

## **Oil for What?—Illicit Iraqi Oil Contracts and the U.N. Security Council**

Paul Heaton

**T**he Oil-For-Food program was established by United Nations Security Council Resolution 986 in 1995 as a means of providing humanitarian relief to Iraq, which had been under U.N. economic sanctions since the Persian Gulf War in 1991. The Oil-For-Food program was divided into six-month phases and required renewal by the Security Council at each phase. The first phase lasted from December 1996 to June 1997, and the program continued for a total of 13 phases, with the final phase extending until the U.S.-led invasion in 2003. During each phase, Iraq was permitted to sell an approved amount of oil to international buyers. Income from the program was held by the United Nations in escrow accounts that were used to purchase food, medical supplies and other humanitarian materials. The Iraq Survey Group, a CIA-organized investigative body tasked with cataloging the extent of Iraq's illicit weapons program after the invasion, estimated that the Oil-For-Food program generated \$64 billion in revenues over its lifetime (Duelfer, 2004).

After the invasion of Iraq, considerable evidence emerged suggesting that Saddam Hussein was able to subvert the Oil-For-Food program to obtain hard currency as well as items on the United Nation's prohibited transfer list. In this paper, I use recently available data to examine how the Iraqi government used illicit contracts for underpriced oil to reward supporters. Although it may never be possible to prove conclusively that the Iraqi government used oil contracts as a mechanism to trade bribes for votes in the U.N. Security Council, I demonstrate that nations with seats on the Security Council received a greater number and a greater value of these contracts and that receipt of the contracts was positively associated with pro-Iraqi votes. I also find that Iraq was more likely to give contracts to countries on the Council that had exhibited prior support for the Iraqi regime.

■ *Paul Heaton is a Ph.D. student in the Department of Economics, University of Chicago, Chicago, Illinois. His e-mail address is <psheaton@uchicago.edu>.*

A key element of the program design that helped Hussein circumvent restrictions was a provision allowing Iraq to select the companies that would participate. Additionally, although the final selling price of the oil was approved by a Security Council–appointed oversight committee, Iraq was given considerable leeway in setting the sale price and was thus able to generate rents for oil extractors by pricing its oil below the world market price. Hussein used the promise of profits in the program as leverage for kickbacks from participating companies and to reward those willing to provide prohibited items. He also offered oil purchase rights to individuals and political parties sympathetic to his government.

Although the exact details of execution may have varied from contract to contract, conceptually a typical contract followed the following process. A representative of the Iraqi State Oil Marketing Association (SOMO) or other senior government official would nominate an individual, company or other organization to receive an allocation voucher. This voucher was a contract allowing the holder to extract a specified amount of oil from Iraqi oil fields. Upon personal approval of Saddam Hussein, the allocation voucher was issued to the recipient. If the voucher was redeemed, the recipient was required to reimburse the Iraqi government for the extracted oil at an agreed upon price, typically substantially below market price. The recipient could then resell the voucher to any of a number of oil extracting companies, presumably at near the market price. The purchasing company could present the voucher at an oil field and lift the amount of oil stated in the contract. The extracting company could then legally refine or resell the oil on international markets, while the initial voucher recipient could reimburse the Iraqi government for the voucher with the difference between the voucher price and price paid by the extracting company remaining for the voucher holder as a rent. Iraq deposited the money collected from the voucher recipient in the U.N. escrow accounts and reported the identity of the extracting company as the purchaser of the oil to the United Nations. The contracts were illicit in that the true recipients of the profits from the oil sales were concealed from the United Nations.

### **Iraq's Illicit Oil Contracts**

In June 2004, a high-ranking official of Iraq's State Oil Marketing Association provided a list of 1,374 oil contracts to the Iraq Survey Group, which was published in Annex B of its *Comprehensive Report* (Duelfer, 2004). The list is organized by six-month phases of the Oil-For-Food program and includes the name of the individual or company who received an oil allocation, the amount of the allocation, the name of the company that eventually extracted the oil and the actual amount lifted.<sup>1</sup> A number of allocations were offered but not acted upon; for these

<sup>1</sup> An Excel spreadsheet containing the contract data used in this paper can be downloaded at (<http://home.uchicago.edu/~psheaton/iraq/>). Included with the spreadsheet is an explanation of some of the data limitations and how I have chosen to deal with them. Notable limitations include uncertainty surrounding the identities of many of the contract recipients due to the transliteration of their names

contracts, the list provides the name of the recipient and intended allocation. In addition, in each phase the documents provide SOMO's estimate of the profit per contracted barrel based upon the differential between the contracted price and the prevailing world price. Because these estimates were generated by SOMO, they represent the Iraqi government's perception of the value of each illicit payment.<sup>2</sup> In total, vouchers worth approximately \$1.6 billion were issued through the program, with realized profits in excess of \$1.2 billion. For 48 percent of the allocations that were eventually redeemed, the original allocation holder differed from the oil purchaser reported to the United Nations.

