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DEPARTMENT OF STATE
TO THE
HOUSE COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

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U.S. INTERAGENCY EFFORTS ON IRAQI ASSET RECOVERY

Madame Chair and ranking member and distinguished members of the Subcommittee on Oversight and Investigations, thank you for the opportunity to testify on U.S. efforts to recover Iraqi assets and return them to the Development Fund for Iraq (DFI).

The United States is actively engaged in the recovery of Iraqi assets. The seamless, cooperative, and productive interagency process put in place has resulted in the identification and return to date of more than \$750 million to the Development Fund for Iraq from international sources, with good prospects for additional transfers prior to the June 30 target date for the transfer of authority to an Iraqi Interim Government.

Our experience with Iraqi asset recovery has provided a number of lessons, which we expect to apply to future crises. First, multilateral cooperation and a U.N. umbrella are valuable tools in persuading foreign governments to freeze and return assets. Secondly, strong cooperation among law enforcement, intelligence and diplomatic officials is key to developing the information needed to make the international case for asset recovery.

The State Department is committed at the highest levels to continue the recovery of Iraqi assets. Undersecretary for Economic, Business and Agricultural Affairs Larson and Assistant Secretary for Economic and Business Affairs Wayne are personally engaged each week on the details of the interagency recovery effort, as am I. The Department continues to stress the importance of this issue with senior foreign government officials and urge action by the international community, with the goal of facilitating and expediting the return of Iraqi assets.

Throughout the Department, a number of different bureaus and offices bring their expertise to bear in the effort to recover and return Iraqi assets. Our International Organizations Bureau and our Mission to the United Nations played a lead role in drafting and securing international consensus behind U.N. Security Council Resolution 1483, the linchpin of the Iraqi asset recovery effort. Just today, we submitted a list of 191 Iraqi government entities and 16 family members of Saddam and other senior officials of the former Iraqi regime to the U.N. 1518 committee for listing under UNSCR 1483. We've made concrete steps, through active outreach to all UN Member States, urging them to implement the UNSCR 1483 requirement to identify, freeze and transfer

to the DFI the assets of the former Government of Iraq and its senior officials. In all these efforts, our Bureau of Economic and Business Affairs has played a leadership role in orchestrating international outreach on the asset recovery effort.

U.S. embassies abroad are also actively involved with the international effort to recover and deliver Iraqi assets to the DFI. Our Ambassadors in key countries have made this a priority for their missions and for bilateral discussions with host governments. They stress the importance of recovering these assets, which belong to the Iraqi people, and their return to Iraq where they can be used to accelerate economic reconstruction.

In addition to using diplomatic tradecraft, we have provided our embassies with specific information on where to look for assets. Embassies in turn have relayed this information to host governments and urged local investigation of these leads. To date, we have provided specific information to 41 countries on a total of 570 accounts worldwide. This information is unprecedented in its scope and specificity, when compared with previous efforts. As a result of our efforts, countries in the Middle East, Eastern and Western Europe, the Far East, and North Africa have recovered and transferred assets to the DFI.

While I am proud of the efforts of the State Department, I am equally impressed with the interagency effort. As my Treasury colleague so appropriately described, the interagency working group has been a resounding success. Indeed, the interagency Iraq asset working group is one of the more collegial and productive interagency efforts that I have worked on in recent years. All the key players -- Treasury, State, Justice, NSC, Defense, Homeland Security, CPA, intelligence, and law enforcement agencies -- have supporting agendas and work well together.

Each agency brings special expertise and capabilities to the table. For our part, the State Department has identified Iraqi asset recovery as a key element in our bilateral relationships with countries that hold Iraqi assets. We have worked closely through diplomatic channels with countries that hold Iraqi assets, encouraging them to forward those funds to the DFI. As I mentioned earlier, our embassies have been central to this approach, providing an unprecedented amount of detailed information to foreign governments and encouraging the transfer of Iraqi assets to the DFI. Our approach has been consistent across the board, with close allies and friends, as well as with countries where relations are strained.

We have exchanged over four hundred telegrams with our embassies in the field on this topic and at least that many emails, not to speak of the multiple daily phone contacts with our interagency and CPA colleagues.

The results of this energetic diplomacy, supported by specific and detailed information, has been the transfer of \$750 million to the DFI of the approximately two billion dollars in Iraqi assets that have been identified and frozen. We are continuing to work to secure the transfer of as much as possible of the remainder of those frozen assets, including by emphasizing that the Security Council resolution provides only a relatively narrow exception for those assets that themselves were the subject of a lien or judgment in place

before the resolution was adopted. Although it is unlikely that the DFI will receive all of these resources by the June 30 transition date, we are optimistic that additional funds will be transferred.

Countries throughout the world have aided us in this monumental effort. The United Kingdom, Japan, Norway, Tunisia, Jordan and Croatia, as well as the Bank for International Settlements, among others, have transferred assets to the DFI thus far.

As you can see, we've made great progress in the recovery of Iraqi assets. It is difficult to quantify how much might eventually be collected. We've collected much of the money we know about. However, the remaining amounts, especially assets looted and hidden by senior officials of the former regime will take longer to identify and are harder to estimate now.

While we've made great strides in the recovery and return of Iraqi assets, we still have a ways to go and there is much more that needs to be done. I am proud of our accomplishments to date, but I don't want to marginalize the difficulty in the effort we've undertaken. Often countries will not freeze assets unless individual names are listed at the UN, despite our constant pressure against this approach. In addition, countries often say they cannot transfer assets until they resolve outstanding claims issues. And still others sometimes ask for direct instructions or indemnification letters from the Governing Council before transferring funds. Even with all of our accomplishments there are still roadblocks to progress. However, this remains and will remain a high priority for the Department and the interagency group.

The important steps we've made here have a value beyond Iraq. Looking forward, we need to institutionalize the lessons learned in this successful process. This is not the first or the last time we have come to grips with the issue of seeking the return of assets pillaged by dictators.

Building on the knowledge gained from our efforts on Iraqi assets, we look forward to working with our interagency colleagues on a way to systematically assist countries in securing the return the funds corrupt officials have stolen. We expect to participate actively in developing such a model for future use in appropriate cases.

As we look forward to the next few months and the transition on June 30, we remain a committed participant in this effort. There is much yet to be done, but we remain confident that as a result of strong interagency work and international cooperation, we will recover additional assets.

Madame Chairman, thank you for your continued interest and the opportunity to address this important issue.

