



Report on the United Nations Investigation of the Oil-for-Food Program
Justice Richard J. Goldstone
Joan B. Kroc Institute for Peace & Justice at the University of San Diego
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Justice Goldstone is one of three members of the Independent Inquiry Committee (IIC) into the Iraq Oil-for-Food Program and an Eminent Leader in Residence at the Joan B. Kroc Institute for Peace & Justice and the USD School of Law, Fall Semester 2005.

For more information on the IIC, including the full IIC report,
log on to <http://www.iic-offp.org/>.

For more information on Justice Goldstone,
log on to <http://peace.sandiego.edu/academic/Masters/goldstone.html>.

Welcome by USD Vice-President Provost Julie Sullivan

Good evening. I'm Julie Sullivan, the vice-president and provost of the University of San Diego. Tonight it is my pleasure to welcome the USD and San Diego communities to this evening's talk by Justice Richard Goldstone. Justice Goldstone is in residence at the university this fall as an Eminent Leader in Residence at the Joan B. Kroc Institute for Peace & Justice, and as a Distinguished Jurist at the USD School of Law. Justice Goldstone is a longtime friend and supporter of the Institute for Peace & Justice and of the University of San Diego. He gave the keynote address at the dedication of the Institute in December 2001, and he tells that at that time he had the enviable pleasure of meeting and discussing with Mrs. Kroc her dream of global peace. He returned in October 2003 as a Joan B. Kroc Distinguished Lecturer, and he currently serves on the institute's International Council.

This year the University of San Diego will be seeking to hire a founding dean for our new School of Peace Studies, which is also being made possible through the generosity of Mrs. Kroc. We also are positioning ourselves as an international university dedicated to sustainable peace and all that that entails. So it with great pleasure that we are able to host events such as tonight when they allow the people in our community to come together to learn, to listen and to discuss issues that are of local, national and international importance.

Now I would like I will now turn it over to Patrick Drinan, who is professor of political science and also dean of the College of Arts and Sciences. He will tell you more about Justice Goldstone.

Introduction by Dean of the College of Arts & Sciences Patrick Drinan

Thank you Dr. Sullivan. Julie has told us a little bit about the history of Justice Goldstone's relationship with the University of San Diego. It certainly is a pleasure to bring him back here this semester as a good friend of the University of San Diego. The University of San Diego, as you know, is a Catholic university and that's part of the reason Joan Kroc sought us as one of the places, along with Notre Dame, in order to inspire and promote activities and intellectual work in order to work toward peace on this planet.

Over four decades ago, Pope John XXIII spoke about the essential conditions for peace and he used a variety of analytical categories in his *Pacem in Terris* encyclical. He spoke of truth, justice, love and freedom. But he mostly spoke about the bond between peace and truth in terms of how we would pursue truth, justice, love and freedom. And so it's been so phenomenal to have someone like Justice Goldstone be at the University of San Diego as both a testament and a promoter of these kinds of essential conditions for peace, represented in truth, justice, love and freedom.

Humanity, John XXIII wrote over four decades ago, had entered a new stage in its journey, and it is people like Justice Goldstone who have been certainly promoters, advocates and catalysts in that journey. His career started in South Africa many years ago in terms of his legal studies. He was chairperson of the Commission of Inquiry Regarding Public Violence and Intimidation from 1991-1994. This became known as the Goldstone Commission.

In April 2004, UN Secretary General Kofi Annan appointed Justice Goldstone as a member of the independent high-level panel charged with investigating the administration and management of the Oil-for-Food Program in Iraq. It is to that topic, a very timely topic, to which Justice Goldstone speaks this evening.

I would like to thank all of tonight's co-sponsors: the Department of History; the Department of Political Science; the International Relations Committee of the League of Women Voters of San Diego; the San Diego World Affairs Council; the USD Social Issues Committee and the United Front Multicultural Center; the United Nations Association, San Diego Chapter; The Values Institute at USD; and the Women's Equity Council. This is the inaugural program for our academic year, and I think it is an outstanding program. Dr. Joyce Neu has done so many marvelous things in terms of getting the operation of the Institute for Peace & Justice to its current position and we have many thanks to Dr. Neu for that.

We also want to recognize the spouse of Justice Goldstone who is here for the semester also. Noleen, please stand and be recognized (applause). My wife tells me that there is always a good woman behind a good man.

