi oil causes relations between the countries to cool
234	PROC	1998	Regime procurement with Bulgaria, France, FRY, PRC, and South Korea leads to further sanctions erosion
235	PROC	15-Jul-98	Iraq & Syria agree to build second pipeline
236	POL	18-Jul-98	UNSCOM discovers Air Force CW document at Air Force HQ
237	POL	03-Aug-98	Aziz-Butler standoff: 'Aziz rejects proposed schedule & demands favorable report to UNSC
238	POL	05-Aug-98	Revolutionary Command Council (RCC) announces end of no-notice UN inspections
239	POL	11-Aug-98	NMD committee to sort documents is formed
240	PROC	20-Aug-98	Iraq and Syria agree to re-open pipeline (Kirkuk to Mediterranean Terminals)
241	POL	09-Sep-98	UNSCR 1194 condemns Iraq's decision to stop cooperation with UNSCOM
242	POL	27-Sep-98	Turkey restores full diplomatic relations with Iraq
243	POL	23-Oct-98	UN Expert Panel confirms VX and stabilizer DCC found in destroyed warheads, asks Iraq to explain
244	POL	31-Oct-98	UN discontinues UNSCOM Monitoring due to increased tension and Iraqi intransigence
245	POL	14-Nov-98	Under US military threat Iraq agrees to resume inspections
246	PROC	05-Dec-98	MIC establishes second front company (ARMOS) to trade with Russia
247	POL	Late 1998/ Early 1999	Saddam disappointed at Huwaysh report that only conventional missile payloads available
248	POL	16-Dec-98	UNSCOM & IAEA leave Iraq, but NMD continues site liaison and data collection
249	POL	17-Dec-98	Desert Fox
250	POL	19-Dec-98	Iraq declares that UNSCOM will never be allowed to return
251	OTHER/ NUC	1999	IAEC initiates a rail gun program at two sites: Roland Missile Factory and adjacent to Tuwaiitha Nuclear Research Center (TNRC)
252	DS	Jan 1999	RPV-20/30 program starts

Regime Strategy and WMD Timeline Events (continued)			
253	PROC	04-Jan-99	Iraq & Jordan renew crude oil agreement and renegotiate annually
254	PROC	13-Jan-99	World oil production cut, Iraq plans to raise output to 3 million barrels per day
255	PROC	07-Feb-99	King Husayn of Jordan dies, his heir restricts illicit trade with Iraq
256	POL	Feb - Apr 1999	Amorim panel meets, recommends creating new inspection group
257	POL	March 1999	Iraq media calls for strikes on US targets to force change in US policy
258	POL	Apr 1999	France & Russia introduce draft resolution; Netherlands & UK counter
259	DS	June 1999	Huwaysh replaces Ra'id with Muzhir at Al Karama
260	POL	01-Jun-99	Iran fires three missiles at MEK camp in Iraq
261	OTHER/ NUC	1999	Huwaysh gets research grants for university professors to preserve scientific base
262	POL	1999	Huwaysh orders MIC not to jeopardize lifting of sanctions
263	OTHER/ NUC	1999	IAEC establishes new laser division
264	PROC	1999	Regime procurement with Bulgaria, France, FRY, India, Jordan, North Korea, Russia, and Ukraine leads to further sanctions erosion
265	POL	1999	MIC employees sign affidavits pledging to surrender documents and not to import prohibited materials
266	OTHER/ NUC	1999	Saddam personally intervenes to improve IAEC conditions; raises salaries and prevents scientists from leaving
267	POL	1999	Saddam asks Huwaysh how long it will take to build a CW production line
268	POL	17-Jul-99	Saddam speech: America has taken control of the oil wealth of Arab countries
269	PROC	Oct 1999	Iraqi Intelligence Service (IIS) Director Rafi' Daham Al Tikriti dies; replacement is close to MIC
270	POL	Dec 1999	Russians push to lift sanctions
271	POL	17-Dec-99	UNSCR 1284 creates UN Monitoring and Verification Commission (UNMOVIC) and lifts all Iraqi oil export ceilings
272	OTHER/ NUC	2000	MIC rail gun program research continuing at Al Tahadi
273	PROC	2000	Sharp rise in Iraqi educational spending: two new universities
274	PROC	Jan 2000	Turkish trade/oil sale protocol signed
275	DS	Jan 2000	Start of Al Quds UAV program with goal of 100kg payload
276	CW	Feb 2000	Yugoimport submits tender to MIC for \$53,125 of white phosphorous (WP)
277	CW	March 2000	Fallujah II complex renovates chlorine and phenol lines and restarts
278	CW	Mar 2000	Yugoimport Special Purpose Military Production firm Krusik delivers 11,150 KG of WP to Hatin, which produces WP rounds
279	POL	01-Mar-00	Blix assumes leadership of UNSCOM successor UNMOVIC
280	PROC	May 2000	Syria-Iraq Trade/Oil sale protocol established; Syrian pipeline opens
281	POL	June 2000	Saddam speech: Iraq cannot give up its weapons if neighbors do not
282	DS	June 2000	Saddam orders the design of long range missile

