



Making of a Monster: How the U.S. Helped Build Iraq's War Machine

Exactly two years after the August 1990 Iraqi invasion of Kuwait, the state-run radio and newspaper in Baghdad were blaring that Kuwait would fall again to Iraq's claims. This summer, even as one emergency seemed to be averted involving a standoff over alleged weapons data in Baghdad's agriculture building, the spectre of yet another crisis loomed, with Iraq again thumbing its nose at international inspectors.

Aid to Hussein

Ironically, the intersection of "agriculture" and Iraqi weapons is apt, since Washington has become embroiled in a stew of its own making — involving, in part, Iraq's use of U.S. taxpayer-subsidized agricultural loan guarantees to buy military equipment. Investigating these and other developments, the House Banking Committee has voted to issue new subpoenas concerning administration support for Iraq before the Gulf War. The extent of Bush administration aid to Baghdad is growing more evident with the passage of time, with one of the latest revelations being that even the Department of Defense and Joint Chiefs of Staff had gotten into the acts of appeasement. The Pentagon, for example, proposed a plan to train and exchange forces with Saddam's military, and even sought to protect the dictator's personal aircraft from missile attack. These particular plans, which were being pushed in late May 1990, less than three months before the invasion, were not implemented — but many others were.

Bush administration apologists have called their efforts a misguided attempt to moderate Saddam Hussein's behavior. In truth, they constructed a monster that was then used to justify the war for a new world order.

Keep in mind that mollification was the order of the day even after years of Iraqi support of terrorism, after Saddam had utilized deadly chemicals on the Kurds within Iraq's borders, after nuclear-triggering devices had been intercepted on the way to Iraq (March 1990), and after Hussein had boasted that his chemical-warfare capability would "burn half of Israel" if it attacked Iraq (April 1990).

Green Light for Saddam

The fact that these recently exposed plans for direct military aid were not approved did not mean that the administration was suddenly getting tough with Baghdad. By no means: Even as thousands of American troops and tanks were massing on the Iraq-Kuwait border one week before the invasion, U.S. Ambassador April Glaspie on July 25, 1990 signaled what had to be the most blatant go-ahead since Secretary of State Dean Acheson's 1950 war-prompting remark to Congress that South Korea was outside the "defensive perimeter" of the United States. Face-to-face with Saddam, Glaspie assured him that the United States "has no opinion on the Arab-Arab conflicts, like your border disagreement with Kuwait." Such a comment amounted to a green light for Saddam to move on Kuwait.

Surprise! Or was it? As Glaspie remarked that September: "I didn't think ... that the Iraqis were going to take all of Kuwait." Presumably taking just a little bit would have made it a matter for negotiation. Had Saddam listened to Assistant Secretary of State John Kelly on July 31, 1990, on Capitol Hill, he would have heard the invitation to strike reissued, with Kelly opposing congressional sanctions against Baghdad and noting that the United States had no formal commitment to defend Kuwait from an invasion by Iraq.



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Nowadays, you understand, the White House can't seem to wait for sufficient provocation to strike again. As a Bush administration official, quoted in the *Washington Post* for July 29, 1992, put it about Saddam: "We all want to pop him." Of course, Saddam has already been more than mildly provocative by ignoring most of the cease-fire provisions, as well as bombing Shiites in the southern part of the country, carrying out summary executions of those suspected of collaborating with rebels, and executing businessmen accused of "profiteering." Will there be another "misunderstanding" and more fighting as a dismal political season grows short for the administration? As it happens, a senior UN official said the July dispute over the agriculture ministry began over just such a misunderstanding and could have been avoided.

Tilting Toward Baghdad

The generally used excuse for Washington's policy vis-à-vis Baghdad is that Iraq needed to be built up as a counterweight to Iran. This explanation, however, ignores the fact that the Iranian revolution itself came about as a result of the Carter administration's sellout of the Shah. For every action, in diplomacy and physics, one should expect a reaction. Moreover, while the United States did "tilt" to Iraq after Baghdad invaded Iran in 1980 and began an eight-year war, Washington also sold weapons to both sides in the conflict.