This evening we will have the presentation by Justice Goldstone, followed by a question and answer session. Please keep the questions timely and succinct. Justice Goldstone reminded me this evening that he and I were both participants at the inauguration of this fine institution back in 2001, as we helped to launch this great effort.

There is a picture in the Institute for Peace & Justice of Justice Goldstone on one side and myself on the other as we went through the inaugural activities. So please help me welcome a great friend of the Institute for Peace & Justice and the University of San Diego, Justice Richard Goldstone.

Presentation by Justice Richard J. Goldstone

Good evening to you all. Thank you very much, Dr. Sullivan, for opening the proceedings and Professor Drinan, thank you for your generous introduction. It is wonderful to be back in San Diego and to spend a semester at this university.

The Oil-for-Food Program arose out of the humanitarian concerns of major powers for the plight of the Iraqi people who were suffering under the sanctions regime that was imposed on Iraq in 1991 by the Security Council. They were a consequence of the war effort, if one can euphemistically call it that, of Saddam Hussein and, more specifically, the genocide he committed in 1991, and his refusal to cooperate with the United Nations arms inspectors. The sanctions were applied and were applied very efficiently, and more and more reports came out of Iraq about starving Iraqis. Of course, Saddam Hussein and his people were making lots of money on the side with oil smuggling, but that money didn't benefit his people who were starved not only for food, but also of medical supplies and humanitarian goods.

It was mainly the Western powers, it was mainly the United States, the United Kingdom and France, who were concerned about the Iraqi people and suggested the Oil-for-Food Program. Saddam Hussein initially wasn't interested in it. He didn't want to be a party to an Oil-for-Food Program. He wanted sanctions lifted completely. And he was actually using the plight of his people as a lever to obtain that objective. It was the United States that came up with the idea of allowing Iraq to sell, at first, limited quantities of their oil. It was part of the embargo; no country could legally purchase oil from Iraq so there were no oil sales, other than by smuggling. But there were certainly not sufficient oil sales to feed the people of Iraq. The idea was that Iraq would be allowed to sell a limited amount of oil, be paid through a United Nations-controlled bank account in New York, and the funds in that account could be used for purchasing humanitarian goods by Iraq for the Iraqi people. That was the idea.

It took some years of persuasion before Saddam Hussein succumbed to it. The trigger, really, was the defection of his son-in-law. You may remember that his son-in-law defected and spilled a lot of beans that upset Saddam Hussein. The son-in-law then went back, misguidedly, goodness knows why, but he was murdered by Saddam Hussein's people very soon after his return to Baghdad. But as a result of that, and pressure from his deputy, Tariq Aziz, Saddam Hussein agreed to this Oil-for-Food Program in May of 1996. A memorandum of understanding was entered into between the United Nations on the one hand and Iraq on the other. A special escrow bank account was opened in New York at BNP Paribas, the French bank that was chosen under the agreement by the then-Secretary General Boutros Boutros-Ghali. At first, Iraq was allowed only to sell a limited quantity of oil — two billion dollars of oil every 180 days. In February 1998, that amount was doubled to four billion dollars worth of oil every 180 days and in December 1999, the Security Council lifted the ceiling completely and Iraq

was allowed to sell as much oil as it wished, but all through the United Nations bank account in New York.

The first oil sales under the program were in December of 1996, and the first shipment of humanitarian goods into Iraq took place in March of 1997. This Oil-for-Food Program lasted for seven years — it ended with the attack by the United States and the coalition forces in 2003 — and it was really the largest of its kind ever in history. In its seven years, there were more than \$100 billion worth of transactions. It's a huge amount. I have trouble even conceiving of \$100 billion. This is a problem with these figures. If I said \$10 billion or \$100 billion, it means the same, I think, to all of us in this audience this evening. That was the amount involved, and it was made up roughly by \$64 billion worth of oil that was sold during the seven years and \$39 billion worth of humanitarian goods that were purchased with some of the proceeds.

The Security Council realized that this was a complex and sensitive program and, unusually, decided that they, the Security Council, would remain in overall control of it. And they set up a committee of the Security Council, called the 661 Committee. It was called the 661 Committee because the original sanctions were applied on Iraq in Resolution 661 in 1991. The 661 Committee consisted of representatives of the fifteen nations making up the Security Council from time to time during the life of the program — the five permanent members (the United States, the United Kingdom, Russia, France, and China) — plus the ten non-permanent members who change every two years.

