



## Arming Saddam

"I think we have to understand the following thing," declared Secretary of State Madeleine Albright during a February 18th "Town Meeting on Iraq" at Ohio State University. Referring to the supposed menace to the "international community" posed by Saddam Hussein's arsenal of chemical and biological weapons (CBW), Albright insisted, "The United States did not create this problem. Saddam Hussein created the problem."

This is a very effective sound bite. It is also an unambiguous lie. Saddam Hussein is a creation of the foreign policy establishment represented by Albright. "If Saddam Hussein didn't exist, we would have to invent him," admitted Fareed Zakaria in the September 16, 1996 issue of *Newsweek*. According to Zakaria, who edits the Council on Foreign Relations' flagship journal *Foreign Affairs*, Saddam is "the linchpin of U.S. policy in the Middle East." The end of Saddam "would be the end of the anti-Saddam coalition," elaborated Zakaria, as "nothing destroys an alliance like the disappearance of the enemy." Rational statesmen sometimes create alliances to deal with enemies; the CFR-dominated foreign policy trust creates enemies to justify alliances.

The three Clinton Administration officials who participated in the OSU event — Albright, National Security Adviser Sandy Berger, and Secretary of Defense William Cohen — are drawn from the CFR's stable of pseudo-statesmen, and each of them dutifully recited the Establishment's talking points regarding Saddam's supposedly unique depravity. "Saddam Hussein, unlike any other leader, has used weapons of mass destruction even against his own people," insisted Albright. "In fact, he is a repeat offender." Berger claimed that Saddam has used chemical or biological weapons "ten times since 1983" and accused him of seeking "to create a safe haven for weapons of mass destruction." Cohen tremulously described Saddam's CBW inventory, which includes VX — "a nerve agent so deadly a drop will kill" — and anthrax. As a visual aid Cohen asked CNN (which hosted the OSU event and carried it live worldwide) to display a heart-rending photograph of a dead mother and infant who had been killed in an Iraqi gas attack. "I call this 'Madonna and Child, Saddam Hussein-style,'" Cohen melodramatically intoned.

Left unremarked by the CFR triumvirate was the fact that Saddam's CBW depredations all took place during a period in which he was actively supported by the U.S. foreign policy establishment, which was well aware of those atrocities. Furthermore, despite its professed agitation over Saddam's CBW capacity, the Clinton Administration has been surprisingly sanguine about the role of our "strategic partner" Russia in helping Saddam develop and maintain that capacity.

The *Washington Post* reported on February 12th that UN inspectors had discovered documentary evidence of a 1995 agreement by Russia to sell to Iraq "dual-use" technology which could be used to develop biological weapons. When asked about the report, Albright breezily replied that "Russia has been working to strengthen its export controls." The report was actually attacked by an anonymous Administration official, who complained to *Newsweek* that the *Post* report was based on "the flimsiest piece of evidence" available. Apparently the Administration's zeal to confront the scourge of biological and chemical weapons was tempered by its desire to run damage control for Russia, which is still energetically developing CBW and continues to be a military sponsor of Saddam's regime.

Dr. Joseph Douglass, a respected intelligence analyst and specialist on Russian/Soviet affairs, warned in the November 2, 1995 *Wall Street Journal* that "five Russian defectors have reported on a massive 25-year effort to create quantitatively new families of CBW agents using the most advanced



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biotechnology." In the course of this campaign, observed Douglass, "arms control treaties were disregarded by both the Soviets and Russians," including the 1972 Biological and Toxin Weapons Convention. The chief Soviet/Russian facility employed in this long-term project is an immense military complex called Biopreparat, which Douglass noted "is roughly ten times larger than U.S. CBW specialists had estimated prior to the Soviet breakup."

