SYRIA AND THE UNITED NATIONS OIL-FOR-FOOD PROGRAM

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JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

AND THE

SUBCOMMITTEE ON THE MIDDLE EAST AND CENTRAL ASIA

OF THE

COMMITTEE ON INTERNATIONAL RELATIONS HOUSE OF REPRESENTATIVES

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CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

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SYRIA AND THE UNITED NATIONS OIL–FOR–FOOD PROGRAM

WEDNESDAY, JULY 27, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS, AND
SUBCOMMITTEE ON THE MIDDLE EAST
AND CENTRAL ASIA,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittees met, pursuant to notice, at 10:33 a.m., in room 2172, Rayburn House Office Building, Hon. Dana Rohrabacher (Chairman of the Subcommittee on Oversight and Investigations) and Ileana Ros-Lehtinen (Chair of the Subcommittee on the Middle East and Central Asia) presiding.

Mr. ROHRABACHER. I call this joint meeting of the Oversight and Investigations Subcommittee and the Middle East and Central Asia Subcommittee to order.

This Subcommittee has held a number of hearings this year on the Oil-for-Food Program of the United Nations. This hearing, held jointly with the Middle East Subcommittee, will examine the role of Syria in the program.

Let us note, to be fair, Syria is not the only country that has been involved with any questionable activities in the United Nations Oil-for-Food Program. This Subcommittee has already investigated other countries who have had very questionable involvement, and we will further investigate other countries as well in our investigation of the Oil-for-Food scandal. So this is just one of a series of hearings to look into a specific set of circumstances and details that we think need to be known by the public.

Despite the historic enmity between Syria and Iraq, both of these countries managed to profit from the manipulation of the United Nations sanctions on Iraq.

Today, we want to discuss two concerns: First, the actions of the Commercial Bank of Syria, which facilitated kickbacks for suppliers and kickbacks for the buyers of those who were involved in the U.N. Oil-for-Food Program. Again, let me note we have spent considerable time on the banks of other countries. Second, we will be looking at Syrian complicity in the purchase of weapons in direct violation of the United Nations guidelines at that time and in direct violation of the Oil-for-Food Program's intent.

Evidence suggests that CBS (Commercial Bank of Syria) was the recipient of the proceeds of more than $1.8 billion in oil sales from June 2000 to February 2003. These funds were deposited into accounts controlled by Iraq's State Oil Marketing Organization

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(SOMO) at the Syrian bank (CBS). A trade protocol established between Syria and Iraq in 2000 was the basis for these ongoing transactions.

Unseen, however, was an additional $1.2 billion in oil money that was at times put into another account at the CBS. These funds were used to pay for trade between the two countries, including weapons that were very likely used. In fact, some of these weapons could have very likely been used against American troops in Iraq.

Part of this scheme included a procedure for these funds to be automatically transferred through a secretive route to the Central Bank of Iraq. In one case, Committee investigators spoke to an Iraqi courier that transported a payment worth millions of dollars in gold bars. He transported these gold bars via car back to Baghdad. One can only envision this transfer of money and gold bars in the trunk of an automobile being transferred from Damascus to Baghdad. It does create quite a picture.

Treasury Department officials have told Congress in January that Syrian officials had thus far failed to return all of the Iraqi funds.

Let us note that the funds that Iraq derived from this procedure were illegal, that the United Nations had a program that was being misused in which billions of dollars were actually taken from the Oil-for-Food Program for purposes that they did not intend, and that the Syrian officials, at least in January, had announced that all of those funds had not been reported. These topics will be the matter of discussion today.

There needs to be a full accounting and a reappraisal of the Syrian cooperation with United States demands for the return of these funds. The cloak and dagger element of transferring gold bars from Damascus to Baghdad in the trunk of a car is certainly provocative, but we need some hard answers to where this money is today.

While Syria acted as Iraq's banker, some of its highest officials brokered military deals for Iraq and profited from these military deals. One source suggests that former Syrian Defense Minister Tlas received a regular "tribute payment" for his role in the deals between these two countries. Anything shipped had to receive his approval in order to be allowed through Syrian customs.

Tlas' son also received 10 to 15 percent kickbacks for contracts made through Iraq's military industrial commission. In addition to Tlas—and I am going to mispronounce these names—Thualhima Shaleesh—I am sorry about that—Chief of the Presidential Bodyguard and cousin to Syrian President Assad also received these kickbacks for acting as an intermediary in military deals.

Understanding these facts, Syria's denials of its help to Iraq seem, let us say, to be a bit suspect, and we need to look at these denials today. I personally would like to have arranged this so we could have the Syrian Ambassador come and state his side, where we could question him about these things directly. Perhaps that can be arranged in the future.

One must suspect that such help as Syria gave Iraq in the past may well be continuing today, perhaps in support of Iraq's insurgency. So we are looking at what happened in the not-so-distant past. We certainly have to ask questions about what Iraq is doing today.

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Of course, we see the bloody consequences of the arming of Iraq going on even today. Perhaps some of the arms deals we are talking about today provided the weapons that are exploding on the streets of Baghdad, murdering both Americans and, of course, many, many Iraqi civilians.

Today, the representatives of our State Department should tell us what the United States is doing to stop Syria from aiding the insurgents and destabilizing Iraq, whether there is substance to these charges, and to return the funds it helped Iraq steal from the Oil-for-Food Program.

President Assad of Syria said in a recent *New York Times* interview that "when you talk about upgrading society, you talk about being open-minded." well, I believe that we need to hear not just words, but we need to see deeds, and we believe that President Assad should demonstrate his open-mindedness and perhaps a commitment to another course other than that which was taken a few years ago and start seriously cooperating with the United States and answering questions like this in full.

As I say, perhaps some of the questions that we raise today can be posed directly to the Syrian Ambassador, who is with us today, and to President Assad, and have some direct answers, and perhaps then we can hear another story. Perhaps there is a new trail being blazed or a new path being taken. What we do know and what we are going to document today is unacceptable decisions and activities that were going on that Syria was part and parcel to only a few short years ago.

With that said, Mr. Delahunt, would you like to make an opening statement?

Mr. DELAHUNT. Thank you, Mr. Chairman.

I would welcome—I know that the Syrian Ambassador is present here, and I would note that for the record.

I would also note that he has not been invited to testify, and I would hope and concur with you that you and I convene a hearing after we return from the summer district work period and invite him to testify. He will have, I am sure, an opportunity to review the testimony that is elicited today.

Mr. ROHRABACHER. Would the gentleman yield for just a minute?

Let me just note, I have never feared having anybody testify here, but I would hope if the Syrian Ambassador, or in the future anyone else who comes here to try to testify like this, and should have a right to express those opinions, then the Ambassador would expect a grilling. So it would be a very serious issue. I just wanted to add that.

Mr. DELAHUNT. I know you are a good griller, Mr. Chairman.

But, having said that, as you well know, for months I have been asking questions about the so-called trade protocols, which were formal written agreements between Saddam Hussein and the Governments of Syria, Turkey, Jordan, and Egypt for the direct purchase of Iraqi oil. They were obvious and blatant violations of the sanction regime imposed by the Security Council in the aftermath of the first Gulf War in 1991.

The Security Council was aware of these trade protocols, but, rather than take any action, the Security Council looked the other

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way and did absolutely nothing, according to the information that we have heard today.

I was particularly disturbed because, as one can see on this chart to my left, which uses figures that were provided by the President's appointee, Charles Duelfer, these trade protocols earned Saddam over $8 billion of illegal revenue that he did not have to account for. It is particularly important to note, Mr. Chairman, that this is more than six times as much as he was able to skim off the Oil-for-Food Program.

So when this hearing was first noticed as—and I am quoting from the notice sheet—"Syria and the U.N. Oil-for-Food Program," I presumed that it was about the Oil-for-Food Program and we should expect more testimony critical of the Secretary General and the United Nations Secretariat. But, of course, we would not focus on the role of the Security Council, because we have not done that today, despite the fact that we are a permanent member of that body.

But after reviewing the statements of the witnesses and the IRS documents, I discovered, to my surprise, that at long last we were going to talk about these so-called trade protocols, but only with Syria. So I would suggest that this hearing would be more properly entitled "Syria's Trade Protocol with Saddam" or, if that was unsatisfactory, "Syria's Evasion of the U.N. Sanctions on Iraq."

But maybe some purpose is served by continuing to implicate the Oil-for-Food Program, despite the inaccuracy of doing so. Maybe we will have future hearings entitled "Jordan and the Oil-for-Food Program" or "Turkey and the Oil-for-Food Program" or "Egypt and the Oil-for-Food Program," but somehow I doubt that, because they are our allies; they are our pals, whereas the Administration considers Syria, at least at this moment in time, to be our adversary.

There seems to be an unwritten rule that we do not have any oversight on our friends or anything that might displease the Administration. Of course, in this particular case, both the Clinton and the Bush Administrations share equal responsibility, because both Administrations did nothing about the so-called trade protocols. No oversight, no criticism.

Let me note that I believe that unless we practice equal opportunity in terms of our criticism, we lose our credibility and reinforce a perception that we only serve double standards. In the end, that makes us vulnerable to a charge of hypocrisy and does not serve our national security interests.

Mr. ROHRABACHER. Thank you very much, Mr. Delahunt.

This is a joint hearing between these two Subcommittees. Now I would like to recognize an opening statement from the distinguished Chair of the Subcommittee on the Middle East and Central Asia, and, I hope, perhaps Chair of the Full Committee someday.

Ms. ROS-LEHTINEN. Thank you.

Committee rules dictate who can be present, who can testify, and foreign government officials are precluded from testifying because they are not bound by U.S. laws.

Further, Syria is classified as a state sponsor of terrorism and is facilitating terror attacks against Americans in Iraq and our coalition forces. I would hope that this Committee does not legitimatize the Syrian regime, as nice a buddy as the Syrian Am-

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bassador might be of some Members, by providing a forum that is reserved for those that abide by and respect United States laws and United States interests. To provide such a forum to a terrorist is an affront to our American soldiers and to the Iraqi people.

My stepson was deployed to Iraq yesterday, along with his fiancee. I don't think that he or any of his Marine buddies would be very happy about having this Committee give a forum to a country that has been responsible for so much mayhem in the region.

That is all I need to say about the Syrian Ambassador.

Now, considering that we are talking about two state sponsors of terrorism, Iraq under Saddam Hussein and Syria, it is critical that we fully understand the scope of Syria's involvement in the Oil-for-Food debacle, that we identify the nature of its involvement, warning signs that it was circumventing sanctions and manipulating the process, and that we also identify where the United States went wrong. In this effort, perhaps we can avoid a repetition of past failures and mistakes.

In 1996, the Oil-for-Food Program was instituted with the goal of providing food to impoverished Iraqis funded by the sale of Iraqi oil. Far from providing the Iraqi people its intended humanitarian assistance, this arrangement became astonishingly corrupt; the U.N. and foreign officials and governments systematically abusing the system and receiving hefty sums of money in kickbacks from the Iraqi regime. Thus, the Oil-for-Food Program became the biggest heist in recent history. While it involved thousands of participants in dozens of countries, it was the Syrian regime that provided Saddam with his most favored and profitable collaborator.

In the fall of 2000, Saddam's regime began illegally exporting oil via Syria. The Iraqi oil flowed through the Kirkuk pipeline, generating approximately $1 billion in profits for these terrorist regimes. Thus, the pipeline agreement not only revealed the true intentions of both Iraq and Syria to ignore U.N. sanctions and circumvent the Oil-for-Food mechanisms, but it provided them with the financial resources to engage in policies that were threatening global security.

Iraq's robust illicit trade with Syria was later augmented by the January 2001 so-called Iraq-Syria Free Trade Agreement. This agreement facilitated Iraq's acquisition via Syria of sensitive military dual-use and other red-line items.

The collusion between Iraq and Syria in the Oil-for-Food Program also resulted in 60 percent of Iraq's earnings deposited in an Iraqi State Oil Marketing Organization account in the Commercial Bank of Syria, with 40 percent into a cash account at the Syria-Lebanon Commercial Bank in Beirut.

As our witnesses will describe today, the Commercial Bank of Syria played a central role in the circumvention of U.N. sanctions in laundering illicit Oil-for-Food profits and in facilitating the purchase by the Iraqi regime of prohibited items.

Within this context, Mr. Comras' testimony is of particular interest to the Members of our Subcommittees. In his written statement, he refers to the work of former Secretary Powell on the smart sanctions and strategies that would send a clear message that we would no longer tolerate open sanction violations such as those occurring in Syria.

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We would appreciate it if Secretary Dibble, who is representing the Department of State, would elaborate upon the steps taken by the United States against Syria, not just through the 661 Committee, but United States bilateral actions to bring about an end to the collaboration between these two rogue states, Iraq and Syria. In that vein, we would ask Secretary Dibble to discuss the May 2004 designation of the Commercial Bank of Syria as a primary money laundering concern.

As you know, it derived from President Bush's Executive Order 13338 implementing the provisions in the Syria Accountability and the Lebanese Sovereignty Restoration Act, as well as invoking section 311 of the USA PATRIOT Act, which requires United States financial institutions to sever correspondent accounts with the Commercial Bank of Syria because of money laundering concerns. Was the Commercial Bank of Syria's involvement in the Oil-for-Food scandal the sole variable considered? What other factors played a role in this determination?

Further, while sanctions were threatened, they were not implemented at the time. Has the bank now been cut off from the U.S. financial system and from international financial markets? Does this include closing accounts not only with the corresponding U.S. banks but also security dealers and mutual fund providers?

Given that Syria is a state sponsor of terrorism and a corrupt regime, as illustrated by its role in the Oil-for-Food scandal, is there any degree of confidence that the Syrian regime will comply with the specific steps outlined by the United States to address money laundering and terrorist financing concerns?

