

# REPORT ON PROGRAMME MANIPULATION

## CHAPTER SEVEN

### REVIEW OF SECRETARY-GENERAL BOUTROS-GHALI BANK ACCOUNTS

## I. INTRODUCTION AND SUMMARY

This Chapter addresses questions raised in the Committee's prior reports concerning the financial affairs of former Secretary-General Boutros Boutros-Ghali and specifically whether there is evidence of financial transactions linking the former Secretary-General and two corruption schemes detailed in previous Committee reports. This inquiry was initiated because of the former Secretary-General's relationship with certain persons involved in these schemes.

With respect to the first corruption scheme, the Committee's Programme Management Report described the Iraqi regime's plan to bribe Dr. Boutros-Ghali during his term as Secretary-General through a series of payments to Samir Vincent and Tongsun Park. As set forth in that Report, during the early stages of the Programme in 1996, the Iraqi regime paid in excess of \$1 million to Mr. Vincent and Mr. Park. Amer Rashid, Iraq's Oil Minister, was involved in providing the money to Mr. Vincent and understood that the money was paid to Mr. Vincent and Mr. Park so that they in turn could forward the money to then Secretary-General Boutros-Ghali. The Report explained that available evidence did not indicate that the former Secretary-General received or agreed to receive any of the cash paid out in this plan.<sup>834</sup>

With respect to the second corruption scheme, the Committee's Third Interim Report found that Benon Sevan corruptly and in concert with Fakhry Abdelnour and Fred Nadler (the brother-in-law of Dr. Boutros-Ghali) derived personal pecuniary benefit from the Programme through the receipt of cash proceeds from sales of oil allocated by Iraq and sold by a business controlled by Mr. Abdelnour and known as the African Middle East Petroleum Co. Ltd. Inc. ("AMEP"). Mr. Sevan's corrupt receipt of oil allocations and cash proceeds occurred from 1998 through 2001. AMEP wired some of its oil sales proceeds to a Swiss bank account in the name of Caisor Services, Inc. ("Caisor Services"), which Fred Nadler controlled, and Fred Nadler in turn withdrew large amounts of money in cash that in turn were transferred to Mr. Sevan.<sup>835</sup>

This latter scheme occurred during a period when Dr. Boutros-Ghali was no longer Secretary-General but maintained relations with Fred Nadler. Telephone records, for example, indicate telephone calls between numbers for Dr. Boutros-Ghali and his wife, Leia Boutros-Ghali, and numbers for Fred Nadler throughout the time that Mr. Sevan corruptly solicited and received oil allocations. During this period, calls also were placed between telephones used by Fred Nadler and telephones used by Mr. Sevan and Mr. Abdelnour.<sup>836</sup>

As detailed below, a review of the known bank accounts controlled by and/or associated with Dr. Boutros-Ghali and Mrs. Boutros-Ghali has not revealed evidence that these accounts were used to receive or transfer any illicit funds provided by the former Iraqi regime, or that Dr. Boutros-Ghali or his wife knowingly received the proceeds of oil sales under the Programme.

<sup>834</sup> "Programme Management Report," vol. II, pp. 40, 82-96.

<sup>835</sup> "Third Interim Report," pp. 26-52.

<sup>836</sup> Nadler family telephone records, Verizon (1998-2001).

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A review of Caisor Services' records reveals that, on two occasions in 1999 and 2001, a portion of funds, including proceeds received from the sale of oil by AMEP totaling \$16,000 (\$8,000 each), was transferred to an account of Mrs. Boutros-Ghali that Dr. Boutros-Ghali managed. As outlined below, however, these transfers appear to be part of a string of transactions of similar amounts executed both before and after AMEP's participation in the Programme, and which were justified for various reasons, including reimbursements for travel and vacation expenses between members of the Nadler family. Dr. Boutros-Ghali has stated that he had no knowledge of the source and nature of these funds and was likewise unaware that the funds that were used for these transfers were derived from AMEP's sale of oil. No evidence reviewed by the Committee indicates that he knew otherwise.