The post-Soviet Russian regime of Boris Yeltsin has repeatedly issued assurances that it is divesting itself of the Soviet-era CBW capacity. However, the official placed in charge of this effort is Lieutenant General Anatoly Kuntsevich, former director of the Soviet CBW effort. In his book *The New Spies*, British investigative reporter James Adams describes the general as "a past master at controlling secret projects and disguising their true nature from prying Western eyes," and there is ample reason to believe that Kuntsevich has continued his covert campaign on behalf of the Russian military and Russia's allies among "rogue states."

In 1991, Mikhail Gorbachev conferred the Lenin Prize upon Kuntsevich and his colleagues for their work in developing new "binary" chemical weapons. According to Adams, "Russian scientists have admitted that they have stored 323,000 tons of chemical weapons including Sarin, Soman, and VX." Russia's "chemical generals" thus are positioned to aid terrorists and rogue states that seek CBW capacity, and have done so. For example, Tokyo's Aum Shinri Kyo cult, which launched a March 20, 1995 Sarin gas attack in the Tokyo subway system, was a beneficiary of both material and technical help from Russia's military and intelligence sectors. (See "Cult of Terror" in our November 11, 1996 issue.) In 1994, the KGB (in its newer manifestation, the FSB) supposedly foiled a scheme by Kuntsevich to sell approximately five tons of nerve gas agents to Syria and Iraq. Yeltsin responded to Kuntsevich's scheme by firing him from his military post — and reassigning him to head Russia's CBW disarmament effort. Furthermore, the general has claimed that the sale was sanctioned by an official agreement. All of this suggests that the KGB's supposed interdiction of the sale was staged for disinformation purposes.

Following the initial disclosure of the Biopreparat project by Russian defector Vladimir Pasechnik in 1989, U.S. and British inspectors demanded access to the facility, as Russia was required to grant under the terms of the 1972 convention. In 1992, the Russians responded with a preview of exactly the same tactics that have been employed by Saddam Hussein in concealing elements of his CBW program from UN inspectors. A Russian listing of CBW sites provided that year listed only four of 20 known Biopreparat facilities. Like UN inspectors quarreling with Saddam about access to Iraqi "presidential palaces," American and British inspectors "found themselves arguing with the Russians about visiting rights to sites [the Russians] did not accept actually existed," reports Adams in *The New Spies*.

Furthermore, "In every facility that had been opened for inspection to Western intelligence, the Russians had established convincing cover stories that made it appear as if each site had been converted to research of manufactured vaccines. The secret work continued in parts of the sites that were never visited by the American or British officials.... Far from the Biopreparat biological warfare program being shut down, it had in fact undergone considerable modernization and work was continuing as before" — with the help of the U.S. government and taxpayers.

According to the May 6, 1997 *Jerusalem Post*, Russian scientist Vil Mirzayanov has warned repeatedly that "Russia's 'chemical generals' are all eager to fraudulently use U.S. money, intended for chemical disarmament, to help modernize their chemical-weapons arsenal, and no less eager to raise hard currency through covert or black-market export deals with rogue states and possibly even terrorist



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groups.”

If Russia’s “chemical generals” are eager to exploit U.S. firms, U.S.-based multinationals are just as eager to be exploited — and both parties are delighted to exploit the U.S. taxpayer. A June 23, 1997 dispatch from the Business Information Service for the Newly Independent States (BISNIS) reported, “Several U.S. companies recently have been working on projects under the Medical Technology Transfer Activity Program of the United States Agency for International Development (USAID).” One such taxpayer-subsidized joint venture involves Searle Pharma, “a newly created Russian subsidiary of Monsanto company,” which broke ground last May 16th on a \$32 million facility to be shared with “the All-Russian Institute for Molecular Diagnostics and Therapy, which is part of a larger firm, Biopreparat.” One advertised purpose for the new facility will be the development of “anti-infection drugs,” which would be a perfectly serviceable cover for the development of CBW agents.

