



Written by [Raven Clabough](#) on August 17, 2010

SEC Fines GE Over “Oil for Food Program” Corruption

For years, conservatives and constitutionalists have called for the United States to withdraw from the United Nations for a variety of reasons, specifically the United Nations’ notorious anti-Americanism and inefficient-at-best handling of world crises. There is no better example of the UN’s ineptitude than the Oil for Food program, which has been an ample breeding ground for corruption by large organizations, including General Electric. In July, the Securities and Exchange Commission fined General Electric \$23.5 million for its corrupt dealings in Iraq during the Oil for Food program. According to the Securities and Exchange Commission, General Electric violated the Foreign Corrupt Practices Act by illegally offering equipment and services in exchange for contracts with Iraqi officials.



The complaint by the SEC reads:

From approximately 2000 to 2003, two subsidiaries of the General Electric Company (“GE”) — Marquette-Hellige (“Marquette”) and OEC-Medical Systems (Europa) AG (“OEC-Medical”) — made approximately \$2.04 million in kickback payments in the form of computer equipment, medical supplies, and services to the Iraqi Health Ministry under the Program. Prior to GE’s acquisition of their parent companies, two other current GE subsidiaries — Ionics Italba. S.r.L. (“Ionics Italba”), and Nycomed Imaging AS, currently GE Healthcare AS (“Nycomed”) — made approximately \$1.55 million in cash kickback payments under the Program. Nycomed was a subsidiary of publicly-registered Amersham plc, which was acquired by GE after the conduct at issue in this Complaint and is currently known as GE Healthcare Ltd. Ionics Italba was a subsidiary of publicly-registered Ionics, Inc., which was acquired by GE after the conduct at issue in this Complaint and is currently known as GE Ionics, Inc.

Marquette, OEC-Medical, Ionics Italba, and Nycomed each authorized and paid kickbacks to Iraqi government ministries through agents in the form of ‘aftersales service fees’ (ASSF) on sales of products to Iraq. All four subsidiaries knew that such kickbacks were prohibited by the Oil for Food Program and U.S. and international trade sanctions on Iraq.

While “working through third-party agents,” the two companies that were actual GE subsidiaries during the relevant time period “made ASSF kickback payments of approximately \$3,584,842.”

Corporatecomplianceinsights.com adds, “As to the acquired subsidiaries, the SEC simply alleges, without any elaboration, that GE acquired the liabilities of Amersham and Ionic, along with assets, in the acquisitions and that ‘GE Ionics, Inc. and GE Healthcare Ltd., both subsidiaries of GE, are the



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respective successors to the liability of Ionics and Amersham’.”

In total, “The four subsidiaries earned profits of approximately \$18,397,949 as a result of their illegal kickbacks.”

SEC’s Cheryle J. Scarboro said, “G.E. failed to maintain adequate internal controls to detect and prevent these illicit payments by its two subsidiaries to win oil-for-food contracts, and it failed to properly record the true nature of the payments in its accounting records.”

In total, the SEC identified 18 unaccounted for contracts, 14 of which pertained to businesses not owned by GE at the time of the transactions, but were acquired by GE when it took over the companies.

In a statement released by the SEC, “The SEC has now taken 15 Foreign Corruption Practices Act enforcement actions against companies involved in the Oil for Food-related kickback schemes with Iraq, recovering more than \$204 million.”

Of the 15 enforcement actions include those against Innospec, AGCO Corporation, and Novo Nordisk A/S, all of which involved information provided by the Department of Justice.

The Oil for Food program began in 1995 as a humanitarian effort allowing Iraq to sell oil under UN supervision in exchange for purchasing food and medicine. The program came in response to the UN sanctions imposed on Iraq after Saddam Hussein ordered the invasion of Kuwait and refused to report on Iraq’s nuclear program. The United Nations faced international pressure as claims arose that the sanctions resulted in increased malnutrition and infant mortality rates, prompting the creation of the Oil for Food program.

Despite the original intentions of the Oil for Food program, however, it has been a hotbed for corruption ever since its inception. (See:

<http://www.heritage.org/Research/Reports/2004/04/Investigate-the-United-Nations-Oil-for-Food-Fraud>)

General Electric is no stranger to corruption, however. Just last year, the Securities and Exchange Commission fined the Connecticut-based company \$50 million for misleading investors and committing violations of antifraud provisions. (See: (<http://www.nytimes.com/2009/08/05/business/05electric.html>))

What’s most interesting is the mainstream media’s failure to report on General Electric’s most recent settlement with the SEC. Perhaps it does not hurt that General Electric was a top contributor to the 2008 Barack Obama presidential campaign, (See: <http://www.opensecrets.org/pres08/contrib.php?cycle=2008&cid=n00009638>) Nor would the media be inspired to report negatively on General Electric given the company’s close relationship to President Obama through his connections to George Soros’ Center for American Progress. (See: <http://www.rightpundits.com/?p=6457>)

Regardless of GE’s corrupt practices in the Oil for Food program, General Electric continues to tout, “GE is committed to the highest standards of conduct in all transactions in all of the jurisdictions where we do business throughout the world.”

Evidently, Iraq was the exception to their rule.

Photo: Former Federal Reserve Chairman Paul Volcker discusses the Independent Inquiry Committee’s report on the United Nations’ Oil For Food Program, Feb. 3, 2005, in New York. Volcker says his investigation of corruption in the oil-for-food program in Iraq found that program director Benon Sevan engaged in "an irreconcilable conflict of interest" by choosing the companies that bought Saddam Hussein’s oil: AP Images



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