The recipients of contracts exhibit considerable diversity. About half the allocations went to companies, and 39 percent went to individuals. Smaller numbers of contracts were also issued to governments, political parties and religious and educational organizations. Representatives of 67 countries in all areas of the world obtained allocations, with numerous allocations going to the former Soviet republics and the Middle East. Table 1 demonstrates that among individual countries, France, Russia and Italy were significant beneficiaries of the program, while Jordan, Syria, Lebanon, Turkey and the United Arab Emirates received large allocations relative to their populations. Table 2 includes descriptions of some of the prominent individuals from throughout the world who received allocations.

The number of contracts issued through the Oil-For-Food program increased substantially over time, with the 35 initial contracts expanding to 182 by the 13<sup>th</sup> phase. After the 6<sup>th</sup> phase, total oil allocations remained roughly constant at approximately 400 million barrels per phase, so the expansion was achieved by reducing average contract size. The estimated profit per barrel generally fluctuated between 10 and 20 cents per barrel, although the profits reached as high as 85 cents a barrel in the 9<sup>th</sup> phase. Over the entire program, the median allocation was two million barrels with an estimated value of \$700,000.

The lists from the Iraq Survey Group also provide information on contracts that were assigned but never lifted. About one-third of the contracts worth approximately \$400 million were never lifted. The number of unlifted contracts increased substantially in the final phases of the program, partly due to technological disruptions at oil extraction sites. Unsurprisingly, recipients who received larger allocations and allocations earlier in the program were more likely to lift their oil.

## **Contract Receipt and the Security Council**

Saddam Hussein obviously desired to influence the United Nations Security Council, which was the primary overseer of United Nations disarmament efforts

---

from Arabic, potential mislabeling of the national affiliation of some companies and individuals and missing data in phase 9 of the program for those offered allocations that were not lifted.

<sup>2</sup> Recent work by Hsieh and Moretti (2005) uses the differential between the official U.N. selling price of Iraqi oil and market prices of comparable grades of oil to infer the rents generated through the contracts.

*Table 1*  
**Total Allocation for Selected Countries**

<i>Country</i>	<i>Number of contracts</i>	<i>Value of contracts (millions of U.S. dollars)</i>
Russia	247	438.7
France	67	105.5
Turkey	66	71.9
Italy	65	81.3
Jordan	53	38.6
Syria	52	34.2
China	50	88.8
Lebanon	46	25.7
Ukraine	44	32.1
Egypt	41	34.6
United States	37	43.2
United Arab Emirates	28	32.9
United Kingdom	24	19.9
India	23	21.4
Japan	7	2.0
Germany	2	0.6

after the Gulf War and the only U.N. body with power to authorize economic sanctions and military actions. The Oil-For-Food program was established under the auspices of the Security Council, and recent court testimony by Samir Vincent, a U.S. citizen implicated in the scandal, indicates that even before the program's inception, Hussein had considered bribing U.N. officials to take positions favorable to his government (Farley, 2005). Research by Kuziemko and Werker (2004) also suggests that Security Council members may be susceptible to altering their votes as a result of aid payments. One way Hussein may have been able to influence the Council is by offering oil contracts to politically connected individuals and organizations in member nations in return for their governments' support on the Council.

The Security Council is composed of 15 member nations, five of which are permanent: China, France, Russia, the United States and the United Kingdom. The five permanent members each have unilateral power to veto passage of any Security Council resolution. The other ten Council members are chosen by regional blocs, approved by the U.N. General Assembly and rotate onto the council for two-year terms. During the Oil-For-Food program, 44 different countries were represented at some point on the Security Council.

The timing of contracts given to a number of nations strongly suggests a connection between contract receipt and Security Council membership. Namibia, for example, began a two-year term on the Council in January 1999. In the 5<sup>th</sup> phase of the Oil-For-Food program, which lasted from December 1998 to June 1999, the Namibian government received three separate allocations, all of which were lifted.<sup>3</sup> An additional contract was given to the Namibian government in the 7<sup>th</sup> phase of

<sup>3</sup> Unsurprisingly, the Namibian government has denied receiving any illicit oil allocations from Iraq.

