

MIC Front Companies

The MIC used front companies to accomplish those business transactions it could not conduct amid UN scrutiny. Front companies handled the tasks of smuggling oil, funneling UN OFF revenues, and importing weapons and dual-use materials sanctioned by the UN. The MIC formed many of these companies in 1991 to bypass UN sanctions and spread the transfer of funds through a wider variety of companies to avoid international attention (for a full list see Annex K: Suspected Front Companies Associated With Iraq).

- The MIC operated three primary procurement front companies that were critical to Iraq's clandestine import activities: Al-Basha'ir, Al-Mafakher, and ARMOS.
- These companies also had a close association with the IIS and used connections that the IIS had in foreign countries to procure goods.
- The IIS was also heavily involved in the operation of these companies by having IIS personnel in middle and upper management and in security operations.

The most important of these companies was Al-Basha'ir, which was formed by Husayn Kamil and managed by Munir Mamduh Awad al-Qubaysi. The companies ARMOS and Al-Mafakher were created later by the head of MIC, Abd al-Tawab Mullah Huwaysh, to help facilitate competition among MIC front companies in importing banned goods and to improve productivity. Apparently, Huwaysh deemed these companies to be so important to MIC that around 1998 he moved responsibilities for the companies from one of his deputies to the Commercial Directorate. This allowed him to exert greater control over the operation of the companies, according to a former Regime official.

- There was a large network of international companies and banks with which these front companies traded. Some were merely banks or holding companies, primarily in Syria and Jordan that purchased items from the manufacturer and acted as cutouts before sending the items to Iraq under false documents.

The networks of these companies still exist through their former employees, even as the old offices now stand empty. The owners and employees of former front companies may be seeking to become a part of the post-Saddam Iraqi business community.

Bidding Process With MIC Committees. According to a former civil engineer, the MIC bidding process began when a MIC facility generated a requirement, called a tender. There were two kinds of tenders, regular or invitation.

- Regular tenders were open and could be bid upon by any contractor or private company approved by MIC security, including foreign contractors.
- Invitation tenders were issued when specialty items were required that could only be supplied by specific companies. In addition to MIC security approval, it is most likely the IIS and/or MFA also vetted these companies. The invitation tenders were issued directly to company agents in Iraq and Jordan, not to the foreign companies directly.
- This approval process was a result of Iraqi officials' concerns over foreign companies with hidden connections to Israel. According to captured documents, the MIC blacklisted a Bulgarian company because a Russian-Israeli businessman owned it.

Interested foreign and domestic supply companies then offered bids for the tenders through the MIC legal department. The MIC Procurement Committee, an informal seven-member panel, selected the best bid based on the offered price and the preference rating of the particular supply company. After a tender was awarded to a specific supplier, the MIC facility that originated the tender passed the contract to a MIC trading company such as Al-Basha'ir, ARMOS, or Al-Mafakher. These companies worked through the approved supplier to conduct the actual procurement.

The Al-Basha'ir Trading Company. The MIC established the Al-Basha'ir front company in 1991. The company's names has been discovered on hundreds of contracts for weapons and dual-use materials, as well as legitimate day-to-day goods and supplies. The company traded in items such as construction materials, foodstuffs, and power generators to cover

its real activity, which was coordinating with neighboring countries to facilitate the purchase of illicit military equipment. The company was headed by Munir Mamduh Awad al-Qubaysi, a former 15-year employee of the IIS. Because of his connections, relations between Al-Basha'ir and the IIS were especially close from the time he became Director of the company in the late 1990s.

- **Contrary to some sources, Al-Basha'ir was owned and operated by the MIC.** Al-Qubaysi's history with the IIS and the fact that many other members of the Al-Basha'ir staff were also IIS officers, led many to assume Al-Basha'ir was an IIS front company.
- The last chairman of Al-Basha'ir's board of directors was the head of the MIC's Administration and Finance Directorate, Raja Hasan Ali Al-Khazraji.

ISG judges that several Regime members exerted varying degrees of influence over the Al-Basha'ir procurement process. There is, however, conflicting reporting of who was in control of Al-Basha'ir procurement. Several sources have stated that it was the MIC Director, Abd al-Tawab Mullah Huwaysh. Reportedly, Qusay Saddam Husayn al-Tikriti and a committee comprised of senior officials of the SSO met with Al-Basha'ir trustees to direct the procurement of prohibited materials and to authorize payments.

- Trustees included al-Qubaysi, Jasim Ahmad Hasan, and Muhammad Salih Abd al-Rahim. Qusay and his advisers would tell the Al-Basha'ir trustees what items they wanted purchased about twice a month.
- Qusay made all final decisions on procurement and expenditures.
- Prior to Qusay, Husayn Kamil, Saddam Husayn's, son-in-law held this position.

Al-Basha'ir participated in the bidding process for the MIC by splitting the company into foreign and domestic sections. The split allowed Al-Basha'ir to increase its ability to communicate within the company and its offices abroad and for the import of military and security-related equipment. One set of

documents would show the actual items to be procured and then the Al-Basha'ir trustees would prepare a second set of procurement documents with benign end-use items to conceal the true nature of the illicit activity.

- For example, Al-Basha'ir described spare tank parts as air conditioning systems. Al-Basha'ir would then prepare the bank transfers for the seemingly innocuous items.
- One set of papers for the actual items were either given to the SSO, or in some cases taken to the homes of some of the Al-Basha'ir officials.
- The company would offer small contracts to the Iraqi companies, while large contracts would be based on a recommendation from the director of the IIS, 'Uday Husayn, Qusay, Vice President Taha Yasin Ramadan al-Jizrawi, or Saddam.

Al-Qubaysi was largely responsible for Al-Basha'ir's success, according to an Iraqi official with direct access to the information. He ran the company well and maintained a close relationship with the IIS. As a result of this relationship, Al-Basha'ir could use its IIS liaison, Majid Ibrahim Sulayman, to facilitate purchases with IIS field stations around the world.

Al-Qubaysi also had a close relationship to the Shalish family and with other prominent personalities in Syria, and he opened the connection with the SES International in Syria. Dr. Asif Shalish was head of the Syrian firm SES, while his uncle, Dhu Al-Himma 'Isa Shalish, owned the company and is the Chief of Presidential Security for his cousin, President Bashar al-Asad. Close relations with the Syrians allowed Al-Basha'ir to garner the bulk of the trade through Syria, which became the primary route for Iraq's illicit imports over the last years before the war.

- The SES and Lama companies are two of the major holding companies for Al-Basha'ir goods in Syria.
- Fifty-four percent of all MIC purchases through the Syrian Protocol were through Al-Basha'ir, according to captured SOMO documents.

The IIS used the Al-Basha'ir front company to facilitate a deal with the Bulgarian JEFF Company to obtain T-72 tank parts and Igla MANPADS, according to a former MIC senior executive. The goods were either flown to Baghdad under the guise of a humanitarian mission or they were delivered via Syria. If coming via Syria, illicit military goods typically arrived via the Latakia Port and then were then trucked to Iraq in SES company vehicles.

Information from contracts found and data derived from the records of the SOMO indicates that the Al-Basha'ir Company was also a major broker in Iraqi oil smuggling (see Figure 43).

- The Jordanian branch of Al-Basha'ir signed contracts for the export of oil and oil products from Iraq, according to SOMO records.
- SOMO records indicate Al-Basha'ir signed 198 oil contracts from November 1999 through March 2003. The contracts were for fuel oil, usually at \$30 per ton, and gas oil, usually at \$80 per ton. Almost all were for export by ship through the Arabian Gulf, although the destination of two contracts was listed as "North," which usually meant Turkey.
- The value of the contracts totaled \$15.4 million. This is the amount to be paid to SOMO. We do not have information about the amount of money Al-Basha'ir earned from the trade.

ARMOS Trading Company. ARMOS, a joint Iraqi MIC—Russian venture, was initially proposed by a Russian general named Anatoliy Ivanovich Makros. Makros, a former Soviet delegation leader in the 1980s, MIC, and IIS founded ARMOS in 1998. Makros' original scheme was to bring Russian technical experts into Iraq with cooperation from MIC and IIS through ARMOS. Despite the Russian ties, however, MIC officials dominated the company (see Figures 44 and 45).

- Dr. Hadi Tarish Zabun, head of the MIC Special Office, was chairman of the ARMOS Board of Directors.
- Siham Khayri al-Din Hassan, a Romanian-educated economist who had worked in the MIC Commercial Directorate, was the manager of ARMOS.

- Munir Mamduh Awad al-Qubaysi, manager of Al-Basha'ir, was also on the board of directors, along with a representative of the IIS M23 Directorate (MIC Security). (see the IIS procurement section of this chapter and the RSI IIS annex.)

ARMOS had a much smaller staff than Al-Basha'ir. But despite its size, the company achieved good results, according to an Iraqi official with direct access to the information. ARMOS conducted approximately 5 percent of the amount of business of Al-Basha'ir, but five times more than Al-Mafakher. In comparison to al-Qubaysi, however, Hassan wielded relatively little power.

- ARMOS served as the conduit for many Russian contracts, including contracts for aircraft engines for the Iraqi Air Force, according to another official.
- Captured documents show that ARMOS was involved in a deal to import MI-8 helicopter engines from Russia through Syria in 2001.

Captured documents detail an agreement in 2002 between Iraq and Russian experts, Mr. Shakhlov and Mr. Yusubov for the procurement of Russian missile technology and equipment in which ARMOS acted as a liaison between them. The documents also mention how the Iraqis used the Russian organization for victims of nuclear disasters as a cover for the operation. ***The use of a charitable organization in this transaction highlights the variety of methods used by the Iraqi front companies to conceal their activities.*** The contract reads, "as for the second party (the Russian Nuclear Disaster Victims Fund Institution) blockade imposed on Iraq will not be considered a forceful circumstance."

- The value of the contracts was for a total of \$600,000.
- Some \$100,000 for the Russian Standard Military Specifications system.
- Another \$500,000 for the Schematic Diagram System.

According to Huwaysh, although the company was organized primarily to do business with Russia, in 2002 the MIC granted ARMOS access to other potential markets, including Bulgaria and Ukraine. This new access was similar to that of Al-Basha'ir.

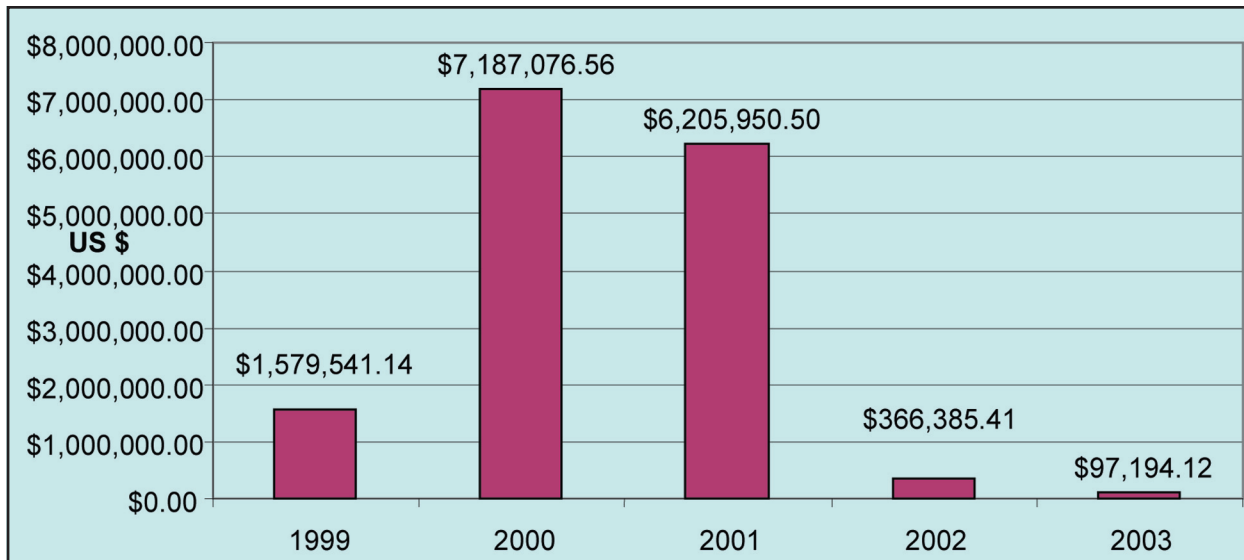


Figure 43. Value of Jordanian Al Bashair oil export contracts, 1999-2003.

<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p style="text-align: center;"> ARMOS TRADING Co. LTD. ARMOS شركة آرموس التجارية المحدودة </p> </div> <p>No. _____ Date _____</p> <p style="text-align: right;">الرقم: ٢٤٦١ التاريخ: ٢٠٠٢/١٠/١٥</p> <p style="text-align: center;">السيد / السيد / السيدة / السيدة</p> <p style="text-align: center;">مجموعة ماس الاقتصادية</p> <p style="text-align: center;">عمان</p> <p> استشارة رسالتكم بوقت ٢٠٠٢/٨/٢٠ بخصوص المنضم يتقدم عرض مع المواد الكيميائية المناقشة، ورفقت طياتها ان تطمن لاجابه بالرد المكنة وان تطمن عرضي السعر التناقص شكري وتقديري معاً ٣٠/١٠/٢٠٠٢ </p> <p style="text-align: right;">د. ساهم الدين خيري</p>	<p>In the Name of God, Most Gracious, Most Merciful ARMOS TRADING Co LTD</p> <p>Number: 2461 Date: 15 Oct 02. To: MAS Economic Group Subject: Bids</p> <p>With reference to your letter No. 4983, dated 20 Aug 02, kindly present your bid "price offer" for the chemical materials that appear in the enclosed list. We hope that we'll get a swift reply, and as fast as possible. A competitive bid "price offer" will be appreciated.</p> <p>We're grateful for your co-operation, which is quite appreciated.</p> <p>enc. / a list</p> <p>Dr. Siham-al-Din Khayri Al-'Ali</p>
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Figure 44. (a) Letter from the MIC front company ARMOS to MAS referencing chemicals and (b) translation (enclosed list of chemicals are shown in Figure 45).

CHEMICALS

- 1- Liquid fuel type mixed Amine-02 (T1-02)
B.P.:103C, F.P.: -72C,
Density at 20 C:0.835-0.855 gm/cm
Viscosity at 20 C:1.04 mm m2/see,
Vapor Pressure at 20C:33mm Hg
Xylidin by weights:48-51.5%
Tri Ethyl Amine by weight is:48-52%
Water content by weight is less than 0.45%
Qty: 100 Tons
Price: USD 8716.00/Ton
- 2- Liquid fuel type U.D.M.H., form $N_2H_2(CH_3)_2$
Unsymmetrical Di Methyl Hydrazine
Conc: 99%, B.P. 63.3C, F.P.: -57.6C
Density: 0.790 gm/cm
Qty: 50 Tons
Price: USD 27200.00/Ton
- 3- Liquid fuel type D.E.T.A., form $H_2N(CH_2)_2 N(CH_2)_2 NH_2$
Di Ethylene Tri Amine
Conc: 99%, B.P.: 206.7C, F.P.: -35C
Density: 0.950-0.954 gm/cm
Qty: 150 Tons
Price: USD 11900.00/Ton
- 4- Hydrogen Peroxide H_2O_2
Conc: 98%
Qty: 50 Tons
Price USD 70000.00/Ton
- 5- Hydrazin as a fuel (liquid)
Qty: 15 Tons per year (Hydrazin 97%)
Price: USD 115000.00/Ton

Figure 45. Chemicals for liquid propellant for sale by the MAS Economic Group to MIC.

- In May 2002, ARMOS was offered Bulgarian electro-chemical gun-barrel machining (ECM) from a Cypriot gray arms broker, Green Shield.

Al-Mafakher for Commercial Agencies and Export Company. The MIC established the Al-Mafakher for Commercial Agencies and Export Company, Ltd in 2001. Adil Nafik, a former Al-Basha'ir Deputy Director, managed Al-Mafakher. According to a former MIC employee, the company was considered ineffective, mainly because of its inefficient staff and the fact that it was a newly established business.

- Al-Mafakher was much smaller than Al-Basha'ir—with just six employees—and conducted only 1 percent of Al-Basha'ir's business.
- Al-Mafakher had investment abroad, including a 50-percent share in Elba House in Jordan and a 25-percent stake in a Tunisian company, possibly named Parabolica, which manufactured leaf springs for automobiles.

Iraqi Intelligence Service

Saddam used the IIS to undertake the most sensitive procurement missions. Consequently, the IIS facilitated the import of restricted dual-use and military goods into Iraq through Syria, Jordan, Belarus, and Turkey. The IIS had representatives in most of Iraq's embassies in these foreign countries using a variety of official covers. One type of cover was the “commercial attaches” that were sent to make contacts with foreign businesses, set up front companies, and facilitate the banking process and transfers of funds as determined and approved by the senior officials within the government (see MoT Section, Facilitating Illicit Trade through Commercial Attaches). In June 2002, two IIS employees were transferred to the MFA and sent to work at the Iraqi Embassy in Belarus under the cover title of “attache,” according to a letter written between the IIS and MFA.

- From 1994-1997, the IIS M19 Directorate of Commercial Projects used front companies to import prohibited items, according to reporting.
- A general order by Saddam in 1998 to collect technology with military applications led to the

formation of a committee consisting of the Presidential Secretary Abid Hamid Mahmud al-Tikriti, IIS Director Tahir Jalil Habbush al-Tikriti, MIC Director Abd al-Tawab Mullah Huwaysh, and the head of the Directorate of General Military Intelligence. This committee tasked Habbush to procure technologies when Huwaysh deemed the items to be of a sensitive nature.

- In 1998, after Saddam Husayn issued a general order for the use of IIS in developing new procurement relationships, the IIS dissolved M19 and transferred procurement efforts to the M4 Directorate of Foreign Intelligence who had more direct access, infrastructure, and developed relationships with foreign countries, according to multiples sources.

IIS Procurement Leadership and Mission

IIS Procurement under the direction of Tahir Jalil Habbush al-Tikriti (see Figure 46) was part of a collaborative effort headed by the MIC to obtain equipment, materials, and expertise for Iraq despite UN sanctions. In 1997, Saddam approved a MIC proposal to enlist IIS to develop new procurement, technology transfer, and technical assistance channels outside of Iraq. Within the IIS, primary procurement activities took place in the Scientific and Technical Information Office (M4/4/5).

- Prior to 1998, the IIS M-19 Directorate had both a Domestic Branch that dealt with Iraqi companies and a Foreign Branch that dealt with foreign trade, according to a former IIS officer with direct access. The Foreign Branch was headed by Sadak Shaban.
- In accordance with a 1997 mandate from Saddam to improve Iraq's missile capabilities, the MIC and IIS formed a joint effort to accomplish this goal, according to a senior MIC official. The participants included head of the IIS Scientific Intelligence Section and the head of the IIS, al-Tikriti.

The IIS officers stationed outside of Iraq were in a good position to carry out the mission of the MIC and IIS procurement without drawing the attention of the international community. IIS officers generally reported back to the Scientific and Technical

Procurement Leaders



Abd al-Tawab Mullah Huwaysh



Hadi Tarish Zabun ?



Tahir Jalil Habbush



Walid Hamid Tawfiq

In 1997 Abd al-Tawab Mullah Huwaysh became Minister of the Military Industrialization Commission (MIC), and he reinitiated links with the IIS to join forces on procurement. Dr. Hadi Tarish Zabun was an important player in the MIC in terms of granting contracts to Iraqi front companies as head of the “Special Office,” a staff section within the MIC. Director Huwaysh determined what items were needed and then Dr. Zabun acted as a liaison between the IIS and the MIC to secure and grant the contracts. According to Dr. Zabun the IIS controlled MIC security and MIC security controlled all visas, foreign travel, and permission to talk to foreign companies for all MIC employees. Tahir Jalil Habbush al-Tikriti as head of the Iraqi Intelligence Service (IIS) was in charge of placing IIS officers in locations internal and external to Iraq. This facilitated the development of business relationships with foreign countries purchasing prohibited goods for Iraq. The IIS had its own security; however, there is evidence that the Special Security Organization (SSO) headed by Walid Hamid Tawfiq al-Tikriti provided security for goods from the Iraqi border to the end users in Iraq in 1997, according to sensitive reporting.

Figure 46. IIS procurement leadership.

Intelligence Section, designated M4/4/5. Dr. Zabun’s “Special Office” cooperated closely with M4/4/5 to find sellers of the sensitive materials and equipment sought by MIC. M4/4/5 desk officers worked closely with IIS officers in overseas stations to find the suppliers. Desk officers had specific country responsibilities.

- After reorganizing the M19 Directorate into the M4/8 Division in 1998, the IIS operated several front companies in Syria, according to a former high-ranking IIS officer. The Director of M4/8 was Hasan al-’Ani.
- Dr. Zabun coordinated the entire MIC—IIS business dealings, with much of the coordination occurring directly between the Director of M4/4/5 and Dr. Zabun.
- For example, one officer was responsible for all Syrian and Bulgarian procurement; another was responsible for Russian and Yugoslav procurement, while others handled actions with North Korea, Egypt, and elsewhere. Directives and other communications with the IIS stations in embassies abroad were transported via diplomatic pouch.

- The IIS, along with an Armenian-Iraqi named Ohanes Artin Dosh, established a front company in Switzerland with several subsidiaries, according to a high-ranking Iraqi official with direct access. Jaraco SA, a firm operated by Esfandiar and Bahman Bakhtiar was another IIS Front Company. The Iraqi Government gave the Bakhtiars 150,000 Swiss francs to establish this company. An unwritten agreement allocated equal shares of Jaraco to the IIS and to the Bakhtiars.

In some instances the sensitivity of the relationship between Iraq and the foreign country was such that it was easier for the company to set up a branch within Iraq to broker deals rather than for Iraq to operate within the foreign country. Most reporting suggests that IIS did place officers in foreign countries to operate companies; however, one former IIS officer with direct access stated that the IIS dealt with foreign companies through branches located in Iraq and exploited the employees of these companies.

- According to a high-level MIC official, Neptun Trading Company had an office in Baghdad up until OIF. An alleged Russian military intelligence

officer suggested Neptune would be a good company for the IIS to cooperate with to supply the Iraqi army with Russian items. Colonel Yevgeniy Turskiy, a Russian Military Attache to Iraq directed the company in Baghdad. A source from the DMI Section 6 stated that Neptun was run by Russian intelligence and was a cover company run out of the Russian Embassy in Baghdad.

IIS M16 Directorate of Special Logistics. The IIS M16 Directorate of Criminology has been a major concern to ISG because of its work with poisons and toxins. ISG does not know the full scope of M16's activities, and we do not know the degree to which the Technical Consultation Company's procurement efforts contributed to these activities. There is conflicting evidence that suggests M16 did procure banned items for its labs through illicit channels. The Director of M16, Nu'man Muhammad al-Tikriti, and other reports suggest that M16 was only involved in research and development and that it did not possess prohibited chemicals after 1997, according to multiple sources.

- In late 2001 or early 2002, IIS M16 Officer Khalid 'Alawi met the director of M4/4/5 to discuss procuring goods, including equipment used to analyze chemical materials. M4 was unable to obtain the equipment, and it was never delivered to M16.

IIS Procurement Cooperation with Foreign Intelligence Services

IIS also used its connections within foreign government intelligence services to facilitate the transfer of illicit goods into Iraq. Before the end of 2000, the Iraqi and Syrian Ministers of Transportation met to establish the Iraqi Organizing Office in the Syrian port of Tartus to facilitate the shipment of goods to Iraq via land, according to a former IIS officer with direct access. The operating manager was an IIS officer from the M5 Syria Directorate. The predecessor of the Iraqi Organizing Office was the Al-Noras Company operated by Muhammad Talad al-'Isa and a Syrian intelligence officer. Iraq used this arrangement to deliver heavy equipment transport vehicles, but ISG did not detect any weapons shipments.

- In 1999, secret exchanges occurred after Iraq sent intelligence delegates from the IIS, represented by Abid Hamid Mahmud al-Tikriti, the MIC, and the Presidential Bureau to Syria. The discussions

yielded an agreement that Syria would facilitate the transportation of material coming to Iraq by changing shipping documents to make the military equipment look like ordinary civil items, as well as changing end-user certificates to the Syrian Ministry of Defense.

- Iraq had contracts with a Belarusian company—Belmetalenergo (BME)—and a joint Russian-Belarusian firm—Electric-Gaz-Com (EGC)—to import missile technology, parts and expertise. All contracted goods with Belarus were sent through Syria. The SES International would implement contracts for transportation of the goods to Iraq under the protection of Syrian intelligence for a fee of 10 percent of the contract price.

Items Procured by the IIS

In accordance with Saddam's instructions to MIC Director Abd al-Tawab Mullah Huwaysh, the MIC-IIS relationship was formed to support to Iraq's various missile programs. Although missile programs may have been the reason for the cooperative effort, the IIS also procured for the telecommunications industry, scientific research and development community, and the military. The following are examples of IIS deals that involved the procurement of such items:

- In February 2003, Saddam ordered Al-Basha'ir Head Munir Mamduh Awad al-Qubaysi, Al-Milad Company Director General Sa'ad Abbass, and IIS M4/4/5 procurement officer for Syria and Bulgaria Majid Ibrahim Salman al-Jabburi to travel to Damascus, Syria to negotiate the purchase of SA-11 and Igla surface-to-air missiles, according to a source with good access. This team negotiated with 'Abd al-Qadir Nurallah, manager of the Nurallah Company, to purchase the missiles from a Bulgarian firm, to provide end-user certificates, and to ship the weapons to Iraq.
- In mid-2001, the Technology Transfer Department of the IIS procured between 10 and 20 gyros and 20 accelerometers from a Chinese firm for use in the Al-Samud ballistic missile, according to a former high-ranking official in the MIC. At approximately the end of 2001, the IIS also arranged for Mr. Shokovan from China to teach a course on laser and night-vision technology.

