

COMPARISON OF ESTIMATES OF ILLICIT IRAQI INCOME DURING UNITED NATIONS SANCTIONS

TABLE

Comparison of Estimates of Illicit Iraqi Income During United Nations Sanctions

(Amounts in Millions)

	Coalition for International Justice		GAO	ISG Report	US Senate PIC
	Sep-02	16-Jun-04			
Protocol & Smuggling Revenue					
Revenue prior to the Programme	<i>(1994-1996)</i>			<i>(1991-1996)</i>	
Jordan	\$ 699	¹		\$ 2,220	¹⁴
Turkey	99	²		-	
Iran/Gulf	117	³		-	
Private Sales	70	⁴		180	¹⁵
<i>Sum prior to the Programme</i>	<u>985</u>		<i>Not estimated</i>	<u>2,400</u>	\$ 3,900 ²³
Revenue during the Programme	<i>(1997-2002)</i>			<i>(1997-2003)</i>	
Jordan	1,654	⁵		2,226	¹⁶
Turkey	2,126	⁶		710	¹⁷
Syria	2,234	⁷		2,814	¹⁸
Egypt	-			33	¹⁹
Iran/Gulf	1,714	⁸		-	
Private Sales	595	⁹		1,022	²⁰
<i>Sum during the Programme</i>	<u>8,323</u>		<u>5,700</u> ¹¹	<u>6,805</u>	<u>9,700</u> ²⁴
Total Protocol & Smuggling Revenue	9,308		5,700	9,205	13,600
Programme-Related Revenue					
Surcharges on Oil Sales	275	¹⁰	859	229	²¹ 241 ²⁵
Kickbacks on Humanitarian Purchases			3,541	1,512	²² 4,400 ²⁶
Substandard Goods					2,100 ²⁷
Northern/Kurdish Area Purchases					405 ²⁸
Investment Income on Illicit Income					403 ²⁹
Total Programme-Related Revenue	\$ 275		\$ 4,400	\$ 1,741	\$ 7,549
Total Estimated Illicit Iraqi Income	\$ 9,583		\$ 10,100	\$ 10,946	\$ 21,149

Sources: Coalition for International Justice, "Sources of Revenue for Saddam & Sons" (Sept. 2002); United States General Accountability Office, "Weapons of Mass Destruction U.N. Confronts Significant Challenges in Implementing Sanctions against Iraq" (May 2002); "United Nations Observations on the Oil for Food Program and Iraq's Food Security" (June 16, 2004); Iraq Survey Group, "Comprehensive Report of the Special Advisor to the DCI on Iraq's WMD" (Sept. 30, 2004); United States Senate Permanent Subcommittee on Investigations - Committee on Governmental Affairs, "Methodology for Estimate of Total Illicit Iraqi Income During UN Sanctions (1991-2003)" (Nov. 15, 2004).

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General Note – With the exception of the Coalition for International Justice, the notes below provide an abbreviated version of the bases for the estimates as they are described by the authors of the estimates. The Coalition for International Justice descriptions are quoted directly. For the complete description of assumptions and methodologies, please refer to the respective sources as cited below the Table.

Coalition for International Justice (Notes 1 - 10)

Note 1 - Estimated.

Estimated Volume and Price

“Figures for imports and exports of goods are taken from Jordanian Department of Statistics and converted from [sic] Jordanian dinar to dollars. http://www.dos.gov.jo/dos_home/home_e.htm.”

Note 2 - Estimated.

Estimated Volume and Price / Diesel

“[T]he average yearly price of oil was taken from ‘US Department of Energy, Cost of Crude Oil Imports, Persian Gulf Nations.’ From this figure, we calculated from press accounts that the Iraqi government received \$2.5/bbl. From the remainder we calculated that the Kurdish companies took 60 percent, Uday’s companies 40 percent. KDP government taxes are calculated at 3 cents per bbl. The Turkish companies (truckers and retailers largely based in the Southeast) received 18 cents per liter until 1999, when the Turkish government began taking 4 out of the 18 cents, leaving the companies a 14-cent profit. These percentages and bpd were taken from published estimates. Total revenue is much more than the world price, as it includes revenue to the truckers and retailers that would otherwise have gone to the Turkish government in the form of taxes.”

Note 3 - Estimated.

