

**NEW PROPOSALS TO EXPAND IRAQI OIL FOR
FOOD: THE END OF SANCTIONS?**

JOINT HEARING
BEFORE THE
COMMITTEE ON FOREIGN RELATIONS
AND THE
**COMMITTEE ON ENERGY AND NATURAL
RESOURCES**
UNITED STATES SENATE
ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

—————
MARCH 17, 1999
—————

Printed for the use of the Committees on Foreign Relations and Energy and
Natural Resources



Available via the World Wide Web: <http://www.access.gpo.gov/congress/senate>

U.S. GOVERNMENT PRINTING OFFICE

56-857 CC

WASHINGTON : 1999

COMMITTEE ON FOREIGN RELATIONS

JESSE HELMS, North Carolina, *Chairman*

RICHARD G. LUGAR, Indiana	JOSEPH R. BIDEN, JR., Delaware
PAUL COVERDELL, Georgia	PAUL S. SARBANES, Maryland
CHUCK HAGEL, Nebraska	CHRISTOPHER J. DODD, Connecticut
GORDON H. SMITH, Oregon	JOHN F. KERRY, Massachusetts
ROD GRAMS, Minnesota	RUSSELL D. FEINGOLD, Wisconsin
SAM BROWNBACK, Kansas	PAUL D. WELLSTONE, Minnesota
CRAIG THOMAS, Wyoming	BARBARA BOXER, California
JOHN ASHCROFT, Missouri	ROBERT G. TORRICELLI, New Jersey
BILL FRIST, Tennessee	

JAMES W. NANCE, *Staff Director*

EDWIN K. HALL, *Minority Staff Director*

COMMITTEE ON ENERGY AND NATURAL RESOURCES

FRANK H. MURKOWSKI, Alaska, *Chairman*

PETE V. DOMENICI, New Mexico	JEFF BINGAMAN, New Mexico
DON NICKLES, Oklahoma	DANIEL K. AKAKA, Hawaii
LARRY E. CRAIG, Idaho	BYRON L. DORGAN, North Dakota
BEN NIGHTHORSE CAMPBELL, Colorado	BOB GRAHAM, Florida
CRAIG THOMAS, Wyoming	RON WYDEN, Oregon
GORDON SMITH, Oregon	TIM JOHNSON, South Dakota
JIM BUNNING, Kentucky	MARY L. LANDRIEU, Louisiana
PETER G. FITZGERALD, Illinois	EVAN BAYH, Indiana
SLADE GORTON, Washington	BLANCHE L. LINCOLN, Arkansas
CONRAD BURNS, Montana	

ANDREW D. LUNDQUIST, *Staff Director*

DAVID G. DYE, *Chief Counsel*

JAMES P. BEIRNE, *Deputy Chief Counsel*

ROBERT M. SIMON, *Democratic Staff Director*

SAM E. FOWLER, *Democratic Chief Counsel*

HOWARD USEEM, *Senior Professional Staff Member*

SHIRLEY NEFF, *Staff Economist, Minority*

CONTENTS

	Page
Biden, Senator Joseph R., Jr., prepared statement of	24
Burns, Senator Conrad, prepared statement of	12
Helms, Senator Jesse, prepared statement of	3
Pickering, Hon. Thomas R., Under Secretary of State for Political Affairs	18
Prepared statement of	22
Richardson, Hon. Bill, Secretary of Energy	14
Prepared statement of	16

APPENDIX

Response of Secretary Richardson to an additional question submitted by Senator Jeff Bingaman	39
--	----

NEW PROPOSALS TO EXPAND IRAQI OIL FOR FOOD: THE END OF SANCTIONS?

WEDNESDAY, MARCH 17, 1999

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committees met jointly, pursuant to notice, at 10:17 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the Committee on Foreign Relations) and Hon. Frank H. Murkowski (chairman of the Committee on Energy and Natural Resources) presiding.

Chairman HELMS. The committee will come to order.

We have a practice here, Senator Murkowski, that if I am late Joe Biden waits for me. If his train is late, as it must be this morning, I get permission to go ahead.

Chairman MURKOWSKI. All right.

Chairman HELMS. Good morning. As a quick preface to the opening statement, I think I should mention that this is the first time members of the Foreign Relations Committee have heard from Secretary Richardson since the revelations of Chinese spying at Los Alamos National Laboratory. The Energy Committee heard from the Secretary on this matter in hearings yesterday.

However, Senator Murkowski and I have invited Secretary Richardson here this morning to talk about Iraq, and that is what I intend to do. As always, my colleagues are free to go anywhere they wish in statements and questioning. I hope we will have an opportunity in the near future to air our concerns about Red Chinese espionage in a hearing on that matter. But for today, insofar as the chairman is concerned, the subject is Iraq and I will try to stay with it.

Now then, Mr. Secretary or Under Secretary and Mr. Secretary, I know that Chairman Murkowski joins me in welcoming you. Maybe he has already done that, and if I did not have a couple of bum knees I would have been down there shaking your hands and welcoming you here this morning.

A bit of clarification: This hearing is about the ongoing military actions in Iraq, not a hearing on anything else. We can get to that information in questioning on another day, on another occasion.

In the interest of truth in advertising, it should be made clear from the outset that I do not think much of this United Nations Oil for Food Program for Iraq, and that is the reason I was happy to join Senator Murkowski in this hearing. I did not like the U.N. Security Council Resolution 986 which began the program in 1995

and I was one of the Senators strongly objecting to the successor to Resolution 986, which is U.N. Security Council Resolution 1153. From what I have heard from the proposed successor to 1153, it is even worse.

I am not under any illusion that the oil for food program funnels money into Saddam Hussein's hands. I have never said that. I have never believed that. Nor do I believe that Saddam is allowed to use the oil sales proceeds as he wishes. The problem is more simple than that: the system. The system does not work.

Iraq began in 1995 selling \$4 billion worth of oil a year, with the money going into a U.N.-controlled account to buy food and medicine. Iraq is now allowed to sell \$10.4 billion worth of oil each year, to buy not just food and medicine, but much, much more. I have a list which I will show you in a minute. If you want to tote that around, somebody can get a hernia carrying it.

Let us start with the simplest problem of logistics. They have 151 monitors checking on food delivery and distribution. There are 54 other monitors checking imports of everything else at 4 border crossings—a total of 205 people. If anybody believes that 205 people can keep track of a nation of 21 million people, with thousands of tons of food and medicine and agriculture and educational and water supplies and heaven knows only what else going in, I think they must be fooling themselves.

But that is just the tip of the iceberg. There is also the question of distribution. We continue to hear about the people of Iraq suffering and that the United Nations must therefore allow Iraq to sell much more oil, which is why the United Nations must allow Iraq to import more oil equipment, and which is why we must constantly agree to expand the oil for food program, and so on and on and on and on.

However, according to the United Nations itself, apart from the food sector, distribution rates are largely under 50 percent. In other words, plenty of food gets into it, but it just sits unused in warehouses. There are at least two explanations for this. Either Saddam is holding up distribution or the U.N. is not getting the job done, and both seem plausible. We may find out today which is which.

The question is how will more imports remedy the problem. That is where I view the single most serious problem with the United Nations Oil for Food Program. It is called United Nations Security Council Resolution 1051, and I for one am prepared to wager that there are not five people in the Department of State who even know what this resolution does.

Under Resolution 1051 Iraq is allowed to import all sorts of dual use items. So-called dual use goods include a veritable universe of things that could be perfectly innocuous, but may be used in chemical or biological weapons programs or for nuclear weapons or for missile development. For example, crop sprayers, which Iraq has in the past modified and tested for the delivery of biological weapons, or live vaccines, which on the one hand could be used for medicine, but on the other for biological weapons.

There is a little handy guide, which I have just been handed to hold up, explaining all the items allowed and how companies should inform the United Nations they are making these important

exports. Under Resolution 1051 both the exporting companies and the Iraq Government are required to notify the United Nations Special Commission on Iraq, also known as UNSCOM, about each step in the process of imports into Iraq.

Then UNSCOM can either put the kibosh on the particular deal or follow the product step by step into Iraq, with inspectors ensuring that it is not being diverted to a suspect site or for use in weapons of mass destruction.

Now, I am going to ask that all of my statement be printed in the record, and I will wind up by saying this: most senseless of all, I am convinced that the cornerstone of the new proposal announced by Vice President Gore will be the so-called streamlining of the contract approval process through the United Nations Sanctions Committee. This would, of course, be tantamount to lifting the sanctions altogether because, even at current levels, the sanctions are already unmonitored and unenforceable.

Mr. Secretary and Mr. Under Secretary, I want you folks to have a chance to respond to my observations. I am sure you will also want to explain why it is that Saddam Hussein is still able to smuggle some \$250 million worth of illegal gas and oil out of Iraq last year for his own personal coffers.

Mr. Chairman.

[The prepared statement of Senator Helms follows:]

PREPARED STATEMENT OF SENATOR JESSE HELMS

Mr. Undersecretary, I know that Chairman Murkowski joins in welcoming you on the occasion of this important joint hearing.

A bit of clarification may be in order. This is not a hearing about the ongoing military actions in Iraq, nor a hearing on U.S. support for removing Saddam Hussein from power. Our purpose today is to discuss the United Nations Oil for Food Program for Iraq and the administration's proposal to expand that program.

In the interests of truth in advertising, it should be made clear from the outset that I don't think much of this program. I didn't like U.N. Security Council Resolution 986, which began the program in 1995; I strongly objected to the successor to Resolution 986 (U.N. Security Council Resolution 1153) and from what I have heard of the proposed successor to number 1153, it is even worse.

I am not under any illusion that the oil-for-food program funnels money into Saddam's hands, nor do I believe that Saddam is allowed to use the oil sales proceeds as he wishes. The problem is more simple than that: The system just does not work.

Iraq began in 1995 selling \$4 billion worth of oil a year with the money going into a U.N.-controlled account to buy food and medicine. Iraq is now allowed to sell \$10.4 billion worth of oil each year to buy not just food and medicine, but much, much more. This, for example, is the so-called "distribution" (or wish list) that Iraq put together for purchases during the current six-month phase of the program.

Let's start with the simplest problem of logistics: There are 151 monitors checking on food delivery and distribution. There are 54 other monitors checking imports of everything else at four border crossings—a total of 205 people. If anyone believes that 205 people can keep track of a nation of 21 million people, with thousands of tons of food, medicine, agricultural, educational and water supplies—and heaven only knows what else—going in, they are just fooling themselves.

But that's just the tip of the iceberg. There is also the question of distribution. We are continually hearing that the people of Iraq are suffering, and that the United Nations must therefore allow Iraq to sell more oil, which is why the United Nations must allow Iraq to import more oil equipment, and which is why we must constantly agree to expand the oil for food program.

However, according to the United Nations itself, apart from the food sector, distribution rates are largely under 50 percent. In other words, plenty of food gets in, it just sits in warehouses.

There are only two explanations for this—either Saddam is holding up distribution, or the U.N. isn't getting the job done. (Both seem plausible.)

The question is: How will more imports remedy this problem?

And then, there is what I view as the single most serious problem with the United Nations Oil for Food Program. It is called United Nations Security Council Resolution 1051, and I am prepared to wager that there aren't five people in the Department of State who even know what this resolution does.

Under Resolution 1051, Iraq is allowed to import all sorts of dual-use items. So-called "dual-use" goods include a veritable universe of things that could be perfectly innocuous, but may be used in a chemical or biological weapons program, or for nuclear weapons or missile development. For example, crop sprayers, which Iraq has in the past modified and tested for the delivery of biological weapons. Or live vaccines which on the one hand could be used for medicine, but on the other, for biological weapons.

Here's a handy little guide explaining all the items allowed and how companies should inform the United Nations they are making these important exports.

Under Resolution 1051, both the exporting companies and the Iraqi Government are required to notify the United Nations Special Commission on Iraq, (a.k.a. UNSCOM), about each step in the process of this import into Iraq. Then UNSCOM can either put the kibosh on a particular deal, or follow the product step by step into Iraq, with inspectors to ensure that it is not being diverted to a suspect site for use in weapons of mass destruction.

But here's the rub: UNSCOM was kicked out of Iraq some months ago. But have the dual-use exports to Iraq also stopped? The answer is no. Where are these items now going? No one knows. There are no experts in the field checking. How are they being used and are they being diverted? No answers.

Now it may be argued that some of these dual-use-exports-to-Iraq are vital to certain humanitarian needs. Chlorine gas for water purification is one example; certain fertilizers or pesticides may be another. But as long as there are no weapons inspectors in Iraq, there is a real peril that the United Nations may well be helping Saddam reconstitute his weapons programs.

When this issue was brought up with the Department of State a month or so ago, the Foreign Relations Committee was told that stringent monitoring of contracts is taking place through the sanctions committee at the United Nations. Given, however, that all food and medicine contracts are deemed approved unless blocked after 48 hours, and that all other contracts are deemed approved within five days unless blocked, it does not seem to me that there is sufficient time for any due diligence.