- The IIS completely controlled all procurement from North Korea, according to a senior MIC official. Iraq signed a contract with North Korea to add an infrared-homing capability to the Volga missile to provide jamming resistance in 1999. Iraq also sought to improve the accuracy of its Al-Samud and Al-Fat'h ballistic missiles by obtaining inertial navigation systems, gyros, and accelerometers from North Korea. The IIS also completely controlled procurement via a Russian and Ukrainian company named Yulis that supplied small arms, Kornet anti-tank guided missiles, and night-vision equipment between 1999 and 2000.
- Iraq sought assistance from the Russian company Technomash in developing a test bench for missile engines, missile guidance and control systems, and aerodynamic structures. The ARMOS Company signed a contract with a company in Poland to obtain Volga missile engines. The IIS completely controlled this transaction, which sought approximately 250 Volga engines.
- The IIS facilitated a visit by a delegation from the South Korean company Armitel, and contracts were signed to procure fiber-optic equipment for military communications between 1997 and OIF, according to a former MIC senior executive. The contracts were valued at \$75 million, and Iraq received more than 30 containers during two shipments, the first via Syria and the second via Lebanon. Middle companies in Syria and the UAE covered these contracts.
- From 2000 until OIF, the IIS used the MIC Al-Basha'ir front company to facilitate a deal with the Bulgarian JEFF Company to obtain T-72 tank parts and Iгла MANPADS, according to a former MIC senior executive.

IIS Front Companies

The IIS ran a number of front companies that were used to procure specialized items for its own use and for other security elements. The primary IIS Directorate handling these transactions was the M4/8 Directorate, previously known as the M19 Directorate. As of 1994, M4/8 was organized into three different sections, the domestic section, the foreign section, and the trading section (for more information on the IIS structure see the RSI IIS annex).

The Domestic Section, also known as Section One, was primarily responsible for creating front companies inside Iraq and facilitating trade with these companies to import/export oil, batteries, copper and food products. Section One also maintained front companies in the restaurant and retail businesses on behalf of the IIS Directorate of Counterintelligence (M-5). These M-5 front companies included the Al-Zaytun and Al-Amhassi restaurants (see Figure 47). Although M-5 owned these business establishments, they were leased to Iraqi nationals who were not associated with the Iraqi Government. Section One managed a total of eight companies within the trade, travel, and hauling industries, but as of June 2003, Al-Dala and Al-Yarmuk travel companies were the only front companies still operating in Baghdad.

The Foreign Section, also known as Section Two, conducted covert trade with overseas companies. Sadiq Sha'ban was the director of this section from 1994 to 1995 Salih Faraj was director in 1995, Sadiq Sha'bi from 1995 to 1997, and Husayn al-Ani from 1997 to 2003.

The Trading Section, also known as Section Three, dealt with the import and export computers, electronic equipment, listening devices, copper, and industrial products for use within the IIS and other government agencies. Starting in 1995, this section, while it was housed within the Projects Department, operated directly under the management of the IIS General Director. According to a former high-level official at the IIS, Walid Hadi, who served as the section's director from 1989 until 2003, basically became a figure-head from 1995.

In 1997, M-19 Director Mana 'Abdallah Rashid ordered a halt to all the activities of Section Two, because of the failure of one of the sections companies to deliver spare parts, tires, batteries, electronic equipment, and vehicles to the Office of the Presidency. During this same period, Hassan Khushnaw, the manager of a Section One front company, Al-Wadi Al-Akhdad Trading, was caught attempting to smuggle copper out of Iraq. Khushnaw was subsequently arrested and jailed, along with the previous director of M-19, Sami Hanna. These incidents resulted in the permanent closure of the companies, except for Al-Yarmuk and Al-Dala. Sections One and Two were removed from M-19 and placed within the Counterespionage Directorate (M-5) and Directorate of Secret Service (M-4), respectively (see Figure 48). Section Three remained under the IIS Director's office.

Name of the IIS Front Company	Management
General Trade	
The Mudiaf Company	Hikmat Isma'il al-Ani
Al-Wadi Al-Akhab Company	Zukar 'Aziz
Al-Mansurah Company	Muhammad Yansim Al-Dayh
Al-Awabi Company	Awajadi Isma'il
Al-Nid	Ghalib 'Abd Al-Nasir
	Al-Wasel & Babel
Travel	
Al-Yarmuk	Yusif Narmus
Al-Dala	Kadum Al-Dulaymi
Al-Huda Religious Tourism Company	
Restaurants	
Al-Zaytun	Al-Amhassi
Transportation	
Al-Riyadh	Walid Khalid
IIS Companies in Syria	
	Al-Riat
	Al-Manuria
	Al-Enbuah

Figure 47. IIS front companies.

Directors of M-4/8 (M-19) Special Project Department	
1989-1990	'Abid Sattar al-Janah
1990-1991	Khalaf Al-Duylami
1991-1992	Sami Hanna
1992-1994	Mudafar 'Abd al-Karim
1996-1997	Bashir Khalifa

Figure 48. Special Project Department M-4/8 (M19) directors.

- The term “Trade Office” was used internally, but when dealing with the outside world, the name “Technical Consultation Company” was used.
- The Trade Office fell organizationally under Khudayir al-Mashadani, the head of the Special Office, M1, but Walid Hadi reported directly to Tahir Jalil Habbush al-Tikriti, the head of the IIS, according to an Iraqi official.

The M4/8 directorate operated several front companies in Syria. To manage these companies, the directorate was broken down into three sections, including commercial, accounting, and liaison sections. The liaison section coordinated activities between the commercial and the accounting offices. Some of the cover companies operated by the directorate included Al-Riat, Al-Manuria, and Al-Enbuah.

The IIS used companies that had contact with the outside world as a means of collecting foreign contact intelligence. The organization owned and operated a front company called Al-Huda Religious Tourism Company. Al-Huda was also known as the Al-Dhilal Religious Tourism Company, and was established after the conclusion of the Iran-Iraq war and subsequent exchange of prisoners.

- The company’s ostensible purpose was to transport religious tourists to holy places in Iraq, such as Samara, Karbala and Najaf.
- The IIS created the company as a way to gain access to the Iranian tourists once they were within Iraq and collected information through casual illicitation.
- All of the employees of the company were IIS employees.

Special Security Organization

ISG has found little evidence that the SSO was used to procure WMD materials, prohibited or dual-use goods. This finding is consistent with the SSO’s mission of domestic only operations and inherent primary mission of securing Regime sites and leaders and monitoring the citizenry to ensure loyalty. The SSO associated laboratory, the Food Examination and

Analysis Laboratory (FEAL), conducted food stuff testing but there is no evidence to date that FEAL used illicit channels to procure equipment for Iraq.

- Amir Ibrahim Jasim al-Tikriti, a member of the SSO and a relative of Saddam, was sent to Poland in 2000 to work on his doctorate in mathematics. Although there he procured Volga engines and batteries on behalf of the IIS for Iraq, according to claims. The same source stated that this procurement relationship was largely a result of Amir’s relationship to Saddam and not because of his SSO affiliation.
- After Abd al-Tawab Mullah Huwaysh became MIC Director in 1997, he decided that the SSO had no technical expertise and therefore had no procurement role with the MIC.

SSO Procurement Leadership and Mission

Although the SSO, under the direct supervision of Qusay Saddam Husayn al-Tikriti, may have played a small role in procurement outside of the country, it is more likely that the SSO’s role in the procurement process was limited to securing illicit shipments once inside Iraq. Senior members of the Regime, such as Abid Hamid Mahmud al-Tikriti, the former presidential secretary, were probably aware of this role for the SSO, but were most likely not directly involved in the process. SSO officials were also in charge of monitoring those involved in the procurement process, like the RG and SRG, to ensure their loyalty to the Regime was maintained.

- According to authorization and shipping documents, between 1993 and March 2003, the State Company for Marketing Drugs and Medical Appliances, Kimadia, shipped dual-use chemicals and culture media to Iraq’s SSO. The items were supplied to SSO’s Walid Khalid.

Iraqi Atomic Energy Commission

According to multiple Iraqi sources, the IAEC was responsible for the development and retention of nuclear expertise in Iraq. The IAEC most likely relied on its own procurement department for acquiring materials and technology.

- A foreign intelligence service revealed in 2002 that the IAEC was pursuing procurement contracts from a South African company for HF communications systems and 16,000 channel receivers.
- Captured documents dated 2002 show direct negotiations with several Indian institutions for medical and chemical technology transfers.
- Other documents dated 2002 reveal contracts to obtain vacuum furnaces manufactured in Russia.

Documentary evidence and debriefings, however, reveal that the IAEC also used the MIC, MIC front companies, and the IIS to procure foreign materials and technologies.

- Internal memoranda dated January 1995 reveal that the IAEC was reviewing procurement contracts with the Al-Basha'ir Company, the Latif Company, and the Al Jubayl Office. These contracts were based on oil bartering—common practice before the UN OFF Program was accepted in 1996.
- In July 1996, MIC, Al-Basha'ir Company, Ministry of Industry, and IAEC were passing correspondence regarding overdue debts to Al-Basha'ir totaling \$14.2 million.
- According to a former Iraqi scientist, the IAEC asked the MIC to obtain \$3.5 million worth of computer cards in 1998.

In January 2002, according to a detained senior MIC official, Saddam directed the MIC to assist the IAEC with foreign procurement. On a few occasions the IAEC used MIC to procure goods, ostensibly as part of the IAEC modernization project. At this time, Saddam Husayn also directed the IAEC to begin a multi-year procurement project called the IAEC Modernization Program. This program, which was still functioning up to the Coalition invasion in 2003, strove to revitalize the IAEC capabilities. The chief improvements under the program included:

- Creation of new machine tools workshop at Tuwaitha outfitted with new generic machine tools, including CNC machines (see Figure 49).

- Improvement of the IAEC's nonnuclear technical and manufacturing capabilities.
- Budget increases that resulted in ten-fold salary increases and new recruiting efforts for IAEC scientists.

The IAEC's procurement relationship with the IIS dates back to the late 1990s. The IIS procurement channel was reportedly reserved for sensitive foreign technical information and items prohibited by the UN sanctions. March 2002 IIS internal documents describe the creation of a committee to obtain resources for the IAEC.

Ministry of Transport and Communication

The Ministry of Transportation and Communication (MoTC) also facilitated and participated in the procurement of prohibited items for the former Regime. The MoTC transshipped sensitive commodities into Iraq using a range of deceptive practices designed to foil international monitoring efforts. The MoTC also served as a benign cover end user for the acquisition of dual-use items for the MoD and other Iraqi security services. The MoTC procured prohibited fiber-optic materials to improve the Iraqi telecommunications infrastructure. *By evaluating these contributions, we judge that the MoTC played a small but important role in Iraq's illicit procurement programs.*

Mission and Key Procurement Companies under the MoTC

The MoTC was responsible for all internal movement of commercial goods in and out of Iraq. The MoTC accomplished this mission through 14 state-owned enterprises known as "General Companies". Three of these stand out as playing key parts in facilitating illicit procurement for Iraq.

- The Iraqi Land Transportation General Company (ILTC), which controlled all surface transport in and out of Iraq with the exception of fuel transport and railways.
- The Iraqi-Syrian Land Transportation Company had offices near customs points at Tartus port in Syria to assist in the movement of goods into Iraq. This

ILTC subordinate company seems to have been established to handle the increased transactions resulting from the Syrian Trade Protocol.

- The Iraqi-Jordanian Land Transportation Company, an OFF shipping company run by MoTC, had an office in Aqaba, Jordan, and performed a similar role as the Syrian Land Transportation Company. ISG also suspects that the Iraqi-Jordanian Land Transportation Company was probably set up to accommodate trade from the Jordan Protocol.

Ministry of Higher Education and Scientific Research

Throughout the 1990s, Saddam Husayn used the Ministry of Higher Education and Scientific Research (MHESR), through its universities and research programs to retain, preserve, and protect Iraq's indigenous scientific and WMD-related capabilities, including its research projects and knowledge base. The MHESR had close working ties with MIC, which supported the ministry by coordinating, directing, and implementing the Regime's critical research and development activities, according to former MIC director Huwaysh. ISG also has uncovered one case where Iraq used the cover of its student exchange program to procure goods.

University Collaboration With MIC

The MIC maintained close working ties with the MHESR, links that entailed financial support for academic research and the provision of academic experts for MIC projects. These ties shaped MHESR academic priorities, provided an opportunity for MIC to directly commission academic research, and facilitated an exchange of personnel between the two entities.

The MHESR Research and Development Directorate, headed by Hasin Salih (and later by Al-Jabburi) developed a close working relationship with the MIC Research and Development Directorate (headed by Dr. Hadi Tarish Zabun) and the MIC General Director for Teaching. Salih was responsible for all research and development activities and would frequently meet with the Research and Development Directors from all the ministries to discuss work and research prob-

lems. The MIC's interests were considered particularly important in the selection of research projects at the universities.

- According to one source, prior to OIF, approximately 700 to 800 academics were regularly sent to work at the MIC or its companies for a few hours per week.
- The MIC Director claimed that he increased the number of contracted university instructors working with the MIC from a handful in 1997 to 3,300 by 2002.
- Twenty professors assisted the Al-Samud factory. They worked to solve technical problems and provide training for staff members at the factory. According to one source, however, many Iraqis considered the overall effort of limited value.
- MIC missile experts also worked closely with the universities, in some cases supervising students with graduate research and in other cases teaching students at the universities.

Huwaysh involved himself in each phase of MIC-sponsored projects with the MHESR, including project applications, planning, development, and implementation. Huwaysh reviewed and approved all project proposals submitted by university deans, department heads or faculty advisers within Iraq. After receiving Huwaysh's approval, the company and the university staff would discuss and agree to the parameters of the project. Then MIC opened the project up to a normal bidding process, inviting different institutions, including foreign nationals from Jordan and Syria, to tender bids for the project proposals. After scrutinizing incoming bids, university department heads conducted and then submitted a feasibility assessment of the proposal to the MIC. The MIC chose the final bidder; the contract price would be discussed when the contract had been finalized.

- MIC closely monitored its research projects. MIC leadership biannually held "conferences" where university staff conducting MIC-sponsored research briefed the MIC leadership on the progress of their work. These conferences afforded the MIC opportunities to monitor progress on research projects, identify problems, and offer solutions to the researchers.

MIC Research Support at Universities

Documentary evidence reveals that MIC and its companies divided their research projects among Iraq's major universities.

- *Baghdad University and Mustansiriyah University provided general multi-discipline support to MIC projects.*
- *Mosul University provided support to the MIC in the areas of remote sensing and chemistry.*
- *In another case, Basrah University provided support in polymer chemistry.*

Other examples of specific projects sponsored by MIC companies include:

- *The Al Rashid State Establishment financed polymer research on thermal insulators for the Sahn Saddam ("Saddam's Arrow") missile.*
 - *The Al Huttin Company subsidized research on replacing brass shell casings with polyethylene.*
 - *The Al Huttin Company also funded research on heating rate problems in induction furnaces.*
 - *The Al Shahid Company financed research focusing on energy loss from the safety dump of copper from the furnace.*
 - *The Al Qa'Qa'a Company sponsored nitrocellulose research.*
 - *The Al Samud company paid for research on an inexpensive method to produce spherical iron molds.*
-

Exploitation of Academic Exchanges for Procurement

Iraq's academic exchange program—for both students and professors—was used to facilitate the transfer of dual-use technology, using home universities as false end users to illicitly acquire goods in support of Iraq's WMD programs. By sending students and professors abroad, Iraq may also have been using both students and professors to transfer, support and advance Iraq's intellectual and WMD "infrastructure."

- In 2000, Amir Ibrahim Jasim al-Tikriti, a member of the SSO, was sent to Poland to continue his mathematics doctorate on the assumption that he would return to the SSO upon completion of his studies. During that time in Poland, we judge that the IIS recruited or tasked al-Tikriti to facilitate the purchase of Volga missile engines for the Iraq's Al-Samud II missile program. ISG has corroborating evidence that the MIC trading company ARMOS signed the contract(s) with a Polish firm for the Volga engines, and that the IIS controlled the entire acquisition.
- According to reporting, approximately 250 Volga engines were purchased from a stock of old missiles and sent back to Iraq possibly with complicity of the Iraqi Embassy in Warsaw. Al-Karamah purchased the engines and originally stored them at the Samud factory, and then moved them to Ibn Al-Haytham.

Ministry of Agriculture

Throughout the 1990s, the Ministry of Agriculture (MoA) procured controlled items outside UN sanctions and then later outside the UN OFF Program for special projects as well as legitimate agricultural projects. The Iraqi front company Al-Eman Commercial Investments owned by Sattam Hamid Farhan al-Gaaod had a special relationship with the Agricultural Supplies Committee of the MoA. According to an Iraqi businessman, Al-Eman Commercial Investments from 1990 to 2003 supplied MoA with seeds, pesticide, veterinarian medicine, harvesters, tractors, water pumps and spare parts of machinery.

- Before OIF, Al-Eman periodically sent shipments from Jordan to Iraq via the Iraqi Embassy. Jordan allowed the shipment of one container a month under diplomatic cover that did not require inspection.
- In 1995, Al-Eman purchased a kit of reagents worth \$5,000 from the Swiss firm Elisa for an organization named Al-IBAA, a special unit in the Iraqi MoA. Al-IBAA was connected to Saddam, had a special research facility and was granted an unlimited budget. Al-IBAA was able to obtain any equipment and support within Iraq that it needed and paid cash for all its orders.

- According to a high-level Iraqi civilian official with direct access, the MoA took control of one of the food testing labs, which was used to test Saddam Husayn's food. Equipment for the lab was purchased through the Iraqi–Jordanian Protocol. Dr. Sabah of the Veterinary College was instrumental in these purchases (see Figure 50).

The MoA also used the MIC to obtain goods that were deemed especially difficult to procure given the restrictions of UN sanctions. At the same time, the MIC would occasionally identify the MoA as a false end user to obtain restricted dual-use goods.

- Between 1992 and 1998, the MIC was responsible for all chemical procurement in Iraq. The MIC brought active ingredients into the country using false bills of lading, formulated the product, and then distributed the final product to the appropriate ministry. For example, the MIC smuggled insecticides—probably Malathion and Parathion—into Iraq, formulated them at Al-Tariq, and subsequently provided them to the MoA.
- In late 2002, the MIC and IIS directed Iraqi businessman, Sattan Al Ka'awd (who may also be known as Sattam Al-Gaaod), to approach a Croatian engineer, Miroslav, and other Croatians to purchase restricted precursor chemicals from Croatia. According to an Iraqi businessman with direct access, Al Ka'awad was tasked for this activity due to his close working relationship in the past with the Iraqi Government. The end user of the chemicals was reportedly the MoA but the actual recipient was said to be involved in CW activities, according to the same source.

Ministry of Interior

ISG has not discovered evidence that the Ministry of Interior (MoI) was involved in the procurement of WMD materials, prohibited items, or dual-use goods. This finding is consistent with the MoI internally focused mission. In addition, prior to OIF, the MoD not the MoI administratively controlled security groups that may have been involved in illicit procurement activities.

Front Company Conglomerates: Al-Eman and Al-Handal

In addition to the major front companies already mentioned in this report, the Iraqi Government and its citizens set up hundreds of other front companies both within the country and around the world for the purpose of smuggling prohibited items into the country. We now know of over 230 of these front companies, many of which were created for a single transaction and never used again. There were, however, several major front companies that participated in the majority of this illicit business, some of which were government-sponsored and one large conglomerate, Al-Eman, which was privately owned.

The term “Iraqi front company” has become pervasive in terms of Iraq's procurement networks. One definition of an Iraqi front company is an Iraqi company or Iraqi controlled company, operating either within Iraq or abroad that knowingly partakes in international commerce with the intent to acquire goods or services for an Iraqi client using deceptive trade practices. Deceptive practices could include misleading or colluding with suppliers, intermediaries, or others involved in the acquisition, shipping, or payment processes. This would include such actions as misrepresenting the origin or final destination of goods, or misidentifying the goods, the end user, or end use. Complicating matters, many of these companies were involved in legitimate trade, with illicit activity playing a less significant role. The association of the IIS with a company also suggested Iraqi influence and front activity.

The assumption and general appearance was that many Iraqi companies involved in international trade, as a norm, were aware of deceptive trade channels and took advantage of them in dealing with both routine and sensitive acquisitions. *However, the government's association and influence with trade companies varied. Some companies may not have had a choice, but others found it in their financial interest to get involved, and therefore approached and competed for government contracts.*

Al-Eman, directed by Sattam Hamid Farhan Al-Gaaod (see Figure 51) had its start in the early 1990s, and up until OIF, was the largest network of

Machine type	Model	Country of Origin	Cost (USD)
CNC Milling Machines	2 x MCV- 600E	Taiwan – Chen Ho Company	160,020
Surface smoothing	1 x KGC-84MSI	Taiwan	83,717
Wire cutting machine	1 x A300	Taiwan	155,228
Spark machine	1 x M50F	Taiwan	86,427
CNC Milling Machines	2 x MCV-1200	Taiwan – Chen Ho Company	225,000
CNC Copy Milling Machine	1 x VTC-1400 CTC	Taiwan	395,000
Lathe Machine	1 x MT52S	Taiwan	90,000
Lathe Machine	1 x MT52L	Taiwan	95,000
Vertical Lathe Machine	1 x VL-12	Taiwan	268,926
Plasma Cutting Machine	1 x 315A ROSSA	Bulgaria	165,400
3D Measuring Tool	1 x 3D DEA10	Italy	115,000
Sorting Machine	1 x MI-400	Unknown	Unknown
Lathe Machine	TNC-30NL	Unknown	Unknown
Punching Machine	Unknown	Taiwan	67,000
Laser Pointed Drill	Unknown	Spain	67,000

Figure 49. Machinery purchased by the MIC for the IAEC after 2001.

Stage 1	Plans for production. Technical department determines requirements. Commercial department ensures adequate funding.
Stage 2	Funding approved by Technical Department and Commercial Department. Deputy Minister approval.
Stage 3	Minister receives funding and notifies the companies involved in the procurement of goods.
Stage 4	Companies receive Ministry requirements. Three types of companies (international or Arabic companies, and Iraqi companies).
Stage 5	Companies make bid proposals that satisfy the technical and commercial requirements.
Stage 6	A selection committee determines the award of the contract.

Figure 50. The MoA used the following process to fill requirements for goods and services.

Iraqi front companies with a number of subsidiaries operating in Baghdad, Iraq, Dubai in the UAE, and Amman, Jordan. Al-Eman companies have been observed for the last 10 years as they procured dual-use and military goods for the Iraqi Government, and were heavily involved in the UN OFF kickback scheme. Al-Gaaod used his relationships with Saddam and ‘Uday Saddam Husayn al-Tikriti, and Husayn Kamil to both acquire contracts for supplying the various ministries with sanctioned materials, smuggling oil, and he used those relationships to intimidate others.

- Al-Eman is essentially a family-run business, with strong family ties linking most of the subsidiary firms.
- The accountants in Al-Eman are key figures with the best overall knowledge of the company’s activities.
- Al-Eman did considerable business with Syria through the “Syrian Protocol,” an arrangement of false purchases and kickbacks that laundered funds for Iraqi purchases.

The Al-Eman Group was also involved in the OFF kickback scheme through the Jordan National Bank and embassy commercial attaches. Upon completion of services under UN OFF, the Banque Nationale de Paris deposited payments in the National Bank of Jordan, which provided banking services to Al-Eman. The National Bank of Jordan automatically deducted a 10-percent performance/kickback from the UN OFF payment. The National Bank of Jordan then deposited the kickback amount into accounts controlled by the Iraqi Regime. ***The CAs in the Iraq embassies played a key role in orchestrating procurement and financial activity.*** The attaches arranged collection and transferred kickbacks, and Al-Eman worked very closely with them.

The Al-Eman Network

Dozens of companies were included in the Al-Eman network, most of which were either owned or operated by members of the Al-Gaaod family. The following table (see Figure 52) is a sampling of some of the Al-Eman companies and their role in acquiring materials for the Iraqi government:

Al-Gaaod’s Ties to Iraqi Leadership

Al-Gaaod was one of Saddam’s most trusted confidants in conducting clandestine business transactions, often traveling abroad using an Ecuadorian passport. Just prior to March 2003, he traveled to Sweden and Ukraine on behalf of Qusay.

- *Al-Gaaod also had a close partnership with ‘Uday and Husayn Kamil, and was a key player in the MIC.*
- *He assisted As’ad Al Ubaydi Hamudi, the brother of Dr. Nazar Al ‘Ubaydi Hamudi, a scientist involved in producing chemical weapons, in obtaining contracts with the Al Qa’qa’a General Company, The Atomic Energy Company, the Al-Karamah State Establishment the Al Basil General Company, the Al Muthanna State Establishment and over 25 other companies within the MIC from 1992 until 2002.*
- *Al-Gaaod, Dr. Nazar, and Assad are all linked to the Al Abud network described in the CW section of this report.*

Key Al-Eman Owners: Sattam Hamid Farhan Al-Gaaod and His Family. Extended family plays a key role in Al-Eman operations. As of March 2003, three of Sattam Hamid Farhan Al-Gaaod’s cousins ran subsidiary or affiliated companies in the network.

- Jalal Al-Gaaod owns the subsidiary Sajaya.
- Talal Al-Gaaod functions in a public relations role for the family.
- Hamid Al-Gaaod is owner of the Al-Yanbu Company.

The Iraqi Regime arrested both Talal and Hamid Al-Gaaod in 1996 as a result of unspecified financial and contractual problems related to deals with the MoA. As of late 2001, Sattam Hamid Farhan Al-Gaaod’s brother, Abd al-Salam Farhan Al-Gaaod was running a firm called Al-Arab Agencies. This company was used for shipping, operating primarily out of Basrah. Al-Arab handled many of the firm’s transport requirements and petroleum exports via the Gulf.