Earlier this year, the Treasury Department sanctioned SES International, which was reportedly the primary facilitator for the transshipment of weapons and munitions as well as many other unauthorized goods through Syria into Iraq. Will additional, more rigorous designations or sanctions against the Syrian regime be considered by this Administration, either for their involvement in the Oil-for-Food scandal, their violations under the Syrian Accountability and Lebanese Sovereignty Restoration Act, or for money laundering and terrorist financing?

Considering the roles of banks in Lebanon in the Oil-for-Food scandal, should we expect any punitive action to be undertaken against these Lebanese financial institutions?

I would also appreciate it if our witnesses would comment on the possibility that former regime elements in Damascus are financing and coordinating the terrorist campaign in Iraq against the Coalition, the Iraqi Government, and innocent Iraqi civilians utilizing money and other assets garnered from its illicit trade and the Oil-for-Food Program.

Despite American warnings, Damascus has reportedly continued to expedite the passage of jihadists into Iraq and members of other terrorist organizations. In addition, Syria continues to be a foremost supporter and weapons supplier of Hezbollah, a terrorist group active in Lebanon and throughout the world, that has been targeting and killing Americans and many others since the early 1980s.

I would like to bring these issues to the panelists' attention and emphasize that lives, not just policies, are at stake in our efforts

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to stem the flow of Syrian terrorist financing, support for terrorists, and other nefarious activities, as illustrated through its role in the Oil-for-Food scandal.

Our actions against the Syrian regime must reflect this reality. As I stated at the beginning of my remarks, we must heed the lessons of the Oil-for-Food debacle and related foreign policy miscalculations in order to avoid repeating them. Today's hearing is an important step.

Mr. ROHRABACHER. Thank you very much, Chairman Ros-Lehtinen.

Ranking Member Ackerman.

Mr. ACKERMAN. Thank you very much.

I will exercise the prerogative of injecting a personal note to Chairman Ros-Lehtinen as her colleagues, I believe, speaking for all of us, can understand how proud you must be, together with Dexter, of your stepson and his wife going off in uniform in the interests of our country and how both frightening and honorable those feelings must be. You and they certainly have our thoughts and our prayers, as do all of the men and women who serve our country, that they serve well and successful and come back healthy. We look forward to that day, hopefully soon.

That being said, I want to in part recognize your talents and abilities, as did Chairman Rohrabacher, and say that some of us look forward to the day that you might indeed become the Ranking Member of the Full Committee.

Let me thank Chairman Rohrabacher and Chairman Ros-Lehtinen, together with our Ranking Member, Mr. Delahunt, for organizing the hearing. Given all the time that the Committee has spent on the Oil-for-Food Program, I think it is only fitting that we should finally turn to the source of the vast majority of Saddam's ill-gotten billions, and that is smuggling.

From November 2000 until the fall of Saddam's Government, Iraq made an estimated—and these estimates differ—$2.8 billion by smuggling oil through Syria. As much as 250,000 barrels per day flowed through Syria at cut-rate prices, allowing the Syrians to refine the oil for domestic use and sell reserves of their own oil on the world market. We know this because of the Duelfer report and because of the work done by GAO (Government Accountability Office) on behalf of this Committee.

But the interesting thing is we knew it was going on all the time and apparently did precious little to stop it.

In 1990, after Iraq's invasion of Kuwait, the United Nations Security Council imposed sanctions on Iraq prohibiting member states from buying and selling Iraq commodities except for food and medicine and established a committee to monitor the implementation and compliance with those sanctions. Members of the Security Council were members of the Sanctions Committee, so the United States was a member of the committee and had a responsibility to ensure that the sanctions were upheld. But instead of upholding the sanctions regime, we turned a blind eye as Iraq's neighbors smuggled billions in Iraqi oil. The Sanctions Committee, which includes the United States, took note of Jordanian smuggling but took no action.

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In the case of Syria, according to GAO, "It is unclear what actions the Sanctions Committee or the United States took to stop the illegal exporting of oil to Syria."

I know, as has been pointed out, that former Secretary of State Powell went to the region early in 2001 in an attempt to sell Iraq's nations on what he was calling smart answers. During that trip, he asked Syria's then new President, Assad, to turn off the pipeline that was carrying Iraqi oil, and Assad pledged that he would. But the oil continued to flow, regardless of such pledges; and so much for the promises of Mr. Assad.

So other than ask nicely for Syrian cooperation, we do not seem to have made it clear to Syria that stopping the smuggling was in any way important to us; and maybe that is because it wasn't very important to us. As near as I can tell, what was important to us was preserving the sanctions regime and mitigating the economic harm inflicted on our allies and Iraq's neighbors, specifically Turkey and Jordan. Syria was just an unintended beneficiary.

Up until March 2003, that was our policy. It seems somewhat silly to be upset about it now in hindsight.

Sure, it is important to document yet another case of Syrian perfidy and add it to the long list of grievances that we do have with Syria. But the question remains: What, if anything, should we do about it? For over a year now, the Administration has been threatening to sanction the Commercial Bank of Syria, one of the main actors on the financial end of the smuggling. Yet the Administration continues to delay imposition of those sanctions for reasons that are not quite clear to me and I suspect not clear to other Members. If we are going to hold Syria accountable for violating the sanctions before the war, doesn't that mean we should hold other nations accountable as well?

I don't think that punishing Jordan and Turkey is a policy we should pursue. But if we are going to have a barbecue, I suggest we invite all of the Ambassadors of the states involved.

From assisting the insurgency in Iraq, to continued meddling in Lebanese politics, to ongoing support for Palestinian terrorist organizations, there are plenty of reasons for us to be tough with Syria. The fact that they smuggled Iraqi oil before the war strikes me as among the least of them.

I thank my colleagues for their efforts in organizing today's hearing, and I look forward to the history lesson on Syrian smuggling.

Mr. ROHRABACHER. Well, thank you very much.

First of all, with your permission, instead of having your poster there for the entire hearing, could we have one of your staff take down the poster now?

Thank you.

Let us note again that there is a distinct difference between the United Nations and, as the poster indicated, the Oil-for-Food scandal, the oil and revenue that was received from that, and the revenue that was received from the direct smuggling operations to various countries like Syria and Turkey and Jordan. I don't know why that system was set up and why that happened. Perhaps our witnesses will be able to give us some information as to what the rationale behind it was.

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We do know that President Clinton and Madeleine Albright were the initiators of that policy. It was not this Administration, but the Democratic Administration that preceded us that put that policy in place. I would only guess, and I would hope that this is something that our witnesses can talk about today, that perhaps there were policy reasons that we wanted Jordan and Turkey to be on our side in a potential showdown with Saddam Hussein, and perhaps that was necessary. Perhaps we didn't have the resources to actually force Syria, which at that time, as Chairman Ros-Lehtinen has demonstrated very aptly with her statement, was in a very anti-American position and may still be until we see some changes of policy.

This hearing is about what decisions were made in that regard, what we could do potentially to stop this smuggling, and what bad effects the smuggling had. So it does consider some of the requests that you have made, although not totally, of course.

With that, I would like to recognize our witnesses.

Our first witness is Elizabeth Dibble, Deputy Assistant Secretary of State in the Bureau of Near Eastern Affairs. Ms. Dibble came to this position in June 2004 after overseas assignments in Damascus, Islamabad, Tunis, and London. So she has been on the front lines and has some insights for us today. She is a career member of the Foreign Service.

Dwight Sparlin is with the Internal Revenue Service; he is the Director of Operations, Policy and Support, Division of Criminal Investigations. Mr. Sparlin was named to this position in July 2003. He has been with the IRS since 1975, and he obviously understands the numbers and the players, as well as the international politics of all of these things.

We appreciate both of you being here.

Vic Comras retired from the State Department in 2001 with the permanent rank of Minister Counselor. He has had diplomatic postings in Africa, Europe and Canada. He also served in the State Department as Coordinator for Restitution of World War II assets.

In May 2002, which is important to our hearing today, he was appointed by the United Nations Secretary-General, Kofi Annan, to serve as one of the five international monitors charged with overseeing and reporting on the implementation of the United Nations sanctions against al-Qaeda.

With that said, Ms. Dibble, you may proceed. If you could summarize your testimony—I would ask that of all witnesses—then we will have ample time for dialogue and questions. You may proceed.

STATEMENT OF MS. ELIZABETH L. DIBBLE, DEPUTY ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. DIBBLE. Thank you, Mr. Chairman. Thank you Madam Chairman, distinguished Members.

I welcome the opportunity to appear before you today to discuss the role of the Syrian Government in the Oil-for-Food Program, United States efforts to ensure that frozen Iraqi assets in Syria are transferred to the Development Fund for Iraq and broader United States efforts to recover Iraqi assets.

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The Iraq-Syria Trade Protocol was signed in June 2000 in violation of U.N. Security Council Resolution 661. It was designed to enable the Iraqi regime to acquire goods, services, and cash outside of the U.N.-authorized and monitored Oil-for-Food Program. As the Congresswoman has noted, the Trade Protocol required the Syrian Government to deposit 60 percent of the crude oil payments into a trade account in the Commercial Bank of Syria in Damascus to support the purchases of Syrian and foreign products; and 40 percent went into a cash account at the Syria-Lebanon Commercial Bank in Beirut, which is a subsidiary of the Commercial Bank of Syria.

In February 2001, when then Secretary Powell met with President Assad in Damascus, he stressed to President Assad the need to cut off Saddam Hussein's ability to evade U.N. sanctions, and he specifically focused on the Iraqi-Syrian pipeline. President Assad assured him several times during their discussions that it was the Syrians' plan to bring the pipeline—its contents and revenues generated from it—under the same kind of control as other elements of the U.N. sanctions regime.

We also raised our concerns about these illicit oil exports with the U.N. Sanctions Committee. However, the Iraq-Syria Trade Protocol continued to function.

According to estimates from Iraq's State Oil Marketing Organization, known as SOMO, from June 2000 until July 2003, the Iraq-Syria Trade Protocol generated approximately $3.4 billion from the sale of illicit Iraqi crude oil and Iraqi petroleum products.

In October 2003, the Syrian Government permitted investigators from the Treasury Department to review these accounts in the Commercial Bank of Syria. They found at that time that approximately $850 million had been left in the trade account. The Syrian Government, without authentication or authorization from SOMO, had paid out an estimated $580 million to Syrian companies in outstanding claims, leaving $266 million in Iraqi assets in the Commercial Bank in Syria. This is after the end of hostilities, obviously, in 2003.

Although the Syrian Government repeatedly expressed its commitment to return these frozen assets to Iraq and to review pending and previously paid claims against the assets, no action was taken to transfer the assets.

Together with the Treasury Department, the State Department has worked hard to press the Syrian Government to transfer this money, these frozen assets, to the Development Fund of Iraq for the benefit of the Iraqi people.

The May 2004 designation by the Treasury Department of the Commercial Bank of Syria as an entity of "primary money laundering concern" under section 311 of the USA PATRIOT Act was based in part on Syria's failure to transfer these assets.

The U.S. Government has made the transfer of these assets one of the requirements for determining whether to implement the proposed section 311 sanction against the Commercial Bank of Syria. During their meetings with President Assad in September 2004 and January 2005, respectively, then Assistant Secretary William Burns and then Deputy Secretary of State Richard Armitage

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stressed the need with President Assad for Syria to transfer the assets, to return them to the Iraqis.

Together with the Treasury, the State Department and the Embassy in Baghdad have also worked closely with the Iraqi Government to support its efforts to recover the frozen assets.

By the end of June 2005, Syria had transferred $121 million to the Development Fund for Iraq, $3.8 million from an undisputed account, $72 million from the cash account that had been held at the Syria-Lebanon Commercial Bank in Beirut, and $45 million from what was described as an overpaid claim.

However, $262 million remains at the Commercial Bank of Syria. Despite some Syrian steps to improve its anti-money laundering and terrorist finance controls, the section 311 sanctions could be triggered if Syria does not follow through with the transfer of this remaining amount to the Development Fund for Iraq.

With the Treasury Department in the lead, the State Department has worked hard to seek compliance with U.N. Security Council Resolution 1483 requiring U.N. member states to immediately freeze and transfer to the Development Fund for Iraq all funds or economic resources belonging to the previous Iraqi Government, to Saddam Hussein, and to others. The State Department, through our mission in New York at the U.N. and through our Embassies abroad, has mounted a full-scale diplomatic regime to designate certain individuals and entities for asset freeze. We have also worked closely with the Iraqi Government on an assets recovery strategy.

Since the adoption of U.N. Security Council Resolution 1483, almost $1.2 billion has been transferred to the Development Fund for Iraq. However, much more remains to be done. We estimate that there may be approximately another $1 billion in known frozen Iraqi assets that can potentially be recovered. The largest amounts of frozen Iraqi assets are in Lebanon, Switzerland, the U.K., and Syria.

Mr. Chairman, Madam Chairwoman, I appreciate this opportunity to provide some background to the Subcommittees on Syria's involvement in illicit oil trade with Iraq and our efforts to recapture Iraqi assets still held in Syria as well as frozen Iraqi assets elsewhere around the world. I would, of course, be happy to answer questions that you have.

[The prepared statement of Ms. Dibble follows:]

PREPARED STATEMENT OF MS. ELIZABETH L. DIBBLE, DEPUTY ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Madam and Mr. Chairmen, distinguished members of the Committee,

I welcome this opportunity to appear before you today to discuss the role of the Syrian government in the Oil-for-Food Program, U.S. efforts to ensure that frozen Iraqi assets in Syria are transferred to the Development Fund for Iraq, and broader U.S. efforts to recover Iraqi assets.

Madam and Mr. Chairmen,

In previous testimony before this and other Congressional committees investigating Oil-for-Food matters, my colleagues have described the various ways in which Saddam Hussein attempted to undermine the sanctions imposed by the UN Security Council on Iraq under Resolution 661 (1990) following Saddam's invasion of Kuwait in August 1990. Given the focus of today's hearing, it is important to note that Saddam's efforts to evade the sanctions were facilitated through the cooperation and complicit involvement of various governments and parties outside Iraq. Among them was the Syrian government.

