

CROSSING BORDERS OPENING DOORS

Selected articles from the International Consortium of Investigative Journalists



THE CENTER FOR PUBLIC INTEGRITY

Copyright ©2005 by The Center for Public Integrity
Interior Design by Jyoti Sauna
Cover design by Jyoti Sauna

All rights reserved, which includes the right to reproduce this book or portions thereof in any form whatsoever except as provided by the U.S. Copyright Law. For information address

The Center for Public Integrity
910 17th Street, NW
Washington, D.C., 20006



A project of
THE CENTER FOR PUBLIC INTEGRITY

Copyright ©2005 by The Center for Public Integrity
Interior Design by Jyoti Sauna
Cover design by Jyoti Sauna

All rights reserved, which includes the right to reproduce this book or portions thereof in any form whatsoever except as provided by the U.S. Copyright Law. For information address

The Center for Public Integrity
910 17th Street, NW
Washington, D.C., 20006

ABOUT THE CENTER FOR PUBLIC INTEGRITY & ICIJ

The Center for Public Integrity is a nonprofit, nonpartisan, tax-exempt organization that conducts investigative research and reporting on public policy issues in the United States and around the world.

Since 1990, the Center has released more than 275 investigative reports and 14 books. In just the past eight years, the organization has been honored more than 30 times by, among others, PEN USA, Investigative Reporters and Editors and the Society of Professional Journalists. The Center's "Windfalls of War" report on U.S. government contracts in Iraq and Afghanistan won the highly prestigious George Polk award (online category) in 2004.

The International Consortium of Investigative Journalists was launched in 1997 as a project of the Center for Public Integrity to extend globally the Center's style of watchdog journalism in the public interest by marshaling the talents of the world's leading investigative reporters to focus on issues that do not stop at water's edge. Today, the ICIJ network includes more than 90 leading investigative reporters and editors in 50 countries. The group has collaborated on numerous online and printed reports on corporate crime, arms trafficking, terrorism, U.S. military policy and human rights issues. Global Access, another international project, was launched in 2001 to systematically track and report on openness, accountability and the rule of law in various countries.

ICIJ and its hand-picked cadre of international journalists release their findings via The Center's Web site and in media around the world. "Making a Killing: The Business of War," a two year investigation into private military companies and arms trafficking, and "The Water Barons," an investigation on worldwide water privatization, were also published as books in 2003.

The exponential increase in usage of the Center's reports by the media, academics, non-governmental organizations and the public at large shows the growing impact of its mission. The quality of the Center's work, in only 15 years, has firmly established the organization as an institutional presence in Washington. By building upon and perpetuating its hard-earned reputation for "public service journalism," we aim to steadily increase the organization's impact on public policy debates.

TABLE OF CONTENTS

Foreword	IX
ICIJ: Laying the Foundation.....	XI
Tobacco Project: Tobacco Companies Linked to Criminal Organizations in Lucrative Cigarette Smuggling.....	1
Tobacco Project: Major Tobacco Multinationals Implicated in Cigarette Smuggling, Tax Evasion	11
Latin America: U.S. Shrugged Off Corruption, Abuse in Service of Drug War.....	16
Arrested Italian Cell Sheds Light On bin Laden's European Network	23
Africa's 'Merchant of Death'.....	27
Making a Killing: The Field Marshal	31
War On Error: Live Pictures Taken by U.S. Planes Were Freely Available	39
Kuchma Approved Sale of Weapons System to Iraq	43
Genetics: Favorable Logistics	47
Windfalls of War: Halliburton Contracts Balloon	49
The Water Barons: The French Connection	52
Charting New Journalistic Landscapes	59
List of Current ICIJ Members	61
The ICIJ Award	62
Support for ICIJ	63

FOREWORD

By Bill Kovach

Shortly after the Soviet Union collapsed in 1989, I had a chance to truly understand the need for an independent press that fully and accurately informed its public in a timely fashion.

It was not long after the collapse of the Berlin Wall. Along with Tom Winship, the late editor of the *Boston Globe*, I organized the first conference to bring together journalists from the West and the newly freed states rising from the ruins of the Soviet empire.

For three amazing days in Prague that summer, we listened as one speaker after another talked emotionally about the breeches in the Iron Curtain through which uncensored news had trickled in over the years. As the new Czech President Vaclav Havel told us, it was the flow of credible, verified information

that allowed the Czechs and Slovaks to “take back” their language. “A language that had been stolen by propagandists to convince us that show trials were ‘justice’ and that slavery was ‘freedom,’” he said.

“Strengthening our ability to penetrate this fog of dis- and misinformation has become our most pressing challenge”

Only when the language itself had been freed could the people themselves begin to become free. Only then could the people begin to have honest thoughts about political affairs, about the real state of the world and about their place in it.

It was an exhilarating time to be there with a new generation anxious to create a press independent of the political, economic and social forces that had also been unleashed. We were beginning to organize a new international world order.

In the euphoria of the re-opening of all of Europe, we had come to doubt George Orwell’s warning in “1984”. Maybe, we thought, we were foolish to worry so much about the new technology. After all, computer technology was democratizing information in a way that might turn the tables on totalitarian governments and allow citizens to watch those governments.

Eight years later, when Chuck Lewis and I discussed his idea of creating what is now the International Consortium of Investigative Journalists, most of us who were there in Prague—including some current ICIJ members—had come to believe the press was in fact losing its independence. Powerful private interests were in a competitive struggle over how new communication technology would be organized economically and politically. This global competition included re-focusing the very purpose of the press in ways that would determine how or whether it would serve a self-governing public or further strengthen the power elites. In the new world order a-building, a fragmented press restrained by state or regional boundaries would be unable to even monitor these new international organizations that knew no boundaries and grew increasingly more powerful.

Nowhere was the erosion of independence more noticeable than in the United States, where the press’s ability to hold power accountable was dissolving in a froth of infotainment and a reluctance to go against the prevailing tides of shifting power. One possible antidote, we thought, might be to harness the courage and energy and imagination of the international press corps, including those journal-

ists who were born distrusting power and had longed to give hope and the power of knowledge to citizens.

So here we are almost 16 years after the euphoria of Prague and a little less than a decade after ICIJ was founded. And the struggle to maintain an independent press strong enough to monitor power has become more about how words are controlled than about how the technology is managed. Leaders of political, economic and social power the world over grow ever-more sophisticated in their use of words to misinform, mislead and propagandize their citizens, their messages delivered via media outlets over which they have no direct control. Strengthening our ability to penetrate this fog of dis- and misinformation has become our most pressing challenge—a challenge that may prove fatal to informed self-government if this generation fails to rise to meet it effectively.

This report stands as eloquent testimony to the importance of international cooperation among independent journalists to do just that. For those of us who live in the United States, this report should be a humbling reminder of the extent to which we allow our First Amendment freedoms to rust from disuse.

Articles in this report, all produced by ICIJ members, have injected information into the mainstream that might have otherwise gone unreported. This information is of such fundamental importance that it boggles the mind how venerable news organizations could not have been aggressively seeking out these stories. It includes reports on how corporations are quietly buying up rights to the very basis of human life—the earth’s water supply. And how greedy private interests profit from the business of war. And more; much more.

These are stories that likely would have gone unreported by news organizations that have suffered the loss of both resources and the desire to do investigative journalism. Unreported by news organizations that seem unable to penetrate the fog of propaganda and mind control wielded by people and institutions of power.

And finally, this report signals to the rest of us that maintaining the flow of timely information about issues and events important to citizens is possible with the dedication and determination of international journalists such as those represented herein.

LAYING THE FOUNDATION

By Charles Lewis

My personal epiphany about the possibility of collaborative, across-border investigative reporting occurred in 1992, when I was invited to speak at an extraordinary international investigative journalism conference in Moscow—an historic event literally on the heels of the collapse of the Soviet Union and an attempted coup the preceding year. The journalist there whose global experience had the most compelling resonance for me was Phillip Knightley, the internationally renowned, London-based author and reporter who eloquently and indelibly stressed the paramount need for competitive, often paranoid, investigative reporters to help each other with information.

At this surreal assemblage, the Russian and Ukrainian journalists lamented the losses of their murdered colleagues, the Indian and British reporters recounted how they had been arrested for violating the Official Secrets Act, the South African reporter grippingly recalled seeing her sources gunned down in the street, a Colombian journalist told us how her sister had been murdered following her investigative stories on the Medellin drug cartel. Meanwhile, straight-faced American journalists earnestly complained about the handling of their Freedom of Information Act requests. The different cultural mores and journalistic experiences were quite stunning, but the intense zeal for sunshine and truth was absolutely universal. I fully grasped that I wasn't in Kansas anymore when late one night a shot fired through the window of a bar hit a few feet from my head and no one found it noteworthy enough to even get up from their tables.

"We have found that there are literally hundreds of enormously talented enterprise journalists with practically no outlet for serious writing."

There had been some other international gatherings of this sort in the late 1980s, featuring such luminaries as I.F. Stone. But in this pre-Internet era, there was no formal—or even much of an informal—mechanism for the kind of cooperation and collaboration that Phillip Knightley had described. What's more, national membership service organizations such as Investigative Reporters and Editors were—and still largely remain—domestic-focused, and for competitive membership reasons cannot publish actual investigative reports. In other words, I realized there was a huge opportunity and public need to extend internationally the unusually collaborative, macro-subject approach to long-form investigative reports internationally being practiced by the Center for Public Integrity, which I had founded in 1989 on the heels of an 11-year career at ABC News and CBS News. Of course, I had no idea exactly how to do it, nor could I exactly articulate to anyone what "it" was.

I wrote to the Center's board of directors on November 20, 1992, about the Moscow conference invitation and experience and, citing examples, said, "Editorially we are building relationships with investigative reporters around the world." Also taken with the Sony Hi8 camcorder and other new video technologies, I had begun brainstorming with a former ABC News colleague, who had become CNN vice president in charge of the international network's Special Assignment Unit, about a collaborative relationship to do international investigative reporting using some of this new technology. That possibility later died when a philanthropic foundation flirting with awarding a multimillion-dollar grant to CNN changed its mind.

Separately, a new company called Telejour was creating Hi8 video alliances with on-the-ground radio and print reporters around the world. But the firm had little investigative reporting expertise and sensed that the Center and I, with growing ties overseas, might be able to help forge a video international investigative reporting network. Following extensive meetings with Telejour's founder, I told my board in a status report: "we can then send someone into the Brazilian Amazon—or wherever—bring back striking, important stories and video, and through Telejour, send it out around the world." The company, alas, was under-capitalized, and it ultimately disappeared, swallowed up by the New York Times Company.

By 1994, the Center for Public Integrity was known as a serious muckraking entity to all of the leading investigative reporters in the United States and, increasingly, to their overseas counterparts. Journalists and others in a few European countries had urged the Center to open offices there and extend our unique style of investigation internationally. This was mind-opening and intriguing, but it also posed financial, bureaucratic and other challenges, including matters related to editorial quality control. I spoke about the Center and our work with journalists in France, Belarus and at an international corruption conference in Hungary that year, observing to my board of directors: "We have found that there are literally hundreds of enormously talented enterprise journalists with practically no outlet for serious writing." That same year, the Center submitted its first international, foundation-funding proposal for a multi-country investigation—an examination into U.S. and multilateral aid to Russia, Poland, Hungary, Kazakhstan and the Czech Republic. In the end it was unsuccessful, but I later told the board, "Undaunted, we are currently putting together another similarly ambitious venture on the international level."

In November 1995, I notified the board that a foundation appeared willing to give the Center a "feasibility" grant to investigate the efficacy and wisdom of opening an International Centre for Public Integrity in Paris, to investigate such issues as bank and other transnational economic crimes, environmental malfeasance, arms sales, child labor and so on. "Could a small 2-3 person subsidiary be opened in Paris, which could power up as needed, depending upon funding and editorial interest, allowing for a tough, credible, civil society entity to begin replicating the U.S. model, networking with hundreds of journalists abroad as a resource?" I asked. But once again, the funding fell through.

In 1996, I began talks with another vice president at CNN, this time suggesting a contractual consulting relationship for the Center that would help the global cable network do substantive investigative stories about truly international issues, such as disappearing rain forests or economic crime. She was excited about the concept, but our talks collapsed because of the resources required for what I was proposing.

That year I also identified major donor interest in the overarching concept of organizing a "computer database/password-only bulletin board system incorporating the best investigative journalists in the world," as I wrote to the board on October 15. Three months later, in a follow-up message to the board, I reported: "In my travels abroad, and hours of conversation with Advisory Board member Bill Kovach, various Nieman Fellows and other journalists, I have become convinced that the Center can play a critically important convener or facilitator role to investigative journalists around the world, at practically no major expense. After literally years of fermentation, I believe we are finally positioned properly to take a significant step forward, into the international realm."

In that same status report, the name of this new project was first announced as “The International Consortium of Investigative Journalists.” By the summer of 1997, the Winston Foundation, based in Washington, D.C., and the London-based Rausing Trust had given grants for this new idea. By September, Maud Beelman, a respected veteran foreign correspondent for The Associated Press and recent Patterson Fellow fresh from the wars in the former Yugoslavia, was hired as the first ICIJ director. At her desk at the Center, she set out to systematically identify the world’s premier investigative journalists, and began to painstakingly construct the unprecedented, invitation-only consortium.

From the start, Maud (and in due time her staff) faced all kinds of mind-numbing adversities, not the least of which was fostering unprecedented levels of multi-continental collaboration by disparate individuals and the naturally competitive news organizations that employed them. This historic experiment in investigative reporting would require enormous grit and perseverance, patience, intellectual creativity and open-minded willingness to explore, flexibility and adaptability to real-life exigencies, entrepreneurial vision and risk-taking, and full, shameless recognition that false starts and other mistakes are an inevitable, vital part of the learning process.

Given the ambitious nature of the proposed projects, the mere act of publication would have to occur in stubborn defiance to stark, seemingly insurmountable, logistical impediments, such as communicating, reporting, writing and editing across different languages and cultures, variable on-the-ground editorial and ethical practices and widely divergent access to information, press freedom and libel-liability standards. Moreover, there was the realization that ICIJ would inevitably be forced to courageously, unflinchingly, confront the very real libel litigation threats prior to or following publication.

And finally, blazing this amazing new trail in journalism throughout the world would not only demand substantial funding, but it would also aggressively and innovatively require utilizing the Internet as well as encryption and other dynamic, new cyberspace technologies.

Despite such monumental obstacles, in 1998 we produced the first report, the final copy approved by Center for Public Integrity editors and vetted by its lawyers, the contracted writers protected legally and financially by the Center as the publisher. And that same year produced another pair of firsts: Maud and her staff organized the inaugural meeting of ICIJ, during which veteran muckraker Nate Thayer was awarded the first ICIJ Award for Outstanding International Investigative Reporting, made possible by the John and Florence Newman Foundation.

That entire weekend at Harvard University was an unforgettable, seminal moment that gave me goose bumps, representing a momentous milestone after six long years of exploration and stubborn determination not to be deterred. The model worked, the concept and the fundamentals were in place, and an astonishing assemblage of talent was on board in Washington, D.C., and around the world.

The rest, as they say, is history.

MAJOR TOBACCO MULTINATIONAL IMPLICATED IN CIGARETTE SMUGGLING, TAX EVASION, DOCUMENTS SHOW

By Mand S. Beelman, Duncan Campbell, Maria Teresa Ronderos and Erik J. Schelzig

WASHINGTON, JANUARY 31, 2000—More than 11,000 pages of documents from British American Tobacco and its subsidiaries, including the U.S. company Brown & Williamson, were analyzed over a six-month period by the International Consortium of Investigative Journalists, a project of the Center for Public Integrity in Washington, D.C. Part of a depository of about 8 million pages, the documents were selected based on region and subject matter. In some cases, the complete files on a specific country or individual were reviewed.

The selected documents, covering mostly 1990-1995, do not suggest that BAT employees themselves transported contraband cigarettes across customs borders, where taxes would be due. Instead, they show that corporate executives in Britain, the United States, and other locales controlled the volumes, brands, marketing campaigns, timing, and price levels throughout the smuggling distribution networks they exploited. Company officials worked closely with their local agents—giving them perks such as tickets to Wimbledon—and provided incentives to local black-market distributors.

In response to a series of detailed questions prompted by a review of its corporate documents, BAT said: “We do not intend to answer questions or address allegations apparently based on highly selective and out-of-context documents, about matters which are more properly addressed—and in many instances are being addressed with our full co-operation—by governments and customs authorities around the world.” The company said it knew that some of its products “are handled other than through official channels,” but added that “we cannot control the distribution chain all the way to the final customer.”

But the documents clearly show that BAT and its subsidiaries did attempt to control the distribution chain all the way to the final customer and employed a carefully coded language to discuss and plan those operations. Only occasionally did they use such terms as “smuggled” or “contraband.” The preferred euphemisms of company correspondence were “DNP” (Duty Not Paid), “transit,” or “GT” (general trade), as well as “parallel market,” “second channel,” and “border trade.” The euphemisms were used interchangeably and contrasted repeatedly with references to imports that were legal and “Duty Paid” (DP).

Since 1997, three BAT managers have either pled guilty to or been convicted of charges related to tobacco smuggling. Two pled guilty in a scheme that shipped cigarettes marked “Duty Not Paid” and “Not for Sale in Canada” back into Canada from Louisiana, where they had been sent allegedly bound for offshore fishing boats. One of the men left the company before pleading guilty to the charges; the other retired in December 1997, six months after pleading guilty. The next year, a BAT executive in Hong Kong was convicted of taking bribes in connection with a cigarette smuggling syndicate. The judge in that case, Justice Wally Yeung Chun-kuen, said in sentencing export manager Jerry Lui, “that management of BAT (HK) was aware of duty-not-paid cigarettes ... would ultimately be smuggled in China and other countries. There could be no other explanation for this enormous quantity of duty-not-paid cigarettes worth billions and billions [Hong Kong] of dollars.” The judge, according to Hong

Kong press reports in June 1998, commented that BAT's "irresponsible behavior amounted to assisting criminals in transnational crime."

Suspicious about industry involvement in cigarette smuggling have grown since 1997 when researchers demonstrated, by comparing annual global exports with global imports, that about one-third of all cigarettes entering international commerce each year could not be accounted for. The industry's sanguine reaction to apparently losing a third of its inventory annually only fueled those suspicions.

But proof remained elusive until last year, when millions of pages of corporate documents, unearthed during numerous health-related lawsuits, became publicly available as part of the tobacco industry's November 1998 settlement with the U.S. states.

The information contained in those documents could prove far more costly to the companies than the \$246 billion U.S. settlement because BAT, as well as its multinational rival Philip Morris, has focused on expanding business into international and newly emerging markets—precisely the areas where smuggling seems to have flourished.

BAT reported 1.01 billion pounds (\$1.8 billion) in profits in 1998 on its worldwide cigarette business, according to its latest available annual report. Of BAT's six regional operating groups, its Latin American sales volumes were the highest. Philip Morris, the world's largest international cigarette company, reported tobacco profits of \$6.5 billion (3.9 billion pounds) in 1998—\$5 billion of that in non-U.S. sales, which represented a 10% increase over the previous year. Both companies' bottom lines were reduced in 1998 for payouts to the U.S. national tobacco settlement, and profit margins were expected to be higher for 1999.

Although tobacco companies now face health-related lawsuits involving about 20 countries, proof of involvement in tax evasion or smuggling schemes could trigger a host of new prosecution, civil and criminal. There are already signs that may be happening.

A majority of Colombia's state governors and the mayor of Bogotá have retained U.S. lawyers to prepare lawsuits in the United States against BAT and Philip Morris, said José Manuel Arias Carrizosa, executive director of the Federation of Colombian Governors. He added that the 21 governors and the mayor of Bogotá were seeking "an indemnification for damages caused through contraband of cigarettes into the country." He would not say exactly how much would be demanded of the two companies.

"We think there are two markets, one legitimate that pays its duties and taxes, and the other much bigger, illegal," Arias said in an interview. "That cannot be happening without the knowledge of the producing companies." A lawyer hired by the Colombians, who spoke only on condition that neither he nor his firm be identified, said the governors had "a viable cause of action" under civil provisions of the Racketeer Influenced and Corrupt Organizations Act, or RICO.

Canada filed a civil RICO lawsuit against R.J. Reynolds and its related tobacco companies in New York state in December 1999 for smuggling across the U.S.-Canadian border. Several people, including a former RJReynolds senior sales manager, have already been convicted on U.S. criminal charges stemming from that same smuggling operation.

SPEAKING OF SMUGGLING

The BAT documents make two points clear—ranking executives of BAT and its subsidiaries exploited smuggling as part of their overall strategy to increase market share, and they employed a series of euphemisms to plan and mask their activities.

In order to understand the company's involvement, its corporate dialect must first be decoded.

The documents, especially as they relate to company operations in Latin America, repeatedly identify legal imports as either "Duty Paid" (DP) or "Duty Free" (DF), for traditional duty-free stores. Those phrases are consistently used in opposition to terms such as "DNP," "transit," or "GT," and those contrasting terms appear regularly throughout the memos, letters, charts, and graphs of import/export data and sales figures.

For example, a memo from the early 1990s, entitled "Venezuelan Market Definitions and Assumptions," explained that "Duty Paid" goods owed the government legal excise taxes of 50%. No such requirement was noted for the "Duty Not Paid" goods, which were identified as cigarettes produced in Venezuela, exported mainly to the free-trade zone on the nearby island of Aruba, and then re-entered into the Venezuelan market as "transit." The memo came from the file of Keith S. Dunt, then BAT's regional director for Latin America, who is now the company's chief finance officer.

In another memo, a Feb. 16, 1993 fax to BAT headquarters in Britain, its Venezuelan subsidiary explained: "The fact is that since November 1992 the transit (DNP) products into Venezuela have been very low due to tighter border controls."

During a fierce trademark dispute with Philip Morris over which company had the right to use the Belmont brand name in Colombia, a Feb. 22, 1995 memo outlined contingency options should BAT lose. One was to "launch new brand in DP and maintain Belmont in GT channel." However, a noted drawback of keeping Belmont in the GT channel was that the company "cannot support Belmont in GT via advertising." Advertising for a product that had no government-registered imports apparently would raise questions.