Saddam Hussein, even two decades ago, had no compunctions about being a beneficiary of U.S. policy. As quoted in a compendium by Robert Hennelly in the *Village Voice* for August 11, 1992, Hussein noted in 1974: "There is no contradiction between our decision to sever diplomatic relations with America and to deal commercially with some American companies.... The presence of these American companies will never open the door to a change in our programme." Despite being put on the American list of terrorist nations in 1979, Iraq received gas turbine engines for its frigates. They came from Italy, but with the 1980 approval of the U.S. Commerce Department.

It was a pattern that would be repeated for years, and which would be made easier after the March 1982 removal of Iraq from the official list of nations supporting terrorism. Yet in the fall of 1982, Iraq scoffed at such placation by offering safe haven to notorious terrorist Abu Nidal. If a country was on the terrorist list, it was supposedly restricted in obtaining technology that could be used for both civilian and military functions. This is why the change occurred — the better to "tilt" to Baghdad. This leaning would be aided by guaranteed loans, a large percentage of which were defaulted upon and some \$2 billion of which have been covered by the U.S. taxpayers. Never mind that at least three major terrorist outfits operated from Iraq, and that Iraq also offered refuge and a passport to Abul Abbas, who was responsible for the Achille Lauro hijacking in 1985.

Iraq's nuclear potential at Osiraq was the target of an Israeli air strike in June 1981, a move that George Bush publicly deplored. Israeli Defense Minister Sharon was charging by the fall of 1981 that the United States was providing covert military aid to Baghdad, but by the next year the aid was overt, with the announcement of sales of transports and jets. By 1984, when Iraq was spending some \$14 billion annually on foreign military purchases, George Bush was back at the hawk's table. In June 1984, after initial reluctance on the part of the U.S. Export-Import Bank, Vice President Bush personally called his college buddy William Draper, the Ex-Im chairman, successfully urging a \$484 million loan guarantee to Iraq for a pipeline to be constructed by Bechtel. Secretary of State George Shultz, it will be recalled, was Bechtel's president before taking over at the State Department.

"We Created This Monster"



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In November 1984, after the American elections, Washington and Baghdad established diplomatic relations for the first time since the 1967 Arab-Israeli war. The recognition came many months after the United States had become aware that Iraq was using mustard gas in its war with Iran, and was widely suspected of using nerve gas as well. Meanwhile, the head of the Atlanta branch of the Banca Nazionale del Lavoro (BNL) — the second-largest bank in Italy and almost completely owned by the Italian government — offered Iraq a \$100 million credit line for the purchase of U.S. grain.

The U.S. government was by this time doing its utmost to share military intelligence with Iraq. Adding impetus, a U.S.-Iraq Business Forum was established, eventually bringing in some of the largest U.S. firms (including Westinghouse and Caterpillar) to aid Saddam. Ex-Im loan guarantees backed by the U.S. taxpayers grew from \$35 million in 1985 to \$267 million by 1990.

It now develops that the United States knew even in 1985 that Iraq had designs for American nuclear technology. A March 1985 document, written by Assistant Defense Secretary Richard Perle to Secretary Caspar Weinberger, cited a CIA report “indicating that Iraq continues to actively pursue an interest in nuclear weapons, that the large number of Warsaw Pact nations in Iraq makes diversion in place a real possibility and that in the past Iraq has been somewhat less than honest in regard to the intended end-use of high technology equipment.”

In 1986 Stephen Bryen, the Reagan administration’s deputy under secretary of defense for international economic trade and security policy, discovered that the final destination for an advanced computer similar to one being used at White Sands missile base in New Mexico was a research facility in Mosul, Iraq. The complex, known as Saad 16, was working on a ballistic missile, and Bryen warned against approval “because of the high likelihood of military end-use and the association for the involved companies in sensitive military applications.” But the State and Commerce Departments had no problems in approving the sale without conditions. By 1991 American servicemen and other allies were risking their lives on bombing raids against the very same Saad 16 complex, which was dubbed a key target. As Bryen told *Time* magazine: “We created this monster. If you want to know who’s to blame for all this, we are, because we let all this stuff go to Iraq.” Yet George Bush, in the summer of 1992, has asserted repeatedly that the United States did not help Saddam’s chemical, nuclear, or missile capability at all.