The 661 Committee had the right to hold up any shipment of humanitarian goods, because what concerned the United States and the United Kingdom in particular was what was referred to as dual use /dual purpose goods. They were concerned that Saddam Hussein shouldn't be able to import goods that could be used for humanitarian purposes but also could be used to build weaponry for his army. The United States and the United Kingdom were concerned primarily with stopping so-called dual use goods from going into Iraq.

There was a complication in that in the three northern governorates in Iraq, where the Kurdish people lived, they did not want to be ruled by their archenemy Saddam Hussein. Under the Oil-for-Food Program, the United Nations controlled the humanitarian goods coming into the northern governorates. That was done through nine major agencies of the United Nations: World Food Program, World Health Organization, UNICEF, and six other UN agencies that were involved in the importation of humanitarian goods into these three northern governorates of Iraq.

The independent inquiry committee into this program was established by Secretary-General Kofi Annan in the face of persistent and repeated media reports of corruption and conflicts of interest within the United Nations itself in relation to the administration of this fund. The Security Council had foreseen that this program needed to be carefully monitored. Because with this amount of money floating around — the supply of goods, the sale of oil — it was obviously a situation that was ripe for fraud, kickbacks, bribes, and so on. More and more reports were coming out in the media about that, and the Secretary-General really had very little option but to do something about it. He decided to set up an independent inquiry committee into the Oil-for-Food Program.

The main complaints were coming from the United States, in particular, from the Congress. Congress had already set up committees of inquiry. Kofi Annan decided that he had no option but to set up his own inquiry and give it access to all of the UN

documents that congressional committees were demanding. The United Nations obviously was not willing to give to the parliament of one of 191 members what it wasn't prepared to give to all members of the United Nations. To open these documents to the whole world wouldn't have served any useful purpose.

So he decided to set up his own inquiry, and he made a shrewd decision, I would suggest, in choosing Paul Volcker, the former head of the Federal Reserve, to chair that committee. Mr. Volcker has a reputation for probity and integrity and even-handedness, not only in the United States, but also internationally.

My involvement came out of the blue in April of last year when I was teaching at NYU Law School in New York. I received a phone call from the Secretary-General, and he asked me if I would be willing to serve as one of the three members of this committee. The third member he chose is a professor of law at the University of Basel in Switzerland, Mark Pieth. He is one of Europe's experts on money laundering and bank frauds. I was in New York, it seemed an interesting committee on which to serve and, without much hesitation, I agreed to accept his invitation. He then said to me, "Well, I've approached Paul Volcker but he hasn't given me his acceptance yet. He's got some problems. Would you speak to him?"

I had never met Mr. Volcker. I called him at his office and I went to see him the next morning. He told me his problem was that he wasn't prepared to accept the chair of this committee without a Security Council resolution welcoming the committee and calling on all member states of the United Nations to cooperate with it. He said, "We've got no subpoena powers. If we don't get at least a Security Council resolution, even though it's not binding, without a resolution to wave in front of governments, we'll have no hope of getting cooperation from many foreign governments. And," he said, "the Security Council apparently would not pass such a resolution but I've put my marker down — I want a resolution." He said, "Since you're here, let's call the Secretary-General and find out what the latest news is on a resolution." And his secretary called Kofi Annan and put him on a speakerphone. Mr. Volcker said that I was with him, and Kofi Annan told us that the Russians were absolutely adamant that they would veto any resolution. He said the most we can do is get a presidential statement welcoming the committee but no resolution. So Paul Volcker said, "Well, that's not good enough for me," so Kofi Annan suggested he call John Negroponte, who was then the United States Ambassador to the United Nations. So he called Negroponte and put him on the speakerphone and he said I was with him, and Negroponte said, "I've got bad news for you." He said, "Not only are the Russians going to veto but I've just left the French ambassador and they're going to veto as well."

And of course Russia and France had good reason to veto because they were the main traders under the Oil-for-Food Program. They were the main suppliers of good and they had made large oil purchases. They weren't very keen on an investigation into what their citizens and their companies had been doing. Volcker then said to Negroponte, "Ambassador, has a resolution been put before the Security Council?" And Negroponte said, "Well no, there's no purpose in putting a resolution. It's going to get vetoed." And Volcker said, "I want the United States to propose a resolution in the terms I've suggested." He had already sent him a draft of the resolution. And he said, "If it's vetoed, I'll reconsider my position, but I want it put."

