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END THE OIL-FOR-FOOD PROGRAM

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The United States, United Kingdom, and Spain have jointly put forward a draft United Nations Security Council resolution calling for the lifting of economic sanctions against Iraq and the phasing out of the oil-for-food program. France and Russia have opposed the move, arguing that sanctions should be lifted and oil for food ended only after Iraq has been declared free of weapons of mass destruction by U.N. inspectors and the United Nations has been given a lead role in shaping the future of Iraq.

The Bush Administration must resist the temptation to enter into a *quid pro quo* agreement with other members of the Security Council who are seeking a bigger role for the United Nations in post-war Iraq in exchange for supporting the U.S. resolution. A U.N.-controlled post-war administration would merely serve as a Trojan horse for European nations opposed to regime change, enabling them to stake their economic and strategic claims in Iraq.

Oil for food has become a cash cow for the U.N. and a lucrative source of contracts for Russian and French companies. The revenues from the past sales of Iraqi oil, now controlled by the U.N., are the sovereign property of the Iraqi people and should be turned over as soon as possible to the new Iraqi Assistance Fund, to be held by the Central Bank of Iraq.

Historical Background of Oil for Food. The oil-for-food program was established by the United Nations Security Council in 1995 "as a temporary measure to provide for the humanitarian needs of the Iraqi people" while economic sanctions remained in place. Of Iraq's population of 24 mil-

lion, 60 percent are dependent on food shipments administered through oil for food. The program was briefly suspended on the eve of the Iraq War but has been resumed and extended until June 3.

According to the Congressional Research Service, between 1996 and 2003, the program generated over \$63 billion in revenues for the Iraqi regime. *The New York Times* estimates that \$13 billion is currently held in trust by the United Nations.

With little oversight from the U.N., the Iraqi dictatorship was able both to circumvent and to exploit the oil-for-food program. According to the U.S. General Accounting Office (GAO), the Iraqi regime generated \$6.6 billion in illicit earnings through surcharges and oil smuggling in the period between 1997 and 2001. Official United Kingdom estimates put the figure as high as \$9 billion.

General Tommy Franks has aptly described oil for food as the "oil for palace" program. The U.S. government believes that the Iraqi regime used \$2 billion of funds provided by the program to build nine presidential palaces. The British government's report on Iraq's weapons of mass destruction, published in October 2002, concluded that the Iraqi

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regime also used illicit oil revenues to develop its chemical, biological, nuclear, and ballistic missile programs.

Who Benefits from Oil for Food. European powers, including France and Russia, have called for the preservation of the oil-for-food program, largely out of economic self-interest. Although the program was established to benefit the Iraqi people, Saddam Hussein's regime manipulated it to reward countries that helped advance its diplomatic interests, particularly France and Russia. French and Russian companies stand to lose substantial business if the program is ended. *The Washington Times* reports that, according to U.N. records, Russian firms won about 21 percent of all oil-for-food deals in a recent six-month period. French firms pocketed 6 percent of contracts during the same period. *The Times* of London has calculated that over the last seven years, Russian companies received \$7.3 billion of business through oil for food; French firms earned \$3.7 billion.

Oil for food is the world's largest United Nations program. As Claudia Rosett pointed out in *The Wall Street Journal*, the U.N. oversees "a flow of funds averaging at least \$15 billion a year, more than five times the UN's core annual budget." Oil for food is administered by 10 U.N. agencies employing over 1,000 staff internationally and in New York, as well as 3,000 Iraqi nationals. The U.N. has collected a 2.2 percent commission on every barrel of oil sold, and this has generated more than \$1 billion in revenue.

Until 2001, all Iraqi oil revenues were held in an escrow account run solely by Banque Nationale de Paris. The money is now kept by several unnamed international banks, all approved by Saddam's regime. The program is shrouded in a veil of secrecy, with little transparency or public accountability. There is no system of external auditing or

publishing of accounts. The identity of the banks holding the Iraqi funds is still kept secret.

Key Recommendations. Dealing with this problem effectively will require several actions. Specifically:

- U.N. sanctions against Iraq should be lifted immediately, not simply suspended. Washington must resist making concessions to Moscow and Paris on this issue.
- The Bush Administration should reject calls to link the lifting of economic sanctions and the ending of oil for food to the readmittance of U.N. inspectors to Iraq or the U.N.'s being given a central role in running post-war Iraq.
- All money held in escrow accounts by the United Nations should be handed over as soon as possible to the new Iraqi Assistance Fund.
- U.N. oil-for-food accounts should be opened to full public scrutiny by private-sector auditors in order to uncover possible financial and other irregularities. Measures should be taken against individuals and businesses that profited illegally from the oil-for-food program.

Conclusion. The spectacle of countries that bitterly opposed the policy of sanctions against Saddam's dictatorship attempting to preserve the sanctions regime and the oil-for-food program is utterly abhorrent. Iraq's oil revenues must be returned to the Iraqi people. Governments that tried to prevent the removal of Saddam Hussein from power must not be permitted to blackmail the international community and hold the Iraqi nation hostage.

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