A January 1993 status report on Peru stated that BAT's "basic strategy has been to set up a local importer/distributor to handle legal exports rather than rely on transit sales."

Jon Ferguson, former senior counsel for the Washington state attorney general's office and head of its antitrust division, used BAT corporate documents in his 1998 prosecution of tobacco companies to recoup state costs of treating smokers. He said the term "Duty Not Paid," or DNP, obviously referred to smuggled cigarettes. "That's clearly my understanding of what 'Duty Not Paid' means," Ferguson, now in private practice, said in an interview.

Les Thompson, the RJR senior sales manager who pleaded guilty in 1999 to money-laundering charges stemming from the U.S.-Canadian smuggling operation, said that DNP was also a euphemism his company used to talk about smuggling. "It's an industry-wide term," Thompson told the Center. "It's essentially a long-winded term used by senior folks when they're talking around the topic of smuggling." Other euphemisms for smuggled cigarettes, Thompson said, were "re-entry" goods, the "parallel market," and "transit."

Thompson, who is to begin serving a 70-month sentence in mid-February, said he knew of other tobacco companies involved in smuggling and that he was cooperating with federal investigations in the United States and Canada.

In response to a request for comment on both the civil and criminal cases, an RJR spokeswoman said the company was not involved in the “day-to-day business operations of any international operations,” and that the company had not been implicated in the criminal investigations. But she did not comment on the allegations in the civil RICO suit.

Ironically, the most glaring exception in the records to BAT’s carefully coded language involved its Canadian subsidiary, which was not named in Canada’s recently filed smuggling lawsuit. In a June 3, 1993, letter to Ulrich Herter, BAT’s managing director, Don Brown, the president of Imperial Tobacco Limited, wrote:

“As you are aware, smuggled cigarettes (due to exorbitant tax levels) represent nearly 30% percent of total sales in Canada, and the level is growing. Although we agreed to support the Federal government’s effort to reduce smuggling by limiting our exports to the U.S.A., our competitors did not. Subsequently, we have decided to remove the limits on our exports to regain our share of Canadian smokers. To do otherwise would place the long-term welfare of our trademarks in the home market at great risk. Until the smuggling issue is resolved, an increasing volume of our domestic sales in Canada will be exported, then smuggled back for sale here.”

In reply to questions about that letter, Brown said, “My comments in my letter to Mr. Herter were simply of the nature of a factual observation. ... Our company never knowingly sold cigarettes to smugglers. We only dealt with legitimate buyers, who had all of the appropriate government permits to purchase cigarettes from us.”

The documents show that BAT executives were aware of the “sensitivity” of the issue. One of them, Delcio Laux, who was then president of C.A. Cigarrera Bigott, Sucs., BAT’s Venezuelan subsidiary, wrote in an April 21, 1992, faxed memo to Dunt that “it is clear that Bigott can’t be seen as a clean and ethical Company by continuing with DP and DNP in parallel.” Dunt later recommended Laux’s replacement, noting among other things that his “exceptional” ethical norms had been exploited by the Philip Morris competition.

In June 1992, Dunt wrote Eduardo Grant, president of BAT’s Argentine subsidiary, Nobleza-Piccardo, about the “DNP market” there. “We will be consulting here on the ethical side of whether we should encourage or ignore the DNP segment. You know my view is that it is part of your market and to have it exploited by others is just not acceptable,” Dunt said.

Notes on the conclusions of a meeting in Colombia in late February, which Dunt attended, said it had been agreed that “the Bogotá office will be clean by Q3/94 in reference to DNP information. Management of DNP will be in Caracas.” Another memo in Dunt’s files said “documents dealing with DNP have been separated and should now be forwarded to Caracas. A good quality safe and shredder are required.”

SETTING THE PACE

Aside from the euphemisms, what stands out most in the documents is how senior management of BAT and its subsidiaries factored smuggling into their overall market strategy and sought to control where and to what extent it occurred.

As far back as 1971, BAT was positioning itself in the “transit” market. A 1983 memo described the creation of a new office in Hamburg, Germany, after a BAT study on “transit in Europe” showed that the company “was years behind the competition in transit.” Although BAT already had a head-

quarters in Hamburg, a separate office was opened in 1972 in the same city. "One of the main reasons for establishing this office independent from a BAT company was that due to the delicate business the customers could visit Hamburg-Office without involving a BAT Company directly," the memo explained.

The full extent of BAT's involvement in Latin America was made clear in a stern note from Dunt to his fellow directors questioning the wisdom of allowing BAT's wholly-owned Brazilian subsidiary, Souza Cruz, to smuggle cigarettes into Argentina, where it would cannibalize the sales of BAT's majority-owned Argentine subsidiary, Nobleza-Piccardo.

"I am advised by Souza Cruz that the BAT Industries Chairman has endorsed the approach that the Brazilian Operating Group increase its share of the Argentinean market via DNP," Dunt wrote in the May 18, 1993, memo. "As the Director entrusted with responsibility for the management of Nobleza-Piccardo I need to advise you of the likely volume effect on N-P of this decision and of course the financial impact."

At the time, Sir Patrick Sheehy was the chairman of BAT Industries, Plc, then the name of the cigarette group's parent company and one of Britain's largest multinational concerns, a position he held until 1995.

Another memo found in Dunt's file, summarizing a Feb. 23-24, 1994, visit to Colombia, indicated that BAT wanted to control the timing and products it entered into the DNP market. Regarding BAT's Kent Super Lights brand, the memo noted that "DNP product should be launched two weeks after the DP product has been launched." As for the Lucky Strike brand, it was planned "to withdraw from the DNP market the 20's and 10's versions."

Tobacco companies contend they have little control over the end use of their product once it's legally sold to distributors. But on June 25, 1992, Dunt wrote to the director of BAT's Venezuelan subsidiary, saying he disagreed with plans to limit the number of cigarettes bound for BAT's Aruban distributor and for the Colombian end market. "I notice ... the intention to limit Romar's sales to Maicao to 18,000 cases per month. I would not wish for any reason for sales to be limited ... unless it is a proven strategic necessity."

Further examples include a "restricted" note of a Chief Executive's Committee meeting on Feb. 7, 1994, which said that a new marketing unit for Latin American countries aimed to achieve annual cigarette sales of 50 billion, "including duty not paid." The meeting was chaired by Barry D. Bramley, then chairman of BAT's tobacco operations. And BAT's Latin American "Marketing Guidelines for Company Plan 1995-1999" instructed local managers in Colombia that "your plan should cover the launch of variants on the DP and DNP markets."

The documents also show that BAT sought to use the presence of legal imports, however small, as an "umbrella," or cover, to advertise its brand of cigarettes, which would reach the market in far larger quantities via DNP.

"It is recommended that BAT operate under 'Umbrella' operations," Dunt wrote in August 1992 to Bramley. "A small volume of Duty Paid exports would permit advertising and merchandising support in order to establish the brands for the medium/long term, with the market being supplied initially primarily through the DNP channel."

One year later, in a Sept. 1, 1993, memo to Nick Brookes, then a director of New Business Development at BAT Industries, Dunt said in an industry analysis of the Colombian market, "DNP

now represents $\pm 50\%$ of the local cigarette industry (vs. $\pm 35\%$ in 1989). DP imported product now possible due to freeing up of import restrictions, however although tariffs reduced from 63% to 5% this only constitutes 1.5% of market share, it being apparent that multinationals are using the DP route for imports as an umbrella operation to facilitate publicity campaigns etc.”

Brookes, now chairman and CEO of Brown & Williamson, told reporters in Washington, D.C., on Jan. 11, that B&W wanted to host a forum on “the growing risk of black market cigarettes and illegal sales across state lines. We don’t believe government officials, legislators and others have focused enough attention on this critical issue, and we hope to change that.” Brookes did not respond to a request for comment.

“Smuggled cigarettes, by evading import, sales, and other forms of taxes, usually are sold more cheaply than legally imported cigarettes.”

Smuggled cigarettes, by evading import, sales, and other forms of taxes, usually are sold more cheaply than legally-imported cigarettes. That makes them affordable to a greater number of people, increases corporate profits and secures future markets. But because smuggling puts cigarettes in more hands, especially younger ones, it’s not just an issue for government tax collectors. The World Bank last year predicted that by 2030 smoking would kill one in six adults to become the single leading cause of death in the world. With smoking rates in the United States and other Western countries declining, the Bank warned that smoking deaths increasingly would occur in low- and middle-income countries least able to afford the costs of treating smoking-related illnesses. The Bank recommended raising taxes on tobacco, and therefore the price of cigarettes, as a way to reduce consumption.

THE ARUBA-COLOMBIAN CONNECTION

Colombia—a country wracked by decades of civil war and cocaine trade, with a long history as a crossroads of contraband—proved to be fertile ground for cigarette smuggling.

The BAT records show that millions of cigarettes were shipped from BAT subsidiaries in the United States, Venezuela, and Brazil to BAT’s distributor in the free-trade zone of Aruba, an island in the Caribbean just off the coast of Colombia that historically had been a mecca for contraband. From Aruba, the cigarettes would be sold to dealers who would bring them by boat to Colombia’s La Guajira region, an isolated and lawless haven along the Caribbean coastline. The Guajira peninsula, which straddles the northern border of Colombia and Venezuela, has itself been a smugglers’ paradise since colonial times.

Maicao is a town in La Guajira that was given special customs status in 1991 in order to spur job growth. The government’s intent was to allow raw materials to enter the zone untaxed, have workers there turn them into finished product, and then re-export the finished goods outside Colombia. The law allowed for a certain amount of goods to pass from Maicao into the Colombian interior, but only if they were declared to customs officials and duty was paid on them.

BAT records indicate, however, that its cigarettes moved outside the Maicao special customs zone “duty not paid” and from there into the black market. A “DNP Distribution” diagram in Dunt’s files showed DNP cigarettes traveling from Aruba to Maicao and from there westward to the “consumer” in Barranquilla.

Another document in the files showed that officials from BAT and its subsidiaries supplying Colombia—Brown & Williamson, Souza Cruz, Cigarrera Bigott—agreed at a Miami meeting in January 1992 that Souza Cruz would give a 5% “free goods incentive in Maicao and in the San Andresitos to expand distribution in Bogotá and Medellín.” The term “sanandresitos”—from the Colombian island of San Andres that has been a tax-free port since the early 1950s—refers to the clusters of small stalls found in many Colombian cities that for decades have been widely known as locations that sell mostly contraband goods. An attachment to those minutes gives a detailed breakdown of prices per brand for cigarettes as they left Aruba, as they left Maicao, and in the “sanandresitos.”

Asked if a company doing business in Colombia might not know about “sanandresitos,” Fanny Kertzman, the director of the country’s tax and customs office, responded, “This question is ridiculous. It is obvious, so evident, that if you distribute goods through sanandresitos you know most of the merchandise sold there is smuggled.”

In 1993, corporate records show that BAT subsidiaries imported a total of 3.98 billion cigarettes into Colombia. However, 3.89 billion of those cigarettes entered as Duty Not Paid goods. By BAT’s own estimate, its Duty Paid imports accounted for only 2% of its in-country business that year. BAT’s 1993 figures, showing that across all local and imported brands there was a total of 13.9 billion cigarettes on Colombia’s Duty Not Paid market, match almost exactly a Colombia government report on the contraband cigarette problem.

In 1998, the Federation of Colombian governors circulated a detailed and confidential report to several public officials to draw attention to cigarette smuggling and the under pricing of legal imports. The report estimated that in 1993 there were 13.4 billion cigarettes on the black market. The report further said that by 1997 smuggling accounted for 44% of Colombia’s total cigarette market and 93% of all foreign brands coming into the country. Kertzman echoed that in her June 1999 testimony before the U.S. Congress, saying that 90% of all cigarettes entering Colombia were doing so illegally.

An internal 1999 document from Colombia’s DIAN office, the country’s customs and tax authority, calculated the value of contraband cigarettes coming from Aruba into Colombia to be around \$400 million dollars per year.

The BAT documents show that cigarettes also moved from Aruba to Panama’s free-trade zone of Colon as a staging point into nearby Turbo, another special customs zone in Colombia. In addition, some of the cigarettes shipped from Venezuela to Aruba and on to Maicao went back into Venezuela. (The Caracas daily *E/Nacional* estimated in 1998 that Venezuela’s annual loss from cigarette smuggling was around \$35.4 million dollars.)

Similar operations went on farther south, too, with cigarettes from BAT’s Brazilian subsidiary Souza Cruz being shipped through Paraguay into Argentina. Notes from a visit to Paraguay in July 1994 show that “excellent work has been done in the border town, which is the main supply point of DNP product for the Argentinean market.” Another notes that BAT’s Brazilian and Argentine subsidiaries “recycle product through Paraguay and back into their respective markets making use of the lower excise rates in Paraguay.”

BAT’s main distributor in Latin America was Romar Free-Zone Trading Co. N.V. of Aruba, run by Roy Milton Harms, Jr., the documents show. BAT’s three wholly-owned subsidiaries in the region “use Romar in Aruba as their transit agent into Colombia. ... Romar also sells Belmont 70 mm and Consul 70 mm into Colombia with Venezuela as the end market,” Mark Waterfield, then an executive at BAT’s Venezuelan subsidiary Bigott, wrote in a Feb. 12, 1992, memo.

The documents paint a close relationship between BAT and its distributor.

In the same letter in which Dunt halted attempts to limit Romar's sales to Maicao, he noted that the issue "was mentioned to me by Harmes [sic] yesterday on his U.K. visit—and with some forcefulness—as you can imagine."

Harms and his father, Roy Harms, Sr., were in London at BAT's invitation. They were booked into the Carlton Tower Hotel in Knightsbridge, near Harrods, and given two tickets to Wimbledon.

Cousin Bryan Harms said in a March 5, 1998, letter to Colombian authorities that he "personally gave windsurf lessons to Mr. Pat Sheahy [sic], top director of BAT when there was a great meeting of BAT and Bigott in Aruba in those times."

"Those times" refer to the period before the Harms family split into two factions in 1988, with one side taking the exclusive BAT business.

That family feud prompted Bryan Harms to contact Colombian and Venezuelan authorities in 1998 with allegations that BAT and Romar were in the cigarette smuggling business. Before the family business split, Harms told authorities he had accompanied officials of BAT and its Venezuelan subsidiary several times for "marketing work to Maicao," the special customs zone in northern Colombia. Romar did not respond to faxed questions and several calls requesting comment. In BAT's faxed statement, it refused to respond to a list of specific questions, including those about Romar.

Bryan Harms confirmed he told Colombian and Venezuelan authorities that he had witnessed high-ranking BAT officials coordinating the shipment of cigarettes from Aruba to the Colombian and Venezuelan coasts. But he refused to elaborate.

Harms Brothers Ltd. of Aruba, started by Bryan's father, Lionel, and I.D.F. International Duty Free Trading N.V., which Bryan Harms directed from 1996-1998, were identified in last December's Canadian RICO lawsuit as being part of RJR's smuggling operation but were not named as defendants.

COMPETITORS OR BEDFELLOWS?

Fierce competition for market share drove many of BAT's actions in Latin America, the documents suggest. However, they also show that company executives had discussions with representatives of Philip Morris International about "DNP" and "transit."

At a meeting on Feb. 14, 1992, at John F. Kennedy airport in New York, Philip Morris' then-president for the Latin American region, Peter Schreer, and his deputy Fred Hauser met with BAT's Keith Dunt and David Etchells. "Transit business from Paraguay into Argentina needs to be watched, particularly bearing in mind Industry agreement on quantum level of excise," said a file memo written by Etchells, summarizing the discussions. The two sides agreed to have "more regular meetings," and in August 1992, the BAT and PMI representatives met again, this time at the posh Pennyhill Park country club near BAT headquarters outside London, according to a "SECRET" document summarizing their talks. "PMI raised the 'contraband from Honduras' issue which was counteracted by BATCo's raising the price gap argument. No ground conceded on either side," the notes said.

"BATCo suggested an aggressive price increase to be negotiated at a local level for DNP to be implemented if possible by the end of August," the notes later said, referring to Venezuela. "Following action on DNP PMI suggested we should pursue a DP price increase. PMI wanted linkage between the DNP increase. This was not supported by us."

Philip Morris confirmed there were meetings between Schreer and Dunt in 1992 "to discuss general industry issues in Latin America," but was unable to say "what precisely was discussed."

Beyond the issues of smuggling, tax evasion and undermining governments' attempts to set health policy, there have been allegations that the activities of tobacco multinationals have complemented drug money laundering. The 1998 Colombian governors' report and two other independent studies said that smuggled cigarettes had become a vehicle for money laundering, and the subject was the focus of a U.S. congressional hearing last summer.

The nexus of cigarette smuggling and drug money laundering in Latin America is known as the black market peso exchange, in which "peso brokers" convert U.S. dollars from drug lords into clean pesos. Their sources of clean pesos are smugglers who need U.S. dollars in order to purchase international goods. James Johnson of the U.S. Treasury Department has called the system "primarily an exchange of currencies" but one that is "perhaps the most dangerous and damaging form of money laundering that we have ever encountered."

With access to U.S. dollars regulated by Colombian law and administered by banks, requiring proof of legal import, the peso broker "offers a businessman a choice and the drug trafficker an opportunity," Bonni Tischler, U.S. Customs

Service Assistant Commissioner for Investigations, told the June 1999 congressional hearing. She said the cigarette industry was one of the "most affected" by the black market peso exchange. "Some

"Beyond the issues of smuggling and tax evasion, there have been allegations that the activities of tobacco multinationals have complemented drug money laundering."

American companies, and I would give Philip Morris as an example, have been accused of implicitly supporting the black market peso exchange in order to increase their market share in Colombia and avoid paying hefty Colombian taxes," noted the hearing's chairman, Sen. Charles Grassley (R-Iowa). "Some Colombians have gone so far as to threaten to sue Philip Morris, arguing that the volume of advertising that Philip Morris chooses to have in Colombia is not justified by levels of legitimate sales." For more than 50 years, Philip Morris' main distributor in Latin America was the Mansur Free Zone Trading Company N.V., run by a rich and politically powerful family in Aruba.

Cousins Eric and Alex Mansur were indicted on federal money-laundering charges in August 1994 for allegedly being part of a network that laundered proceeds from the Colombian drug trade. In a Dec. 2, 1996, letter to Congress, President Bill Clinton identified Aruba "as a major drug-transit country," and took the unusual step of publicly identifying the family, saying that "a substantial portion of the free-zone's businesses in Aruba are owned and operated by members of the Mansur family, who have been indicted in the United States on charges of conspiracy to launder trafficking proceeds."

Philip Morris International broke its contract with the Mansurs at the end of 1998 "for business reasons," company spokeswoman Elizabeth Cho said in an interview. She refused to elaborate. But a source close to the family said the two sides agreed to a \$22 million settlement and that the Mansurs continue to work with Philip Morris' non-tobacco product lines. The Mansur company changed its name last year to Glossco Freezone N.V. following six years of unwelcome scrutiny.

Eric and Alex Mansur, meanwhile, have yet to go on trial, their case initially delayed by years of extradition battles between the United States and Aruba. Now they are in Miami, where U.S. and Colombian sources say they have been offered a plea bargain by U.S. prosecutors that would greatly

reduce or eliminate any jail time in return for cooperation with investigations into cigarette smuggling and money laundering. Their lawyer, Robert Josefsberg, refused to comment.

“We will not condone, facilitate or support contraband or money laundering,” Philip Morris International said in its statement. Twice in the last two years, the company has defeated shareholder resolutions that have suggested corporate complicity in smuggling and called for an internal review.

The BAT documents suggest that its officials were aware of the linkage between cigarette smuggling and money laundering, and they discussed how black market money flows in Aruba affected their business.

On March 8, 1995, Keith Dunt received an e-mail about the “difficulty of obtaining ‘clean’ \$” that BAT’s Venezuelan subsidiary had in January. “It was necessary, in December, to reduce the selling price from US \$125.00 to US \$96.00 per case, ie in line with Belmont HL price (such that Romar could then sell through at US \$106.00 per case and receive ‘clean’ US\$).”

EPILOGUE

The publicly available BAT documents end, for the most part, in 1995.

Since the mid-1990s, legal imports of cigarettes have risen exponentially in Colombia. DIAN figures show that while only \$4.6 million in cigarette imports were registered in 1994, that number had leapt to \$39.9 million by November 1999. In August 1999, BAT signed a letter of commitment with the DIAN promising, according to director Fanny Kertzman, “that if they have any evidence that distributors to whom they sell their products are, in turn, selling to smugglers, they will stop selling to these distributors.”

In a final desperate attempt to crack down on its contraband problem, Colombia two weeks ago (Jan. 18, 2000) announced a new ban on bringing cigarettes, liquor, or home appliances—the three most common types of contraband goods—from Maicao and Turbo into the rest of the country, effective July 1, 2000. Despite street protests, President Andres Pastrana vowed, “The government has already bit into contraband and is not going to let go until this scourge is eradicated.”

Researcher Kathryn Wallace contributed to this report.

TOBACCO COMPANIES LINKED TO CRIMINAL ORGANIZATIONS IN LUCRATIVE CIGARETTE SMUGGLING

*By The International Consortium of Investigative Journalists**

WASHINGTON, MARCH 3, 2001—When Tommy Chui failed to show up at the grand opening of his wife's new boutique in downtown Singapore, alarm bells rang 1,600 miles away in the offices of Hong Kong's Independent Commission Against Corruption.

It was March 29, 1995, and the news that Chui was missing devastated the commission's assistant director, Tony Godfrey. He immediately sent two investigators to Singapore. Three days later, on April 1, his worst fears were realized. Dockworkers found Chui's bloated body floating in Singapore Harbor.

A former director of British American Tobacco's biggest distributor of contraband cigarettes to China and Taiwan, the 38-year-old Chui had been abducted, ritually tortured, gagged, suffocated and thrown into the harbor just weeks before he was to testify against his ex-associates.