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## **II. ANALYSIS OF BANK ACCOUNTS OF FORMER SECRETARY-GENERAL BOUTROS-GHALI**

As noted in the Third Interim Report, Dr. Boutros-Ghali voluntarily assisted in a review and evaluation of his financial affairs relating to the Committee's continuing investigation by providing access to his personal financial information. The bank account review has focused on the period between early 1996 through 2003 in an effort to determine if incoming funds to the relevant bank accounts came from illicit or unexplained sources. The review extended to family accounts located in Europe, the Middle East, and the United States, and it has included not only the underlying accounts, but also, when possible, the accounts where payments originated or were sent. The review was necessarily limited to those accounts that were identified as under the control of or for the benefit of Dr. Boutros-Ghali and his immediate family.

Through this process, the Committee identified significant transfers into, out of, or among the accounts of, or accounts controlled by, Dr. Boutros-Ghali, Mrs. Boutros-Ghali, and certain members of the Nadler family. Committee investigators reviewed these records and transactions with the participating individuals, with the exception of those persons—including Fred Nadler, Raouf Boutros-Ghali, and Mr. Abdelnour—who have refused to meet with the Committee.

With respect to the first corruption scheme involving Iraq's plan to bribe the Secretary-General, the bank account review has identified legitimate sources for questioned transfers during the relevant time period from 1996 through 2003. The review has not uncovered any transactions that represent or appear to be derived from payments by the Iraqi regime or its agents, including Mr. Park or Mr. Vincent.

With respect to the second corruption scheme involving the payment of monies from AMEP to the Caisor Services account of Fred Nadler, certain transfers from the Caisor Services account warrant further discussion. Apart from the cash withdrawals that were taken from the Caisor Services account for Mr. Sevan, there were a number of transactions where portions of AMEP oil sales proceeds sent to Caisor Services were transferred subsequently to the account of Mrs. Boutros-Ghali and to another Nadler family account ("Nadler Family Account"). In an effort to evaluate whether Dr. Boutros-Ghali knew these transfers involved proceeds from Programme oil sales, the transfers are discussed below.

### **A. CAISOR SERVICES ACCOUNT DISBURSEMENTS TO A LEIA BOUTROS-GHALI ACCOUNT**

The account review identified four transfers between 1997 and 2003 from Caisor Services to an account of Mrs. Boutros-Ghali managed by Dr. Boutros-Ghali, each in the amount of \$8,000. These transfers represent a small portion of the Caisor Services account's balance and likewise a small portion of the receiving account's balance. The transfers occurred in January 1997, November 1999, January 2001, and November 2003. The first and fourth payments, in January

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1997 and November 2003, respectively, were not derived from deposits to the Caisor Services account of any proceeds from oil sales under the Programme.<sup>837</sup>

The second and third transfers appear to have involved the use of proceeds of oil sales by AMEP that were deposited into the Caisor Services account. On November 2, 1999, AMEP transferred approximately \$100,000 of oil sale proceeds to the Caisor Services account. Two days later, \$8,000 was transferred from the Caisor Services account to an account maintained by Dr. Boutros-Ghali for the benefit of Mrs. Boutros-Ghali. On December 6, 2000, AMEP transferred approximately \$96,000 of oil sale proceeds to the Caisor Services account. In January 2001, Caisor Services then made the third \$8,000 payment to the account of Mrs. Boutros-Ghali.<sup>838</sup>

Notwithstanding these two transfers from the Caisor Services account, the available evidence does not indicate that Dr. Boutros-Ghali was aware of the source or nature of the funds transferred. When interviewed, Dr. Boutros-Ghali stated that he was unaware of Fred Nadler's involvement in the purchase or sale of oil under the Programme, or that the transfers were derived from proceeds of oil sales under the Programme. Initially, Dr. Boutros-Ghali recalled that the transfers from Fred Nadler's account were Mrs. Boutros-Ghali's share of the proceeds from the sale of Nadler family property. He explained that the Nadler family had significant land holdings in Egypt, and that each time an asset was sold, the money was distributed among the family members, including to his wife. However, when shown the banking records evidencing the transfers of \$8,000 from Caisor Services, Dr. Boutros-Ghali stated that the amounts of these transactions were too small for such real estate transactions. He stated that these payments may have represented reimbursements for the cost of Nadler family holidays, which were incurred by Mrs. Boutros-Ghali, but reimbursed by her brothers. Dr. Boutros-Ghali explained that he did not realize that Caisor Services was Fred Nadler's company. Dr. Boutros-Ghali was requested to provide more information on these transactions, and investigators sought to interview individuals who might have knowledge of the nature of these and other transactions.<sup>839</sup>

