

Oil-for-food: the trail leads to Lombardy

An Italian governor is first western politician targeted by UN inquiry, writes Claudio Gatti

The conference room of the Mansour Melia hotel in Baghdad was decked in banners denouncing US aggression and demanding an end to the international sanctions. By mid-morning, as the room began to fill, scores of foreign guests jostled politely with Iraqi officials and a few diplomats for seats close to where Tariq Aziz, deputy prime minister, was expected to be seated.

Roberto Formigoni did not feel the need to rush. According to one person, he continued talking by the entrance and when Mr Aziz appeared, he was the first foreigner to greet him. Mr Aziz took him by the arm and escorted him to a seat in front of the podium.

Mr Formigoni, centre-right governor of Lombardy, Italy's most prosperous region, was one of several foreign politicians to accept an invitation to visit Baghdad on May 1-3 1999. The aim of the event was to rally opinion in support of Saddam Hussein's campaign against the sanctions imposed on Iraq after the first Gulf war. Today, however, the guest list is being examined by a special United Nations committee investigating alleged corruption in the UN-administered oil-for-food programme.

Their curiosity is aroused by that fact that the guest list includes many of the names found, after the fall of the regime, in the archives of the Iraqi oil ministry - in documents that apparently identify foreign dignitaries granted vouchers entitling them to cut-price Iraqi oil.

At 24m barrels, the Iraqi ministry's list suggests Mr Formigoni received the largest allocation of any western politician. The UN investigators have found nine awards, each related to a six-month period, containing his name. The archives describe his allocations as a "special request"; with hand-written annotations explaining that the amounts had been personally authorised "by the president".

In the same documents, Mr Formigoni's name is repeatedly recorded in parenthesis next to that of Cogep, a Milan company.

Last October, Natalio Catanese, Cogep's owner, acknowledged to Il Sole that his company had received a number of contracts from the Iraqi State Oil Marketing Organisation (Somo). He said the transactions had nothing to do with Mr Formigoni. Contacted yesterday, Mr Catanese said: "I confirm today what I said then."

Between 1994-97, Cogep reported annual revenues of between \$15m-\$35m. In 1996 - the year of the first Iraqi oil contracts - revenue almost tripled to \$85m. In 1999, it peaked at \$170m, before settling at about \$100m in the following three years. The bonanza ended in 2003 with the US invasion of Iraq, and Cogep's revenues returned to less than \$50m.

How could a small company that previously did not deal with crude oil and had no traders among its employees become one of Somo's most loyal customers? The UN investigators suspect the answer may have something to do with Roberto Formigoni. In the months before the US-led invasion of Iraq in March 2003, Mr Formigoni was a prominent critic of US policy towards Baghdad.

On February 12 that year, he travelled to Fiumicino, near Rome's airport, to have lunch with Mr Aziz, who was on his way to an audience with Pope John Paul II, during which he hoped to elicit the pontiff's help in averting war.

Mr Formigoni's opposition to the planned invasion, while widely shared, put him at odds with Silvio Berlusconi, Italian prime minister and chairman of Mr Formigoni's political party, and one of the most enthusiastic supporters in Europe of George W. Bush. But it was a stance in keeping with years of support for Iraq.

In November 2000 Mr Formigoni had been instrumental in organising a "humanitarian flight" by the Lombardy region that sent medicines to Baghdad. "This mission wants to be a signal of solidarity to a suffering people," he declared at a news conference at Milan's Linate airport. "It also wants to express our determination to lift the sanctions against Iraq."

That flight was the first

from Italy to Iraq since one arranged by Mr Formigoni to bring home Italian citizens detained as "human shields" during the 1991 Gulf war.

In 1996, when the oil-for-food programme was getting started, he sent a letter - a copy of which is in possession of the FT/Il Sole and UN investigators - to Mr Aziz: "Excellency, first of all I would like to reconfirm by this letter my solidarity towards the Iraqi people ... I have showed my solidarity formally either to my Government or to the public opinion by declarations and interviews. I believe to be able to affirm to have contributed to rebalance the Italian Government's position."

In January 2003 the politician told Il Sole 24 Ore that he had "helped Italian companies conduct business in Iraq within the oil-for-food framework". He emphasised that he did not receive allocations or help Cogep obtain contracts. Yesterday, his spokesman reiterated that position.

But that denial is being queried by the UN investigators. For one thing, top Somo executives used to refer to Mr Formigoni as "Abu Cogep", or father of Cogep, the FT/Il Sole and the investigators have been told. More significant is one of the documents recovered from Baghdad by the UN committee. The fax sent at 12.57pm on June 8 1998 from Mr Formigoni to Mr Aziz states: "Following our meeting in Rome, for what I'm grateful to you, since I know that Somo is signing the new contracts, let me to remember to you the names of the Italian

Cogep, like many small companies, agreed to the demand for 10% kickbacks, allowing Mr Hussein to raise hundreds of millions of dollars covertly

oil companies I pointed out to you. One is 'Cogep' and the other is [another com-

pany]. Many thanks on advance for what you will be able to do. Best regards. Roberto Formigoni."

The fax shows two annotations, written in Arabic by hand, that re-direct the message to General Amer Rashid, oil minister, and Saddam Hassan, executive director of Somo. It is stamped as having been received by both.

A further element of the inquiry relates to the role of another figure: Marco Mazarino De Petro. He is a former Christian Democratic member of the Italian parliament, a former mayor of Chiavari, a town near Genoa, and one of the founders, with Mr Formigoni, of the Movimento Popolare, a Catholic political organisation. Today he is president of Avio Nord, a small air transport company owned by the Lombardy region.