Indeed, in just the past few days, I have been informed of a contract in the oil sector which was given a clean bill of health by the experts. Much to their horror, the experts later discovered that they had just approved a contract involving equipment that had been found by UNSCOM inspectors in nuclear and chemical weapons facilities after the Gulf War.

So here is where we are: We are permitting Iraq to sell more than \$10 billion dollars worth of oil a year and to import the same amount in goods, subject to U.N. approval and inspection. The problem, as I said earlier, is that the U.N. can't ensure the goods are delivered to the people in Iraq. And when goods are delivered, the U.N. has no expert inspectors in place to ensure that dual-use isn't being diverted to Iraq's chemical, biological or nuclear weapons programs. Yet despite all this, the Clinton administration has proposed to expand the oil for food program, thereby lifting the cap on Iraqi oil to enable Saddam to export billions of dollars more oil.

Most senseless of all, I am convinced that a cornerstone of this new proposal—announced by Vice President Gore—would be the so-called "streamlining" of the contract approval process through the United Nations sanctions committee. This would, of course, be tantamount to a lifting of sanctions altogether, because even at current levels, the sanctions are already unmonitored and unenforceable.

Mr. Undersecretary, I want you to have a chance to respond to some of my observations. I am certain you will also want to explain why it is that Saddam is still able to smuggle some \$250 million worth of illegal gas oil out of Iraq last year for his own personal coffers.

Chairman MURKOWSKI. Thank you very much, Mr. Chairman. I very much appreciate your willingness to accommodate the Energy and Natural Resources Committee in holding this joint hearing, and I want to thank the collective staff of the Foreign Relations Committee as well as the Energy Committee. As you know, I was a member of this committee for many, many years.

Chairman HELMS. I sure do. We miss you.

Chairman MURKOWSKI. And I left with deep regret, and went to the Finance Committee. But nevertheless, I want to advise my colleagues that this is a partisan hearing. As you will note, the group on my right wears green—no, it is partisan—and the group on the left over here obviously does not wear green. So that is enough to be said for Saint Patrick's Day.

Senator BROWNBACK. I object to that.

Chairman MURKOWSKI. You object? All right, objection is overheard and overruled, and so forth and so on.

Let me welcome back Mr. Pickering, the Under Secretary of State for Political Affairs. You were here 10 months ago for our first hearing. At that time, Mr. Pickering, we highlighted concerns. Our concerns at that time were whether we were really propping up the regime of Saddam Hussein. Since that time we seem to be bombing him every other day and now are debating the issue of expanding his oil exports.

I want to welcome Secretary Richardson, the Secretary of Energy, to discuss implications for our national energy security. I think we should reflect on, a little time past, on the eve of Operation Desert Fox. Our President announced that we were delivering a powerful message to Saddam Hussein. I wonder what that message is.

It seems to me that the message is if Saddam Hussein refuses to cooperate with inspections, if he refuses to comply with U.N. resolutions, if Saddam refuses to stop illegally smuggling out oil, Saddam then will be rewarded by the de facto ending of economic sanctions. That is not a very good message, at least in my opinion.

The administration has offered to eliminate the ceiling on Iraqi oil exports. The administration has offered to streamline the approval process for items that the United States might suspect as dual use, and I emphasize dual use, and I would remind my colleagues, as Senator Helms indicated, that U.N. Security Council Resolution 687, passed at the end of the Gulf war, requires—and I emphasize, requires—international economic sanctions to remain in place until Iraq discloses and destroys its weapons of mass destruction program and undertakes unconditionally never to resume such activities again.

Obviously, that has not been met. Iraq has not complied. The administration has pulled out the teeth in U.N. Resolution 687 one by one, by introducing an expansion of the oil for food program. The current plan allows Iraq to export up to \$5.2 billion in oil every 6 months, and I might add this is a U.N. action with full U.S. support. From December 1998 to February 1999 Iraq exported 129 million barrels, an average of 2.06 million barrels per day. Revenue earned in this phase is \$1.1 billion at an average price of \$8.47 a barrel.

Saddam's oil production now is at pre-Desert Storm levels of 2.1 million barrels per day.

Since 1988, down in 1990, and then dropping, 1992, 1994, 1996, and here we are in 1998 up to where we were at the time of the Persian Gulf War or shortly thereafter. So clearly his oil production has increased rather dramatically.

Although humanitarian goals are worthy, Saddam subverts programs to his benefit, using increased oil capacity to smuggle oil

products for hard cash and by freeing up resources that he might have been forced to use for food and medicine for his own people, and there is an offset there. Moreover, while oil for food funds are put into escrow accounts and controlled by the United Nations, there may be other ways for Iraq to obtain revenues from the process—unfortunately that is something we cannot cover in today's open session, but we will be pursuing in closed session.

Increase in illegal oil product sales coincided with implementation of the oil for food program. Let's look at the smuggling. Part of the smuggling, up to 50,000 barrels per day, is moving by truck across the Turkey-Iraq border. Another 60,000 barrels per day is moving by sea vessel through the Persian Gulf. Furthermore, Iraq has been steadily increasing illegal exports of oil to Jordan, about 100,000 barrels per day of oil and oil products.

We do have proof of this. The U.S. Navy has seen and has stopped illegal transfer of oil and seized oil tankers. We have other proof of illegal export of oil over land by truck and have other evidence that again is classified.

Smuggling numbers vary from month to month, but the reason has less to do with the Multi Interdiction Force, the MIF efforts than with the whims of the Iranians who aid the smugglers. There is the estimated illegal movement of gas and oil products from Iraq by month, and you can see they vary from time to time. The fact is that the Multinational Interdiction Force does not have enough resources, ships, to intercept on a regular basis.

Oil is really Saddam's lifeline. It fuels his ability to finance his factories of death and rebuild his weapons of mass destruction. Revenue from oil exports historically represents 95 percent of Iraq's foreign exchange earnings. The administration's proposal now is to lift the ceiling on the oil export that matters to Saddam Hussein, and obviously that is his oil.

In addition, the United States is prepared to relax the security of contracts for spare parts, spare parts which can be used for other uses on other equipment that might have suspect dual use. The question is can we really trust Saddam Hussein? Can we trust him not to take advantage of this decreased security to increase imports of parts that will be used for his weapons programs.

I am reminded that back in 1989, when Senator Dole, Senator McClure, Senator Simpson, Senator Metzenbaum and myself visited Saddam Hussein in Musel, at that time the big issue was the long-range cannons, there was a gentleman by the name of John Bull who was promoting this and selling this technology, and the cannons were allegedly on the dock in London.

We were told by Saddam: Those are not cannon parts; those are parts for our refinery expansion. He insisted on that. John Bull has since been assassinated for reasons that are unexplained, but the question is: Can we trust Saddam Hussein? I would suggest to you—I could go on—on the background of that story—but to suggest we can trust him today when he was selling the same iceboxes to the Eskimos in 1989 is beyond my belief. I simply can't understand why this administration would succumb to believe Saddam Hussein.

The national energy security implications of this policy in my opinion are obvious. At the time of the Arab oil embargo we were

36 percent dependent on foreign oil. Today we are 56 percent and rising. We are now importing 600,000 barrels per day on average of Iraqi crude and at the same time we are bombing them every other day.

Now, they are either our enemy or they are not. But to prop up this regime—and this is what I find frustrating in the Secretary's statement where he is, concerned in response to, well, what is Saddam Hussein's oil production doing to the price of oil. The question is are we continuing to prop up the regime of a despot? That clearly seems to be the case.

That Iraq is again part of the foreign oil dependence should be considered in evaluating whether oil for food is in America's national interest. The administration defends its policy saying Saddam does not like the oil for food program and therefore the program must be a good thing. But is there one official who can tell me that Saddam does not benefit from this program?

What if Saddam suddenly decides to not export any oil and effectively eliminates the world oversupply? How about Saddam's bargaining power for post-sanctions and oil exploration contracts? The program is sold as a humanitarian proposal, but the program really is a wolf in the humanitarian clothing, if you will, of a sheep.

Here is where it is going: Petroleum equipment, \$300 million. Now, what does that do for him? Well, it obviously increases his capability to produce more petroleum. Electricity network, \$409 million. Buy trucks, repair the railway system, build food warehouses, \$120 million. Agricultural equipment, including pesticides, \$180 million.

Well, you can wander through that and make all kinds of submissions, but the point is it totals \$2.7 billion. Now, you might say that is just a wish list. That is what he wants. That is not what he is getting, but the reason he is not getting it is simply because the price of oil has declined. He would have gotten that under a higher price.

When you look at 2.5 billion barrels every 6 months, the realization is that when the price of oil drops, to get the same dollars he has to produce more oil. Whoever configured this deal with the U.N. did not think about the dropping price of oil.

In any event, I would ask, what is the humanitarian goal in rebuilding oil refineries so Saddam can increase illegal exports of oil products? If we can enforce no-fly zones over Iraq, why can we not enforce a simple blockade? What is the humanitarian goal in guaranteeing an uninterrupted power supply for Saddam's poison gas facilities?

What is the administration's policy we have toward Saddam and Iraq? On the one hand we are enhancing his power by allowing him to export his oil, to rebuild his infrastructure, to play with world oil prices, and on the other hand he refuses to allow us our inspections of his poison gas facilities.

We put American lives on the line every day in the air. Can conditions with Saddam's military regime continue?

In my opinion, Senator Helms, this is a policy with no perspective. I would hope that Secretary Pickering can answer the questions, because if not this particular Senator wants to look to new ways to end this program.

Thank you.

Chairman HELMS. Thank you, Mr. Chairman.

I look at the distinguished array of Senators here this morning who do not normally attend and participate in Foreign Relations hearings. I welcome you and I hope some day each of you will consider being a member of the Foreign Relations Committee. A great many of us served with Senator Bayh's distinguished father, so we have ties all the way around.

The two witnesses this morning are personal friends of most of us—

Senator NICKLES. Mr. Chairman, I would love to make a couple of opening comments before you introduce them.

Chairman HELMS. All right, we would be delighted.

Senator NICKLES. Mr. Chairman, thank you very much.

Mr. Chairman, one, I want to thank you for having this hearing. I requested this hearing, joint hearing with Senator Murkowski, some time ago and I very much appreciate your lending additional credibility and influence to have this because I think this is a very important issue. It is an important issue dealing with energy, and we have the Secretary of Energy with us, and I appreciate his appearance before us today—that was a request of mine as well, so thank you, Mr. Secretary, for coming—as well as Under Secretary Tom Pickering. I thank you both for coming.

Mr. Chairman, I wanted this hearing because I think it is very, very important, and it is important because it deals with foreign policy issues as well as energy issues. I think we needed to highlight what I believe is an utter dismal failure in this administration in dealing with Iraq.

Yesterday members of the Energy Committee and the Armed Services Committee had Secretary Richardson before us in a closed hearing. I guess part of it was open. I attended the closed part. It dealt with China. Secretary Richardson inherited a mess in the lab oversight or lack of oversight in the labs, so I want to acknowledge that. He may be under the gun somewhat, and I notice your picture is in the paper everywhere, Secretary Richardson.

But you inherited that mess, and it is a mess. I also just will make public the comment I concluded with yesterday. I think it is unconscionable for the administration to find out that we had information on the labs, or at least as reported by Energy Department officials, in 1995 that there was espionage in 1995, but it was not brought to Mr. Berger's attention evidently until 1996, and it was not brought to President Clinton's attention until 1997, July 1997.

That is incompetence at best, if not worse. So I made that comment yesterday, but I made it in a closed session and not in a public session, and I think I wanted to repeat it at least in a public session.

But the purpose of today's hearing is likewise critically important because we are talking about an area of the world where we have had U.S. forces at risk. In 1990–91 we had 550,000 U.S. troops putting their lives at risk to stop Saddam Hussein, to repel his aggression, and also make sure that he did not do it again.

We passed resolutions in the United Nations saying: We are going to have an embargo; you are not going to be able to sell your oil because of your invasion into Kuwait and because you are build-

ing these weapons. We passed that resolution. We enforced that resolution, and Saddam Hussein's oil production went from about 2.5 million barrels per day to about 500,000 barrels per day as a result of that U.S.-led U.N. resolution.

Secretary Richardson, I cannot remember if you were Secretary of the U.N. or our representative at that point in time, but at some point during this you were. But we enforced that resolution. We enforced it in 1991, 1992, 1993, 1994.

In 1995 the Clinton administration changed that. In 1995 the Clinton administration supported U.N. Resolution 986. That resolution allowed Iraq to sell 4 billion barrels of oil a year. That is a big change in policy, a big change in policy.

Why did they do it? Well, you might remember at the time Iraq was getting pretty belligerent again. They had moved a bunch of forces, a bunch of troops, about 80,000 troops toward Kuwait. War was imminent. We started moving aircraft carriers. It looked like we might go to war again.

Well, that war was put off. We threatened. Things got pretty tense. But what did we do? We rewarded their aggressiveness by saying: Hey, we will let you sell more oil. We rewarded their aggressiveness and their noncompliance and their defiance of the embargo and allowed their belligerence toward the Kuwaitis and the Kurds. We rewarded them by allowing them to sell, not 500,000 barrels per day, which basically is mostly internal, but we said, no, you can sell up to \$4 billion per year in oil.