The BISNIS report described the Monsanto/Biopreparat joint venture as “an offspring of a commission established by U.S. Vice President Gore and Russian Prime Minister Viktor Chernomyrdin which aims to foster bilateral economic and technical cooperation.” In this case, the notorious Gore-Chernomyrdin Commission is enabling U.S. taxpayer subsidies for Russia’s CBW effort — which is, in turn, facilitating similar efforts underway by Saddam Hussein.

Russia’s patronage of Saddam’s CBW program began during the Iran-Iraq war, when Saddam was casting about for a means of countering Iran’s human wave attacks. “Iraq asked specifically for a CBW system during the November 14, 1983 visit to Baghdad of Vladimir Mordvinov, deputy chairman of the USSR Committee for Foreign Economic Relations,” reports James Ring Adams in the March issue of *The American Spectator*. “Mordvinov kicked the request back to Moscow, and two weeks later his boss Yakov Ryabov flew to Baghdad to make arrangements.”

Soviet CBW support became evident during a 1983-84 engagement between Iraq and Iran in the marshes around Majnoon Island. “In the autumn of 1983, Saddam warned Iran that Iraq had a secret modern weapon,” report Middle East analysts Judith Miller and Laurie Mylroie in their book *Saddam Hussein and the Crisis in the Gulf*. “The meaning of this warning became clear ... when Iran, using human wave attacks, launched a massive offensive in the marshes of southern Iraq.” As the Iranian tide overwhelmed Iraqi forces, “Saddam ordered the use of chemical weapons.”

According to James Ring Adams, European doctors who treated victims of the battle of Majnoon reported that both mustard gas and a mycotoxin known as T-2 — more commonly known as “Yellow Rain” — had been employed by the Iraqis against the Iranians. The T-2 traces were clearly a Soviet footprint, and when confronted with this evidence the U.S. foreign policy establishment behaved in predictable fashion: It launched a cover-up. “Central Intelligence Agency sources warned reporters not to trust the findings of the Belgian specialist Aubin Heyndrickx, who was treating the Iranian victims of Majnoon,” writes Adams. “The State Department fell silent about Yellow Rain. It was almost as if some secret deal had been struck to abandon the issue if the attacks ceased.”

In fact, secret deals had been struck between Iraq and the U.S. foreign policy establishment in 1983. Even as the Soviets were nurturing Iraq’s embryonic chemical and biological weapons program, the U.S. State Department was making its own overtures to Saddam. With the help of an obscure U.S. Department of Agriculture program, an equally obscure Atlanta branch of an Italian bank, and the involuntary assistance of the U.S. taxpayers, the foreign policy establishment helped Saddam build his war machine, including his weapons of mass destruction.



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In 1982, as a prelude to the U.S. “tilt” toward Iraq in its war with Iran, the State Department dropped Iraq from its list of states that sponsor terrorism. As Alan Friedman points out in his exposé *Spider’s Web*, this move meant that “Baghdad would now be eligible for American government loan guarantees” and that covert operatives in the U.S. intelligence community “now had political cover to go ahead with their plans to provide U.S. equipment to Iraq, albeit by way of unofficial channels.”

On December 17, 1983 — shortly after the Soviets had agreed to help build Saddam’s CBW capacity — presidential envoy Donald Rumsfeld visited Baghdad bearing a handwritten letter from President Reagan to Saddam. “In it Reagan offered to renew diplomatic relations and to expand military and business ties with Baghdad,” reports Friedman. Shortly thereafter the U.S. began to extend taxpayer-backed loan guarantees to Iraq. In 1984, for example, the U.S. Export-Import Bank (Eximbank) extended a \$500 million loan guarantee to Iraq to build the Aqaba oil pipeline — a project that enjoyed the personal attention of then-Vice President George Bush.