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Background on Oil for Food Program

First, let me provide a little background on the Oil for Food Program. In 1996, the United Nations and Iraq established the Oil for Food (OFF) program to address growing concerns about the humanitarian situation in Iraq after international sanctions were imposed in 1990. The program's intent was to allow the Iraqi government to use the proceeds of its oil sales to pay for food, medicine, and infrastructure maintenance, and, at the same time, prevent the regime from obtaining goods for military purposes. From 1997 through 2002, Iraq sold more than $67 billion in oil through the program and issued $38 billion in letters of credit to purchase commodities. The United Nations and the Security Council monitored and screened contracts that the Iraqi government signed with commodity suppliers and oil purchasers, and Iraq's oil revenue was placed in a U.N.-controlled escrow account.

However, the Saddam Hussein regime also circumvented the Oil-For-Food Program through illicit oil sales, including through trade protocols established with the governments of Syria, Jordan, and Turkey. The Duelfer Report, issued in September 2004, estimated that Iraq earned almost $5 billion from all its protocols between 2000 and the outbreak of hostilities in March 2003.

The United States, with strong support from the United Kingdom, attempted to counter Saddam Hussein's efforts to evade the requirements of the OFF. We often met with resistance by Member States, including some members of the UN Security Council and participants on the UNSC Committee that was established to monitor the OFF program, known as the "661 Committee. Saybolt, selected as the independent oil inspection agent of the United Nations through a competitive bid process, assisted the 661 Committee with the task of monitoring the quantity and quality of exports of Iraqi oil under the OFF Program. Through its work, Saybolt became aware of instances of the smuggling of oil outside the OFF Program. We reported those instances to the United Nations orally and, on occasion, in writing. In November 2000, Saybolt informed the United Nations of rumors that the oil pipeline to Syria had been put into operation.

In February 2001, then Secretary Powell traveled to Damascus and met with President Asad. Secretary Powell stressed the need to cut off Saddam Husein's ability to evade UN sanctions and specifically focused on the Iraqi-Syrian pipeline. President Asad assured him at three times during their discussions that it was their plan to bring the pipeline, what was going through that pipeline, and the revenues generated by that pipeline under the same kind of control as other elements of the UN sanctions regime.

We brought this information about the Iraq-Syria pipeline to the 661 Committee, but we met with stiff resistance from other Committee members. During an October 2002 meeting of the 661 Committee, we requested an explanation as to the apparent discrepancies between the amount of oil Syria produced domestically, the amount it consumed domestically, and the total annual volume of oil that Syria exported. The Syrian representative, a member at the time of the 661 Committee, with support from other delegations, questioned the reliability of the figures we quoted, which we had drawn from publicly available oil industry publications. The Syrian representative also stated that the pipeline was being used for "testing purposes," rather than actual delivery of oil to Syria. Another delegation, seeking to deflect the focus on Syria, suggested the Committee's work would be more effective if alleged sanctions violations were not considered singularly and in isolation, but rather were viewed in the relative context of other reports of non-compliance.

Iraq was engaging in these unauthorized oil exports under the terms of a bilateral trade protocol with Syria, signed in June 2000, in violation of UNSCR 661. This trade protocol was designed to enable the Iraqi regime to acquire goods, services, and cash outside of the oil sales and purchases approved by the 661 Committee.

Syrian-Iraqi Oil Transfers

According to estimates from Iraq's State Oil Marketing Organization (SOMO), from June 2000 until July 2003 the Iraq-Syria Trade Protocol generated approximately $3.4 billion from the sale of illicit Iraqi crude oil and Iraqi petroleum products. The trade protocol required the Syrian government to deposit 60% of the crude oil payments into a trade account in the Commercial Bank of Syria in Damascus to support the purchases of Syrian (and foreign) products, and 40% into a cash account at the Syria-Lebanon Commercial Bank in Beirut, a subsidiary of the Commercial Bank of Syria. Refined product payments also went to the cash account.

In October 2003, the Syrian government permitted investigators from the Treasury Department to review these accounts at the Commercial Bank of Syria in Damascus. My colleague from the Treasury Department can provide more detailed information, but, in short, the investigators found that, at the end of major combat operations, approximately $850 million had been left in the trade account. However,

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the Syrian government, without authentication or authorization from SOMO, paid out an estimated $580 million to Syrian companies in outstanding claims; $266 million remained at the Commercial Bank of Syria, $262 million in the trade account and $3.8 million in accounts belonging to other Iraqi government entities, such as the Iraqi Airlines.

The investigators also found that, as of September 2004, $72 million remained in the cash account at the Syria-Lebanese Commercial Bank (SLCB) in Beirut; the SLCB provided records showing that $816 million in authorized payments had been made from this account until 2003.

U.S. Steps to Press Syria to Return Frozen Iraqi Assets

In May 2004, the Treasury Department designated the Commercial Bank of Syria, and its subsidiary the Syria-Lebanese Commercial Bank in Beirut, as "primary money laundering concerns" pursuant to Section 311 of the USA PATRIOT Act. The Federal Register Notice announcing this designation proposed a "special measure" requiring U.S. financial institutions to sever correspondent banking relationships with the Commercial Bank of Syria and the Syria-Lebanese Commercial Bank. This designation was based, in part, on the Commercial Bank of Syria's use "as a conduit for the laundering of proceeds generated from the illicit sale of Iraqi oil" and Syria's failure to transfer the remaining proceeds, which were in frozen accounts at the Commercial Bank of Syria, to the Development Fund for Iraq, as required under UN Security Council resolution 1483 (2003).

In May 2004, following Treasury's designation of the Commercial Bank of Syria, the Syrian Finance Minister invited Treasury to send a team of experts to Syria to review Syrian banking practices. The State Department participated on the interagency delegation, led by Treasury, which traveled to Damascus in September 2004. Based on the team's findings, Treasury's then Assistant Secretary Zarate and Embassy Damascus later presented the Syrian government with a list of specific steps it needed to take to address our concerns about deficiencies in Syria's anti-money laundering and terrorist finance controls, as well as a timetable for implementing them. One of the requirements specifically addressed the need for Syria to transfer the frozen Iraqi assets to the Development Fund for Iraq.

In close coordination with Treasury, Embassy Damascus has consistently pressed the Syrian government to implement the required steps and has monitored its progress. In their respective visits to Damascus in September 2004 and January 2005, then-Assistant Secretary Burns and then-Deputy Secretary Armitage specifically pressed President Asad to address our money laundering and terrorist financing concerns and to return the $266 million in frozen Iraqi assets to the Development Fund for Iraq.

Treasury decided to postpone the implementation of the proposed sanction against the Commercial Bank of Syria—the severing of correspondent accounts between U.S. financial institutions and the Commercial Bank of Syria—pending Syrian actions on this list of requirements.

Together with Treasury, the State Department and Embassy Baghdad have also worked closely with the Iraqi government to support its efforts to recover these frozen assets in Syria.

In July 2004, then-Iraqi Prime Minister Allawi and Syrian President Asad met in Damascus and reportedly agreed to establish a joint technical committee to review the issue of frozen Iraqi assets and pending and previously-paid claims. However, no committee was established and the frozen assets remained at the Commercial Bank of Syria in Damascus. The Syrian government publicly and privately committed itself on several subsequent occasions to transferring the remaining assets and to reviewing both pending and previously-paid claims against those assets, but again no action was taken.

The U.S. government has continued to press the Syrian government at every opportunity to transfer these assets to the DFI and to work with the Iraqi government to review pending and previously-paid claims. In January of this year, the Syrian government transferred $3.8 million to the DFI. In late June, apparently in connection with the timetable for implementing the Section 311 requirements, the Syria-Lebanese Commercial Bank transferred the $72 million from the cash account to the DFI. At the same time, the Commercial Bank of Syria transferred $45 million from an overpaid claim. In total, the Syrian government has transferred $121 million to the DFI.

However, $262 million still remains in the Commercial Bank of Syria. Following discussions between the Iraqi and Syrian Finance Ministers in early July, the Syrian government again committed to transferring this amount, but only upon receipt of formal instructions to do so from the Iraqi Finance Minister. We understand these instructions were just issued. Despite Syrian steps to improve its anti-money

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laundering and terrorist finance controls, the Section 311 sanctions could be triggered if Syria does not follow through with the transfer of this remaining amount to the DFI.

Overall U.S. Assets Recovery Efforts

UN Security Council resolution 1483, adopted on May 22, 2003, required that Member States immediately freeze and transfer to the Development Fund for Iraq all funds or economic resources belonging to the previous Iraqi government, to Saddam Hussein, or to other senior officials of the former Iraqi regime and their immediate family members, unless there were prior judicial, administrative, or arbitral liens or judgments against those assets. The U.S. has been at the forefront of this effort to identify individuals and entities for designation by the UN for assets freeze, with the State Department, through our Mission to the UN in New York and through our Embassies abroad, energetically reaching out and seeking cooperation from governments in cosponsoring submissions to the UN Sanctions Committee. We have gotten support on specific designations from countries ranging from the UK to Syria. So far, the UN Security Council Committee responsible for implementation of resolution 1483 has designated 83 Iraqi individuals and 206 Iraqi government entities for assets freeze pursuant to this resolution.

With the Treasury Department at the lead, the U.S. has worked hard to seek compliance with this resolution. As a member of the Treasury-chaired inter-agency assets recovery working group, the State Department has mounted a full-scale diplomatic campaign to recover Iraqi assets abroad. Since the transfer of sovereignty to Iraq in June 2004, we have also worked closely with the Iraqi government on an assets recovery strategy and sent a State Department expert to Baghdad to share information on the amounts and whereabouts of the frozen assets. We have urged the Iraqi leaders to include this as a priority issue in their bilateral discussions with the relevant governments.

Since the adoption of resolution 1483, almost $1.2 billion has been transferred to the DFI. (The U.S. transferred an additional $1.9 billion in Iraqi assets directly to Iraq for reconstruction.) More remains to be done. Of the additional frozen assets, some are subject to prior legal claims. However, we estimate that there may be another $1 billion in known frozen Iraqi assets that can potentially be recovered. The largest amounts of frozen Iraqi assets are in Lebanon, Switzerland, the UK, and Syria.

We have repeatedly urged governments to transfer the Iraqi assets to the DFI as expeditiously as possible.

Madam and Mr. Chairmen, I appreciate this opportunity to provide some background to the Subcommittee on Syria's involvement in illicit oil trade with Iraq and our efforts to recapture the Iraqi assets still held in Syria, as well as frozen Iraqi assets elsewhere around the world. I would be happy to answer questions you may have.

Mr. ROHRABACHER. Thank you very much. We appreciate all of the hard work that you have done over your career. You are coming to us today with a treasure house of knowledge. We appreciate what you have done in the past, your service in the past, and that you are a resource to us today.

Mr. Sparlin.

STATEMENT OF MR. DWIGHT SPARLIN, DIRECTOR OF OPERATIONS, POLICY, AND SUPPORT, CRIMINAL INVESTIGATION DIVISION, INTERNAL REVENUE SERVICE

Mr. SPARLIN. Thank you.

Chairman Rohrabacher, Chair Ros-Lehtinen, Ranking Members Delahunt and Ackerman and distinguished Members of this Committee, thank you for this opportunity to discuss the Internal Revenue Service Criminal Investigation Division, or CI, contributions regarding our role in identifying and tracing the assets of the former Hussein regime for repatriation to the Iraqi people.

During the spring of 2003, CI participated in the Treasury-led working group, along with other agencies, to locate assets that had either been removed by the former regime or that were not in

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Iraq's control as a result of the various schemes used by the regime. The purpose of this working group was to identify the assets abroad, make diplomatic contacts with the countries that held the assets, and request the countries repatriate those assets back to the rightful control and ownership of the Iraqi people.

As part of this working group, CI deployed 17 special agents from May 2003 to March of this year to Baghdad, 10 to identify and trace these assets, and 7 to target insurgency financing. Additional CI agents were assigned to jump teams created to follow international leads that were deployed by the CI agents in Iraq. Our mission was not to investigate the intricacies of Oil-for-Food.

I will briefly summarize the information gathered by CI agents from interviews and documents reviewed during the meetings with the officials of the Iraqi State Oil Marketing Organization, known as SOMO, and the Commercial Bank of Syria.

During October 2003, agents from CI and the Department of Homeland Security—specifically Immigrations and Customs Enforcement—traveled to Damascus, Syria, and other Middle Eastern and European countries to identify and trace assets for repatriation. The agents met with officials of SOMO and the Syrian banking community, who provided answers to questions and details of Iraqi records held at the Commercial Bank in Syria.

The interviews and documents revealed an oil sales agreement between Iraq and Syria established in June 2000. As part of the mechanism to handle the funds generated from the sales of oil, the Commercial Bank of Syria created bank accounts for SOMO. The proceeds from oil sales were split into two accounts. Sixty percent of the revenue was placed into a trade account, and the remaining 40 percent of the funds were deposited into the cash account at the Commercial Bank of Syria.

Under the Syrian Trade Protocols, the former Hussein regime was required to use the money in the trade account to purchase goods from vendors and businesses in Syria. The Iraqi Government would negotiate contracts with Syrian companies to provide merchandise. Once the merchandise was received in Iraq and verified, SOMO would direct the Commercial Bank of Syria to pay specific amounts to a Syrian supplier from the trade account.

The 40 percent cash account was set up with SOMO so that when the balance reached $1 million the funds were automatically transferred to the Syrian Lebanese Commercial Bank in Beirut, Lebanon. In addition to the automatic transfers, there were times when SOMO would send a letter directing the withdrawals of cash from the cash account.

Eventually, the cash account funds were deposited into bank accounts at the Central Bank of Iraq, Rasheed Bank, and Rafidian Bank in Iraq. Additionally, currency was removed from the cash account at the Commercial Bank of Syria and transported via courier to various Iraqi Embassies or deposited into the vault at the Central Bank of Iraq.

In March 2003, at the start of Operation Iraqi Freedom, the bank no longer received directions from SOMO and subsequently combined the trade and cash account without SOMO authorization. Syrian suppliers complained that they were owed large sums of

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money for merchandise shipped to Iraq for which they had not been paid.

