

**Statement By Senator Hillary Clinton**  
**Democratic Policy Committee Hearing On Contracting Abuses In Iraq**  
**November 3, 2003**

When we finish this hearing we will be voting on the \$87 billion conference report. But today's vote has been complicated by the removal of several crucial provisions from the bill while in conference. These provisions, which I sponsored or co-sponsored would have required greater oversight and accountability of the expenditure of taxpayer funds in Iraq. One amendment that I sponsored would require GAO audits of these opaque supplemental appropriations. Senator Byrd had another amendment that I co-sponsored that would have provided extensive GAO oversight into how all of our tax dollars are being spent. Another amendment that I co-sponsored with Senator Harkin would require the GAO to examine the level of profits being made by U.S. contractors in Iraq. All of these amendments were in the Senate bill. And unfortunately, the conference has stripped all of these measures from the supplemental appropriation. The Senate passed important amendments that would help ensure accountability and instill confidence in the rebuilding process, and the conference opted for weaker provisions that unfortunately, help maintain the shroud of secrecy.

This despite recent press reports indicating that now, more than ever, accountability and oversight is needed. According to a *Wall Street Journal* story from August, the United States has already sent a billion dollars in cash to Iraq. As the story says, "the U.S. has improvised a money pipeline that runs from a New Jersey warehouse, to a Maryland air base, down Baghdad's Ambush Alley, and even, at times, underneath the black burkas of two middle-age female accountants -- until it ends up in the pockets of ordinary Iraqis." The story details how the United States is currently flying planes full of cash to Baghdad, and that these banknotes are "seeping" into the economy through cash payments to guards, pensioners, and other Iraqis.

Last week's issue of *Newsweek* has a story titled the "\$87 Billion Money Pit," which reports that "Numerous allegations of overspending, favoritism and corruption have surfaced. Halliburton, a major defense contractor once run by Vice President Dick Cheney, has been accused of gouging prices on imported fuel--charging \$1.59 a gallon while the Iraqis 'get up to speed,' when the Iraqi national oil company says it can now buy it at no more than 98 cents a gallon. (The difference is about \$300 million.) Cronies of Iraqi exile leader Ahmad Chalabi, *Newsweek* has learned, were recently awarded a large chunk of a major contract for mobile telecommunications networks."

Finally, the Center for Public Integrity has reported that more than 70 American companies and individuals have won up to \$8 billion in contracts for work in postwar Iraq and Afghanistan over the last two years. The Center found that those companies contributed more money to the presidential campaign of George W. Bush—more than \$500,000—than to any other politician over the last dozen years.

These stories – which raise so many questions and concerns about taxpayer money -- are all about the money that has been used thus far. And now we are on the cusp of sending \$18 billion for Iraq reconstruction, on top of the money that is there now. We had an opportunity with this expenditure to dispel all doubts about cronyism and corruption. Yet the conference opted to give short shrift these concerns.

The Senate attempted to provide real oversight that would give some assurance to the American public and the Congress that taxpayers' funds were being spent wisely. As my colleague Senator Byrd often points out, the Constitution charges Congress with the authority to appropriate funds. We have the responsibility to make sure these funds are not being wasted or being used to feather the nest of profiteers.

Faced with Administration opposition to these good government provisions, what has the congressional leadership done instead? They have essentially nullified these provisions - creating an Inspector General that is unaccountable to Congress. Worse still, the conference provides the president with the power to nullify any report of the IG. There is no guarantee that congress will ever see the necessary reports on how these funds are being spent. As an indication of how little accountability there will be, the conference has moved away from the practice of having the President appoint the IG with approval from the Senate. Instead, the Secretary of Defense will appoint the IG with no congressional approval.

I simply can't understand these actions. Especially when we hear so much from the other side about safeguarding the American taxpayer's money when it comes to needed investments here at home. We hear so much about possible waste, fraud and abuse in what our government does here. Yet, here we have story after story of waste and cronyism in Iraq -- and silence. It seems we have a system – and a leadership – that is more concerned with how tax dollars are being spent in this country, than it is about the American tax dollars that are being sent overseas to be spent in Iraq – a country with no system of oversight and no tradition of openness. When it comes to the money being sent there, we're not just witnessing silence from the Administration. Rather, we see efforts to undermine any initiatives that create real accountability in Iraq. Why the double standard? Why not safeguard American tax dollars at home *and* abroad.

I don't understand it. Why fight real accountability provisions? Why act like we have something to hide? I believe this lack of transparency not only undermines support here at home, but raises questions as to our motives both with our allies and with the Iraqi people. And that is so detrimental at this time when so many of our foreign policy goals depend on trust. We are asking the Iraqi people to trust us, our allies to trust us, the American people to trust the decisions that this Administration has made. But this unwillingness to be transparent undermines that trust.

Instead of shutting the door on any independent oversight, we need to assure the American people that their money is being spent wisely, assure the Iraqi people that it is being spent in their interest and assure the world that it is not being spent for profiteering by American companies.

I believe the Administration is making a mistake by not supporting these provisions. Faced with an opportunity to reassure allies, Iraqis and the American people that these funds are being used properly and not used to line the pockets of U.S. contractors, the Administration has chosen instead to encourage weak oversight that will offer little confidence that abuses are not occurring.

I fear that we will soon read further accounts of corruption, cronyism and profiteering in Iraqi reconstruction. I urge the Congress to act on several bills that would encourage greater accountability and transparency in Iraqi reconstruction.

We cannot afford to have the whiff of cronyism or corruption surrounding our efforts in Iraq. Time is running out to do something before these funds make their way to Iraq. I hope that we seize the opportunity.

Thank you.