Figure 51. Sattam Hamid Farhan Al-Gaaod.

Company	Role in Acquisition
Al-Eman Commercial Investments	Purchased a kit of reagents worth \$5,000 from the Swiss firm Elisa for an organization named Elba, a special unit in the Iraqi Ministry of Agriculture. Elba was directly connected with Saddam Husayn, had a special research facility, and was granted an “unlimited” budget. Its stated research areas were the breeding of animals such as cows and sheep and certain types of crops. Al-Eman supplied Samarra Drug Industries (SDI) with many of the products used to manufacture pharmaceuticals.
Al-Wadha Company (Aka Al-Anmar Company)	In 1998 was involved in the sale of antimony trioxide, reportedly for the Ababil 100 missile project. The company sought X-Ray equipment in August 1999 that could be used in missile-related non-destructive testing.
Al-Doha General Trading Company	Owned by Na'im al-Gaaod.
Al-Gheif Company for Trading Agencies	Owned by Mufid Khalif 'Umar al-Gaaod. Ahmad Khalif 'Umar al-Gaaod was the general manager.
Al-Salafa General Trading Co, Ltd.	Owned by Mufid Khalif 'Umar al-Gaaod.
Al-Enas Commercial Agencies Co., Ltd.	Owned by Aftan Farhan al-Gaaod. Sattam Hamid Farhan al-Gaaod retains 50 percent control over the company.
Technical Oilfield Services and Supply Company (TOSSCO)	TOSSCO has offices in Amman, Baghdad and Paris. It has been involved in the procurement of machine tools, electronic equipment, computer equipment, and other industrial goods in violation of sanctions. Sattam Hamid Farhan al-Gaaod retains 100 percent control over the company.
Al-Bairaq Commercial Investment Establishment	Run by Sami Smarat. Sattam Hamid Farhan al-Gaaod retains 100 percent control over the company.
Al-Arab Agencies for Shipping	Run by Abd al-Salam Farhan al-Gaaod, Sattam Hamid Farhan al-Gaaod's brother.

Figure 52. The Al-Eman Network.

- Another of Sattam's brothers, Najib Al-Gaaod, was involved in the procurement of spare parts for Russian-made tanks as late as 2001. According to captured documents, Najib Al-Gaaod's company, Al-Talh Office Co. provided an offer to the MIC for 12 T-72 tank engines, dated 1 February 2000 for a net price of 900,000 Euros.
- The same documents also included an offer dated 1 February 2001 for spare parts of T-55 tanks.
- The company letterhead stated that it had offices in Moscow, Yugoslavia, and Jordan.

Although Sattam Hamid Farhan Al-Gaaod has admitted to an Iraqi who was interviewed by ISG that he would smuggle oil out of Iraq and foodstuffs into Iraq in violation of the UN OFF agreement, he has stated that he believed this to be legitimate business. According to the interviewee, it was unnecessary to alter the packaging of the goods to conceal the true nature of the contents, because it was only food. ISG judges that Al-Gaaod's statements have routinely been designed to overly downplay his role in the former Regime.

Sattam Al-Gaaod's Relationship With the IIS.

Al-Gaaod has denied being involved in the IIS, while other sources have claimed that he was an active member at least since 1993.

- His brothers, Abd al-Salam Farhan Al-Gaaod, Abd al-Salam Farhan al-Gaaod, Abd al-Salam Farhan al-Gaaod, and Najib Hamid Farhan al-Gaaod were all members of the IIS.
- Sattam Hamid Farhan Al-Gaaod was able to use his connections with the IIS to import items prohibited by the UN, including chemicals.

The IIS frequently used businessmen with international connections to import goods, including nonmilitary goods, into Iraq. Al-Gaaod associates suspected he had IIS links based on a number of factors.

- A high-level government official observed that Al-Gaaod must have had government contacts to avoid Regime interference. He believed Al-Gaaod was in the IIS because he was not a Ba'ath Party member and was not in the government, yet he was a "powerful man."

- The source asserted that, generally, IIS connections allowed Iraqi businesses to contact the best suppliers in other countries to obtain sanctioned items.

Al-Handal General Trading Company

Closely tied to Saddam's family and to the IIS, the firm Al-Handal Trading received preferential treatment in the issuance of Iraqi procurement tenders. The head of the firm, Wadi al-Handal, has established several subsidiary companies under the firm to facilitate acquisition of sensitive goods for Iraq. All of the Al-Handal connections are based in Baghdad.

The Al-Handal General Trading Company was established originally in Dubai to import car parts and accessories into Iraq, but in the wake of the Gulf war, Wadi al-Handal quickly recognized that broadening his business line could make enormous profits. Wadi established several subsidiary companies under Al-Handal (see Figure 53). The company used two primary means to move proscribed equipment into Iraq. The first was using ships leaving Dubai, and smaller items were carried on board in personal luggage and off-loaded in Basrah. Al-Handal had at least one vessel berthed in Alhamriya Port, Dubai. Wadi's preferred method was to use his brother in Amman, Sabah al-Handal, who owned a plastic pipe company. Equipment would be delivered to Sabah's company, be labeled as plastic pipe or related equipment, and then shipped onward into Iraq overland.

- Al-Huda is the main holding company for Al-Handal General Trading.
- Al-Huda is the mechanism Wadi used to establish and control other front companies, and much of the firm's acquisition business was conducted through Al-Huda.

There are at least three different front companies in Iraq that use the name Al-Huda. Al-Huda Religious Tourism Company is an unrelated, well-known IIS front that oversees and monitors tourists coming into Baghdad to visit holy sites. Another Al-Huda company was owned by 'Uday Saddam Husayn al-Tikriti. According to a cooperative source, the company, however, *Al-Huda Industrial Holdings, owned by Wadi al-Handal, made use of the similar-*

Al-Huda-related companies in Dubai and elsewhere in the UAE	
Company	Role in Acquisition
Al-Handal General Trading Company	
Al-Handal Auto Spare Parts Trading Company	Established originally in Dubai to import car parts and accessories into Iraq.
Al-Huda Industrial Holdings	The main holding company for Al-Handal General Trading and it is the mechanism Wadi used to establish and control other front companies. Managed by Hardan Al-Handal, Wadi's brother.
Al-Thuraya Industrial Holding Company	
Al-Jawhara Al-Khalijeya Trading Company	
Dien Prof Russian Industrial Holding Company	
Sensorika International Company	
Nawat Trading Company	
Mamoot Trading	
Nautel Engineering	

Figure 53. Al-Huda-related companies in the UAE.

ity in the names to the company's benefit. Reportedly, al-Handal used these "IIS ties" to intimidate competitors in Baghdad and may also have used the perception that he was associated with the IIS while competing with other companies for contracts.

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Supplying Iraq With Prohibited Commodities

Overview

Despite UN sanctions, many countries and companies engaged in prohibited procurement with the Iraqi regime throughout the 1990s, largely because of the profitability of such trade.

- Private companies from Jordan, India, France, Italy, Romania, and Turkey seem to have engaged in possible WMD-related trade with Iraq.
- The Governments of Syria, Belarus, North Korea, former Federal Republic of Yugoslavia, Yemen, and possibly Russia directly supported or endorsed private company efforts to aid Iraq with conventional arms procurement, in breach of UN sanctions.
- In addition, companies based out of the following 14 countries supported Iraq's conventional arms procurement programs: Jordan, the People's Republic of China, India, South Korea, Bulgaria, Ukraine, Cyprus, Egypt, Lebanon, Georgia, France, Poland, Romania, and Taiwan.
- The number of countries and companies supporting Saddam's schemes to undermine UN sanctions increased dramatically over time from 1995 to 2003 (see figure 54).
- A few neighboring countries such as Jordan, Syria, Turkey, Egypt, and Yemen, entered into bilateral trade agreements with Iraq. These agreements provided an avenue for increasing trade coordination and eventually led to sanctions violations.

The countries supporting Iraq's illicit procurement changed over time. These changes reflected trends based on Saddam Husayn's ability to generate hard currency to buy items and the willingness of the international community to criticize those countries selling prohibited goods to the Regime. The following sections addressing each country have been grouped according to when evidence indicates they began supporting Saddam's illicit procurement programs.

Procurement Suppliers During the Decline Phase, 1991 to 1996

ISG has identified entities from three countries that began supporting Iraq with illicit procurement during the post-Gulf war "decline" phase in the Regime: Romania, Ukraine, and Jordan. Romania and Ukraine had just emerged from the Soviet bloc with an excess of military hardware and expertise and a need for hard currency. Jordan, which profited primarily from allowing transshipment, argued that Iraq was a major trading partner before 1991 and trade with Iraq was a necessity.

Romania

According to a high-level official of the former Iraqi regime, trade between Iraq and Romania flourished during the Ceausescu era (1965 to 1989). The IIS had an active presence in Romania throughout this period and MIC engineers were active in procurement programs directed from the Iraqi Embassy in Bucharest.

- In the mid-1990s, reporting indicated that the Iraqi MFA and MIC were both interested in changes to Romanian export controls over nuclear, biological, and chemical weapons and their associated technologies.

According to documents identified by UNSCOM in Operation Tea Cup, Iraq reestablished a procurement relationship with the Romanian firm Aerofina in February 1994. The Iraqis and Romanians conducted two to three delegation visits between Bucharest and Baghdad to discuss sending Romanian missile experts to Iraq to assist with design and guidance control problems in the Al Fat'h missile, later called the al Samud, and to obtain missile parts and related raw materials.

- By August 1994, several procurement contracts had reportedly been signed.
- In November 1995, the Iraqi's sent a letter to Aerofina requesting that the missile repair part shipments be temporarily stopped due to concerns over the quality of the goods.

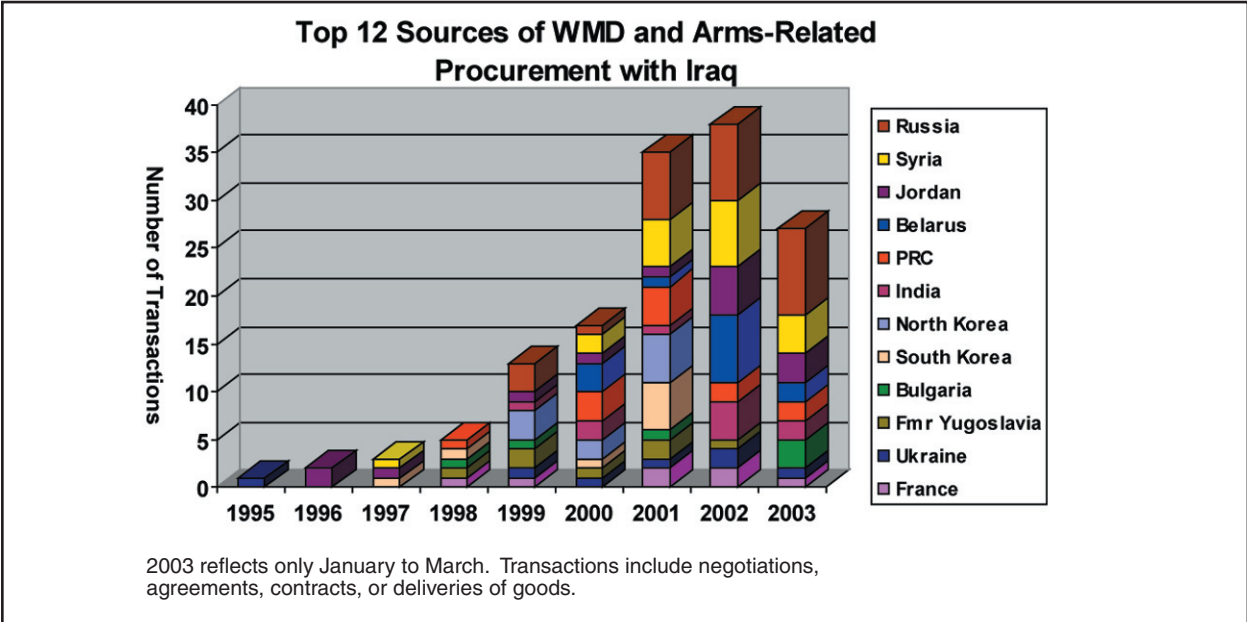


Figure 54. Top 12 sources of WMD and arms-related procurement transactions with Iraq.

UNSCOM's Operation Tea Cup (1995 to 1998)

From 1995 to 1998, UNSCOM inspectors conducted “Operation Teacup,” a sting operation designed to reveal Iraq’s efforts to procure prohibited military and WM- related goods.

- *The operation was launched after the defection of Saddam’s son-in-law, Husayn Kamil, in 1995. Thousands of WMD-related documents were captured by the UN at Husayn Kamil’s chicken farm, including the al Samud contracts (see the Husayn Kamil and The Saga of the “Chicken Farm” Documents insets in the Regime Strategic Intent chapter.)*
 - *As a result of this sting mission, the UN videotaped Iraqi buyers (including Dr. Hashim Halil Ibrahim Al ‘Azawi) negotiating with Romanians for prohibited gyroscopes.*
-

- As a result of UNSCOM’s operation (see inset), the Romanian Government acknowledged in 1998 that Aerofina sold Iraq weapons parts in 1994 via ***an intermediary company in Jordan.***

According to a source with good access, a ***Romanian source provided analytical equipment and testing for SG-4 tank gyroscopes and gyroscopes intended for missile applications to Iraq in the late 1990s.*** This equipment may have been used to ascertain the quality of illicitly imported gyroscopes because Iraq could not manufacture them domestically. The name of the Romanian supplier was not specified.

In March 1998, Iraqi intelligence conducted an operation to smuggle weapons and military equipment from Romania in violation of UN sanctions, according to a reliable source. Walid al-Rawi, an IIS agent stationed in Romania, was sending pictures of tanks and military equipment available for sale from Romania back to Baghdad. An Iraqi diplomatic pouch was used to transfer the photographs. There is no further information concerning the type, number, or source of the conventional military goods purchased.

- Al-Rawi used Qatar and Dubai in the United Arab Emirates (UAE) as transshipment points for the

illicit goods. Bribes were used to circumvent customs inspections at ports.

Al-Rawi obtained financing for the military goods by requesting money from Baghdad. If approved, the cash was reportedly sent to Romania via Geneva.

According to captured documents, Romania’s Uzinexport SA was contracting in October 2001 to provide Iraq with equipment, machinery and materials linked to a magnet production line for an Iraqi V-belt drive project. This company worked with a mix of Iraqi front companies and intermediaries that were representing the MIC, the Iraqi lead for the project. The magnets—sembled by the Iraqis with Romanian help—could have been suitable for systems used to spin gas centrifuge rotors for the enrichment of uranium. Although there is no evidence that the magnets were employed in the production of gas centrifuges, the capability to indigenously produce magnets would have allowed Iraq to maintain knowledge and skill-sets in this area.

- The various front companies and trade intermediaries involved in the project included the Jordanian branch of the Iraqi firm Al-Sirat, the Jaber Ibn Hayan General Company, the Aa’ly El-Phrates company, and the Ali Al-Furat Trading Company. Jordan may have been used as a transshipment point for the magnet technology.
- Captured documents indicate that the total sum of the contract awarded to Uzinexport for the V-belt project was \$4,607,546. This was paid through a combination of cash, letters of credit, oil, and raw materials.

Ukraine

Ukraine was one of the first countries involved in illicit military-related procurement with Iraq after the first Gulf war. ***Iraqi delegation visits to Ukraine were first evident in 1995. These visits were reciprocated in Iraq from 1998 to 2003. The highest-levels of the Ukrainian Government were reportedly complicit in this illicit trade as demonstrated by negotiations conducted in regard to the sale of a Kolchuga anti-aircraft radar system to Iraq in 2000.*** In addi-

tion, Ukrainian state and private exporting companies independently facilitated the transfer of prohibited technologies and equipment, mainly in the missile field, to the embargoed Regime.

According to IIS memos to the Iraqi Embassy in Kiev, Ukraine, was an important political ally for Iraq. After the initial business contacts in the mid-1990s, the government of Iraq embarked in a diplomatic exchange with Ukraine in 2001. ISG judges that Saddam's goal with this relationship was to gain access to Ukraine's significant military production facilities, including a large portion of the former Soviet space and rocket industry.

- The recovered IIS memos further indicated that the former MIC Director Huwaysh visited Ukraine in 2002 hoping to develop a closer industrial partnership.
- By 2001, the commercial exchange between the two countries reached \$140 million. Captured documents indicate that Iraq strove to make "sure that the Ukrainian share from the oil for food program [got] bigger" to encourage further trade between the two countries.

ISG has recovered further documentation disclosing representatives from Ukrainian firms visited Iraq to coordinate the supply of prohibited goods from the early 1990s until on the onset of OIF. Information supplied by an Iraqi scientist indicates that Iraqi delegations visited Ukraine in 1995.

- By 1998, the Iraqi Al-Karamah State Establishment hosted numerous visits from Ukrainian suppliers seeking contracts assisting Iraq with its missile program.
- Mr. Yuri Orshansky, from the Ukrainian Company MontElect, led the Ukrainian visits. Orshansky's relationship with Iraq began in September 1993 when he arrived in Baghdad accompanied by Dr. Yuri Ayzenberg from the Ukrainian firm Khartron, a known company with missile guidance system design capability. Within 2 months, an Iraqi delegation reciprocated the visit to Ukraine.

Professor Yuri Orshansky and the MontElect Company

Yuri Orshansky, a professor of electronics and director of the Ukrainian MontElect Company, was the key facilitator between Saddam's Regime and Ukraine.

- *He was a member of the Iraqi Ukrainian Committee for Economic and Trade Cooperation.*
- *In December 2000, he was made an honorary consul for Iraq in Kharkov.*
- *For his efforts, Orshansky was awarded 1.5 million barrels of oil by Taha Yasin Ramadan. From 1998 to 2000, he also received more than 6 million barrels from Saddam via the secret oil voucher system. Iraq's State Oil Marketing Organization (SOMO) estimated that Orshansky earned about \$1.85 million in profit from these gifts (refer to the Known Oil Recipients, Annex B).*

Between 1993 and 1995 Orshansky traveled to Iraq at least six times. During this period, Iraq sent at least four delegations to Ukraine.

Orshansky continued to visit Iraq in 1998 to 2003 and, through his company MontElect, he transferred a range of equipment and materials to the Al-Karamah State Establishment including:

- *Engines for surface-to-air Volga 20DCY missiles in 2001.*
- *300 liquid fuel motors to be used in al Samud I missiles.*
- *According to a former Iraqi government official, Iraq also signed a contract for Orshansky to design and build a plant to produce tiethylamine (TEA) and xlidene—the two components of TEGA-02 (missile fuel).*

-
- While in Ukraine, Orshansky, Ayzenberg, and General Naim (the head of Iraq's Scud missile guidance program) executed a "protocol" amounting to an outline of future cooperation between the parties for missile-related technologies.

- The technology included guidance components for surface-to-air missiles, assistance in the development of batteries for the latest anti-aircraft missiles, providing equipment for missile research and possibly assisting in the establishment of a college for training of missile expertise.
- Cooperation was initiated by Iraq requesting quotes on a test stand for rocket motors, a series of gyroscopes and accelerometers for missile-guidance systems and high precision machine tools for manufacturing missile components.

In 2000, Ukraine-Iraq relationship became public-knowledge when the Ukrainian Government was implicated in selling Iraq a Kolchuga anti-aircraft radar system. President Leonid Kuchma was accused of personally approving the Kolchuga sale, worth \$100 million, via a Jordanian intermediary.

- Evidence of Ukrainian Government complicity in the sale to Iraq was based on a secret 90-second audio recording made 10 July 2000 by Mykola Melnychenko, a former counter-surveillance expert in a department of the Ukrainian Security Service (SBU), according to press reports. The recorded conversation involved President Kuchma, Valery Malev, the head of Ukspectsexport, a state export agency, and Leonid Derkach, the former SBU Chairman. Kuchma allegedly authorized Derkach to export 4 Kolchuga radar systems to Iraq via Jordan. Kuchma also gave Malev permission to bypass export controls for the deal.
- Initially, Ukrainian Government denied the allegations but then changed its position on the issue several times. First, it denied that the meeting had ever taken place. Later it admitted that the meeting had taken place and that President Kuchma had authorized the sale, but argued that the sale had not been completed. (No Kolchugas have been found in Iraq.)
- It is interesting to note that the Government of Ukraine lifted export restrictions on Kolchuga radars four days after Kuchma authorized the sale to Iraq. After this deal, Ukraine and Iraq signed a trade and technical cooperation agreement in October 2000. Ukraine parliament ratified the agreement in November 2001.

The Iraqi IIS, MIC, and the associated MIC front companies also acquired military-related goods from Ukraine. According to information obtained in an interview with the former MIC Director 'Abd al-Tawab Mullah Huwaysh:

- In 2001, the IIS purchased five motors for unmanned aerial vehicles (UAVs) from the Ukrainian company Orliiss for the MIC and Ibn Fernas. The Orliiss company representative was by a female physician named Olga Vladimirovna. The motors were allegedly transported from Ukraine to Iraq via Iraqi diplomatic pouch.
- In another instance an "Olga" (most likely Ms. Vladimirovna from Orliiss) was known to have assisted the MIC with a carbon fiber filament winding and insulating material project. She was also the point of contact, in late 2002, for a contract with an unspecified Ukrainian supplier for missile engines and gyroscopes, but none of these items were ever delivered. The MIC only received some models of the gyroscopes.

Figures 55 and 56 further illustrate the activity between the MIC, and the MIC front companies such as ARMOS, and Ukrainian military supply companies in 2002.

In addition to gyroscopes and motors, Iraq sought missile fuel from private Ukrainian companies. Huwaysh stated that Iraq approached Ukraine for diethylene triamine (DETA) and AZ-11 (a mixture of 89 percent DETA and 11 percent UDMH). The MIC intended to use the fuel for the HY-2 missile system. Iraq reportedly had approximately 40 HY-2 missiles but only had sufficient fuel for 15 of them. Iraq, however, never received either the AZ-11 or its components.

By 2003, recovered documents and intelligence indicate that the ARMOS Trading Company was playing a greater role as an intermediary between Iraq and Ukraine. ARMOS was a joint venture with a Russian company established by MIC to import technology and assist in the acquisition of materials and equipment for MIC and other Iraqi ministries.

24.04.2002

ARMOS TRADING CO
DR. SUHAM EL-DEEN KHAIROL ALI,
DIRECTOR

DEAR DR. SUHAM,

IN ACCORDANCE WITH OUR OFFER NO. 53/2 OF 18.10.2001 FOR SUPPLY OF OPTICAL DEVICES, I WOULD LIKE TO REMIND YOU THAT THE PRICES, LISTED IN THE OFFER, DO NOT INCLUDE THE PAYMENT FOR THE SERVICES OF SYRIAN COMPANY, THAT SHALL BE NOMINATED BY THE CUSTOMER.


THE ABOVE SERVICES SHALL INCLUDE THE FOLLOWING:

- TRANSPORTATION OF THE GOODS FROM SYRIAN PORT TO BAGHDAD;
- COVERING CONTRACT WITH SYRIAN COMPANY;
- CERTIFICATE OF END USER, ISSUED IN STRICT ACCORDANCE WITH THE INTERNATIONAL REGULATIONS.

(KINDLY BE INFORMED, THAT THE END USER CERTIFICATE AND THE COVERING CONTRACT ARE NECESSARY CONDITIONS FOR EXPORT OF SUCH GOODS FROM UKRAINE)

ALL RISKS AND EXPENSES AND FULL RESPONSIBILITY FOR CARRYING OUT OF THE OBLIGATIONS OF THE ABOVE-MENTIONED SYRIAN COMPANY SHALL BE BORNE BY THE CUSTOMER. THE CONTRACTOR IS READY TO PAY 3% OF THE TOTAL CONTRACT AMOUNT FOR THE ABOVE-MENTIONED SERVICES, AND BEARS NO RESPONSIBILITY FOR THEIR CARRYING OUT.

BEST REGARDS



SERGEY SEMENOV,
AUTHORIZED REPRESENTATIVE
OF **MONTELECT GROUP**

Figure 55. A document, dated April 2002, showing trade between ARMOS Trading and MontElect, signed by Sergey Semenov from MontElect.

ARMOS TRADING CO.
DR. SUHAM EL-DIBIN KHAURI ALL,
DIRECTOR
08.02.2002
REF.: DELIVERIES IN FRAME OF IRAQI-SYRIAN PROTOCOL
DEAR DR. SUHAM,
MAY I USE THIS OPPORTUNITY TO EXPRESS YOU MY HIGHEST
CONSIDERATION.
I HAVE TO INFORM YOU, THAT OUR NEGOTIATIONS WITH SYRIAN COMPANY,
WHICH CAN SECURE THE TRANSPORTATION OF GOODS UNDER OUR
CONTRACTS, SHOWED THAT THE PRICE OF SUCH TRANSPORTATION IS VERY
HIGH, AND CARRYING OUT OF SUCH DELIVERIES WOULD BRING LOSSES TO
OUR COMPANIES. SO WE KINDLY ASK YOU EITHER TO INCREASE THE PRICES
FOR ALL THE DELIVERIES UNDER OUR CONTRACTS FOR 20%, OR IF IT IS
IMPOSSIBLE TO INCREASE THE PRICES, TO CHANGE THE BASIS OF DELIVERIES
FOR C.I.F. TARTUS.
BEST REGARDS,
Semenov
DR. SERGEY SEMENOV,
AUTHORIZED REPRESENTATIVE

Figure 56. A recovered document signed by Semenov (tied to MontElect in Figure 55) discussing the Syrian Protocol with ARMOS in August 2002.

