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Tracking Commodity Credits to Iraq

If you're wondering what \$1.9 billion can buy, Sen. Patrick J. Leahy (D-Vt.) has an answer.

"If that money had been spent on domestic needs . . . our nation could have bought a hot lunch for 9.5 million schoolchildren every day of the year. Or our nation could have afforded to fully fund . . . 3.8 million pregnant women, infants and young mothers that do not get care now."

The question Leahy was answering during a recent congressional hearing was: How much is it going to cost U.S. taxpayers to bail out defaulted U.S. loan guarantees to Iraq—guarantees that were used to pay kickbacks to Iraqi officials and possibly even finance Saddam Hussein's military machine before the Persian Gulf War?

On Tuesday, the Iraq scandal will get more airing during a hearing before the House Judiciary Committee, which will grill various Bush administration officials on the government's prewar support of Iraq. Later this month, the committee also is expected to vote on whether to recommend that an independent counsel be appointed to probe possible crimes by U.S. officials carrying out the ill-fated Iraq policy.

A prime focus of this inquiry will be the Commodity Credit Corp., a program the Department of Agriculture used to foster U.S. exports abroad. In theory, Iraq was granted U.S.-backed credits through certain U.S. banks from which it could draw money to purchase agricultural products. In practice, the program became Saddam's personal "automatic teller machine," says one investigator.

Throughout the 1980s, the Bush and Reagan administrations used this program as a back-door foreign aid program for Iraq during and after its war against Iran. By the time Iraqi tanks stormed Kuwait, more than \$5 billion of these credits to Saddam had been granted, of which Iraq has defaulted on \$1.9 billion. Because the credits are backed by the U.S. government, taxpayers are left footing the bill.

"The most disturbing thing that we discovered happening was that these loan guarantees for these tremendous shipments of supposedly agricultural products to Iraq were never actually inspected," Rep. Charlie Rose (D-N.C.) told us. "Therefore [the USDA] didn't know what got to Iraq."

For example, Rose recently showed that the

third-largest U.S. recipient of tobacco credits for Iraq was, in fact, wholly owned by a European group with a long history of arms sales to the Middle East. Even more troubling, says Rose, the Justice Department knew about it and did nothing.

But the most common abuse of CCC-backed funds was to pay kickbacks to Iraqi officials. Cables from Baghdad obtained by our associate Dean Boyd show the Iraqis demanded that U.S. shippers send not only the agricultural products, but other items such as trucks and spare parts "free of charge." Some U.S. shippers treated the kickbacks as simply overhead that was passed on to the U.S. government through inflated commodity prices. That's how the Department of Agriculture found itself guaranteeing both the cost of the kickbacks as well as the agricultural products.

Some of these U.S. loans for inflated commodity prices allowed the Iraqis to recycle the excess into cash, which they could use to buy weapons.

Investigators also have found at least two cases in which they believe the Iraqis were able to obtain duplicate loans for the same shipment of farm goods. In one case, a used CCC contract worth \$355,691 was apparently forged, then resubmitted for more than \$10 million in fresh cash—cash that, again, could go toward weapons.

Today, while congressional investigators try to sort out all the ways the Iraqis fleeced the government through the CCC program, the administration has already shelled out about \$1 billion to cover loans that Iraq misused—and then defaulted on.

Congress goes into "executive session" when it takes its work behind closed doors. The recent congressional golf tournament—from which the public and news media were barred—may go down as the first sporting event ever to be accorded that secretive status.

Perhaps that's because the annual frolic would be a source of embarrassment in an election year—particularly if voters knew that prizes were solicited from lobbyists.

About 76 members of Congress participated and all were big winners at the tournament held at Andrews Air Force Base. Each participant took home a shopping bag filled with some of the thousands of prizes that were distributed.