By 1986, the Iraqis had bought up to \$600 million annually in U.S. grain with the loans guaranteed by the Agriculture Department’s Commodity Credit Corporation (CCC). This back-door foreign aid scheme resulted in the taxpayers being stuck with some \$2 billion in bad loans. The scheme hooked in American farmers as well, with Baghdad borrowing the money to pay for American goods based on artificially inflated prices. There was also fraud and diversion of grain. Moreover, there were excess profits that reportedly were used for weapons procurement. There were well over \$5 billion dollars in loan guarantees that went this way to Baghdad between 1983 and 1990. In addition, congressional investigations have discovered that foreign commodities were even substituted for U.S. commodities, and kickbacks were demanded if middlemen wanted in on the scheme.

More Aid and Comfort

Saddam Hussein even used the Iran-Contra arrangement for leverage, complaining he was being betrayed by the Tehran dealings. In response, Richard Murphy of the State Department pushed for easier Ex-Im terms and faster approval of exports for Baghdad. In a letter to Secretary of State Shultz, Murphy’s flaccidity was underscored as he offered self-congratulations that U.S. policy had brought Saddam to the point of paying his American Express bill. Murphy also wrote: “In the judgment of the



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intelligence community as a whole, DOD concerns are exaggerated. In practice they have meant lost sales for U.S. companies and a constant irritant in U.S. Iraqi relations." One surely wouldn't want to irritate the man George Bush was to call a modern Hitler.

The U.S.S. Stark was attacked by an Iraqi fighter in May 1987, with 37 Americans killed — at a time, it was reported earlier this year, when the United States was secretly fighting with Iraq against Iran. The State Department made much of the fact that Baghdad promised to pay compensation; three years later, after Kuwait had been invaded, State was obliged to admit Iraq had never paid. The same month, after another call from Vice President Bush, the Export-Import Bank approved another \$200 million in revolving loan guarantees to Iraq, a country whose dwindling currency reserves had forced renegotiation of loans with Western banks in March 1987, two months earlier.

By March 1988, Baghdad was bold enough to use poison gas on the Kurdish village of Halabjah, killing as many as 5,000 people. In response, Kurdish leader Jalal Talabani came to Washington to request assistance, and several U.S. senators called for sanctions against Iraq. This measure, called "premature" by the Reagan administration, stalled in the House. Though both chambers eventually passed sanctions, they were not imposed by the administration. In May 1988, there were accounts of Iraq's new surface-to-surface missile with a range of nearly 600 miles. "Western military specialists," reported the *New York Times*, "have been repeatedly surprised by Iraq's ability to improvise and modify the weapons it receives from outside suppliers to fit its own needs." Moreover, Baghdad was given the capability to produce its own poison gas when, in July 1988, the British branch of Bechtel got a \$2.5 billion contract for a petrochemical plant. The same month, the Iran-Iraq war ended with the signing of a cease-fire in August 1988.

If a pro-Baghdad tilt in order to maintain a balance of power against Iran could have been justified before, it no longer could. Nevertheless, in an alleged attempt to moderate Saddam, greater economic ties were urged by the new Bush administration. How temperate and pleasant a fellow did he become? In January 1989, Senator John McCain (R-Ariz.) reported that the United States was sending bacteria to Iraq — ten times as lethal as anthrax — which could be used for biological weapons. The next month, CIA Director William Webster testified about the thousands of tons of chemical agents being produced by Baghdad. Meanwhile, an FBI raid in August 1989 of the Atlanta branch of BNL found massive fraud involving the CCC (Iraq had become one of its biggest "customers") and billions of dollars' worth of secret loans to Baghdad. "Some of the loans," reported Rachel Flick in the January 1991 *Reader's Digest*, "went to British, American, and West German companies exporting militarily useful technology to Iraq, some to Iraq's central bank."

Bush's NSD 26

An Iraqi-American business connection had meanwhile been greatly facilitated by Kissinger Associates, according to *The BNL Blunder*, by Kenneth Timmerman. In addition, despite incriminating information in the hands of the FBI, President Bush in October 1989 signed National Security Decision Directive 26, mandating more economic and political incentives supposedly to change the behavior of Iraq. NSD 26, which became the basis for administration action until the 1990 invasion, essentially called for plying Saddam with assistance, though stipulating (in its declassified mode) punishment if Baghdad used chemical or biological weapons or sought nuclear weapons.