- ARMOS specialized in bringing both Russian and Ukrainian experts into Iraq and represented Russia and Ukraine during business transactions, mainly for the financing of military goods transactions (See the MIC Front Company section for further details on ARMOS).
- Documents indicate that ARMOS and MontElect were involved in offers of military equipment for Al-Karamah in January 2003. Signatures on the recovered documents implicate ARMOS, Al-Karamah, Sa'ad General Company, the Trade Office of the MIC, and Dr. Sergey Semenov of MontElect. The documents also revealed the use of Syrian transportation companies and use of the Iraqi-Syrian Protocol to facilitate the transaction. Iraq made two payments of \$405,000 for the equipment.

Jordan

Jordanian companies performed a variety of essential roles from 1991 through 1999 that aided and abetted Iraq's procurement mechanism: transportation hub, financial haven, one of several illicit revenue sources, and overall illicit trade facilitator (see the Trade Protocol section). Firms from Jordan facilitated the transshipment of prohibited military equipment and materials to the Iraqi Regime. Iraqi front companies conducted the vast majority of this illicit trade. This trade included the following:

- Captured documents reveal that a company called Mechanical Engineers and Contractors shipped missile parts to Iraq. Payment was made through the Jordan Investment and Finance Bank according to the guidelines established by the Iraq-Jordan Trade Protocol.
- A high-level former Iraqi government official stated that during 2002, compressors used in nitric acid production and Russian missile control systems destined for MIC front companies were shipped through Jordan.
- A \$50 million contract was signed for the Iraqi Electricity Commission in 2002, for the purchase of Russian-made cables designed to withstand explosions.

Multiple sources indicate that the former Iraqi Regime also received offers from Jordanian companies for items such as global positioning system (GPS) equipment, metrological balloons, gyroscopes, video gun sights, electronic countermeasures equipment, and communications equipment.

- In February 2003, Iraq's Abu Dhabi Company sought to purchase a large quantity of field telephones and some frequency hopping radios from Jordan.
- In February 2003, Iraq's Orckid General Trading Company sought details of solid-state gyroscopes available through a Jordanian company. High performance gyroscopes can be used in UAVs, avionics and platform stabilization.
- The Iraqi firm Al-Rabaya for Trading in Baghdad contracted with a Jordanian firm, for US manufactured GPS equipment. The parties of the contract were identified as Munir Mamduh Awad al-Qubaysi, Managing Director of Iraq's Al-Basha'ir Trading Company, and Dr. Sa'di 'Abass Khadir, Director General of the Al-Milad General Company, companies run by the MIC.

The Al-Eman Investment Group employed many private subsidiaries to procure goods through Jordan for Iraq. An Iraqi businessman with direct access to the information affirmed that both the UN OFF program and the trade Protocol were used as mechanisms for conducting illicit trade. Al-Eman's Vice President, Karim Salih, also acquired Al-Samud missile engine parts for the MIC.

- Iraqi businessmen stated that the Al-Eman Establishment conducted business with many Iraqi ministries and was a critical component of the Iraqi illicit procurement apparatus.
- According to an Iraqi businessman with extensive Regime contacts, a Jordanian company, with offices in Amman and Baghdad, delivered engine spares for turboprop trainer aircraft owned by the Iraqi military. This Middle Eastern firm also dealt with the Iraqi Ministry of Information and the MoT, and had extensive contacts with the Iraqi CA in the Iraqi

Embassy to Jordan in Amman. The firm did not manufacture goods; it simply acted as a broker for Iraq.

- The MIC procured banned items with the assistance of the Iraqi CA in Jordan. In 2000, a former high-ranking Iraqi official stated that a payment of \$2.275 million was made to a Lebanese company for BMP-2 (armored vehicle) 30-mm cannon barrel-manufacturing technology. This technology originated with an arms firm called Yugoimport-FDSP, a firm based in the former Federal Republic of Yugoslavia known for violating UN sanctions on Iraq.

Methods Used To Hide Illicit Procurement via Jordan. According to a high-level source from the Al-Eman network, the Jordanian Government aided Iraqi efforts to conceal its illicit trade activity through its decision announced in October 2000 to terminate an inspection agreement with Lloyd's Registry. This agreement, in force since 1993, permitted Lloyd's to inspect only non-OFF goods coming through the Port of Aqaba. All OFF goods were monitored at all points of entry. Lloyd's, however, was not required to report illicit cargo (see Ministry of Transport section).

- An Iraqi customs official with direct access believed that the IIS operated several front company offices at the Turaybil checkpoint on the Iraq-Jordan border. These included Al-Etimad and Al-Bashair. Any goods destined for these companies received special treatment at the border.

A Jordanian businessman with extensive business contacts with the former Iraqi Regime asserted that official Jordanian approval was required for all trade with Iraq. Individual shipments had to be approved by the Jordanian security committee; the goods were sometimes photographed. Fawaz Zurequat, a possible Jordanian intelligence officer, who may have been imprisoned after 1999 because of his involvement with trading with Iraq, was a key Jordanian contact in this process.

- An Iraqi customs official believed that the trade with Jordan was very useful for acquiring prohibited goods, particularly vehicles and computers. The Iraqi Directorate of Military Intelligence (DMI) had two shipments per week through Turaybil after 2000—Iraqi customs officials were not permitted to check these goods.

Transport Routes for Procurement via Jordan. Iraq had formal agreements with Jordan during the 1990s. Jordan was the primary route through which Iraqi material moved. The IIS had a presence at key Jordanian transport nodes.

- Abdul Karim Jassem (Abu Lika) was the IIS representative at Al-Aqaba Port for three years until OIF.
- Turaybil on the border of Iraq and Jordan was the main entry point for illicit trade. A former high-ranking government official asserted that the IIS, DMI, and the Directorate of General Security had large offices there and enjoyed close liaison relationships with their Jordanian intelligence counterparts. Maj. Gen. Jihad Bannawi was head of the IIS section at Turaybil.
- Al-Eman had its own shipping division to transport goods to Iraq. It shipped goods through the Jordanian, Syrian, and Turkish official border checkpoints according to an Iraqi businessman, the supplier shipped goods through Aqaba Port or Amman airport.

Financing Procurement via Jordan. After 1999, the most important Jordanian contribution in assisting Iraq's illicit procurement apparatus was access to Jordan's financial and banking systems. An Iraqi businessman assessed that before 1996, 95 percent of Iraqi trade was conducted through Jordanian Government-run banks. After 1996, Jordanian banks handled only 30 percent of that trade, mostly from Russia. Document exploitation reveals that the Central Bank of Iraq (CBI) and the Iraqi SOMO provided the funds to Jordanian banks, which were spent by MIC, Iraqi front companies, Iraqi intelligence organs, and the commercial and military attachés present in the Iraqi Embassy in Jordan.

The MIC maintained bank accounts in Jordan for the purpose of making foreign purchases. A senior executive in the MIC confirmed that the MIC Minister, Abd-al Tawab Mullah Huwaysh, directed the opening of accounts in Jordan. These accounts were in the name of the Iraqi CA in Jordan, Selman Kadurm Abd Ghidau, and an unidentified accountant. The accounts were at five different Jordanian banks, but most of the money was deposited at the Al-Ahli (or Jordan National Bank) (see the Revenue section and the Banking section).

Procurement Suppliers During the Recovery Phase, 1996 to 1998

After the onset of limited trade under the OFF program, during the “recovery” phase, the Regime was better suited to offer either oil or cash for its procurement needs. ISG has identified companies in the following seven additional countries willing to engage in unsanctioned trade with Saddam during this phase: Syria, Turkey, South Korea, China, France, the former Federal Republic of Yugoslavia, and Bulgaria. Syria began to emerge as a primary transshipment and procurement facilitation partner, although Turkey served as a transshipment point, presumably focusing on consumer goods via its trade Protocol with Iraq. South Korean private firms traded in high technology items such as computer and communications equipment. Companies from China and France began negotiating for key equipment sales in this period. The former Federal Republic of Yugoslavia and Bulgarian firms may have been willing to risk international scrutiny from trading with Iraq due to the lure of high profits, lack of effective government oversight, and government corruption in the wake of the collapse of the Warsaw Pact.

Syria

Syria was Iraq’s primary conduit for illicit imports from late 2000 until OIF. Under the auspices of the Iraq-Syria Protocol, Iraqi ministries and other entities would sign contracts with Syrian companies for goods

and services prohibited by the UN OFF program. SOMO databases show that *Iraq signed contracts worth \$1.2 billion, with payment dates from October 2000 through April 2003.* These contracts relate to Iraq’s imports financed from SOMO accounts under the Iraq-Syria Trade Protocol. The funds most likely came from the protocol credit account controlled by SOMO.

Military and security entities openly contracted with Syrian companies under the auspices of the Iraq-Syria Trade Protocol, according to the SOMO database.

- The MIC, MoD, and the Presidential Diwan (the latter acting on behalf of the IIS, RG, and Military Intelligence Division) contracted for \$284 million worth of goods—24 percent of the total procurement noted.
- Of this \$284 million, 60 percent (\$169 million) was signed with one company, SES International. When all Iraqi procurement entities are included, SES signed contracts worth a total of \$187 million. Although the SOMO database does not include specific information about the goods contracted for, the beneficiary companies listed include MIC research centers and manufacturing companies.
- *The MoT and the MoTC imported goods for the MoD and the security forces according to the SOMO database.* The MoT imported goods valued at \$2.9 million and the MoTC imported goods valued at \$8 million for the MoD. The MoT and MoTC contracted for an additional \$9.9 million in goods for Iraq’s Military Intelligence Division, General Security Division, and General Police Division.
- The MoT often acted on behalf of other entities, including security and research entities such as the MIC and the IAEC, according to a former senior Iraqi government official. The MoT accounted for 25 percent of the imports from Syria listed in the SOMO database. It is possible some of the MoT transactions not specifically mentioned as being on behalf of MoD or security forces aforementioned also were destined for Iraqi security, industrial, and research facilities. How much of these other MoT

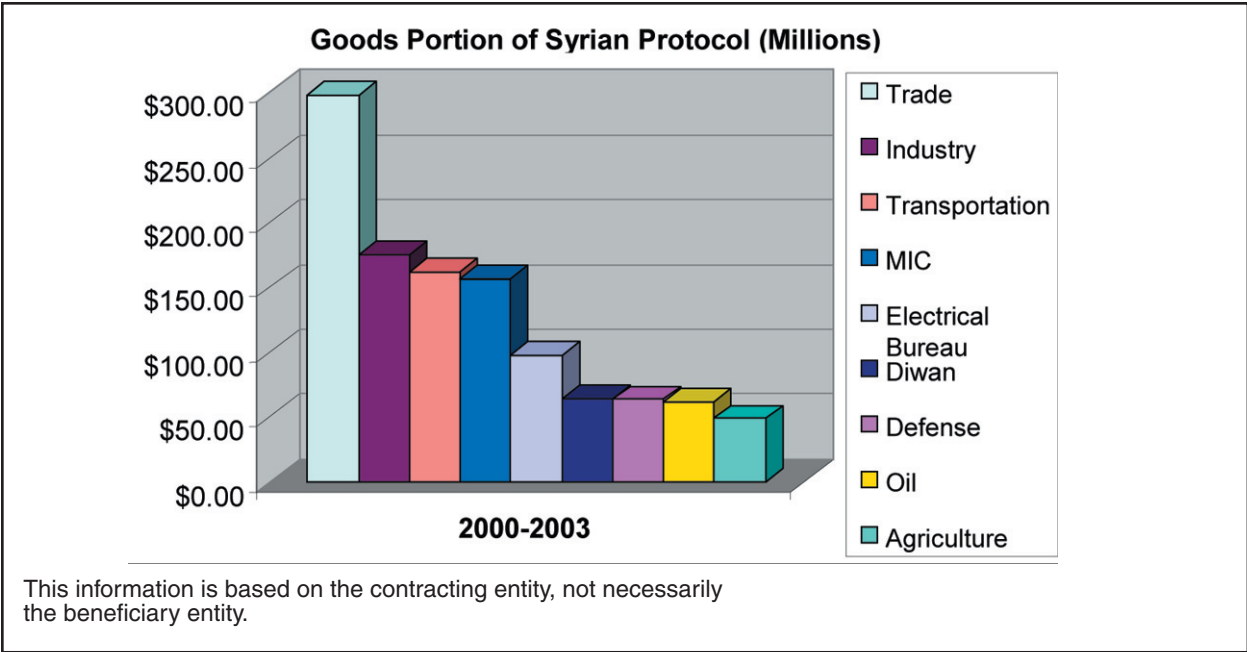


Figure 57. Allocation of the goods portion of the Syrian Protocol, 2000-2003.

imports may have been destined for these end users is not known. The SOMO database does not mention any MIC transactions that were not explicitly contracted for by MIC (see Figure 57).

Most of Iraq’s military imports transited Syria by several trading companies, including some headed by high-ranking Syrian government officials, who competed for business with Iraq. Syrian traders were often paid under the auspices of the Syrian protocol, a government-to-government agreement, according to multiple sources. According to a captured letter dated 2 March 2002 and written on the letterhead of a MIC front company, Al-Basha’ir, a former MIC Deputy Director stated that the North Korean Tosong Trading Company would “be financed according to the Iraqi-Syrian Protocol...through SES International.”

- The Central Bank of Syria was the repository of funds used by Iraq to purchase goods and materials both prohibited and allowed under UN sanctions.

- According to the MIC Director Abd al-Tawab Mullah Huwaysh, Syrian traders who imported weapons and materials for Iraq worked extensively with MIC front companies. The Syrian traders were also required to share their profits with the other traders. The owner of the Syrian trading company SES, for example, frequently complained that he had to give up too much of his profits to the other traders.
- Dhu al-Himma Shalish, head of Syrian Presidential Security and a relative of Syrian President Bashar al-Asad, owned the SES International, and were heavily involved in the Iraqi weapons trade, according to a source with direct access.
- Dhu al-Himma’s nephew Assif Shalish managed SES and its subordinates.

SES International reportedly was the primary facilitator for the transshipment of weapons and munitions, as well as many other goods purchased outside of UN channels, through Syria to Iraq. ISG judges that this close relationship may have been based, in part, on Dr. Shalish's personal friendship with the former Presidential secretary, 'Abd Hamid Mahmud al-Tikriti. According to captured SOMO records, half of the goods paid for by the MIC through the goods component of the Syrian protocol between March 2000 and 2003 went through SES.

- According to those deals recorded in the SOMO records, SES transactions during this period amounted to \$86.4 million.
- According to an interviewee, SES officials did not participate in any negotiations between Baghdad and the supplier and were not privy to the details of the contracts signed between these entities.
- Dr. Asif 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.

Syrian Government Complicity. Syrian front companies had links to high-ranking government Syrian officials because Syria became the primary route for Iraq's illicit imports over the last two years before OIF.

- Asif Shawkat, the deputy director of Syrian Military Intelligence, was involved in weapons trade with Iraq, according to a high-level Iraqi official. Shawkat is the brother in law of Syrian President al-Asad. Multiple reports indicate that Shawkat's brothers, Mufid Makmud and Muhammad Mahud, managed his smuggling business.
- The Al-Mas Group, one of the Syrian companies that worked with the MIC, is owned by Firas Mustafa Tlas, son of the former Syrian Defense Minister Mustafa Tlas. The Al-Mas Group was composed of six companies that officially handled civilian goods but also dealt in weapons and military technology. In middle to late 2002, Firas Tlas represented his

father in a deal to sell weapons to Iraq, possibly including missiles with a range of 270 km, according to Huwaysh.

- A Syrian named Ramy Makluf, another relative of Bashar al-Asad, reportedly owned the Nurallah Company, another firm that worked with the MIC. Makluf was involved in an effort to procure IGLA man portable air defense systems, Kornet antitank guided missiles, rocket-propelled grenades (RPGs), heavy machine guns, and 20 million machinegun rounds for delivery to Iraq, according to a high-level Iraqi official. The contract for the delivery of these munitions was signed in 2002 with a six-month delivery deadline, but the war intervened before the delivery.

According to captured documents, the Iraqi MIC, and the Ministries of Trade, Defense, Industry, Transportation and Communication, and the Presidential Offices (Diwan) signed contracts with the Syrian front company, SES International Corporation, valued at approximately \$186 million starting from December 2000 to March 2003. This figure differs markedly from the amount reflected in the SOMO records mentioned earlier. This particular document also indicates the degree of regularity under which these transactions occurred between Iraq and the Syrian company. ***SES signed 257 contracts with various Iraqi ministries during the three-year period.*** The document also reflects how the Iraqi ministries signed the contract with SES for a beneficiary company or other government organization.

- For example, the MoD signed one \$185,780 contract with SES for the Presidential Office; the MIC signed another \$1 million contract with SES for the Al-Qadisiyyah State Company.

Turkey

Although not a direct source of illicit military goods, Turkey provided Iraq with significant revenue streams that permitted the Iraqi Regime to fund its illicit procurement activities. In addition to the UN OFF program, Turkey signed a trade protocol that provided substantial monetary and material resources for Iraqi state institutions and procurement authorities.

Since 1991, *Iraqi-Turkish trade revolved primarily around the Turkish import of Iraqi oil products outside the UN OFF Program*. Iraqi oil sales to Turkey were substantial. For instance, in March 2002, Iraq exported between 40,000 and 80,000 barrels of oil per day (bbl/d) to Turkey using approximately 450 to 500 Turkish trucks to transport the oil and oil products in spare fuel tanks. In February 2003, in the prelude to the war, this trade came to a halt. Illicit trade between Iraq and Turkey was built on the foundations of pre-Operation Desert Storm trade—Turkey had traditionally been one of Iraq’s biggest trading partners. This was formalized by a trade agreement signed by the two governments in 1993 and their other trade agreement, the Iraq-Turkey Trade Protocol, in 2000.

Turkey was a secondary conduit for illicit purchases of civilian goods from 2000 until OIF. Under the auspices of the Iraq-Turkey Trade Protocol, Iraqi ministries and other entities would sign contracts with Turkish companies for goods and services prohibited by the UN’s OFF program. Information from a SOMO database shows that *Iraq signed contracts worth almost \$304 million, with payment dates from April 2000 through April 2003*. These contracts reflect Iraq’s imports financed from SOMO accounts under the Iraq-Turkey trade Protocol. The funds most likely came from the protocol credit account controlled by SOMO. The CBI controlled the funds from the protocol cash account. ISG does not know if there were other expenditures for imports through Turkey from other SOMO or non-SOMO accounts (see Figure 58).

The MIC was the only military or security entity that openly contracted with Turkish companies under the auspices of the Iraq-Turkey trade Protocol, according to the SOMO database.

- *The MIC contracted for \$28 million worth of goods—9 percent of the total procurement noted.*
- Of this \$28 million, 137 contracts were signed with at least 24 different companies. The single largest Turkish supplier seems to be Ozgin Cinko Bakirve Metal Mamulleri, Imalat Sanayi, although the name

was listed in seven different ways. This company accounted for a total of 30 contracts with MIC worth over \$10 million—36 percent of MIC’s total contract value. Although the SOMO database does not include specific information about the goods contracted for, the beneficiary companies listed include MIC research centers and manufacturing companies.

- *In contrast to Iraq’s arrangement with Syria, the MoD did not import goods from Turkey under its own name. It did, however, import goods through the Ministries of Trade and Transport, according to the SOMO database.* The MoT imported goods valued at \$2.7 million (10 percent of its total contracts) and the MoTC imported goods valued at \$48.9 million (59 percent of its total contracts) for MoD. Therefore, MoD’s share of total contracts was \$51.6 million or 17 percent of the total contract value.
- Because the MoT sometimes acted on behalf of other entities, it is possible some of the MoT transactions not specifically mentioned as being on behalf of the MoD as mentioned above also were destined for Iraqi security, industrial, and research facilities. How much of these other MoT imports may have been destined for these end users is not known.

In addition to the Turkish demand for cheap Iraqi oil and oil products, the *Turkish government also tolerated, if not welcomed, the flourishing, mainly illicit trade conducted in the northern Iraqi free trade zone*. Turkey and Iraq engaged in direct military trade for common military use materials. For example, documentary sources reveal that in 1997 the IIS, the GMID, and the Iraqi Military Attaché in Ankara dealt with the Turkish firm Sigma Gida IAS SAN VE TIC Ltd for the sale to Iraq of fireproof military clothing; 150,000 meters of material were purchased for \$27 per meter. In lieu of cash, Iraq paid in oil.

The Iraq-Turkey Trade Protocol also allowed Iraq to procure goods prohibited by the UN sanctions, although most of those goods were for nonmilitary uses. The Iraqi Finance Minister approved cash allo-

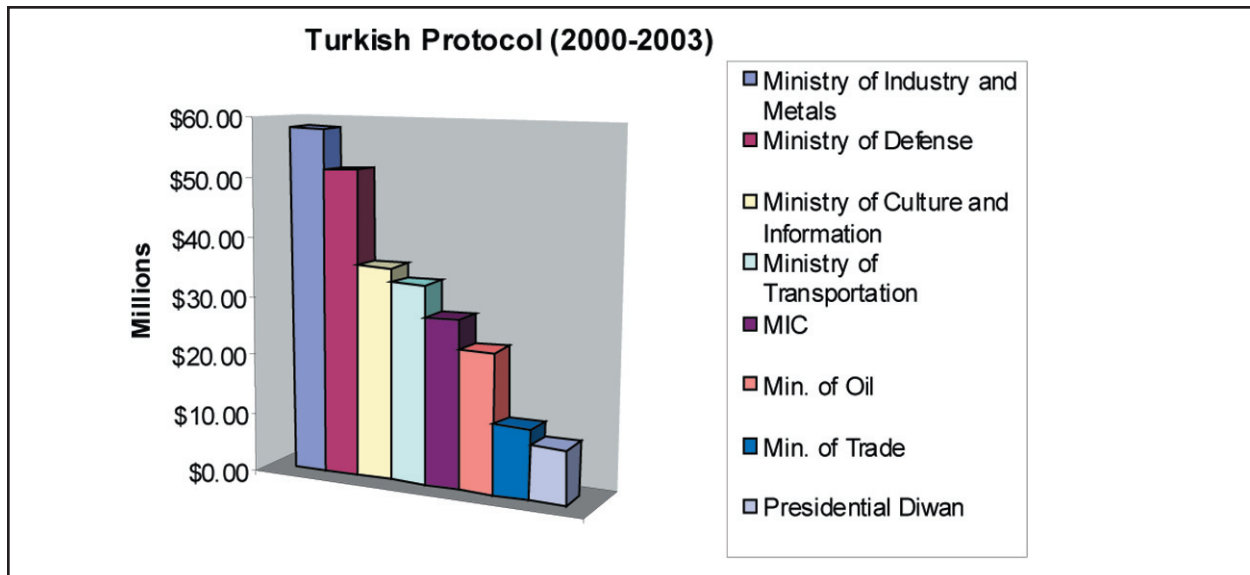


Figure 58. Allocation of the goods portion of the Turkish Protocol, 2000-2003.

cations to ministries from the Turkish trade protocol. According to captured documents, the Iraqi MoT procured 10,000 small generators, Mitsubishi pickup trucks, and assorted construction materials during 2002 through the Syrian SES International with money accrued by trade covered from the Turkish trade Protocol.

Methods Iraq and Turkey used to Hide Illicit Procurement. Turkey did not undertake any active measures to hide its illicit trade with Iraq. Indeed, this trade was conducted in a semi-transparent fashion. Multiple open sources frequently reported the illicit trade between Turkey and Iraq. The illicit oil trade and most of the protocol trade was conducted through the Habur bridge (or gate) near Zakho on the Iraq-Turkey border. Both secret and open sources describe this flow of trade.

Financial Flows Between Iraq and Turkey. High-level sources affirm that both Iraq and Turkey agreed to open a trade account denominated in US dollars in the name of TPIC (Turkish Petroleum International

Company), but run for the benefit of SOMO, at the Turkiye Halk Bankasi A.S. (also known as Halkbank), a Turkish state-owned bank. This indicates a fair degree of complicity in illicit activity between Iraq and Turkish state institutions. According to the 16 January 2000 Protocol, 70 percent of the value of the crude imported by Turkey under the Protocol would be deposited in Halkbank. The remaining 30 percent would be deposited directly by the crude purchaser to accounts at the Saradar Bank in Lebanon or the Ahli Bank in Jordan that were designated by SOMO. Tekfen, a Turkish oil company, was the only company to deposit money into the Ahli Bank. Other Turkish oil companies paid into the Saradar Bank.

According to open sources, since 2000 the UN OFF program, the trade protocol and other illicit Turkish oil importation, generated over \$1 billion per year for Iraq. This revenue, however, pales in comparison to the \$2.5 billion in bilateral trade that took place in 1990. SOMO documents state \$710.3 million was collected from the Turkish Protocol from contracts signed between July 2000 and February 2003. According to SOMO documents, it is estimated SOMO collected \$538.4 million in barter goods and

cash through private sector trade outside the Protocol between November 1997 and March 2003. We lack information about earnings prior to these periods.

Former Regime personnel indicate that the SOMO account at Halkbank was used exclusively for Iraq to pay Turkish companies for the sale of goods and services delivered to Iraq. The goods included oil sector equipment, industrial equipment and raw materials, communications and transport goods, and building materials. The total amount deposited in the account at Halkbank was \$499,232,952. The total withdrawn equaled \$302,305,033, leaving a balance before OIF of \$196,927,919.

South Korea

Illicit trade between South Korean companies and Iraq was largely limited to contracts signed for high technologies, such as military computer equipment, sophisticated communications and radar systems.