But he also has a mandate from the Lombardy region "to supervise its international affairs with many countries, including Iraq". He said he had been "many

times" to Baghdad for "missions with Italian entrepreneurs interested in a relationship with Iraq".

In the spring of 1997, Eni, the Italian oil major, invited Gen Rashid to Rome. On April 22, a company jet was dispatched to Amman to bring the oil minister to Suite 105-106 in the prestigious Excelsior Hotel, across the street from the US embassy.

Gen Rashid was a valued guest. Besides Eni's top executives, many others - government ministers, members of parliament and industrialists - asked to meet him. But, according to an Eni executive involved in the trip, there was only one person Gen Rashid asked to see: Mr Formigoni. He wanted, he explained, to extend Mr Aziz's greetings. On April 25, at 9.50am, Eni's jet landed at a private terminal at Linate. Waiting in a VIP room, with an interpreter, was Mr Formigoni.

A few months after that meeting, in the autumn of 1997, Mr De Petro began contacting people in the Italian energy sector to discuss Iraqi oil contracts. After weeks searching for a suitable partner, he came to Cogep. In January 1998, Mr De Petro left for Baghdad with an oil trader hired by

Cogep to sell oil on the international market.

The signing ceremony for the first contract was held on January 18, a Sunday, in the offices of Mr Hassan, Somo's executive director. The contract ran to 10 pages. The last page identified the

seller, Somo, and the buyer, Cogep. Mr Hassan was the first to sign. Mr De Petro followed, scrawling his name underneath the word "for buyer". Mr De Petro yesterday admitted having accompanied Cogep's personnel to Somo but added: "I never signed any contract for Cogep. I had no authority to do that."

But UN investigators have discovered a copy of this contract in their files in New York. The document - whose authenticity is not doubted by investigators - establishes the first link between a western company authorised by the UN to deal with Iraq and one of the politicians listed in the Iraqi oil ministry archives as an allocation-holder.

Although Mr De Petro

never had any formal ties with Cogep, the investigators have found in Baghdad a number of documents sent to the company marked for his attention. One is a fax from Mr Hassan, dated June 13 1998. It was the signed copy of the second Cogep contract and addressed to "Cogep Milano, Italy, Attn: Mr Marco."

Among the 270-odd politicians from 52 countries that

are listed as having received vouchers for Iraqi oil, Mr Formigoni is shown as the only one continuously to receive allocations that were converted into fulfilled contracts from January 1998 until the eve of the invasion in 2003.

The fact that the allocations kept on coming, and Cogep kept on signing con-

tracts, even after 2000, would appear to be significant, UN investigators say. They have determined that, starting that year, Mr Hussein ordered Somo to award contracts only to companies willing to pay a 10 per cent kickback. All the major oil groups refused, and temporarily withdrew from the Iraqi oil market. But Cogep, like many small companies, agreed to the demand, allowing Mr Hussein to raise hundreds of millions of dollars in covert funds.

The Iraqis always referred to these kickbacks as "surcharges". But their illegal nature was evidently clear to Cogep: the company, UN investigators now know, used its official account at the Geneva branch of Paribas to buy the oil, but paid the surcharges from a special account with UBS in Lugano, Switzerland.

Records from this second account show that between 2001-03, Cogep transferred a total of \$943,000 to two accounts opened by Somo, one in a Beirut branch of Fransabank, the other in the private banking department of Jordan National Bank in Amman. There is no evi-

dence that Mr Formigoni or Mr De Petro knew about these surcharges.

The UN investigators' inquiries have led them to a large green folder that, until some months ago, was kept in the office of Andrea Catanesse, son of Natallo, Cogep's owner. Written on the folder in indelible blue ink was the name Candonly Ltd. Inside were invoices issued by that company and the payments made to it by Cogep.

Investigators have been told that, with the exception of Cogep's very first contract - the one signed by Mr De Petro in January 1998 - Candonly was paid a fixed commission of 3 cents a barrel for services provided for all Cogep's Somo contracts.

Candonly Ltd was registered in Dublin in 1991 by Jesse Grant Hester, a professional company administrator, with offices in the Channel Islands and Cyprus. It was dissolved on November 12 1999, exactly six months after a sister company by the same name was registered in London.

Michael Patrick Dwen, another professional company administrator fiduciary, who also operates out of the Channel Islands and Cyprus, is recorded as the sole administrator and owner of this British entity, one of more than 400 in Britain that list him as a director. Mr Hester and Mr Dwen have sat together on the boards of a number of companies.

Investigators have established Mr De Petro is linked

to Candonly. The FT and Il Sole also have a handwritten note by Mr De Petro with Candonly's name next to his. But Mr De Petro denied to the FT/Il Sole having heard of the company or having anything to do with it.

Iraq was known on occasion to ask for favours in exchange for the lucrative oil allocations it distributed. The form of appreciation most coveted was support for their campaign to lift the international embargo. Mr Formigoni was a prominent voice. Mr De Petro tried to do his bit, too. In November 2002, he was one of the co-authors of a motion passed by the city council in Genoa that urged Washington to act only with the express support of the UN.

There was, of course, nothing wrong with supporting Iraq or criticising Washington; public opinion in much of Europe was opposed to a US-led invasion. But UN investigators are now trying to establish if that public campaign was at least in part financed by private or undisclosed payments. Last April, a motion presented by the opposition in the Lombardy regional assembly asked Mr Formigoni to deny playing an intermediary role for oil contracts, "as any kind of political intercession carries financial benefits".

Mr Formigoni never replied. Soon he may have to, to the UN investigation.

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