But Eximbank subsidies were too visible to serve as a means of underwriting Iraq’s war machine. So the foreign policy establishment selected an obscure Agriculture Department program known as the Commodity Credit Corporation (CCC). “As relations between the United States and Iraq began to thaw in 1983 and 1984, the White House sliced Iraq a giant piece of the CCC pie,” explains Peter Mantius in his book *Shell Game*. “Between 1983 and early 1990, Iraq received \$4.98 billion in farm loan guarantees from the CCC.” Iraq is almost entirely dependent upon agricultural imports, and its war with Iran exacerbated this dependency. As Judith Miller and Laurie Mylroie point out, “The CCC credits were important to an increasingly cash-starved [Iraq]. Under the program, Baghdad had three years to repay the loans, and if Iraq defaulted, the U.S. government would be obligated to pay off the debt itself” — by extorting the requisite sum from the taxpayers, of course.

The chief artery through which subsidized trade flowed to Iraq was the Atlanta branch of Italy’s Banca Nazionale del Lavoro (BNL). BNL was well-equipped to carry out covert initiatives; it was notoriously corrupt and on intimate terms with the underworld. Friedman observes that BNL was known in Italian political circles as “the bank of P-2,” referring to “the Mafia-like Masonic lodge known as the P-2 Freemasons.” Teeming with gangland figures and KGB assets, P-2 was “a sinister organization that plotted coups, robberies, and a variety of financial and political intrigues.” Thus, it was of some significance that “BNL was ... shown to have among its upper echelons a veritable nest of P-2 operatives” — and that BNL/Atlanta became, in Friedman’s words, the “Grand Central Station of U.S.-Iraqi banking traffic.”

BNL/Atlanta manager Christopher Drogoul was approached in 1982 by officials of Continental Grain to underwrite a \$13 million transaction with Iraq with the help of taxpayer-insured CCC loan guarantees. Under the CCC program, taxpayers would be put on the hook for 98 percent of any loans that go into default, making the program irresistibly attractive to both bankers and international commodity firms. Continental was arguably the most experienced exploiter of such taxpayer subsidies, having used them for decades to underwrite grain deals with the Soviet Union. The firm’s president and CEO, Donald Staheli, would go on to become the head of both the U.S-China Business Council and the U.S.-Russia Business Council, which organized corporate lobbying efforts on behalf of subsidized trade with the Red Chinese and Soviets. Predictably, when the U.S.-Iraq Business Council was created in 1985, Continental became a charter member.

“Thanks to the Continental Grain deal, Drogoul saw a new world opening up to him, a world of easy transactions backed by U.S. government loan guarantees,” writes Friedman. By 1988, BNL/Atlanta was



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handling approximately 95 percent of Soviet wheat imports, in addition to BNL's ever-expanding business with Iraq. More importantly, by that time officials from Continental had put Drogoul in touch with Sadik Taha, director general of the Central Bank of Iraq and front man for Saddam's military-industrial complex — and BNL/Atlanta was using the CCC program to underwrite transactions that had nothing to do with grain shipments.

"By padding the cost of shipments, Iraqi agents were able to skim large sums that could then be used to purchase weaponry," Friedman points out. Grain purchased with CCC-backed loans was also bartered on the international black market for Soviet-made weaponry — and these deals were often conducted by assets and allies of U.S. intelligence agencies. However, by the late 1980s BNL/Atlanta was directly financing Iraq's military sector.

"The goods that Iraq wished to purchase with the \$2.1 billion in loans that BNL/Atlanta extended in 1988 and 1989 were not the kind that would be eligible for purchase with CCC loan guarantees," Friedman recalls. The purchases involved high-technology machine tools, computers, and other "dual-use" items with obvious military applications. Additionally, "Some of Drogoul's loans went straight to front companies in Switzerland that were sending NATO-based equipment and technologies to Baghdad." BNL/Atlanta loans subsidized Iraq's "Project 395," which was devoted to developing ballistic missile technology. Just as remarkable was the April 8, 1989 BNL/Atlanta loan of \$5.4 million to Entrade, a Turkish company based in New York. That loan supposedly underwrote the delivery of "300 tons of yarn" to the Iraq Atomic Energy Commission.