Subsequently, the Commercial Bank of Syria stated they paid approximately $200 million out of the trade account to Syrian suppliers without SOMO authorization. The Commercial Bank of Syria would not provide copies of the approximately 370 contracts established between Syrian businessmen and Iraq under the Syrian Trade Protocol to substantiate the amounts paid to suppliers.

SOMO officials accompanied CI and ICE (Immigration and Customs Enforcement) agents during the interviews with the Commercial Bank of Syria. According to preliminary accounting by SOMO, from June 2000 to July 2003, over $3.4 billion was generated from the sale of oil of Iraqi oil products. From June 2000 to February 2003, under the Syrian Trade Protocol, over $1.8 billion was placed into the trade account; and over $1.2 billion was placed into the cash account at the Commercial Bank of Syria.

SOMO's audit of the accounts indicates that, after the trade and cash accounts were combined, over $1.7 million was paid out of the account with SOMO's authority and over $578 million was paid out without SOMO's authority, compared with the Commercial Bank of Syria's estimates of only $200 million paid out.

In July 2003, SOMO's combined Commercial Bank of Syria trade and cash account was frozen, with over $261 million on deposit.

I appreciate this opportunity to highlight the efforts of our special agents who worked under difficult conditions to identify and trace assets from the former Hussein regime and will be happy to answer any questions.

[The prepared statement of Mr. Sparlin follows:]

PREPARED STATEMENT OF MR. DWIGHT SPARLIN, DIRECTOR OF OPERATIONS, POLICY, AND SUPPORT, CRIMINAL INVESTIGATION DIVISION, INTERNAL REVENUE SERVICE

INTRODUCTION

Chairman Rohrabacher and Mr. Delahunt, Chair Ros-Lehtinen and Mr. Ackerman, and distinguished members of the Subcommittees, I appreciate the opportunity to discuss the contributions of the Internal Revenue Service Criminal Investigation Division (IRS–CI) regarding Treasury's responsibility to repatriate the funds of the former regime to the Iraqi people.

My testimony today will only summarize information obtained by IRS–CI special agents as part of a joint working group with the Department of Defense, various intelligence agencies, State Department, Department of Homeland Security, and Treasury.

The Department of Treasury, armed with executive orders and United Nations Resolutions, was tasked with identifying and tracing assets belonging to the former Hussein regime for repatriation to the Iraqi people. In this Treasury directed effort, IRS–CI partnered with the Department of Defense, Defense Intelligence Agency and other intelligence agencies, State Department, Department of Homeland Security and other Treasury bureaus to accomplish this mission. From May 2003 through March 2005 IRS–CI deployed 17 special agents to Baghdad to identify and trace assets belonging to the former Hussein regime as well as investigate insurgency financing. These agents worked with the Department of Defense to obtain the documents and perform interviews of individuals that had knowledge of the various methods used by the regime to obtain money for Iraq one of which was a program to generate money for oil. Additional IRS–CI agents were assigned to jump teams created to follow international leads that were developed by the special agents in Iraq.

IRAQI ASSETS WORKING GROUP

During the spring of 2003, Treasury along with Department of Defense, Defense Intelligence Agency, State Department, IRS–CI, Department of Homeland Security,

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and other agencies, started a working group to locate assets that had been either removed by the former regime or that were not within Iraq's control as a result of the various schemes used by the regime. The purpose of this working group was to identify the assets abroad; make diplomatic contacts with the countries that held the assets and request the countries repatriate those assets back to the rightful control and ownership of the Iraqi people. IRS–CI's role in this working group was the identification and tracing of these assets. As part of this working group IRS–CI agents were sent to various countries worldwide including Syria.

During the course of the IRS–CI's efforts to identify and trace assets for repatriation, agents uncovered bank accounts in various countries that contained proceeds of oil sales from Iraq to those countries. We do not know the full universe of Iraqi assets amassed by Saddam Hussein and the former Government of Iraq, however, Treasury and IRS–CI's financial investigation to date indicates that the former regime accumulated significant wealth from a complex web of financial activities. The information contained in this written statement is derived from interviews and documents reviewed during meetings with officials of the Iraqi State Oil Marketing Organization (SOMO) and Syrian Commercial Bank of Syria (CBS).

SYRIAN TRADE PROTOCOL AND COMMERCIAL BANK OF SYRIA (CBS)

During October, 2003, Special Agents from IRS–CI and the Immigration and Customs Enforcement (ICE) traveled to Damascus, Syria, and other Middle Eastern and European countries to identify and trace assets for repatriation. The agents met with officials of the Iraqi State Oil Marketing Organization (SOMO) and officials of the Syrian banking community who provided answers to questions and details of Iraqi records held at CBS. The interviews and documents revealed an oil sales agreement between Iraq and Syria established in June 2000. As part of the mechanism to handle the funds generated from the sales of oil, the CBS created bank accounts for the SOMO. In Syria the proceeds from oil sales were split into two accounts. Sixty percent of the revenue was placed in a "trade account" at the CBS; the remaining funds (40%) were deposited into a "cash account" at the CBS.

TRADE ACCOUNT

Under the Syrian protocols, the former Hussein regime was required to use the money in the trade account to purchase goods from vendors and businesses in Syria. The Iraqi government would negotiate contracts with Syrian companies to provide merchandise, once the merchandise was received in Iraq and verified, SOMO would direct the CBS by letter to pay a specific amount to a Syrian supplier from the trade account. The letter from SOMO contained two authorized signatures of SOMO officials and a "secret number" which identified the letter as official.

CASH ACCOUNT

The 40% cash account was set up with a standing agreement with SOMO that when the account balance reached $1 million the funds were automatically transferred to an account at the Syrian Lebanese Bank in Beirut, Lebanon. These bank accounts were set up in the names of various companies or individuals. In addition to the automatic transfers there were times when SOMO would send a letter directing the withdrawal of cash from the cash account. The letter was sent by authorized officials from SOMO containing two signatures, a "secret number" and the names of the officials who were authorized to receive the cash. The letter was sent approximately ten days in advance of the officials showing up at the bank to receive the cash. Syrian banking officials stated that the cash pickups were sporadic and occurred approximately every two to three months.

Eventually, the cash account funds were deposited into bank accounts in the Central Bank of Iraq, Rasheed Bank, or Rafidian Bank in Iraq. Additionally, currency was removed from the cash account and transported via diplomatic pouch to various Iraqi embassies or deposited into the vault at the Central Bank of Iraq.

POST OPERATION IRAQI FREEDOM ACCOUNT ACTIVITY

In late March 2003, at the start of Operation Iraqi Freedom, the bank no longer received directions from SOMO. The last bank statement sent to SOMO was dated February 28, 2003. CBS combined the cash and trade account into one account. This was done without any authorization from SOMO. Syrian banking officials stated that the bank records are very clear and that the exact amount in each account at the time the accounts were merged is reflected in the bank statement.

The reason the accounts were combined, according to CBS officials, was because numerous Syrian suppliers began complaining to the Federation of Syrian Cham-

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bers of Commerce in May 2003 that they were owed large sums of money for merchandise shipped to Iraq for which they had not been paid. The Federation of Syrian Chambers of Commerce discussed this matter with the Syrian Ministry of Economy & Trade who ultimately decided to pay legitimate contracts held by Syrian companies from the Iraqi trade account because of their concern that many Syrian businesses would go bankrupt if the money was not paid. These contracts were submitted to Syrian banking officials who reviewed them personally before payment was made to the supplier. The Federation of Syrian Chambers of Commerce performed an independent audit of the contracts which had been paid to determine the validity of the contracts. Syrian bank officials commented that the suppliers provided various documents including contracts, shipping documents, country of origin and records showing the manufacturing and transportation of the goods to Iraq. These bank officials indicated that some suppliers did not have copies of the contracts but had sufficient documentation to justify payment of the contract. These same officials further explained that great care was taken in reviewing these requests for payment and that approximately $200 million had been paid out of the trade account to Syrian suppliers. These officials indicated that many of the suppliers who were paid had a history of supplying merchandise to Iraq and had previously been paid by authorized letter from SOMO. They further commented that many other Syrian supplier requests were not paid because they lacked documentation or were first time suppliers and may very well have legitimate claims for payment. Syrian officials estimated that the unpaid claims were approximately $200 million. CBS froze all Iraqi accounts in July 2003 after receiving a letter from Gassan Al-Rafai, Syrian Minister of Economy & Trade, directing the freezing of the accounts. At that time the accounts contained $262,878,142 in the combined cash/trade account and approximately $3,764,800 in various ministry accounts.

IRAQI STATE OIL MARKETING ORGANIZATION (SOMO) OFFICIALS

SOMO officials accompanied IRS–CI and ICE agents during the interviews with CBS officials. SOMO compared all CBS bank records relating to the trade and cash account with SOMO records. SOMO's audit of the accounts indicates considerably more money paid out than was stated by the CBS banking officials (SOMO figures of $578,552,720 compared to CBS estimates of $200 Million). A preliminary accounting by SOMO of what was generated, transferred out, paid out, and remains on deposit pertaining to the Syrian Trade Protocol between Iraq and Syria follows:

- From June 2000 until July 2003 a total of $3,449,528,207.33 was generated from the sale of Iraqi oil products, a majority of which was crude oil.
- From June 2000 until February 2003 a total of $1,801,246,959 was put into the CBS trade account under the Syrian Trade Protocol.
- From June 2000 until February 2003 a total of $1,200,831,306 was put into the CBS cash account and then wired shortly after deposit to a SOMO account in Beirut.
- Since March 2003 CBS combined the trade & cash accounts and a total of $447,449,942 has been paid into the CBS trade account from March sales and accrued payments.
- From March 2003 SOMO's combined CBS trade & cash account held $842,143,630. Of this $1,712,720 was paid out of the account with SOMO's authority and $578,552,720 was paid out without SOMO's authority. (CBS would not provide copies of the approximate 370 contracts established between Syrian businessmen and Iraq under the Trade Protocol that could substantiate the $578,552,720 paid out of the trade account.)
- In October 2003 SOMO's combined CBS trade & cash account held $261,878,142 which had been frozen in July 2003.
- Additionally there were six other accounts at CBS for the various Iraqi ministries that were titled: Iraqi Airline, Iraqi Embassy, Iraqi Interest Section, Iraqi Railroad, Iraqi Commercial Attaché, and Iraqi Commercial Office. Approximately $3,764,800 in these accounts was frozen in July 2003.

CONCLUSION

I appreciate this opportunity to provide information concerning IRS–CI efforts in the identification and tracing of assets belonging to the former Hussein regime for repatriation to the Iraqi people. I wish to thank the distinguished members for this opportunity to appear before you and I will be happy to answer any questions you may have.

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Mr. ROHRABACHER. You know, in Congress we have tried to balance the budget for years and tried to get the numbers right.

Thank you very much for sharing your expertise. Obviously, we need some help when it comes to understanding numbers. I appreciate that very much.

Mr. ACKERMAN. We actually balanced it at one point, if you recall, Mr. Chairman.

Mr. DELAHUNT. It was in the previous Administration.

Mr. ROHRABACHER. That is right. I will have to admit that we did balance it at one point, and it was a great accomplishment of the Republican Congress. But we won't get into that.

Mr. ACKERMAN. It was the Hoover economy kicking in.

Mr. ROHRABACHER. Mr. Comras.

STATEMENT OF MR. VICTOR COMRAS, ATTORNEY, COMRAS & COMRAS

Mr. COMRAS. Mr. Chairman, Madam Chairwoman, thank you very much for inviting me here to share with you my views regarding Syria and its role in circumventing the Oil-for-Food Program.

My perspective is somewhat historical. During the 2000 and 2001 time frame, I was asked by the State Department to help develop a new program of smart sanctions that might be used to reinvigorate the measures that we had imposed on Iraqi. I continued to do so until my retirement in 2001.

Despite Syria's engagement in Desert Storm, Syria never really went along with the Iraq sanctions. The sanctions were highly unpopular with the Syrians, and they felt no real compulsion to respect them. Their border with Iraq is porous, and there were substantial profits to be made. By the mid-1990s, relations between Iraq and Syria had warmed considerably. Neither side was going to let the Oil-for-Food Program get in the way of their own trade and geopolitical interests.

In June 1997, right about the same time as the actual start of the Oil-for-Food Program, Syria invited in an Iraqi trade delegation and in July 1998, Syria signed a memorandum of understanding with Iraq to rebuild the Bayji-Kirkuk oil pipeline. That pipeline had been closed since the 1982 Iran-Iraq war and needed extensive repairs. This entailed a great investment by both parties and was a clear signal at that time that they had an eye on circumventing the Oil-for-Food Program.

Oil began flowing through that pipeline in April 2000 and special incentives prompted Syria to maximize the flow as rapidly as possible. Syria would get the Iraqi oil at a $6 per barrel discount and would turn around and sell it at full commercial rates. This generated considerable revenue for both countries, and Iraq's share went directly into special accounts in the Commercial Bank of Syria and elsewhere. Iraq earned some $3 billion under this arrangement.

I do not think any of us should have been surprised by the findings of the Iraq Survey Group that numerous Syrian companies were in bed with the Iraqis. There were many indications of that early on. One Syrian company, SES International, which was just designated by the Treasury Department last month, played a major role in acquiring redline and other sensitive items for Iraq. That

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company is owned by a cousin and close friend of Bashir al-Assad, President of Syria.

Syria got away with this, Mr. Chairman, Madam Chairwoman, because no one was willing to put any real pressure on them to stop. In my written statement, I provided you with some of the reasons why the United States failed to act. We were hung up on trying to replace the existing but failing sanctions with a new streamlined version. But any hope of gaining agreement on these new sanctions had to be built on our demonstrating that we meant business when it came to enforcing the old.

While my State Department colleagues bought our proposal for a streamlined sanctions program, they rejected our strategy for achieving it. They maintained that the only way to convince the world to adopt fresh sanctions against Iraq was to scrap the old ones. There was just no stomach for hard-pressing the frontline states on compliance.