Although the South Korean Government was keen to promote South Korean companies to gain advantage in the international marketplace, *there is no evidence to suggest that the South Korean Government was complicit in the transfer of prohibited goods.*

- The earliest evidence detailing a military procurement deal with a South Korean firm was a 1998 negotiation between a Korean company and the Al-Basha'ir Company, trading petroleum products for six patrol boats.
- The evidence shows that from 2000 to 2001, South Korean companies provided technical components, software and expertise in the field of computerization and communications—assisting Iraq in its indigenous production of military computers and, thus, overall improvement of its conventional military power.
- As early as December 2002, delegates from the Iraqi Salah Al Din Public Company met with representatives of South Korean defense companies to finalize issues surrounding several contracts which had already been signed by both sides.

As with other suppliers, Iraq used a network of front companies and intermediaries to conceal its activity with South Korean companies. These companies refused to directly supply Iraq resulting in their use of third party intermediaries from India, Jordan, and Syria to facilitate trade.

- In 2000, the MIC signed a contract with a South Korean company for technical expertise in establishing an indigenous computer design and production facility in Iraq. The contract included South Korean technical assistance for the production of computers for military purposes and the manufacture of circuit boards. The contract for South Korean technical expertise was signed for \$14.4 million.
- In 2000, the IIS technology transfer division used two front companies (the Iraqi company Galala and an Indian front company, United Commodities) to procure computers, technical expertise, and training on computer design and production. Upon completion of this training, the MIC established an indigenous computer design and production line. This example illustrates the use of multiple front companies to hide the IIS role in the transaction.
- Exploited documentation illustrated that the MIC Commercial Department, through Dr. Hadi Tarish Zabun, Director General of Scientific Research facilitated “special contracts” for computers for a radar system and fiber optics for the communications system in 2001.
- In 2000, the Iraqi company Al-Ezz represented MIC in negotiations with a South Korean company named LG Innotech, which specialized in optical fiber and digital exchanges. According to captured documents, LG Innotech agreed to provide the MIC a total of 530 notebook-type hardened CPU systems specially designed for military use. The Iraqi Regime planned to integrate the \$11.35 million of CPUs into its air defense systems and artillery fire control mechanisms. According to the same document, LG Innotech ultimately fulfilled more than 80 percent of the contract. This contract also used a third party and negotiated in parallel with the LG Innotech military CPU contract.

Most of the illegal transactions involving prohibited goods between companies from South Korea and Iraq began in the summer of 2001, following a MIC visit to Seoul. The May to June 2001 visit was designed to develop contacts with South Korean firms for Iraqi companies. Subsequent meetings, reflected in recovered Salah Al-Din General Company documentation, reveal the following agreements:

- An agreement with the Shinsung Company to acquire production plans and technology transfers of crystal units, filters, and oscillators.
- An agreement with Salah Al-Din and the Korean company UNIMO Technology Co. Limited to acquire portables and mobile radio technology transfers and to upgrade the existing production facilities in Salah Al-Din Company for hybrid circuits.
- An agreement between Salah Al-Din and Techmate Corporation of Korea for production and technology transfer of hand generators, coils and transformers, hand crank generator (GN-720) cable tester, image still picture transmission equipment, and coastal radar.
- An agreement with Armitel in South Korea for the technology transfer for the local manufacturing (assembly & test) of STM -1 optical transmission system (AOM-1155) with Salah Al-Din.

Another element of illicit trade with South Korean companies focused on procuring fiber optics telecommunication technology with potential military applications.

- In 2001, the MIC's Commercial Department signed a contract for fiber optics with the South Korean company Armitel. Payment, however, was not made because the equipment provided did not meet Iraqi specifications.
- The IIS coordinated with one of its agents to bring a delegation of experts from a South Korean company called Armitel. Their senior expert, Dr. Lee, visited Baghdad and as a result, signed many contracts with the Iraqi MoTC, specifically in the

field of fiber-optic communications and military communications. These contracts were valued at \$75 million.

- The MoTC and Armitel executed a portion of these contracts, delivering two shipments of more than 30 containers. Delivery was conducted through Lebanon using Syrian and UAE trade intermediaries. The first contract was delivered through Syria and the second through Lebanon. These contracts were covered through Syrian and UAE middle companies.

People's Republic of China

Although China stated publicly on multiple occasions its position that Iraq should fully comply with all UN Security Council resolutions and cooperate with the Security Council and the Secretary General, firms in China supplied the former Iraqi Regime with limited but critical items, including gyroscopes, accelerometers, graphite, and telecommunications through connections established by MIC, its front companies, and the IIS. *There is no evidence to suggest the Chinese Government complicity in supplying prohibited goods to Iraq. It is likely that newly privatized state-owned companies were willing to circumvent export controls and official UN monitoring to supply prohibited goods.* In supplying prohibited goods, Chinese companies would frequently employ third countries and intermediaries to transship commodities into Iraq. *The Chinese-Iraqi procurement relationship was both politically problematic and economically pragmatic in nature, but it ultimately provided Iraq with prohibited items, mainly telecommunication equipments, and items with ballistic missile applications. This relationship allowed Iraq to improve its indigenous missile capabilities.*

Multiple sources clearly demonstrate that Iraq's procurement goal with Chinese firms was to overcome weakness in missile inertial guidance capabilities caused by a lack of technical expertise and components. Iraq had limited capabilities in indigenously manufacturing gyroscopes and accurate accelerometers, compounded by the inability to purchase high precision machinery and equipment. Chinese com-

Chinese Assistance in Iraqi Telecommunications

One area of robust cooperation between Chinese firms and Iraq was telecommunications. These technologies had both military and civilian uses. Saddam's Regime used Chinese circuits and fiber optics to connect static command, control, and communication (C3) bases. UN sanctions impeded rehabilitation of the telecommunications sector. This equipment was sanctioned because of the nature of modern communications systems, which could be used both for civil or military purposes. These obstacles were overcome by the Iraqi Regime by acquiring materials for cash and procuring materials illicitly, outside the purview of the UN.

One Chinese company, illicitly provided transmission equipment and switches to Iraq from 1999 to 2002 for projects that were not approved under the UN OFF Program. Reporting indicates that throughout 2000, Huawei, along with two other Chinese companies, participated in extensive work in and around Baghdad that included the provision and installation of telecommunication switches, more than 100,000 lines, and the installation of fiber-optic cable.

In early January 2001, the Chinese company pulled out of a \$35 million mobile phone contract in Iraq, citing difficulty it would face sourcing key components from a US firm. The company, which had been negotiating for two years on a Baghdad ground station module network, cited US Government pressure as the reason for its decision. Iraqi telecom official retaliated by putting all other contracts with this company on hold and cutting off contact with the firm. The company, however, in 2002 used Indian firms as intermediaries to illicitly supply fiber-optic transmission equipment for Iraqi telecommunications projects.

Other companies were also present in Iraq. A summary of their activity is given below:

- *A Chinese company was one of the more aggressive firms selling equipment to Iraq outside the UN OFF Program, including major fiber-optic transmission projects.*
- *Another company agreed to provide switches to Iraq as part of a large switching project for Baghdad prior to Operation Iraqi Freedom. Working with a second Chinese firm, this company participated in a bid for a project in Iraq not sanctioned by the UN. In late 2002 this company submitted a bid for a large switching system for Iraq.*
- *Reporting indicated that a Chinese company, working through a second Chinese company, had supplied switches to Iraq. This company's switches were used for both unsanctioned and sanctioned projects in Iraq. This company illicitly supplied the switches for the Jordan Project, a fiber-optic network in Baghdad that was completed in late 2000. This company might have been involved in supplying switches with more capabilities than specified in an UN approved project.*

panies willingly supplied these types of items to the Iraqi Regime.

- In the fall of 2000, Iraq sought 200 gyros, suitable for use in Russian and Chinese cruise missiles, and machine tools with missile applications from NORINCO, a Chinese military supplier that has

been sanctioned many times by the United States, twice in 2004. (No delivery established.)

- Contracts were initiated in 2000 between Al-Rawa and a Chinese firm, for test equipment associated with inertial guidance systems, including a one-

axis turntable for testing gyroscopes. (No delivery established.)

- In mid-2001, Abd al-Wahab, an IIS officer stationed at the Iraqi Embassy in China, procured 10 to 20 gyroscopes and 10 to 20 accelerometers from an unknown Chinese company for approximately \$180,000. The gyroscopes and accelerometers were intended for the guidance and control system of the al Samud II and Al-Fat'h missiles.

Iraq also sought dual-use items with potential ballistic missile applications from Chinese firms. Iraq sought items such as fuel for propellants and graphite, a key component in reentry vehicle nose tips, directional vanes, and engine nozzle throats. Iraq's need for graphite-related products was heightened following severe damage inflicted during Operation Desert Fox to the Shahiyat Missile Facility, a known graphite production facility. Although this site was reconstructed, Western intelligence assessed that Iraq could not indigenously produce the quality of graphite necessary for ballistic missile components making it dependent on imports. Recovered documents from 2001 indicated a drive to acquire Chinese graphite-related products such as electrodes, powder, and missile-related fuel:

- Al-Najah Company, working through an Indian intermediary, purchased supplies of Chinese missile-grade graphite during August and September 2001.
- In January 2003, Al-Merbab General Trading Company and Al-Ramig sought a supply of chemicals, both of which have applications in liquid rocket propellants, from Chinese companies (see inset). The Chinese companies, however, refused to sell chemicals to the Middle East because of its potential weapons application.

From the Iraqi perspective, MIC and IIS attempts to illicitly acquire goods from Chinese firms were problematic. ***MIC and Chinese suppliers conducted many committee meetings and had other contracts, but most meetings never ended in any signed contracts.*** According to a high-ranking official in the MIC of unknown reliability, Chinese firms used its

military and dual-use contracts with the MIC as leverage in its attempts to obtain discount-priced Iraqi oil.

- Documents recovered indicate that an Iraqi delegation was sent to China to reestablish a partnership with NORINCO, a Chinese arms manufacturer. NORINCO agreed to continue dealing with Iraq despite a debit of \$3,067,951,841.47 but NORINCO specified that Beijing would not be informed of the deal. Iraq promised to repay NORINCO with crude oil and petroleum products, using the Iraqi front company Al-Basha'ir.
- These strained negotiations sometimes resulted in the use of alternative foreign suppliers. This was evident in procurement attempts to acquire gyroscopes from Chinese firms where MIC companies sought alternative suppliers in Belarus.

Although the Chinese Government promoted Chinese companies in commercial activity following defense reforms in 1998, ISG has found no evidence to suggest Beijing's direct involvement in illicit trade with Iraq. ***Indeed, we suspect that some contracts that were abruptly stopped may have been a result of Beijing's direct intervention.*** A delegation from a Chinese firm to Iraq in December 2000, suspended contract talks possibly according to Beijing's questioning of its activities with Iraq. Most transactions, however, were orchestrated through newly privatized state-owned companies competing in a bloated and highly competitive, newly founded commercial system where they were able to participate in illegal trade with little oversight.

As with other suppliers, Iraq procured illicit goods from Chinese companies behind a network of front companies and trade intermediaries. Turkish, Syrian, Indian, and Jordanian intermediaries were used in the procurement process for both seeking quotations of goods and in assisting delivery of prohibited goods. In all likelihood, the various trade protocols provided a legitimate trade cover under which these illicit transactions took place.

- As in many other cases, the Syrian-based SES International Corporation was used as an intermediary between Chinese companies and Iraq. In

October 2001, Syrian technicians were dispatched to China on Iraq's behalf to contact influential Chinese air defense companies. Follow-on meetings were to be held in Beijing and Damascus. An Indian affiliated, UAE-based firm was also used as an intermediary to facilitate trade in graphite and ballistic missile-related goods from Chinese firms.

- In conjunction with the use of brokers and intermediaries, the *IIS employed Chinese personnel as IIS agents to obtain prohibited goods and build relations between entities*. In one case, the IIS tasked Professor Xu Guan, a member of the Chinese high committee for electronic warfare to collect information on laser-tracking systems, laser guidance systems and information on cooperation between Iran and China. The IIS also stationed its own officers at the Iraqi Embassy in China to manage the Iraqi-Chinese relationship and facilitate trade.

France

The French-Iraqi procurement relationship existed within a larger bi-lateral political relationship, which was turbulent and problematic throughout the 1990s up until OIF. From Saddam Husayn's perspective, the relationship was built on Iraq's hopes to influence a permanent membership on the UN Security Council against the United State and UK (see the Ministry of Foreign Affairs section).

- Illustrating Iraq's persistent efforts to curry favor in Paris, France, was one of the top three countries with companies or individuals receiving secret oil vouchers (see the Oil Voucher section). Iraq also awarded numerous short-term contracts under the UN OFF program to companies in France totaling \$1.78 million, approximately 14 percent of the oil allocated under the UN OFF Program.
- In 2001, Tariq Aziz characterized the French approach to UN sanctions as adhering to the letter of sanctions but not the spirit. This was demonstrated by the presence of French CAs in Baghdad, working to promote the interests of French companies while assisting them in avoiding UN sanctions.

Behind this political maneuvering, ISG has found evidence that French companies, after 1998, sought

and formed procurement relationships with Saddam's Regime. These relationships could have been renewed partnerships developed before 1991 when France was a major conventional arms supplier for the Iraqi Regime. These procurement transactions included offers and contracts for conventional weapons systems and negotiations for possible WMD-related mobile laboratories.

Recovered documents dated December 1998 and September 1999 indicate that the French company Lura supplied a tank carrier to the Iraqi MoD. A French expert, "Mr. Claude," arrived in Iraq in September 1999 to provide training and offer technical expertise on the carrier.

By 1999, recovered documents show that multiple French firms displayed a willingness to supply parts for Iraqi conventional military items, mainly related to aircraft.

- Documents from the Al-Hadhar Trade Company, dated November 1999, describe a delegation of French companies that had participated in an International Exhibition in Baghdad. One of the companies was willing to collaborate and supply spare parts for the French Mirage aircraft.
- IIS documents dated from December 1999 to January 2000 show that the Deputy General Manager of a French company called SOFEMA planned to visit Iraq on 15 January 2000 on behalf of a number of French military companies to "seek possible trading between the two countries." An accompanying top secret document from the GMID, M6 Section, corroborates this meeting and further ties the purpose to Iraqi air defense capabilities.
- Another recovered letter, dated September 1999, illustrated the approval of a meeting by the GMID M6 Section with the Head of the Iraqi-French Friendship Society, Mr. William Libras. Libras offered to supply Iraq with western manufactured helicopters. This was followed with a letter indicating contact between Al-Hadhar Trade and the French suppliers stating that the French companies "have the ability to update the aircraft and add any system you request."

ISG uncovered further conventional military trade in November 2002 when a French electronic warfare/radar expert named “Mr. Cloud” (possibly Mr. Claude from the section above) met with representatives of the Al Kindi Research Facility. According to captured documents, the purpose of the visit was to facilitate military-related microwave, direction finding, and passive radar technology transfer. The recovered documents include military-related technology transfers and Iraqi contractual agreements with foreign manufacturers.

Beginning in late December 2002, the MIC initiated efforts to acquire replacement parts for the Roland II Surface to air missile system, valves for Iraq’s air defense system, and various other high technology items with military and battlefield applications. These efforts were underway with Majda Khasem Al-Khalil (a Lebanese female) who in turn met with the French Thompson Company representatives. ISG found evidence of coordination on this procurement up until 23 days before OIF.

Former Federal Republic of Yugoslavia

According to captured documents, Iraq and FRY cooperated extensively both militarily and economically when the Milosevic Regime was in power. This cooperation ceased when a democratic government took power. For example, talks were held between Iraq and the former Yugoslavia on military and economic cooperation from 25 February to 2 March 1999. The Iraqi side was represented by the Minister of Defense, Sultan Hashim Ahmad al-Tai. Maj. Gen. Jovan Cekovic, the Director General of the Yugoslav company, Yugoimport, headed the Yugoslav side. The documents detail the Protocol resulting from the meetings.

- The two countries expressed their readiness to re-establish and continue the military-economic cooperation, which they considered one of the most co-operative bilateral endeavors.
- According to the documents, the two sides agreed to foster greater cooperation among all services of each country’s military forces.

- During the meetings, Iraq informed the Yugoslavians that because of the current economic situation in the country, it is not able to provide funds for the future cooperation. To remedy this problem, the Iraqi side proposed the supply of crude oil and its product instead of currency as a viable solution.
- The two sides then agreed that the next session of the Joint Committee for Military and Technical Cooperation was to be held in Belgrade in April 1999.

A source that was a senior executive in the MIC stated that the former Federal Republic of Yugoslavia cooperated closely and extensively with the IAEC, the MIC, and the MoD. Representatives from Yugoimport Federal Directorate for Supply and Procurement (FDSP), a Yugoslav company, signed numerous business contracts with Iraq. Their Baghdad representative was Colonel Krista Grujovic. During the start of business with Iraq, which was sometime around early 1998, Yugoimport opened accounts in Amman, Jordan, for Yugoslav Federal under the trade name Yugoimport FDSP. However, after a period of time their name was changed to MIKA (also known as MEGA), a Lebanese company. Yugoimport FDSP was then effectively eliminated from all bank records and other documents.

- Reportedly, Mahud Muhammad Muzaffar was in charge of the Yugoslav procurement connection and was universally liked within the MIC. The Iraqi Government sent him under diplomatic cover to work as a scientific advisor at the Iraqi embassy in Belgrade. When Yugoslav companies spoke to Muzaffar about doing business with Iraq, he would connect their company contacts to MIC representatives.
- Yugoslav Federal was a military institution under the management of the Yugoslav Ministry of Defense. It was responsible for overseeing several Yugoslav military production companies.
- Yugoslav Federal signed the foreign trade contracts on behalf of these military production companies in exchange for a certain percentage of the profits.

- Yugoslav Federal also supplied materials and expertise directly to Iraq from the Yugoslav production companies.

A senior executive at the MIC stated that the financial transfers between Yugoslavia and Iraq were under the supervision of the Belarusian Infobank. Infobank also issued security bonds for the advance payment portions of the contracts.

- The contracts were signed pursuant to the Iraqi-Syrian Protocol where the payments were made through a third party, usually a Syrian-based company.
- This Syrian company would pay the contract amount to the Belarusian bank in exchange for a 10- to 12-percent cut of the value of the contract.

According to the senior executive of the MIC mentioned above, the former Yugoslavian Government was represented commercially through the use of experts and ex-military personnel to assist in the transfer of technology and technical expertise for new military projects. The coordination was under the direct supervision of the MIC Director, Abd al-Tawab Mullah Huwaysh, Dr. Hadi Tarish Zabun, head of special procurement at the MIC, and the Iraqi Deputy Minister of Defense. This source also stated that the President of Yugoslavia opened accounts in Amman, Jordan, under the Lebanese cover company MEGA.

In October 2002, Stabilization Forces (SFOR), Bosnia and Herzegovina, conducted an inspection of the ORAO Aviation Company, in Bijeljina, Bosnia and Herzegovina. Over 60 computer hard drives and a large number of documents were seized. ***Among the captured documents was a five-page memorandum that documents the discussions and agreements between ORAO, Al-Salafa, and the Iraqi Ministry of Defense concerning the illegal shipment of R13-300 and R25-300 jet engines for the MiG-21.***

- Included in the memorandum is an agenda for the enlargement of existing capacities for overhaul of R13-300 and R25-300 jet engines.

- The agenda also included a realization of an old agreement for overhaul of the engines in the former Federal Republic of Yugoslavia. The time limit for the delivery and assembly of equipment was to be up to nine months.

- Other documents captured indicated that the MIC front company Al-Basha'ir was also involved in the deal, as well as Yugoimport. According to a contract between the two companies, the total amount of the deal was worth \$8.5 million.

Al-Basha'ir was to be responsible for transporting the equipment from Syria to Baghdad for a total price of \$300,000.

As of May 2000, 45 overhauled engines had been delivered; however, captured documents detail a dispute between ORAO and Iraq's Ministry of Defense over the price and delivery of 19 remaining engines.

Al-Salafa is an Iraqi company that is a part of the Al-Eman network of front companies.

Bulgaria

Although the procurement relationship began in 1998, from 2000 until the start of OIF, the MIC conducted business with the Bulgarian JEFF Company, a company that the IIS recommended the MIC use.

The JEFF Company's headquarters was located in Sofia, Bulgaria. According to a senior executive in the MIC, the Bulgarian government was aware of the dealings between the JEFF Company and Iraq. ISG cannot confirm this claim. The MIC used the Al-Basha'ir Company to coordinate contracts with JEFF. To establish a contract, JEFF personnel would travel to Iraq to meet with the Al-Basha'ir Company or vice versa. Al-Basha'ir would then deliver the contract to the Commercial Department of the MIC where an arrangement for the contractual payment would be made.

Reportedly, Bulgarian companies exported numerous military items to Iraq after 2000 in violation of UN sanctions (see figure 59).

Description	Quantity	Price	Total Price
Kornet – Type E 9M 133 w/ tandem warheads	175	32,400	5,670,000
Launcher units	10	125,985	1,259,850
Thermal Imagers Sight 1PN79-1 (TIS)	5	114,000	570,000
System Test Unit 9Y42-1	2	139,740	279,480
System Test Unit 9B679-1	1	135,390	135,390
Field Simulators 9P163-1KBM	1	92,800	92,800
Missiles 9M133F1 HE with Fuel-Air HE	25	32,400	810,000
Launch unit for combat vehicles	10	7,200	72,000
Teaching expenses		30,000	30,000

Figure 59. JEFF Company contracts, 2002.

- The MIC had contracts with the JEFF Company for engines and maintenance parts for the T-72 tank and Iгла manportable air defense systems (MANPADS).
- The Bulgarian company ELMET provided components for Iraq's UAV programs.
- Captured documents detail the illegal procurement of missiles with tandem warheads, launcher units, thermal imagers, test units, and simulators. The deal was brokered between Al-Basha'ir, SES International in Syria, and the JEFF Corporation in Bulgaria for 175 Kornet antitank guided missiles (ATGMs). The contract specified that Al-Basha'ir was acting on behalf of the MIC of Iraq. Delivery of the ATGMs was to take place in March of 2003, but it is unclear whether the delivery actually took place.

In 1998, Bulgarian companies contracted with Iraq to provide numerous dual-use items such as ammonium perchlorate, aluminum powder, phenolic resin, carbon fiber, and machine tools. Recovered Iraqi documentation stated that the end use for these goods was for the Al Fat'h missile.

- Ammonium perchlorate is an oxidizer that makes up over 50 percent of the propellant weight of a modern solid propellant. Aluminum powder is

mixed with the ammonium perchlorate and it acts as a fuel in the solid propellant. These two chemicals make up the bulk of the propellant mass. These basic items were used in the Iraqi Badr 2000 missile system, which was destroyed by UNSCOM. But the Ababil and the Ab'our missile system used these items in their propellant.

- Phenolic resin is a very special high-temperature resin used by Iraq to bind and hold in place the carbon fibers.
- The carbon fiber with the phenolic resin could be used in making lighter weight motor cases, nose tips, or nozzle throats. These areas experience high heat and using a light material lessens the overall weight of the missile, extending its range.
- Prior to 1991, the Iraqis had made missile parts from carbon fiber and had expressed a desire to UNMOVIC to again use carbon fibers. Carbon fibers could also be used in the fabrication of high-strength centrifuges for the enrichment of uranium. For these reasons both UNMOVIC and IAEA placed carbon fiber on their watch lists as a controlled material.

Machine Type	Model	Quantity
Rotating double step compressor Atlas-Copko	Type-Zr5-52	2
Bullet-Shear 1600-Ton	Type SCK 1600	1
Heavy duty vertical milling machine with cross table	Stanko 65A6 OF-11	1
Single column jig/grinder	SKOE-630 X 1000/PS2	1
Thread grinding machine	MIC GSU315-1X1000	1
Centerless grinding	Type 3E-184B	1
Centerless grinding	Type 3E-183	1
Universal optical profile grinding	Dobeli UPFS 150/195 CNC	1
CNC vertical machine center	RV 501	2
Column drilling M/C	PM -28	5
	PMP-40	5
	PMC-40	5
Double action press	KG 5530-100t	1
	KG 5532-160t	1
	KG 5535-315t	1
Six spindle automatic machine	Type ASH-160	2
Universal cutting M/C	Type FUW-250V	1
Radial drilling M/C	Type 553	1
	Type 554	1
Round M/C		1
Column drilling M/C	PK 031	1
Eccentric press 25 Ton	PE 25 A	1
Eccentric press 63 Ton	PE 63 A	1
Eccentric press 100 Ton	PE 100 A	1
Six spindle automatic M/C	AS-32	1
Hydro copy lathe	Stanko IE 713	2
Centerless grinding M/C	3M182	1
	3A184	1
Six spindle automatic M/C	Ash-160	2
Universal cutting machine	FSS-400V-2PS	1
Single action, single crank stamping press 160 ton	Stanko Type K 18-232-02	1
Hydraulic press 100 ton	PHM-160A	1
Planner type double column milling and boring	6M6 10FI	1
Double column vertical boring machine	1525	1
Cutting planning M/C	FLP1000	1
Die casting	Raper Werk ND 14-10-500	1

Figure 60. Dual-use equipment imported by Iraq from Bulgaria.

In 2001 Iraq used the Syrian Protocol to purchase numerous machine tools from Bulgaria. Some of these machines are numerically controlled (CNC) or are capable of being adapted for CNC. Such equipment was controlled under the Goods Review List (GRL) and would have needed to be approved by the UN before being exported to Iraq.

All of these dual-use machines could be used for the production of civilian goods. However, many of these machine tools can be used in producing conventional military items, CW, or nuclear programs, particularly the shaping of materials such as polytetrafluorethylene (PTFE) or metals.

- For example, rocket motor cases or propellant tanks start as a large sheet of metal that needs to be cut, shaped, rolled, drilled, milled, and welded to form the correct shape.
- CNC machines allow the operator to program exact instructions into the computer so it can precisely reproduce a pattern a thousand times over to the same specifications. This is critical for both missile and nuclear components. Figure 60 details these transactions.

