

**Statement of the Honorable  
Dana Rohrabacher  
Subcommittee on  
Oversight and Investigations  
Hearing on “The Role of BNP in the UN Oil-for-Food Program”  
April 28, 2005**

**This afternoon we will examine the role of Banque National de Paris-Paribas, or BNP, in the operation of the finances of the Oil-for –Food program.**

**The Full Committee under Chairman Hyde examined BNP last November. The responses we received then were not satisfactory, which has become even more evident as the scandal has unfolded. At that hearing, for example, BNP witnesses denied any problems with payments in the program. This just doesn’t seem consistent with what has been disclosed since that November hearing.**

**In that hearing we found that one recipient of misdirected payments in the program was a shadowy company called East Star Trading.**

**According to BNP’s contract with the UN, this company was not authorized to receive these payments as they were not the original party to the transaction. This is a third-party being paid for what someone else is doing.**

**The payment was supposed to go to a company called Al-Riyadh International Flowers.**

**According to the terms of BNP’s contract with the UN, only financial institutions could have funds reassigned to them. East Star Trading, I want to stress, is not a financial institution even BNP recognizes that.**

**While we initially believed that there were only 3 improper transfers to East Star, we now believe that there were at least dozens. We have also learned from BNP just a few days ago that there were in fact, at least 400 payments like this to other companies.**

**As to what kind of company East Star Trading is, we still do not fully understand.**

**We are told by BNP that East Star is part of a consortium which has participated in other Oil-for-Food transactions. There are some other allegations that East Star that are more disconcerting. This will require more research.**

**As to the company that was supposed to get the payments, Al-Riyadh International Flowers, we know a bit more.**

**We now understand that the company was owned by Prince Bandar bin Mohammed, a member of the Saudi Royal family.**

**In 2003, the Defense Contract Audit Agency (DCAA) reviewed some remaining Oil-for-Food contracts for potential overpricing, some of these suspicious contracts in which over-pricing was done, apparently belonged to Prince Bandar's company.**

**The auditors found at least three instances in which Al Riyadh overpriced goods destined for Iraq in the Oil-for-Food program. It was through overpricing of the goods that kickbacks were paid to Iraq by inflating the price of goods and kicking back the difference to Saddam's henchmen. The DCAA found over \$8 million overpricing in these transactions.**

**BNP suggests that all of this was normal practice and that all these funds were fully accounted for causing no loss to the program. In his prepared statement, Mr. Schenck admits that mistakes were made by BNP and they were in fact avoidable. This is good. The question remains, however, why were these payments made?**

**More importantly, there are still 80 such transactions still being reviewed that BNP does not fully understand.**

**Moreover, the Committee has obtained documents from BNP concerning internal audits the bank prepared for itself on the program. In two audits from 2000 and 2001, BNP auditors reported that the bank's operating procedures were out of date as of January 1997, soon after the program began and that the flow of paperwork was "irrational."**

**At this time, I would like to ask Unanimous Consent that I submit for the Record several documents provided to the Committee concerning these payments, including a report prepared by BNP on the hundreds of third-party payments made by the bank as well as the two internal audit reports.**

**On top of all of this, we have BNP's own auditors warning that the bank was unprepared to run the program from the beginning.**

**This only reinforces Paul Volcker's findings that BNP did not qualify according to the original bidding process created by the UN in 1995. How much more is out there that we don't yet know about BNP's performance of their contract with the UN?**

**I must say, that what we have found about BNP in the past months is disturbing. It shows that the bank's operation of the Oil-for-Food program was insufficient.**

**It makes me wonder if the bank cared at all about the risk it placed on its investors in running the Oil-for-Food program in the manner it did.**

**This afternoon we hope to obtain some answers to these and other questions when we hear testimony from Everett Schenck, BNP's North American CEO; Patricia Herbert, BNP's Director for the Oil-for-Food Program; William Vassallo, BNP's auditor for the program; and Harold Lehmann, the former Director of BNP's Trade and Finance Department and the person who authorized some of the reassignments of payments from Al Riyadh International Flowers to East Star Trading.**