But absent any attendant leverage, we were just unable to win Security Council support. The violators were just too comfortable with the old no-longer-enforced sanctions to buy into a new, reduced sanctions program, and by the time the Security Council finally seriously took up our sanctions proposal, which was about 9 months after it was presented and after two Security Council delays, we were well on the road to a broader confrontation with Saddam Hussein.

That is history. But what does that mean for today? Mr. Chairman, Madam Chairwoman, there has never been a real accounting of the money Iraq earned from these illicit deals. There are still vast amounts out there in Syria, Lebanon, the Middle East, and elsewhere. We can only believe that at least some of these funds are now supporting the insurgency in Iraq and perhaps terrorism farther afield. We must make an even greater effort today to track down these funds and those that engage so blatantly in these practices.

Thank you, Mr. Chairman, Madam Chairwoman, Members of the Committee.

[The prepared statement of Mr. Comras follows:]

PREPARED STATEMENT OF MR. VICTOR COMRAS, ATTORNEY, COMRAS & COMRAS

Thank you for giving me this opportunity to share my views and concerns regarding Syria and its role in undermining of the United Nation's oil for food program. You have already given great attention to the oil for food program and how it was turned from providing the Iraqi people adequate and equitable access to civilian and humanitarian goods into a corrupted channel easily manipulated for the benefit of Saddam and his cronies. This process of corruption was, in part, the result of serious flaws in the program concept itself. But, much blame must also be placed on those responsible for its oversight, and those that sought to take advantage of the program for their own avarice, greed, or narrow political interests. Looking back, we can see clearly how Saddam Hussein and his cronies took advantage of the flaws in the program and how easy it was for him to find willing partners outside Iraq to help him bilk or otherwise circumvent it.

My testimony today deals with Syria, and the role Syria played in undermining both the oil for food program and the underlying sanctions on Iraq. My knowledge stems from first hand experience in trying to put together a re-energized Iraq sanctions program during the 2000–2001 time frame. The failure of those efforts, I believe, inevitably contributed to the atmosphere which led to the Iraq War.

The oil for food program, you will recall, was established within the context of broad internationally agreed sanctions against the Saddam Hussein regime. These sanctions were imposed following Iraq's invasion of Kuwait. They were continued,

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after the Gulf War, in response to Saddam's continuing aggressive posture, his support for international terrorism, his outrageous human rights abuses, and his attempts to acquire weapons of mass destruction. The rationale for these sanctions was clearly defined in UN Security Council Resolution 687 (1991) and reiterated and re-enforced in subsequent resolutions.

When the oil for food program was first proposed in Security Council resolution 706 of August 15, 1991 it laid out a simple and direct control mechanism. Iraq would be allowed to export up to $1.5 billion worth of oil during a six month period. Further allotments would be accorded for additional six month periods as warranted. Saddam rejected this program outright. He chose to hold his own people hostage and use their deteriorating humanitarian situation as a bargaining chip to press for sanctions removal. And this gambit, in time, resulted in increased international pressure on the US and other Security Council members to loosen the sanctions. Against this pressure, the Security Council agreed to restructure the oil for food program in 1996 to meet several of Saddam's preconditions. These concessions left Saddam with the authority to allot oil lifting contracts and to pick and choose between humanitarian and civilian goods suppliers. And it gave him the tools he needed to corrupt the process. Nevertheless, at the time it was felt that resolution 986 (1995) setting up the new oil for food program provided sufficient safeguards to impede any such overt manipulation.

These safeguards were to be based on a close review of the bona fides of the oil lifting companies among which Saddam could choose. Special oil contract overseers and the 661 Committee were also to be responsible for validating each contract according to quantity and price. The funds generated were to be deposited in a special escrow account and disbursed only upon UN authorization.

Iraq's contracts for civilian and humanitarian goods were also made subject to 661 committee review. And the goods imported against such contracts were supposed to be verified by a reliable UN appointed inspection service. In addition the multilateral interdiction force established at the time of the Gulf war was directed to intensify its patrol of Aqaba and the Persian Gulf to police against illicit Iraqi oil exports and other attempts to circumvent the program. This is what was planned. This is not what occurred! The basic controls so important to the maintenance of the program were, from the outset, loosely applied, or simply overlooked, and the front line states, to varying degrees, simply decided to ignore them. Saddam quickly gained the upper hand in manipulating and governing this operation.

Even before the oil for food program was in place, Syria was showing ambivalence toward the oil for food program and sanctions itself. The sanctions were highly unpopular in Syria, and the Syrians felt little compulsion to respect them. Syria shares a 300 mile border with Iraq offering numerous opportunities for contraband and smuggling. Syria's ports were unfettered by the MIF operations which covered Jordan's Aqaba port and the Persian Gulf, and profits could be made. It's not clear to what extend Hafez Al-Assad, who had his own axe to grind with Saddam, really frowned on this cross border trade. But, in any event, relations between Syria and Iraq were already warming when the oil for food program began. In June 1997 Syria opened new trade relations with Iraq and officially opened the three major border crossings points for trade. They also invited an exchange of trade delegations. In July 1998, Syria and Iraq signed a memorandum of understanding for the repair and reopening of the Banias—Kirkuk oil pipeline. That pipeline had been closed since the 1982 Iran-Iraq War and needed extensive rebuilding and repair. This entailed considerable investment by both parties, and was a clear signal that both already had an eye on circumventing the oil for food program. The pipeline actually began operating in April 2000 (although it was not officially opened until November 2000). It quickly established itself as a major source of revenue, illicit or not, for both countries. Running at its full capacity, the pipeline could pump 200,000 to 250,000 barrels per day, generating in excess of $1 billion a year.

By the spring of 2000 UN sanctions on Iraq were unraveling. The sanctions were being violated openly and on a regular basis. The United States was under enormous international pressure to scrape or restructure them. Even our closest allies were critical of the unintended impact they were having on the Iraqi people. Three permanent Security Council members, France, Russia and China, were pushing for agreement on an expanded list of exempted items. They also wanted a significant reduction in the list of red-lined goods (sensitive dual use and military items) that could not be exported at all to Iraq. By September 2000, Russia threatened to resume direct cargo flights to Baghdad in violation of sanctions, and Syria, Algeria and other countries began regular air cargo service to Baghdad in violation of the sanctions. Ostensibly these planes carried only "humanitarian goods," but no UN inspectors were present to verify them.

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In this climate of crumbling sanctions, Syria, in May 2000, took up an Iraqi offer, extended also to other Middle East countries, to negotiate a preferential trade protocol. In Syria's case, this included special additional incentives involving the use of the Banias pipeline. The protocol was signed in Baghdad in May 29th, 2000. Under its terms, Syria would buy Iraqi oil at a $6.00 per barrel discount. The oil would ostensibly be for Syria's own use, freeing up Syrian oil for export at full market rates and generating a comfortable profit. The excuse was that Jordan already enjoyed a special "wink of the eye" exemption to import Iraqi oil for local consumption. Iraq's share of the funds generated by these transactions (which included the oil purchase price as well as "under-the-table kickbacks"), would be deposited in special accounts designated by Iraq. Under the Protocol, 60% of these Iraq's earnings would be deposited in a SOMO controlled account in the Commercial Bank of Syria. These funds would, ostensibly be used to buy Syrian goods or foreign-made items purchased through Syria. The remaining 40% would go into special accounts designated by Iraq authorities. These special accounts were maintained in Syria, Lebanon, Iraq and elsewhere. According to the Iraq Survey Group Report, some $2.8 billion was retained by Iraq under this arrangement. And all of these funds were available for use to circumvent the sanctions and the oil for food program.

The Syria Protocol Agreement was further expanded in January 2001 with the signing of a new Iraq-Syria Free Trade Agreement. This agreement completely flaunted the UN sponsored Iraq sanctions. And Syria began openly to export to Iraq a broad range of consumer goods (most of which were manufactured elsewhere). This extensive trade also provided a convenient cover for Iraq's acquisition via Syria of sensitive military and dual use equipment.

There were many indications during this period that Syria was cooperating with Iraqi defense and security agencies, and that Syrian companies were acting as fronts, or on behalf of Iraqi government entities wishing to acquire red-lined items. Many of these suspicions were borne out by the investigative work undertaken after the Iraq war by the Iraq Survey Group. We now know, for example, that Iraqi government security and military agencies were in regular contact with Syrian companies and that they used funds generated under the Iraq-Syria Trade Protocol, to circumvent the sanctions. According to the Survey Group Report, one Syrian company, SES International, alone received some $187 million in Iraq defense/security contracts. That firm reportedly served as the primary facilitator for the transshipment of weapons and munitions through Syria to Iraq. SES International is owned by Dhu al-Himma Shalish, a cousin and close personal friend of Syrian President Bashar al-Asad. The Survey Report notes that "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." The U.S. Treasury Department designated SES International, along with Shalish and several of his colleagues as sanctions violators only last month, on June 9, 2005. This designation ordering the freezing of their assets and bank accounts in the United States. US persons were also prohibited from dealing with them. However, it's unclear whether any SES International or Shalish assets were ever located under U.S. Jurisdiction.

There are numerous other examples contained in the Iraq Survey Group of complicity between the Iraqi military and intelligence services and high ranking Syrian government officials implicated in fronting for Iraq to obtain military equipment, munitions and other redlined items. Some we knew about, some we suspected, and some we didn't.

These financial and trade arrangements were in clear and direct violation of UN sanctions and the oil for food program. But, Syria got away with it. And they got away with it because nobody seemed to really care. No one was willing to take any action, or put any real pressure on Syria to stop. In fact, only months after Syria opened full trade with Iraq, in clear violation of the UN sanctions, and after the 9/11 attacks, Syria was elected to serve on the Security Council. Syria received 160 positive votes and had the unanimous support of the Asia/Middle East bloc in the UN General Assembly. She took her seat on the Security Council on January 2002. And even while on the Security Council, Syria continued to increase the amount of Iraqi oil pumped through the pipeline and to expand trade relations with Iraq in violation of the sanctions.

On December 16, 2000, Colin Powell, just after being selected by President-Elect Bush to serve as Secretary of State, told a press conference that "re-energizing" the sanctions on Iraq would be among his first priorities. Secretary Powell traveled to Syria in February 2001 to discuss the Iraq sanctions and to press Syria for sanctions compliance. He obtained Bashir al-Assad's promise to cap Iraq oil exports via Banias and to place the resulting funds in a UN approved escrow account.

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I was asked to follow up on this Powell visit and to develop a new streamlined or "smart" Iraq sanctions program. We were instructed to develop a program that would retain pressure on the Saddam regime, protect against his acquisition of WMD, and curtail his access to unregulated funds. We also had to be able to sell the program to the Perm 5, and the Security Council as a whole. We hoped to use this program to salvage the sanctions and retain real political and economic pressure on Saddam and his cronies. It was clear this would be a very difficult task and, even then, we would have to apply great pressure on the front line states—Syria, Jordan and Turkey—to comply. I worked on this project for the next six months, until I retired in September 2001.

Together with NEA Assistant Secretary Ned Walker, I visited Amman, Damascus and Ankara in April 2001 for talks on the details of our new "smart sanctions" program. In Syria we met with Foreign Minister Farouk al-Shara. But al-Shara wasn't interested in talking about sanctions. Instead, he lectured us for two hours on the Palestinian intifada and alleged Israeli injustices. I don't think he expected anything to come from this diatribe. He used it as a diversion from talking about Iraq. For Syria had no intention of dampening its new profitable oil and contraband trade with Iraq. In fact, al-Shara reportedly used his own influence on Bashir al-Assad to assure that Syria would continue to move ahead with closer Iraq ties. With some sense of personal peril I still presented him our white paper. I also used the very few minutes he left to us to provide a short presentation on our proposals. "Come back and see me once you have UN Security Council approval," he said and quickly left the room.

Let me tell you what we had in mind.

The package of sanctions my colleagues and I worked up was based on three assumptions:

1. Sanctions were critical to our policy of containing Iraq.
2. Sanctions should be directed principally at stop Saddam from hardening his military capabilities or from acquiring WMD.
3. The impact of the Sanctions impact should be directed at the Saddam regime itself while avoiding undue hardships on the Iraqi people.

The first element in our "smart sanctions" package was to fast track approval for civilian and humanitarian goods. Contract approval for such items could be expedited by using a "no objection" procedure. This would mean that most contracts would be approved within a few days after their submission. However, we also intended to institute new post shipment accounting and verification procedures to limit graft and kickbacks. Under our proposals, the 661 Committee would review only a short list of green line (dual use) items. Sensitive dual use and military items would be red-lined and turned down automatically. We expected these measures would reduce processing delays and mitigate the costs and burdens involved.

An essential element of the program was to re-gain control over the funds generated by Iraqi oil sales. We hoped to do this by stamping out Saddam's various oil for food pricing schemes. The eventual solution was to impose a retroactive oil pricing mechanism that eliminated lifting fees and built-in kickbacks. We also suggested a revision of the list of companies approved to lift Iraqi oil. We argued that the list should be pared down significantly to eliminate pure middle-men as well as companies we knew to have engaged in pricing schemes, graft or kickbacks. Companies on the list would be held accountable.

We also directed our attention at the schemes Saddam had used to circumvent the Oil for Food program. Under our program the MIF would flex its muscles in the Persian Gulf to better inhibit Iraq's ability to use that route to sneak oil out.

The program we presented to Syria, Jordan and Turkey would have continued to permit them to receive Iraqi oil. However, the funds attributed to these transactions would have been placed in local escrow account to be administered jointly by the UN and local authorities. These funds could be used to purchase items in the local economy, including imported items. But the items purchased would be subject to verification and redlined items excluded. We also planned to establish special Sanctions Assistance Missions that would help control contraband moving across the borders.