Chui was the star prosecution witness in an international tobacco smuggling investigation launched in 1993 by Hong Kong's Independent Commission Against Corruption. He was about to blow the lid off a \$1.2 billion smuggling operation to China and Taiwan and implicate three former BAT executives in a HK\$100 million bribery scandal. In addition, his testimony was key to the prosecution of his two former business associates, several corrupt customs officers and various members of Asia's most notorious criminal gang, the Triad.

The case of Chui and the massive BAT-fed smuggling network into China reveals the dark underbelly of a billion-dollar business fed by international corporations and operated by organized crime. While it is among the more sensational examples of corporate tobacco's implication in international smuggling and its links to organized crime, it is far from an isolated instance.

Tobacco manufacturers have often blamed the international smuggling of their products on organized crime. But a year-long investigation by the Center for Public Integrity shows that tobacco company officials at BAT, Philip Morris and R.J. Reynolds have worked closely with companies and individuals directly connected to organized crime in Hong Kong, Canada, Colombia, Italy and the United States.

In fact, one Italian government report obtained by the Center states that Philip Morris' and R.J. Reynolds' licensed agents in Switzerland were high-level criminals who ran a vast smuggling operation into Italy in the 1980s that was directly linked to the Sicilian Mafia.

Corporate documents, court records and internal government reports, some going back to the 1970s, also show that BAT, Philip Morris and R.J. Reynolds have orchestrated smuggling networks variously in Canada, Colombia, China, Southeast Asia, Europe, the Middle East, Africa and the United States as a major part of their marketing strategy to increase profits.

The corporate documents refer to this black market business as "duty not paid," "parallel" markets, "general trade" or "transit." But these same documents often clearly delineate between this aspect of the business and legal trade. For example, one BAT official, in a 1989 letter to associates in Taiwan,

said, “With regard to the definition of transit, it is essentially the illegal import of brands from Hong Kong, Singapore, Japan, etc. upon which no duty has been paid.”

The companies have sought to undercut rising government taxes, which studies show are the main reason most smokers quit, as well as to gain market share on their competitors or on government-controlled tobacco monopolies by offering competitively-priced popular international brands on the black market.

The result has been tax evasion on a global scale that has greatly depleted government treasuries, especially in Third World countries. Cigarette smuggling has also fostered international crime and money laundering and alarmed growing numbers of law enforcement officials worldwide. Attracted by huge profits, quick turnovers, a captive market and relatively light penalties if caught, organized crime now controls large sectors of the smuggling.

“Organized criminals, who have traditionally been involved in smuggling illicit narcotics, are suddenly realizing that tobacco is a good thing to get into, as you make just as much money, and it’s perhaps not quite as anti-social,” Douglas Tweddle, the outgoing director for compliance and facilitation at the World Customs Organization in Brussels, told the Center. “The public generally aren’t against you if you’re selling smuggled cigarettes; in fact, they rather appreciate you. And if you get caught, in virtually all countries, the penalties for smuggling tobacco are a great deal less than smuggling heroin or cocaine.”

In the United States, cigarette imports have risen so dramatically that investigators are looking into whether the country is being used as a way station in the global smuggling trade. “Profits from cigarette smuggling rival those of narcotic trafficking,” then-U.S. Customs Commissioner Raymond Kelly told Congress last year. “The United States plays an important role as a source and trans-shipment country.”

The investigation by the Center’s International Consortium of Investigative Journalists is based on a review of thousands of pages of corporate and government documents and dozens of interviews with law enforcement officials, smugglers and other sources worldwide. It indicates that tobacco smuggling is increasingly dominated—often with the knowledge and consent of the tobacco companies—by a handful of criminal organizations that in some cases have links to organized crime.

The Italian Mafia in Western Europe, East European gangs, Triads in Asia, drug cartels in Colombia, and motorcycle gangs and the American mafia in North America all have become entrenched in the game. Licensed distributors for the manufacturers feed these organized crime syndicates billions of cigarettes worldwide, often with corporate knowledge.

“A primary driving force behind the proliferation of cigarette smuggling in both Colombia and Europe is the need of narcotics traffickers, Colombian, Russian, and others, to launder enormous amounts of money that can no longer be laundered through banks,” said one recent court filing in a cigarette smuggling case.

THE BLACK MARKET TRADE

It’s estimated that about one in every three cigarettes exported worldwide is sold on the black market. This enormous business is operated through a web of offshore companies and banking institutions that often employ the same routes and distributors. Russian and Italian mafia use Cyprus and Montenegro. The drug cartels and U.S. mafia use Aruba and Panama. The same names turn up in smug-

gling networks into Colombia, Canada and Europe. In Southeast Asia, the same distributors who smuggle out of Hong Kong to China also control distribution out of the Philippines and Singapore.

The Center investigation shows that the manufacturers funnel massive amounts of their brand name cigarettes into these smuggling networks, often employing circuitous routes in an apparent attempt to shield themselves from accusations of wrongdoing. Distributors and manufacturers work hand-in-hand to feed this market. But, in some cases, the manufacturers have worked directly with organized crime figures.

"It's estimated that about one in every three cigarettes exported worldwide is sold on the black market."

In Colombia, tobacco companies are alleged to have helped launder drug money and to have worked closely with distributors who are involved in drug trafficking. A Colombian lawsuit against Philip Morris and BAT accuses them of involvement in drug-money laundering through what is known as the "black market peso exchange," a circuitous system by which drug dollars are laundered for clean pesos through the purchase and importation of such goods as cigarettes and alcohol.

In a federal civil racketeering lawsuit launched in 2000, Colombia's governors accused tobacco company executives of illegally entering the country to organize smuggling networks and retrieve cash payments, which were then smuggled out for deposit in offshore banks. Company employees are also alleged in the lawsuit to have bribed border guards. And their agents have been implicated in illegal cash campaign contributions to Colombia's former president Ernesto Samper.

In Italy, court cases and police and government reports reveal an intricate web of Mafia families that through bribery, intimidation and murder control the smuggling of billions of Philip Morris and R.J. Reynolds cigarettes into Europe through Cyprus, Albania and Montenegro.

In Spain, at least one major distributor for R.J.R. is allegedly a black-market distributor linked to illegal drug trafficking.

In Canada, R.J.R. sales executives dealt directly with smugglers linked to the American and Canadian mafia.

In some cases, tobacco industry executives actively played various gangs off against each other and solicited and received millions of dollars in kickbacks or bribes in return for selling to preferred criminal syndicates, according to court records and sources.

The Center investigation also shows that when senior or mid-level executives have been charged criminally with aiding and abetting smuggling, tobacco companies often don't cooperate with investigators. In a Louisiana case, for example, lawyers for one tobacco company used their connections in the administration of former President Bill Clinton to force the removal of a prosecutor pursuing a Brown & Williamson sales executive for smuggling into Canada.

The major tobacco companies all vigorously deny any involvement in the smuggling of their products. In a statement to the Center, BAT also said it knew of no evidence "to substantiate allegations that some of our employees or distributors have worked with criminal organizations and/or organized crime."

Companies such as BAT have stated that they can't be expected to keep track of their 90,000 employees, even though in many cases those named in smuggling are senior managers. The companies also argue that they sell a legal product to wholesalers over whom they exercise no control. Kenneth

Clarke, BAT's deputy chairman and the former Conservative chancellor of the exchequer, told the British House of Commons health select committee on Feb. 16, 2000, that "there is no evidence I have ever seen that BAT is a participant in this smuggling. We seek to minimize it and avoid it."

However, writing in the Feb. 3, 2000, issue of *The Guardian*, in response to a Center exposé released a few days earlier, Clarke complained that high cigarette taxes caused smuggling and added: "where governments are not prepared to address the underlying causes of the problem ... we act, completely within the law, on the basis that our brands will be available alongside those of our competitors in the smuggled as well as the legitimate market."

Top BAT executives, at a meeting last summer, considered the company's marketing strategy in light of expanding investigations, media reports and civil lawsuits. An industry source told the Center that BAT executives discussed halting all "transit" business but worried that shareholders would be furious at the resulting drop in profits, which one government source estimated to be as high as £500 million (US\$720 million) annually. BAT decided to continue the "transit" business, the industry source said, but no longer to refer to it as transit, DNP or GT. The new company term is "WDF" for "Wholesale Duty Free."

The executives also discussed taking steps to counter any civil and penal actions that could threaten the company's survival, the source said.

Massive smuggling has sparked a growing number of lawsuits. In a 12-month period ending last year, Canada, the governors of Colombia, Ecuador and the European Union all filed separate racketeering suits in the United States against the tobacco giants. Seven nations—Germany, Spain, France, Italy, Belgium, the Netherlands and Finland—have since joined the EU suit. Among the charges, the EU accuses the tobacco companies of aiding and abetting smuggling, involvement in organized crime, defrauding state treasuries of billions of dollars, laundering drug money and committing wire fraud and mail fraud.

In addition, criminal investigations have multiplied.

In the United States, several grand juries are examining the allegations of tobacco company involvement in cigarette smuggling, including one in Raleigh, N.C., and another in New York. A multi-agency investigation, coordinated out of Atlanta, is also looking into possible corporate involvement in cigarette smuggling and its related crimes, such as money laundering, according to federal government sources.

Canada, Italy and Britain have also launched criminal investigations.

Still, with the exception of one case in Syracuse, N.Y., where a unit of RJR called Northern Brands International pleaded guilty in 1998 to smuggling-related charges, the tobacco industry has not faced criminal prosecution.

The growing list of civil cases, however, could prove devastating. Faced with possible treble damages under the U.S. Racketeering Influenced and Corrupt Organizations (RICO) Act, the tobacco companies are vigorously fighting the lawsuits. Already, allegations have surfaced in the Colombian lawsuit that Philip Morris is corrupting the legal process through threats and the destruction of documents. BAT is alleged to have engaged in influence-peddling by putting political and government officials in Colombia on paid consultant contracts.

An affidavit sworn in September 2000 by José Manuel Arias Carrizosa, the executive director of the Colombia Federation of Departments—or states—says that Philip Morris Vice President J. Armando Sobalvarro tried to persuade Arias, in an Oct. 27, 1999, meeting, that a lawsuit against Philip Morris was “not in the Departments’ best interests.” Sobalvarro noted that Philip Morris was lobbying Washington for a large aid package for Colombia and concluded the visit by threatening Arias that if the lawsuit against Philip Morris proceeded, “there would be blood.”

For investigators like Hong Kong’s Godfrey, there is “absolutely no doubt” that BAT knew its cigarettes were being smuggled into China and Taiwan. “[BAT is] a very sophisticated company,” he said in an interview. “There’s no reason why they shouldnt know.” Godfrey also said he believes that bribery became institutionalized at BAT-Hong Kong.

Blood, threats, bribery and corruption are no strangers to cigarette smuggling. And tobacco companies seem to know that as well as anyone.

**Reported by Maud S. Beelman, Bill Birnbauer, Duncan Campbell, William Marsden, Erik Schelzig and Leo Sisti and written by William Marsden.*

U.S. SHRUGGED OFF CORRUPTION, ABUSE IN SERVICE OF DRUG WAR

By Ángel Paéz

LIMA, PERU, JULY 12, 2001 — President Alberto Fujimori ran Peru for a decade after the Cold War, and his regime, whose mainstay was the shadowy Vladimiro Montesinos, received abundant aid from the United States. The Central Intelligence Agency, ICIJ has learned, gave Montesinos at least \$10 million over the past decade in counter-narcotics cash. Montesinos, who had total control over the funds, diverted the CIA money to other illegal activities, according to U.S. and Peruvian sources. In addition, Peruvian investigators now say that Montesinos amassed a personal fortune of more than \$264 million. The United States accumulated plenty of evidence over the years of corruption, human rights abuses and anti-democratic action by Montesinos, but it shrugged off the reports because Montesinos was a CIA asset deemed key to Washington's drug war in the Andes.

In what is surely among the most embarrassing turns in post-Cold War U.S. foreign policy, Montesinos used his CIA-backed position of influence to get rich and ultimately, it would seem, to betray his benefactors. Several senior U.S. and Peruvian sources have stated publicly that Montesinos—the unofficial head of the National Intelligence Service, known by its Spanish acronym SIN—arranged an arms deal that sent at least 10,000 AK-47 assault rifles to the Revolutionary Armed Forces of Colombia, known as the FARC guerrillas, public enemy No.1 in the U.S. war on drugs in Latin America. He also used high-tech surveillance equipment, which was provided by the CIA for intelligence-gathering on narcotraffickers, instead to spy on political opponents, according to several Peruvian and U.S. sources. Montesinos has since been charged with death squad activities, corruption, arms and drug trafficking, and illegal enrichment. Other senior Peruvian officials closely tied to Montesinos, including the former head of Peru's central military command, stand accused of taking bribes from drug smugglers during the Fujimori reign.

Fujimori was elected president in June 1990, seven months after the fall of the Berlin Wall. He first circumvented and later amended the Peruvian constitution in order to retain the office for nearly three presidential terms. By the end of 2000, however, both Fujimori and Montesinos, his spymaster, had been disgraced by multiple scandals. Montesinos disappeared on Oct. 29, 2000, and was in hiding for eight months until his capture in Venezuela on June 23. He was sent back to Peru to face trial. Fujimori fled to Japan, where he resigned from office on Nov. 20, 2000. The demise of both Fujimori and Montesinos began with the mysterious release of a videotape showing Montesinos paying a \$15,000 bribe to an opposition politician in September 2000. Hundreds of videotapes subsequently made public showed Montesinos and his subordinates paying off politicians, businessmen and journalists. Former military officers and civilian officials have since come forward to provide court testimony about the regimes' involvement in bribery, arms and drug trafficking, and human rights violations including torture, espionage, extortion of political opponents and harassment of the press.

Montesinos long had been fingered as corrupted by drug money, although many of the earlier claims that surfaced came from arrested drug dealers. But by 1997, the State Department began to document Montesinos' questionable activities in its annual human rights reports. In 1999, the Senate Appropriations Committee noted that it had "repeatedly expressed concern about U.S. support for the

Peruvian National Intelligence Service,” and the committee requested that it “be consulted prior to any decision to provide assistance to the SIN.” Despite the concern about Montesinos, the United States continued to provide Peru with military aid because the Fujimori government was thought to be playing a critical role in supporting the drug war.

CIA DIRECTED CASH PAYMENTS

Montesinos had founded and personally controlled a counter-drug unit within SIN. It was to that Narcotics Intelligence Division (DIN), U.S. officials told ICIJ, that the CIA directed at least \$10 million in cash payments from 1990 until September 2000. Most of the money was to finance intelligence activities in the drug war, though officials acknowledged a small part went to antiterrorist activities. The CIA knew the money was going directly to Montesinos and had receipts for the payments, the sources said. “It was an agency-to-agency relationship,” one U.S. official in Lima told ICIJ, “with Vladimiro Montesinos as the intermediary. ...Montesinos had the money under his control.”

The CIA suspected that Montesinos was involved in some illegal activities and was not surprised when informed of the diversion of funds, the U.S. sources said. Even though the agency had its suspicions about Montesinos, it continued doing business with him “because he solved problems, including problems he created himself,” one source said. The U.S. Embassy has provided Peru’s anti-corruption prosecutor with detailed information about the CIA’s payments to Montesinos in response to the Peruvian government’s wide-ranging investigations into Montesinos’ malfeasance. The prosecutor, Ana Cecilia Magallanes, has told U.S. officials that she has documents showing the diversion of SIN money, including the CIA payments, toward illegal activities. Sources would not elaborate on what those activities included, but the prosecutor said it did not appear that those monies were diverted into Montesinos’ personal accounts.

The CIA, according to published reports, began supporting Montesinos in the mid-1970s after Montesinos, then a middle-ranking Peruvian army officer, came to Washington on an unauthorized visit and handed over documents concerning Soviet arms deals with Peru. When the CIA learned of Montesinos double-dealing with Colombia’s FARC guerrillas, according to U.S. and Peruvian sources, it decided to try to bring him down. Peruvian military sources, speaking on condition of anonymity, said they believed the CIA leaked some of the videotapes showing Montesinos’ dirty deals.

Peruvian prosecutors also allege that Montesinos collaborated with drug traffickers, who paid him and his associates protection money. After 10 years as the power behind Peru’s president, Montesinos had at least \$264 million deposited in foreign bank accounts in Switzerland, the United States, the Cayman Islands and other nations, Attorney General Nelly Calderon Navarro announced in June 2001.

ARMS DEALER BROKERED RIFLES FROM JORDAN

One of the principals involved in private arms sales to Peru was the Lebanese arms dealer Sarkis Soghanalian, who had previously collaborated with both the CIA and the FBI and had been involved in selling arms to Iraq in the 1980s. In December 1999, Soghanalian was charged in a \$3.2 million bank fraud case in U.S. federal court in Los Angeles. He pleaded guilty in March 2001 to receiving a stolen check and is awaiting sentencing.

In an interview at his home in Palm Springs, Calif., Soghanalian told ICIJ that he remains on good terms with U.S. intelligence authorities and that he engages only in arms sales consistent with U.S. interests.

Soghanalian said he acted as a middleman in 1999 to broker a sale by the government of Jordan to Peru of 50,000 Kalashnikov automatic rifles manufactured in the early 1980s in the former East Germany. U.S. officials were aware of the transaction and had no objections to it, Soghanalian said. Although the deal was odd for Peru, which had recently purchased some 80,000 assault rifles from Israel, there were no U.S. objections because Fujimori, in October 1998, had signed a peace agreement with Peru's neighbor and traditional enemy, Ecuador. At no time did Peruvian officials indicate that they planned to resell the rifles to Marxist guerrillas of the FARC, Soghanalian said.

In January 1999, Soghanalian told ICIJ, he traveled to Lima to finish negotiations on the arms purchase. He was received by one of Montesinos' associates, José Luis Aybar, a former army lieutenant turned businessman. A military escort brought Soghanalian from the airport to Lima's Hotel Sheraton, and the next morning, Aybar gave Soghanalian a tour of various Peruvian military bases. Aybar then brought Soghanalian to Montesinos' office at the National Intelligence Service, and they had lunch at the Capital Yacht Club, Soghanalian said, where he learned that Montesinos' military colleagues referred to him as "the doctor."

"[Montesinos] talked about million-dollar contracts to buy missiles, cannons, parts, along with real estate transactions, like the construction of a new airport for Lima and the installation of an airline business with new planes," Soghanalian told ICIJ. "But I told him that first we must finish the business that we had agreed to with the Peruvian government. That is to say, the sale of 50,000 AK-47 rifles. Montesinos was in agreement."

Soghanalian had hoped to meet Fujimori as well, but Montesinos said he could not arrange the meeting at that time. Soghanalian told Montesinos that he would instead send Fujimori a gift of a fine Arabian horse along with a gold-plated sword. He flew to Amman to tell the Jordanian government that he had reached an agreement. "It is not common for intelligence services to be involved in the purchase of military equipment, but Montesinos appeared to have the authority of Fujimori to do so," Soghanalian said.

Five Hungarian-registered cargo flights brought a total of 10,000 AK-47s from Amman, via Algeria, Mauritania and/or Cape Verde to Trinidad and Tobago or Grenada. From there, according to the planes' manifests, the merchandise was to be flown to Iquitos, Peru, in the middle of the Amazon jungle, not far from Colombia. In fact, the planes were diverted to FARC-controlled territory in the eastern Colombian province of Vichada, where Peruvian officials say the crates of guns were parachuted to the Colombian guerrillas. Later, the planes flew on to Iquitos, where they picked up wood, coffee and other products ostensibly destined for Jordan.

The arms deal began to fall apart in July 1999, when Peru failed to make a scheduled payment for the first shipment of rifles. Soghanalian says he immediately suspended the arms deliveries while he demanded payment from Peru. He soon learned from U.S. contacts, who along with Colombian police investigators traced battlefield weapons seized from the FARC, that the rifles had been resold by the Peruvians to the FARC.

ARMS DIVERTED TO COLOMBIAN GUERRILLAS

"The Peruvian government failed to pay me as we agreed, so I stopped the shipments," Soghanalian told ICIJ. A few months later, Jordanian military intelligence officials told him that, according to their CIA contacts, the arms were not going to Peru but to the Colombian guerrillas. "I tried every way I could to recover my money, but I could not do so," he said. Soghanalian said he had done everything by the book, including clearing the arms deal with the U.S. embassy in Amman. "I would not have sold arms to Peru if the sale would have compromised U.S. interests."

In late 2000, Soghanalian began cooperating with the new Peruvian government and a prosecutor, José Carlos Ugaz, who is investigating wrongdoings by the Fujimori regime. "What Sarkis Soghanalian knew is fundamental to demonstrate that Montesinos controlled arms purchases during the Fujimori administration, at least since the conflict with Ecuador in 1995," Ugaz said in an interview with ICIJ in Los Angeles.

The same conclusion was reached by Rear Adm. Humberto Rozas Bonuccelli, the last titular head of the SIN during the Fujimori regime, and Gen. Julio Salazar Monroe, Rozas' predecessor in the job from 1991 to 1998. Both have testified in court that they ran the National Intelligence Service in name only and that Montesinos was its de facto chief. Montesinos had Fujimori's authority to manage his own state funds and personnel without any oversight, Rozas said. "Montesinos had a very independent way of working and it was compartmentalized. He had his own private revenues, and he handled them himself and we had no access to them. Furthermore, Montesinos had a group of people that worked exclusively for him, even though no one knew how many they were or who they were." Rozas said he discovered Montesinos' role in the arms sale to the FARC with the help of unspecified "American" intelligence agents, who provided him with photocopies of documents concerning the transaction. The Americans, Rozas said in court testimony, "wanted an investigation to be carried out to determine if the Peruvian army had bought these arms." U.S. embassy officials told ICIJ that it was the CIA that provided documents about the arms deal to Rozas.

His meeting with the "Americans," Rozas says, took place on Aug. 10, 2000. Eleven days later, after he had begun an investigation, Fujimori and Montesinos announced they had uncovered the arms deal. At an Aug. 21 news conference at the presidential palace, they declared that a serious blow against an arms trafficking ring had taken place, "in which not one Peruvian intelligence agent is compromised." The Organization of American States was pressuring Peru to restructure and reform the duties of the SIN at the time, which may be why Fujimori attributed the "notable success" of the operation to the SIN, and, of course, to Montesinos. Angered by cuts in U.S. aid ordered by Congress in response to reports of abuses by the SIN, Fujimori called the sting operation "Plan Siberia" and said it was much smaller, yet more effective than Washington's \$1.3 billion Plan Colombia.