Procurement Suppliers in the Transition and Miscalculation Phases, 1998 to 2003

For the final two phases in Saddam's Regime, "Transition" and "Miscalculation," ISG has identified eight new procurement partners. From the supply side, companies from Russia, North Korea, Poland, India, Belarus, Taiwan, and Egypt have become key trading partners in military or dual-use goods. Like Syria and Turkey in earlier phases, Yemen has become a transshipment facilitator for Saddam's procurement programs.

- This increase continues the trend observed in the previous phase. This increasing trend most likely occurred because of a lack of international condemnation, poor oversight of supplying companies by their governments, poor export controls, and the high profits to be had from Saddam's illicit revenue.
- *ISG also observes an interesting trend over time as Saddam's international supporters shifted in the 1998 time-period from former-Soviet and Arab states to some of the world's leading powers, including members of the UNSC.*

Russia

Although the Russian Government has denied being involved in supplying weapons to Iraq, there is a significant amount of captured documentation showing contracts between Iraq and Russian companies. In fact, because Russian companies offered so many military items, the MIC and a Russian general named Anatoliy Ivanovich Makros established a joint front company called ARMOS in 1998 just to handle the large volume of Russian business (see also the ARMOS section). The Russian-Iraqi trade was also assisted through bribes to Russian customs officials, according to a former Iraqi diplomat.

This former Iraqi diplomat further described how Iraq's embassy personnel smuggled illicit goods on weekly charter flights from Moscow, through Damascus, to Baghdad from 2001 until OIF. These prohibited goods included high-technology military items such as radar jammers, global positioning system

jammers, night-vision devices, and small missile components. Some flights were not inspected, even though they were reported to the UN. Cash and equipment were reportedly also smuggled into or out of Iraq in bimonthly diplomatic courier runs to Moscow.

In early 2003, the Russian company, Rosoboronexport, offered to sell and deliver several weapons systems to Iraq. Rosoboronexport had Igla-S shoulder-fired SAMs and Kornet anti-tank missiles available for immediate sale to Iraq, and was prepared to sell larger medium-to-long range advanced (SA-11 and SA-15) air defense systems and T-90 tanks, according to the trip report and a high-level source in the former Iraqi Government.

- ISG has recovered documents detailing two trips related to these sales. The first round of negotiations with Rosoboronexport and other Russian companies occurred from 27 January 2003 to 6 February 2003, while the second trip took place from 12 February 2003 until 21 February 2003.
- The Iraqi delegation requested air defense equipment, antitank weapons, and night vision devices. Iraq also desired to upgrade existing air defense equipment (SA-6 and SA-8) and radars.
- According to the trip report, four contracts were signed between Rosoboronexport and four Iraqi companies: Hittin, Al-Karamah, Al-Milad, and Al-'Ubur.

According to Iraqi documents, Rosoboronexport executives demanded that they be permitted to ship the weapons through a third country with false end-user certificates. The Russian side emphasized that Rosoboronexport is a government agency and it cannot be involved with directly supplying Iraq with weapons. Other Russian officials offered to send equipment and technical experts to Iraq under the cover of OFF contracts. ***Before returning to Baghdad, the Iraqi delegation stopped in Damascus to obtain false end-user certificates from the Syrian Ministry of Defense for the first items to be shipped, the MANPADS and antitank missiles.***

- Although some of the equipment was shipped, we do not know how much of the equipment was actually received in Iraq before Operation Iraqi Freedom.
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- According to the trip report, four contracts were signed between Rosoboronexport and four Iraqi companies: Hutteen, Al-Karamah, Al-Milad, and Al-'Abur.

Many of the contracts signed with Russian companies, were for technical assistance, according to an Iraqi official with direct access to the information. These offers included contracts with TECHNO-MASH employees for technical assistance in developing guidance and control systems, aerodynamic structures, and a test bench for missile engines. Iraq also signed a contract for the transfer of technology for the manufacture of laser rods to be used in laser range finders. The Mansur Factory in Iraq was to be the main recipient of this technology. Other contracts with Russian companies are detailed in the following:

- The Russian Company, Systemtech was run by a Russian missile scientist named Alexander Degtyarev. Most of the dealings with this company were connected with missile guidance and control, and contracts were valued at around \$20 million.
- According to captured documents, in November 2002, the Umm Al-Ma'arik General Company negotiated two draft contracts with the Russian company Uliss, in support of the "Saddam The Lion" Tank Project. They notified the Commercial Directorate of the MIC that contract number 2002/AM/8 had been concluded. On 10 February 2003, MIC Deputy Director Dagher Muhammad Mahmud approved the contract.

Date	Item	Price	Source Company
3 December 2001	25 100mm barrels for KS-19 anti-aircraft guns	\$206,250	Russian Materials Institute (CRIM)
3 December 2001	50 hammered barrels, 125 mm	\$572,000	Russian Materials Institute (CRIM)
3 December 2001	4 210mm barrels, Type FA-10	\$177,606	Russian Materials Institute (CRIM)
3 December 2001	Electro-chemical treatment site for manufacturing 122mm, 125mm, and 155mm barrels	\$825,000	Russian Materials Institute (CRIM)
1 January 2002	Modifications to the MIG-21 radar	\$864,740	EGC/Systemtech/ Dr. Dikariov
November 2002	Saddam Lion Tank Project, including molds, furnaces, cleaning and testing equipment	\$975,000	Uliss Co.
24 November 2002	Electronics for P-18 radar modifications	\$114,217	EGC/Systemtech/ Dr. Dikariov
2 December 2002	Air defense engine spare parts	\$2,707,000	Fond Rosky Project
1 January 2003	Missile guidance electronics	\$855,681	EGC/Systemtech/ Dr. Dikariov
4 January 2003	Night vision devices (NVDs)	\$180,000	Uliss Co.
13 January 2003	NVDs	\$255,000	Uliss Co.
16 February 2003	UAV components & technology		Uliss Co.
17 February 2003	Missile guidance electronics	\$5,262,791	EGC/Systemtech/ Dr. Dikariov
20 February 2003	Missile components	\$182,137	EGC/Systemtech/ Dr. Dikariov
24 February 2003	Light ammo production line		Balcom
25 March 2003	GPS jammers	\$500,000	Unknown
Dual-Use Items purchased from Russian Companies			
10 February 2003	Welding machinery	\$57,000	Uliss Co.
13 July 2003	Laboratory equipment	N/A	EGC/Systemtech/ Dr. Dikariov

Figure 61. Military goods Iraq acquired from Russian sources.

- According to captured documents, four contracts with Russian firms were signed in December 2001. These are detailed in figure 61. A 25 January 2003 letter from the MIC front company Al-Basha'ir complained to the Minister of the MIC that these deliveries had not been completed as of January 2003.

North Korea

From 1999 through 2002, Iraq pursued an illicit procurement relationship with North Korea for military equipment and long-range missile technology. *The quantity and type of contracts entered between North Korea and Iraq clearly demonstrates Saddam's intent to rebuild his conventional military force, missile-delivery system capabilities, and indigenous missile production capacity.* There is no evidence, however, to confirm that North Korea delivered long-range missiles, such as Scud or Scud-variants.

North Korean and Iraqi procurement relations began in 1999 when the MIC requested permission from the Presidential Secretary to initiate negotiations with North Korea. In a recovered memo the Secretary approved the plan and directed the MIC to coordinate negotiations with both the IIS and MoD. Recovered documents further suggest that orders for negotiations were also passed from Saddam directly to the Technology Transfer Office at the IIS. Related documents from this time period reveal that the North Koreans understood the limitations imposed by the UN but were willing "to cooperate with Iraq on the items it specified."

The Director of the MIC formally invited a North Korean delegation to visit Iraq in late 1999. The Director of North Korea's Defense Industry Department of the Korean Worker's Party eventually visited Baghdad in October 2000, working through a Jordanian intermediary. *Multiple sources suggest Iraq's initial procurement goal with North Korea was to obtain long-range missile technology.*

- August 1999 correspondence between the IIS Director and a North Korean company called the Changwang Group (variant Chang Kwang or Chang Gwang), a known company associated with

weapons-related sales, discussed the supply of "technology for SSMs with a range of 1,300 km and land-to-sea missiles with a range of 300 km." The Changwang Group proposed a multitiered sale of weapons and equipment and "special technology" for the manufacture and upgrade of jamming systems, air defense radar, early warning radars, and the Volga and SAM-2 missiles.

- In a recovered transcript of a telephone conversation prior to the October 2000 meeting, senior officials at the MIC and the IIS noted topics for discussion with the North Korean delegation would be the development of SSMs. The Iraqi delegation at the meeting included SSM Commander Najam Abd' Allah Mohammad. Ensuing discussions during the meeting focused on the transfer of military equipment including a short-range "Tochka-like" ballistic missile that the North Korean firm said could be purchased from Russia.
- A captured MoD memo dated 12 October 2000 summarized the October 2000 meetings, stating that SSM Commander Najam Abd' Allah Mohammad had discussed Tochka, Scud, and No Dong missiles with a range of 1,500 km.
- Muzahim Sa'b Hasan al-Nasiri, a Senior MIC Deputy and a main player in procurement negotiations with North Korea, in interviews has adamantly denied the discussion of longer-range missiles with the North Koreans.

Documentary evidence shows that, by mid-2001, Iraq had signed \$10 million of military-related procurement contracts with North Korean companies.

- The contracts from late 2000 included a deal with the Al-Harith Company, believed to be associated with Iraqi air defense development, and the Al-Karamah State Establishment, known to procure technology for missile guidance development, to improve Iraqi SSM guidance and control technology, and to upgrade the Iraqi Volga missile homing head by adding infrared sensors.

- The missile contracts in 2001 were designed to improve Iraqi missile systems using North Korean parts. These contracts were signed with the Al-Kamarah State Establishment, the Al-Harith Company, and the Hutteen Company, which is associated with the development of Iraqi heavy weaponry. Fifteen percent of this contract was reportedly completed and was paid for through a Syrian company to the North Korean Embassy in Damascus.
- According to documentary evidence, Muzahim Sa'b Hasan al-Tikriti visited North Korea in September 2001 to discuss procurement projects for the Al-Samud missile control system, radio relays for communications, and improvements to Iraqi anti-aircraft systems. The trip resulted in four signed contracts with the Al-Karamah State Establishment for potentiometers (missile guidance and control-related technology), missile prelaunch alignment equipment, batteries, and test stands for servos and jet vanes. Ultimately, North Korea backed away from these agreements, informing the Iraqis that they would study the issue. ISG judges that this equipment was intended for use in the al Samud-2 ballistic missile program.

As the Iraqi-North Korean procurement relationship matured, it broadened from missile-related projects to a range of other prohibited military equipment and manufacturing technologies. Recovered documents from November 2001 describe numerous contracts between Hesong Trading Corporation, based in Pyongyang, and the Al-Karamah, Al-Harith, and Hutteen Companies. These contracts included deals for:

- Ammunition, communications, potentiometers for short-range surface-to-surface missiles, powder for ammunition, and light naval boats.
- Laser range finders and fire-control systems for artillery, tank laser range finders, and thermal image survey systems.

This series of contracts also specified numerous technology transfers from North Korea to Iraq to allow Saddam to design and implement laser head riding for anti-tank missile applications and to manufacture:

- PG-7 rockets (an Egyptian variant of the Russian RPG-7).
- Night-vision devices.
- Six-barrel 30-mm guns.
- Laser rangefinders for guns.
- Thermo image survey systems and rifling tools for 122-mm and 155-mm barrels.
- Ammunition, jigs, fixtures, dies, parts, liquid-propellant rocket structures, liquid propellant rocket aerodynamics computations, guidance, and control systems.

As with its other suppliers, Iraq used its accustomed methods to obtain illicit goods from North Korea. In short, North Korea's illicit procurement relationship with Iraq was concealed behind a network of front companies, trade intermediaries, and diplomatic communications.

- The North Korean side of the relationship was represented by the Defense Industry Department of the Korean Worker's Party through the Changwang Trading Company. The Tosong Technology Trading Corporation and Hesong Company were also used to broker the negotiations.
- The Syrian-based SES International was used as an intermediary in this trading process. Many transactions from North Korea would be orchestrated by the North Korean embassy in Damascus, which would then endorse the shipment to an Iraqi agent in Syria for transshipment to Iraq.
- These intermediaries worked on a commission basis and assisted in facilitating delivery into Iraq for profit.
- Recovered documentation concerning the North Korean negotiations stated that all communications should be sent via the Iraqi embassy in Damascus. Secure communications also took place through the Economic Section of the North Korean Embassy in Damascus.

Transportation Routes From North Korea to Iraq

ISG has found evidence suggesting that North Korea planned to pass goods through Syria to Iraq. Captured documents reveal North Korean ships planned to use Syrian ports to deliver goods destined for Iraq. Occasionally, North Korea would insist on the use of aircraft to Syria to expedite delivery and reduce the risk of discovery of the illicit goods.

Payment Methods for North Korean Contracts

Recovered contracts and records of negotiations identify the use of financial routing via Beirut, Lebanon and Damascus, Syria to conceal Iraq as the end user of the goods. A recovered letter from the Al-Basha'ir to the Tosong Technology Trading Corporation, dated 2 March 2002 dictated that 'contracts' would be financed according to the Iraqi-Syrian Protocol. This bilateral trade Protocol used both cash and - credit to pay for commodities via Syria.

Poland

A Polish based front company engaged in illicit trade with Iraq played a limited, but important role in Saddam's efforts to develop Iraq's missile programs. *Equipment supplied by this Polish based front company between 2001 and 2003, such as SA-2 (surface-to-air) Volga missile engines and guidance systems, were necessary for the al Samud-2 missile program.*

Iraq acquired Polish SA-2 Volga missile engines for their al Samud II missiles. The Volga engines were the main propulsion system used in the liquid-propellant al Samud II missile, a weapon that exceeded the 150-km-range limit established by UNSCR 687 (1991). While there is some confusion regarding the exact number of Volga missile engines procured by Iraq, ISG estimates that Iraq obtained about 280 missile engines from Poland during this period. *ISG has found no evidence that the engines were ever fitted to active missile systems.*

- Iraq signed four contracts to acquire Volga SA-2 engines between January 2001 and August 2002.

- These engines were to be procured for the Al-Karamah State Establishment, through the ARMOS Trading Company (an Iraqi-Russian procurement organ) and a company located in Poland called Ewex, a front company supported by the IIS.

- Iraq paid approximately \$1.3 million for 96 engines.

- Ewex used Polish scrap dealers and middlemen to gather Volga rocket components from scrap yards in Poland operated by the Polish military property agency.

Former Regime officials corroborate that ARMOS also signed a contract or contracts with the Iraqis to obtain Volga engines from individuals in Poland. The Volga engines were removed from missiles that had been decommissioned. The Volga missile engine procurement was entirely controlled by the IIS, according to debriefs of high-level former Regime officials.

- The MIC was also involved in contracting with Ewex for Volga engines. A high-level official stated that Iraq purchased approximately 200 Volga engines. Many of the Volga engines acquired in this way arrived damaged.

As mentioned in the Higher Education section, Amir Ibrahim Jasim al-Tikriti, a doctorate student in Poland linked to the IIS and SSO, facilitated the *procurement of at least 50 more SA-2 engines and as many gyroscopes, missile sensors and acid batteries for missiles from a Polish front company called Ewex* in early 2003. Al-Tikriti was the cofounder of Ewex and was supervised by Husan 'Abd al-Latif, an IIS officer working with the Energy Department of the IIS Scientific and Technical Information Office in Baghdad.

Methods Used To Hide Transshipment to Iraq

According to documentary evidence, dated Jun 2001, the Iraqi Government and the Ewex Company attempted to conceal the illicit procurement of missile engines from the international community. *According to open sources, Polish authorities arrested Ewex company officials in 2003 on suspicion of illegal arms deliveries to Baghdad.* Documents recovered

by Polish police included Ewex contracts with the well-known Iraqi front company called Al-Bashair, shipping documents, extracts from the Polish trade register, payment orders, and letters from Ewex directly to its Iraqi business partners.

A high-level former Regime official stated that MIC Special Office Director Hadi Tarish Zabun, IIS Scientific and Technical Information Branch Officer Hadi 'Awda Sabhan, and Al-Karamah State Establishment Director General Dr. Muzhir Sadiq Saba' al-Tamimi met to discuss how to conceal this particular illicit transaction from the UN. Al-Tamimi had previously led the Iraqi long-range missile program. The documents regarding the deal were eventually transferred for safekeeping to Ayyab Qattan Talib, an officer from the IIS M23 directorate that oversees military industry security.

The parties to the transshipment of Volga missiles included personnel from the Iraqi embassy in Warsaw, Iraqi intelligence officers, and Iraqi businessmen. These parties clandestinely transported Volga missile engines through Syria, according to a high-level official in the former Regime. Ewex representative, Amir Ibrahim Jasim al-Tikriti during April 2002, requested an extension of the shipping time for illicit transfers because shipments would have had to proceed via many channels, particularly by circuitous transport routes, in order to conceal the contents from prying UN inspectors or foreign intelligence agencies. In 2002, three shipments of engines and spare parts were transferred; the third shipment arrived in Tartus, Syria, and was moved to Baghdad by the Al-Karamah State Establishment. The third shipment contained 32 Volga engines and 750 related materials. In addition, the MIC contracted to deliver Volga engines to Iraq, from Poland, via Jordan as insurance against the interdiction of Syria-bound shipments. According to multiple sources, Polish missile parts also entered Iraq at the Al-Walid border crossing (see also the border crossings map).

Polish-Iraqi Procurement Financial Flows

Numerous contracts, memoranda, and references detail the transfer of payments for the Volga missiles. In one contract, original date unknown, Ewex

transferred \$500,080 for the purchase of an unspecified number of Volga missile engines, which were delivered in June 2001. Raja Hasan Al-Khazraji, General Manager of the Commercial Affairs Department, wrote requesting the release of funds for final contractual payments. There are also letters written by Dr. Zabun to settle payment without deductions for damaged materials on condition that compensation will be included in future contracts. A contract also stipulates that ARMOS Trading Company received a commission of \$3,750.

Dr. al-Tamimi, wrote a memorandum concerning contract number 2/2001, in which he requests that the MIC transfer \$315, 840, equaling 25 percent of the total contract price for 96 engines to account number 500090, National Bank of Jordan, Special Banking Section. The authorized person in control of the account was Abd al-Jabbar Jadi 'Umar. There is also a MIC memorandum authorizing the payment of \$200,690 to Ewex via account number 501133/12, which equals 25 percent of the total contract price for the 61 engines received at Syrian ports. Dr. Zabun approved a contract dated July 2001 with Ewex for 96 engines with the same value and terms as a previous contract for 38 engines.

Other correspondence exists between the Commercial Affairs Department General Manager, Raja Hasan Ali, the MIC and Al-Karamah discussing charging late penalties and compensation for damaged items. Further correspondence rejects the charges and authorizes full payment of the contracted amount of \$1,263,360 million to Ewex for Volga engines shipped through Syria. Bank accounts used at the Jordan National Bank (Special Banking) to pay for SA-2 Volga missile imports up until at least June 2001, include 501083/14 and 12429.

India

ISG judges that the Government of India was not directly involved in supplying Iraq with military or dual-use items, but several Indian companies were active in illicit trade, particularly, NEC Engineering Pvt. Ltd. When Indian authorities discovered the

Minute of Meeting

5

Meeting has been held on 29th/may/2000
between the ~~the~~ two parties

1st party: AL-Rasheed Company Represented by
Deputy D.G. MR. SAAD & ENGR. ASIR

2nd party: NEC Company Represented by MR.
SIDDHARTH HANS - Commercial
Manager.

Agreed upon the following

1. 2nd party (NEC Company) will supply
the 1st party Carbon fibres - grade A
specification: CF12K, QTY=40 Kg
price = 295 \$ per Kg.
total price = 11800 \$ only.
2. 2nd party shall deliver the QTY mentioned
in par. 1 above within 14 days.

0129
Asir
29/5/2000

Siddharth Hans
29-5-2000

Figure 62. Contract between NEC and Al-Rashid Company.

company's activities in 2001, New Delhi launched an investigation to stop the NEC's trade with the Iraqi Regime. Despite the investigation, NEC continued to sell prohibited materials to Iraq and looked for ways to conceal its activities.

NEC was involved in numerous business agreements with Iraq that were contracted outside the UN OFF program. Several of these contracts with Iraq violated UN sanctions because the material or technology was in direct support of a military system, such as the Iraqi missile program.

Al-Najah was the primary front company in Iraq used by the MIC manufacturing company, Al-Rashid, to import from NEC. In March 2002, Muntasir 'Awni, Managing Director of Al-Najah Company, submitted several inquiries to Siddharth Hans. Hans has been identified as holding positions with companies in India, including director of NEC Chemicals and, at other times, several positions with NEC Engineers Pvt, Ltd. In each position, Hans has supported only Iraqi projects and inquiries for clients under Al-Najah. Among other things, the inquiries covered:

- A Teflon coating machine.
- Laser range-finding equipment.
- Precision machinery.
- Block and cylinder material.

Prior to the 1991 Gulf war, Iraq had experimented with the use of carbon fibers to provide high strength and light weight for some of its missile components. Al-Rashid was instrumental in missile development prior to the Gulf war and in the years that followed. In May of 2000 NEC contracted with the Al-Rashid General, Co., to provide 40 kg of "Grade A" carbon fibers. Carbon fibers, while dual-use material, have extensive use in missiles and nuclear equipment. Figure 62 is an excerpt from captured documents regarding this contract.

NEC engineers provided Iraq with crucial infrastructure development for its missile program and other programs. For example, NEC designed and built an

ammonium perchlorate (AP) production plant for Iraq. AP is an essential ingredient for modern solid propellant production. It is the oxidizer for a solid propellant and constitutes over half of the propellant's weight.

- NEC imported solid-propellant ingredients for Iraqi surface-to-surface missiles, in addition to other materials.

The excerpt from captured documents in figure 63 details some of the contracts undertaken between the Iraqi front company, Al-Basha'ir, with India's NEC, on behalf of MIC companies Al-Rashid and 7 Nissan General Company.

When the Indian Government became aware of NEC's activities in 2001, New Delhi launched an investigation regarding the company's illicit business with Iraq. Both Hans Raj Shiv and his son Siddharth Hans were implicated in the investigation, which expanded overseas by September 2002. The Indian Government impounded the passports of NEC representatives. Siddharth Hans was taken into Indian custody when he returned to India in mid-June 2003. Pending further court hearings, Siddharth was released from custody in early July 2003.

- In August 2002, NEC was considering changing the name on Iraqi contracts from NEC to Nippon Industrial Equipment or Euro Projects International Limited. These changes were probably in reaction to the Indian Government's ongoing investigation of NEC.

Other Indian companies involved in supplying Iraq with prohibited items include the Arab Scientific Bureau (ASB) and Inaya Trading. ASB and Inaya Trading were involved in the procurement of chemicals associated with liquid-propellant missile systems and with chemical production and handling equipment. According to documents recovered during an ISG investigation of the ASB, there were numerous inquiries from Iraq and corresponding offers to supply liquid-propellant missile-associated components. Solicited or offered items included:

NEC Contracts :

No.	Contract No.	Client	Items	Contract Period		
				Delivery	Starting	Ending
1.	50/ل/2000	Al-Bashair for 7 Nissan General Company	Piezo Crystal 50 000 Pcs & Spark Electric Detonator	2 Months	19.01.2001	19.03.2001
2.a	14/ل/2000	Al-Bashair for Al-Tahadi General Company	Motor Work Shop	7 Months	31.08.2000	31.03.2001
2.b	13/ل/2000	Al-Bashair for Al-Tahadi General Company	Van with Equipment	7 Months	03.05.2000	03.12.2000
3.	39/ل/2000	Al-Bashair for Al-Rasheed	Project	* 8 ½ Months	14.12.2000	29.08.2001
* His Excellency ordered to give us extra time (1 ½) month as we informed by Mr. Rajaa and Mr. Shahaab, Now contract period up to : 15.10.2001						
4.	ATC Contract					
5.	4/ل/2001	Jabber Ibn Hayyan	Chemicals	5 Months	17.04.2001	17.09.2001

Figure 63. Selected contracts between NEC and Iraqi companies.

- Some 50 to 100 tons of 98 to 99 percent nitric acid.
- Hydrofluoric acid.
- One hundred nitric acid pumps for 99.99 percent nitric acid.
- Unsymmetric dimethylhydrazine (UDMH), a liquid fuel use for improved performance in liquid rocket propellants.
- Diethylene triamine (DETA), a liquid fuel used in liquid propellant missiles.
- Other chemicals sought by Iraq included hydrazine, hydrogen peroxide, xylydene, and triethylamine, which are chemicals commonly used for fuels and oxidizers by liquid-propellant missiles.

Belarus

Belarus was the largest supplier of sophisticated high-technology conventional weapons to Iraq from 2001 until the fall of the Regime. Complicity in this illicit trade was exhibited at the highest levels of the Belarusian Government. Belarusian state establishments and companies implemented cooperation agreements with Iraq to transfer technology, equipment, and expertise to the embargoed Regime.

- *The Iraqis constantly worked to improve the illicit trade relationship with Belarus despite the absence of a formal trade agreement between the two countries.* The illicit trade relationship allowed Iraq to obtain high-technology military equipment. Belarus was relatively advanced in military research and development including air defense and electronic warfare.

- Belarus acquired hard currency and a market for its post-Soviet defense industry, according to a detainee.
- The intelligence services of both countries helped to facilitate this trade, according to a cooperative source with good access. A detainee debrief affirms that Belarusian aid in radars, laser technology, metallurgy, and electronic warfare systems were the key areas of cooperation.