Friedman also notes, "The Iraqis would frequently order BNL to provide funds to finance a huge petrochemical company called PC2," which was located approximately 50 kilometers south of Baghdad. The general contractor on the PC2 project was California's Bechtel Corporation, which subcontracted with firms from the U.S., Japan, Italy, France, and Great Britain. PC2 "would be dual-use," points out Friedman. "This meant it would be able to generate chemical compounds needed to make mustard gas and nerve gas" in addition to innocuous petrochemicals. "The same kind of dual-use shipments occurred many times over, but few companies wanted to contemplate the ultimate use of their technology if the profits were sufficiently attractive. And the Atlanta branch on Peachtree Street kept generating letters of credit," meaning that while the profits earned by building Saddam's war machine were private, the risks and losses were subsidized.

Furthermore, most of these subsidized deals were made after the supposed strategic necessity for supporting Saddam had passed. By 1986, U.S. intelligence analysts had concluded that Iran was not going to defeat Iraq, and covert military aid to Iran was underway; by 1988, with the war winding down, military assistance to Iraq was strategically redundant. Nonetheless, BNL/Atlanta continued to underwrite development of Iraq's arsenal, including CBW and nuclear research and development. Many of those deals were arranged by Kissinger Associates, which Peter Mantius describes as "a for-hire team of international political experts" created by CFR heavyweights Henry Kissinger, Brent Scowcroft, and Lawrence Eagleburger. "In utmost secrecy, the three counseled an exclusive group of multinational corporations and banks that paid them huge fees," recalls Mantius. "Kissinger's client list was a guarded secret. The firm insisted on giving briefings orally rather than on paper. Even the Park Avenue tower that served as Kissinger Associates' New York headquarters didn't list the firm in its directory. It was almost like a private intelligence agency."

The BNL account was handled by Scowcroft, who went from brokering Iraq-related deals for the bank to helping conduct the Gulf War as George Bush's National Security Adviser. Kissinger himself became



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a member of BNL's advisory board, a position he resigned on February 22, 1991 — more than a month *after* the Gulf War broke out. Eagleburger went from Kissinger Associates to a position as James Baker's Deputy Secretary of State, in which capacity he "helped Iraq win up to \$1 billion in loan guarantees" in 1989, according to Mantius.

The covert subsidies to Iraq faced an unexpected complication on August 4, 1989, when the FBI raided the office of BNL/Atlanta, seized boxes of documents relating to the loans to Iraq, and arrested Drogoul. Despite the raid, and accumulating evidence of Saddam's intention to develop weapons of mass destruction, President Bush signed National Security Directive (NSD) 26 on October 2, 1989, which declared, "Normal relations between the United States and Iraq would serve our long-term interests and promote stability in both the Gulf and the Middle East." For this reason, claimed the Directive, "We should pursue, and seek to facilitate, opportunities for U.S. firms to participate in the reconstruction of the Iraqi economy" and even conduct joint military ventures with Iraq on a case-by-case basis.

As the criminal investigation into BNL/Atlanta spread, Secretary of State James Baker recruited State Department lawyer Abraham Sofaer to draft a memo setting forth a legal rationale to continue the flow of CCC subsidies to Iraq, and collaborated with Kissinger Associates veteran Eagleburger to promote the subsidies within the Bush Administration. "Splitting the lobbying chores, [Baker and Eagleburger] wielded NSD 26 like a club to beat back stiff bureaucratic resistance to giving Iraq just what it demanded," Mantius records. "They bulldozed over concerns that Iraq was a poor credit risk and ignored the fact that Saddam was hurrying to prepare weapons of mass destruction." Typical of this campaign was a November 1989 letter from Eagleburger to Deputy Treasury Secretary John Robson that cited NSD 26 and insisted, "To realize Iraq's enormous potential as a market for U.S. goods and services, we must not permit our displacement as a major trading partner."