The first step in our proposed strategy to win support for these streamlined sanctions was to try and re-establish some credence behind enforcement of the current sanctions. It had to be clear that we would no longer tolerate open sanctions violations, such as those occurring in Syria. We suggested that Syrian and other firms fronting for Saddam cronies, or otherwise implicated in routine kickbacks to the Saddam regime, be designated pursuant to a new IEEPA executive order and that we seek agreement for designation also at the UN level. This approach had worked

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well in dealing with the Milosevic regime in Serbia. And such an approach would give us at least some leverage in selling the new sanctions package. We could trade off enforcement of the old sanctions for adoption of the new "smart sanctions" model. For my group it was clear that we would not be able to sell this new package if the front line states and others continued to believe that they faced no consequences for violating sanctions. Even Saddam Hussein indicated a preference for the old, broader sanctions system which he had already corrupted to the new proposals we were putting on the table.

So. What happened?

Our colleagues in the geographic and functional bureaus at the State Department liked our sanctions proposals, but dismissed our tactics. Our group wanted to press ahead with re-invigorating the old sanctions, while negotiating on the new ones. The powers that be preferred that we distance ourselves from the old sanctions which, they argued, had already been tainted as having caused undue suffering in Iraq. They maintained that the only way to convince the world to adopt a fresh sanctions approach was to forget about the old sanctions. They recommended that Secretary Powell focus attention only on the importance of stopping Saddam from obtaining WMD, and let the rest of the sanctions issues slip. And that is the line the Secretary took. In March 8, 2001, for example, he told the Senate Foreign Relations Committee:

> "We were being accused and we were taking on the burden of hurting Iraqi people, hurting Iraqi children, and we needed to turn that around. The purpose of these sanctions was to go after weapons of mass destruction. That's what they were put in place for in the first instance back at the end of the Gulf War. . . . In order to make sure that that carried forward, we then had to take a look at the sanctions themselves. Were they being used to go after weapons of mass destruction and was that the way they were connected to our original goals, or, increasingly, were those sanctions starting to look as if they were hurting the Iraqi people? And it seems to me one approach to this was to go to those sanctions and eliminate those items in the sanctions regime that really were of civilian use and benefited people, and focus them exclusively on weapons of mass destruction and items that could be directed toward the development of weapons of mass destruction."

A second area of divergence was whether or not to hard press the front line states regarding their lack of compliance with the sanctions, particularly Iraq oil exports outside the oil for food program. Against our advice, the prevailing view was that we concentrate our efforts in gaining UN Security Council approval at the next regularly scheduled Iraq sanctions review session rather than press heads now on sanctions and oil for food violations. That Security Council meeting was scheduled for June 1, 2001.

A third disagreement surfaced as to whether or not we should work out specific details regarding the procedures to be used to govern our proposed new local escrow account and trade procedures. Once again my small group was overruled. The decision was that we should keep our proposals as general as possible to facilitate winning Security Council approval. The details, they argued, could be filled in by a Security Council Committee thereafter.

Absent any attendant leverage, such as threatened enforcement of the old sanctions, it proved exceedingly difficult to win Security Council approval for the new proposals. In fact, the only leverage seemed to be on the other side. We had allowed the old sanctions to pretty much collapse. We were now the ones that needed Security Council approval for the new measures. The old measures no longer carried any weight. China, Russia and France had us over a barrel, and they began to push for a much greater reduction in the list of so-called redlined items than we were willing to concede. And other members of the Security Council joined in demanding further details concerning the special preferential arrangements we had in mind for the front line states. Comfortable with the old (no longer enforced) sanctions, and faced with a threatened Russian veto, the Security Council simply postponed consideration of the new sanctions proposals. The agenda item was rescheduled for the next regular six month review of Iraq sanctions. That was to take place in November 2001. And once again, at the November 2001 meeting, the decision was to push consideration back for another six months. The second Security Council postponement prompted me to write an opinion piece which was published by the Washington Post on December 31, 2001. I have attached a copy as an appendix to my written statement. By the time the Security Council got around to the issue again we were already well on the road to a broader confrontation with Saddam Hussein.

I think we were all aware during this entire period, and right up to Operation Iraqi Freedom, that the sanctions were being left to deteriorate and that the oil for

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food program was operated as little more than a sham. Saddam continued to rake in money outside of the Oil for Food program and to spend it as he pleased. And the Kirkuk Banias pipeline continued to operate at full capacity right up to the outbreak of hostilities.

Thank you, Mr. Chairman.

APPENDIX TO WRITTEN TESTIMONY OF VICTOR D. COMRAS

SHOVING SADDAM BACK IN HIS BOX

washingtonpost.com
By Victor D. Comras
Monday, December 31, 2001; Page A17

While things have gone well in Afghanistan in recent weeks, in another arena, far from the war zone, the United States has suffered a serious setback in its efforts to fight terrorism and keep weapons of mass destruction out of terrorist hands. The U.N. Security Council once again has turned down Secretary of State Colin Powell's call to recalibrate the sanctions on Iraq and make them an effective obstacle to Saddam Hussein's program for producing weapons of mass destruction.

Many argue that Iraq's support for terrorism, mixed with its program for developing such weapons, poses an intolerable risk. Yet we have just agreed with the Russians that we can postpone for another six months taking steps to cut off Iraqi access to this weapons technology and equipment. (The delay is so we can renegotiate the list of items to be kept out of his hands, a matter supposedly decided months ago, when the United States first laid its new Iraq sanctions proposal before the Security Council—but apparently not yet to Russia's satisfaction.)

In the meantime, we have allowed the old sanctions on Iraq to disintegrate to the point at which Saddam Hussein's regime is content to leave them in place rather than face sanctions that are pared down but might have some teeth. The current sanctions are not being well enforced, and they leave the Iraqi dictator with an almost open door to buy and bring in the technology and equipment he wants to strengthen and harden his military and capability for weapons of mass destruction. And there is much evidence that this is exactly what he is doing.

Colin Powell committed himself to "re-energize" the Iraq sanctions when he joined the new administration last January. In March he told Congress we would push for a new sanctions package concentrating on items related to weapons of mass destruction—the stuff that really counts. We would begin, he said, by cutting off Iraq's smuggling outlets through the Arab front-line states and controlling Saddam Hussein's money flow.

Powell traveled to the Mideast twice last spring to win agreement for this plan from the front-line states, which pledged to better monitor the flow of goods into Iraq and to cut off illegal oil exports from Iraq. But nothing was done. In fact, cross-border trade with Iraq increased, and Iraqi oil exports, with the help of the pipeline through Syria, expanded to record levels.

The U.N. sanctions on Iraq had been decaying for years, and in the past year, they collapsed. This was in part because of U.S. neglect. This country signaled an abandonment of the old sanctions regime before it had a new regime in place. We relaxed pressure on Jordan, Syria and Turkey to curb trade with Iraq. And we gave France, Russia and China increased leverage over us to reduce the list of controlled items. U.S. failure was clear six months ago, when Russia derailed our new approach with a threatened veto. Since then, the United States has done little or nothing to strengthen its hand—no new initiatives with the front-line states, no work on methods for carrying things through, no new pressure on Russia. In fact, we put the issue on a back burner. Little surprise then, that we came out with the same results when the Security Council took up the matter again on Nov. 30, as it does every six months.

The Sept. 11 attacks make it clear that terrorist states' access to weapons of mass destruction poses the greatest threat to our national security. We cannot wait another six months. We have to decide now whether to choose a military option or to seek some flexibility and time by cutting off—or at least slowing—Saddam Hussein's weapons program.

We do not need a new Security Council resolution to do this. Existing U.N. sanctions resolutions give us more than enough authority to take the necessary steps—resolutions binding on all states. We must make it clear to all that we view these measures as critical to our war on terrorism.

The first step must be to inhibit Saddam Hussein's ability to obtain funds or conduct financial transactions outside the U.N. oil-for-food system. Special attention

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should be focused on Iraq's Rafidan Bank, which has branches in Jordan, Syria and Lebanon. It is an Iraqi government-controlled entity, long engaged in financial transactions that violate U.N. sanctions.

We need to pressure Syria to stop acting as Iraq's surrogate for exporting oil outside the U.N. system. The Syrian pipeline that reopened last year brings in more than 150,000 barrels of Iraqi oil per day. This is in addition to the Iraqi oil being trucked to Syria, Jordan and Turkey outside the U.N. program. It's also time to place restrictions or punitive measures on any international oil company that circumvents the oil-for-food program.

We must work more closely with our allies to define the core list of items with direct relevance to weapons of mass destruction. Exporting countries must adhere to new control procedures. And we must be able to verify overall compliance. We should press the European Union countries and others to ensure that adequate penalties are in place, including establishment of a "blacklist" of individuals and firms circumventing the new control measures.

We cannot rely just on the work of the Multilateral Interdiction Force that patrols the Persian Gulf and the Gulf of Aqaba to stop U.N.-controlled goods from arriving in Iraq. Jordan, Syria and Turkey also must do their part to inspect items transshipped to Iraq from their countries. This is no easy task. We can help by providing the resources and technology for this effort. We should be able to rely on Turkey—a NATO ally. If Jordan and Syria cannot filter these items, we (and our allies) must filter them before they get to Jordan or Syria.

Our success inevitably will depend on our organizing ourselves to sustain interest in this program. We will have to constantly monitor, verify adherence and pester and persuade other countries to take the control measures seriously.

Of course, we have another option. We can rely on direct military action in Iraq to take down Saddam Hussein's weapons capabilities. But this course would have its own costs and consequences.

The writer, recently retired from the Foreign Service, coordinated the international enforcement of sanctions against Serbia.

Mr. ROHRABACHER. Thank you very much.

I want to thank each of the witnesses for your contribution today. We have some very serious questions. I am going to start right off and begin with the very last point that was made in the testimony.

I take it that what we are talking about is $3 billion that Iraq made and the profit that certain people in Iraq made from the deals with Syria that involved oil during that time period, and where that $3 billion is today, who is in charge of it, and what they are doing with that. Before Saddam Hussein was overthrown, the $3 billion profit was obviously under the control of people who were part of his inner clique; is that correct?

Ms. DIBBLE. The $3.4 billion was the amount we estimate was generated by the protocol in those 3 years. And that is both to Syria and to Iraq. We know where a portion of that was. That is the money that is in the frozen accounts. But you are absolutely correct that there is other money out there.

Mr. ROHRABACHER. We are talking about hundreds and hundreds of millions of dollars that we know are out there somewhere in some accounts that are controlled—common sense tells us now that they are still controlled by the followers, by the clique that was supportive of Saddam Hussein; thus controlled by people who hate everything we are trying to do in Iraq today in creating a new democracy in that country. Would that not be fair to say?

Ms. DIBBLE. It is fair to say that there is a substantial amount of money out there. And I am afraid I can't quantify it. And that some of that, yes, could definitely be used by former regime elements or the insurgency. We know that the insurgency and former regime elements do not have access to any of the frozen funds. We

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are fairly confident that those, because they are still frozen, are not being used. But you are correct in that there is other money out there. And I don't know whether——

Mr. ROHRABACHER. In fact, the frozen funds could be returned to the new democratic Iraq and would be very helpful. But what we are also suggesting is that there is a lot of money that has been left over there and these murky transactions that were going on that are now still available to people who were supporting the Saddam Hussein regime and were opposing—let's get down to brass tacks. Chairman Ros-Lehtinen's stepson and stepdaughter have just gone over to defend this country. If they are wounded and are killed in action, this could have resulted from money that we are talking about today that was part of this Syrian agreement that now is being sent back to help the insurgency. Isn't that a possibility?

Ms. DIBBLE. That is—I would say, yes, that is a possibility. The Iraqi Government and the Syrian Government have been in discussions for the better part of a year on the return of the frozen assets. And earlier this week, the Iraqi Finance Minister sent a letter to his Syrian counterpart officially requesting in writing the return of the $262 million and establishing a system to deal with outstanding claims on both sides. Not just the Syrian claims, but claims by Iraqis.

Mr. ROHRABACHER. But there is money that has not been identified, is that right, Mr. Comras? There are large sums of money out there. We do not know exactly where it is, but we know it is in the hands of evil people, because they were the ones who got the money as a part of their association with Saddam Hussein.

Mr. COMRAS. Mr. Chairman, there are enormous sums out there. At the time of Desert Storm in the 1990–91 time frame, there were estimates that Saddam Hussein controlled some $7 billion of unknown funds overseas. That predated all of this. Since that time, he was able to acquire what has been estimated to be a fortune of from $10–40 billion available for his use. We still know very little about any of those funds. And so when it comes to the Syrian funds, we know that some of these funds were deposited in CBS. We know that some funds were sent at Iraq's request into Lebanon and elsewhere. But at least a third of those funds are still unaccountable. And in addition to that, we have not accounted for any of the under-the-table funds or funds that passed hands through other kinds of transactions.

Mr. ROHRABACHER. So right now, bank accounts in Syria and in Lebanon could hold up to billions of dollars and these billions of dollars are under the control of people who are associated with Saddam Hussein, part of his clique, part of his monstrous, murderous clique, let me add. I wouldn't think that it would be irrational for us to conclude, Madam Chairwoman, that those funds are being filtered to those people who are financing this bloody insurgency that is going on in Iraq today. Would you say that that is a rational conclusion?

Mr. COMRAS. I think that is a fair assumption, that at least part of these funds are being made available to support this insurgency and perhaps other terrorist activities.

But it is a black hole, Mr. Chairman. We do not know.

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Mr. ROHRABACHER. Well, we have to make sure that our people there are free to use the force they need on the scene. But in order to back them up, we need to have an initiative aimed at the bank accounts that are the source, the mainspring, of the weapons that are being used against our own people.

So I would like to thank all of you for illuminating us to this very important aspect of whether we are going to be successful in our endeavors in Iraq, whether our troops are going to be safe, and whether or not the people of Iraq are going to be able to institute their democracy rather than be murdered in the streets.

What about right now? We know there are various terrorist organizations at play in the Middle East. Do we know of transfers of the money that we are talking about before the fall of Saddam Hussein or maybe during this time period that went to other terrorist organizations? Is there any evidence of other terrorist organizations that were financed by this money?