That was in April 1995. In March 1996 Iraq blocked the inspectors, totally blocked the inspectors. What did the United Nations do? Well, we passed a resolution that said: That is terrible; let those inspectors do their jobs. We went to war. If necessary we will do it again, but you are going to have to comply. You are going to have to let those inspectors in.

They blocked the inspectors in March 1996. In August 1996 they launched a campaign against the Kurds. Still nothing happened. In June 1997 they demanded that UNSCOM leave. In June 1997 we passed a resolution that demands that they comply—the U.N. passed a resolution, demanded that they comply with UNSCOM.

On October 29 Iraq, in 1997, totally blocked the inspectors, totally shut them down. So we passed another resolution. We will teach them. This was October 23 we passed a resolution. We condemned their refusal to allow UNSCOM to have inspections.

In November 1997 we passed another resolution condemning their actions. We were getting ready to go to war again. I remember having meetings in our private room, S-407, talking about going to war and we were debating, hey, will we achieve our objectives or not. This was not that long ago. This was in October—November 1997.

Then the administration moved 30,000 troops in January 1998. Mr. Chairman, it was only a year and a couple months ago, 14 months ago. We were getting ready to go to war again because they were not allowing the arms control inspectors in and we insisted on it. They kicked them out. There was a U.N. resolution that said we are going to make them comply.

We are getting tough now. Thirty thousand troops, activated some Guard and Reserve units in probably every one of our States, getting ready to go to war again. That was in January 1998.

In February 1998 things were looking tight, looking tense. A lot of meetings, we had a lot of meetings, because there was some disagreement: Hey, will we accomplish our objectives by military means?

Then Kofi Annan, we gave—I say “we gave.” I guess the administration allowed the Secretary General of the United Nations to do our diplomacy for us, and he runs over to Iraq and peace is at hand again.

But little did we know that 3 days before that the United Nations signed a resolution, Resolution 1153, that allows Iraq to double their oil sales, now up to \$10.4 billion per year. So right before we go to war, Secretary Kofi Annan goes over to Saddam Hussein, they agree to a deal that says, hey, we will not go to war, you allow the arms control inspectors to proceed and, oh yes, you can double your oil sales again.

So we did that. That happened in February. Well, guess what, in August the Iraqis stopped any arms control inspectors into new sites, and then in October they announced they will no longer cooperate with UNSCOM in any way. So UNSCOM, Mr. Butler and all the crew, they left.

That was in October of last year. Well, that was not acceptable. The Clinton administration said, no, we are not going to let that happen. We are getting ready to go to war. We even had support from a few of our allies. We were getting ready to bomb in October of last year. You might remember that.

Well, it did not happen in October. It did not happen in November. It happened in December. Some people called it the impeachment bombings. They kicked the arms control inspectors out, basically stopped them in August, and kicked them out in October. We were close to bombing in October, then in November, and then we bombed in December.

We bombed the Iraqis. We killed Iraqis. This is not an insignificant action. We bombed Iraq for 3 or 4 days, depending on whose calendar you are talking about, December 18, 19, 20. We bombed Iraq for 3 days, some people said it was a very significant bombing. It was on CNN. You could see it every night.

Three days later, 3 days later what happened?

Three days later, reported in the press: “U.S. offers to raise Iraqi crude oil sales cap. The Clinton administration offered yesterday to allow Iraq to export more crude oil.” That is dated December 23 in the Washington Post. We stopped bombing on December 20. Unbelievable.

In January, January 14, again the Washington Post, headlines: “Gore signals flexibility on Iraq sanctions. A ceiling on how much oil Iraq can provide to its people should be lifted and approved, process streamlined, Vice President Gore says.”

Well, what is the net result? The net result is that Iraq has defied the international community, they have defied UNSCOM. We have no UNSCOM right now in Iraq, we have none. We have risked U.S. lives time and time again. We have killed Iraqis on occasion, saying you are going to have to comply. The net result is

Iraq can produce all the oil that they want and we have no arms control.

So this administration's policy has been appeasement. This administration's policy has been to reward their noncompliance. Now, that is a pretty sad thing to say. That is a very sad thing to say.

This administration inherited a situation in Iraq where you had a unified world policy aligned against Iraq for their invasion of Kuwait and against their production of these weapons of mass destruction. Where are we 6 years later? The administration allows them to produce all the oil they want, which is 95 percent of the currency derived from exports, 95. They can produce all they want and there is no arms control inspection whatsoever. That is a total dismal failure for this administration, a total dismal failure for the world community, for the United Nations, and a real win for Saddam Hussein. He can produce all he wants and he has nobody looking over his shoulder at his weapons of mass destruction.

What does it mean for the domestic oil industry?

Iraq was producing 400,000 barrels—the average production in 1995—actually, 1993, 1994, 1995, 1992, production was about 500,000 barrels per day. What is it today? Today it is 2.5 million barrels per day. So Iraq is producing 2 million barrels per day more than it was when we were enforcing the sanctions and when we had arms control. Now you have no arms control inspection, they are producing all the oil that they want, they are also producing and selling, exporting, 2 million barrels per day more than they were 3 years ago.

Well, there happens to be a glut in the oil industry right now. They talk about the administration wants to help steel, they want to help hog farmers, they want to help everybody. They have not said a word about helping oil. Their policies have netted in a result of 2 million barrels more per day going onto the market, which has just glutted the market, driven prices down to an all-time Depression-era low, and put many, many thousands out of work, 40,000 or 50,000 workers across this country, and made us much more dependent on unreliable sources for the future.

That is a dismal failure. It has failed in foreign policy, it has failed. It has rewarded appeasement, it has rewarded noncompliance with arms control. We now have no arms control whatsoever in Iraq and Iraq can produce all it wants.

Mr. Chairman, I am glad that you are having this hearing because the fact that we put lives at risk many times in Iraq to enforce these sanctions, the fact that we were bombing as recently as December 20 last year, 4 months ago, and the fact is that there is no arms control whatsoever going on in Iraq internally with UNSCOM tells me that this administration's policy with Iraq has been a total abject failure and they should be held accountable for it.

I appreciate your having this hearing so at least we could air some of these views. Thank you.

Chairman HELMS. Thank you, sir.

Let me speak to the other chairman. We have a policy variance between the committees. On my committee, the Foreign Relations Committee, we try to leave enough time for the witnesses to be

heard. Look, I want you to help me decide. Would you like to offer everybody on your committee a time?

Chairman MURKOWSKI. Gentlemen, any comments over here?

Senator BURNS. I have a statement. I will submit it for the record. I would rather hear the witnesses.

[The prepared statement of Senator Burns follows:]

PREPARED STATEMENT OF SENATOR CONRAD BURNS

I would like to thank both the Chairmen for the opportunity to address the joint committees this morning. Recent proposals to expand the Iraqi Oil-for-Food program have brought enough attention to the topic that a hearing is a necessity. However, I believe that an expansion of the Oil-for-Food program would only be another mis-
 miscue in our ongoing mishandling of Iraqi/American relations.

Consistently Saddam Hussein has mocked the United States and twisted all of our humanitarian attempts to aid the citizens of his country. The United States has tried many times to address the hardships being felt by those residing under Saddam's tyrannical rule. Time and time again, Saddam has manipulated these policies to aid his regime and his dictatorship, rather than allowing our well intentioned aid to help the men, women and children under his control.

Rather than directing our aid to his people, Saddam has used our help to pad his own wallet and fuel his thirst for military power and the creation of an infrastructure to support future terrorist based activities. We are simply subsidizing a threat to our own national security. The help we are providing, while well intentioned, is only helping a tyrant retain control of a citizenry desperate for food and supplies.

Rather than expanding a current program that is not only plagued with distribution problems, but is also harming American producers, I suggest a new plan. Currently, everyone recognizes that we are not getting the food and supplies to those that need them most. In fact, we have seen time and time again that Saddam takes control of our supplies and uses them for his own good, not for the good of his people. We need to stop this, and the administration needs to tackle the core of the problem. No effort will ever work if we are not ensuring that the aid is getting to those that need it. We need to stand up to Saddam and demand that the supplies are used by civilians. Until that happens, we are only hurting ourselves in our efforts to help others.

The current policy is also harming both our agriculture and domestic oil producers. The last year has been filled with hearings to address the current problems pushing our producers into poverty. Here we have a way to address this problem two ways. First, let's send American wheat and other food products to Iraq under a new and improved distribution network. We have more than we know what to do with, yet we insist on letting it sit in storage and drive our own market prices down. We are the bread basket of the world, but we don't seem to want to open the pantry door.

Second, the glut of oil on the world market has driven prices to an all time low. The result is that our domestic oil market is being rode into the dirt. We are seeing thousands upon thousands of jobs lost and marginal wells shut down. The end result is that we are increasing our dependence on foreign oil and ruining our rural economy. Saddam has got to be sitting back and laughing at us. We are giving him the resources to rebuild his military and terrorist complex while increasing our dependence upon his nation.

Let's rethink what we are doing here. We need to change course and look at our real objectives. We must recognize the current policy is not working, and we have an opportunity to do much more for our producers and the Iraqi people. This is not an example of where we have the tiger by the tail. We still have the ability to rethink our course of action before it is too late. I challenge my colleagues to look at the other options available to us.

Senator BINGAMAN. Mr. Chairman, I would like to make just a brief statement in light of the dialog we just heard.

Chairman MURKOWSKI. Go ahead.

Senator BINGAMAN. First I would like to——

Chairman HELMS. Mr. Bingaman is recognized.

Senator BINGAMAN. First I would like to welcome Secretary Pickering and Ambassador/Secretary Richardson. Both of them are dis-

tinguished public servants. I am glad they are here today to describe the situation.

As I understand the hearing, Mr. Chairman, we are going to try to focus on the oil for food program and the impact that that oil for food program may or may not be having on the price of oil and also on domestic oil production. That is the issue that I, at least, am particularly concerned about, and I think it is a legitimate issue to be concerned about, given the depressed state of our oil and gas industry in my State and throughout the country.

So I think that is a legitimate issue. I think a lot of the rest of it is pretty far afield, at least from what I came here to try to focus on.

I do believe, and again I would just raise this so that the witnesses can respond to it, but I believe that the chart that you had up here, that my colleague from Oklahoma had up here called "The Failed Iraq Policy" left a few things off. It left off the fact that in 1991 the Bush administration was the first to push through the Security Council a resolution that would have allowed Iraq to export oil for humanitarian reasons, with a third of the revenues generated going to pay reparations for war damages and the costs of removing Iraq's strategic weapons.

Iraq rejected that U.N. resolution at the time, and that managed oil sales until 1996, when the problem with the Iraqi people's condition became such a serious public relations problem for Iraq.

So I am only making the point that the policy—and I am no defender of our Iraqi policy, needs rethinking. Although it has been arrived at on a bipartisan basis and pursued on a bipartisan basis, clearly there are problems with that policy today, and I do not question that. But this administration inherited much of that policy, and this administration has been pursuing an effort to implement it.

Let me just conclude by saying I hope we do get to the issue of what the effect of this oil for food has been on our own domestic production. I do believe in testimony that I have heard so far that there was very little consideration given to our domestic oil and gas industry or the impacts on our domestic oil and gas industry when this policy was formulated and supported by us in the United Nations. That gives me concern.

I think clearly we need to have an integrated policy. We need to think about what the impacts are going to be on our domestic industry, and I think that is what we ought to concentrate on in this hearing.

Thank you, Mr. Chairman, for allowing me to participate and make that statement.

Chairman HELMS. We appreciate your coming.

Senator CRAIG.

Senator CRAIG. Mr. Chairman, thank you. I am also here to hear both of our witnesses. They are, at least in the broad sense, a great deal more knowledgeable on this issue than I.

But Secretary Richardson and Secretary Pickering, 3 weeks ago I, along with Chairman Dick Lugar of the Agriculture Committee and Byron Dorgan met with Sandy Berger. We were at that time trying to convince the State Department and Sandy's shop to go along with the releasing of, the formation of, a trading company to

do business with Iran. It was in the aftermath of a significant election in that country that showed it moving toward center ground politically. We thought it was time that we reward them and that some of our foodstuffs be allowed to flow into that country.

Why? Not necessarily for humanitarian reasons, but primarily for agricultural commodity price reasons in this country, and I think that is the approach.

During that meeting we also discussed an aggressive effort to eliminate in almost all situations the idea that food and medicine should be used for sanction purposes. It should not be. It should not be, from a humanitarian standpoint.

Now that I have said that, let me say this about Iraq. The men and women who are flying the aircraft over Iraq today are some of my friends. They are from Mountain Home Air Force Base. I know them. They are marvelous, talented young Americans who are in harm's way, with Saddam Hussein locking onto them with his missiles and pushing the button and their having to respond.

At any moment at any hour in the next 24, one of those young men and women could die. When we are engaged at war, a shooting war, we should in no way reward the enemy.

Thank you, Mr. Chairman.

Chairman HELMS. Very well.