Thirty-six hours later the United States proposed a resolution in the terms Volcker demanded, and it was passed unanimously by the Security Council. And it was a wonderful introduction for me to Mr. Volcker because it indicated his tremendous instinct. His instinct was better than the Secretary-General's and better than Ambassador Negroponte's. And he said to me, "There is no way Russia and France are going to publicly veto a resolution to investigate fraud where the allegations are that they were involved."

And he was absolutely right. It's interesting, I think, for political scientists to consider this example and to think of other situations where permanent members were not put to the acid test of forcing them to veto a resolution. I can't help but wonder what might have happened in the case of Kosovo if the United States, the United Kingdom and France had forced a Security Council vote. Would Russia have vetoed a humanitarian intervention over Kosovo? In any event, the resolution was passed on April 21, 2004, and the three members were officially appointed.

Paul Volcker and I thought that this would be a six-month inquiry and we pictured having an office of about 30 people. It's not finished yet; our final report will be out in October. The major report was issued last week as many of you have seen in the media. The final report, which will be issued toward the end of October, will deal with about 2,500 corporations around the world who paid bribes and paid kickbacks to Saddam Hussein for oil contracts and for the supply of humanitarian goods. And they come from many countries around the world. I'll come back to that in a moment because one of the decisions we took early on was that we would have due process in our investigation — that we would give people the opportunity to make representations before we made any finding against them. Some three weeks ago, we sent out 2,500 letters to these 2,500 corporations telling them what we intended saying about them and giving them an opportunity of making representations if our information is wrong or if they want to put further information to us. Our people are going through this exercise at the moment. The inquiry has already gone on for over a year; it will be about 18 months by the time it is finished. We've had approximately 90 investigators, forensic experts and computer people working for us in New York. We also had smaller offices in Paris and Baghdad.

We've had access to all of the United Nations documents. It's been a very invasive investigation. I don't believe the Secretary-General could have imagined how invasive it would be, and that we would demand access to all of the computers on the 38th floor and throughout the UN building in New York. Private emails have been looked at. Private bank accounts of the leading members of the UN staff have been looked at. It really has been a very invasive investigation. I must say, without any hesitation, that the Secretary-General has been absolutely cooperative from the first day to the last in ensuring that all our requests were fully met.

The funding for the inquiry committee was, at the beginning, and remains, I suppose, fairly controversial. The cost of the inquiry is in excess of \$30 million. We had to pay not only for 90 top people from 28 countries, which in itself is a huge expense, but the biggest expense has been managing over 12 million pages of document — getting them scanned and put onto computer databases, because you can't handle documents of that magnitude without putting them on computers. We've had to pay substantial amounts of money to manage the documentation.

Now the United Nations doesn't have that kind of money. It has always been cash strapped. The money that was used, on the decision of Kofi Annan with the consent and support of all the members of the Security Council, came from a balance that the United Nations had in its accounts from Oil-for-Food. The United Nations took 2.2 percent of all of the money that came in from the sale of oil to administer the fund and it didn't use all of the money. It had a few hundred million dollars left at the end. It paid most of it to Iraq, but without Iraq's consent used \$30 million (it might be \$34 million at the end) to pay for the inquiry.

Happily, Iraq is getting some benefit from it, because one of the findings that we made already in our report last week was that some of the UN agencies had been more than compensated for the work they did in the northern governorates. We found that they had been overpaid \$50 million and the United Nations immediately agreed to pay that back to Iraq. So, fortunately, Iraq's already making a profit. And from the corporations that have been involved, hopefully they'll make up more.

The committee has issued four reports — three interim reports and the major report that was made public in New York last Wednesday morning. The first report was a briefing paper that we issued on January 9 of this year. That dealt with the audits of the United Nations. The UN auditing department did an audit of the whole program — the UN agencies and, in particular, on the secretariat department that oversaw the whole program, which was called the OIP, a committee that was presided over by an under secretary-general, Benon Sevan. The finding we made in January was that crucial procedures of the Oil-for-Food Program had not been audited. These included the procedures followed by the contracts processing division that was set up to probe contracts that were set up for the supply of humanitarian goods. The procedures followed by the oil overseers, who had to approve the contracts under the Oil-for-Food Program, these and other important programs had not been audited. We found that had they been audited, a lot of the problems that were uncovered might have been avoided. The unfortunate system required that if money had to be allocated to audit a program, the head of the department concerned decided whether to have the audit or not. Benon Sevan, who had good reason as it turns out for not wanting the audit, said, look, don't audit what's happening at UN headquarters, where you need to audit is in Iraq. He kept auditors away from his department. It's obviously unfortunate and doesn't make good auditing sense that the people to be audited have the say as to whether they should be audited or where the money should be spent.

