

# Iraqi regime orders arrest of ex-officials in \$1 billion theft

Bill Van Auken  
12 October 2005

An Iraqi judge issued arrest warrants Tuesday for two dozen former officials who are accused of organizing the embezzlement of over \$1 billion from the country's defense ministry.

Charged in connection with this massive theft are the former defense minister Hazem Shaalan and 23 other ministry officials. Also under investigation for the disappearance of hundreds of millions of dollars more are four other ministers—labor, transportation, electricity and housing—from the “interim government” of former prime minister Iyad Allawi, installed by Washington in June 2004.

The defense ministry money was apparently stolen through a scheme in which funds for arms purchases were funneled through Iraqi middlemen. It was then either deposited directly in private bank accounts, or was used to buy outmoded and worthless weapons and materiel worth a fraction of the purported cost of the arms contracts.

“It is possibly one of the largest thefts in history,” Ali Allawi, Iraq's finance minister, told the *Independent* last month. “Huge amounts of money have disappeared. In return we got nothing but scraps of metal.”

Shaalan, who is reportedly in London, is still a member of the Iraqi parliament. Members of the body attempted to pass a bill stripping him of his parliamentary immunity Monday, but lacked a necessary quorum.

The *Independent's* Patrick Cockburn detailed the embezzlement scheme in his September 19 article. “The [arms] contracts were peculiar in four ways,” he wrote. “...they were awarded without bidding, and were signed with a Baghdad-based company, and not directly with the foreign supplier. The money was paid up front, and, surprisingly for Iraq, it was paid at great speed out of the ministry's account with the Central Bank.”

Cockburn continued: “Military equipment purchased in Poland included 28-year-old Soviet-made helicopters. The manufacturers said they should have been scrapped after 25 years of service. Armoured cars purchased by Iraq turned out to be so poorly made that even a bullet from an elderly AK-47 machine-gun could penetrate their armour. A shipment of the latest MP5 American machine-guns, at a cost of \$3,500 (£1,900) each, consisted in reality of Egyptian copies worth

only \$200 a gun. Other armoured cars leaked so much oil that they had to be abandoned. A deal was struck to buy 7.62mm machine-gun bullets for 16 cents each, although they should have cost between 4 and 6 cents.”

The amount of money said to have been stolen in this fashion amounted to virtually the entire annual procurement budget for the fledgling US-created Iraqi defense forces. The effect was to leave what few units of Iraqi troops the US occupation has managed to field poorly armed and equipped.

Citing a report from the Iraqi Board of Supreme Audit, Knight-Ridder reporter Hannah Allam provided other details last month.: “The sole beneficiary on 43 of the 89 contracts,” she wrote, “was a former currency-exchange operator, Nair Mohamed al-Jumaili, whose name doesn't even appear on the contracts. At least \$759 million in Iraqi money was deposited into his personal account at a bank in Baghdad, according to the report.”

The article also revealed that throughout this massive theft of government funds there were “20 American civilian advisers working alongside Iraqi defense chiefs.”

Its strains credulity to accept that such huge amounts of money could have been stolen without the complicity of these American “advisers.” Iraqi officials have been quoted as saying that the sophistication of the embezzlement scheme convinced them that at least some US personnel helped devise it and pocketed substantial amounts of the cash.

The key figures in the scandal were handpicked by the US occupation's Coalition Provisional Authority, headed by Paul Bremer. The interim regime that formally replaced the CPA was headed by long-time CIA asset Iyad Allawi, a former member of Saddam Hussein's Baathist ruling party who changed his allegiances to British intelligence and the American CIA.

Shalaan, the indicted ex-defense minister, was apparently a similar figure, living in exile in London for nearly two decades before being brought back to Iraq as part of the US-British invasion force.

Ahmad Chalabi, whom the civilian leadership of the Pentagon had initially hoped to install as the head of an Iraqi puppet regime, has charged that Shalaan worked as a double agent, spying on Iraqi dissidents abroad in the

1990s—something Chalabi himself had done some 20 years earlier.