Montesinos was apparently trying to manipulate the American discovery of the FARC connection in a way that would allow him to claim he had been investigating the deal rather than perpetrating it. "After they received the documents, they rushed to publicize the case. This was a political decision," testified Rozas. The Peruvian judge hearing the case asked Rozas, "What would have happened if the documents from the American intelligence agents had not been delivered to you, but instead only to Vladimiro Montesinos? Would the arms trafficking have been uncovered?" The ex-SIN head replied, "Most likely, no."

The arms deal with the FARC is the most staggering example of how U.S. officials seem to have been duped by their Peruvian partners. There are many other examples, surfacing since the fall of the Fujimori government, of official abuses carried out with U.S. resources.

According to U.S. embassy officials in Lima, interviewed by ICIJ, the SIN's narcotics intelligence unit was funded and assisted by both the CIA and the State Department's Bureau for International Narcotics and Law Enforcement Affairs. The State Department's share included \$36,000 in 1996, \$150,000 in 1997 and \$25,000 in 1998, according to U.S. embassy officials. In 1999, State withheld aid to the SIN because of congressional anger about reports that Montesinos was using the unit to conduct intelligence against the regime's political opponents.

PHONE CALLS OF OPPOSITION FIGURES INTERCEPTED

Three separate Peruvian military intelligence sources told ICIJ that surveillance equipment provided by the CIA, for use in the drug war, was instead used by the SIN to intercept the telephone conversations of opposition political figures, journalists, businessmen and military officers suspected of disloyalty to the Fujimori regime. Peru's naval, air force and army intelligence services were also involved in illegal surveillance of the regime's political critics and opponents, the sources said. Each agency also

"Surveillance equipment provided by the CIA, for use in the drug war, was instead used ... to intercept the telephone conversations of opposition political figures, journalists, businessmen and military officers."

sold "intelligence services" to wealthy individuals, corporations or influential officers. A buyer could pay \$1,000-\$2,500 per week to receive intercepts from the tapping of a single phone.

Or, sources from each of the three intelligence agencies told ICIJ, the wealthy buyers could pay spies to gather other information about individuals of their choosing.

A number of Peruvian intelligence officials were charged with drug trafficking, and several officers under Montesinos' command at the SIN were implicated in drug-trafficking organizations. Gen. Nicolas Hermoza Rios, chief of the Armed Forces Joint Command from 1991 to 1998, is currently jailed on charges of narcotrafficking. Lt. Gen. Elesban Bello Vasquez, who as the air force intelligence chief from 1992 to 1998 worked closely with Washington, is accused of illegal wiretapping. Gen. Eduardo Bellido Mora, whose army command included the key narcotrafficking areas in Peru, fled the country after being formally charged, with Hermoza, of collecting bribes from drug traffickers. Boris Foguel Ysuegas, an influential Panamanian drug smuggler, has told Peruvian authorities and ICIJ that he rented helicopters from the army and used them to transport coca paste from clearings in the Amazon to processing labs on the coast.

Charges against lower-ranking officers—all members of the National Police's special counter narcotics command—hinted at higher-echelon corruption years earlier. Maj. Eduardo Milla Espinoza was accused of shipping 2.2 metric tons of cocaine from Peru by cargo ship in 1999. Three years prior to Milla's arrest, Capt. Jorge Aste Chivlchez, a National Police agent who worked for the SIN, was convicted of collaborating with a drug-trafficking syndicate led by Carlos Cárdenas Guzmán, who the U.S. Drug Enforcement Administration claims has been involved in shipping cocaine to the United States from Colombia. Capt. Luis Alemán Delgado was convicted of collaborating with Cárdenas Guzmán and with another Colombian drug-trafficking syndicate led by Pastor Elías Delgado García.

The involvement of Peruvian intelligence officials in drug trafficking is one reason why the State Department cut off counter-narcotics aid to Peruvian intelligence agencies in 1999. The other is that U.S. officials became aware that Peruvian intelligence agencies were using U.S. aid to gather information against the regime's unarmed political opponents, as the three Peruvian intelligence officers also told ICIJ. As early as 1997, the State Department's annual human rights report's chapter about Peru described the massive power SIN had acquired under Montesinos' direction and its use against domestic political opponents. Despite those concerns, arms sales to the Fujimori regime by the U.S. government and U.S.-licensed companies nearly quadrupled in 1998 to \$4.42 million, compared to \$1.17 million in 1997.

U.S. official concern may have been mediated by satisfaction with the success of Fujimori and Montesinos in defeating two insurgent groups, Sendero Luminoso (Shining Path) and the Túpac Amaru Revolutionary Movement.

With the ebbing of the rebel movements and the government counterinsurgency campaigns after 1997, violence and human rights abuses declined. But there was an increase in selective abuses, particularly by the SIN and one of its special branches, the Army Intelligence Service.

EAVESDROPPING ON CONGRESS MEMBERS

SIN eavesdropped on members of the Peruvian Congress, the political opposition, business people and independent journalists. When confronted with evidence of the abuse, Fujimori, reported the State Department in 1997, "absolved the intelligence services of the accusations against them, asserted that private individuals with scanners had carried out the wiretapping, and charged the opposition with trying to further its own ends by portraying the government as a dictatorship."

Some of the best-documented human rights violations involved three army intelligence agents, Leonor La Rosa, Mariela Barreto and Luisa Zanatta. The three infiltrated the news media as part of their covert government work, but when their actions were revealed by the press, they were detained and tortured by the SIN in an attempt to get them to absolve their superiors. La Rosa was severely injured by her torturers, while Barreto was killed. Zanatta fled to asylum in the United States.

The harassment of the regime's critics and opponents was part of the overall anti-democratic trajectory that Fujimori's government took almost from the beginning. In 1992, Fujimori imposed martial law and severely restricted civil liberties, opposition activities and the media. His stated justification for the "self-coup" was to enable the Peruvian military to pursue an aggressive counterinsurgency campaign. The military subsequently committed many human rights violations, but it succeeded in crushing the rebels. In 1992, the government, with the help of the CIA, captured Abimael Gúzman, head of Sendero Luminoso. Its defeat of Peru's rebel forces was capped in April 1997, when commandos stormed the Japanese embassy and killed most of the Túpac Amaru rebels who had held hostages inside the building for four months.

Although neither rebel movement showed signs of resurgence, the Fujimori government's repression of its unarmed political opponents continued. In 1997, a majority of the Peruvian Congress amended the country's constitution to allow Fujimori to run for a third presidential term. Three judges of Peru's Constitutional Tribunal bravely declared the amendment unconstitutional; Congress fired them. The Fujimori regime also manipulated the country's electoral boards and its judiciary and harassed the independent news media. "Government intelligence agents allegedly orchestrated a campaign of spurious attacks by the tabloid press against a handful of publishers and investigative journal-

ists in the strongly pro-opposition daily, *La Republica*, and other print outlets and electronic media,” said the State Department’s 1998 human rights report.

By 1999, there was no longer any doubt that the Montesinos-controlled SIN was behind many of the anti-democratic actions designed to keep the Fujimori regime in power. “The security forces were responsible for several extrajudicial killings and one disappearance,” the State Department said in its Peru report that year. “Security forces tortured, beat, and otherwise abused persons, and impunity remained a problem. Lack of accountability within the armed forces, particularly regarding counterterrorist operations, continued to be a problem.”

Still, aid continued, though it was increasingly focused on counter-narcotics. In 2000, the United States provided \$42 million to Peru as part of its regional aid package in support of Plan Colombia. The aid included \$15 million for economic alternative programs in areas of high coca leaf growing, \$7 million to upgrade four UH-1H Huey helicopters to tactically superior “Super Hueys” or Huey II configurations, and \$20 million for interdiction operations. That operation would come back to haunt the United States on April 20, 2001, when a missionary and her infant daughter were killed by a Peruvian air force jet that fired on a plane whose possible drug-trafficking link had been suggested by CIA contract workers.

As of mid-2001, the United States continued to consider Peru a reliable ally in the drug war and the Peruvian military a trustworthy partner to receive U.S. aid. The Bush administration’s 2002 State Department budget proposal calls for \$49.18 million in military aid to Peru, an 82 percent increase over the previous year.

U.S. support for Fujimori and Montesinos promoted a regime that not only misused U.S. assistance to repress its own political enemies, but that also took money from drug traffickers and profited from arms trafficking. From one standpoint, U.S. aid could be seen as positive in that it supported a government that rid Peru of two dangerous leftwing insurgencies. But whatever disruptions in the drug trade U.S. aid to Peru achieved, they appear to have been local and temporary. The legacy of the Fujimori period has been to undermine Peru’s civilian democratic institutions and the rule of law.

ARRESTED ITALIAN CELL SHEDS LIGHT ON BIN LADEN'S EUROPEAN NETWORK

By Leo Sisti and Maud S. Beelman

WASHINGTON, OCTOBER 3, 2001 — On a cold winter night last January, on the outskirts of Milan, Italian anti-terrorist police intercepted a frantic call between two suspected Osama bin Laden operatives. "They have arrested our brothers ... half of the group," the caller said. "They have found the arms warehouse in Germany." That call, monitored in a cell phone wiretap, and subsequent other intercepts led to the arrest three months later of Essid Sami Ben Khemais, a 33-year-old Tunisian, and five others in Italy on charges of conspiracy, trafficking in arms and explosives, and using false documents.

Milan prosecutor Stefano Dambruoso is expected to complete his investigation in the case in the coming weeks and ask a judge to try those arrested, along with two others—a Belgian of Tunisian descent and an Iraqi living in Germany—for a conspiracy that authorities say links alleged bin Laden loyalists in Italy, Britain, Belgium, Germany, Switzerland, Spain and France.

Since the Sept. 11, 2001, terrorist attacks on the World Trade Center in New York and the Pentagon, outside Washington, D.C., dozens of men suspected of having links to bin Laden's al Qaeda network have been detained in Germany, France, Spain, Belgium, Britain and the Netherlands. The extent of that network remains unclear.

But a 100-page Italian investigative report, obtained by the Center for Public Integrity's International Consortium of Investigative Journalists, tells a stunning story of cooperation among suspected bin Laden cells in Europe and includes chilling wiretaps among the "brothers."

In one intercepted conversation, Ben Khemais, Mehdi Kammoun, 33, and two others, all now jailed in Italy, boasted about past achievements in Chechnya, the breakaway region of Russia where bin Laden loyalists are believed to be active. "First we studied the structure [of a building] and then with the plastic BOOM. The building collapsed," the report quoted Kammoun (codename "Khaled") as saying. "A fire broke out and so God's enemies were buried and burned." In another conversation recorded by Italy's antiterrorist agency, known as Digos, Ben Khemais discussed with five other men at his apartment the different types of materials used in bomb-making, including plastic explosives and an unspecified "drug."

"I'd like to learn how to use the drug and see the effect on someone breathing it," Ben Khemais, identified by his nom de guerre "Saber," said in the March 13 conversation, according to the report. "But the formula is in the hands of a Libyan ... a chemical professor . . . They have created a way to combine the fumes [of the drug] with the explosive. . . Its easy, but I don't know how to make it."

COMPLICATED WEB OF RELATIONSHIPS

The Italian investigative report, dated April 3, lays out the complicated web of relationships among the suspected al Qaeda operatives and identifies Ben Khemais and Tarek Maaroufi, a naturalized Belgian of Tunisian descent, as being key figures in bin Laden's European alliance. It was Maaroufi

whom Ben Khemais called weeks after the raid in Germany last December, warning him, “You need to cover yourself, you know how!”

Dambruoso has issued a warrant for Maaroufi’s arrest and hopes to have him brought to Italy to stand trial. Media reports in Brussels say a man named Tarek Maaroufi, identified as a naturalized Belgian of Tunisian origin, was convicted in Belgium in the mid 90’s for his involvement in an Algerian terrorist group and later questioned in connection with the 1991 murder of Belgium’s former deputy prime minister.

U.S. intelligence also believes Maaroufi was involved in a planned attack on the U.S. embassy in Rome that prompted the evacuation of the mission on Jan. 5, 2001, Dambruoso told the Italian news agency Ansa.

Maaroufi flew to Milan on Sept. 15, 2000, and from the airport called a cell phone number used by Ben Khemais, who arrived two minutes later to pick him up, the report said. Italian authorities tailed the two as they drove to Milan’s Cultural Islamic Institute, whose former director was Anwar Shaaban, an Egyptian who was investigated by Milan prosecutors before being killed in 1995 during the Bosnian war. The report called the institute “a substantial crossroad” for Egyptian terrorists.

Late last year, U.S. intelligence told Italian authorities that a man using the alias Umar al Muhajer was “joining a group of three Islamic extremists who were linked to the Osama bin Laden’s organization and, from Afghanistan, were planning vague actions against American targets in Italy,” the Italian report said. U.S. intelligence also provided Italian authorities with a cell phone number which, along with the alias, was later traced to Ben Khemais, according to the report.

In the April 5 predawn raid on Ben Khemais’ apartment in Gallarate, outside Milan, Digos agents found at least 30 cell phone cards, most cloned from the accounts of unwitting Italians, and approximately 40 videocassettes showing training scenes in Afghanistan and battle scenes from Chechnya.

In a July 2000 raid on Ben Khemais apartment, during an earlier immigrant smuggling investigation, police came across a man with a photocopy of a Yemeni passport in the name of Nassim Abdulqader Ahmed al Sakkaf. Not an unknown name, al Sakkaf had been arrested in Ottawa, Canada, in 1997, for using a fake passport. In May 2000, he was jailed in Germany on similar charges. And on Sept. 19, 2000, 8.46 million lire (US \$4,000) was wired through Western Union to his accounts by Ben Khemais, the report said.

Al Sakkaf was detained in Jordan on Nov. 1, 2000, for illegally entering the country and also for his connections with mujahedeen in Chechnya, the report said. Jordanian authorities later determined his real name was Fahid Mahdi Ahmad Hamdan al Hassan al Shakri, a Saudi national linked to a prominent member of the “Jamaat al Islamiya” terror organization. That group’s spiritual leader, Sheik Omar Abdel Rahman, was convicted in the United States on terrorist conspiracy charges and allegedly was the mastermind behind the 1993 bombing of the World Trade Center.

Ben Khemais nominally was chairman of a cooperative called “Work Service srl,” a company which provides office-cleaning services, as well as maintenance for gardens and parks, the report said. But Digos agents suspect that the company, which was raided together with other apartments Ben Khemais frequented, was just a “smokescreen” to cover the real activity of the Italian terrorist cell.

Ben Khemais moved to Milan in March 1998 after spending two years training in Afghanistan to recruit people to bring to one of four Afghan training camps for Islamic fighters, where bin Laden’s

ARRESTED ITALIAN CELL SHEDS LIGHT ON BIN LADEN'S EUROPEAN NETWORK

organization teaches bomb making, disguise, sabotage, kidnapping, and hijacking of trains, buses and planes.

According to the report, the "guerrilla candidates," once recruited in Europe and provided with false passports, were assembled in Geneva, where a Tunisian, identified in the report as Taher Mestayser, arranged their travel. From Switzerland, they were sent to Pakistan, where they were picked up at the Afghan border and brought to a camp in Khost, south of Kabul. At the end of their training, the report said, the "mujahedeen," or holy warriors, returned to Europe ready for jihad.

While running the Italian terrorist cell, Ben Khemais was in direct contact with similar groups in Germany, Britain and Belgium, the report said.

TERROR NETWORKS IN EUROPE

In summer 2000, two Islamic terrorist networks were becoming very active in Europe: one led by a Tunisian, identified as Seifallah ben Hassine, Ben Khemais' boss in the European cell, and the second by an Algerian in London, identified as "Abu Doha" and the "doctor," the report explained. The report said nothing about ben Hassine's whereabouts. Haydar Abu Doha is in custody in London, where U.S. authorities are seeking his extradition on charges that he was a key figure in bin Laden's network and one of the plotters to bomb Los Angeles International Airport on New Year's Eve 1999. Abu Doha also was implicated by U.S. intelligence in the planned attack on the American Embassy in Rome, the Italian report said.

The two networks supported the activity of the Salafist Group for Call and Combat, a militant offshoot of the Armed Islamic Group (known by its French initials GIA), which was opposed to the Algerian government and responsible for subway bombings and hijackings in France. However, by autumn 2000 in Europe, the report said, "the Algerian situation was becoming less important in favor of a new project sponsored by Osama bin Laden: the setting up of a sort of Islamic International, active under the name International Front Against Jews and Crusaders." The Italian report, highlighting the labyrinthine ties among the suspected al Qaeda operatives, noted that during a raid on the Vancouver apartment of Ahmed Ressam, the Algerian loyalist of bin Laden who was convicted in the plot to blow up the Los Angeles airport, Canadian investigators found two key telephone numbers. One belonged to Abu Doha in London and the other to a bin Laden operative in Peshawar, Pakistan, who ran a residence for mujahedeen training in Afghanistan. The report also said Italian authorities had intercepted a series of cell phone calls, placed by Mehdi Kammoun, one of the men arrested with Ben Khemais in April outside Milan. Between 12:43 a.m. and 7:08 p.m. on Dec. 3, 2000, Kammoun made about 30 calls to Tunisia, Pakistan, Dubai, Italy, Germany, including to the leader of the German terrorist cell raided in late December, and to Britain, including two calls to Abu Doha. Italian investigators said there were many connections between the Italian cell, run by Ben Khemais, and the Frankfurt cell raided last December. That cell was led by Mohamed Bensakhria, also known as "Meliani," an Algerian who escaped from Germany but was arrested in Spain on June 22 on French charges that his group planned to attack Strasbourg. Bensakhria's German telephone number was called several times by Ben Khemais and his associates in Milan, the report said. Digos agents also found his number during a raid on another Milan apartment last April during the crackdown on the Italian cell, along with a note reproduced in the report with agents notations, reading: "Mliani ("Mliani" stands for "Meliani") al Ansari ("Ansari" in Arabic means "The supporter") Germe ("Germe" stands for Germany)." In addition, German police stopped Ben Khemais, al Sakkaf and another man on May 20, 2000, in Rosenheim,

Bavaria, for attempting to enter the country illegally and turned them back to Italy, according to the report.

“I don’t know Osama bin Laden. I don’t throw bombs. I only helped Muslim brothers who fight for their freedom in many countries.”

Following the December raid and arrests in Frankfurt, Ben Khemais was wiretapped giving orders to what Italian authorities said were accomplices escaping from Germany. “Tell him to send me a photocopy of his passport,” Ben Khemais said, according to the report. “Stamps are ready.”

Italian authorities have also linked Ben Khemais to a terrorist cell in Spain. The report said that Italian, French and Spanish agents trailed him as he traveled by train in late March from Milan to Valencia, with stops in Paris, Lyon and Pamplona. Along the way, the report said, he met with Madjid Sahouane, one of the suspects arrested in Spain in the wake of the Sept. 11 bombings.

Spanish police lost the trail after Ben Khemais and a group of men, including a suspected Algerian terrorist, left a mosque in Valencia.

“Even without knowing what was the result of the meeting in Valencia, this activity proves the international connections and the importance of the probed Sami Essid,” the Italian report said.

Ben Khemais has refused to talk to Dambruoso, the Italian prosecutor on the case. But he told the Italian newspaper *Il Corriere della Sera*, “I don’t know Osama bin Laden. I don’t throw bombs. I only helped Muslim brothers who fight for their freedom in many countries, especially in Chechnya.” Maaroufi told the Italian daily *La Repubblica*, “It’s all untrue. We are not terrorists.”

AFRICA'S 'MERCHANT OF DEATH' SOLD ARMS TO THE TALIBAN

By Phillip van Niekerk and André Verløy

WASHINGTON, JANUARY 31, 2002—Victor Bout, the Russian arms trafficker whose clandestine sales of weapons of war to some of the bloodiest regimes and rebels in Africa were exposed by the United Nations, had another secret client: he sold millions of dollars of arms to the Taliban in Afghanistan.

According to Belgian intelligence documents obtained by the Center for Public Integrity, Bout earned \$50 million in profit for selling weapons to the Taliban in the late 1990s. Another European intelligence source independently verified the sales, and intelligence documents from an African country in which Bout operates—obtained by the Center—claim that Bout ran guns for the Taliban “on behalf of the Pakistan government.”

The intelligence documents were produced before the Sept. 11, 2001, terrorist attacks on the United States that triggered the U.S. war in Afghanistan against the Taliban, Osama bin Laden and his al Qaeda network. They do not specify the type or amounts of weapons sold to the Taliban, other than that they were from stocks of the former Soviet Union.

The Center's findings—part of a larger investigation into the commerce of war by its International Consortium of Investigative Journalists to be published later this year—establish no direct links between Bout and bin Laden. But the Taliban's ties to al Qaeda would have enabled weapons shipped to Afghanistan to make their way to bin Laden's forces. Peter Hain, the British Foreign Office Minister for Europe who has led the international effort to expose criminal networks behind the conflict diamonds and small arms trade in Africa, said in an interview that the danger posed by Bout was clear in his supply of weapons to the Taliban “and to its ally, Osama bin Laden.”

The source of the Taliban and bin Laden's weaponry has been the subject of much interest and speculation since the Sept. 11 attacks. The German news magazine *Der Spiegel* reported on Jan. 7, 2002, that Vadim Rabinovich, an Israeli citizen of Ukrainian origin, along with the former director of the Ukrainian secret service and his son, sold a consignment of 150 to 200 T-55 and T-62 tanks to the Taliban. *Spiegel* said the deal was conducted through the Pakistani secret service and uncovered by the Russian foreign intelligence service, SVR, in Kabul, the Afghan capital. A Western intelligence source told ICIJ that Rabinovich's weapons had been airlifted by one of Bout's airfreight companies from his base in the United Arab Emirates.

Rabinovich, who has denied the allegations, told the Kiev newspaper *Ukrayinska Pravda* that he was the victim of a smear campaign by unspecified political forces in the Ukraine who were using him as a scapegoat. “If something disappears in Ukraine, something is stolen or vanishes, Rabinovich is guilty. If there is no water in Ukraine, it is Rabinovich's fault,” he said. The Ukrainian Parliament, which twice debated the allegations, urged prosecutors to open a criminal probe.