By early 1990, exposure of the BNL/Atlanta case and Saddam's increasing bellicosity had generated a congressional backlash against CCC subsidies for Iraq. On May 18th of that year — just weeks before the Iraqi invasion of Kuwait that triggered the Gulf War — National Security Adviser Brent Scowcroft, the other key Kissinger Associates veteran in the Bush Administration, personally intervened to ensure the delivery of an embattled \$500 million CCC subsidy for Baghdad. Following the August 2nd invasion, President Bush cut off U.S. exports to Iraq and froze Iraqi assets in the United States, prompting the predictable retaliation from Saddam. "When Iraq invaded Kuwait in August 1990, it hadn't yet paid \$1.9 billion of its \$4.98 billion in CCC-guaranteed debt," observes Mantius. "Naturally, Saddam halted payments, allowing \$1.9 billion in loans ... to fall into default. American taxpayers had to cough up the money, plus interest."

On August 8, 1990, President Bush signed a three-page document that waived federal conflict-of-interest guidelines on behalf of 11 Administration officials — including Baker and Scowcroft — whose investments might be affected by U.S. military actions in the Gulf region. So eager was Bush to keep those conflicts of interest secret that copies of the memo weren't even distributed to the affected individuals. This was just the beginning of the Bush Administration's cover-up. "Iraq's 1990 invasion of Kuwait threatened to expose the White House shell game in the Middle East," observes Mantius. "It triggered congressional investigations that dug deep into the covert U.S. tilt toward Iraq and into the tiny Atlanta bank that helped fund it. But President Bush, using the vast power of his office, tried to stall the probes long enough for the American companies that supplied Iraq to blend quietly into the crowd."

Although Bill Clinton had promised as a candidate in 1992 that he would appoint a special prosecutor to



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investigate what became known as “Iraqgate,” as President he has been content to allow the cover-up to remain unmolested. In 1995, after four years and several grand jury investigations, the Clinton Administration produced a *Final Report on Iraqgate* that “amounts to little more than a whitewash of the entire affair,” reports Middle East affairs analyst Kenneth Timmerman, author of *The Death Lobby: How the West Armed Iraq*. In every instance, the White House report, which was issued by Attorney General Janet Reno and written by Assistant Attorney General John Hogan, “concluded that there had been no violations of law. And in a classified addendum, subsequently rendered public, the intelligence community and the executive branch were exonerated of having ‘illegally armed Iraq,’ despite extensive evidence of intelligence community involvement unearthed by [Congress] and the U.S. Customs Service.”

One reason for the Clinton Administration’s participation in the whitewash is the fact that Hillary Clinton joined the board of the French multinational chemicals concern Lafarge in 1990 — and Lafarge “provided key services for the covert arms export network that supplied Saddam Hussein,” explains Timmerman.

However, a better explanation for the Clinton Administration’s cooperation in the cover-up can be found in the decades-old tradition of bipartisan perfidy on the part of the foreign policy elite.

In the United States, a person accused of “depraved indifference” to human life that results in the death of another individual can be found guilty of homicide. In its efforts to arm Iraq, to maximize taxpayer-subsidized profits from that buildup, to run interference for Soviet efforts to equip Saddam with chemical and biological weapons capacity, and to capitalize upon the resulting death, destruction, and turmoil by empowering the United Nations in the service of a “new world order,” the foreign policy establishment has displayed homicidal depravity that easily equals that displayed by Saddam Hussein.

On May 12, 1996, the CBS television news program *60 Minutes* featured an interview with Madeleine Albright. Asked about the estimated half-million Iraqi children who have died from disease and malnutrition as a result of the post-Gulf War UN embargo of Iraq, Albright blithely replied, “I think this is a very hard choice, but the price, we think, is worth it.” The “we” in question is the foreign policy establishment whom Albright has served for decades without so much as a visible tremor of moral discomfort — and Saddam Hussein, like Albright, is a loathsome instrument of that elite.



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