*Table 2*  
**Selected Individual Recipients of Oil Allocations**

<i>Allocation recipient (country)</i>	<i>Total allocations (millions of barrels)</i>	<i>Phase of first allocation</i>	<i>Profession</i>	<i>Connection with Iraq</i>
George Galloway (England)	20.0	8	Member of Parliament from Glasgow-Kelvin	Frequent visitor to Baghdad—including a 1994 visit in which he saluted Hussein on Iraqi national television—and vocal critic of British policy toward Iraq
Abu Al-Abbas (Iraq)	11.2	7	Head of the Palestine Liberation Front	Escaped prosecution for Achille Lauro hijacking using Iraqi diplomatic credentials in 1985; resided in Iraq since early 1990s; captured by U.S. soldiers in April 2003
Yuri Orshansky (Ukraine)	10.0	5	Director of Montaz Elektro, a Ukrainian industrial firm	Visited Iraq 6 times from 1993 to 1995; acted as an honorary consul of Iraq in Ukraine; has been implicated in illegal arms sales to Iraq
Shaker Al Khafaji (United States)	7.0	8	Businessman	Accompanied Rep. Jim McDermott on 2002 trip to Baghdad; financed Scott Ritter documentary criticizing sanctions
Megawati Sukarnoputri (Indonesia)	6.0	10	President of Indonesia	Issued oil allocations and lobbied by Hussein after ascending to presidency in June 2001; allocations ended when Indonesia adopted a more pro-American policy following Bali bombings
Jean-Marie Benjamin (Italy)	5.0	10	Priest	Produced a number of antiembargo documentaries and books; arranged meeting between Pope and Tariq Aziz
Kirsan Ilyumzhinov (Russia)	3.0	12	President of Kalmykia	As FIDE president attempted to organize international chess matches in Baghdad in violation of sanctions; visited Uday Hussein one day before U.S. invasion

the program, and two allocations were made to Namibian companies in the 6<sup>th</sup> and 9<sup>th</sup> phases of the program. The total estimated profit from oil issued to the Namibian government was \$1.36 million, or roughly 0.1 percent of the total Namibian national budget in 1997. Other than these contracts, which span the period over which Namibia had a Security Council seat, no other contracts were given to Namibian recipients. Another African country, Gambia, received only a single allocation worth \$600,000 in the 6<sup>th</sup> phase of the program, timing that also coincided with its two years on the Council.

Table 3 examines the extent to which individuals and companies from countries with seats on the Security Council were given more oil contracts. The unit of observation for these regressions is a country. The dependent variable is the total number of allocation contracts received by companies, individuals and organizations within a country. A total of 209 countries are included in the analysis. The baseline estimates in Column I examine how tenure on the Security Council and a series of dummy variables for region can explain the pattern of contracts. Tenure on the Security Council is positively and significantly associated with the number of contracts received. Column II eliminates all contracts to Russia, which is an obvious outlier in terms of number of contracts, although it keeps contracts to other countries that were formerly part of the Soviet Union. This calculation reduces the estimated effect of Security Council tenure substantially, although it remains positive and statistically significant. Compared to western Europe, which is the omitted geographic group in the regression, countries in the Middle East received more contracts, while countries in Asia and North America received fewer contracts.

The final specification in Table 3 includes controls for other factors that may be associated with contract receipt, including the size of a country's oil industry (proxied by total refining capacity), whether the government is democratically elected and whether the country contributed money, troops or supplies to the anti-Iraq coalition in the Persian Gulf War of 1991. The estimated coefficient on Security Council tenure is between the levels in the first two columns, but remains statistically significant at the 10 percent level. The coefficient signs on the additional controls accord with intuition—countries that opposed Iraq during the first Gulf War received fewer contracts, while countries with higher populations and larger oil industries received more contracts.

Table 4 uses a panel of country-level observations at each phase of the program to measure the effect of Security Council participation. In each specification a measure of the size of contracts given to a country in a program phase is the dependent variable and a dummy variable for whether the country was on the Security Council at that time is the explanatory variable. Columns I, III and IV include the full set of controls used in Table 3. Columns II, IV and VI include a complete set of country dummies, which essentially excludes the five permanent Security Council members from the analysis and identifies the effect of Security Council membership using changes in contracts for countries that rotated onto the Council. Three separate measures of the size of contracts are considered—the number of allocated contracts, the value of allocated contracts and the value of oil actually extracted.