There were no examinations of oil and humanitarian contracts at any stage of the program. So there was no auditing of procedures that could have brought to light some of the kickbacks and the bribery and the smuggling that was going on. There was no testing of the humanitarian contracts for price fairness. Had there been, that would have revealed irregularities and would have undercut the Iraqi government's kickback scheme that resulted in lost revenues and significant sanctions violations. Of course, the more kickbacks and bribery there was, the less money there was for the people of Iraq.

We then issued three interim reports in addition to last week's major report. Let me just refer in the brief time I have to some of the more important or the more interesting of the many, many issues that were taken up. Last Wednesday's report is over 1,000 pages with all of the appendices, the letters and documents.

An important issue is that the Oil-for-Food Program was accompanied by substantial smuggling of oil by Iraq outside the program. The oil was smuggled through Jordan, Turkey and Syria. The committee has estimated that during the seven years of the program (forget about the smuggling before the program began) some 650 million barrels of oil were sold by smuggling in this fashion, worth about \$10 billion. This was, in fact, the largest source of illicit income for Iraq during the Oil-for-Food Program era. It wasn't so much the criminality in relation to the Oil-for-Food Program that yielded the biggest profit for Saddam, but rather the smuggling of oil in violation of the UN sanctions. If the truth be told, the United Kingdom and the United States were not really opposed to the smuggling when it went to Jordan and to Turkey. There were strategic reasons, especially just prior to the war, when the United States and the United Kingdom weren't too unhappy about Jordan or Turkey getting oil in violation of the sanctions program. When it came to Syria, the United States wasn't as happy about it, but the United States and the United Kingdom turned a blind eye to the smuggling and, obviously, the Russians and the Chinese and the French were quite happy to let this happen under their noses. But it was well known and widely reported in the media. Nothing was done about it.

The second biggest source of illicit income was from surcharges on oil and kickbacks on purchases. On the oil sales, we calculated that the surcharges amounted to \$263 million from 139 oil contractors on 330 contracts. Details on the companies will be named in the October report. We estimate that profits from kickbacks and bribery, which is really what it was, on humanitarian goods amounted to approximately \$1.6 billion from over, as I've mentioned, 2,500 corporations and individuals. And they too will be named in the October report. And one of the purposes of dealing with this (and we'll be dealing in the October report in some detail with about 14 of these companies) is to show how Saddam Hussein used the Oil-for-Food Program to obtain favors from governments by helping their corporations.

Our committee also investigated the role of Benon Sevan in soliciting oil contracts, which he did, from the Iraqi government. As we held in our second interim report, it created a grave conflict of interest. Here was an under-secretary-general, the head of the program, secretly soliciting oil contracts from the Iraqi government. He passed them on to a corporation called African Middle East Petroleum Company (AMEP), which was run by a close friend of his, a man called Abdelnour, who also is a relative of the former secretary-general Boutros Boutros-Ghali.

As a South African, it is interesting that AMEP was one of the main companies that breached sanctions against apartheid South Africa in the 1980s. So the name wasn't a new one for anyone who followed the violations of oil sanctions against South Africa. In any event, Sevan at first denied that he got these contracts at all. Incidentally, all of this information, of the kickbacks, the side letters, all came from documents we got from Iraq, from the Baghdad government. But, obviously, we would never have dreamt of relying only on them. They all came from the time of Saddam Hussein, and some of the people named in them allege that they were forged documents. We had, as I've mentioned, access to all of the United Nations documents in Iraq and in New York. Where they dovetail, that provides important corroboration.

In addition, we've had very good cooperation from a number of countries, particularly Switzerland, who has given us access to bank accounts. A lot of the money went to Switzerland or through the embassy accounts in Jordan, Turkey and other

countries, into Baghdad. So we've had a lot of different sources to corroborate the Iraqi documents. We then investigated Sevan's bank account. He had previously informed the United Nations that he had received cash payments of about \$120,000 from his aunt in Cyprus. He said it was in return for giving her accommodations on her visits to New York. Well, that is a lot of money to pay for his aunt to visit him from Cyprus.