On the same day, after the interview of Dr. Boutros-Ghali concluded, he contacted investigators to state that the second \$8,000 payment (November 1999) was made to pay for his mother-in-law,

<sup>837</sup> Union Bancaire Privée ("UBP") record, Caisor Services account, payment orders (Jan. 23, 1997; Nov. 3, 1999; Jan. 4, 2001 (date adjusted to reflect correct year); Nov. 17, 2003); Leia Boutros-Ghali account records (Jan. 27, 1997; Nov. 4, 1999; Jan. 5, 2001; Nov. 18, 2003); Boutros Boutros-Ghali interviews (July 25 and Oct. 17, 2005) (explaining that the account was managed originally by Emanuel Nadler, but that Dr. Boutros-Ghali assumed these duties several years ago when he started depositing money into the account); Leia Boutros-Ghali interview (Sept. 30, 2005).

<sup>838</sup> UEB record, AMEP account, debit advices (Oct. 27, 1999 and Dec. 6, 2000); UBP record, Caisor Services account, credit advices (Nov. 2, 1999 and Dec. 8, 2000) and payment orders (Nov. 3, 1999 and Jan. 4, 2001); Leia Boutros-Ghali account records (Nov. 4, 1999 and Jan. 5, 2001). The first transfer from AMEP to Caisor Services took place on November 23, 1998, and the last transfer from AMEP to Caisor Services took place on October 12, 2001. "Third Interim Report," pp. 30-31, 47-48.

<sup>839</sup> Boutros Boutros-Ghali interview (July 25, 2005). Dr. Boutros-Ghali cited vacations in Italy and Geneva as examples of Nadler family gatherings, which he stated he did not attend. Ibid.

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Pauline Nadler, to travel from New York to Paris. Dr. Boutros-Ghali stated that the third \$8,000 transfer (January 2001) was a “mistake,” and that, three days later, the money was repaid from the Boutros-Ghali family account at a Paris bank to Fred Nadler’s bank account in New York. The Paris bank records confirm the transfer of \$8,000 to a New York bank account in the name of Fred Nadler.<sup>840</sup>

When asked by Committee investigators whether he knew that Fred Nadler and Mr. Abdelnour were involved in the oil business together, Dr. Boutros-Ghali replied that he knew they were involved in real estate deals in Egypt, but was not aware that their relationship extended to the oil business. When asked if he received other money from Fred Nadler, Dr. Boutros-Ghali replied: “No, never.” Additionally, he stated that his wife did not receive any other money from Fred Nadler.<sup>841</sup>

Mrs. Boutros-Ghali explained that the \$8,000 transfers were periodic transfers she received from her brother Fred for various reasons, including from the joint rental of a vacation home, reimbursement of expenses, or a loan of funds. She noted that her husband was more involved in the financial management of the account than she was.<sup>842</sup>

The Committee identified one other transfer of approximately \$40,000 made from an HSBC account controlled by Raouf Boutros-Ghali, the brother of Dr. Boutros-Ghali, to this same account of Mrs. Boutros-Ghali that Dr. Boutros-Ghali managed. This transfer was significant in that, approximately six months earlier, Raouf Boutros-Ghali received a transfer of \$50,000 into an HSBC Egypt account from an account controlled by Mr. Abdelnour—this earlier transfer occurred during the period in which Mr. Abdelnour received proceeds from the sale of oil under the Programme. Careful examination of these transactions, however, reveals several reasons suggesting that the \$40,000 transfer is not linked to Mr. Abdelnour’s oil proceeds: (1) the account used by Mr. Abdelnour to pay Raouf Boutros-Ghali was not funded with proceeds from oil sales; (2) the transfer of funds to Mrs. Boutros-Ghali’s account occurred six months after the transfer from Mr. Abdelnour; and (3) the \$40,000 transfer amount is consistent with other transfers

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<sup>840</sup> Ibid.; Paris Bank account records (Jan. 4, 2001). Dr. Boutros-Ghali indicated that Ms. Nadler “changed her mind,” and that the trip did not occur, but the money was not refunded. Boutros Boutros-Ghali interview (July 25, 2005). Ms. Nadler passed away in May 2000. “Third Interim Report,” p. 20.