Estimated Volume and Price

“Barrels per day are calculated from press reports based on US officials and oil industry analysts. To figures for smuggling by sea, another 20,000 bpd have been added to account for oil trucked into Iran. Iran’s cut has been estimated at \$6/bbl for the trucked oil (on par with other neighboring states), and \$5 for oil smuggled by sea. (Press accounts usually cite \$7/bbl or \$50/ton; however, not all the oil smuggled by sea goes through Iranian waters.) Smugglers include foreign partners for the trade by sea only, and here the authors have put a figure of \$2/bbl.”

Note 4 - Estimated.

Estimate Revenue

“Figures are based on published estimates. IJLTC [Iraqi-Jordanian Land Transport Company] figures are also included in The Tankers to Jordan section above. For some sources, such as the ISLTC [Iraqi-Syrian Land Transport Company], insufficient data make it all but impossible to produce useful estimates. Estimated income on Saddam’s international investments portfolio has also been omitted.”

Note 5 - Estimated

Estimated Volume and Price

“Figures for imports and exports of goods are taken from Jordanian Department of Statistics and converted from [sic] Jordanian dinar to dollars. http://www.dos.gov.jo/dos_home/home_e.htm...Figures for 2001 and 2002 also include an extra 25,000 bpd outside of the trade protocol. For this oil \$6 a barrel was added for Jordan, the rest (world price minus six), to Iraq.”

Note 6 - Estimated

Estimated Volume and Price / Diesel

“[T]he average yearly price of oil was taken from ‘US Department of Energy, Cost of Crude Oil Imports, Persian Gulf Nations.’ From this figure, we calculated from press accounts that the Iraqi government received \$2.5/bbl. From the remainder we calculated that the Kurdish companies took 60 percent, Uday’s companies 40 percent. KDP government taxes are calculated at 3 cents per bbl. The Turkish companies (truckers and retailers largely

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Estimated Volume and Price / Crude

“Crude price is the same as above [Estimated Volume and Price / Diesel]; the Turkish Government received \$6/bbl. The remainder went to the Iraqi and KDP governments, but the authors have not found any estimates of how those numbers break down, nor is it clear whether the KDP government also extracts taxes on the crude trade. The Turkish company figure is based on transport costs of \$8.90/ton, or about \$1.2/bbl, taken from press accounts.”

Note 7 - Estimated

Estimated Volume and Price

“Figures based for 2000 (November–December only) and 2001 on an average of 150,000 bpd through the pipeline and 30,000 bpd of fuel transported by truck or rail. For 2002, 200,000 bpd through the pipeline and 30,000 bpd by truck or rail. The figures are based on Syria receiving \$6 per barrel (upper range of published estimates), Iraq the balance.”

Note 8 - Estimated.

Estimated Volume and Price

“Barrels per day are calculated from press reports based on US officials and oil industry analysts. To figures for smuggling by sea, another 20,000 bpd have been added to account for oil trucked into Iran. Iran’s cut has been estimated at \$6/bbl for the trucked oil (on par with other neighboring states), and \$5 for oil smuggled by sea. (Press accounts usually cite \$7/bbl or \$50/ton; however, not all the oil smuggled by sea goes through Iranian waters.) Smugglers include foreign partners for the trade by sea only, and here the authors have put a figure of \$2/bbl.”

Note 9 - Estimated.

“Figures are based on published estimates. IJLTC [Iraqi-Jordanian Land Transport Company] figures are also included in The Tankers to Jordan section above. For some sources, such as the ISLTC [Iraqi-Syrian Land Transport Company], insufficient data make it all but impossible to produce useful estimates. Estimated income on Saddam’s international investments portfolio has also been omitted.”

Note 10 - Estimated.

No description is provided.

General Accountability Office (Notes 11 - 13)

Note 11 - Estimated

GAO did not provide estimates for the pre-Programme period. GAO did provide estimated amounts for the period from 1997 through 2002. Oil smuggling is based on estimated volumes of unapproved trade via Jordan, Turkey, Syria, and the Persian Gulf. Volumes for each country are GAO estimates based on discussions with officials of EIA, Cambridge Energy Research Associates, the Middle East Economic Survey, and the private consulting firm Petroleum Finance.

Estimated Volume for Jordan: Based on initial estimate of 75,000 bpd in 1992, increased each year at a rate of 2,000 bpd reaching 85,000 bpd by 1997.