In any event, shortly before the investigation, his aunt died in unusual circumstances (she fell down a lift shaft in an apartment block in Cyprus). Our investigators spent a lot of time in Cyprus and found that she was a very impecunious pensioner who certainly wouldn't have had access to \$120,000. Eventually our investigators established that Sevan brought money with him into New York from Geneva and deposited it into his account. Those deposits were made at times that had nothing to do with his aunt's visits from Cyprus. They did, however, dovetail with his visits to Geneva, where cash payments were made out of the bank account that was used by AMEP. We disclosed evidence that clearly established that Sevan must have gotten this money from Oil-for-Food. It came to about \$150,000. What is significant is that, during that period, Sevan was living well beyond his means, was constantly in overdraft and had financial problems. He was able to ameliorate that position by means of these cash payments.

We also had to deal in detail with the potential conflict of interest that arose from the employment of Kofi Annan's son, Kojo, by a Swiss firm called Cotecna at a time when Cotecna received a huge multi-million dollar contract from the United Nations. His son, Kojo, has turned out to be bad news; he clearly lied to his father about his continued employment with Cotecna. Cotecna lied to the United Nations about his employment. He clearly continued to be employed by them before, during and after the award of the contract. We also discovered, quite by chance in the course of our investigation, that Kojo fraudulently used his father's name and position to import a Mercedes Benz SUV into Ghana. He told a senior UN official in Ghana that it was for his father's use in Ghana. On his say-so, the UN official arranged for the Ghanaian government to waive some thousands of dollars worth of import duties.

The important question that the committee had to consider was whether the secretary-general was aware, at any relevant time that these things were happening. Now, the secretary-general was interviewed by our investigators on six occasions. I was present on four of those occasions. He denied adamantly that he had any knowledge that Cotecna was getting a contract. He had nothing to do with the awarding of the contract (he was obviously not involved on a day-to-day basis with the program at all) and he denied that he knew that Cotecna had received a contract until this was disclosed in a *Telegraph* article in London in January of 1999. He informed the committee that he had no knowledge of the manner in which the car had been purchased by Kojo. The evidence that indicated knowledge on his part was found by our committee to be unreliable. We didn't come to a firm decision one way or the other. Our conclusion, made after many hours of debate between the three of us and our staff, was that there was insufficient evidence to come to the conclusion that the secretary-general did have knowledge at any particular time that would have resulted in a conflict of interest.

What we did find was that the secretary-general and his deputy, a Canadian, Louise Fréchette, failed to provide the leadership and oversight of the complex program that could have been expected of them. And our central conclusion was that United Nations

requires stronger executive leadership, thoroughgoing administrative reform and more reliable controls and auditing.

We held too that responsibility for what went wrong was not only to be laid at the door of the Secretariat and the secretary-general, but that members of the Security Council, from time to time, and particularly the 661 Committee, must shoulder their share of the blame in providing uncertain and wavering direction in the implementation of the program. In the result, neither the Security Council nor the Secretariat was clearly in command. This was the problem; the Security Council keeping as much control as it did left a huge gap between what it was doing and what the Secretariat was doing. We said this is not the way this sort of program should have been organized. The failure to have clear lines of command turns out to be a recipe for the dilution of the Secretariat's authority and evasion of personal responsibility at all levels. When things went awry, and they certainly did, there were conflicts between the Secretariat and the Security Council and decisions were made — some were bungled and some were simply shunned.

We've made wide recommendations for the reform of the procedures and practices of the United Nations. I'm hopeful that some of these will come to pass. I'm hopeful that there will be a distinction between political reform of the United Nations, which is obviously one thing and is needed (the reform of the Security Council itself and so forth) and the sort of reforms that we've called for in the auditing, in the discipline, in the way the administration is run, which is not political and shouldn't be. There is clearly politics involved, but one hopes that it will be separated from what is purely and clearly political.

Let me conclude by saying that the committee conducted over 1,100 interviews. We had to absorb over 12 million pages of documents. Our reports contained all of the information that we received; literally everything that the committee found is there. If people differ with our conclusions that we've come to, that is their right, but we felt it was our duty to make public, transparently, the information we received. And I hope that we've conscientiously succeeded in conveying the conclusions of the three members of the committee. Thank you very much

Questions & Answers

Q: I am a student here attending with my reconciliation class. I wanted to ask you about your last comments about your hopes for future of the United Nations. Do you see some type of reform occurring?

