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Hearing On

“The Iraq Oil-for-Food Program: Starving for Accountability”

**Subcommittee on National Security, Emerging Threats
and International Relations
Committee on Government Reform
of the United States House of Representatives**

April 21, 2004

**Statement
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Thank you, Mr. Chairman, for the opportunity to testify before this distinguished Subcommittee on a matter of urgency both to our national security and to the integrity of the United Nations system. Today I will address three core issues: 1) how did we get into this mess?; 2) what conditions permitted alleged corruption and malfeasance of this magnitude?; and 3) what steps might reduce the likelihood of such abuses in the future?

First, permit me to make four preliminary points.

- One, whatever diversions or distortions took place along the way, the oil-for-food program still accomplished its primary humanitarian and political missions. More than \$30 billion in humanitarian assistance was delivered to the Iraqi people, cutting chronic malnutrition, including for children, in half. The program also funded some \$16 billion in war reparations and – importantly – paid for the UNSCOM and UNMOVIC operations that uncovered and destroyed so much of Saddam Hussein’s capacities to produce weapons of mass destruction. By easing the acute humanitarian crisis that had seriously undermined political support for the sanctions regime, the program permitted the extension of the international efforts to deny Baghdad further arms and strategic items.
- Two, it was entirely predictable that Saddam Hussein would seek to make money off the oil-for-food program and, ironically, to use some of his ill-gotten gains to try to circumvent the very arms sanctions that the program was intended to reinforce. He had spent much of his reign trying to prove Lord Acton’s rule that power corrupts and absolute power corrupts absolutely. Besides, it had long been known that a frequent by-product of sanctions, whenever and wherever they are

imposed, is a flourishing of black markets and elite corruption. Clearly the controls put in place, given these factors, were entirely inadequate to the task.

- Three, it is a healthy sign that Secretary-General Annan has established a high-level independent panel, to be headed by Paul Volcker, to investigate possible malfeasance within the world body, that the Security Council has unanimously if hesitantly endorsed it, and that both Houses of Congress, the GAO, and the Iraqi authorities are undertaking serious reviews of the matter. On the other hand, it is less clear whether other Member States, especially those whose firms or officials may be implicated, will undertake similar public investigations.
- Four, for the credibility of these exercises, it is essential to avoid premature or simplistic scapegoating and finger-point, especially in an election year. In Washington, the shortcomings were bipartisan, as neither the Clinton nor Bush Administrations gave a sufficient priority to early signs of trouble. At the UN, key Member States, beginning with the members of the Security Council but including several of Iraq's neighbors, were no doubt complicit in the evident failings of the Secretariat.

Historical Context

The indecisive way in which the first Gulf War ended weakened the political foundations of the subsequent sanctions regime. The US decision not to occupy Iraq and, thus, to leave an embittered, devious, and thoroughly corrupt Saddam Hussein in power set the stage for a dozen frustrating years of trying to contain his ambitions and excesses. Even in 1991, there would have been little international support for the occupation of Iraq by the United States or by the US-led

coalition. Instead, in the omnibus resolution 687 of April 1991, the Security Council tried to have it both ways: asserting Iraqi sovereignty yet imposing the kinds of intrusive post-war conditions that have historically been reserved for a state that had been conquered, not just defeated on the battlefield. Iraqi sovereignty, in essence, was left in limbo: asserted in principle but highly circumscribed in practice.

This ambiguity allowed Saddam on the one hand to blame the US, the UN, and the sanctions imposed in 1990 for the plight of his people before the oil-for-food program was launched; and then on the other to loot and exploit the program whenever possible once the oil and humanitarian assistance began to flow. In retrospect, the most glaring error was to put the fox in charge of the chicken coop by allowing the Iraqi regime to decide with whom and on what terms to do business, whether concerning oil sales or the provision of humanitarian assistance. According to Ambassador Negroponte, this arrangement was adopted “at the insistence of many other Security Council members.” It appears that there were fewer problems in the northern Kurdish areas, where the UN handled humanitarian assistance directly.