Yet, even in the State Department at that very time, there was knowledge about malfeasance with government loans and Saddam's military boosting. Frank Lemay of the Bureau of Legislative Affairs sent a now-famous memo to his boss in the office of the under secretary for economic affairs — a memo



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that was relayed to Secretary Baker, then given the unusual secretive designation “Not for the System.” The October 13, 1989 memo warned that nuclear-related equipment was being bought by Iraq with government-backed farm loans. Speaking about the federal investigation in Atlanta, Lemay wrote: “If smoke indicates fire, we may be facing a four-alarm blaze in the near future.”

After Foreign Minister Tariq Aziz went to James Baker to claim that the BNL scandal did not involve Iraq, Baker personally lobbied Agriculture Secretary Clayton Yeutter on October 13 for more loan guarantees, according to documents made public by House Banking Committee Chairman Henry Gonzalez (D-Texas). Customs believed that missile- and chemical-weapons technology was bought with the money, but after Justice Department intervention, no indictments came until after Operation Desert Storm. The cause of that delay is now a matter of contention. Though some in the Bush administration advised against it, the president followed the advice of State Department officials Lawrence Eagleburger and Robert Kimmitt, approving another \$1 billion in loan guarantees for Iraq in 1990.

Where Was Congress?

Congress, concerned about the reports of poison gas, ended Saddam’s sweetheart deal with Ex-Im, only to be overruled by President Bush in January 1990. Bush said it was in the “national interest” of the United States to continue aiding Iraq. In like fashion, after the *Voice of America* called Iraq a police state, James Baker directed Ambassador Gaspie to apologize to the dictator. In March 1990, it was noted that Iraqi missiles had been moved near the Jordanian border where they were capable of reaching Israel. The same month, triggering devices for nuclear weapons — apparently purchased with funds from the BNL — were seized on their way to Iraq by the British.

By April of the year of the invasion, the violations of the CCC program were blatant enough to call a halt, but State prevailed upon Agriculture not to announce the suspension. Agriculture balked until, according to Representative Henry Gonzalez, National Security Advisor Brent Scowcroft intervened and the last \$500 million guarantee was put on hold without being announced — a suspension that Ambassador Gaspie was attempting to have lifted as late as the end of July.

Congress should not feel too proud of itself either. As Bruce Fein reviewed in the *Washington Times*, some of today’s more critical Democrats, such as Representatives Sam Gejdenson of Connecticut, Jack Brooks of Texas, and Charles Rose of North Carolina, respectively, pushed for more “dual-use” technology, shilled for more rice credit guarantees, and backed construction of a subsidized heavy truck plant in Iraq. The ever-radical Senator Howard Metzenbaum (D-Ohio) visited Saddam in April 1990 to inform the dictator that “I am now aware that you are a strong and intelligent man, and that you want peace.” Senator Alan Simpson (R-Wy.) on the same trip was little better: “I believe that your problems lie with the Western media and not with the U.S. government.”

Republican Senator Robert Dole of Kansas not long ago accused Democratic Senator Al Gore of Tennessee of having tried to barter which way his vote would go on the Iraq war resolution. Dole, one remembers, when he spoke with Saddam in April 1990, apologized for criticism of Hussein on the *Voice of America*, then returned to tell George Bush that the dictator was “a leader to whom the United States can talk.”

VIP Involvement

Not everything has yet come out. Consider some of BNL’s friends, such as Henry Kissinger (who got \$10,000 per BNL board meeting) and his associates — now on the inside — Lawrence Eagleburger and Brent Scowcroft. BNL was the largest participant in the CCC program, used by Iraq for more than \$5



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billion, and BNL (a client of Kissinger Associates until just before the scandal broke) had patrons in the above-named men. Representative Gonzalez notes, “Several Kissinger Associates clients had extensive dealing with Iraq including Volvo, Midland Bank, Fiat, and Asea Braun Bovert, and those same companies were also the beneficiaries of BNL loans to Iraq or were involved in some way with BNL-Atlanta.”