Table 3  
**Cross-Country Relationship Between Contracts and Security Council Tenure**

Explanatory variable	Effect on total contracts		
	(I)	(II)	(III)
Years on Security Council	8.998** (3.979)	4.278*** (1.118)	6.396* (3.383)
Geographic indicators:			
North America	-19.589 (12.045)	-6.667 (5.856)	-42.207* (24.153)
South America	-3.391 (4.061)	-6.201** (2.905)	-4.167 (3.61)
Middle East	18.67*** (7.043)	15.546** (6.341)	17.625*** (8.825)
Eastern Europe	-1.384 (5.112)	-3.192 (3.821)	-1.564 (5.987)
Former Soviet Union	14.804 (13.657)	-0.924 (4.104)	11.001 (12.783)
Asia	-1.012 (3.795)	-2.052 (3.288)	-5.622 (4.767)
Pacific	-0.825 (4.761)	-5.208* (2.894)	0.111 (4.214)
Africa	-1.075 (4.058)	-3.656 (3.074)	-2.826 (4.793)
Opposed Iraq in Persian Gulf War			-4.951 (5.78)
Oil refining capacity			0.004 (0.003)
Nondemocracy indicator			-1.118 (2.2)
Log of population (2002)			1.145* (0.594)
Log of per capita income (2002)			-0.328 (0.953)
<i>N</i>	209	208	209
<i>R</i> <sup>2</sup>	0.371	0.347	0.426
Include additional controls?	No	No	Yes
Omit Russia?	No	Yes	No

*Notes:* The table reports regressions of total contracts given to citizens of a given country (mean = 6.48, s.d. = 20.78) on a variable equal to the number of years the country occupied a seat on the U.N. Security Council during the Oil-For-Food program. The unit of observation is a country. Contracts to individuals with unknown national affiliations and contracts to Benon Sevan were excluded from the analysis. The omitted geographic group is Western Europe. "Opposed Iraq" is an indicator variable equal to 1 if a country contributed troops, equipment or money to the first Persian Gulf War. "Oil refining capacity" is the nation's daily crude oil distillation capacity and was taken from the *Energy Information Administration's International Energy Annual 2003*. The "Nondemocracy Indicator" is based upon data from Freedom House. Heteroskedasticity-robust standard errors are reported in parenthesis. \* Denotes significance at the two-tailed 10 percent level; \*\* denotes significance at the two-tailed 5 percent level; \*\*\* denotes significance at the two-tailed 1 percent level.

Table 4

**Panel Estimates of the Association Between Security Council Participation and Oil Contracts**

Explanatory variable	Measure of contract size					
	Number of allocated contracts		Value of allocated oil		Value of oil actually lifted	
	(I)	(II)	(III)	(IV)	(V)	(VI)
Security Council indicator	1.414** (0.698)	0.737** (0.363)	2.216* (1.24)	0.511* (0.263)	1.846* (1.02)	0.381** (0.183)
Opposed Iraq in Persian Gulf War	-0.329 (0.432)		-0.732 (0.678)		-0.591 (0.555)	
Oil refining capacity	4.783E-4 (3.088E-4)		8.1E-4 (5.689E-4)		6.62E-4 (4.964E-4)	
Nondemocracy indicator	-0.095 (0.168)		-0.163 (0.265)		-0.126 (0.216)	
Log of population (2002)	0.12*** (0.0391)		0.123* (0.0653)		0.091* (0.0549)	
Log of per capita income (2002)	0.023 (0.0688)		0.005 (0.103)		0.006 (0.0847)	
<i>N</i>	2743	884	2743	884	2743	884
<i>R</i> <sup>2</sup>	0.300	0.776	0.200	0.598	0.184	0.564
Include additional controls?	Yes	No	Yes	No	Yes	No
Include country fixed effects?	No	Yes	No	Yes	No	Yes

*Notes:* The table reports regressions of total oil contracts (mean = 0.493, s.d. = 1.83, columns I–II), the value of oil allocations (mean = .589, s.d. = 3.41, columns III–IV) and the value of oil actually extracted (mean = 0.443, s.d. = 2.86, columns V–VI) on an indicator variable equal to 1 if the recipient country occupied a seat on the U.N. Security Council when the extraction occurred. A unit of observation is the total contracts given to citizens of a given country in a given phase. Contracts to individuals with unknown national affiliations and contracts to Benon Sevan were excluded from the analysis. Contract values are measured in millions of U.S. dollars. See the notes for Table 3 for explanations of the additional controls included in columns I, III and V. Columns I, III and V include region fixed effects, and all specifications include phase fixed effects that are unreported. Standard errors clustered on countries are reported in parenthesis. Countries that never received contracts were excluded from the specifications with country fixed effects (columns II, IV and VI). \* Denotes significance at the two-tailed 10 percent level; \*\* denotes significance at the two-tailed 5 percent level; \*\*\* denotes significance at the two-tailed 1 percent level.