Chairman MURKOWSKI. Mr. Chairman, if I may, in order to accommodate Senators' full statements, I would invite you to join with Senator Nickles and I on a proposed special order to discuss this and debate it fully on the floor. At a time when we can get a special order, we will advise all members.

Senator CRAIG. Thank you.

Chairman MURKOWSKI. Thank you.

Chairman HELMS. I thoroughly agree and I thank you for the suggestion.

Now, Mr. Pickering has to leave for a luncheon, at 11:30 is it?

Ambassador PICKERING. I can extend the stay in light of the progress in the hearing, Senator. I do want a chance to be heard and obviously to try to respond to your questions.

Chairman HELMS. Very well. Now, what time do you have to leave?

Ambassador PICKERING. Some time after 12.

Chairman HELMS. All right.

Now, Mr. Secretary, we have known each other for a long time. I want to say publicly that I admired your forthrightness the other day when you called me. You had a bad situation that you had to comment on and you did it well, and I appreciate you calling me.

We will hear from you first and then Mr. Pickering.

STATEMENT OF HON. BILL RICHARDSON, SECRETARY OF ENERGY

Secretary RICHARDSON. Thank you, Chairman Helms, Chairman Murkowski, other members of the Committees on Foreign Relations and Energy and Natural Resources, for this opportunity to testify today on our Iraq policy. I am too pleased to have Under Secretary Pickering, also a former Ambassador to the United Nations, to discuss with you the oil for food program and its role within our Iraq policy.

I want to make a few opening remarks, very brief, and then ask the Under Secretary to amplify the foreign policy context and explain the changes that have taken place during the life of the program and those that are being considered.

I know a key concern of the committees' is whether we should raise or lower the amount of oil Iraq is allowed to export. As Secretary of Energy, I share the concerns raised in this country over the impacts of low oil prices on domestic oil production, as Senator Nickles and Senator Bingaman stated. I recognize there are those who do not want us to increase the amount of oil Iraq is allowed to produce because of concern that it will further depress prices.

However, I do not believe that raising the ceiling will have a significant impact on prices. In addition, I have sought to address the concerns of our domestic industry through a package of initiatives, the latest being discussed yesterday at a meeting at the White House with the Secretary of the Treasury, the head of the Domestic Council, the White House Chief of Staff, and other representatives from the oil and gas industry. I would be happy to describe these in more detail here if it would be helpful.

Let me explain why raising the ceiling will not cause a significant impact on prices. First I will briefly give context for the effect the re-introduction of Iraqi oil has had on worldwide oil price. The Energy Information Administration, which is an independent office within the Department of Energy, has identified four key factors that have influenced prices over the last 2 years. The return of Iraqi oil exports to the world market is one factor. The three others are: No. 1, reduced oil demand as a result of the economic crisis in many countries in Asia; No. 2, dramatically warmer than normal winters since 1996; and No. 3, increased production from some of the countries belonging to OPEC, particularly in 1997.

Because these factors interact in the world oil market, it is difficult to state precisely how much of an impact each factor contributed. However, you should be aware that Iraq is currently producing at its full capacity. Right now Iraq is producing around 2.5 million barrels per day. That allows it to export approximately \$3 billion worth of oil every 6 months, well below the current \$5.2 billion ceiling that has been set by the United Nations Security Council.

Iraq's ability to increase its production is limited and it is not expected to go up measurably this year. As a result, the Energy Information Office believes that whatever effect Iraqi production has had on prices has already occurred, because Iraq cannot increase oil production much more over the next year or two. The Energy Information Administration believes that increases in this ceiling under current circumstances will not have any additional significant price effect.

So why should we have the oil for food program at all? Because our oil for food program is a key component of the administration's Iraq strategy. It helps us in three ways:

First and most important, the program addresses the humanitarian needs of the Iraqi people. Although the importation of food and medicine was always allowed under the sanctions imposed on Iraq after the Gulf war, Iraq was unwilling to take advantage, full advantage, of this program. This allowed Iraq to starve its own people and blame the sanctions for their suffering.

Under the oil for food program, we have taken this excuse away from Saddam, instead using the proceeds of Iraqi oil sales to feed, clothe, and otherwise aid the Iraqi people. Iraq has imported under U.N. supervision \$2.75 billion worth of food, over \$500 million worth of medicine, and \$400 million worth of supplies for water, sanitation, electricity, and education. As a result, the average daily food ration for the Iraqi population has risen from 1275 calories per day in 1996 to 2100 calories today.

Second, our support for the oil for food program has helped us maintain sanctions imposed on Iraq by the United Nations. Under Secretary Pickering will expand on this point, but let me say that we would have a harder time keeping U.N. sanctions in place and in force without this program, and multilateral sanctions are central to our efforts to contain Saddam.

Third, our concern for meeting the needs of the Iraqi people has been crucial in getting Iraq's neighbors to support the actions we have had to take against Saddam. The United States has always said sanctions are aimed at the current Iraqi regime and not at its people. The oil for food program has been and remains evidence that we take Saddam's responsibility to feed his population seriously, even when he does not.

In conclusion, let me repeat that the oil for food program is a key component of the administration's Iraq policy and is therefore key to our national security. I understand some of the concerns some of you have about the possible impacts this program has on domestic production. I share your concerns about our domestic oil industry. We have to, however, balance foreign policy objectives against domestic concerns.

But the best way to help the domestic industry is to increase demand by helping to rebuild the Asian economy and to lower production costs at home. As Secretary of Energy I am determined to do whatever I can to alleviate the economic harm that low oil prices have caused to our domestic oil production.

But I also believe that it is important that Iraq's oil revenues be used to relieve the suffering of the Iraqi people, rather than by Saddam Hussein for his own criminal purposes. We ensure this result from the combination of sanctions and the oil for food program.

I look forward to working and consulting closely with members of both of these committees on these important energy and national security goals.

Mr. Chairman, thank you for your attention. I thank you for your graciousness. I look forward to your questions.

[The prepared statement of Secretary Richardson follows:]

PREPARED STATEMENT OF HON. BILL RICHARDSON, SECRETARY OF ENERGY

Thank you, Chairman Helms, Chairman Murkowski and other members of the Foreign Relations and Energy and Natural Resources Committees for this opportunity to testify on our Iraq policy. I am pleased to be here today with Undersecretary Pickering to discuss with you the "oil-for-food" program and its role within our Iraq policy. I want to make a few brief opening remarks and then ask Undersecretary Pickering to amplify the foreign policy context and explain the changes that have taken place during the life of the program and those that are being considered.

I know a key concern for the Committees is whether we should raise or lower the amount of oil Iraq is allowed to export. As Secretary of Energy, I share the concerns raised in this country over the impacts of low oil prices on domestic oil production. I recognize there are those who do not want us to increase the amount of oil Iraq

is allowed to produce because of concern that it will further depress prices. However, I do not believe that raising the ceiling will have a significant impact on prices. In addition, I have sought to address the concerns of our domestic industry through a package of initiatives. I would be happy to describe these in more detail here if it would be helpful.

Let me explain why raising the ceiling will not cause a significant impact on prices. First, I will briefly give context for the effect the re-introduction of Iraqi oil has had on world wide oil prices. The Energy Information Administration—an independent office within the Department of Energy—has identified four key factors that have influenced prices over the past two years. The return of Iraqi oil exports to the world is one factor. The others are:

- (1) reduced oil demand as a result of the economic crisis in many countries in Asia,
- (2) dramatically warmer than normal winters since 1996, and
- (3) increased production from some of the countries belonging to OPEC, particularly in 1997.

Because these factors interact in the world oil market, it is difficult to state precisely how much of an impact each factor contributed.

However, you should be aware that Iraq is currently producing at its full capacity. Right now, Iraq is producing around 2.5 million barrels per day. That allows it to export approximately \$3 billion dollars worth of oil every six months, well below the current \$5.2 billion dollar ceiling that has been set by the UN Security Council. Iraq's ability to increase its production is limited and is not expected to go up measurably this year. As a result, EIA believes that whatever effect Iraqi production has had on prices has already occurred, because Iraq cannot increase oil production much more over the next year or two. EIA believes that increases in this ceiling, under current circumstances, will not have any additional significant price effect.

Why should we have the oil-for-food program at all? Because our oil-for-food program is a key component of the Administration's Iraq strategy. It helps us in three ways:

First, and most important, the program addresses the humanitarian needs of the Iraqi people. Although the importation of food and medicine was always allowed under the sanctions imposed on Iraq after the Gulf war, Iraq was unwilling to take full advantage of the program. This allowed Iraq to starve its own people and blame the sanctions for their suffering. Under the oil-for-food program, we have taken this excuse away from Saddam—instead using the proceeds of Iraqi oil sales to feed, clothe and otherwise aid the Iraqi people. Iraq has imported—under UN supervision—\$2.75 billion dollars worth of food, over \$500 million dollars worth of medicine and \$400 million dollars worth of supplies for water, sanitation, electricity and education. As a result, the average daily food ration for the Iraqi population has risen from 1275 calories a day in 1996 to 2100 calories today.

Second, our support for the oil-for-food program has helped us maintain sanctions imposed on Iraq by the United Nations. Undersecretary Pickering will expand on this point, but let me say that we would have a harder time keeping UN sanctions in place and enforced without this program, and multilateral sanctions are central to our efforts to contain Saddam.

Third, our concern for meeting the needs of the Iraqi people has been crucial in getting Iraq's neighbors to support the actions we have had to take against Saddam. The United States has always said sanctions are aimed at the current Iraqi regime, not its people. The oil-for-food program has been—and remains—evidence that we take Saddam's responsibility to feed his population seriously, even when he does not.

In conclusion, let me repeat that the oil-for-food program is a key component of the Administration's Iraq policy, and is, therefore, key to our national security. I understand the concerns some of you have about the possible impacts this program has on domestic production. I share your concerns about our domestic oil industry. We must balance foreign policy objectives against domestic concerns. But, the best way to help the domestic industry is to increase demand by helping to re-build the Asian economy and to lower production costs at home. As Secretary of Energy, I am determined to do whatever I can to alleviate the economic harm that low oil prices have caused to our domestic oil production. But I also believe it is important that Iraq's oil revenues be used to relieve the suffering of the Iraqi people rather than by Saddam Hussein for his own criminal purposes. We ensure this result through the combination of sanctions and the oil-for-food program. I look forward to working and consulting closely with the members of these committees on both of these important energy and national security goals.

Thank you for your attention and I look forward to your questions.

Chairman HELMS. Thank you, Mr. Secretary.

The Under Secretary of State for Political Affairs, Tom Pickering, whom all of us have known for a long time. We welcome you, sir.

**STATEMENT OF HON. THOMAS R. PICKERING, UNDER
SECRETARY OF STATE FOR POLITICAL AFFAIRS**

Ambassador PICKERING. Thank you very much, Chairman Helms and Chairman Murkowski. It is a pleasure to be back. I met with you almost a year ago to discuss U.S. policy toward Iraq and the role of the oil for food program and its position in that policy. I am pleased to be here today, particularly with Secretary Richardson, a distinguished public servant whose work I have long admired, and I would like to take his invitation and yours to update you on these issues.

The administration's policy is to contain Saddam Hussein until he can be removed from power. We will contain Iraq by maintain sanctions on Iraq, enforcing the no-fly zones in the north and south, and by maintaining a robust military presence in the region and readiness to use force if Iraq reconstitutes its prohibited weapons programs, threatens its neighbors, or moves against the Kurds in the north.

In addition to these elements of containment, we are also working at the United Nations to build consensus in the Security Council in support of an effective disarmament and monitoring presence in Iraq. Over the long term, however, the only way to ensure that Saddam no longer threatens either his people or his neighbors is to work for a new government in Iraq, one that will maintain the territorial integrity and unity of Iraq, respect the rights of Iraq's people and Iraq's neighbors, and fulfil Iraq's international obligations.

We are committed to helping Iraqis achieve this regime change or transition. There are many tools we can use to help them, including both the \$8 million in economic support funds which the Congress has appropriated for this purpose and the Iraq Liberation Act. In the final analysis, change has to come from the Iraqi people themselves. We cannot impose ideas or initiatives upon them.

In the meantime, United Nations sanctions on Iraq are critical to our efforts to contain Saddam. The sanctions deprive Saddam of the revenue he would otherwise use to reconstitute weapons of mass destruction. That is why Saddam has set the lifting of sanctions among his highest priorities. He actually declared publicly that 1998 would be the year sanctions were lifted.

I am pleased to report to you in 1999 that he did not achieve his goal, nor will he short of unconditional compliance with all his Security Council obligations.

It is also essential that we address the humanitarian needs of the Iraqi people. Doing so is right in itself and crucial to maintaining Security Council and regional support for sanctions while we continue our efforts for regime change. It is also consistent with our message to the Iraqi people that the United States is not against the people of Iraq, only the regime that is responsible for their plight.

By meeting Iraq's genuine humanitarian needs, oil for food allows us to maintain a tough sanctions regime against Iraq. Sanc-

tions have never prohibited the import of food or medicine to Iraq. However, the regime in Baghdad has been unwilling to take full advantage of this exemption, and therefore in 1991 we first proposed an oil for food program to meet the humanitarian needs of the Iraqi people. Iraq, as you know, rejected the program.