Conditions for Abuse

Given that sanctions always offer tempting avenues for corruption and that Saddam Hussein was given a voice in deciding how the program was implemented, it would have been a minor miracle if substantial abuses had not occurred. Five additional, inter-related factors worked to make a bad situation worse.

- One, over much of the dozen years preceding the 2003 war, the five permanent members of the UN Security Council were deeply divided over how to handle Iraq. Again and again, whether on sanctions, weapons inspections, or the use of

force, the US and the United Kingdom took a harder line and France, Russia, and China a softer line. The latter three, supported by many other Member States, were more concerned with preserving Iraqi sovereignty, whether for reasons of principle, economics, or geopolitics. As such, they were more willing to tolerate Iraqi abuses of the oil-for-food program and of oil export controls than were Washington and London. The many spoilers in Baghdad no doubt saw ample opportunities to employ splitting tactics, including through the awarding of lucrative contracts.

- Two, on policy issues the UN Secretariat is schooled to follow the lead of the Member States, particularly when implementing Security Council mandates. When the most influential Member States are split and emitting mixed signals, the Secretariat tends to adopt a low profile, performing their jobs but avoiding controversy and headlines. In such circumstances, potential whistle blowers may well be reluctant to step forward. And, when the Secretariat did bring oil-for-food discrepancies to the Council's attention in November 2000, most members claimed that they could not respond without the kind of documentation that is only beginning to become available with the fall of Saddam Hussein.
- Three, the humanitarian community and the media, which had pressed so hard to have a mechanism put in place to ease the suffering of the Iraqi people, seemed far less interested in the operational integrity of the oil-for-food program once it got underway. As long as visible progress was being achieved on the humanitarian front, they found little reason to be exercised about the pattern of

financial abuse that accompanied it. Complaints about corruption apparently had less public and media appeal.

- Four, even for the US and the UK, as Ambassador Negroponte confirmed, the bottom line was that security and geopolitical interests, particularly worries about Baghdad's efforts to acquire weapons of mass destruction, trumped their parallel concerns about the management and integrity of the program. They needed 1) the sanctions regime to contain the security threat posed by Saddam and 2) the oil-for-food program to maintain sufficient political support to keep the sanctions in place.
- Five, as is general practice, the 611 Committee formed to oversee the sanctions on Iraq included all fifteen members of the Security Council and made decisions on the basis of consensus. This put a premium on maintaining at least a semblance of cooperation among the Council members. So the US and UK raised corruption worries at several points in the Committee, but could not or would not press them to the political breaking point.

Future Steps

One of the simplest fixes would be to waive the unanimity rule in Security Council sanctions committees when it comes to initiating an independent review of abuse or malfeasance charges related to the implementation of a Council-authorized sanctions regime. For example, such a request to the President of the Council by the Secretary-General or any three of its fifteen members might automatically trigger such a probe.

Second, the Security Council could consider establishing a standing panel of independent experts a) to help monitor the implementation of Council-mandated sanctions regimes, b) to evaluate abuse complaints from the Secretariat or independent sources, c) to report to the Council worrisome developments, and/or d) to carry out more in-depth investigations as requested by the Council under the modified rules outlined above. It would probably make sense to set up such a core group on a generic and as-needed basis, with specialists with regional or sectoral expertise added as required to cover specific sanctions regimes.

Third, as standard procedure, Security Council resolutions establishing sanctions regimes should specify that the state or party being sanctioned should have no control over any aspect of the sanctions regime, including related humanitarian programs. Clearly their interests do not coincide with those of the Council in such cases.

Fourth, the Security Council should consider ways in which to bring greater transparency and accountability to the proceedings of its sanctions committees. The ultimate responsibility for the implementation of the Iraqi sanctions lay with the 661 Committee, whatever mistakes or malfeasance on the part of the Secretariat are uncovered by the ongoing probes.

Both sides of this sorry equation need to be pursued with equal vigor. A half-fix will not do when the world is sorely in need of integrity as well as leadership, and when the resolution of pressing issues requires higher standards of cooperation between governments and international bodies. The efforts of your Sub-Committee, Mr. Chairman, will hopefully represent an important step in that direction.