Security Council membership is associated with both more and larger oil contracts. Nonpermanent members received approximately 0.74 additional contracts per Oil-For-Food phase, or a total of three additional contracts over a two-year term on the Security Council. These contracts were worth an estimated \$2.0 million, which represents a 46 percent premium for Council membership relative to the average contract value.<sup>4</sup> The coefficient in Column III suggests that

<sup>4</sup> As a comparison, Kuziemko and Werker (2004) estimate that developing countries on the Security Council receive 77 percent more foreign aid from the United States in years with important issues before the Council.

over the life of the Oil-For-Food program, the estimated benefit to permanent members of the Security Council was about \$29 million. Accounting for the fact that not all allocations were actually lifted (Columns V and VI) lowers the estimated benefits of Council membership, but the estimates remain positive and statistically significant.

Did these contracts translate to Security Council votes favorable to Hussein? Aside from numerous votes to extend and slightly modify the Oil-For-Food program, the Security Council voted on three substantive resolutions related to Iraq during the Oil-For-Food program. Resolution 1134, passed in October 1997, called for travel restrictions on Iraqi officials involved in noncompliance with U.N.-mandated weapons inspections. In December 2001, the Security Council passed Resolution 1284, which established the United Nations Monitoring, Verification, and Inspection Commission (UNMOVIC) with a mandate to strengthen the weapons inspection process. Resolution 1441 declared Iraq to be in material breach of previous Security Council resolutions related to weapons inspections and was passed in November 2002.

Table 5 examines the extent to which voting behavior on these resolutions was linked to receipt of illicit oil contracts. The dependent variable is the proportion of votes cast favorable to the Iraqi regime and the unit of observation is a country. For purposes of passing a Security Council resolution, an abstention is equivalent to a “no” vote, and abstentions are treated accordingly in my analysis. The effects of contracts on these votes are estimated with ordinary least squares. Measures of each nation’s contributions of troops, money and equipment to the Persian Gulf War of 1991 are included as controls. Because of the small numbers of observations and the complexity of drafting resolutions, these results should only be taken as suggestive. For example, one limitation of this analysis is that it does not differentiate between cases in which contracts were given to countries as a reward for policies supporting the regime and cases in which contracts were intended to shift voting behavior.

Column I of Table 5 reports baseline estimates of the relationship between contracts and votes. The estimated coefficient of 0.0034 implies that each additional contract is associated with a 0.34 percent increase in the probability of casting a pro-Iraq vote. The second specification omits Russia, which actually makes the coefficients substantially larger. The third column reports results adding Resolutions 1115, 1194 and 1205 to the analysis. These resolutions criticized Iraq but did not include any substantive measures to compel the Iraqi government to comply more fully with inspections. Each was passed unanimously, including yes votes by traditional Iraqi allies such as China and Russia. Including these resolutions reduces coefficient estimates by about half. The coefficients on the Gulf War variables are generally negative, suggesting that countries that opposed Iraq in 1991 were less likely to cast pro-Iraqi votes on these resolutions, although few estimates are statistically significant.

Columns IV–VI of Table 5 replicate the regressions in Columns I–III using allocation value as a measure of contract size. The allocation value coefficient measures the increase in probability of casting a pro-Iraq vote associated with a

*Table 5*  
**Association Between Security Council Voting Behavior and Oil Contracts**

<i>Explanatory variable</i>	(I)	(II)	(III)	(IV)	(V)	(VI)
Total allocated contracts	0.0034*** (0.00112)	0.012*** (0.00299)	0.0017*** (6.193E-4)			
Total value of allocations				0.0018*** (5.418E-4)	0.0074*** (9.72E-4)	8.8642E-4*** (2.877E-4)
Gulf War troops	-1.905E-7 (2.087E-7)	-4.95E-7* (2.347E-7)	-8.224E-8 (1.127E-7)	-1.655E-7 (2.199E-7)	-4.371E-7*** (1.695E-7)	-6.812E-8 (1.199E-7)
Gulf War money	-0.014* (0.00767)	-0.014** (0.00603)	-0.008 (0.0049)	-0.014 (0.00833)	-0.011 (0.00702)	-0.008 (0.00526)
Gulf War equipment	0.039 (0.135)	-0.129 (0.103)	0.009 (0.0748)	0.067 (0.14)	-0.042 (0.115)	0.024 (0.077)
<i>N</i>	35	34	35	35	34	35
<i>R</i> <sup>2</sup>	0.224	0.342	0.145	0.193	0.291	0.120
Omit Russia?	No	Yes	No	No	Yes	No
Include Res. 1115, 1194, and 1205?	No	No	Yes	No	No	Yes