A: I am optimistic. The inquiry, as I mentioned, was set up by the secretary-general, not by the Security Council and not by the General Assembly. In the Security Council resolution, there is a sentence, which none of us noticed, that said the Security Council looked forward to getting reports from our committee. Nobody noticed that until right at the end. It was less than a week before we presented our report (I see Dr. Aker smiling because she was there) that we got a call from Mr. Malloch Brown, the secretary-general's chief of staff, saying that the Security Council would like us to present the report to the Security Council itself. That was quite an exciting surprise. We gave the report to the secretary-general at 9:15am in his office and the Security Council then convened at 10 am. The program, we were told the day before, was that Mr. Volcker was to give a five or ten-minute summary of the report, the secretary-general would make a five-minute response. That was to be the end of the public part of the proceedings

It didn't happen that way. And the reason was that the United Kingdom and the United States wanted to make public statements in the Security Council. And if they did, all fifteen members decided they wanted to as well. So, instead of being a ten or fifteen-minute public hearing in the Security Council, it finished at about noon. All of the ambassadors welcomed the report. They said that they hadn't read it, but that they would read it, and that they hoped that the recommendations will be taken seriously. So, I think that the chances for reform have substantially been raised as a result of that action by the Security Council.

Q: I'm Don Gragg of the World Affairs Council and it is a real privilege to have you here and to get first hand information on the Oil-for-Food investigation. If I heard you correctly, you said that the program involved the sale of about \$60-some billion of oil and the procurement of \$39 billion worth of humanitarian goods. Is the \$20 billion difference overhead? If so, what proportion of it is legitimate overhead as opposed to the other kind?

A: In the report there is a useful diagram indicating where all the money went. About 35% went to pay damages to the Kurds. The 2.2% was to pay for the overheads of the UN Secretariat. All the receipts were matched. The problems arose from the secret profits on the oil and kickbacks on the purchase of humanitarian goods.

Q: Who had the authority to decide where the oil would be sold? Did Saddam Hussein make the final decision?

A: This is one of the problems; the oil belonged to Iraq. Saddam Hussein was selling his own oil. The United Nations and Boutros Boutros-Ghali, who was then the secretary-general, came to the conclusion that there was no way that anybody but Iraq could decide who would purchase this oil. This is how Russia became the major purchaser. And Saddam Hussein, understandably and without any question, used the oil to get political favors from the people whom he thought would give him favors. Incidentally, our report details attempts by the Iraqis to bribe Boutros Boutros-Ghali.

Q: In connection with the 2,500 companies that you mentioned were sent letters. What potential liability will the companies have and what authority will be pursuing that liability?

A: Obviously these companies have operated in the countries where they come from, and whether they've committed violations of the laws of those countries is an open question, but some of them did, I have no doubt. It will be up to the prosecuting authorities of those countries whether to pursue it. The Swiss are pursuing a number of their own companies and their own nationals for criminal offenses. The French have opened investigations against very senior politicians arising out of Oil-for-Food. Our committee is not a prosecuting authority at all; it's not our business to prosecute. But what we have said it that we will cooperate with authorities, and particularly authorities that have been helpful to us. We will be helpful in giving information, and I think I'm not giving away any secrets when I say that we've cooperated fairly closely with the French prosecutors.

Q: Is part of the investigation to look at the distribution of the food and medicine to the Iraqi people?

A: I welcome the question because I was remiss in not saying that our committee also commissioned a group of international experts to look into the extent to which the program helped the people of Iraq. And our report contains a separate volume of their report. Their conclusion was that the program, without any question, was fairly successful in bringing food and, particularly, medical supplies to the people of Iraq. So the answer is that the program was, at least partially and substantially, successful.

Q: Who follows up on criminal investigations of Sevan and others? Is it the business of the Southern District Court in New York or should there be some international court for it?

A: There certainly are no international crimes that have been committed. The Southern District Court of New York has gotten involved because some of the crimes were committed in New York. Alexander Yacovlev, who pleaded guilty to accepting bribes, committed his offenses in New York and the secretary-general immediately waived the immunity of Mr. Yacovlev. So, the only reason that there is jurisdiction in the Southern District is that the United Nations works there. Clearly, in the case of Mr. Sevan, there would be jurisdiction. But Mr. Sevan has left New York and gone back to his native Cyprus, and I suppose it's a matter for regret that there is no extradition treaty between Cyprus and the United States.