A spokesman at Pakistan's embassy in Washington, D.C., who refused to be named, denied that Pakistan served as a conduit for weapons shipped to the Taliban, saying that Pakistan abided by the Dec. 19, 2000, U.N. arms embargo imposed on Taliban-controlled Afghanistan and actively promoted

interdiction. The weapons allegedly supplied by Bout and Rabinovich were delivered before the sanctions were in place.

Attempts to reach Bout for comment in the United Arab Emirates were unsuccessful.

U.N. monitors have accused Bout of shipping contraband weapons to rebel movements in Angola and Sierra Leone and to the rogue regime of Charles Taylor in Liberia. Bout and his associates operate, or have operated, in Angola, Cameroon, Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Kenya, Liberia, Libya, Congo-Brazzaville, Rwanda, Sierra Leone, South Africa, Sudan, Swaziland and Uganda, according to reports by the United Nations, the U.S. State Department and non-governmental organizations. Intelligence documents obtained by ICIJ and interviews conducted with many of those following the global trade in arms further support the allegations against Bout.

"The murder and mayhem of UNITA in Angola, the RUF in Sierra Leone and groups in the Congo would not have been as terrible without Bout's operations," Hain told ICIJ in an interview. He called Bout "Africa's chief merchant of death."

Bout's empire today is a maze of individuals and companies, which employ some 300 people and own and operate 40 to 60 aircraft, including the largest private fleet of Antonov cargo planes in the world, according to ICIJ investigation. Bout has long-standing ties to Afghanistan, but his links to the Taliban have been a closely guarded secret.

"The murder and mayhem of UNITA in Angola, the RUF in Sierra Leone and groups in the Congo would not have been as terrible without Bout's operations."

The 35-year old native of Tajikistan, who uses several aliases, started out in the trade in Afghanistan when his air force regiment was disbanded during the breakup of the former Soviet Union. A 1991 graduate of Moscow's Military Institute of Foreign Languages, Bout is reportedly fluent in six languages.

In March 1995, Bout and Frenchman Michel-Victor Thomas founded Trans Aviation Network Group (TAN), according to U.N. and intelligence reports. Between 1995 and 1997, the company's operating base was Ostend in Belgium, an airport frequently cited by human rights groups for hosting companies and individuals involved in arms trafficking. TAN also opened offices in Sharjah, United Arab Emirates.

At first, most of the shipments from Ostend were intended for Afghanistan, according to local monitors' reports. Many went to groups opposing the Taliban. One Boeing 707, with a crew from Switzerland and registered in the Democratic Republic of Congo, was "partially financed by Afghan generals," the Belgian intelligence report said.

Bout's company delivered at least 40 tons of weapons from Ostend to Afghanistan, but Bout left Belgium after details of the shipments were reported in the local media, including that he paid \$10,000 to the pilots for each trip. The Belgian intelligence document noted that pilots got an extra \$1,000 "per landing."

Bout's contacts with the Taliban extend to August 1995, when the Taliban was in opposition to President Burhanuddin Rabbani's government in Kabul. One of Bout's planes flying from Albania via Sharjah and transporting small arms and military equipment to Rabbani was intercepted by a MiG-21 and forced to land in Taliban-controlled territory, according to the ICIJ investigation.

AFRICA'S 'MERCHANT OF DEATH' SOLD ARMS TO THE TALIBAN

The Ilyushin-76 belonged to Aerostan, a company based in Tatarstan, but was leased by Transavia, one of Bout's companies operating out of the United Arab Emirates. Transavia had started flying cargo flights to Kabul, Kandahar and Jalalabad in May 1995 at the behest of Afghani traders in the emirates, according to the French news agency Agence France Presse.

Bout, together with Russian diplomats, tried to negotiate the release of the detained crew in Kandahar, but was not successful. A year later, on Aug. 16, 1996, the seven Russian crew members disarmed their guards and took off in the Il-76 for Sharjah, according to press reports. A source later told the *Washington Monthly* he believed even though this deal went sour Bout took advantage of the situation by establishing contacts with the Taliban.

Intelligence agencies suspect that more recent arms supplies were transported on an airline run by one of Bout's business associates. The airline, Flying Dolphin, operated scheduled flights from the United Arab Emirates into Taliban-ruled Afghanistan between October 2000 and Jan. 21, 2001, according to reports in the UAE media.

Flying Dolphin is owned by Sheikh Adbullah bin Zayed bin Saqr al Nayhan, a former UAE ambassador to the United States and member of the ruling family in Abu Dhabi who has been described by the United Nations as a "close business associate of Bout." According to the Dec. 20, 2000, U.N. report, Zayed's company is registered in Liberia, but its operations office is in Dubai.

The United Nations gave Flying Dolphin permission in October 2000 to operate weekly flights from UAE to Kandahar on condition that no cargo would be allowed on the plane, just passengers' personal belongings.

Flying Dolphin said it had decided to introduce the service in response to demand from Afghans living in the Gulf region. About 500,000 Afghans live in the United Arab Emirates, whose government was one of only three that had granted diplomatic recognition to the Taliban. Flying Dolphin halted the weekly service after the United Nations imposed tougher sanctions on the Taliban in January 2001.

According to the United Nations, almost all of Bout's companies operate out of the United Arab Emirates. Companies registered in Swaziland, the Central African Republic, Liberia and Equatorial Guinea use Sharjah airport as an "airport of convenience." In early 2001, Bout relocated from Sharjah to neighboring Ajman, where he set up office in the Chamber of Commerce and Industry building.

The United Arab Emirates is a major financial center and crossroads for east-west trade. With its large volume of transiting cargo, its bank secrecy laws, and its bustling free trade zones, it is a perfect base for arms dealers.

Bout's career in the arms trade in Africa took off in 1995 after he registered Air Cess in Liberia. Five years later, in March 2000, the United Nations started naming individuals and companies involved in the shady world of arms and diamonds dealing in Africa, even publishing their addresses and telephone numbers. Bout was among those most frequently cited.

A U.N. panel investigating arms embargo violations against UNITA in Angola identified 37 flights between July 1997 and October 1998, with weapons all belonging to Bout. The aircraft, with false end-user certificates and flight schedules, were all registered in Liberia. Bout has since been accused by the United Nations of violating sanctions against the Revolutionary United Front in Sierra Leone, UNITA in Angola and Charles Taylor's regime in Liberia.

Although intelligence documents reveal that Bout "is under investigation in a number of western countries" and that "Interpol has opened a file on him," Bout continues to operate freely, shuttling

between the United Arab Emirates, Russia, Central Asia and Africa's war zones. While he was under investigation by a U.N. panel, he even ferried Pakistani U.N. peacekeepers to East Timor.

An Interpol spokesperson refused to comment on Bout, but ICIJ has learned that at least one warrant for his arrest was issued by the Central African Republic, which however, never formally notified Interpol. In March 2000, Bout was sentenced in absentia to two years in prison by a tribunal in the capital of Bangui after an aircraft belonging to him used the markings of the state-owned airline on a flight to Gabon. However, for unknown reasons, the United Nations said Bout was absolved of the charges by a Bangui court on June 28, 2000.

At a U.N. conference on the illicit trade in small arms and light weapons in July 2001, the international community for the first time agreed in principal to curb the illicit trade in weapons. However, the "program of action" is not legally binding and was watered down by China, Russia, and the United States—the three largest weapons producers. China and Russia have historically opposed global regulations on arms trafficking. The United States opposed measures that would control private gun ownership and bar sales to friendly guerrilla movements.

Lisa Misol, an arms expert at Human Rights Watch, said too little is being done to bring arms traffickers to justice. "We're happy for improved monitoring and publication of findings," said Misol. "But that's clearly not enough to tackle the problem if no one's willing to do something with the information."

THE FIELD MARSHAL

By Alain Lallemand

WASHINGTON, NOVEMBER 15, 2002—By the bloody standard set in Africa in the last decade, the 1997 conflict in Congo-Brazzaville between forces loyal to Pascal Lissouba, the elected president of the country, and Denis Sassou Nguesso, who succeeded him, was a small war. It barely merited mention in the wire dispatches of international news services, despite a death toll as high as 10,000 and another 800,000 people forced to flee their homes because of the conflict.

On Oct. 15, 1997, after six months of fighting, Nguesso's Cobra rebels, backed by troops sent by Angola—which had its own interests in the country—prevailed, driving Lissouba into exile. He flew to London via Gabon, ending his four-year reign during which his various economic reforms had failed to alleviate the nation's poverty. In addition to this legacy, Lissouba left behind a multi-million dollar debt for weapons his government had purchased to fight Nguesso's Cobras.

Over a three-month period in 1997, Lissouba's government ordered more than \$60 million in arms. A dozen shipments brought helicopters, rockets, missiles and bombs from a handful of countries to Congo-Brazzaville. Executives of the French state-owned company, Elf Aquitaine—which pumped oil from the country and was a longtime player in its various changes in government, often befriending both sides—had arranged a loan backed by the country's future petroleum production to pay for the armaments. Yet Lissouba was forced to flee before the payments could be made, leaving the middleman who had arranged the shipments owed millions of dollars.

That middleman, Jacques Monsieur, was not the sort of man to write off his losses. Believed to be among the biggest arms traffickers in Europe,

"Often arms traders ... actually serve the interests of Western intelligence services and corporate elites. They violate U.N. arms embargoes with the implicit—sometimes explicit—approval of government officials."

Monsieur had violated a U.N. embargo by shipping arms to Bosnia and Croatia during the long, bloody conflict in those countries, with the approval, he later claimed, of both the U.S. Central Intelligence Agency and the Direction de Surveillance de Territoire (DST), the French domestic intelligence service. He later forfeited his good relations with Washington by acting as an importer-exporter of arms for the Islamic Republic of Iran, for which he also tried to procure uranium. He worked closely with executives from the French oil giant, Elf Aquitaine, the state-owned petroleum company that, until its merger with TotalFina in 2000 to form TotalFinaElf, was the sixth largest oil producer in the world. Though he had aroused the ire of U.S. government officials and was under investigation by French and Belgian law enforcement authorities, Monsieur lived openly in France, all the while violating international sanctions by shipping arms to war-torn countries.

In order to get paid for the Congo-Brazzaville deal, Monsieur threatened to reveal everything about his deals, embarrassing the French intelligence services, former officials of Elf Aquitaine, and African heads of state. The Elf executives had the most to fear: at the time of his threats, the French govern-

ment was investigating the company's long history of corruption, including its involvement in the trade of weapons in exchange for oil, and its manipulation of African politics.

Jacques de Naurois, the director for institutional relations for TotalFinaElf, said, "Whatever the French foreign policy towards Africa was, Elf Aquitaine was only concerned with exploiting the oil. For the rest, we leave historians to explain and resolve the mysteries of ancient history." When asked if Elf had been involved in arms deals, he answered "No," without elaborating. The trials of Elf scandalized France and reached into the upper echelons of the country's ruling elite, including the former foreign minister, Roland Dumas, who kept his mistress, Christine Deviers-Joncourt, on the Elf payroll. Dumas was sentenced in June 2001 to six months in prison for corruption and abuse of public property. To date, 42 people have been charged in connection with the arms and corruption scandals and several have been convicted, including Elf's former chief executive officer Loik le Floch-Prigent and his right-hand man Alfred Sirven. Monsieur's career, including his dispute over the unpaid weapons he shipped to the Lissouba government in 1997, illustrates that often arms traders who are ostensibly profit-seeking freelancers actually serve the interests of Western intelligence services and corporate elites. They violate U.N. arms embargoes with the implicit—sometimes explicit—approval of government officials, and attempt to tip the balance in armed conflicts for the benefits of business interests.

FRENCH CONNECTIONS

A Belgian born on March 31, 1953, Monsieur, nicknamed "the field marshal," had been active in arms trading since the 1980s. He was a participant in the Iran-Contra affair, but the first solid information about his dealings came from the Belgian federal police, who in 1986 found a suitcase in Brussels that belonged to him.

The documents in his suitcase revealed that Monsieur was in contact with the Israeli intelligence service, Mossad, as well as Iran, and that he had been attempting to export Armbrust grenade launchers—German-built light anti-tank weapons—without a license. Monsieur obtained false "end user" certificates from other countries, especially the former Zaire.

This first investigation of his activities, however, led nowhere. According to Belgian law, Armbrust launchers are regarded as "hunting weapons," not weapons of war. Though he had not broken Belgian law, European law enforcement authorities began to keep track of Monsieur.

But law enforcement authorities weren't the only ones with an interest in the Belgian arms dealer. Monsieur had very good contacts in France, both with the DST and executives from Elf Aquitaine. France appeared to be the protector of Monsieur, who had relocated his operations there in 1993. For six years, while authorities from Europe continued investigating his activities, he lived there openly, despite growing evidence of his involvement in illegal arms trading. In 1999, French authorities indicted him for his weapons trafficking. The court proceedings that followed revealed more information about his career—and his connections to the DST and Elf executives.

In September 2000, Monsieur told a French judge of having been contacted in 1991 in Brussels by the CIA, and, with the blessing of the French DST, of having sent tens of millions of dollars in weapons to Croatia. From 1991 to 1995, he found his best markets in Croatia and Bosnia, even though the two countries were under a U.N. embargo.

Another French magistrate, who is well versed in the Croatian trafficking case, said it was a political operation. "A decision from on high led, in 1995, to the cancellation of a fourth wave of weapons

deliveries to former Yugoslavia,” implying that French authorities had tacitly approved the prior three “waves” of weapons shipments.

While his good relations with the DST were useful to Monsieur, he said he had a far closer relationship with Elf Aquitaine that began in the early 1990s. He claimed that Elf was prepared to finance some of the arms trafficker’s deals. A letter sent by Monsieur in 1991 to a Polish arms manufacturer on behalf of an Angolan colonel states this explicitly. In the letter, which was discovered by Belgian investigators, Monsieur organized the transportation of tanks, transport helicopters, attack helicopters, and assault rifles to Angola. To the Polish dealer, Monsieur wrote that those weapons are “to be financed by budget or L/C” (Loan/Credit), and he mentioned that he had the financial green light from Elf Aquitaine: “This has been confirmed by Elf themselves.”

TotalFinaElf’s de Naurois said Elf had no relationship with Monsieur. “Elf Aquitaine was a company that deals with oil, not with weapons,” he said. He also denied that Elf had ever financed any of Monsieur’s arms deals.

Monsieur was not the first to assert that Elf Aquitaine was linked to arms trading in an oil-rich country. As the French newspaper *Le Monde* revealed in a 12-part investigative series in 1998, Elf Aquitaine was infiltrated from its founding in 1965 by secret agents who were charged with working out ways of getting access to the oil fields of Africa. The company was formed just as access to petroleum became a crucial strategic matter for France. When the country’s colonies in sub-Saharan Africa and Algeria gained their independence, France lost its easy access to their oil reserves, and became oil thirsty. Elf was set up to slake that thirst by whatever means necessary.

Jacques Foccart, the French politician and confidante of Charles de Gaulle, who masterminded France’s Africa policy between the 1950s and his death in 1997, put it candidly: “To defend the interests of our country, we cannot be afraid to extend our hand to the devil.”

As has now been well documented in the French court cases, wherever Elf Aquitaine found oil, it worked hard to create the political conditions that would guarantee easy access to it. In the oil-rich former colony of Gabon, Elf operatives and the French army were instrumental in the coup that toppled President Laurent Mba in 1964, less than four years after independence. An obscure thug named Omar Bongo, who had been on the payroll of the French secret service, became the country’s new master—a role that he has filled ever since. Soon after the coup, Gabon became Elf Aquitaine’s best oil field and Bongo became an extraordinarily rich man.

Elf was not averse to playing both sides of a civil war. Le Floch-Prigent, Elf Aquitaine’s CEO between 1989 and 1993, acknowledged aiding Jonas Savimbi, leader of the rebel movement, UNITA, at the same time as the company was strengthening its ties with the Angolan government of José Eduardo Dos Santos in Luanda. In 1996, while he was serving a prison sentence, Le Floch-Prigent wrote “a short history” of his involvement in Elf and in Africa. He wrote that his role as Elf’s CEO was “to keep the equilibrium between Savimbi and Dos Santos in Angola, in order to prevent either from winning.”

Elf Aquitaine provided the government with revenue through its payments for the right to exploit Angolan oil fields, Le Floch-Prigent said, and paid UNITA to avoid attacks on its installations and personnel. “Elf’s problem in Angola was that some of the company’s installations in the country are located in regions that regularly change hands,” Le Floch-Prigent said. “We therefore negotiated with [UNITA leader Jonas] Savimbi to protect our materials and personnel. In the end, we gave money to him.” How much, he wouldn’t say.

One of the key figures in Elf's African oil dealings was an executive named Jack Sigolet. After serving in the French military in Algeria, he joined the finance department of the French state-owned Régie Autonome des Pétroles (Independent Directorate of Petroleum) in 1962, which soon afterwards became Elf Aquitaine. After the launch of Elf, he worked for four years in Tehran, before returning to Europe to handle the finances of the company. In 1978, he became chief of Elf's Africa finance department, and pioneered a concept that has been adopted by many oil companies since: the oil-backed loan.

In an interview with ICIJ, Sigolet explained that such loans are the way for debt-ridden African heads of state to pay their accounts, buy weapons or fulfill their need for splendor by mortgaging future oil income. Oil money is the preserve of the head of state, and the movement of money is unrelated to the normal budget of the country, and thus requires that the deals be discreet, he said.

"I advised that these financial schemes should not develop in public space," said Sigolet. "A certain secretiveness was required. This was achieved by my proposal to the president [of Elf] to nominate me as '*chargé de mission*,' attached to both the head of Elf's oil department of the group and to its finance department. Elf appointed me as a kind of counselor to presidents or finance ministers of African states, working with multilateral organizations (the International Monetary Fund, the World Bank, the European Bank, etc.). In the furtherance of those activities, I was answerable to nobody inside the group."

Sigolet said that, through him, Elf not only provided oil-backed loans to African states and their leaders, but also became a partner in the financial decision-making of those leaders (TotalFinaElf's de Naurois denied Sigolet's characterization). Sigolet also helped arrange arms deals for them, he told ICIJ, including one failed deal with Monsieur that involved another of Monsieur's favorite clients, the Islamic Republic of Iran.

ARMING IRAN

The Shiite fundamentalists who took power in Tehran in 1978 inherited weapons originally purchased by the Shah's regime. But they had difficulty maintaining and upgrading their military hardware, not least because of a U.S. arms embargo on the country following the 1979 embassy hostage crisis. The Iranian government did business with Monsieur because he was able to provide it with new flight and defense material and spare parts from the United States.

According to his own documents, in 1992 Monsieur transmitted plans devised by the French company, Matra, to the Iranian Air Force for adapting its "Magic-2 Air to Air" missile to the Phantom F-4 aircraft.

In 1992, Monsieur attempted to deliver Electron radar material to Iran. Electron is the radar system that tracks Hawk surface-to-air missiles. It is unclear whether that radar material was delivered, but Monsieur did sell Tehran a key technology that is currently used by Iranian airports for civil aviation, according to an intelligence document.

Monsieur acted as an import-export agent for the Iranian military. In addition to radar systems and aircraft missiles, he proposed selling Bell-Agusta helicopters to Iran. And on August 22, 1996, Monsieur suggested to the Iranians that they export weapons to the small central African state of Burundi, a neighbor of Rwanda, in violation of a U.N. weapons embargo, according to sources involved in investigating the affair. The military head of state, the ethnic Tutsi Pierre Buyoya, had seized power in a coup

the previous month, threatening to plunge the country into a new round of ethnic bloodletting between Hutus and Tutsis.

In a document obtained by Belgian police, Monsieur asked the Iranians their prices for mortars, assault rifles, ammunition and light artillery to be sold to Burundi. He said that he would deliver the bulk by air with an Ilyushin 76, and reassured his Iranian counterparts that if they had the slightest concern about the destination of the weapons, he could find “other end users,” suggesting that, as he had done with the Armbrust launchers, Monsieur would falsify the documentation. Neither the French nor the Belgian investigators were able to determine whether the deal ever went through.

By this time, U.S. Customs officials had seen enough. In 1996, they convinced Belgium to launch an investigation of Monsieur. Soon afterwards, French authorities began their own investigation into the sale of Stinger FIM-92A missiles to Iran. Monsieur was by then living in Bourges, France, and presented himself as a horse breeder.

Despite the investigations, Monsieur was still able to deliver weapons—some of them from Iran—to Congo-Brazzaville in the summer of 1997.

The long-standing dictator of Congo-Brazzaville, Nguesso, was another of Elf and France’s best friends in Africa—they even reportedly helped put him in power in 1979 in one of the country’s many coups. Jean-Pierre Cordier, the president of the ethics committee of TotalFinaElf, said that it was “beyond our imagination” to suggest that Elf would back a coup rather than deal with the government in power.

In the euphoria over multiparty democracy that followed the collapse of the Berlin Wall, Nguesso was persuaded to hold democratic elections in September 1993, which he promptly lost to his old nemesis, Pascal Lissouba. The election result didn’t weaken Elf’s standing in the country. Lissouba would later claim that Omar Bongo, the leader of Gabon, and Andre Tarallo, a senior executive from Elf, financed his election campaign by giving him about a million French francs (or roughly \$170,000) in suitcases. Tarallo could not be reached for comment. De Naurois of TotalFinaElf cited the ongoing investigation and declined to comment on the election.

Lissouba—whose financial advisor was Jack Sigolet—initiated a series of economic reforms, including a privatization program that led to thousands of bureaucrats losing their jobs but failed to lift the country out of its poverty or put bread on people’s tables. Ethnically-based militias further undermined the stability of the country.

“The long-standing dictator of Congo-Brazzaville, Nguesso, was another of Elf and France’s best friends in Africa—they even reportedly helped put him in power in 1979 in one of the country’s many coups.”