In 1995 the Security Council, with full U.S. leadership and support, adopted a revised oil for food program, which Iraq, after 2 years of negotiation, finally accepted. The first food shipments under this program arrived in Iraq in March 1997.

In February 1998, based on the Secretary General's recommendations that additional funds were needed to meet the needs of the Iraqi people, the Security Council adopted an expanded oil for food program with our support. That program was renewed again in November.

The current oil for food program permits Iraq to sell up to \$5.2 billion worth of oil every 6 months, two-thirds of which goes toward the purchase of food, medicine, and other humanitarian goods such as water and sanitation infrastructure supplies. The remaining one-third goes to pay claims arising from Iraq's occupation of Kuwait and to pay U.N. administrative costs and the costs for the United Nations Special Commission inspection regime.

All revenues from Iraq's oil sales are deposited in a United Nations escrow account, to which Baghdad has no—I repeat, no—access. All contracts are reviewed by the United Nations Sanctions Committee and the funds are only distributed after the contracts have been approved and the items received in Iraq. As a member of the sanctions committee, the United States scrutinizes all contracts. Because the committee operates by consensus, we can hold or block any contract that is inappropriate or ill-advised.

Oil for food, the largest humanitarian program in United Nations history, requires that Saddam spend his own money on the thing he cares the least about, his own people.

As noted, the U.N. Sanctions Committee approves the sale of all goods. The United Nations monitors on Iraq's borders and inside Iraq oversee their import and distribution. In northern Iraq the distribution is carried out directly by United Nations personnel.

Oil for food is not a step toward lifting sanctions, nor does it reward Iraq or accrue to Iraq—to Saddam, I am sorry—or accrue to Saddam's benefit. This is a basic and important statement. If this statement were wrong, much of what we have heard from other speakers this morning would be correct. The fact, of course, is that this particular statement is correct and therefore what we have heard from other speakers this morning needs to be challenged on the basis of this fact.

In fact, this particular statement makes sanctions, Saddam's worst enemy, sustainable. Without an oil for food program, history has shown that Saddam Hussein would starve his own people to force the international community in an attempt to lift sanctions. Although we could use our veto at the United Nations Security Council to prevent the lifting of sanctions, the pressure of a sympathetic international community absent oil for food could also well lead to the de facto breakdown of the sanctions regime by other states freely breaking the constraints of that regime. That is not now happening.

The oil for food program has had a tremendous positive impact on conditions for the average Iraqi. Since the beginning of the program, \$2.75 billion worth of food, over \$500 million in medicine, and \$400 million worth of supplies for such issues as water, sanitation, electricity, and education projects has been delivered to Iraq. The daily food ration, as Secretary Richardson has just noticed, increased from 1275 calories per day in 1996 to 2100 per day now in 1999.

However, problems remain. Although malnutrition rates have declined, they are still too high. Significant work on the sanitation and water, electrical, education, agricultural, and other sectors is also required. The United States will continue to work to improve the oil for food program and to ensure that it serves its intended purpose.

In February the Secretary General reported that there are \$275 million worth of medicine sitting in Iraqi warehouses undistributed, something that you, Chairman Helms, referred to. This is unacceptable and we will work to change it. We will continue to scrutinize every contract for goods under the oil for food program and, as you know, we can veto any contract that we judge to be inappropriate or ill-advised. Given the absence of the Special Commission and IAEA inside Iraq, which have a role in monitoring dual use goods, we have tightened our standards for contract approval.

In January the Security Council formed three panels to examine disarmament, humanitarian, and Kuwait-related issues. In the latter category are missing Kuwaiti prisoners and funds and articles taken from Kuwait during the war. We expect that the humanitarian panel's report, due in mid-April, will suggest additional changes that may enhance the program's effectiveness.

We also have proposed that the Security Council consider lifting the ceiling on oil sales permitted under the oil for food program. In the short run, Iraq would be unable to expand oil exports, as Secretary Richardson has explained. To increase oil exports, Iraq first would have to repair its energy infrastructure, which will take many, many months.

Over time, however, allowing increased Iraqi oil exports would address concerns regarding the shortfall in revenues needed for humanitarian purposes. Saddam, as I noted earlier, would not benefit from these increased oil export revenues. The revenues would be put in an escrow account and released only for the purchase of humanitarian goods.

Lifting the ceiling would also serve to counter growing calls from Arab states and Security Council members to lift sanctions outright. By removing the root cause of these calls for lifting sanctions, we free our allies in the Arab world and elsewhere to support our broader Iraq policy objectives. We also draw Security Council support away from some of the more radical French and Russian proposals to lift sanctions altogether and immediately.

All contracts would continue to be reviewed by the sanctions committee. The United States, through its participation in that committee, would continue to scrutinize all contracts and the United States could hold or block any contracts we determine were inappropriate or ill-advised.

We also understand the concerns raised about the current oil market situation. Secretary Richardson noted Iraq is only one among several factors which has adversely impacted oil prices over the last year. Our Iraq sanctions policy, however, has not been linked to the price of oil on world markets, as he pointed out. This was true in the early 1990's when Iraqi oil was completely off the world market, putting upward pressure on oil prices, and it remains the case today.

Allowing oil price considerations to set our sanctions decisions or seeking to use sanctions to target oil prices would undermine our ability to provide for the humanitarian needs of the Iraqi people as well as to maintain an international consensus aimed at containing Saddam Hussein. Were international support for an effective U.N. sanctions regime to erode away, Saddam would be a much greater threat to the world community. He would quickly regain the free use of \$10 to \$15 billion per year to put his weapons of mass destruction programs back in place. Even if his revenue were monitored, having unrestricted access to such enormous revenues would allow him to evade monitoring easily.

Moreover, the prospect of Iraq without U.N. sanctions would also have a much greater negative impact on oil prices.

We remain concerned about the illegal traffic of oil and petroleum products out of Iraq, which was referred to here today, through Turkey, Jordan, Syria, and the Persian Gulf. Each of these avenues presents its own unique problems and we are addressing each of them differently, but with the same degree of attention.

We continue, for example, to work with Turkey to develop a way to bring illicit trade over the Turkish border within the framework of the oil for food program as a way to reduce and eliminate any revenues that might flow back into Iraq. We believe a similar approach should also be taken regarding Syria and we are approaching that issue.

With respect to the smuggling of Iraqi gas oil through Iranian territorial waters, we have had considerable success over the past year in combining efforts to bring third country pressure to bear on Tehran to end the trade with more direct military actions on our part. This effort has also included the bombing of a section of the Basra refinery devoted to producing products for this trade during Desert Fox and the conduct of surge operations by the Multinational Maritime Interception Force, or MIF, in areas of the northern Gulf known to be used by the Iraqis and others as routes for moving smuggled cargos.

As for Jordan, although the United Nations has taken note of Jordan's trade of bartering humanitarian goods in exchange for oil set at concessionary prices, we continue to work to reduce Jordan's dependence on Iraqi oil.

Although the oil for food program is not perfect, it is essential to our policy of containing Saddam until there is a new government in Baghdad. Without it, sanctions would be much more difficult to sustain, Saddam Hussein would once again have control over tens of billions of dollars a year to spend on weapons of mass destruction.

Thank you, and I welcome any questions that you might have.
[The prepared statement of Ambassador Pickering follows:]

PREPARED STATEMENT OF HON. THOMAS R. PICKERING, UNDER SECRETARY OF STATE
FOR POLITICAL AFFAIRS

Mr. Chairmen: I met with you almost a year ago to discuss U.S. policy towards Iraq and the role the "oil for food" program plays within it. I am pleased to be here today to update you on these issues.

The administration's policy is to contain Saddam Hussein until he can be removed from power. We will contain Iraq by maintaining sanctions on Iraq, enforcing the no-fly zones in the North and South, and by maintaining a robust military presence in the region and a readiness to use force if Iraq reconstitutes its prohibited weapons programs, threatens its neighbors, or moves against the Kurds in the north.

In addition to these elements of containment, we are also working at the United Nations to build consensus in the Security Council in support of an effective disarmament and monitoring presence in Iraq.

Over the long-term, however, the only way to ensure that Saddam no longer threatens either his people or his neighbors is to work for a new government in Iraq—one that will maintain the territorial integrity and unity of Iraq, respect the rights of Iraq's people and Iraq's neighbors, and fulfill Iraq's international obligations. We are committed to helping Iraqis achieve this regime change or transition. There are many tools we can use to help them, including both the \$8 million in Economic Support Funds Congress has appropriated for this purpose, and the Iraq Liberation Act. In the final analysis, change has to come from the Iraqi people themselves. We cannot impose ideas or initiatives on them.

In the meantime, U.N. sanctions on Iraq are critical to our efforts to contain Saddam. The sanctions deprive Saddam of the revenue he would otherwise use to reconstitute weapons of mass destruction. That is why Saddam has set the lifting of sanctions among his highest priorities. He actually declared publicly that 1998 would be the year sanctions were lifted. I'm pleased to report to you in March 1999 that he did not achieve his goal, nor will he short of unconditional compliance with all his Security Council obligations.

It is also essential that we address the humanitarian needs of the Iraqi people. Doing so is right in itself, and crucial to maintaining Security Council and regional support for sanctions while we continue our efforts for regime change. It is also consistent with our message to the Iraqi people that the United States is not against the people of Iraq—only the regime that is responsible for their plight. By meeting Iraq's genuine humanitarian needs, oil-for-food allows us to maintain a tough sanctions regime against Iraq.

Sanctions have never prohibited the import of food or medicine to Iraq. However, the regime in Baghdad has been unwilling to take full advantage of this exemption, and, therefore, in 1991, we first proposed an oil-for-food program to meet the humanitarian needs of the Iraqi people. Iraq rejected the program. In 1995, the Security Council, with full U.S. leadership and support, adopted a revised oil-for-food program, which Iraq finally accepted at the end of 1996. The first food shipments under this program arrived in Iraq in March 1997. In February 1998, based on the Secretary General's recommendations that additional funds were needed to meet the needs of the Iraqi people, the Security Council adopted an expanded oil-for-food program. That program was renewed again in November.

The current oil-for-food program permits Iraq to sell up to \$5.2 billion worth of oil every six months, two-thirds of which goes towards the purchase of food, medicine and other humanitarian goods such as water and sanitation infrastructure supplies. The remaining one-third goes to pay claims arising from Iraq's occupation of Kuwait, and to pay U.N. administrative and UNSCOM costs. All revenues from Iraq's oil sales are deposited in a U.N. escrow account to which Baghdad has no access. All contracts are reviewed by the U.N. Sanctions Committee, and funds are only distributed after the contracts have been approved, and the items received in Iraq. As a member of the Sanctions Committee, the U.S. scrutinizes all contracts. Because the Committee operates by consensus, we can hold or block any contract that is inappropriate or ill-advised. Oil-for-food, the largest humanitarian program in the U.N.'s history, requires that Saddam spend his own money on the thing he cares least about—his own people.

As noted, the U.N. Sanctions Committee approves the sale of all goods; U.N. monitors on Iraq's borders and inside Iraq oversee their import and distribution. In northern Iraq, the distribution is carried out directly by U.N. personnel.

Oil-for-food is not a step towards lifting sanctions, nor does it reward Saddam. In fact, it makes sanctions—his worst enemy—sustainable. Without an oil-for-food program, history has shown that Saddam Hussein would starve his own people to force the international community to lift sanctions. Although we could use our veto at the U.N. to prevent the lifting of sanctions, the pressure of a sympathetic international

community—absent oil-for-food—could well lead to the de facto breakdown of the sanctions regime.

The oil-for-food program has had a tremendous positive impact on conditions for the average Iraqi. Since the beginning of the program, \$2.75 billion worth of food, over \$500 million of medicine and \$400 million worth of supplies for such things as water, sanitation, electricity and education projects, has been delivered to Iraq. The average daily food ration has increased from 1275 calories per day in 1996 to 2100 calories per day now. However, problems remain. Although malnutrition rates have declined, they are still too high. Significant work on the sanitation and water, electrical, education, agriculture and other sectors is still required.

The U.S. will continue to work to improve the oil-for-food program, and to ensure that it serves its intended purpose. In February, the U.N. Secretary General reported that there are \$275 million worth of medicine sitting in Iraqi warehouses undistributed. This is unacceptable, and we will work to change it. We will continue to scrutinize every contract for goods under the oil-for-food program and can veto any contract that we judge to be inappropriate or ill-advised. Given the absence of UNSCOM and IAEA, which have a role in monitoring dual-use goods, we have tightened our standards for contract approval. In January, the Security Council formed three panels to examine disarmament, humanitarian and Kuwait-related issues. We expect that the humanitarian panel's report, due in mid-April, will suggest additional changes that may enhance the program's effectiveness.

