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## Firms accused of bribing Saddam to be investigated by fraud office

- British companies named in United Nations report
- Kickbacks 'enabled Iraqi leader to amass \$1.8bn'

**David Leigh and Rob Evans**  
**Wednesday February 14, 2007**  
[The Guardian](#)

The Serious Fraud Office has launched an investigation into allegations that a number of major UK-based firms paid bribes to Saddam Hussein's regime in Iraq. The firms being targeted include the drug giants GlaxoSmithKline (GSK), AstraZeneca and Eli Lilly. The international oil traders and UK bridge-builders Mabey and Johnson are also to be investigated.



An Iraqi man works at the Kirkuk station on the Iraq-Turkey pipeline in 1999. Photograph: Karim Saheb/AFP/Getty Images

They are on a long list of international companies accused in a UN report of paying kickbacks under the discredited oil-for-food sanctions regime, which enabled Saddam to illicitly amass an estimated \$1.8bn. Ministers have agreed to fund the investigation with £22m over three years.

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The advertisement features a dark background with a glowing blue light source. A silver HP Compaq NC6400 Business Notebook PC is shown in a partially open position, angled towards the viewer. The text is white and yellow, providing product details and a call to action. Logos for Intel Centrino Duo and HP are prominently displayed at the bottom.

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The inquiry was ordered last week by the SFO director, Robert Wardle. Yesterday the agency confirmed: "The director of the SFO has opened an investigation centred on alleged breaches of sanctions in respect of the UN oil-for-food programme."

Under their wide-ranging powers, investigators from the SFO can order companies to disclose documentation and call witnesses for questioning. Ultimately, the SFO could launch criminal prosecutions.

The investigation - the first official inquiry into the oil-for-food scandal - was urged on the British government by Paul Volcker, a former chairman of the US Federal Reserve, who compiled a UN report, delivered two years ago, into abuses of the programme after investigating the sanctions regime that enabled Saddam to survive for so long.

Mr Volcker said the programme - in which Iraq was only allowed to sell limited amounts of oil abroad to buy food and medicines - had become corrupted as the Saddam regime demanded kickbacks from foreign companies in return for the contracts. He identified French and Russian politicians as the chief culprits.

Mr Volcker said the kickbacks were disguised by various subterfuges. Contracts were inflated, usually by 10% to cover so-called "after-sales services" fees. More than 2,200 companies were listed, using evidence drawn from banking records and Iraqi government documents.

The inquiry will draw on Mr Volcker's evidence. He accused GSK of paying kickbacks worth \$1m to win nine contracts valued at \$11.9m to supply medicines. Yesterday GSK denied

any wrongdoing. It said: "The UN oil-for-food programme was run in the UK by the Department of Trade and Industry and GSK operated entirely within DTI guidance in this area. Indeed, GSK had a regular dialogue with officials at the DTI in order to ensure that all its dealings under the oil-for-food programme were transparent and in accordance with the regulations."

AstraZeneca was named as having paid bribes of \$162,000 to secure three contracts worth \$2.9m. The company said: "We deny any allegation of unethical behaviour on our part in our trading relationships with Iraq. AstraZeneca sent a consignment of medicines originally requested by the Saddam government under the UN oil-for-food programme. Most of the consignment was delivered after the coalition forces of the US and UK had taken control of the country.

"The consignment was sent with all relevant United Nations permissions and UK government Department of Trade and Industry export licences in place."

Another company, Eli Lilly, was accused of securing a \$3.2m contract with a bribe of \$343,000. It said: "Eli Lilly and Company ... denies any wrongdoing with regard to the oil-for-food scheme. As the report highlights, we deny that payments were made to the government of Iraq or its agents in violation of the programme."

The Volcker report, citing banking records, alleged that the Berkshire-based bridge-builder Mabey and Johnson paid a \$202,000 kickback between 2001 and 2003 and in return was given a \$3.6m contract by the Iraqis. The company said there was no truth in the allegations.

The report identified a number of UK-linked oil companies and individuals accused of profiting from backdoor deals with Saddam Hussein. One was Taurus Petroleum, run by an American oil trader, Ben Pollner, from an address in Knightsbridge, west London. It was alleged that his front companies paid illicit kickbacks to Baghdad in return for consignments that could be sold on world markets. A contract with one of his Liechtenstein front companies was discovered to contain the phone number of the Taurus office in Princes Gate, central London. Taurus was also alleged to have marketed shipments of Iraqi oil on behalf of a Jordanian associate of the Respect MP George Galloway. Taurus denied all the allegations.

Another company named by Mr Volcker was Trafigura, the London end of a prominent Dutch-registered firm. Trafigura was accused of complicity in an oil-smuggling scheme in which tankers loading UN-sanctioned cargos at an Iraqi port were

illicitly "topped up" with extra oil. Trafigura denied that the oil was smuggled.

The Volcker report said that because a firm was named it "does not necessarily mean that the company - as opposed to an agent or secondary purchaser with an interest in the transaction - made, authorised or knew about an illicit payment".

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