Other members of the BNL board were David Rockefeller, former Canadian Prime Minister Pierre Trudeau, and former British Defense Minister Lord Thornycroft. Kissinger told the *Financial Times* he bailed out of BNL a week before the BNL indictment in February 1991 because “he did not want to answer questions about such incidents” — yet subsequent reporting indicates that Kissinger did not resign until four months later, when his contract expired.

Cover-up seems to be a polite way to refer to the problem of finding out what went on before the war. For example, when the Commerce Department sent Congress an export-license record about sensitive electronic equipment to be shipped to Iraq, according to the *Los Angeles Times* for June 21, 1992, it first removed the following sentence: “According to our information, the end-user is involved in military matters.” Even Congress might have picked up that clue. As it happens, the House Subcommittee on Commerce, Consumer and Monetary Affairs, headed by Representative Doug Barnard (D-Ga.), got a list from the Commerce Department of those high-tech items it approved for shipment to Iraq between 1985 and 1990, and found no less than 68 instances where Commerce had deleted references to the military uses of those exports. Responsibility for the tampering is now under investigation.

Representative Henry Gonzalez — no conservative, mind you, but a dogged investigator nonetheless — contends that about two of seven export licenses approved between 1985 and 1990 “went either directly to the Iraqi armed forces, to Iraqi end-users engaged in weapons production, or to Iraqi enterprises suspected of diverting technology” to weapons of mass destruction. He cites particulars involving chemical, missile, nuclear, and germ warfare.

In a letter to this reporter, Gonzalez indicated that he is now turning his investigation

toward a direct examination of how Iraq was able to abuse the U.S. financial system in its military industrialization effort. Throughout this investigation, I have also continued to outline the involvement of the Bush administration with the BNL, its role in helping Saddam Hussein build the Iraqi war machine, and its continued efforts to mislead the American public regarding the President’s policy of support and appeasement toward Iraq and to thwart my and other Congressional investigations into the conduct of this policy.

This shying from the facts involves more than embarrassment over being wrong about Saddam. Between March 1987 — when Vice President George Bush met with the Iraqi Ambassador to the United States to tell him that some military-related equipment, long-awaited, was now approved — until the invasion of Kuwait in August 1990, there was \$600 million worth of dual-use technology approved for licensing, according to Commerce Department records.

The president’s denials look weak in the face of, for example, a CIA document in October 1989 that warned: “Baghdad has created complex procurement networks of holding companies in Western Europe to acquire technology for its chemical, biological, nuclear and ballistic missile development programs,” also citing companies linked to Atlanta’s BNL bank. This was less than a month after the president called for more economic and political incentives to Saddam. Just days after this warning, the administration approved \$500 million in new loan guarantees to Saddam.



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State Department Warning

No, these were not all accidental misreadings. In February 1990, Deputy Secretary of State Eagleburger cautioned U.S. embassies in nine countries that Iraq's NASSR State Enterprise was seeking "glass-fiber related technology" which could be used for nuclear and missile systems. The United States had known about NASSR's "bad end-use" programs since 1988. Despite all this, says Representative Gonzalez, "and in complete contradiction to the State Department's warning, on May 30, 1990, the U.S. Commerce Department informed Matrix-Churchill [an Ohio firm owned by Iraq] that it did not even need a license to ship the equipment and the glass-fiber technology to Iraq." Yet we now find out that the real boss of the Ohio firm was Saddam Hussein's son-in-law in Iraq's Ministry of Industry and Military Industrialization, who was in charge of all overseas weapons technology procurement.

Recall that two days before Iraq invaded Kuwait, Ambassador Glaspie reassured Saddam Hussein: "I have direct instruction from the President to seek better relations with Iraq.... President Bush ... is not going to declare an economic war on Iraq." Considering how much economic and military assistance Saddam had already gotten, the wonder is that he didn't laugh out loud. It was not until September 1990, more than a month after the invasion of Kuwait, that Matrix-Churchill of Ohio — an Iraqi front company long known as the "eyes and ears" of Baghdad's weapons procurement network in the United States — was padlocked by the U.S. Customs Service. However, the proverbial horse was long out the door.



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