Estimated Price for Jordan: Based on \$/bbl for Iranian Light discounted by 9% for the quality differential and further discounted by 66%. For example, if the Iranian Light price were \$20/bbl, oil would be sold to Jordan at ~\$6/bbl = [(\$20/bbl) x (91%) x (33%)].

Estimated Volume for Turkey, Syria and the Persian Gulf: Based on Energy Information Administration estimates of total Iraqi oil production less estimates of Iraqi domestic consumption less oil sales through the Programme less estimates of oil sold to Jordan. Oil sales through Syria did not begin until 2000.

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Estimated Price for Turkey, Syria and the Persian Gulf: Based on price/bbl for Iranian Light discounted by 9% for the quality differential and further discounted by 33%.

Note 12 - Estimated.

Estimated Volume: Based on number of barrels sold under the Programme from 1997 through 2002 (adjusted from phases to calendar years).

Estimated Surcharge Percentage: Uses estimate of \$0.25 per barrel.

Note 13 - Estimated.

Beneficiaries of Kickbacks – The Iraqi Regime, local Iraqi officials, and any other entity/individual the supplier was required to pay.

Relevant time frame: Entire Programme period through 2002 based on premise that in addition to the Iraqi Regime's 10% program, local officials were receiving kickbacks during the entire Programme.

Estimated South/Central Humanitarian Purchases: Based on letters of credit for 59% account purchases.

Estimated Kickback Percentage: Multiplies Iraq's letters of credit for commodity purchases by 5% for 1997 and 1998, and 10% for 1999 to 2002.

Iraq Survey Group (Notes 14 - 22)

Note 14 - Estimated

Estimated Volume and Price:

- For 1991-1995, estimates revenues of \$400 million per year. Based on \$200 million per year of oil for trade from Jordan and \$200 million per year for debt extended by Jordan to Iraq for additional goods purchased by Iraq during this period.
- For 1996, uses the Protocol trade figures cited in press and other reporting of \$220 million.

Note 15 - Estimated.

Estimated value of cash and barter trade of oil and goods that is based on observed oil export trends in 1997-1998 and incorporates an assessment of the development of Iraq's illicit capabilities.

Note 16 - Estimated and Actual.

Estimated Volume and Price:

- For 1997-1998, used the Protocol trade figures cited in press and other reporting of \$255 million for each year.
- For 1999-2001, used estimates based on SOMO invoices to Jordan for oil sales adjusted down by 30% to estimate actual collections.
- For 2002-2003, based on SOMO actual collections for oil sales under the trade Protocol and 60/40 arrangements.

Note 17 - Actual.

Volume and Price: Based on SOMO actual collections for oil sales for 2000-2003. Exports to Turkey prior to 2000 are included in "Private Sales."

Note 18 - Actual.

Volume and Price: Based on SOMO actual collections for oil sales for 2000-2003. Exports to Syria prior to 2000 are included in "Private Sales."

Note 19 - Actual.

Volume and Price: Based on SOMO actual collections for oil sales. All but \$1 million was earned in 2002.

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Note 20 - Estimated and Actual.

Estimated Volume and Price

- For 1997, based on the same assumptions used for 1991-1996. See Note 15.
- For 1998-2003, based on SOMO actual collections for cash transactions and the invoice value for barter trade.

Note 21 - Actual.

Based on SOMO actual collections for surcharges on oil sales from 2000-2003. The surcharge program did not exist prior to 2000.

Note 22 - Estimated.

Beneficiary of Kickbacks – Iraqi Regime

Relevant time frame: From 2000-2003 based on premise that Iraqi Regime's kickback program did not exist prior to 2000.

Estimated South/Central Humanitarian Purchases: Estimated as 10% of the value of the humanitarian contracts signed by the Iraqi Regime during Programme Phases VII to XI. Estimated value of humanitarian contracts for each phase by calculating the ratio of oil sold during each phase to the total oil sold under the Programme, and applying the ratio to the total estimated value of humanitarian contracts. Phase VII is used in the calculation to incorporate the impact of an assumed lag between oil earnings and humanitarian spending. Phases XII-XIII are not used in the calculation because it is assumed that oil sales from those two phases remained unspent.

Estimated Kickback Percentage: For 2000-2003, uses 10%.

[United States Senate Permanent Subcommittee on Investigations \(Notes 23 - 29\)](#)

Note 23 - Estimated.