Q: You mentioned the United States being interested in conducting their own inquiry, and that part of the timing of the secretary-general's formation of the commission was in response to the United States trying to form their own. What is the status of the congressional commission that was going to be formed? Also, can you please discuss the timing of the release of this report a week before the largest gathering ever of heads of state at the United Nations?

A: The US Congress has got a myriad of separate investigations. Just about every congressional committee that could find an excuse to investigate Oil-for-Food is doing so. I've no doubt that the senators and congressmen and women have got good political reasons for getting on this bandwagon. So hearings are still continuing into the Oil-for-Food Program.

It's been a sort of contest. The congressional committees (and I don't say it with any sense of blame) in some ways made our life difficult. Because what would happen is that our investigators would, for instance, investigate Cotecna, and the Congress would then subpoena the same people because they've got an office in the United States, and thus be subject to the subpoena powers of Congress. So they would go to Congress and make public what they had told our investigators at a time that we considered inopportune. On occasion that deprived us of the element of surprise with regard to interviews of other witnesses. Congress has every right to do it.

Regarding the timing, in two international jobs I've had there have been questions of timing. The one was when I was the chief prosecutor of the war crimes tribunal, particularly for Yugoslavia. Our second indictment of Karadzic and Mladic was during Dayton negotiations. And people went crazy. They said how can you issue it during Dayton? But if I had issued it before, they would have said it was issued to influence

Dayton. If it was issued after Dayton, I would have been accused of holding it back so as not to influence Dayton. As it happens, it was ready to be issued during Dayton.

And it is the same with this report. It's really happenstance. We didn't decide to issue the report a week before the meeting of 170 heads of state. If the timing was up to us, we might have delayed it. But, again, we couldn't afford to be accused of playing politics. If we had delayed for four weeks, imagine what people would justifiably have said about us — that we did this in order to assist the Secretary-General, or in order to not assist the Secretary-General. The report was ready a week ago. It should have been issued before, but every time we thought we were finished, more information kept coming up. When we thought we were finished investigating Kojo Annan, papers arrived showing that he purchased this motorcar. We couldn't issue the report without investigating that issue.

Q: Did you put a total figure on the amount of money that went to the corrupt people that otherwise would have gone to the people of Iraq, other than the smuggled oil?

A: It was about \$10 billion.

Q: And the food was about \$40 billion?

A: Yes.

Q: As an accounting professor, the summary of your conclusions is a failure of internal controls. We've seen with scandals of public companies such as Enron, WorldCom and others, what this has led Congress to do, requiring public companies to have their internal controls audited. There have already been discussions within the accounting community of requiring this for non-profits within the United States. Do you think your report will add fuel to this discussion and perhaps might accelerate that?

A: I certainly hope so. With regard to the United Nations, one of the problems that we put our finger on is that too much is expected of the secretary-general. We suggested the appointment of a chief operations officer, who would take responsibility of this sort of administration. When the United Nations was set up and the charter was written half a century ago, the drafters of the charter assumed that the secretary-general would be an administrator, that he wouldn't be a politician. His job was to implement the decisions of a fifty-nation General Assembly and a twelve-nation Security Council. But there have been strong personalities as secretaries-general. And, as the organization has grown and as the world has gotten more complex and more difficult and more violent, the secretary-general has spent most of his time on the politics of the international community. And if one looks at Kofi Annan's program as we did, his day-to-day diary, it is just mind-boggling to see the calls that were made on his time.

To me, this didn't come as much of a surprise because of my own experiences working with the United Nations. It surprised Paul Volcker and Mark Pieth more because they had never worked in the United Nations. But anyone who has ever worked in the United Nations knows it is a very difficult organization, for other reasons too. One of the problems with the United Nations (this has nothing to do with the committee, it is a very personal view) is that some of the people there are not very efficient. It is a useful repository for governments to kick people upstairs, or sideways. A lot of the people are outstanding, but the secretary-general does not have complete freedom over who is on his staff. He has to have a wide geographic spread. It's not like the CEO of a large

American corporation, being able to tap the best the United States has to offer at a particular time. So it is all the more necessary to have proper auditing and accounting controls.

Q: In your proceedings, did you talk to the people who originated the Oil-for-Food Program to see if they had considered safeguards.

A: Absolutely. As I mentioned, we interviewed 1,100 people, including meetings with Boutros Boutros-Ghali and the financial people, sure.

Thank you very much.