We also have proposed that the Security Council consider lifting the ceiling on oil sales permitted under the oil-for-food program. In the short run Iraq would be unable to expand oil exports. To increase oil exports, Iraq first would have to repair its energy infrastructure, which will take many months. But, over time, allowing increased Iraqi oil exports would address concerns regarding the shortfall in revenues needed for humanitarian purchases. Saddam would not benefit from these increased oil export revenues. The revenues would be put in an escrow account and released only for the purchase of humanitarian goods.

Lifting the ceiling also would serve to counter growing calls from Arab states and Security Council members to lift sanctions outright. By removing the root cause of calls for lifting sanctions, we free our allies in the Arab world and elsewhere to support our broader Iraq policy objectives. We also draw Security Council support away from more radical French and Russian proposals to lift sanctions altogether. All contracts would continue to be reviewed by the Sanctions Committee. The U.S., through its participation in the Sanctions Committee, would continue to scrutinize all contracts, and could hold or block any contracts we determine to be inappropriate or ill-advised.

We also understand the concerns raised about the current oil market situation. As Secretary Richardson noted, Iraq is only one among several factors which has adversely impacted oil prices over the last year. Our Iraq sanctions policy, however, has never been linked to the price of oil on world markets. This was true in the early 1990s when Iraqi oil was completely off the world market, putting upward pressure on oil prices, and it remains the case today. Allowing oil price considerations to drive our sanctions decisions, or seeking to use sanctions to target oil prices, would undermine our ability to provide for the humanitarian needs of the Iraqi people as well as to maintain an international consensus aimed at containing Saddam Hussein.

Were international support for effective U.N. sanctions regimes to erode, Saddam Hussein would be a much greater threat to the world community. He would quickly regain the free use of ten to fifteen billion dollars per year to put into his WND programs. Even if his revenue were monitored, having unrestricted access to such enormous revenues would allow him to evade monitoring easily. Moreover, the prospect of Iraq without U.N. sanctions would also have a much greater negative impact on oil prices.

We remain concerned about the illegal traffic of oil and petroleum products out of Iraq—to Turkey, Jordan, Syria and the Persian Gulf. Each of these avenues presents unique problems, and we are addressing each of them differently. We continue to work with Turkey to find a way to bring illicit trade over the Turkish border within the framework of the oil-for-food program. We believe a similar approach should also be taken regarding Syria. With respect to the smuggling of Iraqi gasoil through Iranian territorial waters, we have had considerable success over the past year in combining efforts to bring third-country pressure to bear on Tehran to end the trade with more direct military actions. This has included bombing of the section of the Basra refinery devoted to this trade during Desert Fox, and the conduct of "surge operations" by the multi-national Maritime Interception Force or "MIF," in areas of the northern Gulf known to be used by the Iraqis and others as routes for smuggled cargoes. As for Jordan, although the U.N. has taken note of Jordan's

trade of bartered humanitarian goods in exchange for Iraqi oil at concessionary prices, we continue to work to reduce Jordan's dependence on Iraqi oil.

Although the oil-for-food program is not perfect, it is essential to our policy of containing Saddam until there is a new government in Baghdad. Without it, sanctions would be much more difficult to sustain. Saddam Hussein would once again have control over tens of billions of dollars a year to spend on weapons of mass destruction.

Thank you, and I welcome any questions you may have.

Chairman HELMS. Thank you, Mr. Pickering.

I note the arrival of the distinguished Democratic ranking member and we recognize you for any statement you may wish to make.

Senator BIDEN. Well, thank you. I know better than to trespass on the time of this committee, especially a joint committee like this. So I will enter my statement in the record if I may, Mr. Chairman, and thank you for your courtesy and wish you a happy Saint Patrick's Day.

[The prepared statement of Senator Biden follows:]

PREPARED STATEMENT OF SENATOR JOSEPH R. BIDEN, JR.

Mr. Chairman, thank you for calling this hearing. I welcome our witnesses—Ambassador Pickering and Secretary Richardson.

Both of you have had the distinction of having served as U.S. Permanent Representative to the United Nations.

Given all of the tough battles you have fought, I am sure that you are well-versed in matters relating to Iraq.

As you know, for 8 years over 3 Administrations, we have sought to contain the threat Saddam Hussein poses to our interests in the Persian Gulf.

Since last November, we have added to the policy of containment the goal of removing Saddam Hussein from power. I support this change in policy.

We have argued vociferously that our policy, which includes the toughest sanctions in history, is directed not at the Iraqi people, but at their despicable leadership.

But many of our allies in the Middle East, whose support is critical for our policy to succeed, blame sanctions for the suffering of the Iraqi people. Others such as Russia, China, and France cynically propose easing sanctions in hopes of reaping commercial rewards.

In 1991, the United Nations, with our support, offered Iraq a deal—it could sell oil and use the proceeds under supervision to meet the humanitarian needs of its people. Saddam Hussein demonstrated his callous disregard for the Iraqi people by rejecting this program until 1996.

Since then, the amount of oil that Iraq is authorized to export under the oil-for-food program has gradually been increased for two reasons. First, to more adequately address the humanitarian needs of the Iraqi people. Second, to deflect international pressure to lift sanctions. I would submit that it has largely achieved both of these objectives.

Recently, however, a legitimate domestic issue has been injected into an already complex foreign policy calculation. Many of our domestic oil producers are hurting because of the low price of oil. Increases in Iraqi oil production have come at the wrong time by exacerbating the oversupply in the oil market and adding to downward pressure on prices.

I don't claim to be an expert on domestic energy policy—I leave that to my able colleagues from the Energy Committee. But I do know that in foreign policy, we often do not have the luxury of only choosing from good options. Sometimes we have to pick the least bad option that serves our national interests.

That is what we are doing in Iraq.

Is the oil-for-food program perfect? Of course not. There are serious defects that will be brought to light today and need to be corrected. But oil-for-food is meeting our fundamental objective of keeping sanctions on Saddam Hussein while forcing him to do something he does not like to do—and that is to spend oil revenues under U.N. supervision to benefit the Iraqi people.

Without oil-for-food, sanctions would long ago have vanished, and Saddam would have faced no constraints whatsoever in rebuilding his military arsenal.

As far as our domestic oil producers are concerned, I do not in any way wish to downplay the tough times they face.

My colleagues on the Energy Committee are in a better position to address this issue.

But I hope that we can all agree upon our national security objective of containing, weakening, and eventually removing Saddam Hussein.

I look forward to your testimony.

Chairman HELMS. Thank you, sir.

I am going to yield my time and put myself at the end of the line, and the next ranking Republican is Chuck Hagel, Senator from Nebraska. You are recognized.

By the way, we will limit ourselves to 5 minutes.

Chairman MURKOWSKI. 5 minutes on our side on questions, fair enough?

Chairman HELMS. Exactly.

Senator HAGEL. Mr. Chairman, thank you. I too wish to express my appreciation to our witnesses for their time this morning.

Secretary Richardson, in your statement on page 2, I am going to read just a small part back and ask a question. The first paragraph on the second page, you state: "Under the Oil for Food program we have taken this excuse away from Saddam, instead using the proceeds of Iraqi oil sales to feed, clothe, and otherwise aid the Iraqi people. Iraq has imported, under U.N. supervision, \$2.75 billion worth of food," and it goes on.

Could you explain to this committee, Mr. Secretary, how that works, the "under U.N. supervision"?

Secretary RICHARDSON. I will do my best, although I have forgotten a lot of those U.N. bureaucracies.

Senator HAGEL. Well, with two former U.N. Ambassadors, I know we will not want for expertise here.

Secretary RICHARDSON. At the United Nations there is a bureaucracy, there is a number of people that administer the oil for food program. Right now it is headed by a very competent individual by the name of Benon Sevan. The objective, Senator Hagel, of this entity at the United Nations is to ensure that the oil for food program is properly administered, that the Iraqi people are getting the food and medicine that are part of this program.

They have encountered a lot of resistance from the Iraqi Government in administering this program. But this is a group of men and women very dedicated, that do their best to ensure that this program is effectively implemented.

We have tried as much as we can while I was Ambassador to the United Nations to ensure that this program is properly administered. There have been some problems. We have had in our judgment requests by the Iraqis to, instead of concentrating on food and medicine, that some of the funding go to infrastructure to improve their oil production, to other areas that improve their capacity to—we want to make sure that they do not use the funds to build weapons, to increase their military arsenal.

But our objective is to make sure that this board or this entity at the United Nations effectively administers this program.

Senator HAGEL. Do you believe that the U.N. manpower is sufficient to do that, the capability on the ground is able to get the job done?

Secretary RICHARDSON. I believe it is. But maybe the Under Secretary may want to add to what I said.

Ambassador PICKERING. I would like to join Secretary Richardson in that point. I think that, just to give you a brief review, there are contractors as well as United Nations inspectors involved on the ground in assuring that this process moves effectively. There is a Dutch firm called Saybolt which monitors the exports. There are members of a Swiss company, 50 of them, called Cotecna, which has the contract at the four entry points to monitor what goes in.

The U.N. office has 150 inspectors. Eighty of them are sectoral observers operating inside Iraq. They look at the goods nationwide from the point of entry to delivery to the beneficiary. These are people with strong technical expertise, World Health Organization on medicines, for example, Food and Agricultural Organization on food warehouses.

There are approximately, in addition, 50 geographic observers from the office of the U.N. Humanitarian Coordinator. They track the goods in various geographic regions to assure that they are equitably distributed.

There are 20 members of a multidisciplinary unit, highly qualified sectoral experts who are not part of the—

Senator HAGEL. Mr. Secretary, let me be rude here and interrupt you since my time is limited here. Are you saying that you believe that we have an effective U.N. program in place, getting the job done?

Ambassador PICKERING. I believe we have an effective U.N. program, but I think Secretary Richardson and I would join together to say we need to keep our eye on it, as we do, and if the process of food increases and more goes in then we need to find ways to be sure that the number of people is properly attuned to the volume being looked at.

Senator HAGEL. Let me see if I can sneak one additional question in to you, Mr. Secretary. Thank you.

In your testimony, the last page, you refer to the fact that, with respect to the smuggling of Iraqi gas oil through Iranian territorial waters, we have had, in your testimony, "we have had considerable success over the past year." Could you explain to me what that means, "considerable success"?

Ambassador PICKERING. I would say that if the chart were put up again that we had looked at, we would see that on a number of occasions the amount of Iraq smuggled oil had dropped almost to zero, and that in fact some of that success has been putting pressure on Iran, through whose waters some of this cargo is smuggled, in places where the Multinational Interdiction Force can actually interrupt the smuggling of the cargo.

Other areas where we have had success most recently is knocking out the portion of the Basra refinery which provides gas oil to those ships that are smuggling it. The current information I have is that that particular effort in that area has reduced to a trickle.

Senator HAGEL. Is the Iranian Government involved in this in any way?

Ambassador PICKERING. I cannot tell you for certain whether they are or not in a direct sense, but I do know that indirectly they have the authority, the right, and the obligation to control what moves through their waters in terms of United Nations obligations by which they are bound to prevent that from happening.

Senator HAGEL. Mr. Chairman, thank you.

Chairman HELMS. Thank you, Senator.

Senator Murkowski.

Chairman MURKOWSKI. Thank you very much, Senator Helms.

I am not sure just how you get to be an enemy of the United States any more, because clearly we are propping up this regime, just like we are propping up the regime in North Korea. You know, if you want to bring Saddam Hussein to his knees you cutoff his oil flow. That is his cash-flow. That is 90 percent of it.

This policy of one day bombing, the next day supporting an increase in his oil production, is beyond me and it is beyond my interpretation of just what kind of a relationship we have. Under the policy of the administration, I suppose you could go back to the Second World War and wonder if we could provide assistance for the people in Germany or the people in Japan or the people in Italy and that would somehow allow us to maintain a relationship of some kind.

But you know, clearly we have a different agenda than Saddam Hussein. In my opinion, when you send American troops in harm's way to do somebody no good, they are the enemy. We are propping up this regime.

Mr. Pickering, your suggestion that somehow, at the conclusion of your statement, without sanctions there would be a difficult situation because Saddam would use the funds he generates from oil to build weapons of mass destruction—but if you cutoff his oil flow he cannot build weapons of mass destruction, he crumbles, and there will be in Baghdad a change. Now, the people will certainly suffer, but they are suffering anyway.

We are sustaining this process for reasons that obviously are a change in policy from our traditional evaluation of who is an enemy when we send our troops in harm's way to do the harm, kill their people.

When you look at the action taken on this oil refinery, and you mentioned it, Mr. Pickering, the question is one day we bomb the oil refinery, the next day we allow funds to replace it, if you will.

This was of course the pipeline when the fighter jets bombed the communication center and you remember our Secretary of Defense indicated that he was deeply concerned about the attack, which suspended Iraq's oil exports. Will Saddam Hussein now be able to use his oil for food funds to rebuild this communications center, Mr. Pickering?

Ambassador PICKERING. I do not believe so.

Chairman MURKOWSKI. You do not believe. Then it will not happen, then?

Ambassador PICKERING. I would like to address the whole question you raise, Senator.