Estimated Volume: Uses GAO projection model of total production of oil less internal consumption to estimate the total volume of smuggled oil.

Estimated Price: Based on historical average price of Iranian Light from 1980-1990, adjusted by 102% to estimate 1991 prices. Subtracted two percentage points per year from the adjustment factor for each subsequent year to reflect the degradation of oil infrastructure and the loss of quality of Iraqi oil.

Inflation Adjustment: Amounts are presented in 2003 dollars.

Note 24 - Estimated.

Estimated Volume: Uses GAO projection model of using total production less internal consumption less sales through the Programme to estimate the total volume of smuggled oil, including any "topping off" activity within the Programme. PIC estimates also include oil sold for 2003.

Estimated Price: Based on "implicit" Iraqi price/bbl, which it calculates as total Programme revenues per year divided by total volume sold that year. Notes that in 1999 the calculation results in "negative smuggling," i.e., more oil is smuggled than is available for sale. This result is described as possibly being attributed either to faulty data or a change in domestic consumption. Therefore, smuggling estimates for that year are much lower than for other years.

Inflation Adjustment: Amounts are presented in 2003 dollars.

Note 25 - Estimated.

Estimated Volume: Estimate of barrels sold in 2000, 2001, and 2002 (by converting from phases to years) is reduced by 25% to adjust for estimate of barrels sold without a surcharge.

Estimated Surcharge Percentage: Estimated weighted average surcharge is \$0.10, \$0.28, and \$0.19 per barrel for 2000, 2001, and 2002, respectively, based on SOMO documents.

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Inflation Adjustment: Amounts are presented in 2003 dollars.

Note 26 - Estimated.

Beneficiaries of Kickbacks – Iraqi Regime, local Iraqi officials, and any other entity/individual that the supplier was required to pay

Relevant time frame: Entire Programme period based on premise that in addition to the Iraqi Regime’s 10% program, local officials were receiving kickbacks during the entire Programme.

Estimated South/Central Humanitarian Purchases: Based on letters of credit extended by the United Nations into the 59% account.

Estimated Kickback Percentage: Deviates from the GAO estimates to incorporate estimated commissions charged and pocketed by junior officials in addition to those charged by the Iraqi Regime

- For 1997-1998, uses 10%
- For 1999-2000, uses 12.5%
- For 2001-2003, uses 10%.

Inflation Adjustment: Amounts are presented in 2003 dollars.

Note 27 - Estimated.

Source: Anecdotal information that substandard goods were a problem under the Programme is based on representations of former Iraqi Regime officials, the United Nations officials, United States Government officials, and reports by the Defense Contract Audit Agency and the Defense Contract Management Agency.

Estimated Total Purchases: Uses \$42 billion as the total humanitarian purchases under the Programme.

Estimated value of humanitarian goods that were substandard: Uses 5% of the Programme’s humanitarian purchases. Based on the assumption that humanitarian aid projects in post-conflict situations suffer from spoilage or substandard equipment issues of approximately 1% of the cost of humanitarian aid adjusted to an average of 5% to account for a premium for “active Iraqi corruption.”

Inflation Adjustment: Amounts are presented in 2003 dollars.

Note 28 - Estimated.

Source: Anecdotal information that a variety of questionable activities related to procurement of bulk goods by the former Iraqi Regime were particularly vulnerable to pricing irregularities and kickbacks. This is based on representations of Kurdish Government, officials of the Defense Contract Audit Agency, and other US Government officials.

Estimated purchases for Northern Iraq: Uses \$8.1 billion as the total humanitarian purchases allocated for the Northern Kurdish areas.

Estimated illicit revenues: Uses 5% of the amounts allocated for the Northern Kurdish areas.

Inflation Adjustment: Amounts are presented in 2003 dollars.

Note 29 - Estimated.

Estimated Income from Illicit smuggling, surcharges and kickbacks: Uses estimate by United States Department of Treasury of amount of Iraqi assets outside of Iraq that were frozen in 1991, totaling \$6 billion. Estimates that 75% of these funds were placed in overseas banks in interest-bearing accounts.

Estimated rate of return: Uses a 1.28% annual rate of return (based on interest rates in Switzerland) to estimate interest earned from 1997 – 2003.

Inflation Adjustment: Amounts are presented in 2003 dollars.