*Notes:* This table reports separate regressions of the proportion of votes cast by a nation that were pro-Iraq (mean = .079, s.d. = .205) on the number of allocation contracts (mean = 17.2, s.d. = 43.7) and value of allocations (mean = 23.4, s.d. = 76.2) issued to the voting nation. The unit of observation is a voting nation on the Security Council. Votes on Resolutions 1115, 1134, 1194, 1205, 1284 and 1441 are included. Allocation values are measured in millions of U.S. dollars. Using the value of lifted oil as a substitute measure of contract size generates estimates that are positive, statistically significant and comparable to those obtained using allocated oil. The additional controls include the number of troops contributed by the voting nation to Coalition forces in the Persian Gulf War of 1991, the amount of money (in billions of U.S. dollars) contributed and an indicator for whether the voting nation contributed equipment to the Coalition. Data on voting were obtained from the Voting Records Database of the United Nations Dag Hammarskjold Library. Heteroskedasticity-robust standard errors are reported in parenthesis. \* Denotes significance at the two-tailed 10 percent level; \*\* denotes significance at the two-tailed 5 percent level; \*\*\* denotes significance at the two-tailed 1 percent level.

\$1 million increase in contracts. One interpretation of this coefficient is an estimate of the price of Security Council votes. The coefficient of 0.0018 in Column IV implies that a 10 percent increase in probability requires an additional \$55.5 million in contracts. Omitting Russia, which received about four times as many contracts as the next largest recipient, lowers the estimated cost of a 10 percent increase to \$13.5 million. For comparison, the 35 nations casting votes on these resolutions received an average of \$23.4 million in allocations; with China receiving \$88.8 million; France, \$105.5 million; and Egypt, \$34.6 million.

Although the analysis in Table 5 emphasizes the extent to which contract receipt is associated with Security Council voting, the contracts may have encouraged pro-Hussein decisions on administrative matters as well. For example, the U.S. representative to the Sanctions Committee, which approved proposed contracts under Oil-For-Food, complained that on numerous occasions the Russian representative was willing to accept underpriced contracts proposed by the Iraqis (Freed-

man and Secklow, 2002).<sup>5</sup> In September 2001, a retroactive pricing system was established by the Sanctions Committee to limit the ability of the Iraqi government to generate rents by underpricing oil. Representatives of the governments of France and Russia, the two largest contract recipients, subsequently called for adjustments to the retroactive pricing system that would have given Iraq more control over oil prices (Recknagle, 2002).

Countries that received substantial contracts also seemed more closely aligned with Iraqi government positions on proposed Security Council resolutions that never received a vote. For example, Russia received a disproportionately large share of Iraqi oil contracts, and Russia threatened to veto a “smart sanctions” proposal by the United States and United Kingdom that would have tightened controls in the Oil-For-Food program. Indeed, in 2001, the Iraqi Oil Minister announced that Russian companies would be given priority in future contracts as a reward for Russia’s derailment of the smart sanctions proposal (Pechnikov, 2001). In March 2003, a U.S.- and UK-sponsored draft Security Council resolution stating that Iraq had failed in its final opportunity to comply with inspections was withdrawn after France and Russia threatened a veto.

The preceding discussion has focused on Iraq’s desire to influence the Security Council, but clearly the contracts could have served other purposes. For example, several of Iraq’s neighbors signed secret oil smuggling protocols with the regime and were likely rewarded with oil contracts in later phases of the program. Escalations in the air strikes against Iraq in the 5<sup>th</sup> and 9<sup>th</sup> phases of the program also corresponded to substantial increases in the flow of contracts to Jordan and Syria, two of Iraq’s most important sources for military supplies.

### **Did Saddam Hussein Aim to Influence the Median Voter?**

Perhaps the best-known political model of vote-seeking, the “median voter” model (Downs, 1957), suggests that political effort is most effectively spent on marginal voters as opposed to extreme voters whose attitudes are unlikely to shift. Empirical investigations such as Stratmann (1992) find evidence that interest groups focus resources on legislators with undecided views. However, other models suggest that political money may be more effectively spent aiding strong partisans to remain in power as opposed to shifting the opinions of nonsupporters (Levitt, 1998). Similarly, Murphy and Shleifer (2004) argue that in the presence of social networks it may be beneficial for politicians to focus resources on groups with more extreme views. Did Saddam Hussein seek to influence the median voter or to reward those with strong pro-Iraq views?