In December of last year, Chalabi charged Shalaan with having ordered \$300 million in cash taken from the central bank, loaded onto a charter plane and shipped secretly to Lebanon. Shalaan responded by threatening to arrest Chalabi for his part in embezzling millions from a Jordanian bank in the early 1990s.

The Iranian regime has charged that Shalaan remained a Baathist agent up until the invasion. Al-Alam TV, Teheran's Arab-language broadcast station, reported that it had uncovered documents naming Shalaan and the Iraqi intelligence officer who was meeting him in 2000. It claimed to have other documents referring to him as an Iraqi spy from 2002 and January 2003.

For his part, Shalaan was virulently anti-Iranian during his brief tenure as defense minister, declaring the government in Teheran to be Iraq's "number one enemy" and claiming that the country had been overrun by Iranian intelligence operatives. He has charged that Iranian influence is behind the accusations against him.

In addition to the money stolen from the defense ministry, Iraqi officials are reportedly looking at another \$300 million embezzled from other ministries.

The reality is that the money apparently embezzled by these Iraqi officials is only a fraction of the billions that have gone missing in Iraq. An audit of the Coalition Provisional Authority's handling of Iraq's oil resources performed at the beginning of this year could not account for a staggering \$8.8 billion in revenues.

Meanwhile, *USA Today* has reported that nearly \$100 million in Iraqi reconstruction funds "is unaccounted for," and that Washington is scaling back its efforts substantially, even as the country's economy and infrastructure deteriorate even further.

The newspaper said that, for example, 81 planned water and sewage treatment projects had been scaled back to just 13. As a result of the destruction inflicted by a decade of economic sanctions followed by the US invasion, only about half of Iraqi households have access to clean water, while outside of the capital barely 8 percent have sewage service.

Projects to repair the country's damaged power system have also been scaled back, under conditions in which people in Baghdad are without electricity for about 14 hours a day.

Out of the \$18.4 billion that the US Congress approved for Iraq's reconstruction, nearly \$5 billion was diverted to set up and equip Iraqi security forces—presumably a substantial share winding up embezzled by the defense ministry officials. Of the money that has gone to reconstruction, up to 40 percent has been used for security costs, paying for private mercenaries to protect corporate contractors, all of them working on no-bid contracts.

A recent report issued by the CPA Inspector General and cited in a document published last month by the Center for

Strategic & International Studies detailed the wholesale corruption surrounding the US reconstruction operation. It made clear that there is virtually no auditing of contracts or supervision of projects.

According to the CSIS, the January 30, 2005 report found, for example:

"The American office in charge of doling out reconstruction funding in Hillah, Iraq paid a contractor twice for the same work.

"A US official was allowed to handle millions of dollars in cash weeks after he was fired for incompetence.

"Of the \$119.9 million allocated for regional projects, \$89.4 million was disbursed without contracts or other documentation. An additional \$7.2 million could not be found at all.

"The US officials failed to keep track of \$9 billion US money transferred to Iraqi government ministries, which lacked financial controls and internal safeguards to prevent abuse.

"One Iraqi ministry cited in the audit inflated its payroll to receive extra funds, claiming to employ 8,206 guards when it only employed 600.

"An Army soldier serving as the assistant to an American boxing coach admitted to gambling half of \$40,000 he was given to cover the expenses of an Iraqi athletic team during a trip to the Philippines.

"US contracting officers in Hillah left Iraq with no record of how they had spent the nearly \$1.5 million that could not be found by investigators."

In his summation, the CPA Inspector General said he had found "detailed systemic management failings, lax or nonexistent oversight and apparent fraud and embezzlement on the part of the US officials charged with administering the rebuilding efforts."

It is significant that the theft of billions by US officials and Iraqis placed in office by Washington has provoked no substantial protest from the Democrats, who support the war. Nor has it received anywhere near the attention that the media has lavished on the so-called "oil for food scandal" promoted by the Republican right in its campaign against the United Nations.

This massive corruption exposed both in the Baghdad indictments and the inspector general's reports is part and parcel of the pervasive criminality that characterizes the entire US war in Iraq, beginning with the illegal, unprovoked invasion itself.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**