

# Federal Reserve Shipped Billions to Iraq Which Were Then Stolen... Involved in Other Unsavory Activities

By [Washington's Blog](#)

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Theme: [Global Economy](#), [Intelligence](#)

In-depth Report: [IRAQ REPORT](#)

CNBC [reports](#) today:

The New York Fed is refusing to tell investigators how many billions of dollars it shipped to Iraq during the early days of the US invasion there, the special inspector general for Iraq reconstruction told CNBC Tuesday.

The Fed's lack of disclosure is making it difficult for the inspector general to follow the paper trail of billions of dollars that went missing in the chaotic rush to finance the Iraq occupation, and to determine how much of that money was stolen.

The New York Fed will not reveal details, the inspector general said, because the money initially came from an account at the Fed that was held on behalf of the people of Iraq and financed by cash from the Oil-for-Food program. Without authorization from the account holder, the Iraqi government itself, the inspector general's office was told it can't receive information about the account.

The problem is that critics of the Iraqi government believe highly placed officials there are among the people who may have made off with the money in the first place.

As I [noted](#) last year:

In July 2009, Congressman Henry Waxman stated:

In a 13 month period from May 2003 to June 2004, **the Federal Reserve** sent nearly \$12 billion in cash, mainly in \$100 bills from the United States to Iraq. To do that, **the Federal Reserve Bank in New York** had to pack 281 million individual bills ... onto wooden pallets to be shipped to Iraq. The cash weighed more than 363 tons and was loaded onto C-130 cargo planes to be flown into Baghdad...

The Los Angeles Times [reported](#) at the time:

Prior audits by Stuart W. Bowen Jr., the special inspector general

for Iraq reconstruction, found that more than \$8.8 billion in such funds could not be properly accounted for.

Bloomberg [wrote](#):

A report from Waxman's House Oversight and Government Reform Committee ... described contractors being told to bring big bags to collect shrink-wrapped bundles of money and one episode where a Bremer staff member was allegedly told to spend \$6.75 million in a week.

"We have no way of knowing if the cash that was shipped into the green zone ended up in enemy hands," Waxman, a California Democrat, said at today's hearing.

I'm not too worried about the money having fallen into enemy hands. I think it is much more likely that it fell into the hands of gleeful defense contractors, like these happy fellows:



In addition, ABC [noted](#) that there might have been a partisan bias:

Rep. Paul Hodes, D-N.H., claimed that recent college graduates with Republican ties were sent to Iraq instead of experienced government personnel.

Rodes challenged, "I want to know why half the U.S. staff had never been outside of the country before and had to get a passport for the first time?"

(I'm not trying to make this a partisan issue: under the current Democratic administration, I would guess that Democratic folks are favorably getting their palms greased).

\$2.4 billion of these \$100 dollar bills were loaded onto pallets, put on C-130s and shipped to Iraq in [June 2004](#) alone:

Then, when the shipment date changed, officials had to scramble to line up U.S. Air Force C-130 cargo planes to hold the money. They did, and the \$2,401,600,000 was delivered to Baghdad on June 22, 2004.

It was the largest one-time cash transfer in the history of the New York Fed

And guess who was the head of the New York Fed at the time this was going on?

Yup ... [Pallet Tim](#).

Note: I am not implying that the Fed's shipment to Iraq were illegal (they were apparently part of a UN-sponsored Iraqi oil revenue arrangement). And I am not implying that Geithner is responsible for the theft of billions of dollars by defense contractors or others - he was never asked to oversee distribution of

the funds once they arrived in Iraq, and he wasn't head of the New York Fed when the shipments started.

Al Jazeera [noted](#) Sunday that the figure might actually be much higher:

[An] Iraqi parliament speaker, has told Al Jazeera that the amount of Iraqi money unaccounted for by the US is \$18.7bn - three times more than the reported \$6.6bn.

Just before departing for a visit to the US, al-Nujaifi said that he has received a report this week based on information from US and Iraqi auditors that the amount of money withdrawn from a fund from Iraqi oil proceeds, but unaccounted for, is much more than the \$6.6bn reported missing last week.

"There is a lot of money missing during the first American administration of Iraqi money in the first year of occupation.

"Iraq's development fund has lost around \$18bn of Iraqi money in these operations - their location is unknown. Also missing are the documents of expenditure.

"I think it will be discussed soon. There should be an answer to where has Iraqi money gone."

The Bush administration flew in a total of \$20bn in cash into the country in 2004. This was money that had come from Iraqi oil sales, surplus funds from the UN oil-for-food programme and seized Iraqi assets.

Officials in Iraq were supposed to give out the money to Iraqi ministries and US contractors, intended for the reconstruction of the country.

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The US has audited the money three times, but has still not been able to say exactly where it went.

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"There is going to be a fairly wide net cast - some of them [involved in mishandling of this money] are thought to be US officials, but many here believe that it is the Iraqis who have filled their pockets.

"Safeguarding the money was up to the Americans ... after the invasion, provisional authority here was run by the American military.

The Los Angeles Times [reported](#) on June 13th:

For the first time, federal auditors are suggesting that some or all of the cash may have been stolen, not just mislaid in an accounting error. Stuart Bowen, special inspector general for Iraq reconstruction, an office created by Congress, said the missing \$6.6 billion may be "the largest theft of funds in national history."

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Theft of such a staggering sum might seem unlikely, but U.S. officials aren't ruling it out. Some U.S. contractors were accused of siphoning off tens of

millions in kickbacks and graft during the post-invasion period, especially in its chaotic early days. But Iraqi officials were viewed as prime offenders.

The Federal Reserve has been involved in other unsavory activities as well, such as [loaning billions to Gaddafi](#) and [covering up](#) the source of funding for the Watergate burglars.

Geithner's New York Fed also [pushed](#) to keep pay AIG's CDS counterparties at full value, and then to keep the deal secret.

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