<sup>841</sup> Boutros Boutros-Ghali interview (July 25, 2005). Fred Nadler was in charge of determining the distribution of assets from some Nadler family financial affairs. Emanuel Nadler interview (Sept. 28, 2005). Therefore, Fred Nadler controlled the percentage of funds being allocated to accounts beneficially owned by Mrs. Boutros-Ghali. Although nothing untoward was found in the distributions analyzed by investigators, some of the allocations did not follow an established pattern. Again, because Fred Nadler would not consent to an interview, investigators could not determine the rationale for certain unequal distributions.

<sup>842</sup> Leia Boutros-Ghali interview (Sept. 30, 2005).

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between family members before and after this transaction. Dr. Boutros-Ghali stated the \$40,000 was a transfer of his proceeds of income from the family properties.<sup>843</sup>

During the course of the investigation, Committee investigators reviewed the telephone records of Fred Nadler. These records indicate numerous calls between 1998 and 2001 from Fred Nadler's telephone to a Paris telephone number that Dr. Boutros-Ghali used. There is no evidence, however, that these communications involved AMEP's activities or the Programme.<sup>844</sup>

### **B. CAISOR SERVICES ACCOUNT DISBURSEMENTS TO A NADLER FAMILY ACCOUNT**

In addition to the transfers from the Caisor Services account to the account of Mrs. Boutros-Ghali, the inquiry also identified seven transfers—from 1997 to 2003—from the Caisor Services account to the Nadler Family Account that was owned beneficially by Mrs. Boutros-Ghali and Emanuel Nadler (brother of Mrs. Boutros-Ghali and Fred Nadler). Those transfers totaled \$53,200. The transfers occurred in January 1997 (\$5,000), February 1999 (\$5,000), December 1999 (\$9,000), May 2000 (\$20,000), September 2002 (\$8,000), March 2003 (\$3,000), and November 2003 (\$3,200).<sup>845</sup>

Two of these seven transfers (December 1999 and May 2000) occurred close in time to a transfer of money from AMEP to Caisor Services following the sale of oil through the Programme. In November 1999, AMEP transferred \$100,000 to Caisor Services following an oil sale, and, approximately two weeks later, Caisor Services sent \$9,000 to the Nadler Family Account. Likewise, in April 2000, AMEP transferred approximately \$95,000 of proceeds from Programme oil sales to Caisor Services, and this was followed a little more than a month later by a transfer from Caisor Services of \$20,000 to the Nadler Family Account.<sup>846</sup> The nature and context of these transfers was consistent with the broader historical pattern of activity between the two

<sup>843</sup> Boutros Boutros-Ghali interview (Sept. 30, 2005); UEB record, Guirgeh Foundation account, debit advice (Oct. 17, 2001); Leia Boutros-Ghali account records (Apr. 15, 2002); see also Wasef Boutros-Ghali interview (Sept. 30, 2005) (noting that he shared income with his brothers—Boutros and Raouf Boutros-Ghali—relating to real estate sales and rental fees).

<sup>844</sup> Nadler family telephone records, Verizon (1998-2001); Boutros Boutros-Ghali interview (July 25, 2005). Although Dr. Boutros-Ghali did not recognize the telephone number as belonging to him, this same number appeared in Mr. Sevan's electronic organizer under an entry for Dr. Boutros-Ghali. *Ibid.*; Benon Sevan Lotus Organizer and Electronic Calendar (recording contact information for Dr. Boutros-Ghali).

<sup>845</sup> Emanuel Nadler interview (Sept. 28, 2005); UBP record, Caisor Services account, payment orders (Jan. 23, 1997; Feb. 16 and Dec. 14, 1999; May 30, 2000; Sept. 11, 2002; Mar. 21 and Nov. 11, 2003); Nadler Family Account records (Feb. 18 and Dec. 14, 1999; May 30, 2000; Sept. 12, 2002; Mar. 24 and Nov. 18, 2003).

<sup>846</sup> UEB record, AMEP account, debit advices (Oct. 27, 1999 and Apr. 7, 2000); UBP record, Caisor Services account, credit advices (Nov. 2, 1999 and Apr. 12, 2000) and payment orders (Dec. 14, 1999 and May 30, 2000); Nadler Family Account records (Dec. 14, 1999 and May 30, 2000).

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accounts and does not appear to represent the deliberate transfer of oil sale revenue from AMEP to the Caisor Services account.