Ms. DIBBLE. I am not aware of any evidence, Congressman.

Mr. SPARLIN. No, we did not have access to all the contracts that were let to pay this money out of the accounts, so we were not able to follow exactly where that money went.

Mr. COMRAS. Mr. Chairman, during our work in the United Nations as part of the monitoring group, we looked at various sources of funding and were aware of funds that had been placed into Rafidain Bank and that had been made available for suicide bombers and others in the Palestinian situation.

Mr. ROHRABACHER. That came from what bank? From where, now?

Mr. COMRAS. Rafidain Bank.

Mr. ROHRABACHER. Where is that?

Mr. COMRAS. Rafidain Bank had branches in Jordan and Egypt and other countries in the Middle East, and it was a bank controlled by Iraq, but since it did not directly relate to al-Qaeda, our mandate was limited and we did not pursue that information.

Mr. ROHRABACHER. One last question and then I will turn it over to Mr. Delahunt. Some of the testimony of Mr. Sparlin indicated that there had been accountants who were unleashed to look at these figures. That indicated to me that there was some degree of cooperation with the Government of Syria, or at least the bank that permitted you to make that investigation.

Is there some evidence that Syria, as compared to what its stance has been for a number of years—which Chairman Ros-Lehtinen very accurately described—might be changing in how much Syrian cooperation we have had in this endeavor to find out about these funds?

Mr. SPARLIN. Well, our focus in this effort was to identify and trace assets that could actually be repatriated back to Iraq and the Iraqi people. In that endeavor we worked with both SOMO officials and banking officials to look at the accounts that were set up. So there was some cooperation from both of those officials to identify the accounts. They provided some records, both SOMO and CBS, to verify this account existed and the trade protocols. We were able to identify the $261 million that was eventually frozen, but as far as tracing the funds and verifying the exact amounts and the dollar

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figures and where it went and who it went to, we did not have access to that information.

Mr. ROHRABACHER. Did you make requests for access to information that you were denied by the Syrian Government?

Mr. SPARLIN. Yes, yes.

Mr. ROHRABACHER. How would you catalog or categorize the Syrian cooperation in the investigation, Ms. Dibble?

Ms. DIBBLE. I think the Syrians have—while they have provided some information, some access, there is certainly much, much more that they could be doing and should be doing. And probably the statement could be more generalized to Syrian behavior across the board. There is a lot more they could be doing and should be doing that they are not.

Mr. ROHRABACHER. Mr. Comras, from your vantage point?

Mr. COMRAS. I do not have a feel, Mr. Chairman, for what is occurring right now. So I am reluctant to answer. The historical pattern was one where we got the brushoff every time we tried to raise these issues with the Syrians.

Mr. ROHRABACHER. Well, let me note that, historically, the pattern that we have heard with Syria is an "F," if you are going with grades that we used to get in school. What would you put if you give them a grade in terms of their cooperation; are they still Fs? How would you grade the Syrian cooperation? And then we will go to Mr. Delahunt. Down the line.

Ms. DIBBLE. That is a tough question because you need to look at the various components—Lebanon, for instance, which is very much on the forefront now, and the agenda. Syria pulled out its military. It has uniformed troops, but we know that Syrian influence continues; Syria continues to interfere in Lebanese affairs.

Mr. ROHRABACHER. We also know that the Prime Minister was assassinated by people associated——

Ms. DIBBLE. As you know, the United States recalled its Ambassador from Damascus in February after the assassination of former Prime Minister Hariri, and she remains in Washington now.

Mr. ROHRABACHER. In terms of what we are investigating today, talking about the oil funds and the cooperation at that level on this particular investigation, would you give them a D, a C, an F?

Ms. DIBBLE. Well. They haven't returned the $262 million in frozen assets, so until they do that, that is not a passing grade in my book.

Mr. ROHRABACHER. All right.

Mr. Sparlin, what would you give them?

Mr. SPARLIN. I may have to defer to my colleagues at State who have a great deal of experience in the world in the international arena. But it is true that we did not get all the documents that we asked for.

Mr. COMRAS. I defer to my colleagues who have much more recent knowledge than I.

Mr. ROHRABACHER. Well, thank you very much. Mr. Delahunt.

Mr. DELAHUNT. Thank you all for the work that you do. And I would particularly note the fine work that was done by the IRS Criminal Investigation Division. I think the information is very solid.

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Do any of you disagree with the figures that were presented by Mr. Duelfer? And let me just read them to you as a result of these illicit deals that were consummated with the Saddam Hussein regime. And if you do, just interrupt me. Egypt, $33 million; Turkey, $710 million of illicit revenue because of this so-called trade protocol which was a direct buy-and-sell in violation of the sanctions regime imposed in 1991; Syria, $2.8 billion——

Ms. DIBBLE. Actually our figures are higher than that based on SOMO documents. The figures that we cited were $3.4 billion.

Mr. DELAHUNT. So there is a disagreement between you and Mr. Duelfer there?

Ms. DIBBLE. We are higher than he is.

Mr. DELAHUNT. Jordan, $4.4 billion because of a side deal outside of the sanctions. Do you have any disagreement with any of those figures? No disagreement?

Mr. Sparlin, let me note that I read your documents and there were some very remarkable narrations there. In a former life, I dealt with information, and I know that oftentimes it is uncorroborated and needs to be reviewed. But some of this is really startling.

In your review, did any of your sources, upon scrutiny—was there found to be a lack of credibility?

Mr. SPARLIN. I would say we did not have the opportunity to really scrutinize a lot of the information that was provided to us. We were there for a very short period of time, talked to a lot of people, looked at a number of records, and reported the information that was either told to us or was reflected in the records. Normally as a criminal investigator, we would go much further and look behind the records and the statements and find evidence to corroborate in more than one source whether it is accurate or not. And we did not have the opportunity to do that.

Mr. DELAHUNT. You did not have that opportunity? Because one of the documents says the following about the illegal Iraqi oil trade with Egypt, and I found this really caught my attention: "The regime"—meaning—and I am quoting from the IRS documents: "The regime established a program similar to that used in the central bank of Syria with Egyptian intelligence in 2002."

I mean, did Saddam Hussein's regime have a deal with Egyptian intelligence? Do you feel confident in the validity and the authenticity of that statement that was part of your report?

Mr. SPARLIN. I can only state that the four corners of the document can only speak for themselves. As far as any corroboration, I can't verify that, no.

Mr. DELAHUNT. That would be very disturbing.

Mr. SPARLIN. Yes.

Mr. DELAHUNT. And I would think, Mr. Chairman, that we would want to pursue that maybe through staff or refer it to the Department of State for its consideration.

There are other documents, Mr. Sparlin, that seemed to indicate that Jordan worked closely with the Iraqi regime to undermine the sanctions also, both by buying oil and providing goods, including military hardware. One source—and again this comes from your documents—and I am quoting here: "King Hussein and King

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Abdullah knew of the deals. Some of the products were for the Iraqi military."

Then there is another source that says—and again I am quoting from your documents:

> "The King and Prime Minister would designate a company that would be used to facilitate the transfer of goods. This was a company that the King and Prime Minister created just for the purpose of conducting the exchange. When Iraq determined they wanted to purchase goods that were banned by the United Nations, Iraq would submit a list of goods to Jordan. The source said that this was a great deal for Jordan in that they were getting a huge volume of oil at a very cheap price, and, at the same time, Iraq was getting banned goods that they would not get otherwise."

This is very disturbing if it is accurate. Do you have an opinion as to the accuracy or the validity of that particular statement by this source?

Mr. SPARLIN. Again, as an investigator, what that document reflects is information that was provided to us from the sources. Here, as in the other situations, we did not follow up; we did not have the resources to follow up and were not made aware of the information behind that to follow up upon.

Mr. DELAHUNT. Well, let me ask Secretary Dibble: Have you had an opportunity or has someone in the State Department had an opportunity to review the work of the Criminal Investigation Division of the IRS?

Ms. DIBBLE. I am not personally familiar with the work, so I really can't comment.

Mr. DELAHUNT. Are you hearing this information for the first time?

Ms. DIBBLE. I haven't seen it personally. I know that there are people in the State Department who have looked at this stuff in much more depth than I have. I am afraid I can't comment on the specific allegations, on the veracity of them.

Mr. DELAHUNT. Mr. Sparlin, is your team still operating?

Mr. SPARLIN. We currently have just one person in Baghdad associated with the Embassy there. He is an attache with the Embassy in Baghdad.

Mr. DELAHUNT. Well, I would hope that you could return to the former complement of some 17 investigators.

Mr. SPARLIN. That was 17 over a period of time. And we are always working with our colleagues in State and the other agencies, Federal Government agencies, in evaluating the need for our resources.

Mr. DELAHUNT. Because if this intelligence is correct, it is profoundly disturbing, and I would respectfully suggest, I believe, that we are compelled to pursue it so that we know who our friends are, who our allies are.

Secretary Dibble, I think it was Mr. Comras who indicated that no one was pressing the frontline states about the enforcement—I will put it this way—the lack of enforcement of the sanctions that were imposed by the Security Council. And it is my understanding that the first deal, call it trade protocol, was consummated between

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the Saddam Hussein regime and Jordan. Is that your understanding?

Ms. DIBBLE. The trade protocol between Jordan and Iraq dates from 1983.

Mr. DELAHUNT. 1983?

Ms. DIBBLE. Yes.

Mr. DELAHUNT. And in the aftermath of the Security Council sanctions, I would presume that that would obviate the 1983 trade protocol?

Ms. DIBBLE. After the sanctions were put into place after the first Gulf War, three successive American Administrations took note of the notification of the Jordan-Iraq trade protocol to the U.N.

Mr. DELAHUNT. Can you tell me what "taking note" means?

Ms. DIBBLE. We were certainly aware of, if not all the details, the broad-brush aspects. Jordan, being a small country strategically located in the Middle East without its own petroleum resources, relied on trade with Iraq to supply its infrastructure.

Mr. DELAHUNT. So what we are saying here is that we had supported, in the Security Council, a regime of sanctions, and we voted for it, obviously.

Ms. DIBBLE. Yes.

Mr. DELAHUNT. And we expected and anticipated that every nation would abide by that sanction regime; is that correct?

Ms. DIBBLE. Yes.

Mr. DELAHUNT. But Jordan did not, so we took note of it.

Ms. DIBBLE. That is correct.

Mr. DELAHUNT. You know, you mentioned—are we going to have a second round, Mr. Chairman?

Mr. ROHRABACHER. Yes.

Mr. DELAHUNT. Great.

Mr. ROHRABACHER. If the witnesses can stay, we will have a second round.

Mr. DELAHUNT. I think it is important that they do stay.

Mr. ROHRABACHER. The Chairman is trying to be generous with time.

Mr. Ackerman.

Mr. ACKERMAN. The Chairman is indeed very generous and we noted that you haven't run the clock. Appreciate it.

I want to thank all three of our witnesses for the great job that they have done and continue to do, and for sharing with us so that we have a better understanding of what went on. I think it is more important, having learned somewhat of what had gone on, how we apply that to the future and what it means from a policy perspective, looking on into the future. And in doing that, I share the concern that has been raised by Mr. Delahunt. The real question is, we had a policy. Others did not conform to the policy. We are having a hearing blaming them for not conforming to the policy. My greater concern is why did we not care about our policy? Why did we choose to ignore it? Why, under successive Administrations since President Reagan, have we been ignoring our own policy? And why, suddenly, does it become so important to focus on one of several countries that violated our policy?

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The greater question is, if we had a policy, why did we not enforce it? If it was not important to us, why should we care that somebody else did not enforce it? We should care about all of the above. But specifically what we do have control over is not necessarily somebody else's violations but our own nonchalant or deliberate decision not to enforce that.

My understanding is that the prime beneficiary of the violations of the countries that we have mentioned was not Syria but Jordan; is that correct? It is an easy question.

Mr. COMRAS. Mr. Chairman——

Mr. ACKERMAN. Mr. Comras?

Mr. COMRAS. A little historical perspective, if I can, on the Jordan problem. Jordan was caught in an awkward situation at the time of the Gulf War. Their reliance on Iraq was great and there was a certain amount of trade that we all recognized had to continue. We were interested in keeping out from that trade those items that were particularly sensitive. And so we gained Jordan's accord to place in Aqabah inspectors who were able to filter out the goods that were coming through that port and heading for Jordan and those that might eventually end up in Iraq.

The problem was understood with respect to Jordan. There were some control aspects to it as we tried to contain it in a reasonable box. The same was true to a certain degree with Turkey, where most of the goods involved the transport of finished product petroleum that was moved through the Kurds' intermediaries into Turkey in a local trade that provided local support for communities that had no other local support.

The one big hole, however, was still Syria, where the goods came in and moved through where the oil was not just for the local economy, it was for export, and where Syria served as a major conduit into Iraq for which there was no real chance to filter, to look, or to see. And that always put Syria on the top of our list of concern with respect to the sanctions violations. Thank you.

Mr. ACKERMAN. I appreciate that historical perspective. My question remains: The chief beneficiary, from a financial point of view, of all of these violations, regardless of who we were concerned or not concerned about, was Jordan. Next was Syria, and third was Turkey. Is that accurate?

Ms. DIBBLE. If you are——

Mr. ACKERMAN. Add the dollars.

Ms. DIBBLE. The numbers that we have for the trade protocols—I mean if you are looking at the same time period, if you are look at 2000 to 2003, it was Syria, then Jordan, then Turkey, then Egypt. The protocol with Jordan dates from 1983, so it was put in place 17 years before the protocol with Syria.

Mr. ACKERMAN. Because Jordan was benefiting for a longer period of time in greater numbers. And I appreciate the historical perspective and the commentary that you made, as well as Mr. Comras, and comments that were made before. Jordan has no oil. Their economy was heavily, heavily, heavily subsidized by the fact that Saddam Hussein gave them very, very, very cheap oil. We took note of that and, because of reasons that many deem appropriate, we chose to look the other way. But the fact remains that Jordan was a main transit place for supplies and trucks going in

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and out, many of which were never checked, that went through Jordan to Iraq and many trucks that came out. But Jordan was the chief beneficiary.