Chairman MURKOWSKI. Well, I do not have a lot of time here. I would like you to provide for the record whether or not the U.N. in its process is going to allow those funds to repair damage to that pipeline complex or not. Is that fair enough?

Ambassador PICKERING. Please, and I will be glad to do it.

[The information referred to was not available at time of publication.]

Chairman MURKOWSKI. As of March 12, 391 oil sector contracts worth \$236 million were approved by the U.N. Let us see where they have gone: France, \$89 million; China, \$21 million; Russia, \$17 million; the United States, zero. They are not buying anything from us, are they?

Ambassador PICKERING. No.

Chairman MURKOWSKI. Why?

Ambassador PICKERING. Because they have a conscious policy of not buying from us.

Chairman MURKOWSKI. And we have a conscious policy of allowing them to produce more oil. Boy, it is beyond me, I tell you. I just cannot quite buy into your—now, the suggestion was made, Mr. Secretary, concerning the generalization that somehow this policy of allowing Iraq to produce more oil does not have anything to do with prices. Yet George Yates, the chairman of the Independent Petroleum Association, wrote a recent op-ed in the New York Times in which he said: “He”—meaning Saddam Hussein—“is in a position to rock the oil markets in either direction, either destabilizing exporting countries as he is doing today or punishing the consumer countries by withholding oil from the market.”

Now, I do not know whether you agree with the statement. You know OPEC cut their production the other day—Saudi Arabia, Iran, Algeria, Venezuela, Mexico. Iraq was not in there. They did not cut their production. But you know what happened to the price? The price went up. Now, they cut their production by 2.5 million barrels per day. That is equal to Saddam Hussein’s current production. The price went up from \$12.25 a barrel to \$14.87 a barrel.

So Mr. Secretary, I fail to understand your rationale that Saddam Hussein’s contribution does not significantly have an effect on the price of oil when clearly we have evidence that just came out the other day that if you cut the production, price goes up. Could you explain that, Mr. Secretary?

Secretary RICHARDSON. Yes, I will, Senator. Let me just say that we have—on sanctions, our sanctions policy has cost Saddam Hussein about \$120 billion between 1991 and 1996. To say we are rewarding him is just not correct.

Let me also say, Senator, that when I was Ambassador at the U.N. it was tough to keep those sanctions on. We always succeeded because of our persistence and the British. Sometimes what we used as an important component in our policy was the oil for food program giving humanitarian aid to the Iraqi people that Saddam was not willing to give, under very tight controls. We were able to achieve our objectives of keeping the sanctions on.

Sanctions are keeping the revenue away from Saddam. They are not propping him up.

Now, let me deal with the energy question. I do disagree with—

Chairman MURKOWSKI. We have a differing interpretation, but go ahead. I respect your opinion.

Secretary RICHARDSON. I do disagree with Mr. Yates, although he is from New Mexico and I was with him yesterday and he was at the White House meeting eliciting that same point of view.

The price of oil by the way—this is good news—it has gone up \$3 dollars in the last month. It is now, the west Texas intermediate crude is \$14.74, which is high for the year.

My point here, Senator, is that we believe that the effect of Iraqi actions has been marginal, that there are other causes for the change in Iraqi prices, in world prices. I mentioned the Asian financial crisis, the warm winters, other factors. Iraq is not a player here. So we fail to see their actions determining the international oil market that affects our domestic producers. We do fail to see this.

What we would like to do is find ways together to help the domestic oil and gas producer, and we are working together on that with you and with members of your committee. But to say that Iraq is a major player, it is not the swing producer. Saudi Arabia is the swing producer. There is no way that Iraq and the oil for food program are making Iraq the swing producer.

This applies to countries that have excess oil capacity that they can use to impact world oil markets. Only one country, Saudi Arabia, does that. Iraq would likely continue to fill its full capacity and therefore would not have their influence on world markets. So we reject this view that they are the swing producer they are alleged to be.

Chairman MURKOWSKI. Thank you. My time is up, but I remain from Missouri on the explanation.

Chairman HELMS. Senator Brownback, you have been here from the beginning.

Senator BROWNBACK. Thank you, Mr. Chairman. I appreciate you holding the hearing. I appreciate very much the witnesses' attendance and presentations.

I am very troubled—I have been stating this for some period of time—with our policy toward Iraq. It seems to me that we have got an opportune window right now to press this issue forward to have Saddam Hussein out of power, and we seem to be waiting on him to die of eating too much fatty food instead of pressing the case forward. I think that we ought to be pressing him much more.

Mr. Pickering—and I respect greatly both of your abilities. You are very talented men and I got to serve with Mr. Richardson in the house.

Mr. Pickering, are we at war with Iraq?

Ambassador PICKERING. No, we are not at war with Iraq. We have used military force, as you know, both in Desert Fox to deal with his being out of compliance with U.N. resolutions and to reduce and diminish his capacity militarily to do that and to affect his neighbors, and we are continuing to enforce the no-fly zones.

Senator BROWNBACK. So what would you describe we are in with Iraq now?

Ambassador PICKERING. We are certainly in a state of animosity. We are using military force to accomplish those objectives which I have set out for you.

Senator BROWNBACK. Well, I think we should be in a degree of great animosity—

Ambassador PICKERING. We can be that way.

Senator BROWNBACK [continuing]. If you would like. And we are not acting that way. If I could with you, we have been going

through and now you want to lift, as I understand, entirely all limitations on oil exports, which I disagree strongly with.

I want to read you just the last, the Security Council phase five approval contracts and the amount. Phase five, the committee, the U.N. committee, has approved contracts worth \$709 million and put one contract worth \$190,000 on hold. Now, if my calculations are correct we have put .03 percent of the contracts on hold, the value of the contracts.

Last week the OIP received a further six contracts for the supply of oil industry spare parts and equipment worth about \$2.2 million. The total received now is 534 with a total value of \$283 million roughly, 661. The committee approved five contracts worth \$6.5 million, bringing the total approved to 391 worth \$236 million. There are currently 94 contracts on hold worth about \$28 million or about 13 percent.

So we are basically letting everything flow through. If I might note in the humanitarian area that the chairman held up this package containing, the note on it says, approximately 20 percent of the so-called distribution list of the items requested by Iraq under the oil for food program. I just want to look at that. The chairman held it up, and it does strain one.

But you know what is even more straining, is to listen to what is approved under this list of items that are food aid, food processed items. Listen to this: transportation trucks, 30 to 35 ton capacity with spare parts. Now, I wonder what all that could be used for? I know how we could use it on our farm in Kansas, but I also know how it could be used in the field of war in Iraq.

Forklifts, different types, and caps, with spare parts. Diesel engine generating set. You go on. That is just the first page I picked out of here. You could have picked out 100 different pages.

Well, let us see what we get on this one. Steel wire, construction, railway crane, hydraulic crawler crane. I just pulled that one up in the middle of this list of 20. I wonder what else we could get here. This is all under food aid. This is the food humanitarian aid.

Well, here is a colonoscopy scope. I do not know what that—that must be in another category. Maybe that is for lifting all this.

My point in saying this, and I will wrap up, Mr. Chairman, is we are not at a stage of great animosity. Perhaps we are at a containment strategy. We are not at a containment plus removal strategy to any effectiveness. We are allowing virtually everything to flow freely through, and we are at a time, if I could, we are at a time when he is in a weakened state, and we should prosecute this on to its completion at this point in time, at this point in time, and not be waiting and waiting and allowing more to flow through.

This is the time to move forward.

I appreciate your patience and indulgence.

Chairman HELMS. Senator Nickles.

Senator NICKLES. Mr. Chairman, thank you very much.

This has been a very interesting hearing. I think I heard both witnesses say that our policy has not rewarded him. I wrote down "Rewarding him is not correct," rewarding him for noncompliance. Is that your statement?

Ambassador PICKERING. Yes.

Secretary RICHARDSON. Yes.

Senator NICKLES. Let me just take you back to January of last year. January of last year we had 30,000 troops in the area and we were very close to going to war, is that correct? We were really close to having a significant punishing military strike in January 1998, correct?

Ambassador PICKERING. Correct.

Senator NICKLES. Is that not correct? I did not dream this up?

Secretary RICHARDSON. Yes.

Senator NICKLES. And then in February, due to the leadership of Kofi Annan and the support of the United States, we passed a resolution that said that he could double his oil for food program to where he could sell up to \$10.4 billion worth of oil. In exchange for that, we had renewed access to UNSCOM, is that not correct? UNSCOM had access into Iraq?

We were going to strike to force him to comply with UNSCOM, and in exchange, although there is 3 days difference in timing, but we granted him that \$10.4 billion, doubled his oil sales, and in exchange we now had renewed access for UNSCOM. Is that not correct?

Ambassador PICKERING. I do not believe that there was an exchange involved, because there is no program that Saddam dislikes more than the oil for food program. It is a program designed to deny him revenue, \$120 billion through sanctions. Each year whatever amount goes into the oil for food program is no longer available to Saddam. It takes money away from Saddam.

Senator NICKLES. Correct me if I am wrong, Mr. Secretary. We were close to going to war in January. We were very close to going to war in January and February. On February 20 the U.N. passed a resolution allowing him to double his oil sales.

Ambassador PICKERING. It came at the end of the regular 6-month period for renewals. It was a conjunction of time. I do not believe—and I watched that very carefully—it had anything to do with Kofi Annan's visit or the memorandum which was produced and endorsed by the United Nations—

Senator NICKLES. They were separated by a week.

Ambassador PICKERING. They were separated by a week, but he knew 6 months ahead of time that it was coming.

Senator NICKLES. Well, listen to this, Mr. Secretary. So all of a sudden we have renewed cooperation for UNSCOM, which lasted about 6 months. UNSCOM was basically denied access in—

Ambassador PICKERING. In August and October.

Senator NICKLES [continuing]. In August and kicked out in October. So he doubled his oil sales, we had temporary renewed access for UNSCOM. They were denied access throughout 1997. We had renewed access in 1998 for about 6 months. They started getting close, they were denied access in July, kicked out—or August, and kicked out in October.

So the net result was we allowed him to double his oil sales, we had temporary access for UNSCOM, and then UNSCOM was kicked out and his oil sales continued. I find that rewarding his noncompliance.

He did not comply. We were using the sanctions, including oil sales sanctions, limits on what he could sell, in a measure to put leverage on him to get him to comply. We doubled it so he would

comply again and avert war. We did that, he complied temporarily, he withdrew his compliance, and he continued to sell the oil. That has rewarded his noncompliance.

The net result is you have no UNSCOM. Correct me if I am wrong. Did I sleep through something? Is UNSCOM in Iraq today? Are they conducting onsite inspections today? No, the answer is no. So Saddam Hussein is now able—and Secretary Richardson, you made a comment that I have to—you said, well, these policies in lifting the cap will have no future impact, negative impact on oil prices.

What you are really saying is that the deal that was cooked by the U.N. resolution of February 20 allowing him to double the oil sales more than exceeded his capacity for a long time and so the damage is already done.

Oil sales in 1998 went from 1.2 to 2.5 just in this last year, which was allowed by the resolution that passed in February. So basically that resolution in January—that passed in February allows him to produce all the oil that he wants.

Mr. Secretary, one other comment that you will regret. You said Iraq is not a player dealing with these oil prices. The very fact they are producing 2 million barrels more per day today than they were 3 years ago means that they have greatly contributed to an already soft market, which was the other 3 reasons which you alluded to in the EIA statement.

Secretary RICHARDSON. Senator, I do stand by my statement.

Senator NICKLES. They are not a player?

Secretary RICHARDSON. Iraq is not a swing player.

Senator NICKLES. That 2 million barrels had nothing to do with the softness of the market.

Secretary RICHARDSON. It has a marginal, manageable effect. Our economists at the Energy Information Agency concur with that.

Let me just say, Senator, there are two premises that I think you are making that are incorrect. The first one is Saddam Hussein does not like this program, because what we are doing is feeding his people against his will because he wants to use all revenues to increase his weapons of mass destruction, his military capability.

Second, the oil for food program is a very tightly controlled program. The United Nations is able to control how this money is spent. It is not as if he is enriching himself or he is diverting some of these funds to other purposes. We have worked very hard to make sure that he spends it on food and medicine.

Senator NICKLES. Mr. Chairman, I know you are gaveling.

I would urge you to look at Platt's Oilgram November 1998 that basically implies that he is able to funnel millions of dollars, maybe very significant, hundreds of millions of dollars, by discounts and use that money for weapons or anything else. This is a report that I would urge you to look at and respond to.

Ambassador PICKERING. I would just say, Senator Nickles, we have looked at that very, very carefully. We have found no evidence of that.

Senator NICKLES. Would you give that to me in writing?

Ambassador PICKERING. Yes.

Senator NICKLES. I appreciate that.

Senator NICKLES. Thank you, Mr. Chairman.

Chairman HELMS. Senator, maybe we can beat him to death with a wet noodle. Have you ever thought of that?

Senator Biden.

Senator BIDEN. Thank you, Mr. Chairman.

Gentlemen, you should get combat pay today. You have been dealt a lousy hand here to come up and make this case. Quite bluntly, you have only one of three arguments you can even begin to sell here.