Nor did these two transfers (of \$9,000 and \$20,000, respectively) represent a significant portion of the balance of either the sending or receiving account. Moreover, during the same time period, a larger amount of money flowed in the opposite direction—from the same Nadler Family Account to the Caisor Services account. Three such transfers occurred in October 1999 (\$148,861), January 2000 (\$7,193), and June 2000 (\$38,291). When questioned, Dr. Boutros-Ghali stated that he did not know of the Nadler Family Account. Mrs. Boutros-Ghali acknowledged having an interest in the account, but stated that this account was managed primarily by her brother, Emanuel Nadler.<sup>847</sup>

In summary, a review of known bank accounts controlled by or associated with Dr. Boutros-Ghali and Mrs. Boutros-Ghali does not indicate that Dr. Boutros-Ghali received any illicit money from the Iraqi regime or from persons associated with the regime's scheme to pay him a bribe through payments made to Mr. Vincent and Mr. Park. Although the review has disclosed that bank accounts controlled by or associated with Dr. Boutros-Ghali and/or Mrs. Boutros-Ghali received some funds from the Caisor Services account, when considered in context, these payments do not indicate that Dr. Boutros-Ghali was involved with transactions occurring under the Programme. These transactions constitute a relatively small amount of the funds held and transferred by the Nadler and Boutros-Ghali family members, and they appear to be a part of a long-standing pattern of financial relationships among family members.

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<sup>847</sup> UBP record, Caisor Services account, credit advices (Oct. 18, 1999; Jan. 18 and June 28, 2000); Nadler Family Account records (Oct. 18, 1999; Jan. 18 and June 28, 2000); Boutros Boutros-Ghali interview (July 25, 2005); Leia Boutros-Ghali interview (Sept. 30, 2005).

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### III. RESPONSE OF BOUTROS BOUTROS-GHALI

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Independent Inquiry Committee  
United Nations Oil for Food  
Program  
825 Third Avenue  
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USA  
Attention of Mr Reid Morden,  
Executive Director

By fax 001 212 842 25 55  
and by mail

October 17<sup>th</sup>, 2005  
V-rp

**Re: Dr Boutros Boutros-Ghali**

Dear Mr Morden,

You are aware that I am acting for Dr Boutros Boutros-Ghali who asked me to answer your letter dated October 14<sup>th</sup>, 2005.

In the future, you will be kind to correspond directly with me.

My client duly noted that the Committee has not found any deposit or transfer of funds that appear to be related to the Iraqi payment scheme conducted by Messrs Vincent and Park.

My client and myself have been able to give to your representatives all information regarding the specific transfers you have identified. There is only one transfer based on a check, a copy of which your representatives will review this week. The check has been written by Mr Boutros-Ghali himself for a transfer to his own account.

In your letter, you are indicating that the Committee will complete its investigation of the disbursement of the proceeds of the sale of the oil



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allocations solicited by Benon Sevan and report, in substance, that a portion of these proceeds were transferred to an account in the name of Caisor Services controlled by Fred Nadler. This cannot be linked to my client notwithstanding the small transfers made from Caisor Services to a company whose beneficiary is the wife of my client.

First of all, the two transfers are part of a longstanding pattern of transfers between family members in connection with their mutual family business.

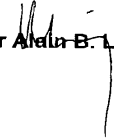
Second, these two small transfers would have been made even if Caisor Services would not have received any transfer from AMEP. Caisor Services had an account with sufficient assets to make the transfers that were due according to the family arrangements and it is completely wrong to state that the amounts that were transferred by Caisor Services to the company's account of my client's wife derive from these proceeds.

Third, my client was not maintaining an account for the benefit of his wife. My client's wife was a beneficiary of a company account and my client was not the beneficiary of this account even though he decided a few years ago to transfer certain assets to his wife to arrange his succession.

Therefore, my client cannot accept the conclusions of the Committee and will immediately take action if you were to publish a report indicating that amounts received by Caisors Services, which you consider as linked to the U. N. Oil for food program were transferred to an account where my client has a benefit.

The alleged facts are simply wrong. I reserve all rights of my client who will take action against the Committee for the damage he will suffer, if the Report states the facts as mentioned in your letter.

Yours sincerely,

  
Dr. Alain B. LEVY

c.c. to Mr M. Pieth

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