Why, suddenly, with historical retrospect, do we decide to just focus on Syria? And I know there are good guys and there are bad guys and guys in between in various degrees, and we view Jordan as a good guy and Syria as a bad guy, and quite appropriately at this point. But what about United States policy? I was privileged, along with Representative Peter King of New York, to have been the Representatives of the Congress during the same year as delegates to the United Nations; and we, together with Congressman Issa, went up when President Bush made his first speech to the U.N., to the General Assembly, were briefed by Ambassador Negroponte, and met with a delegation that provided a luncheon for us. And when we were asking questions about this very subject, they were laughing. They said, "We do not call it Oil-for-Food, we call it Oil-for-Stuff," and they all snickered. It seemed that everybody knew what was going on, and, when pressed, they said if you do not care, why should we? And that is my policy question. Is there an answer?

Ms. DIBBLE. I think in partial answer to your question, the reason we are concerned about Syria now is the current situation, what is happening in Syria, what is happening along the border with Iraq. We do not have the same problems with Jordan or with Turkey in terms of support for the insurgency, support for former regime elements being harbored there. If you are talking about our current policy concerns, Syria is way up there.

Mr. ACKERMAN. Yeah, but the point I made in my opening statement, if the Chairman would wait just another moment, is that we are using this policy that we chose to ignore to take a retrospective look at something based on the policy. Now, if you put a policy in place and you care about the policy, you have to enforce the policy. I mean, you cannot say that certain criminal elements are going for the economy so we won't enforce the RICO (Racketeer Influenced and Corrupt Organizations) statutes against them, as opposed to others that are not good for the economy. It does not make any sense.

If we are concerned about Syria today because of these reasons, I would suggest, Mr. Chairman, that we hold hearings on those things that we are concerned about; I think not sticking to our policy is a very important issue for us.

Mr. ROHRABACHER. Thank you very much, Mr. Ackerman.

We will have a very quick second round. Let us note that this policy was instituted during the last Administration with the full support of Madeleine Albright and the President.

Mr. ACKERMAN. Will the Chairman yield on that point?

Mr. ROHRABACHER. No, because you will have your shot in 1 minute. Let me finish this particular point. Maybe our involvement in going in and kicking the Iraqi troops out of Kuwait was a decision we should or should not have made. But once it was made, we realized that the regime of Saddam Hussein was dedicated to harming the United States of America. Saddam Hussein, had he had his chance, would have harmed and did things not only to

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murder his own people by the hundreds of thousands, but he also had a strategy policy that made him an enemy of our country.

In dealing with this enemy, the Chairman finds no reason to believe that we could not have a flexible policy that, for example, permitted the Jordanians, the Turks, and the Egyptians a little bit of leeway in the implementation of this policy so that those countries' economies would not collapse and that radical elements in those societies would not come to the fore. That makes sense to me. Perhaps that is what Bill Clinton and Madeleine Albright had in mind when they made that policy decision; that these differentiations would be made.

Then why is Syria different than Jordan, Turkey, and Egypt? I do not find any evidence that the Defense Minister in any of those countries was getting a kickback from military sales to Iraq. In fact, as things have worked out, perhaps it was a good idea to permit these countries a bit of leeway in following these regulations since the rules that were laid down did hurt Saddam Hussein. To permit these particular countries an avenue in which they would not create chaos within those societies was probably a good idea.

Does someone have to be totally consistent in implementing a policy or strategy once it is stated to the public? I don't think that that consistency is required of people who want to really see the outcome. I think if this same sort of demand for consistency was made during the Second World War, there might have been some serious problems with a lot of people losing their lives who need not have lost their lives.

Unlike Egypt, Turkey, and Jordan, Syria was at that time involved with not only providing weapons to Saddam Hussein's regime as a direct result of these exchanges, but also involved with supporting terrorist organizations. We will see whether or not Syria has turned over a new leaf or wishes to take a new direction. We will see by their actions. We will see if they return the $200 million in Iraqi funds that now should go to Iraq, to the people of Iraq, rather than being kept in banks in Syria. But I would just suggest that we have had requests for hearings on this oil program, as you have asked about, but not just the Oil-for-Food Program, but the entire oil embargo.

Let us mention also that during this oil embargo period, I heard—and I am not sure if my colleagues were involved in this—over and over again from certain elements in our society that there are millions of Iraqi children dying and it is our fault. I remember that. It is our fault.

Well, now we know how false that charge was, because Jordan, Iraq, Turkey, Egypt, and Syria were providing plenty of resources for Saddam Hussein, not to mention that the Oil-for-Food Program itself was providing Saddam Hussein with enormous resources to pay for the medicine, food, and humanitarian supplies needed for his people. However, that money was obviously spent to line the pockets of the clique who surrounded Saddam Hussein and also to provide weapons.

We have heard some very, I would say, disturbing testimony today that perhaps some of that money, which you folks are the specialists in—I am very pleased with your testimony and grateful that you have illuminated it for us—still may be doing great evil

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in the world and great harm to the people of the United States, putting our own people at risk, and also providing funds that would end up exploding in the streets of Baghdad and murdering countless numbers of Iraqi civilians, which is consistent with those people who supported Saddam Hussein in the first place, murdering hundreds of thousands of their own people in cold blood when Saddam Hussein was in power.

With that said, I am going to thank the panel, and I will give my colleagues a chance to make a last statement or last question.

Mr. ACKERMAN. Thank you, Mr. Chairman.

Mr. ROHRABACHER. Could we start with Mr. Delahunt first?

Mr. ACKERMAN. Any way you would like to proceed.

Mr. DELAHUNT. Yes, I thank my friend. And I can assure him that I never felt that it was the responsibility of the American people or the American Government for the starving children in Iraq. That clearly was the responsibility of Saddam Hussein. So I want to make sure that is made a matter of record, at least from this particular Member of Congress.

I just would note that I can understand the need for flexibility. And I suggest maybe we have hearings on Syria, the relationship between Syria and the United States and the problems that currently exist between the two countries. That is fine. But just to select Syria out on this particular occasion opens us to charges of being selective and therefore hypocritical, because our pals and our allies are very much implicated in this issue. The so-called trade protocols, the deals. Jordan was into it up to their hips.

If you accept the information and the raw intelligence that was provided by Mr. Sparlin and his teams, "King Hussein and King Abdullah knew of the deals"—this is quoting from the IRS documents—"and some of the products were for the Iraqi military."

And then we find another excerpt that says the regime, meaning Saddam Hussein, "established a program similar to that used in the central bank of Syria with Egyptian intelligence."

There are problems everywhere. And I think we should be equal opportunity critics, if you will. But we also have to accept our own responsibility.

I think it was you, Mr. Comras, who said nobody was pressing the frontline states in terms of compliance with these sanctions. And by the way, my friend, this program was not initiated under the Clinton Administration, it was initiated under the first Bush Administration back in 1991. And I am willing to say that there is a responsibility on the part of successive Administrations, both Democratic and Republican. But let's just be honest about it. We did not do anything.

And I appreciate the need for flexibility. I know Jordan needed that oil, and you are right, Madam Secretary. But the reality is that we fought a war to free Saudi Arabia and Kuwait. They very well could have provided the oil for Jordan and met all of its energy needs and we did not have to do side deals. How much money did we spend? How many troops did we have in that first Gulf War? We did not have to go on and turn an eye, Mr. Chairman. The Saudis should have stood up and the Kuwaitis should have stood up and provided the energy needs that the Syrians, Jordanians, Turks, and Egyptians needed.

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So I concur with my friend that if there is a policy and we find ourselves honoring it in the breach, what message does that send to the rest of the world? And this hearing today and the issues that we are discussing here today really have nothing to do with the Oil-for-Food Program, because these side deals far exceeded the numbers—$8 billion according to Duefler—that was illegally put into the pockets of the Saddam Hussein regime.

Now, I am going to conclude there.

Mr. ROHRABACHER. I am not the only passionate one on this panel.

Mr. Ackerman.

Mr. ACKERMAN. Thank you, and thank everybody for their passion. It is an important issue. Sometimes you get a two-fer. If you do not like Syria and you don't like the U.N., you have a hearing and beat up on both of them not having nothing to do with anything. That is reasonable.

But I agree with Mr. Delahunt. And I will say it an umpteenth time. We should be looking forward to what our policy has to be, and why. I find it interesting that—well, I have a quick question that I did want to ask of Mr. Sparlin first.

I was intrigued when you were talking about the Rafidain Bank and said that you had discovered that there were tie-ins with the suicide bombers in the Palestinian situation, but basically that was not within your portfolio, you did not pursue that. Is anybody in our Administration pursuing that finding?

Mr. COMRAS. I am sorry; I believe that it was my comment.

Mr. ACKERMAN. Mr. Comras, I'm sorry.

Mr. COMRAS. I don't know. Again, this was information that we received as monitors for the Security Council of the al-Qaeda and Taliban sanctions.

Mr. ACKERMAN. So in searching and investigating the al-Qaeda stuff, it was discovered that there was, through the Rafidain Bank, money——

Mr. COMRAS. The Rafidain Bank was providing money for suicide bombers.

Mr. ACKERMAN. And was that money for the suicide bombers followed through by anyone in the Administration?

Mr. COMRAS. I can't answer that. I don't know.

Mr. ACKERMAN. I would suggest, Mr. Chairman, that we jointly look into that.

Mr. ROHRABACHER. What year was that?

Mr. COMRAS. The information we received was in the 2002–2004 time frame, but it related back to practices in the 2000–2001 time frame.

Mr. ACKERMAN. Thank you. I think we have an obligation to follow through on that.

Let me say with regard to the discussion that we have been having here among ourselves, it is interesting that my good friend, the Chairman, continuously seeks to define reasons to blame the Clinton Administration or former President Clinton and former Secretary Albright for all of the ills of the past and that this took place during their watch, and then he goes on to say, "Well, we have some good friends and we have to be flexible." I don't know if he is then saying that the Clinton policy was okay.

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But as Mr. Delahunt points out, this did not start during the Clinton Administration. It actually started before 1991. It was actually in August 1990 that the regime, under the Security Council, took place, and that was in the Bush I Administration and not Clinton.

But I do not think it really matters because if the object of the hearing is to find who was at fault, then I don't think we are doing ourselves a favor. What we must be doing in this Committee—and I fault this Committee—is we are not looking from a policy perspective with the historical perspective that is absolutely essential, crucial, critical, essential to how we get to where we want to go, to use that as a building block, and we are not moving forward outside of the blame game.

Concerning the existing U.S. policy and whether we should have been flexible or could have been flexible, I can only draw on life experience. And this old social studies teacher would have had a very hard time in class finding four kids that were cheating on the exam and saying the good kids that were cheating were okay and only punish the bad kid that was cheating. I don't know what message that would send to those people who wanted to be the teacher's pet and to justify the whole thing by saying, "Well, the good kids would affect the future, they will have to go to college and get good jobs, and the bad kids are going to wind up as bad kids anyway." I don't think that it is wise to make exceptions like that and then retrospectively try to figure out why we did it. I think we know why we did it.

I don't know why we are doing what we are doing today. And I do thank the Chairman. The history that we have learned is very important. And I suggest we move forward from there and I thank the Chairman.

Mr. ROHRABACHER. The last words are forward here. We try to be forward-looking as well as backward-looking. As I noted in the beginning, Ms. Dibble has spent a lifetime on the front lines in terms of foreign service. This Administration, of course, was criticized about not having as many alliances with various countries as we would hope to have had when entering such a conflict with Iraq, knowing that Saddam Hussein and his regime were an enemy of the United States, and knowing that they hated us for kicking them out of Kuwait.

We need allies. In the real world of politics, geopolitics, it is not at all like it was with those kids cheating on the test. At times during World War II, we had to make an alliance with Joseph Stalin in order to defeat Adolf Hitler. That is what happens in real politics when you are faced with many thousands of lives being put on the line. I can only say that I think that the public needs to know about it. I think that the public needs to understand and look at these issues that have been presented to us today.

I personally have no problem with the effort made to make sure that Jordan, Turkey, and Egypt were not sucked into sort of a positive relationship with Saddam Hussein. I do not have any problem with that. Especially knowing that our troops were eventually going to go into that country. We may not have acted totally consistently in this, but the public needs to know about your perspectives and decide for themselves.

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This has been a good hearing. I want to congratulate each of you for providing a very unique perspective to the whole issue. Each and every one of you really gave us an understanding of the depth of this issue and what the impact is today of those decisions that we made yesterday.

Let us hope that as we look forward, Syria has a chance to change its policies, as other governments have changed their policies, and just say, Hey, we are going to go on a new path. To do that, one has to be truthful about one's past. And I think that there has been a lot of good criticism that has been brought up today that Syria should account for and should take into consideration. Maybe they want to say now is the time to just say that was wrong, and we are going to go do something better in the future. If that happens we should all applaud that. But we have to see deeds. The first deed, as you said, is let's return the money to the Iraqi people that legitimately belongs to them—that is a $200 million deed that would show some sincerity.

Thank you all very much. I would like to say that this Committee is about to adjourn. Any Member of this Committee who would like to submit questions for our panel should do so within 2 weeks and we would hope you would answer those questions in writing. With that said, we are adjourned.

[Whereupon, at 12:22 p.m., the Subcommittees were adjourned.]

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Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

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Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

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Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

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Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

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Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
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LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
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LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
Mr. Victor Comras, Attorney, Comras & Comras 19

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
Mr. Dwight Sparlin: Prepared statement 16
Mr. Victor Comras: Prepared statement 20

Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
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LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Ms. Elizabeth L. Dibble: Prepared statement 11
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Digitized by Google

Original from
PURDUE UNIVERSITY

CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
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Original from
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CONTENTS

Page

WITNESSES

Ms. Elizabeth L. Dibble, Deputy Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State 9
Mr. Dwight Sparlin, Director of Operations, Policy, and Support, Criminal Investigation Division, Internal Revenue Service 14
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