In 2001 and 2002, two MIC delegations visited Belarus to discuss Belarusian assistance in upgrading Iraqi defense capabilities, particularly air defense and electronic warfare systems. Former MIC Director, Huwaysh, led the Iraqi delegations. The Iraqi delegations also included the former Director of Al-Kindi Dr Sa'ad Da'ud Shamma', the former Director of the Al-Milad air defense company, Brigadier General Husayn, and several high-ranking Iraqi air defense officials. Huwaysh, however, was the overall manager of the relationship between Iraq (especially MIC) and Belarus according to a detainee debrief.

A former high-ranking Iraqi government official says that diplomatic relations between Belarus and Iraq were so strong that an Iraqi-Belarusian Joint Committee was formed to promote illicit trade. The committee was cochaired by the Iraqi Minister of Finance, Hikmat Mizban Ibrahim al-Azzawi, and Vladimir Zamitalin of the Belarusian Presidential Office. Indeed, the President of Belarus, Aleksandr Lukashenko, consistently supported the political positions and defense needs of Iraq. In a September 2002 meeting, President Lukashenko met MIC and MFA officials to discuss military cooperation. ***During the meeting, President Lukashenko expressed his willingness to support Iraq and to send air defense experts to help Iraq fight the United States.***

Key Belarusian Individuals Linked to Illicit Trade With Iraq

The following Belarusian individuals were instrumental in driving forward the illicit trade with Iraq:

- ***Vladimir Zamitalin.*** Ex-deputy to the head of the Presidential Bureau and former head of the Belarusian side of the combined Iraqi-Belarusian Com-

mittee for Commercial and Economic Cooperation. He was in charge of the special military cooperation with Iraq and functioned as a secret envoy between President Lukashenko and Saddam.

- ***Leonid Kozek.*** Ex-deputy to the head of the Presidential Bureau and member of the Iraqi-Belarusian cooperation committee.
- ***Nikolai Ivanenko.*** Current deputy to the head of the Presidential Bureau and last head of the Belarusian side of the combined Iraqi-Belarusian committee for economic cooperation. He had a role in the special military cooperation with Iraq, and is a relative of President Lukashenko. He visited Iraq twice and met with Saddam, carrying a written letter to Saddam from President Lukashenko.
- ***Vitali Kharlap.*** Belarusian Minister of Industry.
- ***Professor Kandrinko.*** Director of the communications department at a Belarusian concern called AGAT. He played a successful role in negotiations with Salah Al-Din state company and concluded many contracts concerning the manufacture of communication sets.
- ***Professor Kleshko.*** A scientist who led the department of telemetric systems for surface-to-surface missiles and had many contracts with the MIC.
- ***General Petr Rokoshevskiy.*** Deputy for arming and training in the Belarusian MoD. Rokoshevskiy had a role in activating military cooperation with Iraq. This involved working with the Iraqi MoD, SRG, and the MIC for supplying rocket propelled grenades (RPG-7), munitions, and laser-directed Konkurs antitank rounds. He played a major role in signing a contract with the Iraqi MoD and the MIC for training 20 officer engineers of the SRG in using the S-300 PMU-1 (SA-20) air defense system at the Belarusian military academy. Rokoshevskiy was also involved in signing contracts for supplying engines for T-72 and T-55 tanks, MiG-29 fighter jets, and BMP-1 mechanized infantry fighting vehicles.

Materials, Equipment and Services Provided by Belarus

Belarus exported a range of military goods to Iraq. This illicit trade was organized and executed by a number of Belarusian companies. Captured documents reveal that in December 2002, *Balmorals Ventures Ltd.* implemented contract 148/2002 with the Al-Kindi General Company to deliver electronic components to the value of \$70,367. This price included the cost of delivery to Syria and onward shipment to Baghdad. The goods could have been components for a radar jamming system.

Viktor Shevtsov was the director of Infobank and of another Belarusian company involved in illicit trade with Iraq named BelarusianMetalEnergo (BME).

Infobank helped finance deals with Iraq and, according to Huwaysh, may have been run by Belarusian intelligence. BME was involved in supplying castings and machinery for T-72 tanks, and modernizing SA-2 air defense missiles and associated radar systems. BME had many multimillion dollar contracts with Iraq and worked closely with Infobank to finance illicit trade. Shevtsov organized, at his own personal expense, trips on-board Belarusian airlines from Minsk to Baghdad. These flights transported experts and directors of Belarusian companies connected to Iraq as well as technical and military equipment destined for Iraqi ministries.

Alexander Degtyarev was also a major player in the illicit trade business with Iraq. Degtyarev was a Russian scientist whose specialty was missile guidance and control. Shevtsov introduced Degtyarev to the Iraqi MIC. Degtyarev owned the Belarusian companies named *Systemtech* and *ElectricGazCom (EGC)*, which had contracts with Infobank and Iraq to supply radars plus control and guidance systems for SA-2 missiles. The latter equipment was transported through Syria and paid for through Syrian banking institutions. Degtyarev was a regular visitor to Iraq, traveling there every two weeks according to a high-level MIC official and a mid-level former Iraqi civil servant with direct access to the information.

A high-level MIC official stated that EGC signed contracts with the Iraqi Al-Karamah State Establishment to build a facility for the manufacturing and testing of control and guidance systems for surface-to-surface missiles such as al-Samud. This trade also included the sale of gyroscopes and accelerometer testing stages. In addition, EGC signed contracts with the Al-Batani State Company for the technology transfer of manufacturing systems for an Iraqi satellite research project.

A former Iraqi official revealed that President Aleksandr Lukashenko as a vehicle for illicit trade with Iraq promoted a joint Belarusian-Iraqi company.

Lukashenko was anxious that illicit trade should continue on a regular basis and requested that a firm called Belarus Afta be established in Baghdad as a clearinghouse for illicit military trade.

- Radar technology and air defense were the most crucial export commodities to Iraq from Belarus. Captured documents and a mid-level Iraqi military officer with direct access to the information affirm that there was joint Belarus-Iraqi development of an improved P-18 (Mod Spoon Rest) early warning radar between November 2000 and March 2003. This radar was employed at Al-Habbaniyah Air Defense Center against Coalition aircraft during OIF.
- Systemtech provided assistance in the fields of research, testing, and project implementation. Dr Raskovka was the senior Systemtech official helping the Iraqis, visiting Iraq every 3 to 4 months for 3 years. The Iraqis wanted to purchase an S-300 air defense system. Contracts were signed and training undertaken, but the pure logistic problems of supplying the system without alerting the international community were insurmountable.

Other interviewees revealed that Belarus provided numerous supplies of illicit goods to Iraq. These included equipment for T-72 and T-55 tanks; Volga, Pechora (SA-3) and other air defense missile systems;

IAEC—MIC Cooperation for the Procurement of CNC Machines

Based on interviews with Fadil Al Janabi, former head of the IAEC, and ‘Abd-al-Tawab Al Mullah Huwaysh, former Minister of Military Industrialization, it is evident that the MIC procured CNC machines for the IAEC as part of a “special project” for modernizing Iraq’s scientific infrastructure in 2001.

- According to interviews with Fadil Al Janabi, presidential secretary ‘Abd Hamid Mahmud Al Khatab Al Nasiri was approached in 2001 with a proposal for a modernization program that included procurement of new machinery and equipment, enabling the IAEC to create molds and manufacture specialty parts in-house. Al Janabi wanted to procure these CNC machines through the MIC to bypass foreign supplier’s reluctance to sell manufacturing equipment to the IAEC.
- Huwaysh recalled that in 2001, Al Janabi and Khalid Ibrahim Sa’aid contacted him with a presidential order to assist the IAEC with a “special project.” The MIC was not to be involved with establishing technical specifications or providing funding, but was to serve as a functional link.
- During this initial meeting, which was also attended by Munir Al Kubaysi, Director General of MIC’s Al-Basha’ir Company, Huwaysh claimed he was informed that he did not need to know what was being procured. He further remembered the relative high cost of the machines, costing approximately half the budget of the entire special IAEC modernization project.

IAEC scientists and employees, in contrast, have claimed that CNC machines procured from Taiwan were not high precision and were the same as those used at the Al Badr General Company.

- A source with access stated that the most precise machines were capable of 5-micron accuracy, but none of the machines were five to six axes because this would have “broken sanctions and all of the machines were declared to inspectors.” The IAEC employee stated that these high-precision machines were installed at Tuwaitha and information regarding these machines was provided to the UN and IAEA in the declaration given in December 2002.
- ISG has found Iraqi documents that corroborate this assertion, showing that the IAEC had prepared UN forms (OMV Form 22.5/ MOD.2) for eight CNC machines, all of which were identified as three-axes machines. The descriptions in the declarations are consistent with the statements of the mid-level managers.

It is important to note, however, that these IAEC sources referred to the MIC manufacturing company Al Badr and not Al-Basha’ir, the MIC front company involved in negotiations with Huwaysh. In the interchange between the IAEC and the MIC, Al Janabi was explicitly ordered that all transactions and communications on this procurement project were to go through Munir Al Kubaysi and Al-Basha’ir. **ISG judges it is probable that this “special project” procurement was carried out by Al-Basha’ir as a separate classified channel for IAEC precision machinery.** This assessment supports Huwaysh’s claim of the sensitivity surrounding the “classified” nature of the IAEC modernization project in 2001.

Mi-17 helicopters; spares and repairs for MiG-23, -25 and -29 plus Sukhoi 25 jets; laser guidance systems; fiber optics; infrared spare parts; GPS jammers; and radios.

Even during the prelude to OIF, the illicit Belarusian military trade with Iraq did not stop as shown by captured documents. Belarus provided PN-5 and PN-7 night-vision devices for Iraq through the Al-Basha’ir front company. **Three months before the onset of the**

conflict, President Lukashenko instructed the Belarusian Ministry of Defense to allow Iraq to purchase any goods from Belarusian military supplies.

Payments From Iraq to Belarus

The main revenue stream for funding illicit trade with Iraq came from the Iraq-Syria Trade Protocol. The amount of illicit military trade between Belarus and Iraq was significant according to captured documents, with Belarusian Governments receiving nearly \$114 million in payments from Iraq.

According to a detainee, the critical financial element in the illicit trade process between Belarus and Iraq was Infobank. Belarus demanded to be paid 75 percent of the contract price in hard currency before delivery of any goods. Iraq did not agree to this. Therefore, Infobank agreed to provide bridging funds, including the 75 percent up-front fee, to finance illicit deals between Belarus and Iraq for a fee of 15 percent of any contract. According to a high-level Regime source with direct access, kickbacks paid to Iraq by Belarusian companies for exports to Iraq under the UN OFF Program were kept at the Infobank to fund future illicit Iraqi imports from Belarus. A senior former executive in the Iraqi MIC believes that Infobank had a total of \$7 million of Iraqi money in its accounts before OIF. Infobank also financed illicit military trade between Iraq and Yugoimport-FDSP of Serbia, paying equivalent up-front fees, according to a former senior executive in the MIC.

Taiwan

Although a limited supplier of prohibited goods to Iraq, companies from Taiwan negotiated for conventionally military goods and provided critical CNC machines to the Regime from 2001 to 2003. These machines provided Iraq with a means to improve its military-related production.

The earliest evidence of Iraq's procurement relationship with Taiwan dates back to January 2001, when Iraq sought military equipment and dual-use goods from companies in Taiwan. In an apparent attempt

to circumvent UN sanctions, Dr. Kahalid Sulaiman of the Iraq-based company ETIK for General Trading Limited approached the Taiwanese arms brokerage firm, Epron International Limited, seeking 150 engines for T-72 and T-55 tanks, 200 engines for the T-62 tank, and 100 engines for the BMP-1 and BMP-2 armored personnel carriers. The engines were to be in complete and new condition.

Although Epron's prices were higher than other sources, ETIK learned that it did business without the need for official papers. The deal was originally structured as cash only; however, under-the-table transaction with the payments made in advance occurred, and an agreement was eventually reached for half the payment for the engines to be in cash, and the other half in oil.

- ISG has found no evidence that these engines were delivered to Iraq.

There is limited information on the supply of CNC machines to Iraq, but *during UNSCOM's tenure, UN inspectors confirmed Iraq had obtained CNC machines manufactured by companies in Taiwan.*

- During an inspection in 1998 of the Al Rasheed General Company's Tho Al-Fekar Plant at the Taji Metals Complex, UNSCOM inspectors found four new Hartford vertical machining centers, with one machine installed and being used on Ababil-50 motor bulkheads. The four machines, made by the She Hong Machinery Company Limited, were three-axis vertical machining center with an indexing fourth axis and a 20-tool carousel.
- The inspectors considered these modern, standard quality CNC machines suitable for good quality aerospace and missile-related applications. Later in 1998, another inspection at the Tho Al Fekar Mechanical Plant reported another four Hartford CNC machines milling Ababil-50 rocket nozzles. The team identified that three of these machines possessed a computer-controlled turntable.
- ISG cannot confirm that these CNC machines were purchased directly from sources in Taiwan. It is equally likely that these machines were obtained from unknown third parties.

In 2001, the IAEC and MIC were working to obtain CNC machines to modernize Iraq's scientific infrastructure. By 2002, documentary evidence shows Iraqi front companies soliciting bids and contracting for CNC machines from companies in Taiwan. ***The CNC machines procured from Taiwan by Iraq consisted of three or more axes, suggesting potential use in weapons production.***

- In early May 2002, the Baghdad-based Iraqi firm, Aldarf Company, represented by Ali Albakri, sought tilting rotary tables for two machining centers. She Hong Industrial Company, one of Taiwan's largest manufacturers of machine tools, acknowledged the Iraqi company's need for accessories and stated that rotary tables manufactured by Taiwan's Golden Sun industrial Company Limited, Taichung could be added to both machines that Iraq already possessed.
- Recovered correspondence from the Al-Basha'ir Company revealed a deposit of \$900,000 into the account of Mr. 'Abd al Razzaq Al Falahi and Brothers to execute a contract for importing machine tools from Taiwan. This money was then transferred into the account of She Hong Industrial Company.
- In July 2002, Iraq asked a Jordanian company to seek a new quote from a company in Taiwan for a gun-drilling machine, earlier quoted at a price of \$146,000.
- January 2003 bids for CNC wire-cutting machines from Taiwan were also revealed in documentation from the Al Badr State Company, a subsidiary of the MIC.

Iraq took active measures to ensure that illicit trade for machine tools from Taiwan was concealed. Recovered correspondence from Al-Basha'ir expressed that the wording of the contract conducted by Mr. 'Abd al Razzaq Al Falahi should not make reference to Al-Basha'ir and that monies should be deposited in a static account for all transactions. Correspondence from a MIC-run company also indicated that bids from companies in Taiwan were under the auspices of the Iraqi and Syrian agreements, implying that goods obtained from Taiwan would be transhipped through

front companies operating out of Syria or that Syrian front companies would act as intermediaries and facilitate delivery of the procured equipment.

Egypt

Since 1990, illicit procurement activity between Iraq and Egypt provided Baghdad with a limited amount of materials that the Regime found difficult to acquire outside UN sanctions. Materials that Iraq acquired through its relations with Egypt, outside UN sanctions and resolutions, included nitric acid, stainless steel and aluminum alloys.

Egyptian and Iraqi procurement relations began in the early 1980s when Baghdad provided Cairo with \$12 million in 1981 in return for assistance with production and storage of chemical weapons agents. At this time Baghdad also entered into a series of contracts with the Government of Egypt to procure the two-stage Badr-2000 missile and to provide the technological infrastructure to build the missile indigenously, before it attempted to extend the range of its Scud-B/8K-14 missiles.

Following Operation Desert Storm and UN sanctions, procurement from Egypt was limited. Nevertheless, Iraq used its ties with Egypt to procure key items that were difficult to procure elsewhere.

- The MIC, through its front company Al-Husan, had a \$5 million contract with an Egyptian firm for stainless steel, forged steel, and aluminum in 2003.

Trade in nitric acid, a precursor in the manufacture of solid propellant also flourished following the destruction of the Al Qa'Qa State Company Nitric Plant in December 1998, during Operation Desert Fox.

- A senior official from the MIC stated that Iraq had a secret agreement with Egypt during 2001 to 2002 to have nitric acid shipped from Egypt through Syria to Iraq. It is unclear how many tons of nitric acid Iraq received from this secret agreement.

Many transactions for prohibited goods were orchestrated through a trade protocol sponsored by the Iraqi MoO. The second Deputy Director for the MIC, Dagher Mahmoud, was responsible for monitoring these transactions.

- A source with direct access estimated that there was approximately \$50 million in the trade protocol account. Goods and materials were occasionally procured on a cash basis from Egypt, but the majority of the protocol was based on oil transshipped through Jordan.
- M-23 officers from Balad, Iraq often accompanied MIC personnel to Egypt and between 2000 and 2003. M-23 was responsible for the physical security of MIC facilities and personnel. Abd al-Hamid Sulayman Al Nasiri, the Director of M-23, personally went to Egypt under the auspices of the IAEC about six months before OIF.

According to a senior Iraqi official from the MIC, the Egyptian state was involved in illicit trade with Iraq. Known Syrian procurement agents for Iraqi front companies also assisted in some of these transactions. It is also apparent that the Syria-Iraq Trade Protocol facilitated illicit trade from Egypt. Individual brokers and Iraqi foreign nationals in Egypt may have also initiated illicit trade, motivated by the lure of corporate and individual profits.

- Nitric acid supplies were reportedly the responsibility of the Dr. Asif Shalish, Director of the Syrian SES International, who dealt regularly with Iraqi procurement companies. All payments of the nitric acid were handled under the Syrian protocol and the head of Al-Basha'ir, Munir Mamduh Awad al-Qubaysi.

ISG, however, judges that the most likely transshipment routes through Jordan and Syria were based on the ties to the trade protocols.

Yemen

Improving bilateral relations between Sana'a and Baghdad in the late 1990s resulted in direct Yemeni participation in Iraq's illicit procurement schemes.

After 2000, Yemen became a state trade intermediary for Iraq, providing Baghdad with "end-user" cover for military goods prohibited by UN sanctions and resolutions. **There is no evidence, however, that Yemen was complicit in the procurement of WMD-related commodities.**

Throughout the 1990s, Yemeni President Ali 'Abdallah Salih publicly supported UN sanctions against Iraq, but he remained concerned about the humanitarian impact on Iraq's citizens. Starting in February 1997, senior members of the Yemeni Government privately argued that Yemen should unilaterally abrogate the UN sanctions on Iraq. They contended that lifting the embargo would help to provide the Iraqi people with much-needed humanitarian assistance and enhance regional stability. By 1999, President Salih was beginning to publicly criticize the United States and the UK for the imposition of no fly zones over Iraqi airspace and the UN embargo.

Opening Conventional Trade With Yemen for Oil and Cash

In addition to increasingly pro-Iraqi rhetoric, Yemen and Iraq also **built closer trade ties in 1999**. Through regularly scheduled Iraqi-Yemeni Joint Committee meetings, Iraq and Yemen had signed trade agreements and Memoranda of Understanding aimed at strengthening bilateral ties, sparking economic growth, and exchanging energy experts in the field of natural gas and petroleum exploration. The two countries also signed a customs treaty, whereby no duties would be paid on the transfer of goods between Iraq and Yemen. **Although these agreements were within the guidelines set forth by UNSCR 986, they provided an avenue for increasing trade coordination and eventually led to sanctions violations.**

- The Iraq Government signed a \$9 million deal in November 2000 with the Yemeni Hayal Sa'id group of companies to provide Iraq with food and medical-related goods in exchange for hard currency derived from Iraqi oil sales.
- On 29 September 2000, President Salih authorized one of the first commercial airline flights to Baghdad. Salih had rejected earlier calls by Yemeni

opposition parties for this action out of fear of a US government reaction. After a Royal Jordanian Airlines flight landed in Baghdad on 27 September, however, Salih decided he could deflect Western criticism by claiming the flight was on a humanitarian mission. It was expected that Yemen would allow additional flights to Baghdad in the future.

By November 2000, another session of the Yemeni Iraqi Joint Committee, led by 'Abd-Al-'Aziz Al-Kumaym, was held in Baghdad. The meetings again centered on improving bilateral relations, but mainly dealt with increasing economic activity between the two countries. The joint committee reached agreement in a number of areas, including the purchase of Iraqi oil at below market prices for cash using unnamed Yemeni businessmen instead of the Yemeni Government. ***This kind of transaction was very profitable for Yemen, but violated UN sanctions.*** In addition to the profits earned by this trade, Saddam's Regime also agreed:

- To provide 60 scholarships for Yemeni students to study at Baghdad University.
- To the exchange of experts to take place in the fields of agriculture and telecommunications.

Yemen Emerges as an Intermediary for Iraqi Illicit Imports

Several high-ranking Iraqi, Yemeni, and Syrian Government officials met to discuss the establishment of an illicit trade protocol between February and July 2001. The purpose of these particular meetings centered on formulating and implementing a plan that would allow Iraq to acquire Russian-manufactured military spares through a complicated supply chain and front company network. The main participants in the meetings were the Iraqi Ministry of Defense General Secretary, the Yemeni Ambassador, and Firas Tlas, the son of the former Syrian Defense Minister Lt. Gen. Mustafa Tlas. A Yemeni businessman named Sharar Abed Al-Haq brokered the illicit Yemeni business transactions.

- Lt. Gen. Mustafa Tlas, while absent from the meeting, provided a letter, which stated that he recently met Dimitrof Mikhail, president of Russian Company of Iron Export. Dimitrof, a former senior Russian intelligence official, had agreed to supply spare parts without requesting the identity of the end user.
- Al-Haq agreed to transport military supplies from Yemen to Iraq using the illicit trade networks.
- According to the letters, Iraq provided Al-Haq a list of requirements, signed by the Iraq Defense General Secretary. ***This list included spares for the following: MiG-17, MiG-21, MiG-23, MiG-25, MiG-29, Su-22, Iskandri missiles with a range of 290 kilometers, updated parachutes, L-39 combat capable trainers, Bell 214st helicopters, T-55 and T-72 tanks, armored cars, BMP-1 and BMP-2 armored personnel carriers, and other cars and trucks.*** The total value of the contract was \$7,287,213. The contract outlined a transportation scheme to take the prohibited items from Singapore to Sana'a, Yemen to Damascus, Syria, to Baghdad with payment to be made through the International Bank of Yemen.

According to recovered documents, President Salih called his brother, the Yemeni Air Force Commander, after this meeting and told him to provide Iraq with spare parts even if they needed to take them from Yemeni stocks. He also ordered his brother to acquire more materials from Russia.

- Reportedly, in early December 2001, the Iraqi Air Force had received spare parts for MiG-29 fighter aircraft, mainly through Tartus, Syria. No further information is available as to the origin of the aircraft parts. It is likely that these items were purchased via the Russian/Yemen/Syria supply chain.

Importing Prohibited Commodities

Overview

Iraq under Saddam Husayn used various methods to acquire and import items prohibited under UN sanctions. *Numerous Iraqi and foreign trade intermediaries disguised illicit items, hid the identity of the end user, obtained false end-user certificates, and/or changed the final destination of the commodity to get it to the region.* For a cut of the profits, these trade intermediaries moved, and in many cases *smuggled, the prohibited items to* land, sea, and air border entry points along the Iraqi border.

- Companies in Syria, Jordan, Lebanon, Turkey, UAE, and Yemen assisted Saddam with the acquisition of prohibited items through deceptive trade practices. In the case of Syria and Yemen, this included support from agencies or personnel within the government itself.
- Numerous ministries in Saddam's Regime facilitated the smuggling of illicit goods through Iraq's borders, ports, and airports. The IIS and MIC, however, were directly responsible for skirting UN monitoring and importing prohibited items for Saddam.

Deceptive Trade Practices Supporting Illicit Procurement

Use of Trade Intermediaries

Trade intermediaries were a specific subcategory of front company that *served as middle-men or agents for illicit procurement between the Iraq clients and international suppliers.* On the surface they were transport-related businesses such as freight or shipping companies that disguised the routing, destination, or purpose of acquired goods. They were either foreign or domestic companies and charged a percentage of the contract fee for their services. There were three types of Iraqi trade intermediaries:

- Companies in full collusion with the former Regime (often these were owned or operated by the Regime).
- Intermediaries willing to overlook ambiguous or partially completed trade documents if the profit margin was sufficient.
- Companies that were unaware of the Iraqi involvement in the contract because of falsified paperwork or Iraqi deception.

The conditions for illicit trade via intermediaries was set by the reestablishment of normal trade under the 1996 UN OFF Program and the bilateral trade protocols with Jordan, Syria, and Turkey. *These protocols provided effective cover for illicit trade to occur, establishing legitimate linkages between trading companies, and making it more difficult to monitor compliance with UN sanctions.*

- Iraqi trade companies established branch offices in neighboring countries or to call on the support of affiliated/sister companies operating abroad. Sometimes these branch offices/sister companies represented the primary office for soliciting offers from foreign suppliers. *These relationships gave the appearance that commercial business was being conducted with business clients in the neighboring country, rather than Iraq.*

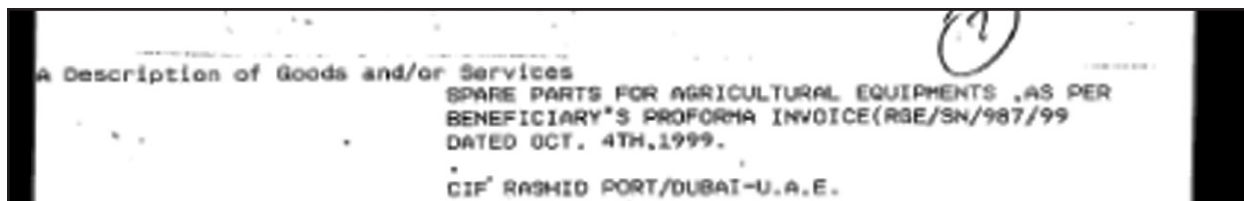


Figure 64. A bill of lading from October 1999 for T-72 and T-55 tank engines described as “spare parts for agricultural equipments.”