To consider this question, I classify strong supporters of Iraq as well as

<sup>5</sup> This inclination simply to accept Iraq’s contract proposals may have extended to goods contracts as well. A spreadsheet of Oil-For-Food goods contracts inadvertently released to the public by the United Nations in March 2001 reveals that of the over 1,700 contracts that were currently on hold, none were being blocked by Russia or France.

marginal voters on the U.N. Security Council using voting data from five U.N. General Assembly resolutions passed between 1991 and 1995 that condemned the Iraqi government's human rights practices. I classify a country as an Iraq supporter if it cast a "no" or abstention vote on all five resolutions.<sup>6</sup> Countries that voted both "yes" on one of the resolutions but "no" or abstained on at least one other were considered marginal voters. Countries that voted "yes" on all resolutions were anti-Iraq. Of those that served on the Security Council, China and Pakistan provide examples of pro-Iraq countries, while Egypt and Kenya were marginal and South Korea and the United States were anti-Iraq. Although this measure of a country's policy toward Iraq is undoubtedly crude, it does offer an objective measure linked to U.N. voting behavior prior to the start of the Oil-For-Food program.

Table 6 reports regressions of an indicator equal to 1 if a country received contracts from Iraq on indicators for pro-Iraq and marginal voter countries. Countries that were anti-Iraq is the omitted group, so the estimated coefficients express the change in probability of receiving contracts associated with a particular prior policy toward Iraq compared with that group. Controlling for other characteristics, countries with past policies favorable to Iraq were more likely than both marginal and anti-Iraq countries to obtain contracts. In fact, all of the countries on the Security Council that exhibited prior strong support for Iraq received contracts through Oil-For-Food. Marginal countries were likelier to receive contracts than anti-Iraq ones, although not significantly so. The regression evidence thus suggests that Iraq was more inclined to give contracts to countries that had already demonstrated strong support, rather than to marginal supporters.

One concern with the preceding analysis is that over time, Iraq may have altered its views on to whom it should offer contracts. For example, the percentage of contracts given to permanent Security Council members dropped steadily from 49 to 26 percent over the life of the program. As the views of the permanent members with regard to the Oil-For-Food program became understood, the Iraqis may have shifted resources toward countries with less-certain policies.

## **Conclusion**

A considerable body of evidence links receipt of illicit oil contracts and Security Council behavior. Public statements by Iraq's Oil Minister and testimony by a U.S. citizen implicated in the Oil-For-Food scandal support the conjecture that Saddam Hussein believed he could use Oil-For-Food contracts as a means for purchasing support on the Security Council. Statistical evidence from both the distribution of contracts across countries and the timing of contracts indicates that Security Council membership and contract receipt were connected. Analysis of

<sup>6</sup> In the General Assembly, abstentions are not strictly the same as "no" votes. Voting patterns suggest, however, that abstentions are often viewed as a diplomatic way to express disagreement with a proposed resolution. Iraq itself chose to abstain rather than vote "no" on one of the resolutions.

*Table 6*  
**Relationship Between Prior Support of Iraq and Contract Receipt**

<i>Explanatory variable</i>	<i>(I)</i>	<i>(II)</i>
Pro-Iraq indicator	0.408*** (0.14)	0.668*** (0.141)
Marginal voter indicator	0.049 (0.203)	0.167 (0.216)
Years on Security Council	0.018 (0.0395)	0.026 (0.125)
Log population (2002)	0.075 (0.0493)	0.029 (0.0573)
Oil refining capacity	2.703E-5 (2.344E-5)	2.121E-4** (8.916E-5)
<i>F</i> -test of Pro-Iraq = Marginal		
<i>F</i> -statistic	3.055	6.866
<i>P</i> -value	0.089	0.013
<i>N</i>	44	39
Omit permanent members?	No	Yes