As the situation grew ever more dangerous, Lissouba recruited Israeli mercenaries under retired Gen. Zeev Zachrin, working for the Israeli private military company Levdan, to train his militiamen. Lissouba’s armed youths were up against Nguesso’s Cobras and the Ninjas of Bernard Kolela, the leader of another opposition party in Brazzaville.

In early 1997, Lissouba was still in charge in Brazzaville, but the Cobras were gaining in strength. On June 5, 1997, a civil war erupted and Lissouba desperately needed weapons. Testifying in the lengthy investigation into corruption at Elf, Lissouba told a French judge in December 2001 that he was offered arms by the oil company. He said that Sigolet and Elf’s “Mr. Africa,” Andre Tarallo—so-called

because he had headed the oil company's Africa division and overseen its Africa policy—had offered to arm him. “[Tarallo] said, ‘You need a war chest’ ... Tarallo and Sigolet offered me arms.”

From June 23 to Sept. 28, 1997, Lissouba ordered from Monsieur 12 consignments of weapons worth \$61.4 million. Among those goods were five Russian-built attack helicopters, rockets, missiles and bombs. Most of the light weapons were Iranian. Forty Russian technicians and officers traveled with the materiel.

The invoices landed on the table of Col. Yves-Marcel Ibala, at the Congolese Internal Affairs ministry, which is in charge of security. To pay for the arms, the Lissouba regime used a specific bank account, “MinFin-Congo,” from the Paris offices of FIBA, a now-defunct French bank that was owned by Elf, Bongo, and other private investors in Gabon. The MinFin-Congo account was funded by a share of the oil taxes (set at 17.5% of the selling price of exported crude oil) that was paid by Elf-Congo to the Congolese state. The funds were deposited in the FIBA account for which the Congolese finance minister, Nguila MOUNGOUNGA, had signing authority. In order to pay the weapons invoices, MOUNGOUNGA would fax the invoices to the director of FIBA bank, Pierre Houdray. Houdray could not be reached for comment.

But the payments for the weapons were never made. Lissouba was desperate for cash; he asked Elf for a new loan that would be financed with future oil supplies. Lissouba wanted the money to be advanced to him as early as August. Sigolet wrote the draft of the loan agreement, which mentioned 10,000 barrels of crude oil per day as collateral. The contract was known as Darrow, the name of the offshore company created specifically for the deal.

Darrow never came into effect. After months of indecisive conflict, in which the capital was divided into fiefs under the rule of various brutal youth militias, and up to 800,000 people fled their homes, the Angolan armed forces intervened and helped install Nguesso as the unchallenged leader of Congo-Brazzaville. The Angolan initiative was motivated by two factors. Under Lissouba, Congo-Brazzaville had become a launching pad for the rebel movement in the neighboring Cabinda enclave which Angola claims as its own territory. Just as troubling to the Angolan government, the Angolan rebel UNITA movement of Jonas Savimbi was using Congo-Brazzaville to smuggle out the diamonds it used to finance its war machine.

The Angolan intervention proved decisive and brought the conflict to an end. Nguesso became leader of the country through the force of arms for a second time on October 15, 1997—the same day that Lissouba fled the country.

But Monsieur had not been paid for his weapons and protested to the incoming government. The new president was in no hurry to honor debts accumulated by his predecessor. Nor was he eager to pay for war materiel that had been used against the forces who had swept him to power.

In 1998, Nguesso's government and executives from Elf proposed terms of a settlement. That year, Pierre-Yves Gilleron, a former adviser to Lissouba and a member of the French DST, contacted Jack Sigolet in order to resolve the legal dispute between Monsieur and Congo-Brazzaville. Sigolet, who had retired from Elf, was back in the Congo, as financial advisor to the new president. The new Congolese minister for Internal Affairs, Pierre Oba, was working with Gilleron.

On Dec. 9, 1998, in the Noga Hilton Hotel in Geneva, a meeting took place between Sigolet, Gilleron and Monsieur. There was little room for negotiation: Oba was prepared to acknowledge a debt of \$15 million, but only willing to pay \$5 million to settle the dispute.

The \$5 million would be paid before June 30, 1999, according to the terms of the settlement. A day after the meeting, Monsieur drew up a hand-written summary of the discussions in order to formalize the oral agreement: "The staff of Jack Sigolet commits itself to employ its best efforts in order to assist the suppliers in recovering all or most of the unpaid sums, using their relations and financial expertise in order to obtain new markets: within Congo-Brazzaville; Angola Last, Jack Sigolet guarantees the payment, both its amount and timing."

On Dec. 11, 1998, Sigolet wrote to Monsieur: "If I can't 'guarantee the payment' ... because this is absolutely not within my reach or competence, I once again guarantee my availability in order to promote and legitimize the financial schemes that have been proposed to you."

Sigolet was unable to follow through on the agreement arranged in Geneva. The \$5 million due to Monsieur was not paid on time. By the end of June 1999, only \$3 million had been paid. Another \$1 million was paid in the first half of 2000.

The situation grew tense because at the same time Monsieur and his associates had come under the scrutiny of French investigators. On May 20, 1999, the French government placed Monsieur and three of his associates under judicial control—meaning they could not leave the country and had to report regularly to the police—for "trade of war materials, weapons and ammunitions without the license of Defense Ministry." Two of Monsieur's associates claimed they were working with the approval of the DST—but this defense failed to get them off the hook.

In mid-2000, Monsieur once again met with Sigolet to insist on payment of the outstanding amount, Sigolet told ICIJ. But he also wanted to make sure that both of them would tell the same story to the French judge in charge of Monsieur's case.

Little came from the meeting. Monsieur wrote a threatening letter, warning that, in the event of non-payment, he would destroy the reputations of Sigolet and Tarallo, who had already been named in connection with the burgeoning Elf scandal in France—Tarallo was indicted, though later acquitted in the high-profile fraud case of Dumas. Monsieur also threatened to damage the entire reputation of Elf: "For the time being, the last payment is lacking," he wrote. "This last payment would permit [me] to bury definitively one file everybody would like to forget as soon as possible. Especially since it now seems to interest some French authorities. By matter of circumstances, I have at my disposal an important amount of documents related to you, and among others: orders of weapons and ammunitions on behalf of Lissouba government, some signed J.S., other initialed J.S., ... the detail of every flight on behalf of African governments using Elf planes ... freighting of a helicopter, paid by Elf, for the election campaign in Gabon..."

The letter goes on, making charge after charge. Sigolet had always maintained that Tarallo was innocent of those accusations, and Tarallo himself denied any involvement in weapons sales at any time. Sigolet would not confirm or deny the substance of Monsieur's letter in any detail, noting only that it was not totally accurate but appeared to be authentic.

INCARCERATED IN IRAN

Monsieur was scheduled to testify in a French court at the end of 2000, but he disappeared in November. He turned up in Iran, where he faced another legal proceeding. On Nov. 19, 2000, Branch Three of the Tehran Revolutionary Court arrested Monsieur and charged him with "spying and collecting classified information." Tehran had a long record of relations with Monsieur. Business letters

between Modelex, the state-owned arms manufacturing company, and Monsieur show how closely the arms trafficker had worked with Iranian officials. In the letters, Modelex, Monsieur, Tarallo and Sigolet appear to be working together as a unit.

There's no question that Tehran was extremely well informed about the man they had arrested. Monsieur had worked closely with the Iranian regime to aid its arms exporting and its pursuit of raw materials, including some nuclear materials. Fourteen months prior to his arrest in Tehran, Monsieur was still negotiating with the Democratic Republic of Congo a "barter" of Iranian weapons for "copper, cobalt, uranium 294, 298, 380, thorium, titanium..."

Some of the circumstances of Monsieur's captivity led French authorities to believe, at least at first, that the arms trafficker had eluded French justice by having the Iranians stage a mock arrest and detention. For example, Monsieur was unable to receive visitors in his Iranian jail, uncommon even in Iran. He also had given orders related to the maintenance of his property in France before traveling to—and being arrested in—Iran, suggesting he knew he might be gone for some time.

But from the beginning of 2001, it became clear that Monsieur was genuinely detained against his will. In early 2001, a single handwritten fax issued by the Iranian lawyer representing Monsieur reached his Parisian attorneys. According to the fax, Tehran knew that the Iranian weapon operations of the Belgian trafficker could have resulted in the payment of illicit commissions to Iranians, deposited into their Dubai bank accounts in amounts ranging from \$17,000 to \$25,000. In the same fax, Monsieur indirectly let his European lawyers know where they could find documents that could help prove he worked with knowledge and approval of the Iranian government.

In December 2001, Monsieur was finally sentenced behind closed doors in Tehran and declared "dischargeable on bail." During his detention, the last \$1 million installment for the weapons delivered to Lissouba had been paid. But the payments appear to raise more questions about Monsieur's dealings in Iranian arms and African wars. When Monsieur told his lawyers "in which place, unknown until then to the French investigators" they could find documents he hoped would clear him of the charges in Iran, the Belgian trafficker unwittingly gave French investigators a new lead in their case.

French police later discovered documents in Tarascon in the south of France revealing the existence of an offshore company named Telogis ("Sigolet" spelled backwards) used for the payment of invoices related to planes. Sigolet denies any connection to Telogis, claiming that it is the creation of one of Monsieur's closest associates. However, the documents exposed the financial web behind the Monsieur weapons: when the FIBA bank paid Monsieur and his partners, most of the money went to an anonymous beneficiary codenamed "CH," suggesting another player beyond Monsieur.

The French investigation continues, as does a Belgian inquiry. And Monsieur appears to be within the reach of both countries. On May 11, 2002, Monsieur was arrested in Istanbul. Belgium, which has indicted him on charges of arms trafficking, is seeking his extradition.

WAR ON ERROR: LIVE PICTURES TAKEN BY U.S. PLANES WERE FREELY AVAILABLE

By Duncan Campbell

LONDON, JUNE 12, 2002—The war on terrorism in Europe is being undermined by a military communications system that makes it easier for terrorists to tune in to live video of U.S. intelligence operations than to watch Disney cartoons or new-release movies.

For more than six months, live pictures from U.S. aerial spy missions have been broadcast in real time to viewers throughout Europe and the Balkans. The broadcasts are not encrypted, meaning that anyone in the region with a normal satellite TV receiver can spy on U.S. surveillance operations as they happen.

NATO, whose forces in former Yugoslavia depend on the U.S. missions for intelligence, first expressed disbelief. After inquiring, a NATO spokesman confirmed that “we’re aware that this imagery is put on a communications satellite... The distribution of this material is handled by the United States and we’re content that they’re following appropriate levels of security.”

The Pentagon did not respond to requests for comment.

A British engineer who first discovered the security lapse has repeatedly warned the U.S. Defense Department, European command and naval headquarters and U.S. military field units. But his warnings were set aside. One officer wrote back to tell him that the problem was a “known hardware limitation.” The military “chain of command is aware of the issue,” the engineer was told, according to a copy of the response seen by ICIJ. “We appreciate your interest in pursuing [sic] this matter,” he was told.

Five months later, the spy plane observations were still being broadcast to Europe.

The spy flights, conducted by U.S. Army and Navy units and AirScan Inc., a Florida-based private military company, are used to monitor terrorists and smugglers trying to cross borders, to track down arms caches, and to keep watch on suspect premises. Both manned and unmanned aircrafts are used to provide close-up pictures, which can be taken from more than two miles away. The aircrafts are equipped to watch at night, using infrared, and some are equipped to see through clouds using radar.

Live pictures from the spy planes have been transmitted over the Internet by satellite enthusiasts, and can be received anywhere in the world with an Internet connection.

“We seem to be transmitting this information potentially straight to our enemies,” according to one U.S. military intelligence official who was alerted to the leak.

“I would be worried that using this information, the people we are tracking will see what we are looking at and, much more worryingly, what we are not looking at,” the intelligence official, speaking on condition of anonymity, added. “This could let people see where our forces are and what they’re doing. That’s putting our boys at risk.”

Former British special forces officer Adrian Weale, who served in Northern Ireland, told the BBC, which reported the Center’s findings, “I think I’d be extremely irritated to find that the planning and

hard work that had gone into mounting an operation against, for instance, a war crime suspect or gun runner was being compromised by the release of this information in the form that it's going out in."

"It's very difficult to find these people," he added. "We may only get one shot at doing it. We don't want to blow it simply because we're giving away too much information through these means."

Terrorist groups, criminal organizations and elements hostile to the NATO Stabilization Force in Bosnia (SFOR) are known to be active in the region and to use electronic monitoring to counter and defeat U.S. and NATO operations.

Al Qaeda members and cells planning terrorist attacks on the United States have also been active in Bosnia.

SFOR raided the Sarajevo office of the Saudi High Commissioner for Aid to Bosnia last fall and found computer files containing photographs of terrorist targets and street maps of Washington with government buildings marked. The material included photos of the World Trade Center, the Pentagon, the U.S.S. Cole and the U.S. embassies in Kenya and Tanzania, both before and after they were bombed.

The raid coincided with the arrests of five Algerian-born men formerly employed by Arab humanitarian agencies operating in Bosnia. U.S. authorities say that they have evidence implicating the suspects in planning post-Sept. 11 attacks on Western targets. They are being held at Camp X-ray in Guantanamo Bay, Cuba.

According to an Associated Press report, the SFOR raid mounted in October 2001 also found a computer program explaining how to use a crop duster aircraft to spread pesticides, and the material needed to forge U.S. State Department identification badges.

Two weeks ago, SFOR inspected two Bosnian Serb military radar sites and found "suspicious" monitoring equipment that appeared to be used to monitor NATO communications. An SFOR spokesman said that "a passive monitoring effort was underway."

Eight days later, on May 28, SFOR raided the headquarters of the Bosnian Serb Air Force and seized computers and "a large number of documents" for analysis. SFOR's commander, U.S. General John Sylvester, has ordered the Serbian air force grounded and its commander suspended.

On Feb. 28, 2002, SFOR mounted a massive military search operation near Celebici, in the Bosnian Serbian republic, in an attempt to seize accused war criminal Radovan Karadzic. The former Bosnian Serb political leader is wanted by the International Criminal Tribunal in The Hague, Netherlands, on charges of perpetrating the Srebrenica massacre, in which 8,000 Bosnian men and boys were slaughtered.

The Bosnian Serb monitoring stations are illegal under the terms of the Dayton Peace Accord. Asked if they might have been used to help Karadzic elude capture, SFOR spokesman Scott Lundy said that the sites uncovered last month might not have had "the capability required to monitor things such as the raids in Celebici."

But any Bosnian Serb sympathizer equipped with a satellite receiver could have monitored any U.S. and SFOR spy flights supporting the capture operations and warned the fugitive where the spy planes were looking.

Although no direct evidence has emerged that Serbian or Albanian guerrillas have started using the compromised satellite links to counter operations of the Kosovo Stabilization Force (KFOR), it would be within their capabilities. According to a recently serving KFOR communications officer, "The

Albanian guerrilla groups are not pleasant people. They make sure they are ahead of us all the time. They are sophisticated. They use radio scanners to monitor our communications. So when we get to an arms dump, it's often empty."

"A few days after Locker found the new channels, references to the 'military surveillance' channels being broadcast from the Telstar 11 satellite were published on the Internet."

'A DEADLY ERROR' IS IGNORED

This lapse in U.S. security was discovered six months ago by a British engineer and satellite enthusiast, John Locker, who specializes in tracking commercial satellite services. Early in November 2001, he routinely logged that six new channels had

appeared on the Telstar 11 commercial relay satellite, stationed over Brazil.

Telstar 11 distributes TV and radio broadcasts to Europe and North America. It is operated by Loral Skynet, a division of the Loral Corporation. The six new channels included two CNN broadcasts intended for U.S. forces and four live links from spy planes, both manned and unmanned.

"I thought that the U.S. had made a deadly error," Locker told ICIJ. "My first thought was that they were sending their spy plane pictures through the wrong satellite by mistake, and broadcasting secret information across Europe." Or, he guessed, they might have failed to turn on their coding systems.

Within a day, live transmissions on these channels showed directly where the spy planes were and what they were doing as they hunted for arms smugglers and drug traffickers operating in Bosnia and across Kosovo's porous borders with neighboring Macedonia, Albania and Montenegro.

Not only are the planes transmitting exactly what they and military commanders are seeing, they also transmit the exact coordinates of what they are seeing, giving a position "fix" on their current target accurate to better than one meter. The position information is coded using the UTM (Universal Transverse Mercator) system, which could rapidly be converted into target data for guided weapons.

A few days after Locker found the new channels, references to the "military surveillance" channels being broadcast from the Telstar 11 satellite were published on the Internet, providing both satellite enthusiasts and anti-U.S. groups the essential "where-to-look" information. Locker said he then made "dozens" of phone calls and sent e-mail warnings to the U.S. Defense Department and other military commands.

The State Department referred his calls to the U.S. European Command. A U.S. European Command spokesman first told him, "we are at war, you know," according to Locker. Then he added, "Let me ask you, do you know the difference between information and intelligence? What you are seeing is information."

According to Defense Department guidelines, real-time aerial imagery from unmanned aerial vehicles (UAVs) is classified "Secret." Astonished that U.S. authorities were continuing to disregard the breach of their own and NATO security, Locker described what was happening in a magazine for satellite enthusiasts, *What Satellite TV*, in May 2002. The magazine has subscribers around the world.

Even after senior NATO, U.S. and British military figures were made aware of the magazine article, nothing was done to prevent open reception of the spy plane transmissions. In an interview for BBC television set to air June 12th, Locker described his frustration at finding his warnings completely ignored.

The same Telstar satellite also carries Polish radio and television, NTV and British radio broadcasts to troops overseas. All these broadcasts are encrypted to prevent unauthorized reception. But the live products of the latest U.S. surveillance equipment, deployed in the front line of the war against terrorism and important peacekeeping operations, is freely available for all to see.

KUCHMA APPROVED SALE OF WEAPONS SYSTEM TO IRAQ

By Phillip van Niekerk and André Verlöy

WASHINGTON, APRIL 15, 2002—Ukrainian President Leonid Kuchma personally authorized the clandestine sale of \$100-million worth of high-technology anti-aircraft radar systems to Iraq on July 10, 2000, in violation of United Nations sanctions.

The Center for Public Integrity has obtained audio tape of a conversation between Kuchma and Valeri Malev, then-director of the state-owned arms exporting company, Ukrspetseksport. In the conversation Kuchma approved the export of the radar system, known as Kolchuga, and the manner of its shipment: by hiding it in crates used to export Ukrainian trucks. Kuchma also agreed to send experts to Iraq with forged passports to deploy the system.

The operation was to be conducted by Leonid Vasilievich Derkach, then-chief of the Ukrainian security service, the SBU.

The Kolchuga, named after the ancient Russian warrior body armor, is manufactured by the Ukrainian company Topaz. The system can identify, detect and lock anti-aircraft missiles on aerial targets at a range of close to 500 miles, and is able to override “stealth” technology. It is capable of detecting ground targets at 370 miles.

“We are quite familiar with that,” Jim Brooks, a spokesman for the Defense Intelligence Agency, said when asked if Iraq had deployed long-range passive radar systems. “Iraq has them.”

One European intelligence expert said that if Iraq had obtained the stations, it would be “frightening.”

The sale is a clear violation of U.N. sanctions imposed on Iraq. U.N. Security Council Resolution 661 makes any sale or supply of “weapons or any other military equipment” to Iraq illegal.

Ewen Buchanan, spokesman for the U.N. Monitoring and Verification Commission on Iraq (UNMOVIC), said that “no information has come our way regarding sale of radars by Ukraine to Iraq.”

In the conversation, Malev revealed that Iraq approached Ukraine through an unnamed Jordanian intermediary to buy the early warning and targeting system that consists of four stations and is “passive” because it is difficult for the pilot to realize he has been picked up on radar. Conventional radar sends out a high-frequency signal that pilots can detect and hence alerts them if they are being tracked.

“Just watch that the Jordanian keeps his mouth shut,” said Kuchma, giving the go-ahead for the plan.

Oleksandr Zhyr, a Ukrainian lawmaker, said he believed that Kuchma had benefited financially from the sale. “It is very unlikely that the \$100 million could have gone to the state budget as it was the proceeds of an illegal arms deal.”

Major Mykola Melnychenko, a former senior security officer for Kuchma, recorded the conversation between the president and Malev on July 10, 2000.

Melnychenko, who has received political asylum in the United States, recorded more than 1,000 hours of conversations in Kuchma's office, and gave testimony on April 11 before a grand jury weighing money-laundering charges against former Ukrainian Prime Minister Pavlo Lazarenko.

TAPES ARE 'CONTINUOUS AND UNALTERED'

Audiotape expert Bruce Koenig of Virginia-based BEK TEK authenticated the tape and found that the recording was unedited.

"Based on the flow of speech in the designated portion, no phraseology or sentence structure was pieced together by using individual phonemes, words or short phrases," Koenig said in his report.

"It is the opinion of BEK TEK...that the specimen is continuous and unaltered."

Koenig, who examined and analyzed video and audio recordings as a Federal Bureau of Investigation special agent for 21 years before founding BEK TEK, lists the U.S. Congress, the Department of Defense, the FBI, the Office of the Independent Counsel, the Department of Justice, and the United Nations among his clients. He also has provided expert testimony in court cases.

Earlier this year, Koenig authenticated the Melnychenko recording in which Kuchma allegedly discussed ways to get rid of *Ukrainska Pravda* journalist Georgy Gongadze. Gongadze disappeared on Sept. 16, 2000. His headless corpse was found two months later in a Kiev suburb.

A Ukrainian official denied there had been any arms sales from Ukraine to Iraq. "We never violated any sanctions and we are a reliable partner of the international community," he said. He said accusations about illegal sales had been investigated in Ukraine and they had found that the charges were groundless.

The Ukrainian prosecutor-general Mykhaylo Potebencko told Ukrainian television on March 7 that his office is not planning to question Melnychenko and that he would not trust the authentication tests done by "unknown" BEK TEK. Potebencko also said that the findings of a U.S. probe could not be accepted as evi-

The following is the transcript of a conversation between Ukrainian President Leonid Kuchma and Valeri Malev, then chief of Ukrspetseksport, a Ukrainian state-run arms exporting company. Major Melnychenko, Kuchma's bodyguard, secretly recorded the conversation on July 10, 2000, in the office of the President of Ukraine.