Iraqi trade intermediaries generally used several approaches to hide the illicit nature of their cargo. These approaches were used singly or in combination (depending on the sensitivity of the commodities) to get the items into a neighboring country where it could be easily smuggled into Iraq.

- Disguising the nature of the item.
- Hiding the ultimate end user.
- Changing the final destination.
- Nondisclosure. Alternatively, any of these three bits of information could simply be not provided or written illegibly on the shipping documents. Although against common trade practices, this ambiguity could provide sufficient deniability for those suppliers in the acquisition chain.

Disguising the Nature of Prohibited Goods

The Iraqi Regime skirted UN restrictions by using cover contracts under the trade Protocols or outright incorrect descriptions of items in transit. The MIC was known to use this method to purchase military equipment using funds from the UN OFF program. Military-use items would also be incorrectly described in the paperwork as dual-use items. *ISG has uncovered numerous examples of Iraqi efforts to disguise the nature of illicit imports to skirt the UN sanctions Regime:*

- Captured Iraqi documents verify that NEC provided restricted items to Iraq, although we have not found any evidence that NEC provided Iraq with chemicals that could be used to produce CBW agents.
- In 1999, the MIC imported Georgian T-55 and T-72 tank engines under cover contracts for agricultural equipment, according to documents corroborated by a high-level MIC official (see figure 64).
- Translated correspondence between the Iraqi front company Al-Rawa’a Trading Company and Al-Karamah detailed November 2000 plans to alter shipping documents for agricultural towing batteries (military use) to describe them as batteries for ambulances. Muhammad Talib Muhammad, director of Al-Rawa’a, was concerned because, if the batteries were discovered during inspection upon arrival in Iraq, it could create a “crisis.” The purpose of altering the documents was clearly to describe the batteries dual use rather than military use, thereby making it easier to bring them into the country.
- In February 2003, the Russian state arms export company, Rosoboronexport, and other Russian companies planned to sell advanced anti-aircraft and anti-tank missile systems to Iraq, according to a document signed by the head of MIC security recovered at the IIS Headquarters in Baghdad. The Iraqis and Russians planned to ship the prohibited goods using UN OFF cover contracts to disguise the items as illumination devices, water pumps, and assorted agricultural equipment. We do not know if this equipment was shipped to Iraq before the start of Operation Iraqi Freedom.

International Commodity Deception:

The Spherical Aluminum Powder Case Study

The lure of high profits brought unscrupulous trade intermediaries to Iraq to offer their “services.” Iraq’s Al Badr Bureau Trading and Engineering Firm sought bids on spherical aluminum powder, a key component for solid rocket propellant, through a Pakistani trade intermediary. After three attempts to purchase the powder failed, the intermediary’s managing director sought other means to obtain the powder for Al Badr. Throughout the trade negotiations, both Amanatullah and Dr. Farhan Ghazar, the Al Badr representative, were aware the powder was a prohibited military item.

- *In late April 2002, the Pakistani intermediary proposed shipping the powder to Iraq through Pakistan and then Syria using “falsified shipping documents” listing a different material in the shipping containers. He requested Dr. Ghazar’s assistance to create these false invoices.*
- *By mid-May, he had identified an unnamed British manufacturer that was prepared to ship the powder to Karachi and passed the company’s end-user certificate to Dr. Ghazar, as a metallurgist, who should have no trouble falsifying the document.*

- *The Pakistani intermediary and Ghazar also sought possible nonmilitary end uses for the powder that could be listed on the British certificate.*
- *After completing the planning for the illicit shipment, he and Dr. Ghazar sought to assure his Iraqi clients that his Pakistani company was fully prepared to handle this sensitive project and any future requests for other Iraqi customers.*

Throughout the summer and fall of 2002, the Pakistani intermediary continued to try to close the contract for spherical aluminum powder with Iraq. He made a trip to Iraq with samples in July and mailed samples to Dr. Ghazar in October 2002. Had Iraq agreed to the shipment in November 2002, the Pakistani intermediary’s own delivery estimates would have had the powder delivered to Pakistan from a British firm no earlier than February 2003. Therefore, it is unlikely Iraq was able to obtain the aluminum powder before OIF. Nevertheless, this case illustrates the methods used by Iraq and its illicit trade intermediaries to evade UN sanctions and international monitoring.

Concealing the Identity of Commodities

In addition to disguising the identity of the item, ***trade intermediaries employed many techniques to hide the identity of the end user of the commodities.***

A common practice used by Middle Eastern trade intermediaries representing Iraq’s interests would routinely approach suppliers about requirements for “unidentified clients.” The international suppliers would either settle for incomplete end-user statements (part of the formal international trade documentation requirements) or accept false end-user statements from neighboring countries sympathetic to Iraq.

- After 1997, many of the illicit goods imported by MIC came through Syria using false end-user certificates provided by high-ranking Syrian officials.

The former Syrian Minister of Defense, Mustafa Tlas, routinely signed false end-user certificates for weapons dealers, generally for a fee of 12 to 15 percent of the total contract amount.

- Documents from the Al-Basha’ir front company illustrate this method of deception. According to the documents, the Indian NEC Company complained to Al-Basha’ir in 2000 that the majority of the items requested by the MIC were seized before reaching Iraq, “despite the fact that most of it had documents with clauses mentioning the requirement of not shipping it to Iraq, Iran, North Korea, or Cuba.”

Circumvention of UN Sanctions Importing Missile-Related Materials in 1998

To avoid UN inspectors' possible detection of sanctioned materials, Iraqi officials would instead find alternate methods to get what they needed. The Al Fat'h missile project illustrates how the Iraqis managed to avoid UN detection. Documents captured at the MIC Headquarters reveal the MIC's March 1998 plan to purchase dual-use materials, including: ammonium perchlorate, aluminum powder, carbon fiber, and phenolic resin for use in the Al Fat'h missile project. After discovery of these materials by the UN, Iraqi officials were instructed to submit a form B-1 by Richard Butler, Chairman of UNSCOM. This form detailed Iraq's plans to use 20 tons of ammonium perchlorate and 3 tons aluminum powder to manufacture composite solid propellant for the Al Fat'h motor. It also described a need for 350 kilograms of carbon fiber to insulate parts of the Al Fat'h motor. The materials were to be shipped through Jordan by the Iraqi company Al 'Ayan, with Al Wadha Commercial Agencies Company, possibly a subsidiary of Al-Eman, acting as an intermediary.

A letter, classified "Top Secret" by the Iraqi Government, from Al 'Ayan Trading Company to the MIC summarized the inability to ship the ammonium perchlorate, aluminum powder, carbon fiber, and phenolic resin because of the UN restrictions on Jordan in shipping those materials for the missile program. Al 'Ayan suggested the following solution:

- *Advise the beneficiary to contact the supplier to publicize the "cancellation" of the contract with Al 'Ayan.*
- *All related communications and inquiries would remain strictly at the commission (possibly the MIC) office and not at the project site.*
- *Al 'Ayan would divert the shipment routing to avoid entering Jordan.*
- *Al 'Ayan would change the type of commodity on the bill of lading, alter the beneficiary's name at intended port of entry, and change the port name.*
- *The contract duration would be amended to add one month for delivery.*

The contract would increase in value by 20 percent of the actual sum to compensate Al 'Ayan for aiding Iraq in acquisition of prohibited materials.

Disguising the Commodity's Destination

Perhaps the most basic method for Iraq to skirt international scrutiny was to simply *list a neighboring country as the final destination, when in fact the commodities were only held there until they could be smuggled to Iraq by Saddam's agents*. Because of the high amount of ordinary trade occurring under the bilateral trade protocols, and government complicity, Syria and Jordan were the most common transit countries used as false destinations for prohibited commodities bound for Iraq. The UAE also served as a transit location and, according to reporting, profiteers in Iran even took part in transiting Russian goods into Iraq. The MIC paid these transit services with the profits of oil sales under the trade protocols.

- According to a report, the Al Raya Company, an IIS front company, requested weapons from Syrian or Jordanian arms dealers. The merchant would acquire the goods in Syria or Jordan and move them into Iraq through the Jordanian Free Commercial Zone. This free trade zone was controlled by the Jordanian Ministry of Finance and Jordanian Intelligence Service and it served as an effective conduit for importing prohibited items through Jordan to Iraq. This report corroborates other reporting on the role of Jordan prior to 1999.
- After 1999, the MIC's Al-Basha'ir Company served as a primary conduit for handling illicit shipments via Syria. At the MIC's request, Syrian trade companies obtained specific items for Iraq, primarily from suppliers in Russia, Bulgaria, Ukraine, and other Eastern European countries. When delivered to Syria, Al-Basha'ir took delivery of the commodities under the oversight and assistance of Syrian government officials. These officials normally received a 12.5-percent mark-up as a kickback to ensure goods moved from Syria to Iraq without disruption. Al-Basha'ir then smuggled the items into Iraq and delivered them to MIC.
- In another case, seized documents reveal that in 2000 the Indian NEC Company delivered "100 explosive capsule units for the RPG-7" to the Al-Basha'ir Company in Iraq by leasing "a private plane which delivered the shipment directly to Syria with great difficulty."

Use of Illicit Smuggling and Transportation Networks

Iraq has been at the center of various trade routes for centuries. Historically, this trade involved illicit activity, or smuggling, to escape taxes or to evade governmental oversight. Despite the imposition of sanctions by the United Nations in 1990, *Iraq managed to circumvent UN sanctions through long-established business relationships with its neighbors, cross-state tribal connections, and use of ancient smuggling routes. Contemporary smuggling methods used by Iraqi trade companies used the entire spectrum of smuggling methods: disguising illicit shipments as legitimate cargo; hiding illicit goods in legitimate shipments; avoiding customs inspections; and for high priority, low-volume shipments, using Iraqi diplomatic couriers.*

Captured documents indicate that there were approximately 500 official and unofficial border crossing points between Iraq and Syria, Jordan, Saudi Arabia, Kuwait, and Iran. According to the documents, there were also other border checkpoints between Iraq and Turkey and between Iran under Kurdish control. Despite the number of possible crossings, almost all goods entered Iraq at just five major border crossings and the port of Umm Qasr.

- Only goods supplied under the UN OFF Program were subject to UN inspection at the four permitted border points; Turaybil/Al-Karamah on the Jordanian-Iraqi border, Tanf/Al Qaim on the Syrian-Iraqi border, Habur Bridge/Zakho on the Turkish-Iraqi border, Ar'ar on the Saudi-Iraqi border and the port of Umm Qasr on the Gulf.

A mid-level Iraqi official asserted that Iraq signed a formal transport agreement in the 1990s. These agreements ensured that before 1999 Jordan was the primary conduit of illicit trade with Iraq. The change in the Iraqi-Jordanian relationship was promoted by a combination of improvement in Iraqi-Syrian relations, and Jordanian concern over increased political scrutiny in the United States.

Syria's two primary transportation companies, SES International (previously known as Lama Trading Company) run by its General Manager, Asif Al-Shalish, and the Nurallah Transportation Company, had significant ties to the Iraqi MIC.

Smuggling by Air

A former Iraqi diplomat described how several times per month Iraqi diplomatic personnel would smuggle large quantities of money and prohibited equipment from Russia to Iraq. From 2001 until the fall of Baghdad, goods were smuggled out of Russia by Iraqi Embassy personnel. *Equipment smuggled by this method included high-technology items such as radar jammers, GPS jammers, night-vision devices, avionics, and missile components of various types.*

A charter flight flew from Moscow to Baghdad every Monday, with a return flight on Wednesday. The flight was not inspected by the UN and was used to smuggle cash and other goods, which Iraq was not allowed to procure under UN sanctions, into Baghdad. Cash and equipment were smuggled two or three times a month by diplomatic courier, usually disguised as diplomatic mail. Bribes were paid to Russian customs officials to facilitate these illicit shipments.

- A former Iraqi MFA employee who worked as a diplomatic courier and had direct access to information reports that the Iraqi ambassador to Russia personally delivered GPS jammers to the Iraqi Embassy in Damascus during April 2003. The ambassador used a private jet for transport, with the GPS jammers concealed as diplomatic mail. The jammers were transferred to Al Qaim border checkpoint.

A senior executive in the MIC provided information detailing how direct frequent flights between Minsk and Baghdad were instituted in the summer of 2000. Belarus established a joint airline with Iraq that employed four Boeing-747s to transfer unspecified illicit items, experts, and officials direct to Baghdad under the cover of humanitarian aid missions.

Amman airport was also used as an air transshipment point. An Iraqi businessman declared that, a Jordanian company procuring illicit goods on behalf of Iraq shipped prohibited goods to Amman airport for onward transfer to Iraq.

Smuggling by Land

Iraq deployed many state institutions whose mission was to facilitate illicit trade by land. According to an Iraqi customs inspector with direct access, the IIS, the SSO, and the MIC used the border checkpoint system as a method of obtaining prohibited goods.

One such Border Check Point (BCP) facility was located at Turaybil. The activity at that BCP was representative of the smuggling infrastructure used to ship illicit goods into Iraq at other BCPs. Turaybil was part of the MoTC border checkpoint system that facilitated the movement of a large amount of contraband goods into Iraq. The Iraqi customs service was forbidden to inspect IIS shipments.

- Turaybil contained an IIS office, an ILTC office, an SSO office, and a Directorate of Military Intelligence office, according to information relayed by an Iraqi customs inspector with direct access. The "Orient Company" was often listed as the sender of equipment, with Iraqi front companies, including Al-Basha'ir, Al-Faris, Hatteem and Al-Faw, served as the consignees. The "Orient Company" was the most common cover name for illicit IIS-assisted shipments into Iraq—the company did not exist.
- The volume of traffic at the Turaybil border crossing meant that it would not be possible to adequately inspect traffic entering Iraq.

According to a captured document, days before OIF, the JEFF Corporation of Bulgaria offered and was prepared to export 500 Iglá MANPADS missiles, 50 grip stocks, and two inspection platforms to Iraq. There is no evidence that the contract was fulfilled. The Iraqi front company named Al-Basha'ir, however, subcontracted the Nurallah Transportation Company of Damascus to ship the embargoed goods from a Lebanese port to Al-Basha'ir warehouses, and then on to Baghdad. The goods would take a total of three

months to reach Baghdad from Bulgaria via the sea and multiple shipments by truck. An Iraqi businessman has confirmed that illicit equipment arriving in Damascus from Minsk, Belarus, was transferred to Baghdad via Syrian roads and railways.

Open sources detail how the Habur bridge or gate near Zakho on the border with Turkey was also a scene of illicit smuggling. The large volume of traffic across Habur bridge (see Figure 65) hindered the adequate monitoring of cargo. Recent open sources point to the fact that UN monitors were able to inspect only one in every 200 trucks that crossed into Iraq via this route.

Other sources suggest that Iraq may have also received goods smuggled in by truck from Dubai via Saudi Arabia. Illicit trade between Iraq and Iran was also problematic. Smuggling occurred on the road linking the Iraqi city of Al-Basrah and the Iranian city of Khorramshahr. Iran exported foodstuffs, luxury goods, and especially cement and asphalt along the 40-kilometer highway. A former employee of the MIC declared that the smuggling was under the protection of both the Iraqi SSO and the Iranian Revolutionary Guard Corps.

There are a dozen official entry points into Iraq from the neighboring countries (see figure 66) of Jordan, Syria, Turkey, Iran, Kuwait, and Saudi Arabia, three air entry points at Baghdad, Basra, and Mosul and two main ports at Umm Qasr and Al-Basrah. As indicated on the map, the UN monitored only five border crossings. The primary reason for the UN's oversight centered on the UN OFF Program. UNSCOM weapons inspectors seldom visited Iraq's border control points because they were based in Baghdad. The UN contracted two private companies from 1996 to 2003 (Lloyds Register and later a Swiss company called Cotecna) to authenticate and certify the arrival of humanitarian supplies under the UN OFF Program at three land border points. (A fourth was added just prior to OIF and the port of Umm Qasr (see figure 67).

This left at least two major border crossings and Baghdad's airport completely unmonitored. Even at the monitored crossings, cargo not approved by the UN could freely enter Iraq because UN monitors only

dealt with UN OFF cargo. Any non-UN cargo could freely enter Iraq at either monitored or unmonitored entry points.

Smuggling by Sea

During the sanction years, traders used a pool of private dhows, barges, and tankers to smuggle oil out and commodities into and out of Iraq's southern ports with relative ease. It is possible that easily concealed military and dual-use items could have been transported by this method.

Smuggling via Jordanian Ports

The port of Aqaba in Jordan served as a maritime transshipment point. Beginning in the mid-1990s, Lloyds Register provided monitoring of goods arriving at Aqaba, but Jordan terminated the contract in 2000. The IIS had a representative in Aqaba, overseeing illicit trade including shipments made by a Middle Eastern firm.

From 1996 to March 2001, Mohammed Al-Khatib, a Jordanian businessman, became the most prominent intermediary for the Indian company NEC. Al-Khatib runs the Jordanian transport companies named MK-2000, Jordan Oil Services, and the Jordan Establishment for Transit, all located at the same Jordanian address. Al-Khatib facilitated the shipping of illicit goods to Iraq. Contraband was shipped by Pacific International Lines Ltd and Orgam Logistics PTE Ltd from India (Bombay and Madras) to Aqaba in Jordan. In all the deals:

- Al-Khatib was identified as the consignee.
- All voyages involved transshipment, at least one via Dubai.
- Goods were unloaded at Aqaba port by Al-Khatib and reloaded onto Al-Khatib company trucks for onward transit to Iraq.
- All payments by Iraq were made to Al-Khatib with Al-Khatib paying other players in the logistics and supply chain.
- Iraq submitted tenders to NEC through Al-Khatib.



Figure 65. A truck holding area near Habur Bridge BCP showing the high volume of border traffic into Iraq.

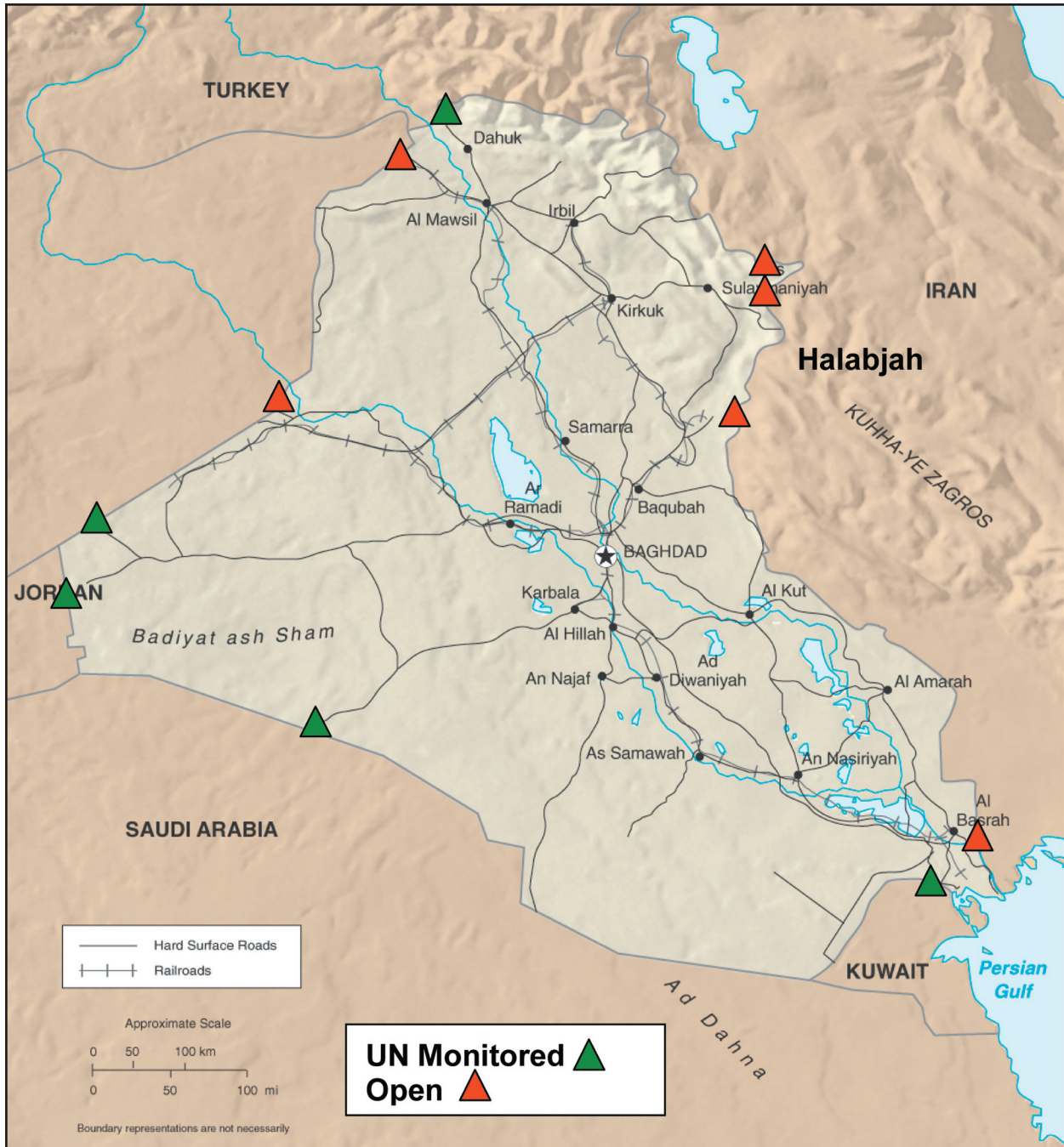


Figure 66. Map detailing Iraqi border crossings, including those monitored by the UN.

Smuggling via Syrian Ports

Open sources reveal that a draft trade and security agreement existed between Iraq and Syria that covered a variety of economic and political arrangements. These included the opening of the Syrian ports of Al-Latakia and Tartus for Iraqi imports. It took approximately two weeks to deliver cargo to Al-Latakia or Tartus from Black Sea ports, according to a senior executive in the MIC.

Sources asserted that a heavy pontoon bridge set provided by the Ukrainian arms export firm Ukroboronservice to Syria was ultimately supplied to the Iraqi RG. It was initially delivered from Mykolayev on the Black Sea coast to Beirut in Lebanon on the MV Nicolas A, arriving in early October 2002. The equipment was imported by the Syrian firm SES International, probably covered by a Syrian end-user certificate. A delivery verification certificate signed by Syria's Customs Department, verified by SES, indicated that the shipment had reached Syria by mid-October. Sources further revealed that elements of the heavy pontoon bridge set had been delivered to RG forces at Fort Rashidiyah, near Baghdad by early November. Other elements were deployed to a river-crossing training site between late October and early November of 2002.

Smuggling via the Arabian Gulf

The Iraqi Regime frequently employed smugglers who used oil smuggling routes through the northern Arabian Gulf. The Iranian Revolutionary Guard Corps Navy facilitated this illicit trade by providing safe passage through the northern Persian Gulf for Iraqi oil smugglers in return for a fee. This arrangement allowed oil smugglers a safe passage through Iran's northern territorial waters, but smugglers remained subject to being interdicted by Iranian authorities farther south (see figure 68).

By calculating the \$50 per metric ton of oil fee, the Maritime Interdiction Force (MIF) estimated in 2000 that Iran was taking about 25 percent of the profit from smuggled Iraqi oil (see figure 69). These high profits resulted from the difference between the market price for crude oil and the low prices Saddam was willing to charge to earn revenue that was not tracked by the UN.



Figure 67. The port of Umm Qasr monitored by UN inspectors, 1991-2003.

The chart illustrates the facilitation role Iran played in Iraqi oil smuggling. On two occasions in 1998, Iran took actions to stop oil smugglers from using its territorial waters. The figure compiled by the MIF, clearly indicates the impact this action had on the volume of prohibited trade in the Gulf.

Iran and the UAE were the most frequent destinations for Iraqi smuggled oil. The MIF also found that the majority of the smuggling vessels were owned by entities from these countries.



Figure 68. Primary oil smuggling routes within Iranian territorial waters as identified by the Maritime Interdiction Force.

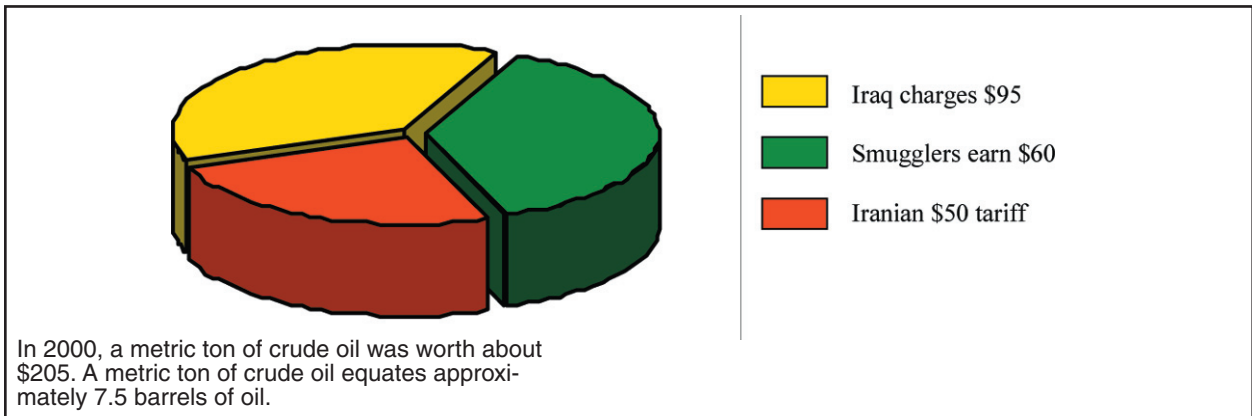


Figure 69. By share breakdown of the sale price for a metric ton of smuggled Iraqi crude oil in 2000.

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