*Notes:* This table reports regressions of an indicator variable equal to one if a country received oil allocations from Iraq through the Oil-For-Food program and zero otherwise (mean = 0.59, s.d. = 0.497) on indicator variables capturing a nation's policy toward Iraq prior to Oil-For-Food. The regressions are formulated as simple linear probability models; using weighted least-squares, probit and logit provide comparable estimates. The unit of observation is a country, and all countries which served on the Security Council during the Oil-For-Food program are included in the analysis. Pro-Iraq countries were countries that voted against each of five resolutions criticizing Iraq's human rights record. Marginal countries voted for some of the resolutions and against others, while anti-Iraq countries voted for all resolutions. The omitted group is anti-Iraq countries. The policy indicators are based on Resolutions 46/134, 47/145, 48/144, 49/203 and 50/191. See notes for Table 3 for descriptions of the additional controls. Heteroskedasticity-robust standard errors are reported in parenthesis. \* Denotes significance at the two-tailed 10 percent level; \*\* denotes significance at the two-tailed 5 percent level; \*\*\* denotes significance at the two-tailed 1 percent level.

voting patterns on the Council also indicates that countries with larger contracts were more likely to vote in ways favorable to the Iraqi government.

Although Saddam Hussein used aspects of the Oil-For-Food program for his political advantage, the program did generate humanitarian benefits. A significant proportion of the money generated through the sale of Iraqi oil was used for humanitarian supplies as intended. One possible lesson from the Oil-For-Food experience is that creating assistance programs without attention to the details of their implementation can create offsetting costs and even undermine their effectiveness. Had Iraq been granted less autonomy over the choice of contract prices and oil purchasers, a different version of the Oil-For-Food program might have

been able to achieve the same or better humanitarian goals without providing Saddam Hussein a means to reward his supporters.

■ *I would like to thank the editors, Gary Becker, Steve Levitt, Chris Rohlfs, Sam Schulhofer-Wohl and seminar participants at the University of Chicago for helpful comments and the National Science Foundation for financial support.*

## References

- Bowers, Paul, Tim Youngs, Claire Taylor, Ross Young, Patsy Richards, Tim Edmonds and James Carron.** 2003. "Iraq: Developments Since UN Security Council Resolution 1441." Discussion Paper No. 03/22, House of Commons Library.
- Christoff, Joseph.** 2004. "United Nations: Observations on the Oil for Food Program." General Accounting Office, GAO-04-651T, April 7; Available at (<http://www.gao.gov/new.items/d04651t.pdf>).
- Downs, Anthony.** 1957. *An Economic Theory of Democracy*. New York: Harper and Brothers.
- Duelfer, Charles.** 2004. "Comprehensive Report of the Special Advisor to the DCI on Iraq's WMD." Iraq Survey Group, Central Intelligence Agency, September 30.
- Farley, Maggie.** 2005. "All Players Gained From 'Oil For Food.'" *Los Angeles Times*. February 3.
- Freedman, Alix and Steve Stecklow.** 2002. "How Saddam Diverts Millions Meant For Food Aid to Reap Illegal Oil Profit." *Wall Street Journal*. May 2.
- Hsieh, Chang-Tai and Enrico Moretti.** 2005. "Did Iraq Cheat the United Nations? Underpricing, Bribes, and the Oil for Food Program." NBER Working Paper No. 11202.
- Independent Inquiry Committee into the United Nations Oil-For-Food Programme.** 2004. "Briefing Paper." October 21.
- Kuziemko, Ilyana and Eric Werker.** 2004. "How Much is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations." Manuscript, Harvard University.
- ▶ **Levitt, Steven.** 1998. "Are PACs trying to Influence Politicians or Voters?" *Economics and Politics*. 10:1, pp. 19–35.
- ▶ **Murphy, Kevin M. and Andrei Shleifer.** 2004. "Persuasion in Politics." *American Economic Review*. 94:2, pp. 435–39.
- Pechnikov, Borislav.** 2001. "Iraq to Deal With Russian Oil Companies." *Russian Information Agency Novosti*. July 24; Available at (<http://english.pravda.ru/economics/2001/07/14/10112.html>).
- Recknagle, Charles.** 2002. "UN: Disputes Over Iraqi Oil Pricing Undercut Funding Of Oil-For-Food Program." *Radio Free Europe/Radio Liberty*. June 27; Available at (<http://www.rferl.org/features/2002/06/27062002172227.asp>).
- Stern, Linda, ed.** 2002. *Freedom in the World 2001–2002*. Freedom House; Available at (<http://www.freedomhouse.org/research/freeworld/2002/index.htm>).
- ▶ **Stratmann, Thomas.** 1992. "Are Contributors Rational? Untangling Strategies of Political Action Committees." *Journal of Political Economy*. 100:3, pp. 647–64.
- Volcker, Paul, Richard Goldstone and Mark Pieth.** 2005. "Interim Report." Independent Inquiry Committee into the United Nations Oil-For-Food Programme, February 3.