The transcript has been edited for clarity.

Malev: We were approached by Iraq through our Jordanian intermediary. They want to buy four Kolchuga stations and offer 100 million dollars up front.

Kuchma: What is Kolchuga?

Malev: Kolchuga is a passive radar station manufactured by Topaz. Each system consists of four pieces.

Kuchma: Can you sell it without the Jordanian?

Malev: Well, Leonid Danilovich, I suggest Leonid Vasilievich (then chief of SBU, the Ukrainian security service - editor) looks at the export structure to Iraq. Our KrAZ company ships its products in crates. We can use the crates marked by KrAZ. In other words, Kolchuga should be shipped to Iraq in KrAZ crates. Then we will send people with forged passports that will install the system.

Kuchma: Just watch that the Jordanian keeps his mouth shut, it will have to be checked that they don't detect it.

Malev: Who is going to detect it? We don't sell much to them. I mean to Jordan.

Kuchma: Okay. Go ahead.

Malev: Thank you.

dence in the Gongadze case. The unsolved Gongadze murder is still of grave concern to U.S. authorities. National Security Adviser Condoleezza Rice told a panel of Ukrainian journalists on March 4 that a team of investigators from the FBI would leave for Ukraine in April to assist authorities in the investigation.

In March 2001, a political party linked to Kuchma, Trudova Ukraina (Working Ukraine) hired New York-headquartered Kroll Associates, a private investigation company, to examine the Gongadze murder. Viktor Pinchuk, Kuchma's son-in-law, is one of the leaders of Trudova Ukraina.

Kroll, which allegedly was paid \$250,000 to conduct the investigation, questioned the authenticity of the tapes and found no evidence directly linking Kuchma to the murder of Gongadze. "There is no conclusive evidence to show that President Kuchma ordered or was otherwise involved in the murder," Kroll said in its conclusion.

The lead investigators on the six-month investigation were Michael Cherkassy, the president and CEO of Kroll, and Robert Viteretti, Kroll's New York office chief.

International monitoring groups and the political opposition criticized Kroll for focusing on clearing Kuchma's name and reputation instead of investigating the murder of Gongadze.

Viteretti said they had been hindered by the fact that Melnychenko had refused to meet with them or cooperate in any way. "Melnychenko would not make the original tapes available," he said. "So our analysis was based on second- or third-generation recordings." Kroll has not revealed which audio experts it had used to check the tapes.

'NON-STOP CRIMINAL ACTIVITY'

Melnychenko said he waited until after the Ukrainian parliamentary elections on March 31 to release the explosive new tape because he did not want to be perceived as "politically motivated."

"What I recorded in the office of the President of Ukraine in most cases has nothing to do with the politics," Melnychenko said. "I recorded what I believe is the evidence of almost non-stop criminal activity of the president and his men."

Zhyr, the Ukrainian lawmaker, said that Kuchma was told on March 3, 2002, that a parliamentary commission had evidence that the president had violated the international arms embargo against Iraq. Three days later, Valeri Malev was killed when his car allegedly veered into oncoming traffic and collided with a truck.

Malev had been in charge of Ukrspetseksport since 1998. He served as the Ukrainian minister of machine building and the military-industrial complex from 1995 to 1997 and later became a presidential adviser.

Zhyr told the Center that Malev's death was premeditated. "The car trip was not planned by Malev," said Zhyr. "He suddenly received an instruction to travel somewhere where he was accidentally killed. This should be investigated in the context of the illegal arms sales to Iraq..."

"Kuchma and his men are scared of the investigations and therefore they are removing all the key witnesses," said Zhyr.

Zhyr said he had had several working meetings with the U.S. Justice Department and that he wanted U.S. law enforcement agencies to play an important role in investigating the alleged corruption of

the Kuchma presidency. “The Ukrainian law enforcement agencies are unable to conduct an effective investigation in any case where top government officials are involved,” he said.

He added that so far only about 10 percent of the tapes recorded by Melnychenko had been reviewed, and added that Kuchma was personally involved in arms sales to two other rogue states.

The New York Times reported from Kiev on April 9th that six Ukrainians who “threatened the established power structure” had died and two had been injured in automobile accidents since December 1997.

‘SERIOUS CONCERN’

U.S.-Ukraine relations have been on a roller coaster since Ukraine gained independence in August 1991. Ukraine removed plutonium-rich nuclear power rods and freely dismantled its nuclear arsenals, and has been one of the largest recipients of U.S. aid of the post-Communist countries. Ukraine is also a close ally of Russia, whose support has been essential to the U.S.-led war on terrorism. However, the United States has expressed concern about alleged corruption, government pressure on the media and election procedures among other issues.

After the terrorist attacks against the United States in September 2001, Ukraine shared intelligence and opened its airspace for U.S. military cargo flights. In addition, airfields and railroads were made available to the U.S. for supplying troops and delivering humanitarian aid in Afghanistan.

A U.S. State Department official said that, if the sale of arms and military equipment to Iraq were proven, the United States would consider sanctions against violating countries. The official, who said she was not in a position to confirm the sale, added that the State Department viewed any report of weapon sales to Iraq with “serious concern.”

Jim Brooks, the Defense Intelligence Agency spokesman, downplayed the importance of the Kolchuga. He said the Iraqis’ training was “not at that level where they can handle a coordinated attack. The other thing that system doesn’t tell you is what’s coming at you. You could technically overwhelm their system by firing Tomahawk cruise missiles. And then follow up with manned aircraft, which is what happened during the Gulf War. We also saw that in Kosovo.”

Scott Ritter, former United Nations chief weapons inspector and now critic of the U.S. administration’s Iraq policy, said he was not surprised that Iraq had rebuilt its air defense systems.

U.N. sources said they were aware of the alleged reports about Ukraine violating U.N. sanctions but that no concrete evidence had been introduced in the Iraqi sanctions committee. Sources said the issue was “very sensitive” because of the close relationship between Ukraine and Russia, which is a permanent member of the U.N. Security Council, the forum that would eventually have to make a political decision on sanctions busting.

The Center’s findings are part of a larger investigation into the commerce of war by its International Consortium of Investigative Journalists, to be published later this year.

FAVORABLE LOGISTICS IN BRAZIL, INFRASTRUCTURE AND HUMAN RESOURCES FOR CLONING ARE AVAILABLE

By Claudio Julio Tognolli

SAO PAULO, BRAZIL, JUNE 2, 2004—Brigitte Boisselier, a French biochemist and the chief executive officer of Clonaid, announced in March 2003 that her group would present proof of the first human clone at a parents' gathering in Brazil. She said that Clonaid would offer its services to couples wanting children, gay couples, people with HIV and those who had lost a loved one.

Boisselier told reporters she was offering a special discount for human clones to Brazilian customers, approximately \$200,000 per clone.

Clonaid, which advertises itself as the first human cloning company and is associated with the Raelians, the Montréal-based cult founded by former French broadcaster Rael, has never provided any proof substantiating the various claims it has made about human cloning.

The only evidence it offered was a photo released March 25, 2003, to the Brazilian press of a so-called human clone. The company claimed to have cloned five babies, with the help of Brazilians. Eve, allegedly the first baby clone, was born on December, 26, 2002, from a North-American couple; a second clone, the daughter of a Dutch lesbian, was born in January 2003, the group claimed. Other clones, Clonaid said, were born in Japan and Saudi Arabia.

While such sensational announcements about a series of successful births of human clones have been greeted with widespread skepticism and doubt, Boisselier's press conferences helped to spread the notion that human cloning research is going on in Brazil.

An Associated Press report in March 2003, which quoted Boisselier as saying that her group had been invited to speak to the Brazilian parliament, said the legal climate in the country is more sympathetic to cloning.

Yet, the country has introduced some restrictions on the use of genetic technologies. The Brazilian Ministry of Science and Technology ruled that that human cloning can be deemed illegal under the country's Biosecurity Law 8974, passed in 1995, which prohibits "genetic manipulation of germinative human cells." And Marco Segre, professor of bioethics at Hospital das Clínicas, the biggest public health system in Latin America, pointed out that Brazil's Conselho Federal de Medicina (Federal Medical Association) had ruled as early as 1992 that assisted reproduction techniques cannot ethically be used for selection of the child's sex.

Whether the legal climate is sympathetic or not, experts say Brazil has the logistics that groups such as Clonaid find attractive. There are private firms focused on human reproduction that have the technological infrastructure needed for human cloning experiments, and "mothers-for-rent," who can supply hundreds of embryos, according to Mauricio Tuffani, a former editor-in-chief of *Galileu*, the largest Brazilian science magazine. "I talk about logistics because ... the technical-scientific aspects [of cloning] are not mysteries any more."

"Technically, cloning looks feasible in Latin America," said Gildo Magalhães, a mathematician who has been teaching bioethics to doctoral candidates at the University of São Paulo, the biggest in Brazil,

since 1997. “In Brazil, there have already been attempts to clone a calf,” he added. “In principle, an extension of [such research] to human beings is possible.”

“However,” he added, “there are deep doubts about how the cloning process will unfold in all of its aspects, as demonstrated also by the premature aging of the first [mammal to have cloned from an adult cell], Dolly, the sheep.”

“Brazil is not the only South American nation that has the technical capability and infrastructure to do cloning research.”

An outcome of the ongoing debate on cloning in Brazil has been the growth of bioethics as a discipline in recent years, especially in academics.

Bioethicist Segre stressed the importance of the field. In the wake of public pronouncements such as the ones made by Clonaid, Third World countries must discuss bioethics more than others, he said.

Brazil is not the only South American nation that has the technical capability and infrastructure to do cloning research.

“In Latin America, I can say that in Buenos Aires there are some groups technically capable to do it. But they have less favorable conditions than us, Brazilians,” Tuffani said.

Argentina, however, has prohibited human reproductive cloning research by federal law. Three provinces, including Buenos Aires, have banned human cloning as well.

Ecuador and Peru also have outlawed both reproductive and therapeutic cloning. Colombia prohibits reproductive cloning but allows cloning research for therapeutic purposes.

HALLIBURTON CONTRACTS BALLOON

DESPITE BEING UNDER AN INVESTIGATIVE CLOUD, COMPANY GETS \$4.3 BILLION IN 2003

By André Verlöj and Daniel Politi

WASHINGTON, AUGUST 18, 2004—The oil services company Halliburton, largely through its subsidiary Kellogg, Brown & Root, has received more revenue from government contracts in the past year than from 1998 through 2002. In 2003, when the company had record revenue of \$16.3 billion, Halliburton received contracts from the Department of Defense worth \$4.3 billion, while in the previous five years it obtained less than \$2.5 billion from the military, according to an analysis by the Center for Public Integrity.

Although figures are not yet available for 2004, government revenue is bound to increase as a result of the contracts the company has won for work in postwar Afghanistan and Iraq, which so far potentially totals \$11.4 billion. Some of that work was actually awarded earlier; many of the company's contracts extend for multiple years.

"Halliburton has come under increased scrutiny because of allegations of overcharging on food service and fuel distribution contracts, poor management and close ties to the administration."

In 1998, Halliburton's total revenue was \$14.5 billion; that year, the company got contracts from the Pentagon worth \$284 million. Two years later, revenue had dropped to just under \$12 billion while work under DoD contracts more than doubled. In 2002, DoD awarded Halliburton tasks worth \$485 million while the company's revenue was \$12.6 billion.

Of the more than 150 American companies that together have received U.S. government contracts potentially worth more than \$51 billion for postwar work in Afghanistan and Iraq, Halliburton is by far the largest recipient of contracts awarded in the two countries.

As part of its continuing Windfalls of War project, the Center for Public Integrity has been compiling information on contracts awarded by the U.S. government for support in Operation Enduring Freedom and Operation Iraqi Freedom. The Center has compiled its list of contractors and contract awards through information obtained from 95 requests and appeals filed under the Freedom of Information Act or through official government and company sources.

A COMPANY UNDER INVESTIGATION

Halliburton, where Vice President Richard Cheney served as CEO from 1995 to 2000, has come under increased scrutiny because of allegations of overcharging on food service and fuel distribution contracts, poor management and close ties to the administration.

This year, two audit reports by the Defense Contract Audit Agency found several deficiencies in KBR's billing system. As a result, the agency is withholding \$186 million in payments for food service until KBR provides additional data showing that the meals billed actually were provided, according to congressional testimony by William H. Reed, the director of DCAA.

The Pentagon's Inspector General also launched a criminal investigation in February 2004 into whether KBR overcharged the government while it was importing fuel from Kuwait to Iraq. Patrice Mingo, a spokeswoman for Halliburton, told the Center that the company has not received an official notification of an investigation by DOD's IG office. A Pentagon spokeswoman said the investigation is on-going. In a February press release, the company said it welcomed a review of all its government contracts and denied overcharging.

On Aug. 3, 2004, the Securities and Exchange Commission fined Halliburton \$7.5 million for failure to disclose a change in its accounting practice. This change in accounting for cost overruns, while not out of the norm, means that public filings by the company were misleading in 1998 and 1999, according to the SEC. For example, in the second quarter of 1998 Halliburton used the new accounting practices without disclosing them and reported a pre-tax income of \$228.7 million. If the old accounting practices had been used the pre-tax income would have been \$183.3 million.

Robert C. Muchmore Jr., Halliburton's former controller, also agreed to a \$50,000 fine by the SEC while a suit was filed against Gary V. Morris, the company's former chief financial officer. Vice President Cheney, Halliburton's chief executive officer during the period when these statements were released, provided testimony to the SEC but was not investigated. Halliburton and Muchmore neither admit nor deny the SEC's findings.

In a shareholder class-action lawsuit in Dallas, four anonymous former accountants for Halliburton alleged earlier this month that the company had systematically committed accounting fraud to make projects appear more profitable.

On August 17, Halliburton said that the Army Materiel Command would start to withhold 15 percent of payments on future invoices under the LOGCAP III contract. A day later the Army reversed its decision, for reasons unknown. In the past, extensions to Halliburton had been given because, an Army spokeswoman said, neither the government nor the company had the necessary staff to review the increased number of bills.

The Army did not return phone calls, but told *The Washington Post* that suggestions that Halliburton receives special treatment are wrong.

ANATOMY OF \$11.4 BILLION

In Iraq, Halliburton subsidiary Kellogg, Brown & Root has been awarded five contracts worth at least \$10.8 billion, including more than \$5.6 billion under the U.S. Army's Logistics Civil Augmentation Program contract, an omnibus contract that allows the Army to call on KBR for support in all of its field operations. When the Army needs a service performed, it issues a "task order," which lays out specific work requirements under the contract.

From 1992 to 1997, KBR held the first LOGCAP contract awarded by the Army, but when it was time to renew the contract, the company lost in the competitive bidding process to DynCorp after the General Accounting Office reported in February 1997 that KBR had overrun its estimated costs in the Balkans by 32 percent (some of which was attributed to an increase in the Army's demands). KBR beat out DynCorp and defense giant Raytheon for the third LOGCAP contract in December 2001, this one to run 10 years.

Under the LOGCAP contract, in November 2002 the Army Corps of Engineers tasked KBR to develop a contingency plan for extinguishing oil well fires in Iraq. Not surprisingly, on March 24, 2003,

the Army Corps announced publicly that KBR had been awarded a contract to restore oil-infrastructure in Iraq, potentially worth \$7 billion. The contract KBR received—contract DACA63-03-D-0005—would eventually include 10 distinct task orders. KBR did not come close to reaching the contract ceiling, billing just over \$2.5 billion. No additional task orders are being added to the contract, according to the Army Corps.

The contract was awarded without submission for public bids or congressional notification. In their response to congressional inquiries, Army officials said they determined that extinguishing oil fires fell under the range of services provided under LOGCAP, meaning that KBR could deploy quickly and without additional security clearances. They also said that the contract's classified status prevented open bidding. The contract was later declassified after the Center for Public Integrity filed a lawsuit under the Freedom of Information Act.

In June 2003, the Army Corps announced that it would replace KBR's oil-infrastructure contract with two publicly bid contracts and in January 2004, the Army Corps awarded a contract that has a maximum value of \$1.2 billion to KBR. The company is to continue its work to repair Iraq's oil infrastructure in southern Iraq. The contract for the northern region, with a maximum value of \$800 million, went to Parsons.

In January 2004, the Army Corps awarded a contract with a potential value of \$1.5 billion to KBR. The contract is for a full range of engineering services in the U.S. Central Command's area of operations, which includes Iraq and Afghanistan. The contract has a \$500 million ceiling for the first year and four one-year options, each with an annual ceiling of \$250 million.

Kellogg, Brown & Root received a contract in August 2002 worth \$110.7 million from the State Department to design and build office buildings and diplomatic staff apartments for the U.S. Embassy in Kabul, Afghanistan, as well as renovate existing offices. Additionally, as of June 2004, KBR had received 11 task orders under the LOGCAP contract for work in Afghanistan totaling \$489 million.

Senior fellow Larry Makinson and database editor Aron Pilhofer contributed to this report.

WATER AND POWER: THE FRENCH CONNECTION

By Julio Godoy

PARIS, FEBRUARY 4, 2003—"You don't send God to prison," goes the bitter joke that circulated among citizens of the alpine city of Grenoble. Jérôme Monod must be God, they said—otherwise, how did the world's leading water executive manage to avoid prison? Only God, after all, can walk on water.

While serving as CEO of the largest water utility, Suez Lyonnaise des Eaux, from 1987 to 2000, Monod helped plan the privatization of Grenoble's water, a process that was enabled by bribes and resulted in the price gouging of customers. The city's mayor and three water company officials were convicted of corruption in 1995, and the water concession was canceled. Monod, a close adviser to French President Jacques Chirac, was accused in testimony during the trials of having instigated the corruption, but he denied those accusations and was never charged.

Chirac and Monod, both Gaullist conservatives, have been close allies for most of Chirac's four-decade political career, in which he has served as cabinet minister, Paris mayor, French prime minister and president. Yet despite evidence that Chirac's party's finances owe a debt to illegal payments from multinational French water companies, Chirac, too, has managed to float above the scandal.

France could be described as the birthplace of water privatization. Private companies have run French waterworks to one degree or another since the Napoleonic era. Suez and Vivendi Environnement are by far the largest private water companies in the world. Together with Saur, they control 80 percent of the water market in France, leaving the rest to municipal utilities. Comfortably secure in their home-market dominance, they set out in the early 1980s to privatize the world. Suez now controls water services in 130 countries on five continents and has about 115 million customers. Vivendi Environnement has 110 million customers in more than 100 countries. Number three Thames Water of the U.K., owned by German conglomerate RWE, has 70 million customers.

Back home in France, both Suez and Vivendi have come under scrutiny in a host of criminal and civil cases, with accusations that include bribery of public officials, illegal political contributions, kick-backs, price fixing, operating cartels and fraudulent accounting.

Suez and Vivendi have close ties to the French government; the water companies appear to be crucial sources of income for the political parties, particularly Chirac's *Rassemblement pour la République* (RPR). In 2000, in fact, Monod, 69, left Suez and moved into the Elysée Palace, becoming a senior adviser to Chirac.

The government, meanwhile, has taken a protectionist approach to the water business. No foreign companies have water concessions in France.

Suez's roots lie in the building of the Suez Canal in the 19th century. But its contemporary expansion began with the privatization of waterworks in cities such as Grenoble. The lengthy, widely publicized Grenoble corruption investigation reflected the deep political connections French water companies trade on and the unique nature of the water business itself, where padded billings can be difficult for a customer to detect.

Closer politically to home, as early as 1985 investigations by the *Cour des Comptes*, the federal comptroller, found that the Paris mayor's office had signed a contract with the *Compagnie Générale des Eaux* (now Vivendi) and with Suez that allowed the two to indulge in fraudulent accounting.

Auditors found that the companies, which share contracts for water distribution in Paris, had hidden enormous profits.

A handful of separate judicial inquiries in Paris have alleged that subsidiaries of Suez, Vivendi and other companies financed Chirac's party through illegal commissions in exchange for public contracts ranging from elevator maintenance to water concessions. Prosecutors claimed the Vivendi and Suez subsidiaries formed a "pact of corruption" for public construction contracts in the province of Île-de-France, which surrounds Paris, according to court records.

One of these inquiries, which opened in June 1997 and is still ongoing, found that the companies colluded with civil servants by paying illegal commissions, primarily to Chirac's party, the RPR. Prosecutors have charged that the pact operated between 1989 and 1995 and was involved in public contracts worth \$3.3 billion. Up to \$86 million was funnelled to the RPR, although many other parties got smaller kickbacks. Almost all public construction contracts in Île-de-France were awarded in violation of the law, the prosecutors have charged.

Both company officials and the party executives have admitted the companies agreed to pay 2 percent to 3 percent of the cost of each contract to political parties. Several party executives are awaiting sentencing. Vivendi refused to comment on the cases because they are still before the courts. A Suez official said there was no other way to finance political parties at that time and it was not clear whether these payments were in fact illegal. He noted that Suez has since sold the subsidiary involved in the corruption case.

Throughout this period, from 1977 to 1995, Chirac was mayor of the city—indeed, Parisian water was often referred to as "Chateau Chirac." Chirac, himself, has been investigated—one prosecutor even summoned him for questioning—but prosecutors have not been able to question him. Under French law, a sitting president is immune from prosecution. Chirac was elected president in 1995, and re-elected in 2002.

The Cour des Comptes in 1997 accused the companies of deficient management, including imprecise accounting, inadequate management controls and a lack of competitive bids for services in Paris. Consumers paid dearly for this "lack of rigor." The Water Union, which includes representatives from 144 regional municipalities around Paris, claimed at a 2002 news conference, that water bills had increased 100 percent from 1990 to 2001.

Overbilling is a generalized practice, according to sources in the French water industry. "Water companies distribute their costs across all the municipalities they work for," one source said. The companies charge a given city a percentage of their overall costs, using an "unintelligible equation" for distributing the costs. "This way, the companies can inflate the rates at will. If you added the percentages that a French water company bills to all the towns where it has contracts, you would end up with a sum that ... far surpasses the general administrative costs the company actually has," the source said.