Regime Strategy and WMD Timeline Events (continued)			
283	POL/PROC	June 2000	French contracts under OFF total \$1.78B--second only to Russia
284	PROC	10-Jun-00	President Hafez al-Assad of Syria dies: opens diplomatic opportunities for Iraq
285	PROC	July 2000	Iraq negotiates deals with Russia worth \$20B
286	OTHER/ NUC	2000	Al Tahadi Company signs magnet production line contract with Romanian company
287	PROC	2000	Regime procurement with Belarus, FRY, India, Jordan, North Korea, PRC, South Korea, Syria, Russia and Ukraine leads to further sanctions erosion
288	DS	23-Aug-00	Engineering drawings for 2 and 5 clustered SA-2 engine missiles created
289	PROC	Sept 2000	10% contract value kickbacks on OFF imports officially begin; may have been occurring since 1998
290	PROC	Mid-Late 2000	Iraq initiates contacts with a Chinese firm NORINCO, and first of several contacts over the next two years
291	POL	01-Nov-00	Baghdad International Fair: 46 countries participate, a ten-year record
292	POL	07-Nov-00	Saudis open border for OFF exports
293	PROC	Dec 2000	Leadership starts \$.20-\$.35 per barrel OFF oil surcharge; by 2002 drops to \$.15 per barrel
294	NUC	March 2001	IAEC President asks Saddam to gather former IAEC scientists and researchers at Tuwaitha - Saddam says no
295	POL	April 2001	Major Iranian missile attack on Mujaheddin el-Khalq (MEK) facilities in Iraq
296	DS	Early 2001	L-29 RPV crash on final attempted unmanned flight
297	NUC	20-May-01	Iraqi embassy in Nairobi reports rejecting an opportunity to buy uranium
298	PROC	June 2001	Central Bank of Iraq (CBI) begins to get cash/gold from OFF kickbacks via courier
299	DS	June 2001	Huwaysh approves the Al Samud II program
300	POL	2001	MIC Director orders reconstruction of items destroyed by UNSCOM
301	POL	2001	Saddam asks Huwaysh if he had developed BW and is told no
302	POL	2001	Intensified Iraqi intel focus on Iranian nuclear program
303	OTHER/ NUC	2001	Al Tahadi Company signs magnet production line contract with Belarusian company
304	PROC	2001	Regime procurement with Belarus, Bulgaria, France, FRY, India, Jordan, North Korea, PRC, South Korea, Syria, Russia and Ukraine leads to further sanctions erosion
305	POL	2001	NMD deputy requests scientists to turn in any documents they may have at home
306	OTHER/ NUC	2001	IAEC establishes Technical Research Branch under Physics Department to support rail gun research
307	POL	mid 2001	Aluminum tubes destined for Iraq captured in Jordan
308	DS	24-Aug-01	First successful launch of Al Samud II
309	PROC	01-Sep-01	MIC founds a 3rd front company: Al Mufakhir Export Co
310	POL	11-Sep-01	9/11 terrorist attacks on New York and Washington

Regime Strategy and WMD Timeline Events (continued)			
311	POL	12-Sep-01	Iraq misinterprets US reaction to events of 9/11; adopts ill-conceived diplomatic position
312	OTHER/ NUC	Late 2001	IAEC Modernization Project begins and initiates purchase of CNC machines
313	POL	Oct-Nov 2001	Enduring Freedom defeats the Taliban in Afghanistan
314	DS	Dec 2001	Iraq begins serial production of the Al Samud II
315	POL	Late 2001	Around this time, Iraqi scientists tell Regime leaders they cannot produce WMD
316	OTHER/ NUC	January 2002	Saddam issues order for IAEC and MIC to implement cooperative projects in physics, machining, electronics
317	PROC	January 2002	Saddam directs the MIC to assist the IAEC with foreign procurement
318	PROC	26-28 January 2002	Tariq 'Aziz visits Moscow and Beijing to bolster international support for lifting UNSC sanctions
319	POL	29-Jan-02	Bush refers to 'Axis of Evil' in State of the Union address
320	NUC	12-Feb-02	Saddam declares "We will not return to it" with reference to nuclear weapons
321	POL	13-Feb-02	Iraq says inspectors will not be allowed to return
322	PROC	March 2002	MIC front company ARMOS authorized to trade outside of Russia
323	POL	21-Mar-02	Russia blocks UNSC attempt to tighten-up OFF, reduce violations
324	POL	March/April 2002	Iraq & UN hold new inspection talks in NY
325	DS	01-Jun-02	Jinin cruise missile project initiated (1000km range; 500kg payload)
326	DS	2002	Ibn Firnas recommends MIC cancel L-29 RPV program
327	POL	July 2002	Iraq & UN hold more inspection talks in Vienna
328	OTHER/ NUC	Mid 2002	MIC Rotating Machinery Department (RMD) formed; machine tools ordered, including a balancing machine
329	OTHER/ NUC	05-Jul-02	Copper vapor laser demonstrated to Huwaysh; put into storage
330	PROC	2002	Regime procurement with Belarus, France, FRY, India, Jordan, PRC, Russia, Syria and Ukraine leads to further sanctions erosion
331	POL/PROC	2002	Iraq and Russia negotiate \$40B oil development deal to be undertaken once sanctions are lifted
332	OTHER/ NUC	2002	MIC sponsors 3200 research projects in Iraqi universities (up from 40 in 1997)
333	OTHER/ NUC	2002	MIC builds explosive test facility capable of researching shaped charges
334	POL	Mid 2002	Iraq begins production of 81mm aluminum tubes for rockets
335	DS	Sept 2002	CAD designs for a launcher accommodating missiles up to 1m in diameter; 9m in length
336	POL	Sept 2002	Higher Committee, once controlled by Tariq 'Aziz, is reconstituted to deal with inspections, headed by Taha Ramadan
337	CW	Sep 02	Over 900,000 nerve agent antidote autoinjectors had been purchased