One is that somehow if we lift the ceiling more Iraqi people are going to be better off physically and in terms of health, and that is going to cause them to look with favor on us and disfavor on Saddam and throw him out more rapidly. It does not sell very well.

The second one is that if we do not raise this our erstwhile allies are going to walk on us. That is your most powerful argument: If we do not do this the French, the Russians, everyone else, is going to walk away from sanctions policy, so notwithstanding the fact that we maintain sanctions there will be no sanctions policy.

The third argument is the one most fascinating, which you cannot make. I am going to be a little facetious. That argument says by raising the ceiling oil prices will stay low because, notwithstanding all the oil State producing Senators here, my folks back home listen to this—and by the way, I happen to agree that we are in trouble, but back in my State people are saying: Now, those guys from Oklahoma and Kansas, what are they doing? They want my gasoline prices to go up? They want my heating oil bills to rise? They kind of like this idea, you know what I mean? They kind of like the idea that prices are low.

So they have got a lousy argument, substantively correct but a lousy argument politically. And you all have a horrible argument politically to make here.

I only have one question. You cannot—you are not able now. There is nobody on the ground. No one is controlling the distribution except in northern Iraq. We do not know for certain where this is going in central and southern Iraq. We do not have the kind of control we had before. The U.N. is not there in the same—oh, come on now. Look, I am on your team. These guys are not. I am. I mean, we are all on the same team, but I mean I am with you guys.

But we have an old expression, do not kid a kidder, you know what I mean? This is a lousy idea. Unless you are able to come up here and show some of us that the whole sanctions regime falls unless this happens, then do not count me in, do not count me in to help you.

I will be blunt about it. If I do not help you, it ain't going to happen, only because they ain't going to help you. They disagree with you. It is not that I am so special. It is just that I happen to be a Democrat who thinks the idea is lousy.

I happen to agree with Mr. Brownback right now, Senator Brownback. This is the time to pursue.

Now, if you can give me the reason why—I say to my friend from Oklahoma, the reason why the action was taken so hastily 1 week after we—pardon me? One week before, I should say. Thank you very much, I appreciate that.

I do not know what I would do without these staff guys, you know what I mean? I do not know how I could speak. I would get up in the morning and I do not know what I would be able to do.

Senator WELLSTONE. Joe, we are pretty sure you could speak.

Senator NICKLES. We were not worried about that.

Senator BIDEN. I am not all that sure you would understand. That is my only concern.

Now, what happened was, the reason why we did pass the resolution to expand the oil for food program as hastily as we did, if I remember correctly, we did it because we thought we were going to bomb and we wanted to lessen international opposition. That is what I remember doing. I remember those discussions.

Why do you not just say that? That is what happened. We wanted to have the authority and did not want the U.N. getting in the way and we wanted to bomb. And we were told, at least I was told, by everyone at the White House and everyone that talked to me and everyone I talked to in Europe, that: Hey look, man, we are not going to stay with you, we are not going to stay with you.

Our Republican friends kept saying: Why can you not hold the coalition together? Why can you not do that? George did it. Why can you not do it? So you held the coalition together, but one of the things you had to do is you had to give, and you gave on this, we gave on this. That is what I remember. That is factually what happened.

But if you guys cannot come up here and lay out a case that the whole sanctions regime falls or is likely to fall if this does not rise. You have forgotten, Bill, more about the House than I am going to ever know—I mean it sincerely. This dog will not hunt, as they say.

So you have got to come up with a rationale different than the one that is being offered here. And unless in fact, in my humble opinion, you can show we are worse off relative to containing Saddam if this is not raised, then I do not think you can sell this.

Chairman HELMS. Senator Wellstone.

Senator NICKLES. Mr. Chairman, could I have one 30-second question?

Senator WELLSTONE. Sure.

Senator NICKLES. Mr. Secretary, you mentioned that the refinery in Basra was hit during the bombing campaign in December.

Ambassador PICKERING. That is correct.

Senator NICKLES. Are we going to use these funds—is that going to be repaired with this money?

Ambassador PICKERING. No.

Senator NICKLES. But they are using a lot of other money to enhance their oil infrastructure, is that not correct?

Ambassador PICKERING. That is correct, their oil export infrastructure.

Senator NICKLES. But not for the refinery?

Ambassador PICKERING. They are in some cases for refineries that provide some product to the domestic market, so they can move food.

Senator NICKLES. But none of that money is going to be used to repair the Basra refinery?

Ambassador PICKERING. For Basra.

Senator NICKLES. Thank you.

Thank you, Senator.

Chairman HELMS. Before Senator Wellstone begins, just one moment for housekeeping. For Senators who are not able to be here, we will keep the record open for a couple of days so that they can file written questions, to which I presume that both of you are willing to respond.

At the conclusion of Senator Wellstone's questioning, we will declare the meeting in recess and get you out of here, as I promised to do, by 12 o'clock.

Senator Wellstone.

Chairman MURKOWSKI. Thank you. Mr. Chairman, thank you. I had some people outside. I am not back for any more questions.

Chairman HELMS. Senator Wellstone.

Senator WELLSTONE. Thank you, Mr. Chairman.

One political economy point and then my one question, which is apparently a very different question than the ones that have been put to you. In all due respect to some of my colleagues, I do not think Minnesotans are as concerned about an increase in supply of oil and somehow that leading to lower prices. Minnesotans do not necessarily equate the health of the oil companies with their own, the health of their families, and would not put that as a sort of major kind of rationale for any foreign policy decision we make.

This is my question. I feel like I am, Mr. Chairman, just thinking about this in a very different way, but I have seen the reports on the number of innocent people who have died in Iraq since the sanctions went into effect—men, women, and children. I have met with very reputable doctors and others in the health care field who have visited Iraq and have come back and have presented reports which, translated into personal terms, are I think devastating.

I have no doubt that Saddam Hussein is a very cruel man who cares not a whit about these people. But that does not mean we should not. That does not mean we should not. I have not heard a word about this today.

So my question is, what do you believe that we should—what is the best public policy for our country? What should we do, since we do care about innocent people, to try and make sure that this does not go on? I mean, the only questions I have heard have been about the oil companies and prices and all of the rest and going to war. I am concerned about what is happening to people in Iraq. I think this is the best of our country, to be concerned.

Could you tell me what your best recommendation is?

Secretary RICHARDSON. I will let Secretary Pickering amplify, but, Senator, I think the best argument is our policy, oil for food, where to address the concerns that you mentioned, very rightly so—our beef is not with the Iraqi people; it is with Saddam Hussein—that we deal with the oil and medicine needs of the Iraqi people.

The oil for food program that allows Saddam to sell his oil, expressly controlled so that, by the United Nations, the Iraqi people can get some food and medicine, that we believe is the best way to deal with those humanitarian needs that you mention.

I also want to say something—

Senator WELLSTONE. Do they have the infrastructure to do it? Can he do it or not?

Ambassador PICKERING. It has to be increased. Senator Wellstone, let me—

Senator WELLSTONE. What has to be increased?

Ambassador PICKERING. Some of his infrastructure, and that is what some of the money is going for.

Let me just emphasize what Secretary Richardson has said because, contrary to what I have been hearing around the table, our policy is not to go to war with the people of Iraq.

Senator WELLSTONE. Yes.

Ambassador PICKERING. Our policy has been—

Senator WELLSTONE. I would like to thank you for stating that.

Ambassador PICKERING. I thank you for the chance to state it.

Senator WELLSTONE. It needs to be said today.

Ambassador PICKERING. I have not had a chance until now to state that. But it is very important. It was part of my initial statement.

Second, we have been concerned, as you have. For 5 years he refused to open the door, Saddam did, on this possibility, and we had very serious accounts of starvation and malnutrition, verified by people who went there, verified by U.N. surveys.

By 1997 we began this program. It became clear early on that the initial judgments about the level of activity were not correct and they needed to be increased. Some months before the incident that Senator Nickles talked about, the Security Council asked the Secretary General for a report on what was necessary, coterminous with the fact that the whole program ran out just at about that time, 6 months after its second approval.

We therefore approved an increase because that was what the Secretary General told us was needed by the people of Iraq to reduce malnutrition, to deal with deaths, to increase the amount of food and medicine. We are still deeply concerned about this program because Saddam is not cooperating. It requires some cooperation on the part of Iraq. The infrastructure for moving larger amounts of oil is not there. It needs, obviously, to be repaired and improved and put in place.

So all of those things I think are germane and appropriate to the point that you have made and the question you have asked.

Secretary RICHARDSON. Senator Helms, if I could just respond to Senator Biden. Could you allow me 2 minutes?

Chairman HELMS. Sure.

Secretary RICHARDSON. Senator Biden, before you came we were very clear that one of the rationales for the cornerstone of our Iraq policy, sanctions, keeping them on, which I had to fight and Secretary Pickering, too, to keep within the Security Council that we maintain the sanctions, was to have the oil for food program. It was not a direct connection, but we also happen to think that that is good policy.

Senator BIDEN. I am not suggesting you do not think it is good policy. I am not suggesting you do not. But I am telling you politically, that is all.

Secretary RICHARDSON. I understand. But at the same time, Senator, let me just say that the impression by some members of this committee is that our Iraq policy is not working. I disagree. Saddam Hussein is contained, he is further isolated. We have inflicted

considerable damage on his military with the bombing that took place. He is right now a pariah. The prospects of sanctions being lifted in the United Nations—I have not been there recently—I do not think they are looking particularly good.

So I reject this view that what we have done is not working. It is working.

Now, on the oil for food issue, Senator, I am here to say on the domestic side that the oil for food program has not adversely affected international oil prices to the point where our domestic oil producers should be concerned. Iraq is not a swing player. It affects marginally world oil prices.

The best way to help the domestic industry is to increase demand by helping to rebuild the Asian economy and to lower production costs at home, that I think we are doing.

I did not want to—I know this is on your time, but—

Senator BIDEN. No, I appreciate the chairman allowing it. If I could have 10 seconds, Mr. Chairman?

Chairman HELMS. Sure, sure.

Chairman MURKOWSKI. You will never make it. Ten seconds, Joe? Come on.

Senator BIDEN. All right. Get ready, get set, go:

I think what these guys are worried about is you are going to make the same mistake that Bush made. You have them down, the policy is working; this is going to let him up.

How many seconds?

Chairman HELMS. Exactly.

Now, I will tell you what we have not discussed, and that is the fact that the survivors or the thousands upon thousands murdered by Saddam Hussein will tell you that the most humane thing you can do for the people is to get rid of him.

Well, thank you very much, gentlemen.

Chairman MURKOWSKI. I thank you as well.

Go ahead. You conclude and then I will conclude.

Chairman HELMS. I am simply going to conclude. I have already told them that they will receive written questions and they will respond to them.

Now I turn it over to the co-chairman.

Chairman MURKOWSKI. Thank you very much. I want to thank you, Senator Helms.

I would make a couple of reminders to the Secretary. You know, when we have a resolution such as 687 and it is not binding, we are playing games. That is just what we are doing when we passed that resolution which required him to disclose, destroy, and undertake unconditionally never to resume such activities again.

Mr. Secretary, this has not happened. We both know it. That is wrong. You are either going to have resolutions that are binding or you are not.

For the benefit of my friend from Minnesota, I remember the gas lines around the block, and the people in Alaska and the people in Minnesota, who did they blame? They blamed government for allowing this to happen. This is going to happen again some day, because we are now 54 percent on imported oil. The Department of Energy suggests we will be up to 62 or 64 percent by the year 2005 to 2010.

We are compromising our energy security for imports, and that is dangerous.

Finally, Mr. Secretary, if you dump a gallon of oil on that table it is going to spread all over, your side and my side. My point is when you take 2.5 million barrels of oil, if it is Saddam Hussein's, out of the marketplace, it is not swing, but it makes a difference in the price, just like it did the other day when the OPEC nations cut production 2.5 million barrels per day and the price went up two dollars. It is not swing, but it does make a difference.

Thank you.

Chairman HELMS. We stand in recess.

[Whereupon, at 12:03 p.m., the committees were adjourned.]

APPENDIX

RESPONSE OF SECRETARY RICHARDSON TO AN ADDITIONAL QUESTION SUBMITTED BY
SENATOR JEFF BINGAMAN

Question. You testified that Iraq is not a swing producer, therefore Iraqi oil exports are not affecting the world oil price. In testimony before the Energy and Natural Resources Committee in January, Jay Hakes, the Administrator of the Energy Information Administration, put Iraqi oil exports at the top of the list of causes for the continuing low prices. All outside oil market analysts who have either testified before or briefed the Committee have clearly identified the rapid escalation in Iraqi exports as a contributor to the fall in oil prices and the sustained weakness. How do you explain your statement at the hearing?

Answer. I am in agreement with Jay Hakes that Iraqi oil exports are one of the factors that have contributed to lower world oil prices. Iraqi oil exports have increased by about 2 million barrels per day since late 1996 and occurred at the same time as the slowdown in oil demand growth in Asia. However, Iraq is not a “swing producer” since it does not have the flexibility to increase production significantly in the near future.