Jean-Luc Trancart, deputy director general at Suez, defended the industry's cost distribution practice. He said it provided "insurance for the municipalities that we can restart service in case of an accident or whatever interruption in a matter of hours. We keep a stock of equipment and technical personnel that guarantee that whatever happens, we can resume water service almost immediately." Small companies operating locally cannot give this guarantee, he said.

"We have an ethical code that is very precise," Gérard Payen, a senior Suez executive, told ICIJ. "Look at our records around the world and you will find that our track record is very good in fact. Other businesses are worse than ours."

The Cour des Comptes found that Suez was depositing Parisian consumers' overpayments into interest-bearing bank accounts and paying the interest to itself. In 1997, for example, Suez earned at least \$500,000 in interest on overpayments. Suez did not reveal the gain in its annual reports. Trancart confirmed to ICIJ that Suez put the payments into interest-bearing accounts and did not include the profits in its annual report. He said the company has since changed its accounting practice to include these profits, but it still pays the interest to itself. "We consider this profit as remuneration for the management of money that doesn't belong to us. It passes through our accounts due to the public [payment] system," Trancart explained.

GRENOBLE: AN IGNOBLE STORY

The Grenoble water privatization was one of the most notorious recent cases of French corruption. It temporarily brought down a powerful politician in the government of President Jacques Chirac, laid bare the interlocking directories of power in politics and water, and revealed how the privatization of water offered the perfect opportunity for personal and corporate graft.

Just as Chirac remained mayor of Paris after becoming prime minister, Grenoble Mayor Alain Carignon was simultaneously environment minister under Chirac from 1986 to 1988. Monod, the Suez executive accused during testimony in the case of having proposed the bribery of Carignon, was the RPR general secretary between 1976 and 1978.

The facts of the case, as established by the courts, are these: A Suez subsidiary set up by Monod gave \$3 million in bribes to Carignon and made illegal contributions to his electoral campaign. Carignon got 121 free plane tickets and the use of a private apartment in one of Paris' most exclusive neighborhoods.

The court in 1994 sentenced Carignon—by then minister of communications in another RPR government—to five years in prison plus a \$70,000 fine. Carignon lost his appeal and served 29 months of his sentence. The court also sentenced water executives Jean-Jacques Prompsy and Marc-Michel Merlin to three and four years in prison, respectively. A Suez lobbyist, Jean-Louis Dutaret, was given four years and a fine.

Lawyers for Merlin and Carignon both claimed during the hearing that Monod was a part or even instigator of what one attorney called the "pact of corruption." But Monod denied the claim. He testified at the trial but was never charged.

A second court found in 1999 that the Suez subsidiary managing the city's water services had for years overcharged customers through various fraudulent accounting procedures. The court ordered the company to pay back all water charges imposed between 1990 and 1998.

Carignon awarded the water concession to the Suez affiliate "solely because this firm would provide him with gifts and personal advantages," the judges in the second court stated, and "the [corrupt] behavior of the defendants is linked to the increase of [water] tariffs." In other words, Suez's subsidiary simply transferred the corruption costs to its new customers.

After the court canceled the Grenoble contract and returned water services to the city, prices promptly fell. By the end of 2002, the price of water in Grenoble, at 2.14 euros per cubic meter, was considered among the lowest of all French cities. In nearby Saint Etienne, a city of comparable size, a cubic meter cost 3.76 euros. An independent regional accounting authority reported that if the con-

tract had continued for its full 25 years, it would have cost the population of Grenoble an additional \$145 million.

The decision to privatize Grenoble's water had been finalized at an Oct. 3, 1987, lunch attended by Monod, Carignon, Prompsy and Merlin, according to Patrick Thull, a Grenoble official who testified at their trial.

Although Grenoble had efficiently managed its own water for more than a century, Carignon had decided to privatize it to benefit himself and Suez, the French Court of Appeal concluded. The lunch party agreed to form a private company, called COGESE (Southeast Water Management Company, in French acronym) to administer the waterworks. Suez would hold a controlling interest of 51 percent. Merlin would own the remainder.

"The company was allowed to increase the price of water if consumption fell below 12.8 million cubic meters a year, which meant an immediate price increase."

Thull testified that it was soon clear that the privatization would be driven by "kickbacks."

Grenoble's 25-year water concession was awarded to COGESE in 1987. In a letter to Carignon, Prompsy promised, "you can be sure that our company won't spare any effort to serve the population of Grenoble and you as you deserve."

COGESE apparently felt that Grenoble's population deserved to pay more. In fact, it was a series of letters to the Lyon prosecutor from Grenoble citizens complaining about the sudden jump in prices that led to the investigation of the deal in the first place.

"From the very beginning of the privatization, our water bills skyrocketed," Vincent Comparat, a leading city activist against the privatization, told ICIJ.

As part of the contract, Suez's COGESE had to pay "entry fees" in return for the concession to the city government, worth about \$35 million, which would be paid in annual installments.

To recover the fees, COGESE increased water charges. It also reported fraudulent losses to justify fictitious interest payments on the loan it would have needed to balance its books, the court concluded. By 1993, COGESE was reporting a debt service of more than \$1 million. Its actual debt payments were less than \$400,000.

The contract with COGESE penalized the city for conservation. The company was allowed to increase the price of water if consumption fell below 12.8 million cubic meters a year, which meant an immediate price increase, since consumption levels in the city were falling for reasons that are not entirely clear.

COGESE was in fact little more than a shell company, the court concluded, subcontracting most services to Suez at inflated prices. These services included accounting, insurance, property management, customer services, technical assistance, equipment procurement and information technology.

A week before the trial began in Lyon, Monod addressed the company's personnel in a memo. He promised Suez would "support all our employees under investigation, for we are convinced that they have committed no offense. On behalf of management, I thank you all for the contributions you make daily to the development of our enterprise, and for representing our values, both in your private as well as in your professional life."

After the convictions, though, Monod claimed that only Suez's subsidiary—and not the parent firm—were responsible for the affair.

"Justice has been done," he told a French newspaper. "Besides, those practices were tolerated at the time. I was the first to question these practices, and the first to demand that they be stopped and that a law prohibiting the financing of political parties be passed."

The Grenoble case and other political scandals helped lead to a 1995 overhaul of French campaign financing laws that limited corporate contributions.

"Before 1995, French political parties didn't have a way to obtain financing, so they frequently asked companies for help," Suez Deputy Director General Jean-Luc Trancart told ICIJ.

As for the Cour des Comptes's investigations, Trancart saw nothing alarming. "They are paid to look for errors," he said. "If you compare any other report by the comptroller with their auditing of water markets, you will find that the French water management is the most virtuous of all."

The comptroller's 1997 report concluded that French water services' management is "generally satisfactory," Trancart added.

The report concluded that the delivery of "water and sanitation services throughout the country are generally satisfactory." The statement said nothing of the honesty of management.

And it has never been legal for French parties or politicians to take contributions in exchange for contracts.

In any case, 1995 does not seem to have marked a cutoff date for water corruption:

- In 1997, the former mayor of Angoulême, Jean-Michel Boucheron, was sentenced to two years in prison and fined \$172,000 for taking a \$55,000 bribe from Vivendi. In return for Boucheron's approval of a water-distribution contract, Vivendi put him on its payroll for a job that did not exist.
- In 1996, Vivendi's deputy director general, Jean-Dominique Deschamps, was found guilty of paying illegal commissions to political parties in exchange for obtaining water contracts in approximately 70 French cities. Deschamps was sentenced to 18 months in prison and fined \$27,000.
- Bribery charges against Michel Noir, mayor of Lyon, in 1995 forced his resignation. According to the accusations, Noir, a leader of Chirac's party, benefited from secret bank accounts opened in Switzerland by his son-in-law, Pierre Borton, and fed by Saur's corporate owner, Bouygues, and by Dumez-Nigeria, a Suez subsidiary at the time. Between 1990 and 1995, about \$370 million passed through these Swiss bank accounts in anonymous transfers from the account Dumez held at a Paris bank. Prosecutors charge that \$2 million of this money went to Noir. A court in 1995 sentenced Noir to a suspended sentence of 15 months in prison. The case, reopened after Noir appealed, was scheduled to go to court in Lyon in January 2003.
- In an earlier case, from 1991, André Fougereousse, the mayor of Ostwald, on the outskirts of Strasbourg, and municipal counselor of Strasbourg, resigned his post after he had been accused of receiving illegal payments from Suez, Générale des Eaux (Vivendi) and Saur. The three companies allegedly financed his holiday trips and paid 500,000 French francs to the Ostwald municipal government, which used it to pay Christmas

bonuses. Fougousse did not deny the accusations but claimed they were normal, arguing that other elected city officials had enjoyed similar favors.

These cases have given rise to mounting criticism of the water multinationals' operations. In response, the companies often threaten litigation.

In November 2002, Suez won a defamation suit against French economics professor Jean-Philippe Joseph, who criticized the conduct of the water companies in an interview on French public radio. Suez received one euro in damages and the judge denied Suez's request to have the judgment published in the monthly *Le Monde Diplomatique*.

Joseph has also criticized the French media for what he claims is a reluctance to investigate the water companies. The companies own major broadcasters—Canal Plus, M6 and digital TV broadcaster TPS—and are among the largest advertisers in Europe.

"Whenever somebody accuses us of corruption, we file a lawsuit for libel," explained Trancart.

Yet scandals continue.

One recent case involved a \$2 million bribery scheme by a Vivendi subsidiary to obtain a \$100 million contract to construct a water treatment plant in Milan, Italy.

In 2001, Italian judges sentenced former Milan city council president Massimo De Carolis to nearly three years in jail for taking bribes from a Vivendi subsidiary during 1998 bidding on the contract. Alain Maetz, the subsidiary manager who paid the bribe, got a year and 10 months. Both De Carolis and Maetz are appealing their convictions.

Milan subsequently banned Vivendi's subsidiary from the bidding process. In November 2001, the contract was awarded to Vivendi's rival, Suez.

In the most recent case, prosecutors in October 2002 reopened a corruption investigation of RPR congressman Richard Cazenave, two former Suez executives and a Swiss financial adviser.

The case involves allegations of false invoicing at Cofreth, a Grenoble heating company and Suez subsidiary, which had been directed by Cazenave until 1995. Cofreth allegedly paid about \$1.5 million to shell companies based in Monaco and London, which issued false invoices. The money was allegedly channelled through Swiss bank accounts to Raymond Roux, a former Suez executive, and to Jean-Claude Méry, an RPR financier, according to court records.

Cazenave has admitted in court he received more than \$100,000, using it to finance his political career. Jean-Claude Joud, former director of the engineering firm Cabinet Martin, which issued some of the false invoices, told the Lyon court a substantial part of the money went to the RPR in Paris.

Méry, the RPR's secret financier, died in 1997. He confessed in a videotape recorded in 1996 that up to 1993 he had often accompanied Roux to a financial consulting firm in Geneva "where the secret bank accounts of Suez Lyonnaise des Eaux, other French companies, and of the RPR were managed. Whenever I received the cash in Geneva, I would visit Michel Roussin to receive instructions on how to use it."

Roussin was Jacques Chirac's chief of staff between 1989 and 1993, when Chirac was mayor of Paris. In the videotape, Méry said that Chirac sometimes personally supervised his money deliveries.

Chirac, who is immune from prosecution, has denied allegations that his party received illegal funding. He has claimed publicly the allegations are "abracadabrantique." Chirac has refused to allow pros-

ecutors to question him claiming that, as France's highest judicial official, he cannot be questioned in a criminal case.

In the trial against Cazenave, Monod was questioned as a *témoin assisté* by the judge leading the inquiry. This French criminal category allows the prosecution to question Monod as a material witness in the presence of his lawyers—without formally charging him.

Having survived the water scandals, Monod is firmly ensconced in the Elysee Palace, working the reins of both French business and politics. His most recent success? He was instrumental in the removal of his former rival, Jean-Marie Messier, from the chairmanship of debt-ridden Vivendi Universal.

CHARTING NEW JOURNALISTIC LANDSCAPES

by Roberta Baskin

I'm always amazed that I could earn a living as an investigative journalist, which I've done for 26 privileged years. During that time I felt part detective, part gambler, part psychologist and part student. The work was my passion, as it became increasingly clear that uncovering information could affect lives and, in some instances, even help change laws.

One goal I set every year was to produce at least one international investigation—my dogged attempt to let provincial American viewers peer across unfamiliar borders. During the 1990s, however, while working as an investigative reporter for a CBS News magazine, I watched with dismay as the network began dismantling its foreign bureaus, in the process systematically cutting off its lifeline to the world at large. Budget-conscious (i.e., profit-minded) news managers justified such measures with claims that American viewers had little interest in international news. Despite protests within the reporter ranks, foreign news coverage was regrettably sacrificed.

“...international journalists had more somber stories to share, their accounts of the news business peppered with chilling anecdotes about government intimidation, threats and physical violence.”

But for me, at least, those draconian budget cuts had an upside, although admittedly a somewhat modest one: they got me thinking about the resources and opportunities available

to journalists in other parts of the world. What conditions did they work under? I wondered. What restrictions were imposed on them? What obstacles were they forced to navigate? What sorts of personal risks did their profession demand of them?

I'm always humbled when I meet journalists from other countries, and over the past decade I've thankfully had many such opportunities. In Budapest, for example, where I spoke at a journalism conference sponsored by the Open Society Institute, a Russian reporter shared the hopes he held after the fall of the Soviet Union: the hopes for a free and independent press. But instead, he complained how ever-tightening press restrictions were being established randomly—almost city by city—in the new Russia. Similarly, a journalist from the Slovak Republic said the press had so few resources, so little training, that the “news” they reported amounted to little more than reading or transcribing government press releases. There were no models to follow, he lamented, and few experienced journalists to show the way.

As my travels unfolded, reporters in other parts of the globe shared with me their own unique challenges. At an investigative reporting and ethics conference in Borneo, for instance, journalists told tales of colleagues who were paid not to report stories. Essentially, they were paid “hush money,” although in local parlance it was “envelope journalism.”

At a meeting with the Thai Press Association, in Bangkok, I met one brave journalist who had launched a campaign denouncing the ruling party's attempt to gobble up broadcast and print media as a way to give the government a direct, unobstructed pipeline to the people.

In Phnom Penh, I encountered Cambodian journalists who struggled to find their voice after more than 30 years of violent government change. They too were handcuffed by a lack of funding, little training and far too few mentors to help them learn (or perhaps re-learn) their craft.

But in some distant locales, it was my firsthand experience as an on-the-ground reporter that gave me the greatest insight into the unique, day-to-day struggles that my foreign counterparts must regularly endure.

In Vietnam, for example, I was granted limited freedom by the Communist government officials to report a story about abuse and illegally low wages paid to workers in Nike's subcontracted factories. Worried bureaucrats were determined to thwart any negative stories about American investment in their country, but my government "minder"—shocked by the revelations I had uncovered—quietly and courageously helped me get access to workers willing to tell their stories.

In Pakistan, following an eight-hour journey from Lahore to Islamabad, my scheduled interview with the prime minister was abruptly cancelled. The reason: the government was loath to officially comment on videotape I had obtained of children stitching soccer balls instead of attending school.

In 2001, I was honored to receive a Nieman Fellowship at Harvard University, where half of the two dozen journalists chosen each year hail from foreign countries. My interactions with courageous journalists from Rwanda, Costa Rica, the Balkans, China and elsewhere, some of whom literally risked their lives to ply their trade, to serve their chosen profession, were the most memorable experiences I took away from that very magical year. Sure, American journalists could complain about the growing commercialism of broadcast news and the "tabloidization" of newspapers, which had developed an unhealthy fixation with celebrities. But the international journalists had more somber stories to share, their accounts of the news business peppered with chilling anecdotes about government intimidation, threats and physical violence. I'll never forget one Nigerian journalist who used a pseudonym out of fear for his life and his family's. Listening to those grim, real-life experiences underscored for me the need for journalists everywhere to come together, to collaborate, and to learn from one another.

In the four years since, that sentiment has only intensified. After all, investigative reporting is tedious, frustrating and exhausting work. But in the end—and readers of this book hardly need convincing—it is obviously worth it.

But in the United States, as well as in other industrialized nations, journalists today are trying to weather a "perfect storm," where budget cuts and government efforts to deny access to information collide with the public's right to know. What's more, with readership shrinking, newspapers are struggling to survive; with television viewers scattered across 500 channels, the economic models that once insured prosperity and, as a result, a commitment to news, now often seem in jeopardy; and with the Internet having provided seemingly unlimited choices for those in search of news and information, the journalism landscape sometimes looks like uncharted, if not altogether inhospitable, territory.

At the same time, however, it becomes ever-more apparent that the Internet is where new opportunities truly lie. Here, we can add streaming audio and video to our Web sites. We can create a place for unparalleled interactivity. We can experiment with cutting-edge technology to communicate with readers, whether across town or around the world.

As the world's preeminent investigative reporters, you have a unique opportunity: We can be a dynamic lens through which the world looks for truth and information. We can make the ICIJ Web site the go-to place that showcases the best investigative journalism from around the world. We can help stem the tide that threatens to trivialize and marginalize an essential and time-honored profession.

In short, the International Consortium of Investigative Journalists stands at the precipice of change. This is the beginning of a new adventure, a new chapter for ICIJ. The road to be traveled may be bumpy and impossible to predict, but it's humbling and exhilarating to imagine the world of possibilities ahead of us.

CURRENT MEMBERS OF THE INTERNATIONAL CONSORTIUM OF INVESTIGATIVE JOURNALISTS:

Heather Abbot	Canada	Phillip Knightley	Britain
Yevgenia Albats	Russia	Murali Krishnan	India
Mahassen Al-Emam	Jordan	Alain Lallemand	Belgium
Rosental Calmon Alves	United States/Brazil	David Leigh	Britain
(Karl) Bo G. (Gunnar) Andersson	Sweden	Charles Lewis	United States
Chris Anyanwu	Nigeria	Hans Leyendecker	Germany
Ana Arana	United States	Fernando Teixeira Balthazar de Lima	Mozambique
Rui Manuel Duarte Araujo	Portugal	Gwen Anne Lister	Namibia
Pedro Enrique Armendares	Mexico	Thomas Maier	United States
Iqbal (Alavy) Athas	Sri Lanka	Carlos Marin	Mexico
Maud Beelman	United States	William Marsden	Canada
Michael Bilton	Britain	Georg Mascolo	Germany
Bill Birnbauer	Australia	Jan Mayman	Australia
Joop Bouma	Netherlands	Yossi Melman	Israel
Steve Bradshaw	Britain	Goenawan Mohamad	Indonesia
David Burnham	United States	Michael Montgomery	United States
Maria Cristina Caballero	Colombia/United States	Metin Munir	Turkey
Duncan Campbell	Britain	Mutegi Njau	Kenya
Pete Carey	US	Pius Njawe	Cameroon
Bob Carty	Canada	Mary-Louise O'Callaghan	Australia
Carlos Fernando Chamorro	Nicaragua	Tayo Odunlami	Nigeria
Ying Chan	Hong Kong/United States	Charles Onyango-Obbo	Uganda
Ray Choto	US	Ángel Paéz	Peru
Sheila S. Coronel	Philippines	Jacques Pauw	South Africa
Ross Coulthart	Australia	Dai Qing	China
Sunday Dare	United States	Paul Cristian Radu	Romania
Anthony Davis	Thailand	Ahmed Rashid	Pakistan
Walter de Bock	Belgium	George Reyes	United States/Colombia
Zoya Dimitrova	Bulgaria	Leonarda Reyes	Mexico
Steven Gan	Malaysia	Amaury Ribeiro Jr.	Brazil
Frank Garbely	Switzerland	Raymundo Riva Palacio	Mexico
Catherine Gicheru	Kenya	José Fernando Rodrigues	Brazil
Julio Cesar Alvarado Godoy	France/Guatemala	María Teresa Ronderos	Colombia
Ignacio "Nacho" Gomez	Colombia	Daniel Santoro	Argentina
Gustavo Gorriti	Peru	Ritu Sarin	India
Florence George Graves	United States	Leo Sisti	Italy
Ulrik Haagerup	Denmark	Pawel Smolenski	Poland
Nicky Hager	New Zealand	Sam Smyth	Ireland
Stephen Handelman	US/Canada	Carlos Subero	United States
Andreas Harsono	Indonesia	Ernesto Raul Tenenbaum	Argentina
Timo-Erkki Heino	Finland	Nate Thayer	United States
Mikkel Hertz	Denmark	Claudio Tognolli	Brazil
Shuli Hu	China	Horacio Verbitsky	Argentina
Yusuf Jameel	India	Marites Teresa Danguilan Vitug	Philippines
Per Anders Johansen	Norway	Marian Wilkinson	Australia
Rakesh Kalshian	India	Paul Williams	Ireland
David E. Kaplan	United States	Tim Mitsuhiro Yoshida	Japan

ICIJ AWARD WINNERS

1998 WINNER:

NATE THAYER

"Brother Number Zero"

"Day of Reckoning"

1999 WINNERS:

STEVE BRADSHAW, MIKE ROBINSON

"When Good Men Do Nothing"

2000 WINNERS:

SANG-HUN CHOE, CHARLES J. HANLEY, MARTHA MENDOZA, RANDY HERSCHAFT

"Bridge at No Gun Ri"

2001 WINNER:

JACQUES PAUW

"The Bishop of Shyogwe"

2002 WINNER:

THOMAS MAIER

"Death on the Job: Immigrants at Risk"

2003 WINNER:

JEFFREY GOLDBERG

"In the Party of God"

2004 WINNER:

RUSSELL CAROLLO, MEI-LING HOPGOOD

"Casualties of Peace"

SUPPORT FOR ICIJ

The Center for Public Integrity's International Consortium of Investigative Journalists would not be possible without the generous support of the following funders:

Carnegie Corporation of New York
Fanny and Leo Koerner Charitable Trust
Ford Foundation
Fund for Constitutional Government
Hafif Family Foundation
Institute of International Education
John & Florence Newman Foundation
Jon and Lillian Lovelace
Open Society Institute
Park Foundation, Inc.
Richard and Rhoda Goldman Fund
Robert Wood Johnson Foundation
Rockefeller Financial Services
Ruben and Elisabeth Rausing Trust
Winston Foundation for World Peace