Regime Strategy and WMD Timeline Events (continued)			
338	POL	12-Sep-02	Bush calls Iraq 'Grave and gathering danger' in UN General Assembly (UNGA) speech
339	POL	16-Sep-02	Iraq agrees to readmit inspectors
340	POL	18-Sep-02	Publication of UK Iraq WMD dossier
341	POL	Nov 2002	MIC scientists meet and are told that Iraq has no WMD, and they must not hide anything from inspectors
342	DS	Nov 2002	Jinin and other covert delivery system programs suspended due to return of inspectors
343	POL	08-Nov-02	UNSCR 1441 finds Iraq in material breach, calls for disarmament and FFCD
344	POL	08-Nov-02	Russia refuses to veto UNSCR 1441
345	POL	27-Nov-02	UNMOVIC inspections begin
346	POL	Dec 2002	Saddam tells his Generals he does not have WMD
347	POL	Dec 2002	Saddam tells military leaders/senior leaders to "cooperate completely" with inspectors
348	POL/DS	Dec 2002	UNMOVIC freezes the Al Samud II and Al Fat'h flight tests upon further analysis of system's range capability
349	OTHER/ NUC	Dec 2002	Details of IAEC dual-use CNC machine purchases provided to UN/IAEA
350	POL	End of 2002	Iraq successfully flight tests 81mm rockets with indigenously produced aluminum tubes
351	POL	Late 2002	Iraq again attempts foreign purchase of 81mm tubes
352	POL	Dec 2002	NMD publishes the Currently Accurate Full, and Complete Declaration
353	CW	Jan 2003	Two teams from IAEC and Al Majid Company develop multipurpose controllers for process plant
354	PROC	Jan 2003	MIC annual budget at \$500M
355	POL	Jan-2003	UNMOVIC finds 12 empty 122mm CW rocket warheads
356	POL	Jan 2003	Iraqi MoD conference on Iranian WMD
357	POL	20-Jan-03	Husam Amin tells military leaders to cooperate with inspectors, repeating Saddam's earlier directives
358	POL	20-Jan-03	The MIC directs all Directors General of state companies to relinquish any WMD to the NMD
359	POL	25-Jan-03	The NMD director meets with Republican Guard (RG) leaders and advises they sign documents stating no WMD in RG units
360	CW	Feb 2003	Inspection of Al Nu'man factory reveals cluster bomb that management claimed from Al Muthanna
361	POL	Feb 2003	According to senior Iraqi Minister of Foreign Affairs, Saddam has decided to use CW against US troops in the event of war
362	CW	Feb-2003	Iraq recommends excavating R-400 bomb fragments at Al 'Aziziyah
363	NUC	February 2003	DG of NMD still trying to satisfy IAEA concern over missing explosive lens mold drawings
364	POL	05-Feb-03	US SecState Powell presents evidence of Iraqi WMD programs to UNSC

<b>Regime Strategy and WMD Timeline Events (continued)</b>			
365	POL	14-Feb-03	Saddam issues directive banning private companies and individuals from importing WMD materials or producing WMD
366	POL	28-Feb-03	Russia threatens veto of UNSCR authorizing war on Iraq
367	CW	March 2003	New construction scheduled for MIM plant to provide indigenous multi-purpose production facility, halted due to OIF
368	PROC	Mar 2003	MIC has \$186M in contracts with Syria (SES Company)
369	DS	1-17 Mar 2003	UNMOVIC bans Samud II and supervises destruction of missiles
370	PROC	Early 2003	Regime procurement with Belarus, Bulgaria, France, India, Jordan, PRC, Russia, Syria, and Ukraine leads to further sanctions erosion
371	PROC	01-Mar-03	MIC has accumulated \$300M+ in reserves
372	PROC	Early March	Saddam forms a funds distribution committee consisting of Minister of Finance, President of the Diwan, Presidential Secretary, and Qusay Husayn
373	POL	06-Mar-03	UNMOVIC publishes report - Unresolved Disarmament Issues (Clusters)
374	POL	10-Mar-03	France threatens veto of UN resolution authorizing war; later opposes OIF
375	POL	18-Mar-03	UNMOVIC and IAEA depart Iraq
376	POL	19-Mar-03	Initiation of hostilities
377	POL	Late March 2003	Saddam implies to military leaders that he has secret weapon